



## SUN LIFE FINANCIAL INC.

2018

**NOTICE OF ANNUAL MEETING  
OF COMMON SHAREHOLDERS**

MAY 9, 2018

**MANAGEMENT INFORMATION CIRCULAR**

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Dear Shareholder:

You are invited to attend our annual meeting of common shareholders on Wednesday, May 9, 2018 at 9:00 a.m. (Toronto time). The meeting will be held at Sun Life Financial's head office at 1 York Street (at Harbour Street), 35th floor, Toronto, Ontario, Canada and will also be webcast at [www.sunlife.com](http://www.sunlife.com).

The business of the meeting is described in the accompanying Notice of our 2018 annual meeting and Management Information Circular.

We will be conducting the annual meeting of the voting policyholders and sole shareholder of Sun Life Assurance Company of Canada at the same time. The formal business of each meeting will be conducted separately, however, management's presentation will address shareholders and policyholders. A joint question and answer period will then follow.

Your vote is important. If you cannot attend the meeting, please vote by submitting your proxy by mail, internet or telephone by 5:00 p.m. (Toronto time) on Monday, May 7, 2018, as described on pages 5 to 7 in the attached circular. If your shares are held in the name of a nominee, see page 6 for information about how to vote your shares.

We look forward to seeing you at the meeting.

A handwritten signature in black ink, appearing to read "William D. Anderson".

**William D. Anderson**  
Chairman of the Board

A handwritten signature in black ink, appearing to read "Dean A. Connor".

**Dean A. Connor**  
President & Chief Executive Officer

Si vous désirez recevoir l'avis de convocation à l'assemblée annuelle et la circulaire d'information en français, veuillez communiquer avec le secrétaire en écrivant au 1 York Street, 31<sup>st</sup> Floor, Toronto (Ontario) Canada M5J 0B6, en composant le 1-877-786-5433, ou en envoyant un courriel à [servicesauxactionnaires@sunlife.com](mailto:servicesauxactionnaires@sunlife.com).



## Notice of our 2018 annual meeting

You are invited to our annual meeting of common shareholders:

**When** Wednesday, May 9, 2018  
9:00 a.m. (Toronto time)

**Where** 1 York Street (northeast corner of York and Harbour)  
35<sup>th</sup> floor  
Toronto, Ontario

### What the meeting will cover

1. Receipt of the 2017 consolidated financial statements
2. Election of the directors
3. Appointment of the auditor
4. A non-binding advisory vote on approach to executive compensation
5. Consideration of other business that may properly be brought before the meeting.

**A total of 608,107,270 votes are eligible to be cast at the meeting.**

The annual meeting of Sun Life Assurance Company of Canada will also be held at the same time and place.

The attached circular is being sent to you because you owned common shares of Sun Life Financial Inc. on March 19, 2018 (the record date). It includes important information about what the meeting will cover, who can vote and how to vote.

The board of directors has approved the contents of this circular and has authorized us to send it to you.

A handwritten signature in black ink, appearing to read "Troy Krushel". The signature is fluid and cursive, with a large loop at the end.

**Troy Krushel**  
Vice-President, Associate General Counsel & Corporate Secretary

Toronto, Ontario  
March 19, 2018

# Management Information Circular

March 19, 2018

In this document, *we, us, our, the company* and *Sun Life Financial* mean Sun Life Financial Inc., and *Sun Life Assurance* means Sun Life Assurance Company of Canada. *You, your* and *shareholder* mean common shareholders of Sun Life Financial.

## Delivery of meeting materials

### Notice and Access

As permitted by the Canadian Securities Administrators and pursuant to an exemption from the proxy solicitation requirement received from the Office of the Superintendent of Financial Institutions Canada, we are using "Notice and Access" to deliver this Management Information Circular (the "Circular") to both our registered and non-registered shareholders. Instead of receiving a paper copy of this Circular in the mail, shareholders who hold common shares of Sun Life Financial as of March 19, 2018, the record date for the meeting, have access to it online. Shareholders received a package in the mail with a notice (the "Notice") explaining how to access this Circular electronically and how to request a paper copy of it. A form of proxy for registered shareholders and share ownership statement participants, or a voting instruction form for non-registered shareholders, was included with the Notice with instructions so that you can vote your shares.

Notice and Access allows for faster access to this Circular, helps reduce printing and postage costs, contributes to the protection of the environment and is consistent with our sustainability strategy.

### How to access the Circular electronically

This Circular is available on our website ([www.sunlife.com/2018agm](http://www.sunlife.com/2018agm)) and on the website of our transfer agent, AST Trust Company (Canada) ("AST") ([www.meetingdocuments.com/astca/slf](http://www.meetingdocuments.com/astca/slf)), on SEDAR ([www.sedar.com](http://www.sedar.com)) and on EDGAR ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)).

### How to request a paper copy of this Circular

You may request a paper copy of this Circular up to one year from the date it was filed on SEDAR. If you would like to receive a paper copy of this Circular prior to the meeting, please follow the instructions provided in the Notice or make a request at any time prior to the meeting on AST's website ([www.meetingdocuments.com/astca/slf](http://www.meetingdocuments.com/astca/slf)) or by contacting AST at 1-888-433-6443 (toll free in Canada and the United States) or 416-682-3801 (other countries). A copy of this Circular will be sent to you at no cost within three business days of your request. If you request a paper copy of the Circular you will not receive a new form of proxy, so you should keep the original form sent to you in order to vote.

### Questions?

If you have questions about Notice and Access or to request a paper copy of this Circular after the meeting at no charge, you can call AST at 1-888-433-6443 (toll free in Canada and the United States), or 416-682-3801 (other countries).

## Electronic delivery of other continuous disclosure documents

You are also encouraged to consent to electronic delivery (e-delivery) to receive our other continuous disclosure documents, including annual and interim reports. Shareholders who have enrolled in e-delivery will be notified by email when documents are made available, at which time they can be viewed and/or downloaded from our website ([www.sunlife.com](http://www.sunlife.com)). How you enroll depends on whether you are a registered shareholder, a share ownership account participant or a non-registered shareholder.

- You are registered shareholder if you hold a paper share certificate;
- You are a share ownership account participant if you hold a share ownership statement; and
- You are a non-registered shareholder (also known as a beneficial shareholder) if your securities broker, clearing agency, financial institution, trustee or custodian or other intermediary (your *nominee*) holds your shares for you in a nominee account.

The chart below outlines the process by which shareholders can sign up for e-delivery.

Go Paperless! How to sign up for e-delivery	
Registered shareholders and share ownership account participants	Non-registered shareholders in Canada and the United States
Sign up for e-delivery at the following website: <a href="https://ca.asfinancial.com/SLFGoPaperless">https://ca.asfinancial.com/SLFGoPaperless</a> or by checking the box on the reverse side of your proxy form and providing your email address.	Sign up for e-delivery at <a href="http://www.proxyvote.com">www.proxyvote.com</a> using the control number appearing on your voting instruction form, or after the meeting, by obtaining a unique registration number from your financial intermediary.

## Our 2018 annual meeting

What the meeting will cover:

### Financial statements

You will receive the consolidated financial statements for the year ended December 31, 2017, the auditor's report and the actuary's report on the policy liabilities reported in the financial statements, and have the opportunity to ask questions.

### Electing the directors (see page 8)

You will elect 11 directors to serve on our board until the next annual meeting. All of the director nominees currently serve on our board except for Ashok K. Gupta. All 11 individuals are also nominated to serve as directors of Sun Life Assurance, a principal operating subsidiary which we wholly own.

### Appointing the auditor (see page 17)

You will vote on the appointment of Deloitte LLP (Deloitte) as our auditor for 2018. Deloitte has been our auditor since Sun Life Financial was incorporated in 1999 and has served as the auditor of Sun Life Assurance since 1875.

### Having a "say on pay" (see page 18)

You will participate in a non-binding advisory vote on our approach to executive compensation, giving you an opportunity to express your view on the board's approach to setting executive compensation as described in the *Executive compensation* section starting on page 46.

We will file the results of the votes, including the advisory vote on SEDAR ([www.sedar.com](http://www.sedar.com)) and publish them on our website ([www.sunlife.com](http://www.sunlife.com)). If a significant number of shareholders oppose the “say on pay” resolution, the board will consult shareholders to understand their concerns, and then review our approach to executive compensation with their concerns in mind. Our executive officers have a material interest in the outcome of the vote because it may affect our process for determining their compensation. It is impossible, however, for us to describe the impact of the vote or the consultations before they have taken place.

### **Considering other business**

You can vote on other items of business that are properly brought before the meeting. As of the date of this Circular, we were not aware of any other items to be brought forward.

## **Voting**

### **Who can vote**

You are entitled to receive notice of and vote at our annual meeting of common shareholders if you were a shareholder of record as of 5:00 p.m. (Toronto time) on March 19, 2018.

As of March 19, 2018, we had 608,107,270 common shares outstanding. Each common share carries one vote. We require a simple majority of votes cast for any of the items of business to be approved.

Two persons present in person or by proxy and representing at least 25% of the shares entitled to vote constitute a quorum for the transaction of business at the meeting.

To the best of our knowledge, no person or company beneficially owns or exercises control or direction over, directly or indirectly, more than 10% of the voting rights attached to our common shares.

Common shares cannot be voted if they are beneficially owned by the Government of Canada, any province or territory of Canada, the government of a foreign country, or any political subdivision or agency of any of those entities.

### **How to vote**

You have two ways to vote:

- by proxy
- by attending the meeting and voting in person.

### ***Voting by proxy***

Voting by proxy is the easiest way to vote because you are giving someone else the authority to attend the meeting and vote your shares for you (called your *proxyholder*). If you specify on your proxy form or in your voting instructions how you want to vote on a particular matter, then your proxyholder must vote your shares according to your instructions.

The enclosed proxy form names William D. Anderson, Chairman of the Board, or in his absence Scott F. Powers, Chairman of the Governance, Nomination & Investment Committee, or in his absence another director appointed by the board, as your proxyholder to vote your shares at the meeting according to your instructions.

If you appoint them as proxyholders but do not specify on the proxy form how you want to vote your shares, your shares will be voted:

- **FOR** electing each of the director nominees who are listed in the proxy form and Circular
- **FOR** appointing Deloitte LLP as auditor
- **FOR** the advisory resolution accepting our approach to executive compensation.

**You can appoint another person to vote your shares by printing his or her name in the space provided on the proxy form.** This person does not need to be a shareholder, but your vote can only be counted if he or she attends the meeting and votes for you. Regardless of who you appoint as your proxyholder, if you do not specify how you want to vote your shares, your proxyholder can vote as he or she sees fit. Your proxyholder can also vote as he or she decides on any other items of business that properly come before the meeting, and on any amendments to the items listed above.

### ***Voting in person***

Attending the meeting in person gives you an opportunity to hear directly from management and meet the individuals who have been nominated to serve on our board.

If you want to attend the meeting and vote your shares in person, do not complete or return the proxy form. When you arrive at the meeting, register with a representative of our transfer agent AST to receive a ballot.

### ***Registered shareholders and share ownership account participants***

If you do not want to attend the meeting and vote in person, indicate your voting instructions on the proxy form included with the Notice, then sign, date and return it using one of the methods below:

- Mail it in the envelope provided
- Scan and email both pages to [proxyvote@astfinancial.com](mailto:proxyvote@astfinancial.com).

Alternatively, you may submit your voting instructions by telephone or on the Internet. You will need the 13-digit control number in the top right-hand corner of the form to complete your voting instructions using one of these methods. The transfer agent uses the control number to verify your identity.

***Voting by phone***                      Call 1-888-489-7352 from a touchtone telephone and follow the  
(*Canada & U.S. only*):            instructions.

***Voting on the Internet:***      Go to [www.astvotemyproxy.com](http://www.astvotemyproxy.com) and follow the instructions on screen.

**AST must receive your voting instructions by 5:00 p.m. (Toronto time) on Monday, May 7, 2018 to have your vote recorded.** If the meeting is adjourned, AST must receive your voting instructions by 5:00 p.m. (Toronto time) two business days before the meeting is reconvened.

### ***Non-registered shareholders***

You are a non-registered shareholder if your securities broker, clearing agency, financial institution, trustee or custodian or other intermediary (your *nominee*) holds your shares for you in a nominee account. Carefully follow the instructions on the voting instruction form or proxy form your nominee provided with this Circular.

If you want to attend the meeting and vote in person, appoint yourself as proxyholder by printing your name in the space provided on the form. Then follow your nominee's instructions for returning the form.



## If you change your mind

You can revoke instructions you have already provided by giving us new instructions.

Registered shareholders and share ownership account participants can send a new proxy form in one of four ways:

- complete and sign a proxy form with a later date than the one you previously sent, and send it to AST as described above before 5:00 p.m. (Toronto time) on Monday, May 7, 2018
- submit new voting instructions to AST by telephone or internet before 5:00 p.m. (Toronto time) on Monday, May 7, 2018
- send a notice in writing with your new instructions signed by you, or your attorney as authorized by you in writing, to us before 5:00 p.m. (Toronto time) on Tuesday, May 8, 2018, or if the meeting is adjourned, the business day before the meeting is reconvened, at: Sun Life Financial, 1 York Street, 31<sup>st</sup> Floor, Toronto, Ontario, Canada M5J 0B6 Attention: Corporate Secretary
- give your written instructions signed by you, or your attorney as authorized by you in writing, to the Chairman of the meeting before the start of the meeting or before the meeting is reconvened.

Non-registered shareholders can send a new voting instruction form to their nominees. To allow your nominee time to act on your instructions, you should provide them your instructions at least seven days before the meeting.

### Questions?

You can call AST or one of its agents directly at the following numbers:

Canada and the United States: 1-877-224-1760

United Kingdom, Republic of Ireland, + 44(0) 345-602-1587

Channel Islands and Isle of Man:

Philippines: 632-318-8567 (Metro Manila)  
1-800-1-888-2422 (Provinces)

Hong Kong: 852-2862-8555

Other countries: 416-682-3865

## Processing the votes

AST counts and tabulates the votes on our behalf. Individual shareholder votes are kept confidential and voting instructions are only communicated to management if it is clear that the shareholder wants to communicate directly with management, or when the law requires it.

We will file the voting results on SEDAR ([www.sedar.com](http://www.sedar.com)) and publish them on our website ([www.sunlife.com](http://www.sunlife.com)).

## Solicitation of proxies

Management is soliciting your proxy, and we have retained Kingsdale Advisors (Kingsdale) to assist us at an estimated cost of \$51,000. The solicitation of proxies will be made primarily by mail, but Kingsdale may also contact you by telephone. We pay all solicitation costs.

## The director nominees

As of the date of this Circular, we have 11 directors on our board. Under our by-laws, the board can have eight to 20 directors. At its meeting held on February 14, 2018, the board fixed the number of directors at 11, effective with the retirement of Réal Raymond at the conclusion of the 2018 annual meeting. At the 2018 annual meeting 11 directors are to be elected for a term ending at the conclusion of the next annual meeting. Except for Ashok K. Gupta, the other 10 nominees currently serve on our board. Ashok K. Gupta is standing for election by the shareholders for the first time at the meeting.

The Governance, Nomination & Investment Committee has reviewed each of the nominees and confirmed that they have the competencies, skills and qualities necessary for the board to fulfil its mandate. We do not expect that any of the nominees will not be able to serve as director. If for any reason a nominee is unable to serve, the persons named in the proxy form have the right to vote at their discretion for another nominee proposed according to the company's by-laws and applicable law.

**The board recommends that shareholders vote for electing each of the director nominees profiled below. If you do not specify in the proxy form or your voting instruction how you want to vote your shares, the persons named in the form will vote for electing each of the director nominees profiled below.**

## Our policy on majority voting

The election of directors at the meeting is expected to be an uncontested election, meaning that the number of nominees will be equal to the number of directors to be elected. If a director receives more "withheld" than "for" votes in an uncontested election, he or she must offer to resign. Within 90 days the board will accept the resignation unless there are exceptional circumstances and will disclose the reasons for its decision in a news release. The director will not participate in these deliberations.

## Our policy on proxy access

In December 2017, the board approved a proxy access policy. Under the policy, qualifying shareholders may submit one or more director nominations to be included in the Circular and form of proxy and ballot for any annual meeting. To make a nomination, qualifying shareholders must, prior to the deadline for submitting proposals (see Shareholder proposals on page 30), submit a nomination notice in the required form. The policy has the following principal features:

- one or more nominating shareholders (up to a maximum of 20) may nominate up to the greater of two directors and 20% of the board
- nominating shareholders must collectively own at least 5% of the company's common shares
- nominating shareholders must have held their shares for at least three years
- the proposal will be included in the company's Circular, form of proxy and ballot for the annual shareholders' meeting
- nominating shareholders may include a statement of up to 500 words in support of their candidates.

A copy of the policy is available on our website ([www.sunlife.com](http://www.sunlife.com)).

Alternatively, in accordance with section 147 of the *Insurance Companies Act* (Canada), shareholders holding in the aggregate not less than 5% of the company's shares for the minimum period of time set out by the *Insurance Companies Act* (Canada) may submit a formal proposal for individuals to be nominated for election as directors in accordance with the specified procedures to be followed.

## Our advance notice by-law

Our by-laws specify that a shareholder who wishes to nominate an individual for election as a director at an annual meeting must provide between 30 and 65 days advance notice to the company. The notice to the company must include information about the nominee, including age, address, principal occupation, the number of Sun Life Financial shares owned or controlled, and any other information that would be required to be disclosed in a dissident's proxy circular in connection with the solicitations of proxies for the election of directors. The notice must also include information about the nominating shareholder, including ownership or control of, or rights to vote, Sun Life Financial shares and any other information that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for the election of directors. The company may require additional information to be provided, including information to comply with requirements of the Office of the Superintendent of Financial Institutions (Canada) relating to the suitability of directors and potential changes to the board.

The advance notice provisions described above do not apply to nominations made by or on behalf of the board or by shareholders pursuant to shareholder proposals, requisitioned meetings, or through our proxy access policy which have separate requirements and deadlines. In addition, in the case of a special meeting at which directors are to be elected, a shareholder's notice of a nomination must be provided not later than 15 days after the date of the special meeting is announced.

## Director nominee profiles

The following profiles provide information about each of the director nominees, including when they joined our board, their business experience, their committee memberships, their attendance at board and committee meetings in 2017, the level of support received from shareholders at our 2017 annual meeting, and other public company directorships held in the last five years. Our 11 director nominees have an average board tenure of 4.42 years and four of them (36%) are women.

The director nominee profiles also include information about the value of their holdings of Sun Life Financial common shares and deferred share units (DSUs). A DSU is equal in value to a common share but cannot be redeemed until a director leaves the board. Common shares and DSUs count towards the achievement of our share ownership guideline for directors which each director is expected to meet within five years of joining the board. The ownership guideline is currently \$735,000. For director nominees who have not achieved the guideline, we determine if they are "on target" by calculating the number of common shares and DSUs they will hold by their achievement due dates based on the form of remuneration they have individually elected. For this purpose we assume that the share price and dividend rate remain constant until the applicable achievement due date. The amounts shown in the profiles are as of February 28, 2018 and February 28, 2017 when the closing price of our common shares on the TSX was \$52.86 and \$48.20, respectively. You can find additional information about our director compensation program and share ownership guideline starting on pages 41 and 43, respectively.



**William D. Anderson,**  
FCPA, FCA  
Toronto, ON, Canada

Director since May 2010

**Independent**

Age: 68

Areas of expertise:

- international business
- accounting
- risk management
- corporate governance
- corporate development

Current committees:

- None<sup>1</sup>

Mr. Anderson is the Chairman of the Boards of Sun Life Financial and Sun Life Assurance. He was President of BCE Ventures, the strategic investment unit of the global telecommunications company BCE Inc., until he retired in December 2005. Mr. Anderson held senior positions including Chief Financial Officer of BCE Inc. and Bell Canada during his 14 years with that company. He spent 17 years with the public accounting firm KPMG, where he was a partner for nine years. Mr. Anderson was appointed a Fellow of the Institute of Chartered Professional Accountants of Ontario in October 2011 and is also a Fellow of the Institute of Corporate Directors.

2017 Meeting attendance			Other public company directorships	
Board	14 of 15	93%	Gildan Activewear Inc.	2006 – present
Audit & Conduct Review <sup>1</sup>	2 of 2	100%	TransAlta Corporation	2003 – 2016
Risk Review <sup>1</sup>	2 of 2	100%	Nordion Inc. (formerly MDS Inc.)	2007 – 2014

2017 Annual Meeting votes in favour: 99%

Sun Life Financial securities held:					
Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	15,600	17,797	33,397	\$1,765,365	Meets
2017	13,280	14,238	27,518	\$1,326,368	
Change	2,320	3,559	5,879	\$ 438,997	

<sup>1</sup> Mr. Anderson became the Chairman of the Board and ceased to be the Chairman of Audit & Conduct Review Committee and a member of the Risk Review Committee on May 10, 2017. He attended Committee meetings in his capacity as Non-Executive Chairman thereafter. On May 10, 2017, oversight of the compliance and conduct review duties were transferred from the Audit & Conduct Review Committee to the Risk Review Committee, resulting in the committee names being changed to the Audit Committee and the Risk & Conduct Review Committee, respectively.



**Dean A. Connor**  
Toronto, ON, Canada

Director since July 2011

**Non-independent**

Age: 61

Current committees:

- None<sup>1</sup>

Mr. Connor is President & Chief Executive Officer of Sun Life Financial and Sun Life Assurance. He was named Canada's Outstanding CEO of the Year® for 2017 and was named Ivey Business Leader of the Year in February 2018 by the Ivey Business School. Prior to his appointment in December 2011, he held progressively senior positions with those companies, including President, Chief Operating Officer, President of SLF Canada, and Executive Vice-President. Prior to joining the company in September 2006, Mr. Connor spent 28 years with Mercer Human Resource Consulting where he held numerous senior positions, most recently President for the Americas. Mr. Connor is a Fellow of the Canadian Institute of Actuaries and the Society of Actuaries. He is a trustee of the University Health Network in Toronto, a director of the Business Council of Canada and the Canadian Life and Health Insurance Association. Mr. Connor is a member of the Ivey Advisory Board, Ivey Business School, Western University and the Asia Business Leaders Advisory Council. He holds an Honours Business Administration degree.

2017 Meeting attendance			Other public company directorships	
Board	14 of 15	93%	None	

2017 Annual Meeting votes in favour: 99.8%

Sun Life Financial securities held:					
Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	93,917	130,358	224,275	\$11,855,177	Meets <sup>2</sup>
2017	92,924	125,787	218,711	\$10,541,871	
Change	993	4,571	5,564	\$ 1,313,306	

<sup>1</sup> Mr. Connor attends committee meetings, in full or in part, as appropriate, at the request of the committee chairs, but is not a member of any committee.

<sup>2</sup> As President & Chief Executive Officer, Mr. Connor is subject to different share ownership guidelines than the independent directors. See page 57.



**Stephanie L. Coyles**  
Toronto, ON, Canada

Director since January 2017

**Independent**

Age: 51

Areas of expertise:

- international business
- client needs, behaviour and brands
- sales and distribution
- corporate governance
- corporate development

Current committees:

- Audit
- Risk & Conduct Review

Ms. Coyles is a corporate director. Her background is as a strategic consultant and advisor who has worked with a diverse clientele across North America, including retail, consumer distribution, private equity and business consulting organizations. She was previously Chief Strategic Officer at LoyaltyOne Co. from 2008 to 2012 and a principal at McKinsey & Company Canada from 2000 to 2008. In addition to the public company board listed below, Ms. Coyles serves on the advisory board of Reliant Web Hosting Inc. and on the board of The Earth Rangers Foundation. She holds a Master in Public Policy degree.

2017 Meeting attendance			Other public company directorships	
Board	15 of 15	100%	Metro Inc.	2015 – present
Audit <sup>1</sup>	4 of 4	100%	Postmedia Network Canada Corp.	January 2016 – October 2016
Audit & Conduct Review <sup>1</sup>	2 of 2	100%		
Governance, Nomination & Investment <sup>2</sup>	2 of 2	100%		
Risk & Conduct Review <sup>1,2</sup>	3 of 3	100%		

2017 Annual Meeting votes in favour: 99.8%

**Sun Life Financial securities held:**

Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	1,400	2,470	3,870	\$204,568	On target for January 1, 2022
2017	0	0	0	\$	0
Change	1,400	2,470	3,870	\$204,568	

<sup>1</sup> On May 10, 2017, oversight of the compliance and conduct review duties were transferred from the Audit & Conduct Review Committee to the Risk Review Committee, resulting in the committee names being changed to the Audit Committee and the Risk & Conduct Review Committee, respectively.

<sup>2</sup> Ms. Coyles became a member of the Risk & Conduct Review Committee and ceased to be a member of the Governance, Nomination & Investment Committee on May 10, 2017.



**Martin J. G. Glynn**  
Vancouver, BC, Canada

Director since December 2010

**Independent**

Age: 66

Areas of expertise:

- financial services
- international business
- risk management
- client needs, behaviour and brands
- corporate governance

Current committees:

- Management Resources
- Risk & Conduct Review

Mr. Glynn, a corporate director, was President and Chief Executive Officer of HSBC Bank USA until his retirement in 2006. During his 24 years with HSBC, an international banking and financial services organization, Mr. Glynn held senior positions including President and Chief Executive Officer of HSBC Bank Canada. He is Chair Designate and a director of the Public Sector Pension Investment Board, a director of The American Patrons of the National Library and Galleries of Scotland and SMRU Consulting Group and is an advisor of Second City Real Estate Fund II Corporation and Balfour Pacific Real Estate IV, Limited Partnership. He holds a Master of Business Administration degree.

2017 Meeting attendance			Other public company directorships	
Board	15 of 15	100%	Husky Energy Inc.	2000 – present
Management Resources	5 of 5	100%	VinaCapital Vietnam Opportunity Fund Limited	2008 – 2014
Risk & Conduct Review <sup>1</sup>	3 of 3	100%		
Risk Review <sup>1</sup>	2 of 2	100%		

2017 Annual Meeting votes in favour: 99.8%

**Sun Life Financial securities held:**

Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	10,316	16,398	26,714	\$1,412,102	Meets
2017	10,316	12,820	23,136	\$1,115,156	
Change	0	3,578	3,578	\$ 296,946	

<sup>1</sup> On May 10, 2017, oversight of the compliance and conduct review duties were transferred from the Audit & Conduct Review Committee to the Risk Review Committee, resulting in the committee names being changed to the Audit Committee and the Risk & Conduct Review Committee, respectively.



**Ashok K. Gupta, FFA**  
London, England

**If elected will be an independent director**

Age: 63

**Areas of expertise:**

- financial services
- government relations/policy
- risk management
- actuarial
- client needs, behaviour and brands

**Current committees:**

- Mr. Gupta is not currently a director.

Mr. Gupta is a corporate director. During his 40-year career in the UK insurance industry, he has held a number of senior executive, advisor and actuarial positions. From 2010 to 2013 he was an advisor to the Group Chief Executive Officer of Old Mutual Group plc. Prior to this he held various senior positions with the Pearl Group plc (now Phoenix Group Holdings), Kinnect of Lloyd's of London, CGU plc (now part of Aviva plc), Scottish Amicable Life Assurance Company (now part of Prudential) and Tillinghast, Nelson & Warren Inc. (now part of Willis Towers Watson plc). Mr. Gupta is a Fellow of the Faculty of Actuaries. He is also Chairman of EValue Ltd., a director of New Ireland Assurance Company plc and a trustee of the Ethical Journalism Network. Mr. Gupta is involved in the UK public sector and serves on the Actuarial Council and Codes and Standards Committee of the Financial Reporting Council in the UK. He was Chair of the Defined Benefits Taskforce of the Pensions and Lifetime Savings Association from 2016 to 2017 and was Joint Deputy Chair of the Procyclicality Working Group of the Bank of England from 2012 to 2014. Mr. Gupta holds a Master of Business Administration degree.

**2017 Meeting attendance**

Mr. Gupta is not currently a director.

**Other public company directorships**

JPMorgan European Smaller Companies Investment Trust plc 2013 – present

**Sun Life Financial securities held:**

Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	0	0	0	\$0	May 9, 2023



**M. Marianne Harris**  
Toronto, ON, Canada

Director since December 2013

**Independent**

Age: 60

**Areas of expertise:**

- financial services
- risk management
- human resources
- corporate governance
- corporate development

**Current committees:**

- Management Resources (Chair)
- Risk & Conduct Review

Ms. Harris, a corporate director, was Managing Director and President, Corporate and Investment Banking, Merrill Lynch Canada, Inc., an international banking and financial services organization, until October 2013. She held progressively senior positions during her 13-year career with Merrill Lynch and affiliated companies in Canada and the U.S., including President, Global Markets and Investment Banking, Canada, Head of Financial Institutions Group, Americas and Head of Financial Institutions, Canada. Before joining Merrill Lynch, Ms. Harris held various investment banking positions with RBC Capital Markets from 1984 to 2000, including Head of the Financial Institutions Group. She is Chair of the Board of the Investment Industry Regulatory Organization of Canada (IIROC), a member of the Dean's Advisory Council for the Schulich School of Business and a member of the Advisory Council for The Henrick Centre for Business and Law. Ms. Harris holds a Master of Business Administration degree and a Juris Doctorate.

**2017 Meeting attendance**

Board	15 of 15	100%
Management Resources	5 of 5	100%
Risk & Conduct Review <sup>1</sup>	3 of 3	100%
Risk Review <sup>1</sup>	2 of 2	100%

**Other public company directorships**

Loblaw Companies Limited 2016 – present  
Hydro One Limited 2015 – present  
Agrium Inc. 2014 – 2015

2017 Annual Meeting votes in favour: 99.7%

**Sun Life Financial securities held:**

Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	5,484	21,834	27,318	\$1,444,029	Meets
2017	5,340	16,116	21,456	\$1,034,180	
Change	144	5,718	5,862	\$ 409,849	

<sup>1</sup> On May 10, 2017, oversight of the compliance and conduct review duties were transferred from the Audit & Conduct Review Committee to the Risk Review Committee, resulting in the committee names being changed to the Audit Committee and the Risk & Conduct Review Committee, respectively.



**Sara Grootwassink Lewis, CPA, CFA**  
Rancho Santa Fe, CA,  
United States

Director since December 2014

#### Independent

Age: 50

#### Areas of expertise:

- financial services
- risk management
- accounting
- corporate governance
- corporate development
- designated audit committee financial expert

#### Current committees:

- Audit (Chair)<sup>1</sup>
- Governance, Nomination & Investment

Ms. Lewis is a corporate director and Chief Executive Officer of Lewis Corporate Advisors, a capital markets advisory firm. Prior to 2009, she held progressively senior positions during her seven-year career with Washington Real Estate Investment Trust, a publicly traded real estate investment trust, including Executive Vice-President, and was Chief Financial Officer from 2002 to 2009. In addition to the public company boards listed below, Ms. Lewis serves on the Leadership Board and Governance Working Group for the United States Chamber of Commerce – Center for Capital Markets Competitiveness and is Trustee of The Brookings Institution. She is a National Association of Corporate Directors Board Leadership Fellow and a member of the Tapestry West Audit Committee Network. Ms. Lewis is a Certified Public Accountant and a Chartered Financial Analyst.

2017 Meeting attendance			Other public company directorships	
Board	14 of 15	93%	Weyerhaeuser Company <sup>3</sup>	2016 – present
Audit <sup>2</sup>	4 of 4	100%	PS Business Parks, Inc.	2010 – present
Audit & Conduct Review <sup>2</sup>	2 of 2	100%	Adamas Pharmaceuticals, Inc.	2014 – 2016
Governance, Nomination & Investment	7 of 7	100%	Plum Creek Timber Company, Inc. <sup>3</sup>	2013 – 2016
			CapitalSource, Inc.	2004 – 2014
2017 Annual Meeting votes in favour:			99.1%	

Sun Life Financial securities held:					
Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	5,500	14,875	20,375	\$1,077,023	Meets
2017	5,500	9,179	14,679	\$ 707,528	
Change	0	5,696	5,696	\$ 369,495	

- Ms. Lewis became the Chair of the Audit Committee on May 10, 2017.
- On May 10, 2017, oversight of the compliance and conduct review duties were transferred from the Audit & Conduct Review Committee to the Risk Review Committee, resulting in the committee names being changed to the Audit Committee and the Risk & Conduct Review Committee, respectively.
- In 2016, Weyerhaeuser Company merged with Plum Creek Timber Company, Inc. and the combined company retained the Weyerhaeuser name. Ms. Lewis continues to serve on the board of Weyerhaeuser.



**Christopher J. McCormick**  
Longboat Key, FL,  
United States

Director since May 2017

#### Independent

Age: 62

#### Areas of expertise:

- international business
- client needs, behaviour and brands
- sales and distribution
- corporate governance
- corporate development

#### Current committees:

- Governance, Nomination & Investment
- Management Resources

Mr. McCormick, a corporate director, was President and Chief Executive Officer of L.L.Bean, Inc., a multichannel outdoor gear and apparel retailer, from 2001 until March 2016. He held senior positions with L.L.Bean, Inc. during his 34-year career including Chief Operating Officer, Chief Marketing Officer, Senior Vice-President of Advertising and Direct Marketing and General Manager of Women's Division. Mr. McCormick was a trustee of the Maine Community College System, a director of National Retail Federation and a member of the Fairfield University's Advisory Board. He is a graduate of Harvard Business School's Advanced Management Program.

2017 Meeting attendance			Other public company directorships	
Board	9 of 10	90%	Levi Strauss & Co.	2016 – Present
Governance, Nomination & Investment	4 of 5	80%		
Management Resources	3 of 3	100%		
2017 Annual Meeting votes in favour:			99.7%	

Sun Life Financial securities held:					
Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	0	1,335	1,335	\$70,568	On target for May 10, 2022
2017	0	0	0	0	
Change	0	1,335	1,335	\$70,568	



**Scott F. Powers**

Boston, MA, United States

Director since October 2015

**Independent**

Age: 58

**Areas of expertise:**

- financial services
- international business
- risk management
- client needs, behaviour and brands
- sales and distribution

**Current committees:**

- Governance, Nomination & Investment (Chair)<sup>1</sup>
- Management Resources

Mr. Powers, a corporate director, was President and Chief Executive Officer of State Street Global Advisors until his retirement in August 2015. Before joining State Street in 2008, he was President and Chief Executive Officer of Old Mutual Asset Management Plc, the U.S.-based global asset management business of Old Mutual plc. Prior to 2008, Mr. Powers held senior executive positions at Mellon Institutional Asset Management, BNY Mellon's investment management business, and at The Boston Company Asset Management, LLC. He is a member of the Systemic Risk Council and the Advisory Board of the U.S. Institute of Institutional Investors.

2017 Meeting attendance			Other public company directorships	
Board	15 of 15	100%	PulteGroup, Inc.	2016 – Present
Governance, Nomination & Investment	7 of 7	100%	Whole Foods Market, Inc.	May 2017 – August 2017
Management Resources	5 of 5	100%		

2017 Annual Meeting votes in favour: 99.8%

Sun Life Financial securities held:					
Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	975	7,277	8,252	\$436,201	On target for October 30, 2020
2017	975	2,753	3,728	\$179,690	
Change	0	4,524	4,524	\$256,511	

<sup>1</sup> Mr. Powers became the Chair of the Governance Nomination & Investment Committee on May 10, 2017.

**Hugh D. Segal, OC, OONT**

Kingston, ON, Canada

Director since May 2009

**Independent**

Age: 67

**Areas of expertise:**

- government relations/policy
- risk management
- human resources
- client needs, behaviour and brands
- corporate governance

**Current committees:**

- Audit
- Governance, Nomination & Investment

Mr. Segal is Principal of Massey College, University of Toronto. He was a Canadian senator from 2005 to July 2014. Before that Mr. Segal was President & Chief Executive Officer of the Institute for Research on Public Policy. He was formerly Vice-Chair of the Institute of Canadian Advertising. Mr. Segal is a Senior Advisor at Aird & Berlis LLP. He is a Distinguished Fellow at the Munk School of Global Affairs, University of Toronto, a Distinguished Fellow at the School of Policy Studies, Queen's University and a Senior Fellow at the Canadian Institute of Global Affairs. Mr. Segal is an Honorary Captain of the Royal Canadian Navy, an Honorary Captain of the Canadian Forces College, Chair of The NATO Association of Canada and Honorary Chair of the Navy League of Canada. He is an officer of the Order of Canada and a member of the Order of Ontario.

2017 Meeting attendance			Other public company directorships	
Board	15 of 15	100%	Just Energy Group Inc. (formerly Energy Savings Income Fund)	2001 – 2015
Audit <sup>1</sup>	4 of 4	100%		
Audit & Conduct Review <sup>1</sup>	2 of 2	100%		
Governance, Nomination & Investment	7 of 7	100%		

2017 Annual Meeting votes in favour: 99.8%

Sun Life Financial securities held:					
Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	8,657	20,049	28,706	\$1,517,399	Meets
2017	8,657	17,540	26,197	\$1,262,696	
Change	0	2,509	2,509	\$ 254,703	

<sup>1</sup> On May 10, 2017, oversight of the compliance and conduct review duties were transferred from the Audit & Conduct Review Committee to the Risk Review Committee, resulting in the committee names being changed to the Audit Committee and the Risk & Conduct Review Committee, respectively.





**Barbara G. Stymiest,**  
FCPA, FCA  
Toronto, ON, Canada

Director since May 2012

**Independent**

Age: 61

Areas of expertise:

- financial services
- risk management
- accounting
- client needs, behaviour and brands
- corporate development
  
- designated audit committee financial expert

Current committees:

- Risk & Conduct Review (Chair)
- Audit

Ms. Stymiest, a corporate director, was Chair of BlackBerry Limited, a global provider of wireless products and services, from January 2012 to November 2013. She was a member of the Group Executive at Royal Bank of Canada, an international banking and financial services organization, from 2004 to 2011. Ms. Stymiest was Royal Bank's Group Head, Strategy, Treasury and Corporate Services from 2010 to June 2011 and Chief Operating Officer from 2004 to 2009. Prior to that she held senior positions in the financial services sector including Chief Executive Officer, TSX Group Inc., Executive Vice-President and Chief Financial Officer, BMO Nesbitt Burns, and Partner, Financial Services Group, Ernst & Young LLP. Ms. Stymiest is a Fellow of the Institute of Chartered Professional Accountants of Ontario and received an Award of Outstanding Merit from that organization in 2011. In addition to the public company boards listed below, she is the Chair of the Canadian Institute for Advanced Research and the Vice-Chair of the University Health Network in Toronto. She holds an Honours Business Administration degree.

2017 Meeting attendance			Other public company directorships	
Board	15 of 15	100%	George Weston Limited	2011 – present
Audit <sup>1</sup>	4 of 4	100%	BlackBerry Limited	2007 – present
Audit & Conduct Review <sup>1</sup>	2 of 2	100%		
Risk & Conduct Review <sup>1</sup>	3 of 3	100%		
Risk Review <sup>1</sup>	2 of 2	100%		

2017 Annual Meeting votes in favour: 99.8%

Sun Life Financial securities held:					
Year	Common shares	DSUs	Total common shares and DSUs	Total value	Share ownership guideline/target date
2018	5,000	28,739	33,739	\$1,783,444	Meets
2017	5,000	23,418	28,418	\$1,369,748	
Change	0	5,321	5,321	\$ 413,696	

<sup>1</sup> On May 10, 2017, oversight of the compliance and conduct review duties were transferred from the Audit & Conduct Review Committee to the Risk Review Committee, resulting in the committee names being changed to the Audit Committee and the Risk & Conduct Review Committee, respectively.

In the past 10 years, two of the director nominees have been directors of companies that have become bankrupt, made a proposal under legislation relating to bankruptcy or insolvency, or have received a cease trade order:

- Ms. Coyles was a director of Postmedia Network Canada Corp. while it completed a restructuring following an arrangement plan under the *Canada Business Corporation Act* in 2016. Ms. Coyles is no longer a director of Postmedia Network Canada Corp.
- Mr. Glynn was a director of MF Global Holdings Ltd. when it filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States in October 2011. Mr. Glynn is no longer a director of MF Global Holdings Ltd.

## Meeting attendance

The Governance, Nomination & Investment Committee reviews the attendance record of each director as part of the nomination process. Directors must attend at least 75% of board and committee meetings every year. A director who does not meet this attendance requirement in two consecutive years must offer to resign. The table below is a consolidated view of how many board and committee meetings each director attended in 2017. During the year ended December 31, 2017, average attendance of all directors at board and committee meetings was 98% and 99% respectively.

Name	Board meetings attended	Committee meetings attended	Total meetings attended
William D. Anderson <sup>1</sup>	14 of 15	93%	4 of 4 100% 18 of 19 95%
John H. Clappison <sup>2</sup>	5 of 5	100%	4 of 4 100% 9 of 9 100%
Dean A. Connor <sup>3</sup>	14 of 15	93%	n/a n/a 14 of 15 93%
Stephanie L. Coyles <sup>4</sup>	15 of 15	100%	11 of 11 100% 26 of 26 100%
Martin J. G. Glynn	15 of 15	100%	10 of 10 100% 25 of 25 100%
M. Marianne Harris	15 of 15	100%	10 of 10 100% 25 of 25 100%
Sara Grootwassink Lewis <sup>5</sup>	14 of 15	93%	13 of 13 100% 27 of 28 96%
Christopher J. McCormick <sup>6</sup>	9 of 10	90%	7 of 8 88% 16 of 18 89%
Scott F. Powers <sup>7</sup>	15 of 15	100%	12 of 12 100% 27 of 27 100%
Réal Raymond <sup>8</sup>	15 of 15	100%	13 of 13 100% 28 of 28 100%
Hugh D. Segal	15 of 15	100%	13 of 13 100% 28 of 28 100%
Barbara G. Stymiest	15 of 15	100%	11 of 11 100% 26 of 26 100%
James H. Sutcliffe <sup>9</sup>	5 of 5	100%	n/a n/a 5 of 5 100%
A. Greig Woodring <sup>10</sup>	5 of 5	100%	4 of 4 100% 9 of 9 100%

<sup>1</sup> On May 10, 2017, Mr. Anderson became the Chairman of the Board, ceased to be the Chairman of the Audit & Conduct Review Committee and a member of the Risk Review Committee. He attended Committee meetings in his capacity as Non-Executive Chairman thereafter.

<sup>2</sup> On May 10, 2017, Mr. Clappison retired from the board. He was Chair of the Governance, Nomination & Investment Committee and a member of the Management Resources Committee.

<sup>3</sup> Mr. Connor attended Committee meetings in his capacity as President & Chief Executive Officer and a Director.

<sup>4</sup> On May 10, 2017, Ms. Coyles became a member of the Risk & Conduct Review Committee and ceased to be a member of the Governance, Nomination & Investment Committee.

<sup>5</sup> On May 10, 2017, Ms. Lewis became the Chair of the Audit Committee.

<sup>6</sup> On May 10, 2017, Mr. McCormick became a member of the Governance, Nomination & Investment Committee and Management Resources Committee.

<sup>7</sup> On May 10, 2017, Mr. Powers became the Chair of the Governance, Nomination & Investment Committee.

<sup>8</sup> On May 10, 2017, Mr. Raymond became a member of the Governance, Nomination & Investment Committee and ceased to be a member of the Risk Review Committee.

<sup>9</sup> On May 10, 2017, Mr. Sutcliffe retired from the board.

<sup>10</sup> On May 30, 2017, Mr. Woodring resigned. He was a member of Management Resources Committee and Risk & Conduct Review Committee.

## The auditor

The board, on the recommendation of the Audit Committee, recommends that shareholders vote **for** the appointment of Deloitte as auditor of Sun Life Financial for 2018. Deloitte has been our auditor since Sun Life Financial was incorporated in 1999 and has served as the auditor of Sun Life Assurance since 1875. The Audit & Conduct Review Committee (now the Audit Committee) conducted a request for proposal process in 2015 where it sought submissions from audit service firms, including Deloitte, to act as our auditor. As a result of that process, the Audit & Conduct Review Committee (now the Audit Committee) ultimately recommended to the board that Deloitte be reappointed. **If you do not specify in the proxy form or your voting instructions how you want to vote your shares, the persons named in the form will vote for the appointment of Deloitte as auditor.**

## Auditor's fees

The following table shows the fees relating to services provided by Deloitte for the past two years.

For the year ended December 31	(\$millions)	
	2017	2016 <sup>1</sup>
Audit fees	17.1	17.4
Audit-related fees	1.4	1.7
Tax fees	0.3	0.8
All other fees	0.9	1.1
<b>Total</b>	<b>19.7</b>	<b>21.0</b>

<sup>1</sup> There was an adjustment of \$0.2 million to 2016 fees.

*Audit fees relate to professional services rendered by the auditors for the audit of our annual consolidated financial statements, the statements for our segregated funds and services related to statutory and regulatory filings.*

*Audit-related fees include assurance services not directly related to performing the audit of the annual consolidated financial statements of the company. These include internal control reviews, specified procedure audits and employee benefit plan audits.*

*Tax fees relate to tax compliance, tax advice and tax planning.*

*All other fees relate to products and services other than audit, audit-related and tax as described above.*

*We have a policy that requires the Audit Committee to pre-approve any services that are to be provided by the external auditor. The committee has, subject to certain fee thresholds and reporting requirements, pre-approved certain audit, audit-related and other permissible non-audit services that are consistent with maintaining the independence of the external auditor. You can find more information about this policy in our 2017 annual information form which is filed with the Canadian Securities Regulators on SEDAR ([www.sedar.com](http://www.sedar.com)) and on EDGAR ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)).*

## Non-binding advisory vote on approach to executive compensation

Beginning in 2010, the board decided to hold an annual advisory vote on our approach to executive compensation to respond to shareholders and other stakeholders who were advocating for this form of shareholder engagement. Last year, 96.6% of votes cast were in favour of our approach to executive compensation, and 91.98% or higher of votes cast each year since 2010 have been in favour of our approach to executive compensation.

One of the board's primary responsibilities is to ensure Sun Life Financial is able to attract, retain and reward qualified executives. While shareholders will provide their collective views on our approach to executive compensation through the advisory vote, the directors are still fully responsible for their compensation decisions. Detailed information on our approach to executive compensation and what we paid our named executive officers can be found beginning on page 46 of this Circular.

We will ask the shareholders to consider and vote on the following resolution. The board recommends that shareholders vote for the resolution. **If you do not specify in the proxy form or your voting instructions how you want to vote your shares, the persons named in the form will vote for the resolution.**

"RESOLVED THAT on an advisory basis and not to diminish the role and responsibilities of the board of directors, the shareholders accept the approach to executive compensation disclosed in the Management Information Circular dated March 19, 2018 delivered in advance of the annual meeting of common shareholders on May 9, 2018."

## Corporate governance practices

Our board regularly reviews our governance processes and practices to make sure the board continues to effectively oversee management and our business affairs, and to ensure our governance framework meets regulatory requirements and reflects evolving best practices.

We believe our governance processes and practices are consistent with the *Insurance Companies Act* (Canada), the Canadian Securities Administrators' corporate governance guidelines, guidelines issued by the Office of the Superintendent of Financial Institutions (Canada) (OSFI) for effective corporate governance in federally regulated financial institutions, the New York Stock Exchange (NYSE) corporate governance rules for U.S. publicly listed companies and the Philippine Stock Exchange corporate governance guidelines applicable to us.

## Ethical behaviour

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 makes every effort to ensure that senior management consists of people of integrity who create and sustain a culture of integrity throughout the organization. Questions about integrity are included in our board, committee and peer effectiveness surveys.

The board has established a Code of Business Conduct (the "Code") that applies to every director, officer and employee, with no exception. Each director, officer and employee receives training and are required to attest compliance with the Code annually. Communications that accompanied the Code in 2017 further reinforced our expectations of behaviours in the

workplace; emphasizing the importance of fostering a workplace that is free of harassment of any kind and strongly encouraging employees to report any inappropriate behavior or conduct that does not line up to the Code. The Governance, Nomination & Investment Committee is responsible for reviewing the effectiveness of the Code, monitoring compliance with the Code and reporting the results of its review to the board annually. Any breaches of the Code are reported at the next committee meeting and the Chief Compliance Officer reviews our controls and compliance with the committee annually. The Code is reviewed annually and was last updated in 2017. A copy of the Code is available on our website ([www.sunlife.com](http://www.sunlife.com)), on SEDAR ([www.sedar.com](http://www.sedar.com)) and on EDGAR ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)).

## The board of directors

### Mandate, roles and responsibilities

The board is responsible for supervising the management of the business and affairs of the company. It carries out its stewardship responsibilities directly and through its four standing committees. The board and the Governance, Nomination & Investment Committee review the board charter at least annually (see Schedule A).

The Chairman of the Board is an independent director. He is responsible for providing leadership that enhances the effectiveness and independence of the board. He manages the board's affairs to assist the directors in carrying out their responsibilities and helps the board operate cohesively. The Chairman works closely with the Chairman of the Governance, Nomination & Investment Committee to regularly evaluate, and in appropriate circumstances propose enhancements to, the board's governance structure and procedures.

The Chairman and respective committee chairs are responsible for setting meeting agendas and reviewing the meeting materials with management before meetings so that the meetings are productive and enhance the board's effectiveness and independence. The Chairman is a regular attendee of board committee meetings.

Committee chairs are consulted in advance in connection with the appointment, reassignment, replacement or dismissal of senior management within their respective committee's areas of responsibility, including those in OSFI-identified control functions. Committee chairs are consulted annually on the performance assessment and compensation awarded to those individuals. Each committee chair is an independent director and generally holds the position for five years. Committees, in consultation with the Chairman of the Board, can hire independent advisors.

The President & Chief Executive Officer (CEO) is also a director, as required under the *Insurance Companies Act* (Canada). There is a written statement of mandate for the CEO which is reviewed by the Board annually and which specifies the CEO's overall accountability for leading the company's business operations and creating sustainable value for all stakeholders. The CEO is responsible for championing the company's global mission, purpose and values, and is entrusted with managing company resources to ensure optimal performance, developing and maintaining continuity of leadership capabilities and providing leadership in risk management, corporate governance and regulatory compliance. The CEO is responsible for developing proposals for the company's enterprise-wide strategy, recommending them to the board for approval, and communicating and executing the agreed strategy. The CEO reinforces an effective and robust risk management and control framework and promotes a risk culture consistent with our risk philosophy and appetite.

We expect our directors to act ethically and with integrity in all personal, business and professional dealings. Directors must understand our corporate vision and strategic objectives, continually build their knowledge about our businesses and the financial services sectors in

which we operate, and prepare for and actively participate in board and committee meetings in an objective way. They must also understand the board and committee charters and our corporate governance policies and practices, comply with our Code of Business Conduct and meet our share ownership guidelines (see page 43).

We have eight key attributes we expect of our directors when they carry out their duties:



The board charter included as Schedule A contains the full position descriptions of our directors, our Chairman of the Board and our committee chairs.

## Board size

According to our by-laws, our board can have a minimum of eight and a maximum of 20 directors. The board assesses its effectiveness and optimal size annually and believes the current size should be a minimum of 11 and a maximum of 14 directors in order to fulfil its responsibilities.

## Independence

The board maintains a majority of independent directors to ensure it operates effectively and independently of management. All members of the board's standing committees must be independent.

A director is independent under our Director Independence Policy if he or she does not have a direct or indirect relationship with Sun Life Financial that could reasonably be expected to interfere with his or her ability to exercise independent judgment. You can find a copy of our Director Independence Policy on our website ([www.sunlife.com](http://www.sunlife.com)).

The Governance, Nomination & Investment Committee evaluated the independence of each director nominee according to our Director Independence Policy and confirmed that 10 of the 11 are independent, and that all of the current members of the Audit Committee and Management Resources Committee meet the additional independence requirements set out in that policy for membership on those committees. Dean A. Connor is not independent because he is our CEO.

The roles of the Chairman and the CEO are separate. The board believes that this separation increases the effectiveness of the board and facilitates enhanced oversight of management. William D. Anderson is Chairman of the Board and an independent director. Having an independent Chairman promotes strong board leadership, encourages open discussion and debate at board meetings, and avoids potential conflicts of interest.

## Meeting in-camera

The independent directors meet without management present at the end of each board and committee meeting. The members of the Management Resources Committee also regularly meet without management present at the beginning of their meetings. The Chairman of the Board and committee chairs encourage open and candid discussions among the independent directors by providing them with an opportunity to express their views on key topics before decisions are taken. The independent directors also meet routinely with the heads of key control functions at committee meetings (see committee reports pages 31 to 40).

## Skills and experience

The Governance, Nomination & Investment Committee ensures at all times that the board includes members with a broad range of business and strategic experience and expertise so that the board is able to effectively carry out its mandate. On an annual basis, the Governance, Nomination & Investment Committee and the board determine the primary areas of experience and expertise that they believe are necessary for the board as a whole to possess in order to be an asset to the company and fulfil its responsibilities. These include the eight key attributes listed on page 20 and the specific experience and expertise listed in the table below and described in the text that follows. The table below also shows the experience and expertise that each director nominee, other than Dean A. Connor, our CEO, has indicated he or she brings to the board. Each such director nominee has also identified the principal areas of expertise that he or she possesses and those are listed in the respective director nominee profiles on pages 10 to 15. The Governance, Nomination & Investment Committee reviewed the areas indicated by each nominee and the rationale provided for their respective selections and is satisfied that the nominees possess skills in these areas.

Experience and expertise	William D. Anderson	Stephanie L. Coyles	Martin J. G. Glynn	Ashok K. Gupta	M. Marianne Harris	Sara G. Lewis	Christopher J. McCormick	Scott F. Powers	Hugh D. Segal	Barbara G. Stymiest
Financial Services	✓		✓	✓	✓	✓		✓		✓
Government Relations/Policy				✓	✓	✓			✓	✓
International Business	✓	✓	✓	✓	✓		✓	✓	✓	✓
Risk Management	✓		✓	✓	✓	✓		✓	✓	✓
Actuarial <sup>1</sup>				✓						
Human Resources	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Accounting	✓			✓	✓	✓				✓
Client needs, behaviour and brands		✓	✓	✓	✓		✓	✓	✓	✓
Sales and Distribution		✓	✓	✓			✓	✓		
Corporate Governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Corporate Development	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

<sup>1</sup> In addition, Mr. Connor is a Fellow of the Canadian Institute of Actuaries and the Society of Actuaries.

- **Financial Services** – experience in the financial services sector with particular knowledge of insurance, asset management or mutual fund operations
- **Government Relations/Policy** – experience in government relations or public policy

- **International Business** – experience in a senior level role in an organization with Asian or other multinational operations and working with different cultures
- **Risk Management** – knowledge of and experience with the identification of material risks, risk assessment, internal risk mitigation and controls, and risk reporting
- **Actuarial** – knowledge of and experience with the components of profitability in an insurance business
- **Human Resources** – knowledge of and experience with compensation plan design and administration, leadership development and talent management, succession planning, organizational design, and human resource principles and practices generally
- **Accounting** – knowledge of and experience with financial accounting and International Financial Reporting Standards, corporate finance and capital, and familiarity with internal financial and accounting controls
- **Client needs, behaviour and brands** – experience in creating financial products for retail distribution, client research or brand development and positioning
- **Sales and Distribution** – experience in overseeing proprietary sales forces and direct and third-party distribution channels
- **Corporate Governance** – experience in corporate governance principles and practices and at a major organization
- **Corporate Development** – experience in identifying and evaluating corporate development opportunities, including acquisitions, partnerships and joint ventures.

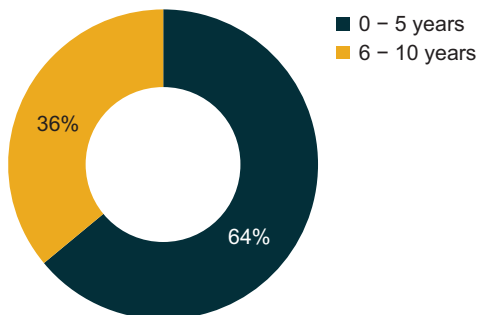
The Governance, Nomination & Investment Committee also reviews the membership of each committee annually to ensure each committee consists of members with the experience and expertise required to fulfil the committee's mandate.

## Tenure and board renewal

Every year the Governance, Nomination & Investment Committee recommends a list of candidates for nomination to the board.

The board charter (attached as Schedule A) includes provisions on directors' tenure. Independent directors will generally retire from the board after they have served for 12 years. The independent directors can waive this retirement requirement to allow a director to serve for up to three additional years if they unanimously determine that it is in the company's best interests to do so. Thereafter, the retirement requirement can be waived by the independent directors on an annual basis if they unanimously determine that it is in the company's best interests to do so. The board does not have a mandatory retirement age for directors. Other mechanisms of board renewal include the rigorous board and committee assessments (see page 28), the evergreen list of prospective candidates (see page 23) and the annual review of the skills matrix (see page 21).

The average tenure of the director nominees is 4.42 years (3.6 years in prior year).





The table below shows the director who is currently expected to retire during the next three years and the areas of expertise that he has indicated he brings to our board.

Director	Retirement Year	Committee Memberships	Areas of Expertise
Réal Raymond	2018	Audit Governance, Nomination & Investment	<ul style="list-style-type: none"> <li>• financial services</li> <li>• risk management</li> <li>• human resources</li> <li>• accounting</li> <li>• corporate governance</li> </ul>

The CEO must resign from the board when he or she retires or leaves the company.

A director must tender a written offer to resign if:

- he or she has not attended at least 75% of board and committee meetings for two consecutive years
- his or her principal employment or other business or professional circumstances have changed materially
- he or she receives more *withheld* votes than *for* votes from shareholders in an uncontested election.

The Chairman of the Board does not have a term limit. Committee chairs are appointed annually. Generally, a director will serve as a committee chair for five years.

### **Recruiting new directors**

The Governance, Nomination & Investment Committee has primary responsibility for identifying potential new directors and has adopted guidelines for director recruitment. The committee chair, in consultation with the committee members and the Chairman of the Board, maintains an evergreen list of prospective candidates which is comprised of individuals whom the committee feels would be appropriate to be considered to join the board when a vacancy arises and who would fill in gaps on, or complement, the current competencies, skills and qualities of the board, meet diversity criteria to help the board achieve its diversity aspirations set out in the board diversity policy as well as comply with the independence requirements of the board and its committees. The skills matrix (see page 21) is the primary consideration for the committee when determining a need to recruit a new director and identifying the competencies, skills and qualities that prospective directors should possess. The committee develops a preferred candidate profile based on the competencies, skills and qualities determined to be best suited to complement the existing directors or fill a need on the board. Candidates are identified through the use of executive search firms and referrals. Executive search and background screening firms are used to conduct reference and background checks on potential candidates. Suitable candidates are interviewed by the Chairman of the Board, the committee chairs and the CEO. The committee receives input from all of these sources in connection with their recommendation to the board for the appointment or nomination of a new director.

### **Diversity and inclusion**

Our commitment to diversity and inclusion is at the centre of our company values and is critically important to the board and executive management. We believe that highly qualified directors and executive leaders who reflect the clients we serve, our employees around the world, and the communities where we operate bring broader perspectives and experience to deepen our insight, enhance innovation and accelerate growth. They also create an inclusive, high performing culture where all employees, regardless of gender, race, religion, age, country of origin, physical ability, sexual orientation or other diversity attributes, can contribute to their full potential.

The board believes a diverse group of directors produces better corporate governance and oversight. The board has adopted a diversity policy that includes provisions relating to the identification and nomination of female directors. The objective of the board's diversity policy is to ensure that the board as a whole possesses diverse characteristics, including a diversity of qualifications, skills, experience and expertise relevant to the company's business, in order to appropriately fulfil its mandate. Board diversity at the company is more than gender diversity.

Effective implementation of the board's diversity policy is the responsibility of the Governance Nomination & Investment Committee. When recruiting candidates for appointment or election to the board, the Governance Nomination & Investment Committee will generally:

- develop a preferred candidate profile based on the qualifications, skills, experience and expertise determined to be best suited to complement the existing directors or fill a need on the board,
- consider the level of diversity on the board based on gender and other criteria such as age, ethnicity and geography, and
- require a director search firm to identify diverse candidates within the scope of the preferred candidate profile.

The Governance Nomination & Investment Committee will assess the effectiveness of the board's diversity policy by considering the level of diversity on the board based on the factors identified above and whether the target percentage of female directors has been achieved. The committee reports thereon to the board on an annual basis.

As we continue to drive our commitment to gender diversity, we have recently:

- signed the Catalyst Accord 2022, which aims to increase the average percentage of women on boards and women in executive positions in corporate Canada to 30% or greater by 2022; and
- joined the 30% Club Canada, which has set a goal of 30% of board seats and C-suites to be held by women by 2022.

### ***Women on the board***

The board's diversity policy includes provisions relating to identification and nomination of female directors. The board has set a target of having at least 30% female directors. As of the date of this Circular, four out of our current 11 (36%) directors and four out of the 11 (36%) director nominees standing for election are women.

### ***Women in executive officer positions***

We are committed to diversity and inclusion, and have an enterprise strategy to strengthen diversity of all kinds, including gender, and diversity in day-to-day business practices. The strategy focuses on a series of actions that address unique opportunities to understand our clients' needs in more depth, review and enhance our talent management practices, enrich our already collaborative and inclusive culture, and ensure our investments and participation in the community support our diversity objectives.

We are embedding diversity further into the core of our talent management practices to ensure they are free of systemic bias and that no group, including women, is disadvantaged. We regularly monitor and review the number of women in executive and senior leadership positions through our annual Talent Review and Succession Management process. This is an annual activity where we accomplish the following:

- succession planning for positions on our Executive Team and the management teams of each business group and function, including specific plans to address gaps, and
- review of the potential of all leaders at the middle management level and above, including the required support for their on-going development and career growth.

One of the key metrics we review is the number of women in executive and senior leadership roles and in our senior management pipeline. Our Executive Team and the Management Resources Committee of the board review the results of this process, including year-over-year changes, and the members discuss and advise on the number of women currently holding executive officer positions and in our pipeline. Our succession plans are also reviewed by the board.

When we select leaders for executive officer and senior leadership positions, both internally and externally, we require a diverse slate of candidates, including women. In situations where we are working with external executive search firms, one of the standard terms and conditions in our contracts is the presentation of diverse candidates and we identify talent pools where we are likely to find candidates with broad skills and experience.

At the conclusion of our annual performance management and compensation cycle, we analyze compensation levels across the organization, including the compensation of women holding executive officer and senior leadership positions, to ensure fair and equitable treatment, free from systemic bias.

The following chart shows the number and percentage of men and women who are executive officers (members of the executive team), direct reports of President & Chief Executive Officer and senior executives of the company as of January 31, 2018. The executive officers are also officers of Sun Life Assurance, the company's sole major subsidiary (as defined in applicable securities laws).

Gender	Number of Executive Officers	Percentage of Executive Team Members	Number of CEO Direct Reports <sup>1</sup>	Percentage of CEO Direct Reports	Number of Senior Executives	Percentage of Senior Executives
Men	9	75%	7	64%	140	66%
Women	3	25%	4	36%	71	34%
Total	12	100%	11	100%	211	100%

<sup>1</sup> CEO Direct Reports includes 10 Executive Officers, and one Senior Executive that report directly to the President & Chief Executive Officer.

At this time, we have chosen not to set targets for the representation of women at the senior leadership levels given our progress to date and our commitment to broader diversity, ensuring a strong selection process that identifies the right balance of skills, competence, experience and diversity needed to build and optimize shareholder value and corporate responsibility over the long term.

## Orientation and continuing education

Our orientation program for new directors includes formal information sessions and a directors' manual with information about the company, the board and its committees, board administration, directors' duties, policies applicable to the directors, and future meeting schedules. Information sessions are held in the company's key locations and cover the company's four business groups and each corporate function. The Chairman of the Board and committee chairs meet with new directors to discuss the role of the board and board committees in detail. New directors also attend sessions on our corporate strategy and financial objectives and visit our sites to meet with corporate and operational management.

Directors are provided with an extensive list of upcoming outside professional development programs that may be of interest, which is updated throughout the year as new programs become available. The list includes governance, financial, compensation and industry topics.

Directors can participate in these programs at our expense, as long as the Chairman of the Board approves them in advance. Directors attended sessions in 2017 that were organized by the Institute of Corporate Directors, PricewaterhouseCoopers LLP, Tapestry Insurance Governance Leadership Network, Ernst & Young, LLP, National Association of Corporate Directors, International Corporate Governance Network, KPMG LLP, Oxford University, Citibank, PSP Investment, Equilar, Husky Energy, Women Corporate Directors and Institute for Governance. The board has implemented a formal process by which new directors will attend site visits to each of the company's four business pillar locations over a two to three year period, and all directors will attend a strategic board meeting, typically held in June, in one of our four business pillar locations on an annual basis. The board believes that these site visits will enhance ongoing director education.

The company has obtained memberships for all of the directors in the Institute of Corporate Directors which provides continuing education for directors through publications, seminars and conferences.

We also hold regular education seminars in conjunction with board and committee meetings to give directors a deeper understanding of our businesses and operating environment, and to encourage more in-depth discussion in specific areas. The table below lists the education seminars we organized for our directors in 2017.

Date	Topic	Audience <sup>1</sup>
Feb 15	Digital Benefits Assistant	Board
Feb 15	Mobile App Demos – SLF Asia	Board
Feb 15	Mobile App Demos – SLF US	Board
Apr 6	How Value of New Business Translates into Earnings	Board
May 8	Mobile App Demo – SLF Canada	Board
May 8	SLF Canada Retail Strategy	Board
May 8	Global Emerging Country Risks	Board
May 8	Pension Education Session	Management Resources Committee
Jun 21	Akira: On-demand Healthcare	Board
Jun 21	Maestro Health	Board
Jun 21	IBM Cognitive Process Reimagination	Board
Jun 22	SLF Canada Group Benefits and Group Retirement Services Call Centre Visit – All Directors	Board
Aug 8	Life Insurance Capital Adequacy Test (LICAT)	Board
Sep 21	LICAT	Board
Nov 7	Liquidity Framework	Risk & Conduct Review Committee

<sup>1</sup> The overall attendance rate of board and committee members at these education seminars was 100%.

## Serving on other public company boards and audit committees

The board has a policy limiting the number of public company directorships that full-time directors should hold. Directors who are employed full-time should hold only one other public company directorship and directors who are not employed full-time should hold no more than three other public company directorships. Directors are also required to notify the Chairman of the Board, the Chairman of the Governance, Nomination & Investment Committee, the President & Chief Executive Officer and the Chief Legal Officer prior to accepting a directorship on an additional public, private or not-for-profit board to provide an opportunity for them to verify that a director continues to have the time and commitment to fulfil his or her obligations to the board and to be satisfied that the director is in compliance with the above policy and no real or apparent conflict of interest would result.

The board has adopted a policy limiting the number of board interlocks among our directors. This policy is intended to promote independence and avoid potential conflicts of interest. No more than two directors may serve together on the board of another public company, and directors may not serve together on the boards of more than two other public companies (each, an interlock). The current interlocks are shown in the table below. Effective with the retirement of Réal Raymond there will be no interlocks.

Company	Director	Committee Membership
Metro Inc.	Réal Raymond (Chairman of the Board)	–
	Stephanie L. Coyles	Audit Committee

The Governance, Nomination & Investment Committee has considered this interlock and determined that it does not impact the ability of Ms. Coyles or Mr. Raymond to exercise independent judgment in the best interests of the company.

The New York Stock Exchange corporate governance rules suggest that audit committee members should not serve on more than three public company audit committees. All of the current members of the Audit Committee comply with this standard.

## Strategic planning

The board sets the strategic direction for the company and approves the annual business plan, including the annual capital and investment plans. It also approves the vision and mission statement and reviews the effectiveness of our strategic planning process on a regular basis.

We hold an in-depth strategy session with the board every year in June. In June 2017, in addition to considering strategic plans and priorities for each of our four business groups, the board focused on key risks relating to the global environment, the credit and business cycle, market shifts, digital, data and innovation, interest rates and regulatory trends. Consideration was also given to shorter term priorities relating to mergers & acquisitions and our credit strategy. In addition, the board continued its focus on talent management and reviewed our approach to attracting, retaining and developing talent to ensure we have the critical skills to execute on our strategy. The Executive Team reviewed and discussed the feedback and perspectives provided by the board at an Executive Team meeting in July. The board then approved the updated strategic plan at its meeting in August.

Management updates the board on the execution of the strategy and strategic considerations at every regular board meeting. The board must approve any transaction that will have a significant strategic impact on the company.

## **Risk Management Oversight**

Our board of directors is ultimately responsible for ensuring the oversight 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 Management Framework and the Risk Appetite Policy, and providing ongoing oversight of the risk management programs, including through the allocation of risk oversight to its four standing committees, the board of directors monitors that the principal risks are appropriately identified and managed. The board of directors also oversees business and strategic risk through review and approval of the business and strategic plans, and regularly discusses key themes, issues and risks emerging in connection with the design or implementation of these plans.

You can find more information about our risk management practices and the oversight provided by the board and the board committees in the description of our board committees beginning on page 31 and in our annual information form and MD&A for the year ended December 31, 2017 which are available on our website ([www.sunlife.com](http://www.sunlife.com)), on SEDAR ([www.sedar.com](http://www.sedar.com)) and on EDGAR ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)).

## **Succession planning and talent management**

The Management Resources Committee has primary oversight of talent development and succession planning for senior management, the performance assessment of the CEO, and the CEO's assessments of the other senior officers. The committee conducts in-depth reviews of succession options relating to senior management positions and, when appropriate, approves the rotation of senior executives into new roles to broaden their responsibilities and experiences and deepen the pool of internal candidates for senior management positions.

In 2016 and 2017, the committee reviewed in detail updated succession plans for Executive Team roles and heads of key control functions. The results of these reviews were discussed with the board.

Over the course of the year, the board will typically have direct exposure to over 100 senior executives as they present on their part of the company's activities.

At least once each year, the board hosts a social event that includes members of management below the Executive Team. These events allow the board to interact and build relationships with high performance and high potential employees who are our future leaders.

## **Assessing the board**

The board, board committees and individual directors traditionally participate in an assessment process every year. With the change in the Chairman of the Board and the committee chairs for the Audit Committee and Governance, Nomination and Investment Committee in June 2017, it was decided to defer the 2017 assessment process until the first quarter of 2018. In the fourth quarter of 2017, the Chairman of the board and each committee chair reviewed a form of written questionnaire to be completed by each director following the first quarter meetings in February 2018. The questionnaires are designed to produce feedback on the effectiveness with which the board and committees will address their most significant business matters during 2017 and identify areas for future improvement. Through this process, the board and each committee will follow up on actions to be taken in 2018 to continuously improve their effectiveness.

The questionnaires will also be used in 2018 to facilitate assessments of the effectiveness of the Chairman of the Board and the committee chairs. The chairs will be assessed against the position descriptions for the board and committee chairs contained in our board charter and in relationship to their leadership and facilitation of meetings and interactions with management. Certain members of the Executive Team will also be invited to complete these questionnaires to provide additional perspective.

In 2018, the directors' peer evaluation process will consist of one-on-one interviews with the Chairman of the Board and feedback from certain senior executives collected by the Corporate Secretary. The Chairman of the Governance, Nomination & Investment Committee will provide feedback to the Chairman of the Board based on comments provided by other directors.

## Internal control and management information systems

The board has approved a comprehensive Internal Control Framework that codifies the company's existing system of internal controls set out in policies and related documents. The Internal Control Framework is based on *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Audit Committee reviews and monitors the effectiveness of our internal control and management information systems and receives regular reports on internal control from management, including corporate oversight functions in the actuarial, finance, and internal audit departments. This oversight provides reasonable assurance of the reliability of our financial information and the safeguarding of assets.

## Disclosure policy

The board reviews and approves the content of all major disclosure documents including the annual and interim financial statements, management's discussion and analysis (MD&A), earnings news releases, the annual information form and this Circular.

We strive to be responsive to the disclosure needs of the investment community and other stakeholders and provide timely, consistent and accurate information to the investing public while meeting our disclosure obligations. The Governance, Nomination & Investment Committee receives a report annually on the status of compliance with, and effectiveness of our Disclosure and Securities Trading Policy and the Policy is reviewed on a regular basis to determine whether revisions are required to respond to legal and regulatory developments, to reflect changes in the business environment or internal operations or to enhance governance.

The table below lists our corporate governance documents and when they are reviewed. All of them are available on our website ([www.sunlife.com](http://www.sunlife.com)). Our Code of Business Conduct is also available on SEDAR ([www.sedar.com](http://www.sedar.com)) and on EDGAR ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)).

Corporate governance document	Review cycle
Board of Directors charter (includes position descriptions for directors, including the Chairman of the Board and the committee chairs)	Annually
Board committee charters	Annually
Director Independence Policy	Annually
Code of Business Conduct	Annually, in-depth review at least every three years

## Shareholder engagement

The Board believes it is important to have constructive engagement with the company's shareholders to allow shareholders to express their views on governance matters.

The Chairman of the Board or his or her designate may communicate from time to time with shareholders, regulators, rating agencies and corporate governance-focused coalitions in connection with governance-related matters, including the results of the annual advisory vote on executive compensation. All such communications are reported to the Board of Directors no later than its next regularly scheduled meeting.

## Contacting the board

Shareholders and other interested parties can contact the directors directly to give feedback. Email [boarddirectors@sunlife.com](mailto:boarddirectors@sunlife.com) or write to:

Board of Directors  
Sun Life Financial Inc.  
1 York Street, 31st Floor  
Toronto, Ontario, Canada M5J 0B6

## Shareholder proposals

We did not receive any shareholder proposals for consideration at the meeting.

Shareholder proposals for our 2019 annual meeting must be sent to us in writing. We must receive them by 5:00 p.m. (Toronto time) on December 19, 2018 to consider including them in our management information circular for the 2019 meeting.

Send the proposal to the Corporate Secretary at Sun Life Financial Inc.

Fax: 416-585-9907  
Email: [boarddirectors@sunlife.com](mailto:boarddirectors@sunlife.com)  
Mail: 1 York Street, 31st Floor  
Toronto, Ontario, Canada M5J 0B6



## Board committees

The board's four standing committees are:

- Audit Committee
- Governance, Nomination & Investment Committee
- Management Resources Committee
- Risk & Conduct Review Committee.

The board delegates work to its committees to fulfil its responsibility to supervise the management of the business and affairs of the company. The committee charters are reviewed and updated at least annually. All standing committees are comprised entirely of independent directors as defined in our Director Independence Policy.

The committees meet prior to board meetings at which the annual business plan and our annual and quarterly financial results are reviewed and approved, and at other times as required or appropriate.

The Chairman of the Board and the committee chairs review and approve the agenda for each committee meeting. Agendas are developed using the forward agenda and items noted for consideration or follow-up at prior meetings. The committees discuss reports prepared by management, hold private meetings with individual members of management, including the heads of key control functions, and then meet in-camera. Each committee chair reports to the board on the committee's deliberations and any recommendations that require board approval.

### Audit Committee



Sara Grootwassink  
Lewis (Chair)

Stephanie L. Coyles

Réal Raymond

Hugh D. Segal

Barbara G. Stymiest

The primary role of the Audit Committee (the "AC") is to oversee:

- the integrity of our financial statements and related information
- compliance with financial regulatory requirements
- the adequacy and effectiveness of our internal controls
- the qualifications, independence and performance of our external auditor
- the actuarial, finance and internal audit functions and their independence, and assess the effectiveness of the heads of each function.

### ***Independence and financial literacy***

All AC members meet the additional independence standards for Audit Committee members in our Director Independence Policy (see page 20).

The board has determined that each of Ms. Lewis, Chair of the AC, and Ms. Stymiest has the necessary qualifications to be designated as an "audit committee financial expert" as defined by the U.S. Securities and Exchange Commission (SEC) and has the accounting or related financial management experience required under the rules of the New York Stock Exchange.

All AC members are "financially literate" within the meaning of the rules of the Canadian Securities Administrators on audit committees and the corporate governance listing standards of the New York Stock Exchange.

The AC met six times in 2017. The AC met routinely in private with each of Deloitte, the Chief Financial Officer (CFO), the Chief Auditor and the Chief Actuary and met in-camera at each meeting. In May 2017, oversight of the compliance function and related risks moved from the AC to the Risk & Conduct Review Committee. The AC met in private and in-camera with the Chief Compliance Officer until May 2017.

### ***Financial reporting***

Management is responsible for preparing our consolidated financial statements and the reporting process. Deloitte is responsible for auditing our consolidated financial statements and the effectiveness of our internal control over financial reporting in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board in the U.S.

### **2017 activities**

#### **Actuarial**

- reviewed reports on actuarial assumption changes and management actions
- received a report on compliance with the Actuarial Governance Policy
- received an independent third party peer review of 2016 year-end policy liabilities
- reviewed a report on the Governance of the Value of new Business
- reviewed a report on the disclosure controls related to Sources of Earnings.

#### **Finance**

- reviewed our principal accounting practices and policies and management's accounting estimates and judgments with management and Deloitte
- reviewed regular reports from management on International Financial Reporting Standards (IFRS) developments
- reviewed a report from management on non-IFRS measures controls and disclosure
- reviewed the following documents with management and Deloitte, and recommended them to the board for approval: the annual consolidated financial statements, quarterly unaudited consolidated financial statements, MD&A and earnings news releases on our annual and quarterly results
- reviewed with management enhancements to our quarterly and annual financial disclosure
- received updates on tax matters.

#### **Compliance**

- received reports from the Chief Compliance Officer on compliance matters, including compliance with applicable laws and regulations, ethical conduct, whistleblowing, anti-money laundering, market conduct, fraud, bribery and privacy
- received a report on compliance resources, programs and initiatives from the compliance leader in Sun Life Financial Canada
- reviewed policies and programs to monitor compliance with legal and regulatory requirements
- received reports on the company's processes to ensure compliance with regulations relating to related party transactions.

#### **External auditor**

- reviewed and accepted the independence of the external auditor and reviewed and approved the Restricting Use of External Auditor Policy
- reviewed and approved the overall scope of the annual audit plan and necessary resources
- reviewed and approved services and fees relating to the external auditor as required under the Restricting Use of External Auditor Policy

- received regulatory updates related to auditor's reports and monitored development related to the auditor's disclosure
- at the request of the AC, reviewed management's proposal for the ongoing performance evaluation of the external auditor's performance
- continued to participate in the audit quality indicator (AQI) pilot project initiated by the Canadian Public Accountability Board (CPAB) in 2016, the intent of which was to obtain practical Canadian feedback on the use of AQIs and whether or not they are helpful to audit committees in fulfilling their responsibility to oversee the external audit.

#### **Internal control**

- reviewed the scope of the annual internal audit plan with management and the Chief Auditor, and approved the budget and staffing resources proposed for executing the plan
- reviewed quarterly reports from the Chief Auditor on audit activities, findings and recommendations and the adequacy and effectiveness of the internal control environment
- reviewed reports from management on the effectiveness of our disclosure controls and procedures, internal control over financial reporting, and the attestation by Deloitte of the effectiveness of our internal controls
- reviewed and recommended approval by the board of amendments to the internal control framework
- reviewed reports from Business Unit CFOs on the control environment in Sun Life Financial Canada, Sun Life Financial US, Sun Life Financial Asia, Sun Life Financial Asset Management (consisting of Sun Life Investment Management and Massachusetts Financial Services) and the Finance, Actuarial and Internal Audit functions.

#### **Office of the Superintendent of Financial Institutions (OSFI)**

- met with OSFI to review its annual examination report and the status of items to be reviewed with management on a regular basis.

#### **Finance, internal audit, actuarial and compliance functions**

- reviewed and was satisfied with the independence of the Internal Audit function
- reviewed Statements of Mandate, Responsibility and Authority, including independence and resources, of the CFO, the Chief Auditor and the Chief Actuary functions
- reviewed annual objectives and initiatives of the CFO, the Chief Auditor, the Chief Actuary and the Chief Compliance Officer and assessed annual performance of the CFO, the Chief Auditor and the Chief Actuary
- reviewed the organizational structures and effectiveness of the Finance, Internal Audit, Actuarial and Compliance functions
- reviewed succession plans and talent development in the Finance, Internal Audit and Actuarial functions
- reviewed and updated the AC's charter.

You can find more information about the AC in our 2017 annual information form which is filed with the Canadian securities regulators ([www.sedar.com](http://www.sedar.com)) and on EDGAR ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)).

The members of the AC are satisfied with the committee's mandate and believe that it met the terms of its charter in 2017.

## Governance, Nomination & Investment Committee



Scott F. Powers  
(Chair)



Sara Grootwassink  
Lewis



Christopher J.  
McCormick



Réal Raymond



Hugh D. Segal

The Governance, Nomination & Investment Committee (the “GNIC”) assists the board by:

- developing effective corporate governance guidelines and processes
- developing processes to assess the effectiveness of the board and board committees and the contributions of individual directors, including the Chairman of the Board and the committee chairs
- overseeing the director recruitment guidelines
- identifying individuals with the competencies, skills and qualifications determined by the board to be the best suited to complement the current board composition, considering the level of diversity on the board, and recommending the director nominees for election
- overseeing policies and processes to maintain ethical behaviour
- overseeing investment practices, performance, procedures and controls relating to the management of the general fund portfolio and the company’s asset management businesses
- reviewing and monitoring the annual investment plan
- reviewing and approving transactions, either separately or jointly with RCRC, where the acquisition of individual investments for the general account would, on their own, exceed certain limits or ranges in the company’s investment and credit risk management policy.

The GNIC is composed entirely of independent directors. The GNIC met seven times in 2017. It met routinely with the Chief Investment Officer and met in-camera at each meeting.

### 2017 activities

#### Corporate governance guidelines and processes

- reviewed corporate governance developments and assessed current corporate governance practices
- reviewed subsidiary board governance activities and processes
- reviewed corporate governance disclosure in the meeting materials for the annual meeting and the annual information form
- reviewed reports on our sustainability strategy and practices, reviewed the annual sustainability report; you can find our sustainability report on our website ([www.sunlife.com](http://www.sunlife.com))
- received the annual report on the Sun Life Financial Code of Business Conduct program
- reviewed policies regarding public disclosure, confidentiality of information, securities trading, subsidiary governance, board diversity, director independence and assessment of responsible persons
- reviewed and recommended to the board for approval a proxy access policy
- reviewed board interlock and limit on directorships policies
- approved significant charitable donations and related policies and budgets
- reviewed the adequacy of directors’ and officers’ liability insurance coverage.

#### Board governance, renewal and assessment

- reviewed the board and committee charters (including position descriptions for the Chairman, committee chairs and individual directors) and recommended updates to the board

- reviewed and discussed the status of the recommendations received from an independent external advisor on the annual assessment of board committees, individual directors, the Chairman of the Board and committee chairs
- assessed the independence of directors and reviewed and made recommendations to the board relating to board and committee composition
- reviewed potential director candidates in accordance with the new director recruitment guidelines developed in 2017
- provided feedback to management on the Company's Brighter Way project, initiated in response to specific feedback received during the 2016 board assessment process with the objective of improving board material and making better use of director and management time
- provided oversight of, in consultation with the Chairman, the orientation program for new directors, and education programs for current directors; developed new director site visit guidelines and the annual schedule of site visits by directors
- reviewed the director compensation program and recommended amendments to the board.

### **Investments**

- reviewed investment performance for the general account and the company's asset management businesses
- reviewed reports on significant investment transactions
- received reports on market trends, conditions and the future outlook
- received presentations and updates on commodities and real estate exposures, de-risking plans and the company's credit risk profile in light of macro-economic developments
- received reports from the Chief Credit Risk Officer on market outlook, including investment risks and credit events impacting the company's asset portfolio
- discussed investment performance, strategy and risk factors related to acquired entities and prospective acquisitions
- discussed the strategies employed when investing seed capital in new products and co-investments
- reviewed performance metrics for the company's asset management businesses
- discussed investment strategy and reviewed and recommended to the board approval of the annual investment plan
- discussed the impact of disruptive technologies on the investment strategy.

### **Investments function**

- reviewed the Statement of Mandate, Responsibility and Authority of the Chief Investment Officer, including the adequacy of his resources, and assessed the effectiveness of the Investments function
- reviewed annual objectives and initiatives and assessed annual performance of the Chief Investment Officer
- reviewed the organizational structure and effectiveness of the Investments function
- reviewed succession plans for the role of Chief Investment Officer and talent development in the Investments function.

The members of the GNIC are satisfied with the committee's mandate and believe that it met the terms of its charter in 2017.

## Management Resources Committee



M. Marianne Harris  
(Chair)



Martin J. G. Glynn



Christopher J.  
McCormick



Scott F. Powers

The Management Resources Committee (“the MRC”) is responsible for assisting the board by:

- providing input on succession plans for the position of CEO, reviewing succession plans for other senior management roles and reviewing the appointment and development of candidates for such roles
- establishing and overseeing processes for evaluating the performance of the CEO and reviewing the CEO’s assessment of performance of other members of senior management
- making executive compensation recommendations to the board, including with respect to compensation policies and practices and incentive plan design, and oversight of all compensation spend
- monitoring talent development, global mobility, employee engagement and the company’s culture
- overseeing governance of employee pension plans.

The MRC met five times in 2017. It met in-camera at the beginning of each meeting and again after it reviewed reports from its independent advisors and management. The MRC also held private sessions with the Executive Vice-President, Chief Human Resources and Communications Officer at each meeting.

### 2017 activities

#### Executive compensation

- reviewed and approved executive compensation policies, programs and levels, including pension and benefit arrangements, and determined appropriate performance measures and targets for incentive compensation plans
- reviewed and approved the Annual Incentive Plan for implementation in 2018 which ensure continued alignment to our business strategy and focus on our clients as the center of our strategic objectives
- reviewed market trends and regulatory developments in executive compensation
- reviewed internal reporting on compliance with compensation and appointment policies and approved changes to the clawback policy
- reviewed and approved executive compensation disclosure
- received reports from the independent compensation advisor
- reviewed and approved an update to the Company’s Black-Scholes methodology used to grant executive team members stock options.

#### Review of senior management

- established performance objectives for the CEO, carried out a performance assessment against those objectives, and recommended his compensation to the board based on our corporate performance and his leadership in 2017
- reviewed the performance assessments and compensation recommendations for the Corporate Executive Vice-Presidents, Business Group Presidents and other material risk executives and made recommendations to the board.

### **Talent management/employee engagement**

- conducted an in-depth review of succession options for the CEO and other senior management positions, including at Massachusetts Financial Services, and reviewed development plans for succession candidates
- discussed the assessment on employee practices and culture
- reviewed the results of the global employee engagement survey and action plans to improve overall employee engagement levels
- reviewed progress against our diversity and inclusion strategy focused on enhancing our inclusive culture and ensuring the workforce reflects the clients we serve and the communities where we operate
- reviewed global mobility trends and our practices
- reviewed new learning architecture aligned to company strategy.

### **Governance and compliance**

- considered the implications of key risks across the enterprise on compensation programs, including sales compensation plans
- reviewed the audit of our compensation programs against OSFI's expectations and the Financial Stability Board's Principles for Sound Compensation Practices
- participated in a pension education session and reviewed the governance of employee pension plans
- reviewed and approved amendments to the compensation and appointment policy
- monitored the talent risk dashboard
- reviewed and updated the MRC's charter.

### **Human resources function**

- reviewed the Statement of Mandate, Responsibility and Authority of the Executive Vice-President, Human Resources & Communications Officer, including the adequacy of her resources
- reviewed annual objectives and initiatives and assessed annual performance of the Executive Vice-President, Human Resources & Communications Officer
- reviewed the organizational structure and effectiveness of the human resources function
- reviewed succession plans and talent development in the human resources function.

The members of the MRC are satisfied with the committee's mandate and believe that it met the terms of its charter in 2017.

## Risk & Conduct Review Committee



Barbara G. Stymiest  
(Chair)



Stephanie L. Coyles



Martin J. G. Glynn



M. Marianne Harris

The Risk & Conduct Review Committee (the "RCRC") is a standing committee of the board whose primary functions are to assist the Board with its oversight role by:

- reviewing the management of risk enterprise-wide, and of the risk management function to ensure that management has in place 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
- regularly monitoring that the risk profile is within the agreed risk appetite of the company and that the company's capital position is in compliance with regulatory capital requirements
- monitoring and recommend to the board for approval, the specific risk limits allocated to the businesses and the annual capital plan
- meeting with the senior business and functional leaders who own and manage the risks, and who oversee the risk management programs
- overseeing the effectiveness of the risk management function and obtain reports from internal audit on the effectiveness of risk controls within the business and risk function
- overseeing risk management activities of our subsidiaries and risk posed to the company through its joint venture arrangements
- reviewing and approving all risk management policies and review compliance with those policies
- providing the board with an integrated view of oversight of all risk management programs across all board committees, where the board has allocated oversight of specific risk management programs to other board committees
- overseeing compliance with legal and regulatory requirements and the identification and management of compliance risk.

The RCRC met five times in 2017. It routinely held private meetings with the Chief Risk Officer and met in-camera at the beginning and conclusion of each meeting. In May 2017, oversight of the compliance function and related risks moved from the AC to the RCRC. Following May 2017, the RCRC routinely held private meetings with the Chief Compliance Officer and met in-camera at the conclusion of each meeting. The RCRC also met in camera with the Chief Credit Risk Officer periodically.

### 2017 activities

#### Oversight of Risk Management

- reviewed the key and emerging risks facing our business activities and the controls being applied to mitigate risks
- received regular briefings and held regular discussions on emerging industry, regulatory and risk management issues and governance trends
- reviewed the risk profile quarterly and its alignment with the Risk Appetite Policy including the risk appetite dashboard
- reviewed in-depth reports on identified key and emerging risks and discussed mitigation strategies with management



- reviewed the results of Dynamic Capital Adequacy testing and other scenario analyses and provided input on the scenarios tested
- received briefings on cyber and information security, negative interest rates and the potential impact of regulatory changes
- reviewed with management the development of the company's Operational Risk Management programs
- reviewed in-depth reports on key and emerging risks in our Canada, Asia, Sun Life Investment Management businesses and at Massachusetts Financial Services
- reviewed key and emerging risk considerations under the Business Plan
- reviewed and recommended board approval of amendments to the Risk Management Framework including the risk culture statement, Risk Appetite Policy, Capital Risk Policy and the Capital Management & Liquidity Framework
- periodically reviewed and approved policies for the management and control of risk and received reports on compliance with risk management policies
- Considered how risk culture is embedded within the organization through ongoing discussion with management and regular oversight of risk reports, policies, and other risk management programs
- reviewed risk monitoring programs and reports on risk monitoring activities, including those related to risk appetite, investment and market risks, operational risks and insurance risks
- reviewed reports on compliance with risk policy limits and monitored related management actions
- discussed with management optimizing the amount of risk taken within approved risk limits
- monitored the implementation of enhancements to the operational risk management framework
- reviewed with management the report on the company's Own Risk and Solvency Assessment.

### **Oversight of capital and treasury management**

- reviewed and recommended to the board internal capital targets in accordance with OSFI guidelines
- reviewed and recommended to the board approval of the annual capital plan
- reviewed our capital position and financial strength quarterly with management and made recommendations to the board about allocation of capital, dividends, share repurchases, debt redemptions, debt issuances and re-financings
- monitored the company's planning and preparation for the Life Insurance Capital Adequacy Test (LICAT) implementation.

### **Oversight of compliance**

- received briefings on client complaints and complaint handling procedures
- received reports on compliance resources, programs and initiatives from compliance leaders in Sun Life Investment Management, Sun Life Financial Asia and at Massachusetts Financial Services
- reviewed and approved the annual compliance plan
- received regular reports from the Chief Compliance Officer on compliance matters, including compliance with applicable laws and regulations, ethical conduct, whistleblowing, anti-money laundering, market conduct, fraud, bribery and privacy
- reviewed policies and programs to monitor compliance with legal and regulatory requirements
- met with OSFI to review its annual examination report and the status of items to review with management on a regular basis.

### **Risk monitoring and governance**

- reviewed the Statements of Mandate, Responsibility and Authority, including independence and resources, of the Chief Risk Officer, Chief Compliance Officer and Chief Credit Risk Officer and assessed the effectiveness of their functions
- reviewed annual objectives and initiatives of the Chief Risk Officer and Chief Credit Risk Officer and assessed annual performance of the Chief Risk Officer, Chief Compliance Officer and Chief Credit Risk Officer
- reviewed the organizational structure and effectiveness of the risk management and compliance function
- reviewed succession plans and talent development in the compliance and risk management functions
- commissioned an independent review of the compliance function and reviewed the final report
- reviewed specific risk reports to provide an integrated view of oversight of risk management programs to the Board, including
  - the implications of key risks across the enterprise on compensation programs at the MRC
  - risk monitoring activities related to investment and market risks at the GNIC
  - risk considerations in the strategic plan at its annual strategy session
- reviewed and updated the RCRC charter.

The members of the RCRC are satisfied with the committee's mandate and believe that it met the terms of its charter in 2017.

# Director compensation

## Compensation discussion and analysis

### Our philosophy, approach and process

We have two primary compensation objectives:

- to align directors' interests with the interests of our shareholders
- to fairly and competitively compensate directors in order to attract well qualified board members.

The board's philosophy is to compensate directors fairly for the time and effort required to fulfil their responsibilities and contribute to the effective leadership and direction of the enterprise.

We compare the target pay for our directors (excluding the Chairman of the Board and the CEO) against the total compensation (annual retainer and meeting fees) paid to directors of Canadian financial services sector peers. We determine the median pay for the "average director" at other financial institutions by reviewing publicly available information from our peer group (see below). We calculate the amount that an average director at each financial institution would receive in a year assuming an equal number of board and committee meetings at each institution and an equal number of committee memberships for each director. We also benchmark the total compensation paid and trends in director compensation using a broad survey of 100 large Canadian public companies. We use these comparisons to assess the competitiveness of our directors' compensation program every two years.

We benchmark pay for the Chairman of the Board against the compensation paid to the chairs of companies in our peer group. The average amount of total compensation is used as a baseline to assess the competitiveness of the Chairman's compensation. The Governance Nomination & Investment Committee also considers other qualitative factors when making recommendations to the board on the Chairman's compensation.

Our peer group is made up of five major Canadian banks and two insurance companies.

- BMO Financial Group
- CIBC
- Great West Life
- Manulife Financial
- RBC
- Scotiabank
- TD Bank Financial Group

We selected these companies as peers because they are leading financial services organizations in Canada that we believe recruit director candidates with similar skills and experience as we seek.

The Governance Nomination & Investment Committee considers the responsibilities and time commitment required to be an effective director as well as the competitiveness of our program relative to our peer group and makes recommendations to the board.

## Program structure

Directors receive an annual retainer, committee retainers and travel fees for serving on the boards of Sun Life Financial and Sun Life Assurance. The cost is shared equally between the two companies. They are also reimbursed for travel and other expenses they incur to attend our board and committee meetings. Committee chairs receive an additional retainer because of their increased responsibilities.

The Chairman of the Board receives a separate annual retainer that includes a portion in DSUs equal to the value of DSUs received by the other directors. He is also reimbursed for travel and other expenses he incurs while carrying out his duties as Chairman. He does not receive travel fees.

Mr. Connor does not receive any director compensation because he is our CEO. Details regarding Mr. Connor's compensation can be found in the Executive Compensation section of this Circular beginning on page 46.

### ***Changes to directors' compensation for 2017***

Until May 31, 2017, director compensation included per-meeting fees of \$1,750. In 2017, the Governance Nomination & Investment Committee retained an independent compensation consultant, Meridian Compensation Partners (Meridian), to provide a competitive review of our director compensation program. Meridian used data for our peer group, to which it added National Bank of Canada, and from a 2016 Meridian survey of the TSX 60. Based on Meridian's analysis, the Governance Nomination & Investment Committee recommended, and the board approved, a new all-inclusive structure for director compensation that eliminated per-meeting fees.

As part of the all-inclusive structure, the Governance Nomination & Investment Committee increased the directors' annual retainer by \$70,000 to \$210,000<sup>1</sup> and the committee chairs' retainers by \$10,000 to \$40,000<sup>2</sup>.

The table below shows the changes to the directors' compensation structure as approved by the board with effect from June 1, 2017<sup>3</sup>:

	Until May 31, 2017	Effective June 1, 2017
Chairman of the Board's retainer	\$405,000	\$405,000
Directors' retainers	\$140,000	\$210,000 <sup>1</sup>
Committee chairs' retainers	\$ 30,000	\$ 40,000 <sup>2</sup>
Committee members' retainers	\$ 10,000	\$ 10,000
Meeting fees	\$ 1,750	\$ NIL

<sup>1</sup> 50% of which will be received in DSUs and 50% of which will be received in cash, DSUs and/or shares.

<sup>2</sup> All committee chairs will now receive the same retainer to acknowledge the balanced and high workload of each committee chair.

<sup>3</sup> Travel fees remained unchanged from those implemented on May 1, 2016, being (i) \$1,500 when travel time for a round trip was two to six hours and (ii) \$3,000 when travel time for a round trip was six hours or more.

The Governance Nomination & Investment Committee also determined to review director compensation every two years rather than on an annual basis.

## **Share compensation plan**

The board adopted a directors' share compensation plan on December 6, 2000. Directors receive 50% of their annual board retainer in DSUs. They can choose to receive the balance of their compensation in any combination of cash, additional DSUs and common shares of Sun Life Financial acquired on the open market. Directors cannot convert DSUs to common shares or cash until they leave the board. To date, directors have converted all DSU awards under this plan to cash when they retired from the board.

Independent directors do not participate in the company's stock option plan.

## **Share ownership guidelines**

We believe it is important for our directors to have a significant stake in the company to align their interests with those of our shareholders.

Effective June 1, 2017, in conjunction with the 2017 director compensation changes noted above, the directors' share ownership guideline was increased to \$735,000 or seven times the cash portion of the directors' annual retainer. Directors (other than Mr. Connor) must own at least \$735,000 in common shares and/or DSUs within five years of being elected to the board. Directors may not engage in equity monetization transactions or hedges involving securities of Sun Life Financial (see page 58).

As CEO, Mr. Connor has separate share ownership requirements which are described on page 57.

## Share ownership

The table below shows the common shares and DSUs each director (other than Mr. Connor) held as of February 28, 2018 and February 28, 2017, and the portion they chose to receive in common shares or DSUs (excluding the portion of the annual board retainer that is automatically paid in DSUs).

Director	Year	Number of common shares	Number of DSUs	Total number of common shares and DSUs	Total value of common shares and DSUs (\$)	Guideline met (✓) or value (\$) required to meet guideline	Portion chosen as share compensation (%)
William D. Anderson	2018	15,600	17,797	33,397	1,765,365	✓	–
	2017	13,280	14,238	27,518	1,326,368	✓	–
	Change	2,320	3,559	5,879	438,997		
Stephanie L. Coyles	2018	1,400	2,470	3,870	204,568	530,432	100
	2017	0	0	0	0	700,000	100
	Change	1,400	2,470	3,870	204,568		
Martin J. G. Glynn	2018	10,316	16,398	26,714	1,412,102	✓	–
	2017	10,316	12,820	23,136	1,115,156	✓	–
	Change	0	3,578	3,578	296,946		
M. Marianne Harris	2018	5,484	21,834	27,318	1,444,029	✓	–
	2017	5,340	16,116	21,456	1,034,180	✓	100
	Change	144	5,718	5,862	409,849		
Sara Grootwassink Lewis	2018	5,500	14,875	20,375	1,077,023	✓	–
	2017	5,500	9,179	14,679	707,528	✓	100
	Change	0	5,696	5,696	369,495		
Christopher J. McCormick	2018	0	1,335	1,335	70,568	664,432	–
	2017	0	0	0	0		–
	Change	0	1,335	1,335	70,568		
Scott F. Powers	2018	975	7,277	8,252	436,201	298,799	–
	2017	975	2,753	3,728	179,690	520,310	75
	Change	0	4,524	4,524	256,511		
Réal Raymond	2018	8,000	15,788	23,788	1,257,434	✓	–
	2017	8,000	12,705	20,705	997,981	✓	50
	Change	0	3,083	3,083	259,453		
Hugh D. Segal	2018	8,657	20,049	28,706	1,517,399	✓	–
	2017	8,657	17,540	26,197	1,262,696	✓	–
	Change	0	2,509	2,509	254,703		
Barbara G. Stymiest	2018	5,000	28,739	33,739	1,783,444	✓	–
	2017	5,000	23,418	28,418	1,369,748	✓	80
	Change	0	5,321	5,321	413,696		

The closing value of our common shares on the TSX was \$52.86 on February 28, 2018 and \$48.20 on February 28, 2017.

## Compensation details

### Director compensation table

We paid a total of \$2,776,931 to the directors of Sun Life Financial and Sun Life Assurance in 2017, compared to \$2,582,859 in 2016.

Name	Fees earned (\$)	Share-based awards (\$)	Travel fees (\$)	Option-based awards <sup>1</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation <sup>2</sup> (\$)	Total (\$)
William D. Anderson	194,099	148,044	–	–	–	–	–	342,143
John H. Clappison	41,503	39,027	–	–	–	–	5,000	85,530
Stephanie L. Coyles	–	218,269	1,500	–	–	–	–	219,769
Martin J. G. Glynn	64,981	151,538	21,000	–	–	–	–	237,519
M. Marianne Harris	–	242,343	4,500	–	–	–	–	246,843
Sara Grootwassink Lewis	–	236,951	21,000	–	–	–	–	257,951
Christopher K. McCormick	78,242	65,385	12,000	–	–	–	–	155,627
Scott F. Powers	37,079	201,622	15,000	–	–	–	–	253,701
Réal Raymond	94,519	123,750	9,000	–	–	–	–	227,269
Hugh D. Segal	129,635	90,385	7,500	–	–	–	–	227,520
Barbara G. Stymiest	30,742	213,352	1,500	–	–	–	–	245,594
James H. Sutcliffe	–	145,755	–	–	–	–	43,586	189,341
A. Greig Woodring	–	82,124	6,000	–	–	–	–	88,124
<b>TOTAL</b>								<b>2,776,931</b>

<sup>1</sup> Independent directors do not participate in the company's stock option plan.

<sup>2</sup> The amounts for Messrs. Clappison and Sutcliffe represent a charitable donation that were made by the company when they retired from the board.

# Executive compensation

This section discusses our approach to executive compensation, how we make decisions, the different components of our programs, what we paid our named executive officers in 2017 and the rationale for our decisions. Management prepared the compensation discussion and analysis and compensation details provided below on behalf of the Management Resources Committee (MRC). It was reviewed and approved by the MRC and our board. All figures are in Canadian dollars unless stated otherwise.

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## Letter to shareholders

### To our fellow shareholders:

Building on the ambitious goal of becoming one of the best insurance and asset management companies in the world, your company launched its Purpose in 2017: to “Help our Clients achieve lifetime financial security and live healthier lives”. The Purpose expresses why we are in business and highlights the commitment within your company to deliver for Clients. To this end, starting in 2017, 25% of the annual incentive award is determined by how well we meet Client needs and build Client loyalty.

We are pleased to report that 2017 was highlighted by strong results, good progress on strategic priorities, and success in our Client-focused initiatives. In the following pages, we will share with you our approach to compensation that reflects your company’s performance in 2017 as well as key governance activities over the past year.

### Company Performance Highlights

We made strong progress on our strategic priorities, delivered on financial objectives and continued to improve our Client experience.

- Reported net income of \$2,149 million (down 14%) from \$2,485 million in 2016 and ROE of 10.7% (down from 13.0% in 2016)
- Underlying net income of \$2,546 million (up 9%) from \$2,335 million in 2016 and ROE of 12.7% (up from 12.2% in 2016)
- Minimum Continuing Capital and Surplus Requirements (“MCCSR”) ratio for Sun Life Financial of 246% and Sun Life Assurance of 221%
- Net improvement in Client experience, measured by Client feedback on ease of doing business with Sun Life, the degree of proactive outreach and effectiveness in resolving issues
- Insurance sales of \$3.0 billion (up 10%) and Wealth & Asset Management sales of \$145.3 billion (up 5% over 2016)
- Global assets under management (AUM) of \$975 billion (up 8% over 2016)
- Continued investment in technology and digital solutions, including the launch of Ella in Canada - an interactive digital coach that helps Clients get full value from their benefits and pension plans
- Acquisition of FWD’s pension business in Hong Kong; acquisition of Excel Funds in Canada, an emerging markets fund manager (January 2018); signed agreement to partner with Collective Health, an innovative health management company in the U.S
- Common shareholder dividends raised twice in 2017 to \$1.745 per share, an increase of 8% over 2016
- Re-purchased and cancelled 3.5 million SLF common shares in 2017
- Cumulative Total Shareholder Return was 138% for the past five years to December 2017, the highest among major Canadian financial institutions.

### Principles and Governance

Our approach to compensation is based on guiding principles that align pay decisions with shareholder interests, while providing incentives and linking rewards to the longer-term success of your company. We carefully review outcomes and at times may exercise discretion if deemed appropriate from the shareholder view.

The Management Resources Committee regularly reviews material compensation programs, major pension plans and talent management and succession planning program outcomes within your company for competitiveness and alignment with best practices including governance, risk management and regulatory principles.

We do what is right, we are guided by our principles, and our practices meet or exceed the Financial Stability Board (FSB) Principles for Sound Compensation Practices and the Canadian Coalition for Good Governance (CCGG) executive compensation principles.

The Management Resources Committee reports to the full board on its deliberations following each meeting. We review our committee effectiveness annually to identify opportunities for improvement, with the goal of delivering the best outcomes that we can for shareholders.

Over the course of 2017, the Management Resources Committee executed against its full mandate. We met regularly through the year and discussed and debated issues with and without management present. We carefully assessed executive talent in the determination of compensation and also worked with management to ensure necessary talent is in place, acquired or developed to help drive our strategy forward.

We brought an independent, expert opinion on matters related to compensation to ensure the appropriate challenge was in place. The Management Resources Committee considered the quality of earnings in order to make decisions on the Annual Incentive Plan and total compensation outcomes as necessary, and utilized a report on risk from the Company's Chief Risk Officer to assure itself that results were achieved appropriately within the company's risk appetite and risk management practices.

The Globe and Mail's Board Games ranked Sun Life Financial in the top 10 again in 2017 in the annual ranking of corporate governance. We continued to receive positive feedback on our compensation program from shareholders through our advisory vote on executive compensation ('say on pay') that helps us to ensure our decisions and actions align with shareholder expectations.

## Compensation Highlights in 2017

With consideration to our 2017 performance and the recommendations of the MRC, the board approved the following compensation decisions, the details of which are shown in the following pages:

- Salary increase for one named executive officer
- Total company performance factor of 127% for the annual incentive plan (AIP). This plan pays out above target when financial and business targets are exceeded, and in 2017 also incorporated Client-centred measures. This is down from our 2016 factor of 141%, illustrating that performance did not exceed the targets by the same degree in 2017 as was achieved in 2016
- Payouts under the Executive Sun Share Unit Plan (Sun Shares) made in March 2018 reflect strong absolute performance and relative Total Shareholder Returns (TSR) over the last 3 years (2015 – 2017), and resulted in a performance factor of 119%. This is down from 144% from 2014 to 2016
- 2018 pay and performance targets established, based on our 2018 plan and strategic priorities
- 2018 mid and long-term incentive awards made, the ultimate value of which will reflect our performance over the next three to ten years.

With our ongoing review of governance and best practices in executive compensation, changes to your company's clawback policy were approved in 2017, which extends the ability to recoup incentive compensation from executives for misconduct, beyond financial restatement. Further details can be found on page 58 in the section titled "Clawbacks".

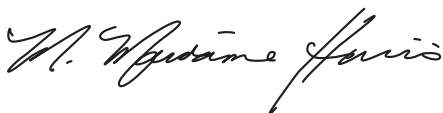
The committee also reviewed sales compensation practices to ensure rewards and incentives were appropriately aligned with Client interests.

Overall, our incentive plans delivered value above target in 2017, but lower than 2016, which we believe is appropriate for the performance delivered year over year. The MRC is confident that these results were delivered without excessive risk taking. The table on page 72 shows the strong performance alignment between the compensation outcomes for the CEO and the value created for shareholders.

## Have your Say

We aim to provide you with the information that instills confidence in the decisions taken and seek feedback from shareholders on what more you want to know. We believe that an open dialogue is important and invite you to contact us at [boarddirectors@sunlife.com](mailto:boarddirectors@sunlife.com) on matters pertaining to executive compensation, and encourage you to continue to take advantage of your “say on pay” again in 2018.

Sincerely,



**M. Marianne Harris**  
Chair, Management Resources Committee



**Bill Anderson, FCPA, FCA**  
Chairman of the Board

# Compensation discussion and analysis (CD&A)

## 2017 compensation decisions and approvals

We evaluate our business performance to assess whether our targets set at the beginning of the year remain appropriate, whether external perceptions of our performance are consistent with the calculated results from our formulae, and the extent to which delivered results represent long-term sustainable performance or one-off events.

The table below summarizes the 2017 compensation decisions for the individuals who are our named executive officers for 2017. Mr. Freyne was our Executive Vice-President and CFO from July 1, 2009 to May 28, 2017. Mr. Strain was appointed Executive Vice-President and CFO on May 29, 2017. We describe the plans, payouts and new grants in more detail starting on page 59.

Named Executive Officer	Annualized salary (000s)		Annual Incentives			Long Term Incentives (000s)			
	2017	2018	Actual (000s)	Target (% of salary)		Sun Shares		Options	
				2017	2018	Value Vested / Paid	Value Granted	Value Exercised	Value Granted
						2015 grants paid in early 2018			
<b>Dean A. Connor</b> President & Chief Executive Officer	1,100	1,100	2,185	125%	150%	6,860	4,500	334	1,500
<b>Kevin D. Strain</b> Executive Vice-President & Chief Financial Officer	600	600	1,082	125%	125%	1,372	1,238	861	412
<b>Colm J. Freyne</b> Executive Vice-President & Chief Risk Officer	560	560	812	100%	100%	1,372	975	1,071	325
<b>Stephen C. Peacher</b> President, Sun Life Investment Management	US 580	US 580	US 2,052	250%	250%	US 2,032	US 1,650	–	US 550
<b>Daniel R. Fishbein</b> President, SLF U.S.	US 550	US 575	US 1,023	125%	125%	US 1,355	US 975	–	US 325
<b>Kevin P. Dougherty</b> Executive Vice-President, Innovation & Partnerships	585	585	1,141	125%	125%	2,127	1,163	–	387

The board assessed the performance of each named executive officer against their individual objectives for 2017. Summaries of performance for each named executive officer that formed the basis for salary adjustments and individual multipliers under the AIP and long-term incentive programs start on page 71.

The value of the 2015 Sun Share awards paid in 2018 reflect the change in share price, accrued dividends and application of the 119% performance factor. See page 63 for details about the performance factor for Sun Share awards.

## **Changes for 2018**

### ***Management Resources Committee***

The Management Resources Committee conducted its annual review of our compensation programs and approved the following changes for 2018.

### ***Clawbacks***

Effective in 2017, the policy was revised to provide the board with more flexibility and recourse to recover all incentive compensation received or realized by all current and former employees for misconduct during the prior 24 months.

### ***Sun Life Investment Management Incentive Plan***

To support growth and evolution of the Sun Life Investment Management businesses, we made adjustments to measurement weightings by 5% to ensure our compensation is linked more closely with performance and business outcomes. See page 62 for details.

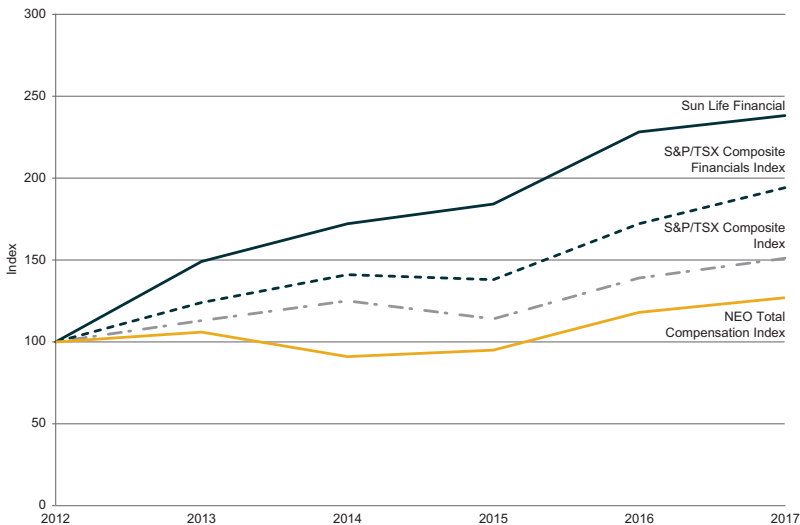
### ***Executive Stock Option Plan***

For grants starting in February 2018, we reviewed the methodology for determining the number of stock options to be awarded. We moved from a constant 25% Black Scholes value to a five-year calculated average value to enhance alignment with market changes experienced by investors and Canadian peer market practices.

## Comparing shareholder value to executive compensation

The graph below compares the cumulative value of \$100 invested in Sun Life shares for the five years starting on December 31, 2012 with the value of \$100 invested in each of two indices, S&P/TSX Composite Index and the S&P/TSX Composite Financials Index, for the same period, assuming dividends were reinvested. The graph also shows total compensation, defined in alignment with the summary compensation table on page 78, for the named executive officers (NEO) (limited to the CEO, CFO and the next three highest paid active named executive officers in the years when we had more than five named executive officers) as a dollar value and indexed to 100 over the same period. Note that the definition of total compensation is different than used in prior years (where we included both realized and realizable pay), as it is more aligned for the purposes of this disclosure.

The graph shows that Sun Life returns have outpaced other indices and the growth in NEO total compensation over the past five years. For more information on the alignment between CEO pay and shareholder value, see page 72.



Year ended December 31	2012	2013	2014	2015	2016	2017
Sun Life Financial	100	149	172	184	228	238
S&P/TSX Composite Index	100	113	125	114	139	151
S&P/TSX Composite Financials Index	100	124	141	138	172	194
NEO Total Compensation Index	100	106	91	95	118	127
Total compensation of named executive officers (millions)	\$21.7	\$22.9	\$19.7	\$20.5	\$25.6	\$27.6

## Cost of Management Ratio

The Cost of Management Ratio below expresses total compensation, as outlined in the summary compensation table, of named executive officers as a percentage of underlying net income attributed to shareholders. This table shows that underlying net income has outpaced the cost of management.

Cost of management ratio	2013	2014	2015	2016	2017
Total Compensation of named executive officers (millions)	\$ 22.9	\$ 19.7	\$ 20.5	\$ 25.6	\$ 27.6
Underlying net income attributed to shareholders (millions)	\$1,581	\$1,816	\$2,305	\$2,335	\$2,546
Cost of management ratio	1.4%	1.1%	0.9%	1.1%	1.1%

## Compensation philosophy and approach

### Compensation principles

Our approach to compensation is guided by five principles for designing compensation programs that:

1. **align to our business strategy**, such as our focus on Clients
2. **provide incentive** to meet strategic business priorities
3. **support fairness** for all employees, and reward top performance
4. **are simple and clearly communicated**
5. **ensure alignment** with the investor experience of short, mid and long-term performance and create a longer-term ownership mindset for senior leaders.

### How we ensure alignment

The following are four ways we ensure our pay and performance are aligned with shareholder interests:

1. **at risk pay** (including variable and deferred compensation) accounts for 87% of total compensation paid to our CEO and 77% for the Executive Team
2. **performance measures** in the AIP reflect value added for shareholders through earnings, profitable sales and progress against strategic priorities across the enterprise
3. **performance targets** in the AIP are based on the annual business plan approved by the board and aligned with the company's risk framework
4. **absolute and relative shareholder returns** reflect our sustained long-term performance and drive the value of deferred compensation.

### Our approach to setting compensation

- We set target pay for each element of compensation at the median (or middle) of pay levels of peer companies and benchmark target total compensation to ensure the overall positioning for each role is appropriate.
- We align perquisites, benefits and pension arrangements with the median of practices among peer companies. Their values do not fluctuate significantly with business or individual performance.
- At the end of the year, we adjust the actual pay based on achieving both business and individual performance goals. If we deliver superior performance above target, that will result in pay above median. Performance below expectations will result in pay below median.
- We use a formal decision-making process that incorporates assessment of performance and value added for shareholders, benchmarking against peers, independent advice, an annual decision-making cycle and the use of board discretion when appropriate.

## Compensation governance

### ***Management Resources Committee (MRC) involvement and composition***

The MRC oversees compensation design and outcomes, focusing on programs that are considered material to the company. The MRC and board exercise control over the compensation programs at MFS through approval of the annual salary budget, bonus pool and long-term equity awards.

Composed of entirely independent directors, MRC members have direct experience related to executive compensation, succession planning and risk management. Collectively, they have the expertise required to make decisions on executive compensation and governance.

- **M. Marianne Harris, Chair of the MRC**, was the Managing Director and President, Corporate and Investment Banking of Merrill Lynch Canada, Inc. from 2006 to 2013 and Head of Financial Institutions Group Americas from 2003 to 2006 in New York. Ms. Harris has expertise in governance, stakeholder relations, risk and regulation and considerable experience in the design and administration of compensation programs as well as the governance and operation of executive compensation. Ms. Harris currently serves on the human resources committee of one other publicly-traded company and is Chair of the Board of the IIROC.
- **Martin J.G. Glynn** was the President and Chief Executive Officer of HSBC Bank USA from 2003 to 2006 and President and Chief Executive Officer of HSBC Bank Canada from 1999 to 2003. In those roles he had responsibility for human resources and compensation matters in Canada and the U.S. Mr. Glynn currently serves on the compensation committee of one other publicly-traded company and is currently Chair of the Human Resources and Compensation Committee of the Public Sector Pension Investment Board.
- **Christopher J. McCormick** was President and Chief Executive Officer of L.L. Bean, Inc., a multichannel outdoor gear and apparel retailer, from 2001 until March 2016. In this role, he was involved with compensation practices as well as the governance and design of executive incentive programs.
- **Scott F. Powers** was the President and Chief Executive Officer of State Street Global Advisors from 2008 to 2015 where he gained experience in governance, risk management and oversight for compensation programs. Mr. Powers has experience in the design and administration of compensation in the asset management industry. Mr. Powers currently serves on the compensation committee of one other publicly-traded company.

MRC's membership is reviewed annually to ensure members have the experience and expertise required to fulfil the MRC's mandate. More information on the members and the operation and activities of the MRC can be found on page 36. The profiles of MRC members are contained in the section on director nominees starting on page 9.

### ***Incentive Plan Review Group***

A group of senior executives from finance, actuarial, risk management, legal/compliance, human resources and internal audit comprise our Incentive Plan Review Group (IPRG) and participate in the compensation decision-making process. The IPRG meets prior to each MRC meeting to review the design of our incentive compensation plans, performance targets and assessments, and information on risk management. It provides input for the CEO, MRC and the board to consider as part of their final recommendations and approvals. For more information on our decision-making cycle is available on page 58.

### ***Independent advice***

In 2016, the committee retained Pay Governance LLC (Pay Governance) as its independent consultant. Pay Governance provides advice on the strategy, design and quantum of



compensation programs for the CEO and top executive officers and on our executive compensation governance, including advice on compensation programs relating to MFS.

The MRC approves the engagement of the independent consultant, the proposed work plan and all associated fees. It considers any other work to be assigned to the independent consultant that is material in nature and will only approve it if it believes the work will not compromise the consultants' independence as advisor to the MRC.

The independent consultant advises the MRC throughout the year, giving input on policy recommendations, helping assess the appropriateness of our executive compensation programs including design and outcomes and reviewing this circular. The MRC considers information provided by the independent consultant and makes recommendations to the board for approval. The board is ultimately responsible for compensation decisions.

Prior to the retention of Pay Governance, in 2016 the MRC retained Hugessen Consulting Inc. (Hugessen) and Johnson Associates (Johnson), Inc. as its independent consultants. Hugessen was originally retained by the MRC in July 2006 and Johnson in May 2012. None of the firms provided any non-executive compensation related services to us in 2017 or 2016. The table below shows the fees paid to Pay Governance, Hugessen and Johnson over the last two years.

Executive compensation-related fees	2017	2016
Pay Governance	US\$202,903	US\$99,396
Hugessen Consulting Inc.	–	\$206,942
Johnson Associates Inc.	–	US\$142,074

## Alignment of compensation programs and risk management

### Our Risk Management Approach

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
- Processes used to support the alignment of compensation and risk management.

Described in more detail below, in 2017, the MRC and board concluded that we did not take risks beyond our risk appetite to generate the business results that led to incentive payouts.

We use the three lines of defence model as a means to ensure roles and responsibilities are consistent, transparent and clearly documented for decision-making, risk management and control in support of effective governance.

Under the model:

- The first line refers to business roles who own, identify, and manage business risks.
- The second line is the oversight functions, which are independent of the first line, and oversee the risk management programs through the risk framework and policies. Independence of the second line is supported with no direct business unit reporting relationships or direct incentive measures based on individual business unit performance.
- The third line of defence is the internal audit function or a third party, which provides independent assurance as to the effectiveness of risk management, control and governance processes.

## ***Governance structure for approval of incentive plans***

The MRC reviews the annual, mid and long-term incentive plans, which represent 89% of the total spend on incentive programs across the enterprise. The remaining plans are generally sales compensation plans developed within approved frameworks and are managed through the “three lines of defence” model. Amounts and key risks under these plans are reviewed by the MRC on an annual basis.

In addition to formal approval processes, the following actions also support the alignment of compensation and risk management:

- Identification of Material Risk Executives (MREs). MREs are individuals in roles having a material impact on our risk exposure. Pay decisions for MREs are reviewed by the MRC and alignment of their compensation with long-term performance of the company is ensured through a minimum of 40% of their pay that is variable and deferred when the earnings threshold is exceeded. See page 91 for the aggregate compensation of our MREs
- Application of compensation clawbacks. See page 58 for a description of our clawback policy
- Ability to lower share unit payments. The MRC and board have discretion in the Sun Share plan to cancel all outstanding awards if they determine that payments would seriously jeopardize our capital position or solvency
- Application of overall discretion. The MRC and board have discretion to lower or zero out incentive awards, and to lower or not grant long-term incentive awards to individuals or groups, if they conclude results were achieved by taking risks outside of board approved risk appetite levels
- Regular audit of our compensation programs. Internal audit reviews our compensation programs against the FSB Principles and reports to the MRC on its findings.

## ***Processes supporting the alignment of compensation and risk management***

Our compensation design and review processes incorporate the following risk management practices:

- Compensation programs and processes are managed through the “three lines of defence” model and principles
- Each year an annual business plan is developed and approved by the board based on approved risk appetite levels and is used as the basis for setting annual performance targets under the AIP
- The Chief Risk Officer makes an annual presentation to the MRC on the key enterprise risks to provide an independent view on whether enterprise risks are being managed appropriately and if adjustments to outcomes are required, and attends other meetings as required
- The MRC receives updates on the incentive plan assessments, including a human resources talent risk and has the discretion to lower or zero out incentive awards, and to lower or not grant long-term incentive awards to individuals or groups, if they conclude results were achieved by taking risks outside of approved risk appetite limits
- The IPRG meets prior to each MRC meeting to review incentive plan outcomes from the perspective of finance, actuarial, risk management, legal/compliance, human resources and internal audit. The IPRG also meets after the end of the year to discuss if any adjustments should be made to the overall or business group AIP score based on the risk, compliance and control environment. The MRC considers input from the IPRG when it develops its recommendations for the board
- The MRC reviews information on the grant value and outstanding value of all salary, bonus and long-term incentive awards over the past five years for each member of the Executive Team. The MRC also reviews stress testing analysis for Executive Team members by reviewing the potential value of outstanding equity awards over a range of future share prices
- The MRC annually reviews aggregate payouts under all incentive programs, the processes and the control environment governing incentive plans and areas of focus for the upcoming

year based on an assessment of indicators of potential risk such as size of plan, size and variability of payout levels, and plan design features.

### ***Design of incentive compensation plans to mitigate risk***

The design of our incentive plans helps to mitigate risk, as follows:

- Designs are stress tested to ensure an understanding of possible outcomes
- Pay mix is managed so that more senior roles have a significant portion of their compensation deferred
- Caps on payouts are incorporated in all non-sales compensation plan designs and, where appropriate, sales compensation plan designs
- The AIP and Sun Life Investment Management Incentive Plan (SLIM IP) (see page 61 and 62) both include a measure whereby funding can be reduced based on the risk, compliance and control environment
- Performance measures generally include a mix of financial and non-financial measures
- AIP funding is limited to total company and business group performance, with no direct compensation impact for sales or decisions around individual products within a business group
- SLIM IP funding is at the aggregate Investments level, with no direct compensation impact on individual investment decisions within an asset class.

### ***Use of discretion***

The board has discretion to:

- Increase or decrease awards under the AIP or SLIM IP based on its assessment of risk management and the impact on our financial results, and other factors that may have had an effect on performance
- Lower or zero out AIP or SLIM IP awards, and to lower or not grant new long-term incentive awards for individuals or groups, if it concludes that results were achieved by taking risks outside of board approved risk appetite levels
- Cancel all outstanding awards under the Sun Share plan if it determines that payment would seriously jeopardize the capital position or solvency of the organization.

### ***Executive share ownership requirements***

Our executives align their interests with those of our shareholders by holding an ongoing stake in the company.

In 2016, we increased the minimum levels of share ownership for named executive officers and added a requirement that they achieve at least 25% of their minimum level of share ownership through personal actions, including personal ownership of shares and elections to defer bonuses into deferred share unit (DSU) awards. They have five years to achieve the new requirement. Executives who are new to the company have five years to achieve their ownership requirements and executives who are promoted have three years from the date of promotion to meet the new minimum requirement, which aligns to the performance cycle of our Sun Shares. In addition, effective in 2017, we added a requirement that following an exercise of stock options, our executive officers must retain shares equal to 50% of the after-tax gain from the exercise for three years.

	Multiple of annual salary	Post – retirement guidelines
Chief Executive Officer (CEO)	10x	Hold at least 100% of guideline for 1 year Hold at least 50% of guideline for 2 years
Named Executive Officers (NEO)	5x	Hold at least 100% of guideline for 1 year

All insiders must follow our insider trading rules, and executives and directors must notify the appropriate individual of their intention to trade in our securities. Executives must notify the CEO, while directors, including the CEO, must notify the Chairman of the Board. The Chairman of the Board must notify the Chairman of the Governance, Nomination & Investment Committee.

**No hedging**

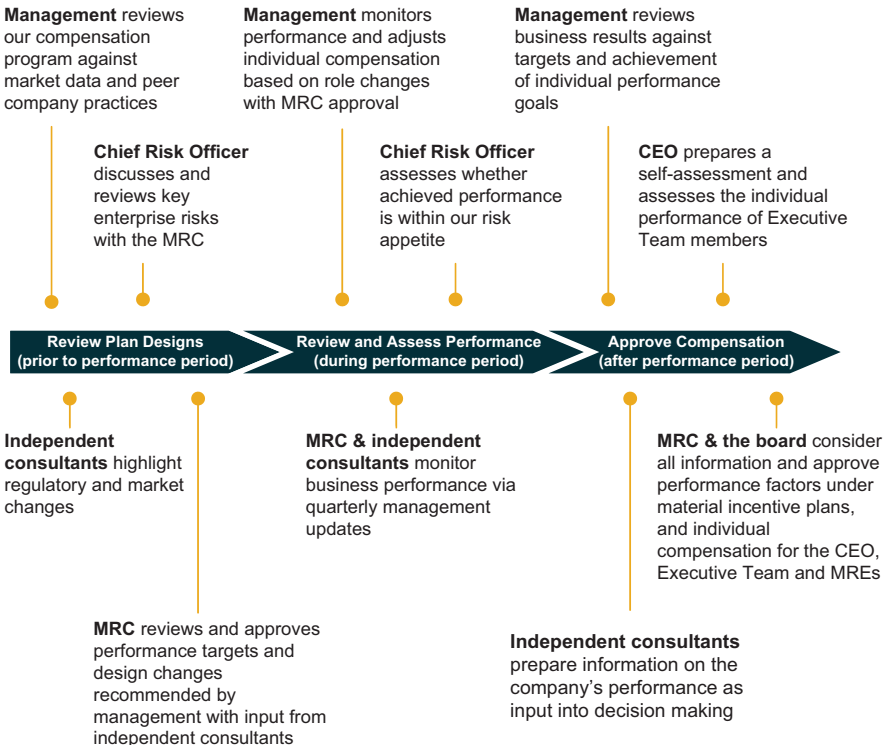
We have a policy that prohibits all insiders subject to our share ownership requirements from participating in equity monetization transactions or hedges involving the company’s securities.

**Clawbacks**

Our clawback policy allows the company to recoup compensation in situations of material restatement and/or misconduct. The policy gives the board discretion to recover any or all of the incentive compensation received or realized in the previous 24 months if the employee (or former employee) was involved in misconduct, including fraud, dishonesty, negligence, and/or non-compliance with legal requirements or our internal policies, including the Code of Conduct. In the case of material restatement, compensation can be recovered if the incentive compensation received would have been less had the restated financial results been known.

**Decision-making cycle**

Our annual decision-making cycle is a rigorous process carried out in three stages for the relevant performance period:

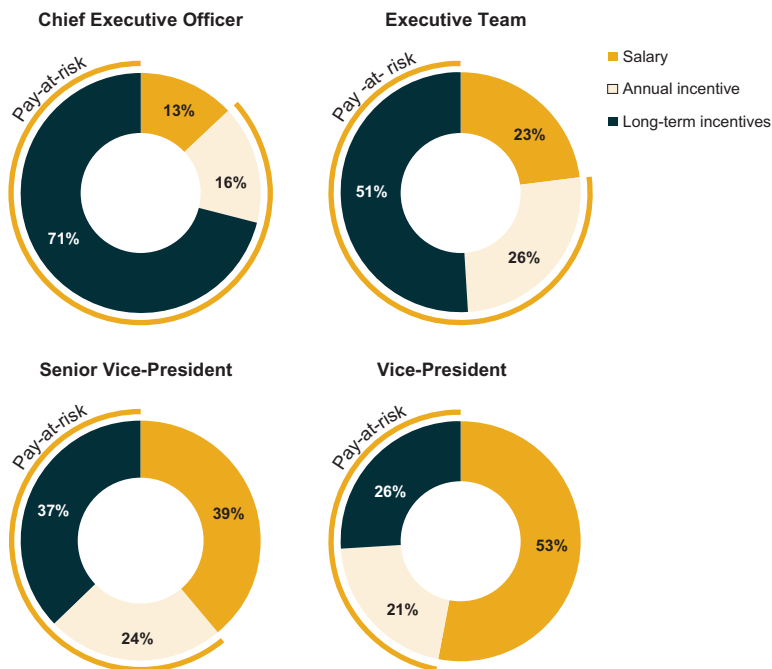


## Our compensation program

Seven components made up our 2017 compensation program

Component	Pay type	Performance period	Who's eligible
Salary	Fixed	<ul style="list-style-type: none"> <li>reviewed annually</li> </ul>	<ul style="list-style-type: none"> <li>all employees</li> </ul>
Annual incentives	Variable	<ul style="list-style-type: none"> <li>1 year</li> </ul>	<ul style="list-style-type: none"> <li>all employees</li> </ul>
Sun Share unit plan (Sun Shares)	Variable	<ul style="list-style-type: none"> <li>3 years</li> </ul>	<ul style="list-style-type: none"> <li>key contributors, Vice-Presidents and above</li> </ul>
Executive stock option plan (Option plan)	Variable	<ul style="list-style-type: none"> <li>10 years</li> <li>vest over 4 years</li> <li>must hold shares equal to 50% of the after-tax gain from an exercise for three years</li> </ul>	<ul style="list-style-type: none"> <li>Executive Team</li> </ul>
Deferred share unit plan (DSU plan)	Variable	<ul style="list-style-type: none"> <li>redeemed when the executive leaves the organization</li> </ul>	<ul style="list-style-type: none"> <li>Vice-Presidents and above</li> </ul>
Pension and other benefits	Fixed	<ul style="list-style-type: none"> <li>accrue during employment</li> </ul>	<ul style="list-style-type: none"> <li>all employees</li> </ul>
Perquisites	Fixed	<ul style="list-style-type: none"> <li>available during employment</li> </ul>	<ul style="list-style-type: none"> <li>Vice-Presidents and above</li> </ul>

The majority of compensation paid to our senior executives is variable and at risk. Pay mix varies based on the ability of the executive to influence short and long-term business results, the level and location of the executive and competitive practices. The average mix of total direct compensation by level, based on target pay, is summarized below. The actual pay mix for individuals may be different depending on business and individual performance and geographic location.



## Benchmarking

- We look at how other companies similar to us compensate similar roles. We look at each component of compensation along with total direct compensation to ensure we can attract and retain the talent we need.
- Surveys of peer groups are used to benchmark our compensation levels for named executive officers, as outlined below. We selected these peer groups because they include the leading financial services organizations in Canada and the broader U.S. insurance industry that we compete in for talent. We also review publicly available compensation information for relevant companies that are publicly traded and compensation information for the asset management sector as appropriate before setting the compensation range for each named executive officer.
- **Canadian market survey:** The Financial Services Executive Report, produced by the Hay Group, is used to benchmark Canadian executives. Our Canadian peer group is made up of six major Canadian banks and two insurance companies:

- |                           |                       |                                 |                      |
|---------------------------|-----------------------|---------------------------------|----------------------|
| • RBC                     | • Scotiabank          | • CIBC                          | • Manulife Financial |
| • TD Bank Financial Group | • BMO Financial Group | • National Bank Financial Group | • Great-West Life    |

- **U.S. market survey:** The Diversified Insurance Study of Executive Compensation, produced by Willis Towers Watson is used to benchmark U.S. executives. The study includes 25 U.S. insurance companies (in addition to Sun Life Financial):

- |                      |                               |                                 |                                    |
|----------------------|-------------------------------|---------------------------------|------------------------------------|
| • AFLAC              | • Hartford Financial Services | • Northwestern Mutual           | • Thrivent Financial for Lutherans |
| • Allstate           | • John Hancock                | • OneAmerica Financial Partners | • Transamerica                     |
| • AXA Group          | • Lincoln Financial           | • Pacific Life                  | • Unum Group                       |
| • CIGNA              | • Massachusetts Mutual        | • Principal Financial Group     | • USAA                             |
| • CNO Financial      | • MetLife                     | • Prudential Financial          | • Voya Financial Services          |
| • Genworth Financial | • Nationwide                  | • Securian Financial Group      |                                    |
| • Guardian Life      | • New York Life               |                                 |                                    |

## Salaries

Salaries provide a portion of pay that is fixed. We set individual salaries, based on the scope and mandate of the role, and performance and experience of the individual and internal equity, within the relevant salary range.

## Annual incentive plan (AIP)

The AIP delivers a portion of pay based on the achievement of annual business and individual performance objectives. These include earnings, profitable sales and Client measures.

This plan rewards employees with cash awards based on how well we achieved our financial, sales, strategic and operational objectives for the year. The maximum overall AIP payout for exceptional business results and individual performance is 250% of target.

Awards are determined using the following formula:

$$\begin{array}{|c|} \hline \text{Salary}^1 \\ \text{(\$)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Annual} \\ \text{incentive} \\ \text{plan target} \\ \text{(\% of salary)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Business} \\ \text{results} \\ \text{(\%)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Individual} \\ \text{multiplier} \\ \text{(\%)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Annual} \\ \text{incentive} \\ \text{plan award} \\ \text{(\$)} \\ \hline \end{array}$$

<sup>1</sup> Base salary pro-rated for active employment

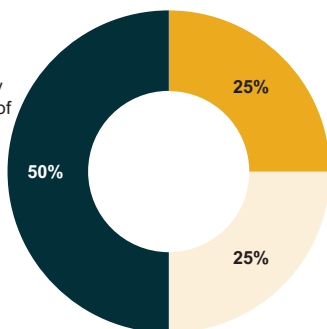
## Business results

We used three measures to assess our 2017 total company performance under the AIP as outlined below.

### Earnings per share (EPS) (AIP basis) – 50% weight

- Earnings (AIP basis) divided by the weighted average number of common shares outstanding.
- EPS (AIP basis) is measured on a constant currency basis.

■ EPS  
■ VNB  
■ Client Measures



### Value of new business (VNB) (AIP basis) – 25% weight

- Our estimated future profits from new business sold during the year (excluding asset management).
- VNB (AIP basis) is measured on a constant currency basis.

### Client measures – 25% weight

- Performance assessed based on:
  - Improvements in Net Promoter Score (NPS) – a key measure of Client loyalty
  - Improvements in Client Index – a measure of secure Client relationships through proactive contact, ease of doing business, and problem resolution
  - Key Client initiatives.

The performance factors for EPS and VNB results range from 0% for below threshold results to 200% for outstanding results. The performance factor for Client measures ranges from 0% to 150%, given it is more subjectively assessed.

Management uses a business performance scorecard to conduct a comprehensive “look back” on performance and ensure fairness and reasonableness of outcomes to determine the final performance payout factor. Performance in established categories are reviewed to confirm the calculated results and inform whether a discretionary adjustment, of up to  $\pm 20\%$  and applied against a set of guiding principles, is appropriate. The plan also includes a modifier for Risk, Compliance and Control considerations that is neutral to negative, and can be applied to lower the overall business result to zero. The MRC maintains its discretion to lower or zero out incentive awards.

Earnings (AIP basis) is defined as Reported Net Income less Other Adjustments as defined in Section L of our Non-IFRS measures in our 2017 MD&A filed with Canadian securities regulators, as well as the impact of the U.S. tax reform in 2017. You can find a copy on our website ([www.sunlife.com](http://www.sunlife.com)), on SEDAR ([www.sedar.com](http://www.sedar.com)) and on EDGAR ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)).

## Mix of business results

The current mix of business results for our named executive officers is as follows:

- 100% total company business results for the CEO, CFO, and Chief Risk Officer
- 50% total company and 50% relevant business group business results for other named executive officers.

The business group component for the President, Sun Life Investment Management reflects 50% weight on the SLIM IP business result and 50% weight an assessment of affiliate performance, specifically Bentall Kennedy, Prime Advisors, Inc., and Ryan Labs Asset Management.

Executive Team members who run a business group continue to have a significant portion of their compensation tied to total company results through the mid- and long-term incentive programs.

## Individual multiplier

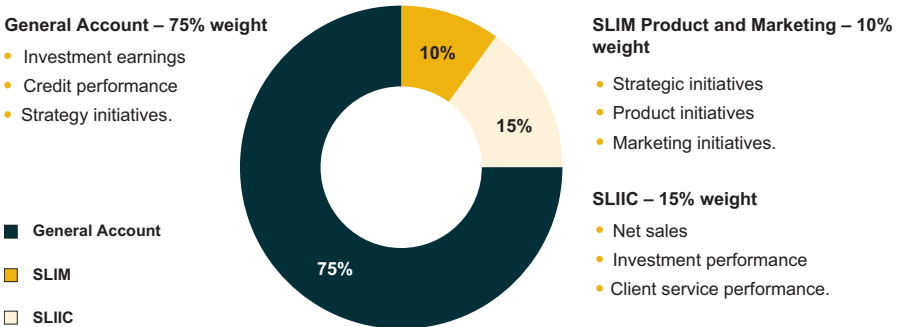
All employees, including the named executive officers, receive an individual performance multiplier based on their individual contributions during the year. Performance is assessed against individual performance objectives for the year. The multiplier for the named executive officers can range from 0% for unsatisfactory performance to 200% for exceptional performance.

## Sun Life Investment Management incentive plan

The SLIM IP rewards employees who support the Sun Life Assurance General Account Investment function (General Account), Sun Life Institutional Investments (Canada) Inc. (SLIIC) and those supporting SLIM product development and marketing initiatives for reaching or exceeding investment and individual objectives.

This plan rewards employees using a pool-based approach with discretionary allocation to individuals, which is a design typical of systems found commonly in the market for similar businesses. The President, Sun Life Investment Management participates in the AIP and his payout includes performance on SLIM IP measures, weighted as noted on page 61.

Performance under the SLIM IP is assessed subjectively across three categories.



The performance assessment ranges from 50 to 150% of target and is based on a quantitative scorecard and qualitative information. The resulting performance factor is reviewed by the IPRG prior to the CEO submitting a recommendation to the MRC and board for approval.

The plan includes a modifier for Risk, Compliance and Control considerations that is neutral to negative, and can be applied to lower the overall business result to zero. The MRC maintains its discretion to lower or zero out incentive awards.

## Long-term incentive compensation

Our long-term incentive programs deliver a portion of pay that is earned over a multi-year vesting period and aligned with shareholder interests. Our 2017 long-term incentive grants consisted of two different vehicles – Sun Shares (3-year vesting) and options (4-year vesting, with vested options exercisable for 10 years from the date of grant). Starting with the 2017 grant, we require that executives hold shares equal to 50% of the after-tax gain on exercise for 3 years, which, if exercised, extends the combined hold on a portion of the options and underlying common shares to 7 years.

### Mix of long-term incentive vehicles

The current mix of long-term incentive vehicles for eligible participants is as follows:

- 75% Sun Shares and 25% options for the CEO and Executive Team
- 100% Sun Shares for Senior Vice-Presidents, Vice-Presidents and key contributors (below Vice-President).



These incentive plans are designed to align and reward executives and other key contributors for creating shareholder value and generating superior returns over the performance period of the plans, which range from three to 10 years. Incentive pools are allocated to business leaders to decide the award for participants based on contributions during the year and their potential impact on long-term results. Awards are granted as a fixed amount, however, the actual payout value will vary based on our share price, dividends and, in the case of Sun Shares, our performance relative to peers over the performance period. Prior to approving awards, the MRC receives information on past awards for each Executive Team member. Awards are granted based on position level, individual performance and potential, and competitive practice.

### **Sun Share unit plan**

The Sun Share unit plan rewards individuals for creating absolute and relative shareholder value over a five year period with greater weight given to performance in the final three years.

Objectives for the Sun Share unit plan include aligning payouts to sustained performance, absolute and relative total return performance versus peers, and retention. The plan design has a range of potential payouts (from 0 to 200% of target) for our most senior executives, reflecting their accountability and impact on our results. Less senior participants have a narrower range of potential payouts because our focus at those levels is more on alignment of deferred pay to absolute TSR and retention.

The plan incorporates two performance measures:

Performance Measure	Description	Applies to
1. Absolute TSR	the underlying value of the share units based on increases or decreases to share price and dividend performance	All Sun Share participants
2. Relative TSR	modifies the ultimate award based on our relative TSR performance versus peers	Vice-Presidents and above

The relative TSR performance measure for executives ensures that payouts are aligned to both absolute and relative total return performance over the performance period.

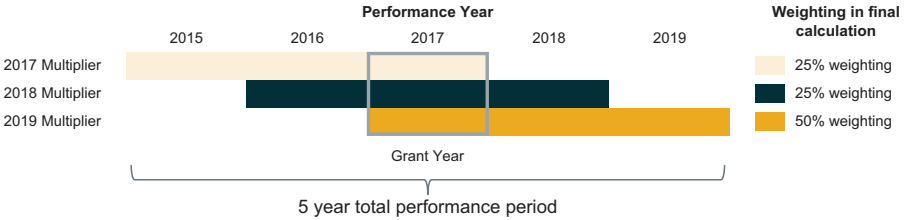
The grant value of each Sun Share is the average closing price of our common shares on the TSX over the five trading days before the grant date. Sun Shares accumulate dividend equivalents over the performance period and vest in full after three years. The payout value of each Sun Share is based on the average closing price of our common shares on the TSX over the five trading days before the vesting date and is adjusted through the application of the performance factor for executives.

The formula below shows how we calculate the payout value of Sun Shares for named executive officers:

<b>Sun Shares (#)</b>	<b>×</b>	<b>Share price (\$)</b>	<b>×</b>	<b>Performance factor</b>	<b>=</b>	<b>Payout value</b>
(number of units awarded plus additional units credited as reinvested dividends)		(average price of our common shares on the TSX over the five trading days before the vesting date)		(0% to 200%) based on the weighted average of three annual 3-year TSR factors		Of Sun Shares on vesting (\$)

We calculate the TSR performance factor for Sun Shares as the weighted average of three annual three-year TSR factors. The annual TSR factor is calculated as the change in price of our common shares over the 36-month period ending December 31 of the applicable year plus reinvested dividends during the same period measured relative to peers.

For the 2017 Sun Share grant the annual TSR factors are weighted as follows:



We benchmark our performance under the Sun Share unit plan against a custom weighted index of 12 public Canadian and U.S. banks and insurance companies. These companies are most similar to us in terms of measuring business performance since they operate in the same broader financial services market and directly compete with us in some business segments. We also compete with these companies for talent and access to capital. The companies listed below have been used in calculating the annual performance factors since 2015. In 2016, StanCorp Financial Group was removed from the North American insurance companies peer group as it was acquired by Meiji Yasuda Life Insurance Company.

This custom weighted index is a subset of the peer groups that we use for benchmarking compensation levels (see page 60). The custom weighted index is not used for any other purpose.

	Weight	Sun Share Benchmark Peers
Canadian banks	25%	<ul style="list-style-type: none"> <li>RBC</li> <li>TD Bank Financial Group</li> <li>Scotiabank</li> <li>BMO Financial Group</li> <li>CIBC</li> </ul>
North American insurance companies	75%	<ul style="list-style-type: none"> <li>Great-West Life</li> <li>Lincoln Financial</li> <li>Manulife Financial</li> <li>MetLife</li> <li>Principal Financial Group</li> <li>Prudential Financial</li> <li>Unum Group</li> </ul>

We calculate relative TSR performance based on the following methodology:

Level of performance	If the 3-year relative TSR	Then the annual TSR factor is
Maximum	exceeds the average of the custom weighted index by 10% or more	200%
Target	is at the average of the custom weighted index	100%
Threshold	is at 10% below the custom weighted index	25%
Below threshold	is more than 10% below the average of the custom weighted index	0%

## **Executive stock option plan**

Options reward participants for their contributions to increasing long-term shareholder value.

Starting in 2013, we limited the use of options to Executive Team members, who receive 25% of their annual long-term incentive award in options. The exercise price of an option is the closing price of our common shares on the TSX on the grant date. Options vest 25% per year over four years, starting on the first anniversary of the grant date, and are exercisable over 10 years. Starting with the 2017 grant, we require that executives hold shares equal to 50% of the after-tax gain on exercise for 3 years, which, if exercised, extends the combined hold on a portion of the options and underlying common shares to 7 years. Options are not subject to any performance goals and only have value if the price of our common shares increases after the grant date.

The MRC recommends the terms of each grant to the board for approval. The price of an option already granted cannot be lowered or forfeited in exchange for options with a lower exercise price. If there is a change of control, the board can choose from a range of alternatives to address outstanding options, including accelerated vesting. Options cannot be transferred or assigned.

The option plan may be amended by the board as long as we receive other necessary approvals. The following amendments require shareholder approval unless they result from the plan's anti-dilution provisions:

- increasing the number of common shares that can be issued under the plan
- reducing the exercise price of an option, including cancelling and re-granting an option on different terms within three months
- extending the expiry date of an option or permitting the grant of an option with an expiry date of more than 10 years from the grant date
- permitting an option to be transferred other than to a spouse, minor child or minor grandchild
- expanding the categories of eligible participants in the plan
- increasing or deleting the limits relating to common shares that may be issued to insiders or any one person
- permitting other types of compensation (e.g. share awards) by issuing equity
- revising the amendment procedure itself.

The plan allows the board to grant options with stock appreciation rights, although it has not granted any to date. A stock appreciation right allows the executive to exercise his or her option and receive, in cash, the difference between the market price of our common shares and the exercise price of the option. Stock appreciation rights provide the same compensation value as the underlying options.

The table below shows the number of options granted, outstanding and available for grant under the option plan as at December 31, 2017. We can issue up to 29,525,000 of our common shares under the plan (4.8% of the shares outstanding as at December 31, 2017), as long as we do not issue more than 10% of our total outstanding common shares to insiders and no more than 1% to any one person.

Measure of dilution	2017		2016		2015	
	# of options	% of shares outstanding	# of options	% of shares outstanding	# of options	% of shares outstanding
Annual grant <sup>1</sup>	368,590	0.06	395,610	0.06	390,099	0.06
Options outstanding <sup>2</sup>	3,008,321	0.49	3,397,200	0.55	4,809,679	0.79
Options available for grant <sup>3</sup>	6,612,855	1.08	6,660,628	1.09	6,492,998	1.06
Overhang <sup>4</sup>	9,621,176	1.58	10,057,828	1.64	11,302,677	1.85
Burn Rate <sup>5</sup>		0.06		0.06		0.06

<sup>1</sup> the total number of options granted under the option plan each year

<sup>2</sup> the total number of options outstanding at the end of each year, including the annual grant

<sup>3</sup> the number of options in reserve approved by shareholders that are available for grant at the end of each year

<sup>4</sup> the number of options outstanding plus the number of options in reserve approved by shareholders that are available for grant in the future

<sup>5</sup> the number of awards granted in the applicable fiscal year as a percentage of the weighted average number of outstanding shares for the same fiscal year

### Deferred share unit plan

The Deferred Share Unit (DSU) Plan provides an opportunity for executives to voluntarily defer a portion of their AIP or SLIM IP awards into share units which vest on grant and pay after they leave the company.

DSUs are an effective way for executives to meet their share ownership requirements and they can only be redeemed when the executive leaves the organization. We sometimes grant DSUs to new executives to replace the value of long-term incentives they forfeited with a previous employer, and on a limited basis to recognize additional responsibilities associated with promotions during the year.

DSUs are redeemed for cash based on the value of our common shares at the time of redemption, plus any dividend equivalents accumulated over the period.

The formula below shows how we calculate the payout value of DSUs:

<b>Deferred Share Units (#)</b>	<b>×</b>	<b>Share price (\$)</b>	<b>=</b>	<b>Payout value</b>
(number of units plus additional units credited as reinvested dividends)		(average price of our common shares on the TSX over the five trading days before the redemption date)		of DSU on redemption (\$)

## Share ownership levels

The table below shows the values of common shares and share units held by each named executive officer as at December 31, 2017. We calculated the value of common shares and share units using \$51.88, the closing price of our common shares on the TSX on December 29, 2017 (the last trading day of the year). In 2016, we added a requirement for the CEO and Executive Team members to achieve at least 25% of their minimum level of share ownership through personal actions, including personal ownership of shares and elections to defer bonuses into deferred share unit (DSU) awards (personal ownership excludes Sun Share units). For presentation purposes, the Sun Shares have been valued using the target performance factor (100%).

Named executive officer	Minimum ownership requirement	Total ownership as a multiple of salary	Total share ownership at December 31, 2017 (\$)			
			Common shares	Sun Shares	Deferred share units (DSUs)	Total ownership
Dean A. Connor	10 x salary	24.4 x salary	4,861,755	15,246,187	6,762,954	26,870,896
Kevin D. Strain	5 x salary	6.8 x salary	400,342	3,607,784	-	4,008,126
Colm J. Freyne	5 x salary	12.2 x salary	414,470	3,421,488	2,994,049	6,830,007
Stephen C. Peacher	5 x salary	11.2 x salary	-	7,019,625	1,393,199	8,412,824
Daniel R. Fishbein	5 x salary	6.0 x salary	-	4,247,806	-	4,247,806
Kevin P. Dougherty	5 x salary	11.1 x salary	1,014,090	4,598,085	891,908	6,504,083

All named executive officers have all met their share ownership and personal ownership requirements.

## Pension benefits

Our pension plans deliver a portion of pay that provides protection and wealth accumulation for retirement. The named executive officers participate in the pension plans available in their country of residence.

On January 1, 2009, we closed the Canadian staff defined benefit plan to new employees and replaced it with a defined contribution plan for employees hired on or after January 1, 2009. Canadian employees hired before then continue to participate in the previous plan, which includes both defined benefit and defined contribution components. Only defined contribution plans are available to new hires worldwide (except for our small defined benefit plan in the Philippines).

Mr. Connor, Mr. Strain, Mr. Dougherty, and Mr. Freyne are our named executive officers in Canada hired before 2009, who participate in the defined benefit plan.

## Canadian plans

Employees who were hired on or after January 1, 2009 participate in a defined contribution pension arrangement, which we describe in more detail starting on page 69.

Our retirement program for Canadian employees hired before January 1, 2009 (including our named executive officers in Canada) consists of two elements:

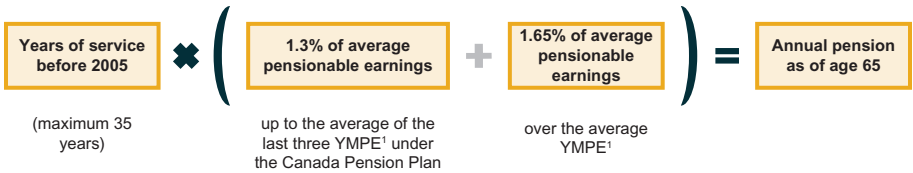
- a defined benefit accrual for service prior to 2005
- a combination of defined benefit and defined contribution accruals for service after 2004.

When the plan changed on January 1, 2005, employees who had at least 55 years of combined age and service (55 points) as of January 1, 2004 had the choice of continuing to accrue pension benefits under the old formula until December 31, 2008. Mr. Freyne and Mr. Strain had not attained 55 points as of January 1, 2004 and therefore automatically moved to the new formula as of January 1, 2005. Mr. Dougherty chose to continue to accrue benefits under the prior formula until December 31, 2008 when all employees began participating in the new pension formula. Mr. Connor was hired in 2006 and participates under the new formula.

Benefits up to the tax limits are paid for registered plans. Benefits above the tax limits are paid from a non-registered pension plans that are secured through a Retirement Compensation Arrangement comprised of invested assets.

*Defined benefit formula for service prior to 2005*

*Pension formula prior to January 1, 2005 (designated executives, including Mr. Freyne and Mr. Dougherty):*

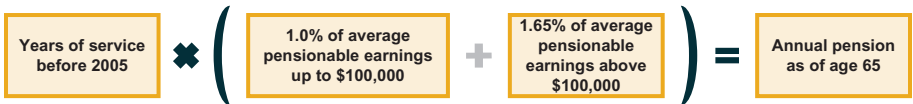


<sup>1</sup> YMPE = Years' Maximum Pensionable Earnings

Under this formula, pensionable earnings consist of annual salary and the target annual incentive. Average pensionable earnings is based on the employee's highest average pensionable earnings in any 36 consecutive months in the last 10 years of employment.

The benefit is payable from age 65 for the life of the employee, with 60% of the benefit payable to a surviving spouse. Other optional forms of payment are available on an actuarially equivalent basis. Employees can retire and start to receive the pension benefit at a reduced level as early as age 55. If an employee has at least 90 points, the pension benefit is reduced by 3% for each year that retirement precedes age 60. If he or she has less than 90 points, the pension benefit is reduced by 5% for each year that retirement precedes age 65.

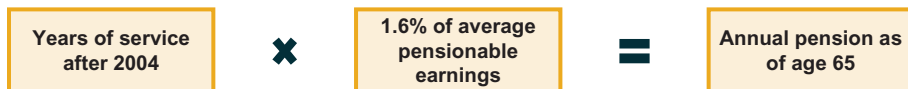
Mr. Strain's pension formula for service prior to January 1, 2005 is slightly different, as he is a member of the Clarica pension plan, which was acquired by Sun Life in 2001.



Clarica benefits are payable from age 65 for the life of the employee, with 60 monthly payments guaranteed. Other forms of payment are available on an actuarially equivalent basis.

Employees with Clarica service can retire as early as age 55, and the benefit is reduced by 3% for each year that retirement precedes age 63, and an additional 3% for each year that retirement precedes age 60.

*Defined benefit formula for service after 2004  
(designated executives, including Mr. Connor, Mr. Strain, Mr. Freyne and Mr. Dougherty)*



Under this formula, pensionable earnings consist of annual salary and the actual annual incentive, capped at the lesser of 100% of target and 100% of base salary. Average pensionable earnings is based on the employee's highest average pensionable earnings in any three consecutive calendar years in the last 10 years of employment.

The pension is payable for the lifetime of the named executive officer. Other forms of payment are available on an actuarially equivalent basis.

If a named executive officer leaves before age 62, the pension formula is reduced. If he or she leaves:

- before age 51, we use a factor of 1.0% in the pension formula (instead of 1.6%)
- between the ages 51 and 62, we increase the factor of 1.0% by 0.05% for each complete year between age 50 and retirement, to a maximum of 1.6% at age 62 or later.

Participants can choose to start receiving the pension benefit as early as age 55, but the benefit is actuarially reduced from age 62 to reflect the earlier start.

### ***Defined contribution plan***

The Sun Life staff pension plan also includes a defined contribution component for service after 2004. Employees can contribute 1.5% of pensionable earnings up to the YMPE, and 3.0% of earnings above the YMPE. We match 50%. Participants will receive the value of their vested accumulated contributions and associated investment return upon termination or retirement.

Total contributions to the plan (employee and company matching contributions) are subject to the limits of the Income Tax Act (Canada). Employee and company contributions end once the maximum contribution limit is reached (\$26,230 for 2017).

### ***Defined contribution plan for new hires after 2008***

New hires on or after January 1, 2009 participate in the Sun Life staff pension plan, which provides a core company contribution of 3% of pensionable earnings from the date of hire. Employees who decide to make voluntary contributions of 1% to 5% of pensionable earnings will also receive a matching company contribution of 50%. Pensionable earnings consist of salary and actual annual incentives, capped at target. Company contributions vest immediately, and participants will receive the value of their vested accumulated contributions and associated investment return upon termination or retirement. Total company and employee contributions are restricted to the defined contribution limit in the Income Tax Act (Canada) (\$26,230 for 2017).

Vice-Presidents and above participate in a supplemental, non-registered defined contribution plan. Once an executive has reached the maximum limit under the registered plan, the supplemental plan provides a contribution of 10.5% of his or her pensionable earnings above the level of pay where the maximum contribution limit is reached for the registered plan. The contribution rate of 10.5% is the maximum amount that the company and an employee, combined, can contribute to the registered plan.

### ***Pension maximums***

The total combined annual pension benefit for all service in all company sponsored defined benefit plans, excluding Clarica service, is capped at 65% of the named executive officer's best consecutive, three-calendar-year average pensionable earnings over the last 10 years of employment.

Our pensionable earnings definition includes actual incentive compensation only up to the target level, limiting the pension benefit for all employees even if annual incentive awards are paid above target levels. The target incentive is capped at 100% of salary for service after 2004.

### **U.S. plans**

On January 1, 2006, the defined benefit plan in the U.S. was frozen to new entrants and participants who were under age 50 and had not yet reached 60 years of combined age and service (60 points). We introduced a Retirement Investment Account (RIA), an employer-paid defined contribution arrangement, to replace the defined benefit plan as of January 1, 2006. In December 2014, the defined benefit pension plan was frozen for all grandfathered participants who were still accruing benefits. Mr. Peacher, and Mr. Fishbein our named executive officers in the U.S., were hired after 2006 and do not participate in the defined benefit plan.

Our U.S. retirement program has three elements:

- a voluntary tax-qualified 401(k) plan
- a tax-qualified RIA that provides automatic employer contributions
- a non-qualified retirement investment plan for certain employees whose compensation exceeds the IRS limits (US\$270,000 for 2017).

#### **401(k) plan**

Employees can contribute up to 60% of their eligible earnings (salary, sales incentives and actual incentive payments), up to the maximum contribution set by the IRS (for 2017, US\$18,000 plus an additional US\$6,000 for participants age 50 and older). A participant can make contributions on a pre-tax or after-tax basis. We match 50% of the employee's contribution, up to 6% of eligible earnings (maximum of US\$8,100 in matching contributions for 2017). Participants will receive the value of their vested accumulated contributions and associated investment return upon termination or retirement.

#### **Retirement Investment Account (RIA)**

We contribute a percentage of eligible earnings to the RIA each year based on the employee's age and years of service, as of January 1. The named executive officers in the U.S. participate in the RIA and their eligible earnings consist of salary plus the actual incentive bonus up to the IRS compensation limit (US\$270,000 for 2017).

The table below shows the age and service criteria for the RIA contribution.

Age and service as at January 1	% of eligible earnings
Under 40	3
40 to 54	5
55 and over	7

Total contributions that we and the participant make to the tax-qualified RIA and the 401(k) cannot exceed the maximum set by the IRS (US\$54,000 for each participant in 2017). Maximum eligible earnings that can be used to determine the annual allocations under the RIA and the 401(k) are US\$270,000 for each participant in 2017.

#### **Non-qualified retirement investment plan (Top Hat)**

Mr. Peacher and Mr. Fishbein participate in the Top Hat plan. We contribute 15% of eligible earnings that exceed the IRS compensation limit for the tax-qualified plan. Eligible earnings for the Top Hat plan are defined as salary plus the actual incentive bonus, capped at the target payout.



## Compensation details

### Individual pay and performance outcomes

The board assessed the performance of the CEO, and the CEO assessed the performance of the other named executive officers, against their individual objectives for 2017. In addition to a review of pay-for-performance and competitive practice, these assessments formed the basis for decisions on salary increases, individual multipliers under the AIP, and allocation of 2018 long-term incentive awards. A summary of the individual performance for each named executive officer follows.

#### Dean A. Connor, President and Chief Executive Officer



Mr. Connor has been our President and CEO since December 1, 2011. Under Mr. Connor's leadership, we have defined our Client 2020 Strategy and in 2017 we made good progress on a number of key priorities aligned with our strategic plan.

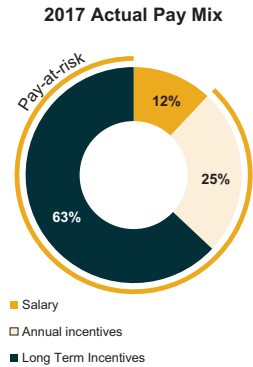
In recognition of his contribution in 2017, Mr. Connor was allocated an individual multiplier under the AIP of 125%, and granted a 2018 long-term incentive award of \$6,000,000.

Significant accomplishments in 2017 include:

- Delivering strong financial results, with underlying net income of \$2,546 million, up 9% from prior year, underlying ROE of 12.7%, up .5% from prior year, and VNB up 13% over prior year
- Creating value for shareholders with annualized TSR of 4.4% (1-year), 11.4% (3-year), and 19.0% (5-year)
- Activating our Client 2020 strategy including implementing new processes to make it easier for Clients to do business with us, be more proactive and personalized, and to resolve Client problems better
- Increasing Net Promoter Score (NPS), and Client Index, our key measures of Client loyalty and satisfaction
- Delivering value to Clients, including strong investment performance results at MFS and Sun Life Investment Management
- Building new digital capabilities and business models and enhancing mobile applications
- Launching our new Purpose to rally employees around what we do for our Clients
- Actively managing talent in the company to leverage capabilities, support development, and drive a focus on diversity and inclusion, including senior leadership changes that strengthen the overall team
- Executing on the Assurant Employee Benefits integration in the U.S., closing the acquisition of Excel Mutual Funds in Canada, and acquiring the FWD Mandatory Provident Fund business in Hong Kong
- Maintaining an effective risk, compliance and control culture by establishing tone and managing the organization within established risk appetite levels approved by the board
- Recognized as the 2017 Outstanding CEO of the Year in Canada.

## Compensation Summary

	2017		2016	2015
	Target	Actual	Actual	Actual
<b>Salary</b>	<b>1,100,000</b>	<b>1,100,000</b>	<b>1,076,923</b>	<b>1,000,000</b>
Annual incentives	1,375,000	2,185,000	2,300,000	1,562,500
<b>Total Cash</b>	<b>2,475,000</b>	<b>3,285,000</b>	<b>3,376,923</b>	<b>2,562,500</b>
Sun Shares	4,125,043		3,750,031	3,750,005
Stock Options	1,375,001		1,250,000	1,250,006
<b>Long Term Incentives</b>	<b>5,500,044</b>		<b>5,000,031</b>	<b>5,000,011</b>
<b>Total Direct Compensation</b>	<b>7,975,044</b>	<b>8,785,044</b>	<b>8,376,954</b>	<b>7,562,511</b>



The following table illustrates the alignment between CEO pay and shareholder value. The table compares the current value of total direct compensation awarded to Mr. Connor over the last five years to a comparable measure of the value received by shareholders over the same period. The actual compensation values include salary and cash incentive payments, the value at vesting of Sun Shares granted (or current value for units that are outstanding), the value of stock options exercised during the period and the value of in-the-money stock options that remain outstanding. Compensation outcomes are also compared to the value to shareholders, which represents the cumulative value of a \$100 investment in our shares made on the first trading day of the period indicated, assuming the reinvestment of dividends.

Fiscal Year	Total Direct Compensation Awarded (\$000) <sup>1</sup>	Compensation realized and realizable (\$000)	Period	Value of \$100	
				CEO <sup>2</sup>	Shareholder value <sup>3</sup>
2013	8,039	14,962	December 31, 2012 – December 31, 2017	186	238
2014	7,455	11,526	December 31, 2013 – December 31, 2017	155	160
2015	7,563	9,738	December 31, 2014 – December 31, 2017	129	138
2016	8,378	10,005	December 31, 2015 – December 31, 2017	119	129
2017	8,785	8,256	December 31, 2016 – December 31, 2017	94	104
<b>Average</b>				<b>137</b>	<b>154</b>

<sup>1</sup> Includes salary and variable compensation awarded at year-end in respect of performance during the year.

<sup>2</sup> Represents the actual value to Mr. Connor for each \$100 awarded in total direct compensation during the fiscal years indicated.

<sup>3</sup> Represents the cumulative value of a \$100 investment in shares made on the first trading day of the period indicated, assuming reinvestment of dividends.

## Kevin D. Strain, Executive Vice-President and Chief Financial Officer



On May 29, 2017, Mr. Strain was appointed Executive Vice-President and CFO and is responsible for overseeing a portfolio of functions including Finance, Taxation, Capital, Investor Relations, Enterprise Services and Corporate Development. Prior to his appointment, Mr. Strain was President, SLF Asia, and has held several senior roles in the Corporate Office and the Canadian business including SVP, Individual Insurance and Investments, VP Investor Relations, VP Individual Finance and VP of Clarica's Pension business.

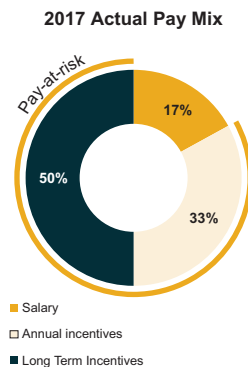
In recognition of his contribution in 2017, Mr. Strain was allocated an individual multiplier under the AIP of 118% and granted a 2018 long-term incentive award of \$1,650,000.

In the first part of 2017, Kevin led the growth and performance of the SLF Asia Business, before moving to the CFO role with additional responsibility for Enterprise Services. Significant accomplishments in 2017 include:

- Continuing the growth and momentum in our Asian business
- Providing leadership to the business groups in capital deployment decisions, assessing risks and opportunities and managing capital requirements; preparing for the transition to LICAT and IFRS17
- Identifying opportunities to deliver value to shareholders through tax, treasury, capital management, and other financial initiatives, including announcing a share buyback program
- Leading our expense management initiative and driving opportunities to enhance productivity and generate savings
- Managing regulatory changes and identifying related strategic and operational opportunities
- Supporting M&A activity across businesses and geographies
- Leading strong talent management and development within the Finance function as well as the information technology function
- Supporting initiatives and actions to activate the Client 2020 strategy including improving Client experience, leveraging digital, data & analytics to meet Client needs, pursuing distribution excellence reinforcing our high performance culture, and ensuring strong financial discipline.

### Compensation Summary

	2017		2016	2015
	Target	Actual	Actual	Actual
<b>Salary</b>	<b>600,000</b>	<b>576,923</b>	<b>494,231</b>	<b>469,231</b>
Annual incentives	750,000	1,081,664	825,255	670,604
<b>Total Cash</b>	<b>1,350,000</b>	<b>1,658,587</b>	<b>1,319,486</b>	<b>1,139,834</b>
Sun Shares		1,237,547	825,021	750,009
Stock Options		412,508	275,006	250,001
<b>Long Term Incentives</b>		<b>1,650,055</b>	<b>1,100,027</b>	<b>1,000,010</b>
<b>Total Direct Compensation</b>	<b>3,000,055</b>	<b>3,308,642</b>	<b>2,419,513</b>	<b>2,139,844</b>



## Colm J. Freyne, Executive Vice-President and Chief Risk Officer



Mr. Freyne was our Executive Vice-President and CFO from July 1, 2009 to May 28, 2017 and was responsible for our global finance, planning, taxation and investor relations functions. On May 29, 2018, Mr. Freyne was appointed Executive Vice-President and Chief Risk Officer.

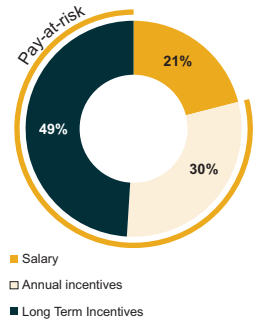
In recognition of his contribution in 2017, Mr. Freyne was allocated an individual multiplier under the AIP of 115% and granted a 2018 long-term incentive award of \$1,300,000.

In the first part of 2017, Colm lead the Finance function as CFO, before moving to Chief Risk Officer with responsibility for the actuarial, ALM, and risk management functions. Significant accomplishments in 2017 include:

- Providing leadership to the business groups in capital deployment decisions, assessing risks and opportunities and managing capital requirements
- Identifying opportunities to deliver value to shareholders through tax, treasury, capital management, and other financial initiatives, including leading key reinsurance transactions
- Delivering a successful Investor Day and leading a responsive and transparent investor relations function
- Leading our work on Canada's new LICAT regulatory capital regime that takes effect in 2018
- Supporting M&A activity across businesses and geographies
- Leading strong talent management and development within the Finance and Risk functions
- Supporting initiatives and actions to activate the Client 2020 strategy including improving Client experience, leveraging digital, data & analytics to meet Client needs, pursuing distribution excellence reinforcing our high performance culture, and ensuring strong financial discipline.

### Compensation Summary

	2017		2016	2015
	Target	Actual	Actual	Actual
<b>Salary</b>	<b>560,000</b>	<b>555,385</b>	<b>540,000</b>	<b>540,000</b>
Annual incentives	560,000	811,798	875,610	509,760
<b>Total Cash</b>	<b>1,120,000</b>	<b>1,367,183</b>	<b>1,415,610</b>	<b>1,049,760</b>
Sun Shares	975,039		900,012	750,009
Stock Options	325,001		300,005	250,001
<b>Long Term Incentives</b>	<b>1,300,040</b>		<b>1,200,017</b>	<b>1,000,010</b>
<b>Total Direct Compensation</b>	<b>2,420,040</b>	<b>2,667,223</b>	<b>2,615,627</b>	<b>2,049,770</b>



## Stephen C. Peacher, President, Sun Life Investment Management



Mr. Peacher became our EVP and Chief Investment Officer on October 13, 2009, and on January 11, 2016 was appointed President, Sun Life Investment Management with responsibility for the strategy, development and performance of our invested asset portfolio, MFS Investment Management and Sun Life Investment Management, and our third party institutional asset management business which includes the Bentall Kennedy group of companies, Prime Advisors, Inc., Ryan Labs Asset Management Inc. and Sun Life Institutional Investments (Canada) Inc.

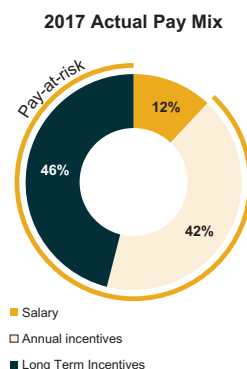
In recognition of his contribution in 2017, Mr. Peacher was allocated an individual multiplier under the AIP of 115% and granted a 2018 long-term incentive award of US\$2,200,000.

Significant accomplishments in 2017 include:

- Generating net inflows of \$6.1 billion, up 37% over prior year, and growing AUM 11% to \$59 billion in Sun Life Investment Management
- Generating above-benchmark returns in Client funds, and developing and launching new product offerings to support unique Client needs
- Delivering strong investment performance and increasing the production of investment volumes for the General Account to support product sales and grow net income
- Continuing to manage credit risk for the General Account and positioning the company for changing market cycles
- Supporting initiatives and actions to activate the Client 2020 strategy including improving Client experience, leveraging digital, data & analytics to meet Client needs, pursuing distribution excellence reinforcing our high performance culture, and ensuring strong financial discipline
- Attracting and managing talent to expand key capabilities and support growth areas.

### Compensation Summary (USD)

	2017		2016	2015
	Target	Actual	Actual	Actual
<b>Salary</b>	<b>580,000</b>	<b>570,769</b>	<b>540,000</b>	<b>554,038</b>
Annual incentives	1,450,000	2,051,686	2,235,600	1,377,649
<b>Total Cash</b>	<b>2,030,000</b>	<b>2,622,455</b>	<b>2,775,600</b>	<b>1,931,687</b>
Sun Shares		1,669,697	1,400,965	1,099,138
Stock Options		556,565	466,985	366,377
<b>Long Term Incentives</b>		<b>2,226,262</b>	<b>1,867,950</b>	<b>1,465,515</b>
<b>Total Direct Compensation</b>	<b>4,256,262</b>	<b>4,848,717</b>	<b>4,643,550</b>	<b>3,397,202</b>



## Daniel R. Fishbein, President, SLF U.S.



Mr. Fishbein has been our President, SLF U.S. since March 17, 2014 and is responsible for leading our United States insurance businesses, which include a stop-loss and employee benefits business, a voluntary benefits business and in-force blocks of individual life insurance.

For 2018 Mr. Fishbein's salary increased to US\$575,000. In recognition of his contribution in 2017, Mr. Fishbein was allocated an individual multiplier under the AIP of 125% and granted a 2018 long-term incentive award of US\$1,300,000.

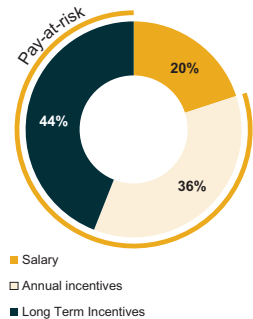
Significant accomplishments in 2017 include:

- Delivering strong underlying income and ROE improvement supported by a focus on disciplined pricing, enhanced claims capabilities and expense management
- Supporting initiatives and actions to activate the Client 2020 strategy including improving Client experience, leveraging digital, data & analytics to meet Client needs, pursuing distribution excellence reinforcing our high performance culture, and ensuring strong financial discipline
- Successfully managing the integration of the Assurant Employee Benefits business acquired in 2017, including meeting or exceeding synergy targets
- Establishing innovative new partnerships with Collective Health to offer an integrated healthcare and employee benefits solutions for self-funded employers and their employees and Pareto Captive Services to offer a new stop-loss group captive solution
- Achieving an improvement in Client experience, as measured through NPS and Client Index scores, through initiatives to deepen relationships, streamline and digitize processes, and improve communications and tools
- Developing and implementing a new management operating model to enhance efficiency, and executing on a strong diversity and inclusion plan.

### Compensation Summary (USD)

	2017		2016	2015
	Target	Actual	Actual	Actual
<b>Salary</b>	<b>550,000</b>	<b>550,000</b>	<b>550,000</b>	<b>571,154</b>
Annual incentives	687,500	1,022,669	931,315	639,540
<b>Total Cash</b>	<b>1,237,500</b>	<b>1,572,669</b>	<b>1,481,315</b>	<b>1,210,694</b>
Sun Shares	910,740		856,162	732,748
Stock Options	303,580		285,378	244,249
<b>Long Term Incentives</b>	<b>1,214,320</b>		<b>1,141,540</b>	<b>976,997</b>
<b>Total Direct Compensation</b>	<b>2,451,820</b>	<b>2,786,989</b>	<b>2,622,855</b>	<b>2,187,691</b>

2017 Actual Pay Mix



## Kevin Dougherty, Executive Vice-President, Innovation & Partnerships



Mr. Dougherty was our President, SLF Canada from January 1, 2010 to January 14, 2018 and he led our largest business group providing insurance, wealth management including mutual funds, group retirement services and group benefits in Canada. On January 15, 2018, Mr. Dougherty took on the role of Executive Vice-President, Innovation & Partnerships.

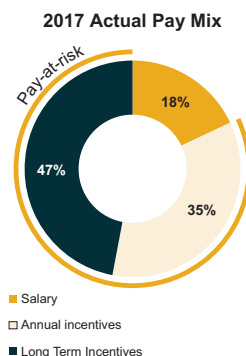
In recognition of his contribution in 2017, Mr. Dougherty was allocated an individual multiplier under the AIP of 120% and granted a 2018 long-term incentive award of \$1,550,000.

Significant accomplishments in 2017 include:

- Delivering strong underlying income and ROE improvement supported by strong sales across the business lines along with operational improvements
- Supporting initiatives and actions to activate the Client 2020 strategy including improving Client experience, leveraging digital, data & analytics to meet Client needs, pursuing distribution excellence reinforcing our high performance culture, and ensuring strong financial discipline
- Significant progress leveraging digital capabilities and business models to meet Client needs including launching Ella, our digital benefits assistant, offering provider search and rating capabilities in our mobile application, and creation of our Digital Health business
- Achieving an improvement in Client experience, as measured through NPS and Client Index scores, through numerous initiatives to proactively connect with Clients, make it easier to do business with us, and resolve problems better
- Continuing the successful growth of Individual Wealth including Sun Life Global Investments reaching \$20 billion of AUM and closing the acquisition of Excel Mutual Funds
- Leveraging data analytics and digital to streamline and automate processes
- Attracting and building talent in key growth areas including data science, digital development, and distribution.

### Compensation Summary

	2017		2016	2015
	Target	Actual	Actual	Actual
<b>Salary</b>	<b>585,000</b>	<b>585,000</b>	<b>585,000</b>	<b>585,000</b>
Annual incentives	731,250	1,140,750	937,170	649,204
<b>Total Cash</b>	<b>1,316,250</b>	<b>1,725,750</b>	<b>1,552,170</b>	<b>1,234,204</b>
Sun Shares		1,162,503	1,162,501	1,162,537
Stock Options		387,504	387,504	387,508
<b>Long Term Incentives</b>		<b>1,550,007</b>	<b>1,550,005</b>	<b>1,550,045</b>
<b>Total Direct Compensation</b>	<b>2,866,257</b>	<b>3,275,757</b>	<b>3,072,175</b>	<b>2,784,249</b>



## Summary compensation table

The table below shows the total compensation paid to our named executive officers for the fiscal years ended December 31, 2017, 2016, and 2015.

Mr. Peacher and Mr. Fishbein receive their compensation in U.S. dollars. We have converted their compensation to Canadian dollars in the tables that follow using the average annual exchange rates of C\$1.298 for 2017, C\$1.325 for 2016, and C\$1.278 for 2015.

Name and principal position	Year	Paid salary (\$)	Share awards (\$)	Option awards (\$)	Non-equity annual incentive plan compensation (\$)			Total compensation (\$)
					Pension value (\$)	All other compensation (\$)		
Dean A. Connor President & Chief Executive Officer	2017	1,100,000	4,125,043	1,375,001	2,185,000	350,743	11,060	9,146,847
	2016	1,076,923	3,750,031	1,250,000	2,300,000	619,670	7,070	9,003,694
	2015	1,000,000	3,750,005	1,250,006	1,562,500	319,457	2,911	7,884,879
Kevin D. Strain Executive Vice-President & Chief Financial Officer	2017	576,923	1,237,547	412,508	1,081,664	865,743	364,761	4,539,146
	2016	494,231	825,021	275,006	825,255	334,670	66,088	2,820,271
	2015	469,231	750,009	250,001	670,604	277,457	215,850	2,633,152
Colm J. Freyne Executive Vice-President & Chief Risk Officer	2017	555,385	975,039	325,001	811,798	274,743	1,092	2,943,058
	2016	540,000	900,012	300,005	875,610	566,670	1,420	3,183,717
	2015	540,000	750,009	250,001	509,760	105,457	2,183	2,157,410
Stephen C. Peacher President, Sun Life Investment Management	2017	740,858	2,167,267	722,422	2,663,089	356,256	103,715	6,753,607
	2016	715,500	1,856,278	618,755	2,962,170	302,446	105,469	6,560,618
	2015	708,061	1,404,698	468,230	1,760,635	286,854	–	4,628,478
Daniel R. Fishbein President, SLF U.S.	2017	713,900	1,182,141	394,047	1,327,424	196,647	–	3,814,159
	2016	728,750	1,134,415	378,126	1,233,992	201,069	–	3,676,352
	2015	729,935	936,452	312,150	817,332	183,311	–	2,979,180
Kevin P. Dougherty Executive Vice-President, Innovation & Partnerships	2017	585,000	1,162,503	387,504	1,140,750	68,743	3,865	3,348,365
	2016	585,000	1,162,501	387,504	937,170	85,670	2,728	3,160,573
	2015	585,000	1,162,537	387,508	649,204	90,457	–	2,874,706

### Paid Salary

- May be different than annualized salary because of mid-year salary increases and the number of pay periods varies by calendar year. Paid salary in 2017 for Mr. Strain, Mr. Freyne, and Mr. Peacher reflects a salary increase in March 2017. Paid salary in 2016 for Mr. Connor reflects a salary increase in March 2016. Mr. Peacher and Mr. Fishbein's paid salary in 2015 reflects 27 U.S. pay periods.

### Share Awards

Fiscal Year	Grant Date	Share Price
2017	February 28, 2017	\$48.73
2016	February 23, 2016	\$40.47
2015	February 24, 2015	\$39.21

- Share price is based on the average closing price of our common shares on the TSX over the five trading days before the grant date.



### Option Awards

- The grant date fair value of stock options awarded was calculated using the following data:

Fiscal Year	Grant Date	Exercise Price	Accounting Fair Value
2017	February 28, 2017	\$48.20	\$9.41
2016	February 23, 2016	\$40.16	\$7.80
2015	February 24, 2015	\$39.02	\$7.74

- For awards granted on February 27, 2018 and going forward, we will use a five-year average calculated Black-Scholes ratio to determine awards.
- The five-year average represents a long-term value considering long-term estimates of factors used in the Black-Scholes valuation model.

### Non-equity annual incentive plan compensation

- Values include the amounts the named executive officers chose to defer.

### Pension value

- Represents compensatory costs as described in the defined benefit and defined contribution tables on pages 86 and 87.
- Mr. Strain had a higher compensatory cost in 2017 because of an increase to his salary and target bonus. Mr. Connor had a higher compensatory cost in 2016 because of an increase to his salary. Mr. Freyne's higher compensatory cost in 2016 reflects a change to his target bonus in those years.

### All other compensation

- Represent flexible benefit credits taken in cash by Mr. Connor, Mr. Freyne and Mr. Dougherty and tax equalization adjustments for Mr. Peacher.
- For all named executive officers, except Mr. Strain, the amounts shown exclude the total value of perquisites and other benefits because the total for each named executive officer is less than \$50,000 and less than 10% of their total salary for the fiscal year.
- Mr. Strain's amount for 2017, 2016, and 2015 includes assignment related allowances. In 2017 and 2015, amount also includes relocation expenses. Other amounts in 2017 include flexible benefit credits taken in cash, executive allowance and perquisites, and tax preparation assistance.

### Incentive plan awards

#### Outstanding share and option awards

The table on the following page is a summary of the outstanding option awards and share awards for the named executive officers as at December 31, 2017.

*Value of unexercised in-the-money options* is the difference between the exercise price of the options and \$51.88 (the closing price of our common shares on the TSX on the last trading day of the year, December 29, 2017), multiplied by the number of options.

*Market value of share awards that have vested or not vested* is \$51.88 (the closing price of our common shares on the TSX on the last trading day of the year, December 29, 2017) multiplied by the number of share units. For presentation purposes, the Sun Shares have been valued using the target performance factor (100%). Share awards that have vested but have not been paid represent an elected deferral of annual incentive, payout under an incentive plan prior to demutualization and/or awards for recruiting purposes or upon mid-year promotion.

Named executive officer	Year	Option awards				Share awards			
		Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the money options (\$)	Plan	Number of share units that have not vested (#)	Market value of share awards that have not vested (\$)	Market value of vested share awards that have not been paid (\$)
Dean A. Connor	2011	115,164	\$31.65	Mar 02, 2021	2,329,768				
	2011	95,869	\$26.70	Aug 15, 2021	2,413,981				
	2012	430,445	\$21.53	Feb 28, 2022	13,064,006				
	2013	168,440	\$28.20	Feb 26, 2023	3,988,659				
	2014	127,324	\$39.27	Feb 25, 2024	1,605,556				
	2015	128,140	\$39.02	Feb 24, 2025	1,647,880	Sun Shares	106,542	5,527,414	
	2016	124,502	\$40.16	Feb 23, 2026	1,459,163	Sun Shares	99,605	5,167,502	
	2017	114,108	\$48.20	Feb 28, 2027	419,917	Sun Shares	87,727	4,551,272	
					Vested DSU			6,762,954	
<b>Total</b>		<b>1,303,992</b>			<b>26,928,930</b>		<b>293,874</b>	<b>15,246,188</b>	<b>6,762,954</b>
Kevin D. Strain	2008	12,511	\$47.96	Feb 27, 2018	49,043				
	2010	14,794	\$30.25	Feb 24, 2020	319,994				
	2011	16,588	\$31.65	Mar 02, 2021	335,575				
	2013	28,369	\$28.20	Feb 26, 2023	671,778				
	2014	25,465	\$39.27	Feb 25, 2024	321,114				
	2015	25,628	\$39.02	Feb 24, 2025	329,576	Sun Shares	21,309	1,105,494	
	2016	27,391	\$40.16	Feb 23, 2026	321,023	Sun Shares	21,913	1,136,870	
	2017	34,233	\$48.20	Feb 28, 2027	125,977	Sun Shares	26,319	1,365,419	
<b>Total</b>		<b>184,979</b>			<b>2,474,080</b>		<b>69,541</b>	<b>3,607,783</b>	
Colm J. Freyne	2013	17,730	\$28.20	Feb 26, 2023	419,846				
	2014	25,465	\$39.27	Feb 25, 2024	321,114				
	2015	25,628	\$39.02	Feb 24, 2025	329,576	Sun Shares	21,309	1,105,494	
	2016	29,881	\$40.16	Feb 23, 2026	350,205	Sun Shares	23,905	1,240,207	
	2017	26,971	\$48.20	Feb 28, 2027	99,253	Sun Shares	20,736	1,075,787	
						Vested DSU			2,994,049
<b>Total</b>		<b>125,675</b>			<b>1,519,944</b>		<b>65,950</b>	<b>3,421,488</b>	<b>2,994,049</b>
Stephen C. Peacher	2013	13,552	\$28.20	Feb 26, 2023	320,911				
	2014	21,119	\$39.27	Feb 25, 2024	266,311				
	2015	35,999	\$39.02	Feb 24, 2025	462,947	Sun Shares	39,909	2,070,490	
	2016	61,629	\$40.16	Feb 23, 2026	722,292	Sun Shares	49,305	2,557,931	
	2017	59,952	\$48.20	Feb 28, 2027	220,623	Sun Shares	46,091	2,391,204	
					Vested DSU			1,393,199	
<b>Total</b>		<b>192,251</b>			<b>1,993,084</b>		<b>135,305</b>	<b>7,019,625</b>	<b>1,393,199</b>
Daniel R. Fishbein	2014	23,561	\$36.98	May 16, 2024	351,059				
	2015	31,999	\$39.02	Feb 24, 2025	411,507	Sun Shares	26,606	1,380,307	
	2016	37,662	\$40.16	Feb 23, 2026	441,399	Sun Shares	30,131	1,563,211	
	2017	32,701	\$48.20	Feb 28, 2027	120,340	Sun Shares	25,140	1,304,288	
<b>Total</b>		<b>125,923</b>			<b>1,324,305</b>		<b>81,877</b>	<b>4,247,806</b>	

Named executive officer	Year	Option awards					Share awards		
		Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the money options (\$)	Plan	Number of share units that have not vested (#)	Market value of share awards that have not vested (\$)	Market value of vested share awards that have not been paid (\$)
Kevin P. Dougherty	2013	25,709	\$28.20	Feb 26, 2023	608,789				
	2014	36,924	\$39.27	Feb 25, 2024	465,612				
	2015	39,724	\$39.02	Feb 24, 2025	510,851	Sun Shares	33,029	1,713,551	
	2016	38,596	\$40.16	Feb 23, 2026	452,345	Sun Shares	30,877	1,601,913	
	2017	32,158	\$48.20	Feb 28, 2027	118,341	Sun Shares	24,723	1,282,621	
					Vested DSU			891,908	
<b>Total</b>		<b>173,111</b>			<b>2,155,938</b>		<b>88,629</b>	<b>4,598,085</b>	<b>891,908</b>

We have not amended, cancelled, replaced or modified any option-based awards that were previously granted.

### ***Incentive plan awards – value vested or earned during the year***

The next table shows:

- the value the named executive officers would have realized if they had exercised the options that vested in 2017 on their vesting dates
- the value of share awards that vested and were paid out in 2017
- the annual incentive award earned in 2017 and paid out in March 2018.

Named executive officer	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – value earned during the year (\$)
Dean A. Connor	1,687,408	7,465,184	2,185,000
Kevin D. Strain	316,185	1,493,068	1,081,664
Colm J. Freyne	356,975	1,493,068	811,798
Stephen C. Peacher	607,429	2,493,252	2,663,089
Daniel R. Fishbein	204,115	1,351,498	1,327,424
Kevin P. Dougherty	513,422	2,164,937	1,140,750

### Value of options vested during the year

The table below shows the value of options that vested for each named executive officer in 2017.

See Executive stock option plan on page 65 for more information about the option plan.

Named executive officer	Grant year	Vesting date	Options vesting (#)	Option exercise price (\$)	Share price on vesting date (\$)	Option-based awards – value vested during the year (\$)
Dean A. Connor	2013	26-Feb-17	42,110	28.20	48.21	842,621
	2014	25-Feb-17	31,831	39.27	48.21	284,569
	2015	24-Feb-17	32,035	39.02	48.21	294,402
	2016	23-Feb-17	31,126	40.16	48.70	265,816
					<b>Total</b>	<b>1,687,408</b>
Kevin D. Strain	2013	26-Feb-16	7,092	28.20	48.21	141,911
	2014	25-Feb-16	6,366	39.27	48.21	56,912
	2015	24-Feb-16	6,407	39.02	48.21	58,880
	2016	23-Feb-17	6,848	40.16	48.70	58,482
					<b>Total</b>	<b>316,185</b>
Colm J. Freyne	2013	26-Feb-16	8,865	28.20	48.21	177,389
	2014	25-Feb-16	6,366	39.27	48.21	56,912
	2015	24-Feb-16	6,407	39.02	48.21	58,880
	2016	23-Feb-17	7,470	40.16	48.70	63,794
					<b>Total</b>	<b>356,975</b>
Stephen C. Peacher	2013	26-Feb-16	13,552	28.20	48.21	271,176
	2014	25-Feb-16	10,560	39.27	48.21	94,397
	2015	24-Feb-16	12,000	39.02	48.21	110,280
	2016	23-Feb-17	15,407	40.16	48.70	131,576
					<b>Total</b>	<b>607,429</b>
Daniel R. Fishbein	2014	16-May-17	5,890	36.98	45.50	50,183
	2015	24-Feb-17	8,000	39.02	48.21	73,520
	2016	23-Feb-17	9,416	40.16	48.70	80,413
					<b>Total</b>	<b>204,115</b>
Kevin P. Dougherty	2013	26-Feb-16	12,855	28.20	48.21	257,229
	2014	25-Feb-16	9,231	39.27	48.21	82,525
	2015	24-Feb-16	9,931	39.02	48.21	91,266
	2016	23-Feb-17	9,649	40.16	48.70	82,402
					<b>Total</b>	<b>513,422</b>

- *Share price on vesting date* is the closing price of our common shares on the TSX on the vesting date or the previous trading day if the vesting date falls on a weekend or holiday.
- *Value vested during the year* is the number of options vesting multiplied by the difference between the option exercise price and share price on the vesting date.

### Aggregate option exercises for the year ended December 31, 2017

The following table shows for each named executive officer the number of common shares acquired through option exercises during the year ended December 31, 2017 and the aggregate value realized upon exercise. Value realized upon exercise is the difference between the closing price of our common shares on the TSX on the exercise date and the exercise price of the option.

Named executive officer	Securities acquired at exercise (#)	Aggregate value realized (\$)
Dean A. Connor	59,042	334,360
Kevin D. Strain	34,298	861,319
Colm J. Freyne	53,467	1,070,704
Stephen C. Peacher	–	–
Daniel R. Fishbein	–	–
Kevin P. Dougherty	–	–

### Share awards

The table below shows the total Sun Shares vested and paid out to each named executive officer in 2017. The value of Sun Shares received on vesting is the number of accrued Sun Shares multiplied by the performance factor, multiplied by the vesting price.

Named executive officer	Grant date	Sun Shares accrued (#)	Performance factor	Vesting Price (\$)	Value received on vesting (\$)
Dean A. Connor	Feb 25, 2014	105,864	144%	48.97	7,465,184
Kevin D. Strain	Feb 25, 2014	21,173	144%	48.97	1,493,068
Colm J. Freyne	Feb 25, 2014	21,173	144%	48.97	1,493,068
Stephen C. Peacher	Feb 25, 2014	35,120	144%	48.97	2,476,559
		341	n/a	48.97	16,693
Daniel R. Fishbein	Mar 17, 2014	19,166	144%	48.97	1,351,498
Kevin P. Dougherty	Feb 25, 2014	30,701	144%	48.97	2,164,937

- *Vesting price* is the average price of our common shares on the TSX over the five trading days before the vesting date.

The table below shows how we calculated the performance factor for the 2014 Sun Share awards (for the performance period from 2014 to 2016, and paid out in early 2017).

Performance Cycle	Peer Groups	Weight	Relative Peer TSR Performance					SLF TSR	Actual TSR Multiplier
			Below threshold	Threshold	Target	Maximum			
2014 – 2016	North American Insurance	75%	TSX	< -3.6%	-3.6%	6.4%	16.4%	14.8%	184%
			NYSE	< -6.3%	-6.3%	3.7%	13.7%	5.9%	122%
	Canadian Banks	25%	TSX	< 1.6%	1.6%	11.6%	21.6%	14.8%	132%
<b>2016 Multiplier – Payout Factor (50% weight)</b>				<b>0%</b>	<b>25%</b>	<b>100%</b>	<b>200%</b>		<b>148%</b>
2013 – 2015	North American Insurance	75%	TSX	< 10.6%	10.6%	20.6%	30.6%	24.7%	140%
			NYSE	< 6.4%	6.4%	16.4%	26.4%	12.9%	73%
	Canadian Banks	25%	TSX	< 2.0%	2.0%	12.0%	22.0%	24.7%	200%
<b>2015 Multiplier – Payout Factor (25% weight)</b>				<b>0%</b>	<b>25%</b>	<b>100%</b>	<b>200%</b>		<b>130%</b>
2012 – 2014	North American Insurance	75%	TSX	< 15.5%	15.5%	25.5%	35.5%	30.2%	148%
			NYSE	< 14.1%	14.1%	24.1%	34.1%	25.5%	115%
	Canadian Banks	25%	TSX	< 9.0%	9.0%	19.0%	29.0%	30.2%	200%
<b>2014 Multiplier – Payout Factor (25% weight)</b>				<b>0%</b>	<b>25%</b>	<b>100%</b>	<b>200%</b>		<b>148%</b>
<b>Overall Weighted Average Performance Factor</b>									<b>144%</b>

- Intermediate amounts are interpolated. Equal weight is applied to TSX and NYSE results for North American insurance peers. For the 2014 Sun Share plan, the peer group consisted of the following peer companies:

Canadian banks	<ul style="list-style-type: none"> <li>• RBC</li> <li>• TD Bank Financial Group</li> </ul>	<ul style="list-style-type: none"> <li>• Scotiabank</li> <li>• BMO Financial Group</li> </ul>	<ul style="list-style-type: none"> <li>• CIBC</li> </ul>
North American insurance companies	<ul style="list-style-type: none"> <li>• Genworth Financial<sup>1</sup></li> <li>• Great-West Life</li> <li>• Hartford Financial Services<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Lincoln Financial</li> <li>• Manulife Financial</li> <li>• MetLife</li> </ul>	<ul style="list-style-type: none"> <li>• Principal Financial Group</li> <li>• Prudential Financial</li> <li>• Stan Corp Financial<sup>2</sup></li> <li>• Unum<sup>3</sup></li> </ul>

<sup>1</sup> Included in the 2014 multiplier only

<sup>2</sup> Included in the 2015 multiplier only

<sup>3</sup> Included in 2015 multiplier and going forward

## Non-equity incentive plan compensation

See *Annual incentive plan* starting on page 60 for more information.

Named executive officer	Base salary (\$)	Target award	Business results	Individual multiplier	Final award (\$)
Dean A. Connor	1,100,000	125%	127%	125%	2,185,000
Kevin D. Strain	579,180	125%	126%	118%	1,081,664
Colm J. Freyne	555,836	100%	127%	115%	811,798
Stephen C. Peacher	718,026	250%	125%	115%	2,663,089
Daniel R. Fishbein	691,735	125%	119%	125%	1,327,424
Kevin P. Dougherty	585,000	125%	130%	120%	1,140,750

- **Base salary** pro-rated for active employment is used to calculate AIP.
- The **business results** for the CEO and CFO are based 100% on total company performance. For the other named executive officers, the **business results** reflect 50% weighting on total company performance and 50% on relevant business group performance. Business group performance is measured using the same three measures (Earnings (AIP basis), VNB (AIP basis) and Client measures) as total company, except for Mr. Peacher whose business group result reflects the payout from the SLIM IP and an assessment of performance in the SLIM affiliate companies (Bentall Kennedy, Prime Advisors, and Ryan Labs Asset Management). For Mr. Peacher, the business group result was 124%, for Mr. Dougherty the business group result was 133%, and for Mr. Fishbein the business group result was 110%.

The table below shows how we calculated the performance factor for total company business results. Earnings (AIP basis) is defined as Reported Net Income less Other Adjustments as defined in Section L of our Non-IFRS measures in our 2017 MD&A, as well as the impact of the U.S. tax reform in 2017, divided by the weighted average number of common shares outstanding. VNB (AIP basis) excludes the asset management business. EPS (AIP basis) and VNB (AIP basis) are measured on a constant currency basis.

Primary measures	Weighting	Below threshold					What we achieved in 2017 Result	
		Threshold	Target	Maximum				
Earnings per share (AIP basis)	50%	< \$2.74	\$2.74	\$3.91	\$4.69	\$4.39	Above Target	
<b>Payout factor</b>		0%	25%	100%	200%		<b>162%</b>	
				+				
Value of new business (AIP basis)	25%	< \$698	\$698	\$998	\$1,197	\$998	Target	
<b>Payout factor</b>		0%	25%	100%	200%		<b>100%</b>	
				+				
Client measures	25%	Assessment of improvement in Client NPS and Client Index scores and progress on key Client initiatives						Above Target
<b>Payout factor</b>		0%	50%	100%	150%		<b>105%</b>	
<b>Overall calculated payout factor</b>		0%	25%	100%	200%		<b>132%</b>	
				+				
<b>Business performance scorecard</b>	A mechanism to conduct a comprehensive look back on performance and alignment with shareholder experience (up to ±20%)			Negative adjustment to reflect actual experience versus assumptions made when targets were established and other relevant factors including year-over-year results			-5%	
				+				
<b>Risk, Compliance and Control</b>	Results reviewed for any risk, compliance and control considerations (neutral to negative and can lower results to zero)			No adjustment			-	
				=				
<b>Final performance payout factor</b>							<b>127%</b>	

In addition to these objectives and values outlined in the table above, highlights of our performance in 2017 are provided on page 47.

You can find more information about our business segment results in our 2017 MD&A.

## Pension benefits

### Defined benefit plans

The table below shows the defined benefit pension plan obligations for each named executive officer as at December 31, 2017.

We used the same actuarial methods and assumptions in 2017 that we used to calculate the pension liabilities and annual expenses in our 2017 consolidated financial statements. These assumptions reflect our best estimate of future events, so the values shown in the table below may not be directly comparable to pension liabilities estimates disclosed by other companies.

Named executive officer	Number of years credited service	Annual lifetime pension		Accrued obligation at start of year (\$)	Compensatory change (\$)	Non-compensatory change (\$)	Accrued obligation at year end (\$)
		At year end	At age 65				
Dean A. Connor	11.3	366,000	502,000	4,960,000	342,000	448,000	5,750,000
Kevin D. Strain	20.1	237,000	513,000	3,312,000	857,000	630,000	4,799,000
Colm J. Freyne	21.9	343,000	459,000	5,129,000	266,000	302,000	5,697,000
Stephen C. Peacher	–	–	–	–	–	–	–
Daniel R. Fishbein	–	–	–	–	–	–	–
Kevin P. Dougherty	31.2	587,000	668,000	8,865,000	60,000	537,000	9,462,000

*Credited service* for Mr. Freyne and Mr. Dougherty is higher than their actual years of service with the company. Prior to 2004, new hires were eligible to transfer in the commuted value from their previous employers' pension plan under a portability option and receive credit for past service. Mr. Freyne and Mr. Dougherty transferred in the commuted value from their previous employer's pension plans. Mr. Freyne received credit for 7.42 years of service and Mr. Dougherty received credit for 7.91 years of service.

*Annual lifetime pension at age 65* are based on the named executive officer's pensionable earnings up to December 31, 2017.

*Accrued obligation* is the actuarial value of the projected defined benefit obligations for service up to December 31, 2016 and December 31, 2017. The accrued obligation assumes a named executive officer will receive his or her target bonus between now and retirement. The difference between the accrued obligation at the start and end of the year is made up of the compensatory and non-compensatory change detailed in the chart.

*Compensatory change* is the defined benefit service cost for 2017 (the value of the projected pension earned during the year) and the impact of any differences between actual increases in compensation in 2017 and the actuarial assumptions used for the year. The 2017 valuation assumptions for the plan include a projected salary increase of 3.0% for all participants.

*Non-compensatory change* represents the change in pension obligation based on non-compensatory factors like interest on the obligations, impact of changes to the accounting assumptions, and other actuarial gains and losses. Among other factors, in 2017, the discount rate decreased and certain other assumptions were changed, which resulted in a net increase in values.



### Defined contribution plans

The table below shows the defined contribution pension plan values for each named executive officer as at December 31, 2017.

Named executive officer	Accumulated value at start of year (\$)	Compensatory (\$)	Accumulated value at end of year (\$)
Dean A. Connor	334,973	8,743	425,343
Kevin D. Strain	452,017	8,743	530,923
Colm J. Freyne	355,514	8,743	415,127
Stephen C. Peacher	2,926,514	356,256	3,726,030
Daniel R. Fishbein	565,608	196,647	855,318
Kevin P. Dougherty	154,966	8,743	180,922

- U.S. plan values have been converted to Canadian dollars using an exchange rate of 1.343 as of January 1, 2017, 1.258 as of December 31, 2017, and the 2017 average rate of 1.298 for amounts other than beginning and ending balances.
- *Compensatory* amounts shown for Mr. Connor, Mr. Strain, Mr. Freyne and Mr. Dougherty represent our matching contributions to the defined contribution plan.
- The amounts shown for Mr. Peacher and Mr. Fishbein reflect our contributions to the U.S. 401(k) plan, RIA and non-qualified (Top Hat) plan.

### Termination and change of control benefits

#### Change of control

We have change of control agreements with our named executive officers so we can retain our key leaders if we are involved in a transaction affecting the control of Sun Life Financial. This is key to balancing the goals of the business and the interests of shareholders during a transaction.

If employment is terminated without cause within three years of the change of control (double trigger), benefits are paid as follows:

- 24 months of annual pay and incentive compensation from the date of termination
- mid and long-term incentive awards vest (prorated for Mr. Fishbein in the event of a change of control for our U.S. business) and are paid according to the terms of the respective plans
- most benefits and perquisites continue during the severance period. The early retirement reduction factors in the pension plan may be enhanced, depending on the provisions of the pension plan in which the executive participates.

We define *change of control* as:

- a consolidation or merger of Sun Life Financial or Sun Life Assurance with a non-affiliate, when our outstanding voting shares represent less than 60% (50% for Mr. Fishbein) of the outstanding voting shares of the new entity immediately after the transaction is complete
- the sale of all or substantially all of the assets of Sun Life Financial or Sun Life Assurance to a non-affiliate (except for Mr. Fishbein), or
- the acquisition by a non-affiliate of more than 20% (30% for Mr. Fishbein) of the voting shares of Sun Life Financial or Sun Life Assurance.

If the majority of the assets of Sun Life Financial, Sun Life Assurance, or our U.S. business are sold, it constitutes a change of control for Mr. Fishbein.

When there is a *change of control*:

- Sun Shares vest and are paid on an accelerated basis when an executive is terminated without cause or leaves the organization for good reason (double trigger) prior to the normal payment date (which is a maximum of three years from the grant date) and are otherwise paid on the normal payment date under the terms of the plan
- DSUs vest and are paid either when the executive leaves the organization or on the normal payment date, whichever is earlier)
- the board can choose from a range of alternatives to address outstanding options, including accelerated vesting.

### ***Employee agreements***

The table below summarizes our contractual agreements with the named executive officers.

<b>Nature of termination</b>	<b>Who it applies to</b>	<b>Type of arrangement</b>
Termination (without cause)	Dean A. Connor	<ul style="list-style-type: none"> <li>• Entitled to receive up to 24 months of annual salary.</li> </ul>
Termination (without cause)	Stephen C. Peacher Daniel R. Fishbein	<ul style="list-style-type: none"> <li>• Governed by the terms of severance arrangements that apply to all of our U.S. employees above the Vice-President level. Entitled to four weeks of compensation for each year of service with a minimum severance amount of 12 months of base salary and a maximum of 18 months.</li> </ul>

## Benefits on termination and change of control

The table below summarizes how we treat the components of our executive compensation program under different termination scenarios. For our named executive officers, termination for cause results in the forfeiture of outstanding unvested share units and options.

Compensation element	Entitlement on resignation	Incremental entitlements on other termination scenarios			
		Termination (without cause)	Retirement	Change of control and termination without cause	
<b>Salary</b>	<ul style="list-style-type: none"> <li>salary ends</li> </ul>	<ul style="list-style-type: none"> <li>salary ends unless otherwise stated in employment agreement</li> </ul>	<ul style="list-style-type: none"> <li>salary ends</li> </ul>	<ul style="list-style-type: none"> <li>24 months of salary</li> </ul>	
<b>Annual incentive award</b>	<ul style="list-style-type: none"> <li>award forfeited</li> </ul>	<ul style="list-style-type: none"> <li>award forfeited</li> </ul>	<ul style="list-style-type: none"> <li>receive pro-rated award calculated from January 1 to retirement date</li> </ul>	<ul style="list-style-type: none"> <li>receive prorated award calculated from January 1 to the date of termination (assumes target performance)</li> <li>24 months of bonus calculated as the average bonus paid for the previous three years, or the target bonus for the current year, whichever is higher</li> </ul>	
<b>Mid and long-term incentives</b>	Sun Shares	<ul style="list-style-type: none"> <li>unvested awards forfeited</li> </ul>	<ul style="list-style-type: none"> <li>receive pro-rated portion of Sun Shares for active employment during performance period</li> <li>paid immediately</li> <li>valued using performance factor that includes any variables known at the time of termination</li> </ul>	<ul style="list-style-type: none"> <li>fully vest and paid at normal payment date</li> <li>valued using actual performance factor</li> </ul>	<ul style="list-style-type: none"> <li>unvested awards vest</li> <li>paid immediately</li> <li>valued using performance factor that includes any variables known at the time of termination</li> </ul>
	Options	<ul style="list-style-type: none"> <li>60 days to exercise vested options</li> <li>unvested awards forfeited</li> </ul>	<ul style="list-style-type: none"> <li>60 days to exercise vested options</li> <li>unvested awards forfeited</li> </ul>	<ul style="list-style-type: none"> <li>up to 36 months to exercise vested options and options that become vested during that period</li> </ul>	<ul style="list-style-type: none"> <li>accelerated vesting of all options and up to 36 months to exercise vested options</li> </ul>
<b>DSUs</b>	<ul style="list-style-type: none"> <li>vested awards are paid with timing at the executive's election</li> <li>unvested awards forfeited</li> </ul>	<ul style="list-style-type: none"> <li>vested awards are paid with timing at the executive's election</li> <li>unvested awards forfeited</li> </ul>	<ul style="list-style-type: none"> <li>vested awards are paid with timing at the executive's election</li> <li>unvested awards are forfeited</li> </ul>	<ul style="list-style-type: none"> <li>vested awards are paid with timing at the executive's election</li> <li>unvested awards vest</li> </ul>	
<b>Estimated pension</b>	<ul style="list-style-type: none"> <li>estimated lump-sum value of accrued pension</li> <li>unvested value forfeited</li> </ul>	<ul style="list-style-type: none"> <li>estimated lump-sum value of accrued pension</li> <li>unvested value forfeited</li> </ul>	<ul style="list-style-type: none"> <li>estimated lump-sum value of accrued pension</li> <li>unvested value forfeited</li> </ul>	<ul style="list-style-type: none"> <li>estimated lump-sum value of accrued pension including change of control severance period under the defined benefit plans</li> <li>unvested value vests</li> </ul>	
<b>Estimated perquisites</b>	<ul style="list-style-type: none"> <li>perquisites end</li> </ul>	<ul style="list-style-type: none"> <li>perquisites end</li> </ul>	<ul style="list-style-type: none"> <li>perquisites end</li> </ul>	<ul style="list-style-type: none"> <li>perquisites continue until 24 months after termination or reemployment, whichever is earlier</li> <li>outplacement counselling services (maximum \$40,000)</li> </ul>	

Executives are required to meet specific conditions to qualify for retirement under each of our incentive plans, which include:

- Be at least 55 years old and have 10 years of continuous service
- Voluntarily terminate employment and provide at least six months' notice
- Agree not to compete with Sun Life Financial or solicit any of our employees or customers for 12 months under the option plan, and for the length of time that units remain outstanding under the Sun Share unit plan.

The table below shows the estimated value of the incremental payments the named executive officers would receive in each of the situations listed above, assuming a termination date of December 31, 2017. U.S. values have been converted to Canadian dollars using an exchange rate of 1.258 as of December 31, 2017 for pension ending balances and the 2017 average rate of 1.298 for all other amounts. In the table:

- **termination** (without cause) represents only contractually agreed upon severance amounts
- **change of control** assumes double trigger (change of control and termination without cause)
- cash includes salary and annual incentives
- vested and unvested awards include awards under the mid and long-term incentive plans.

Named executive officer	Compensation component	Estimated existing payments on resignation	Estimated incremental value on termination, retirement or change of control as of December 31, 2017		
			Termination (without cause)	Retirement	Change of control
<b>Dean A. Connor</b> President and Chief Executive Officer	Cash:	–	2,200,000	1,375,000	7,120,000
	Vested awards:	24,189,318	–	–	–
	Unvested awards:	–	11,071,700	19,551,130	19,656,109
	Pension:	5,839,000	–	–	1,127,000
	Perquisites:	–	–	–	111,928
	<b>Total:</b>	<b>30,028,318</b>	<b>13,271,700</b>	<b>20,926,130</b>	<b>28,015,037</b>
	Vested DSUs	6,762,954	–	–	–
<b>Kevin D. Strain</b> Executive Vice-President and Chief Financial Officer	Cash:	–	–	–	3,450,000
	Vested awards:	1,862,275	–	–	–
	Unvested awards:	–	2,411,761	–	4,566,057
	Pension:	2,880,000	–	–	1,190,000
	Perquisites:	–	–	–	101,944
	<b>Total:</b>	<b>4,742,275</b>	<b>2,411,761</b>	<b>–</b>	<b>9,308,001</b>
	Vested DSUs:	–	–	–	–
<b>Colm J. Freyne</b> Executive Vice-President and Chief Risk Officer	Cash:	–	–	560,000	2,936,717
	Vested awards:	913,021	–	–	–
	Unvested awards:	–	2,402,946	4,362,517	4,387,330
	Pension:	4,979,000	–	–	1,132,000
	Perquisites:	–	–	–	98,120
	<b>Total:</b>	<b>5,892,021</b>	<b>2,402,946</b>	<b>4,922,517</b>	<b>8,554,167</b>
	Vested DSUs:	2,994,049	–	–	–
<b>Stephen C. Peacher</b> President, Sun Life Investment Management	Cash:	–	580,000	–	5,912,873
	Vested awards:	788,950	–	–	–
	Unvested awards:	–	4,767,094	–	8,924,103
	Pension:	3,726,030	–	–	–
	Perquisites:	–	–	–	86,966
	<b>Total:</b>	<b>4,514,980</b>	<b>5,347,094</b>	<b>–</b>	<b>14,923,942</b>
	Vested DSUs:	1,393,199	–	–	–

Named executive officer	Compensation component	Estimated existing payments on resignation	Estimated incremental value on termination, retirement or change of control as of December 31, 2017		
			Termination (without cause)	Retirement	Change of control
Daniel R. Fishbein President, SLF U.S.	Cash:	–	550,000	–	3,173,903
	Vested awards:	579,413	–	–	–
	Unvested awards:	–	2,999,669	–	5,442,541
	Pension:	229,807	–	–	625,511
	Perquisites:	–	–	–	86,966
	<b>Total:</b>	<b>809,220</b>	<b>3,549,669</b>	<b>–</b>	<b>9,328,922</b>
	Vested DSUs:	–	–	–	–
Kevin P. Dougherty Executive Vice-President, Innovation & Partnerships	Cash:	–	–	731,250	3,380,423
	Vested awards:	1,326,509	–	–	–
	Unvested awards:	–	3,396,765	5,915,732	5,945,318
	Pension:	10,367,000	–	–	–
	Perquisites:	–	–	–	98,120
	<b>Total:</b>	<b>11,693,509</b>	<b>3,396,765</b>	<b>6,646,982</b>	<b>9,423,860</b>
	Vested DSUs:	891,908	–	–	–

Mr. Connor, Mr. Freyne and Mr. Dougherty qualify as retirees because of their age and years of service. This has the following effects:

- the cash amount under Retirement represents an AIP award at target
- unvested Sun Shares would fully vest, be valued using the actual performance factor and be paid at the normal payment date.

## Aggregate compensation for Material Risk Executives

As required under the FSB's Implementation Standard 15, we have defined executives who have a material impact on our risk exposure as Material Risk Executives (MREs). We had 17 MREs in 2017, including members of our Executive Team and other select executives who lead corporate functions. We had two changes to MRE positions in 2017. The table below shows the total compensation granted, paid or outstanding for MREs as of and for the year ended December 31, 2017. Any compensation paid in U.S. dollars has been converted to Canadian dollars using the 2017 average annual exchange rates of 1.298.

Compensation element	Annual fixed and variable compensation							Sign on payments	Severance payments
	Annual incentives			Share-based incentives					
	Salary	Cash	Deferred (DSUs)	Granted	Paid	Vested	Unvested		
Aggregate value (\$M)	8.0	11.8	1.2	20.7	25.3	49.0	61.9	–	–

- **Cash incentives** for 2017 did not include any guaranteed payments.
- **Share-based** incentives include the value of share units and options and any additional units credited as dividends on share units.
- **Granted** represents the value at grant in 2017, including the value of any share-based awards granted upon hire.
- **Paid** represents the value received in 2017 when options were exercised and value at vesting, including performance adjustments for performance share units.

- **Outstanding** share-based incentives represents the in-the-money value of options and the market value of share unit awards using a share price of \$51.88 (the closing price of our common shares on the TSX on the last trading day of the year, December 29, 2017) for vested and unvested options and share units as at December 31, 2017.
- **Sign on payments** represent cash, option and share unit commitments made upon hire to replace amounts any of the MREs forfeited from previous employers.
- **Severance payments** represent the value of benefits received on termination.

The table below shows the change in value of outstanding MRE deferred compensation during 2017 based on explicit, implicit and other adjustments as outlined in the guidelines issued by the Basel Committee on Banking Supervision.

	Change in value during 2017				Aggregate value of deferred compensation at December 31, 2017 (\$M)
	Aggregate value of deferred compensation at January 1, 2017 (\$M)	Explicit adjustments (\$M)	Implicit adjustments (\$M)	Other adjustments (\$M)	
Total	119.9	-0.2	-2.6	-0.6	116.5
Percentage change		-0.1%	-2.2%	-0.5%	-2.8%

- **Aggregate value at January 1, 2017** reflects the value of outstanding share units and options.
- **Explicit adjustments** reflect the interim performance factor estimates for the 2015, 2016 and 2017 awards approved by the board in February 2018. This would also include clawbacks if applicable, but none were applied in 2017.
- **Implicit adjustments** reflect the impact of changes in share price and accumulated dividends.
- **Other adjustments** reflect the net impact of the redemption of vested share units, the grant of new share units, and option exercises during 2017.
- **Aggregate value at December 31, 2017** reflects the impact of explicit, implicit and other adjustments during 2017 on the value of outstanding share units and options.

## Securities authorized for issue under equity compensation plans

The table below shows the common shares to be issued under the option plan as at December 31, 2017. It also shows the number of common shares available for issue under the option plan which was approved by our common shareholders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	3,008,321	\$33.88	6,612,855

## Other information

### Loans to directors and executives

We do not grant personal loans to our directors and executive officers. As at February 28, 2018, there were no loans outstanding to former employees. The table below shows the total loans outstanding to current employees of Sun Life Financial and our subsidiaries as at February 28, 2018.

Purpose	Total outstanding loans	
	To Sun Life Financial or our subsidiaries (\$)	To another entity (\$)
Securities purchases	\$ 358,800	–
Other	\$3,607,559	–

### Directors and officers liability insurance

We have liability insurance to protect our directors and officers against liabilities they may incur in their capacity as directors and officers of Sun Life Financial and our subsidiaries in circumstances where the company cannot provide indemnification.

The current policy runs from November 1, 2017 to October 31, 2018 with coverage of up to \$210 million. We pay a premium of approximately \$1.1 million and there is no deductible.

### For more information

You can find recent financial information about Sun Life Financial in our consolidated financial statements and MD&A for the year ended December 31, 2017. These and other documents are available on our website ([www.sunlife.com](http://www.sunlife.com)), on SEDAR ([www.sedar.com](http://www.sedar.com)) and on EDGAR ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)). In addition, our sustainability report is available on our website ([www.sunlife.com](http://www.sunlife.com)).

You may also request a copy of our most recent consolidated financial statements and MD&A from our Corporate Secretary.

# Schedule A

## Charter of the Board of Directors

This Charter sets out:

1. The duties and responsibilities of the Board of Directors (the “Board”);
2. The position description for Directors;
3. The position description for the Chairman of the Board (the “Chairman”);
4. The position description for Chairs of Board Committees; and
5. The corporate governance practices and policies that apply to the Board.

### Mission

The mission of the Board is to be a strategic asset of the organization measured by the effective execution of its overall stewardship role and the contribution the Directors make – individually and collectively – to the long-term success of the enterprise.

### Membership

The by-laws provide for the Board to have a minimum of eight and a maximum of 20 Directors. Each Director shall possess the attributes set out in the Position Description for Directors. In addition, a majority of the Directors must meet the independence requirements set out in the Director Independence Policy.

### Structure and Operations

A schedule of regular Board and Committee meetings will be agreed upon by the Governance, Nomination & Investment Committee and circulated to the Directors prior to the commencement of a calendar year. Confirmation of the date, time and place of regular meetings will be sent to the Directors approximately three weeks in advance of regularly scheduled meetings. Special meetings may be called with 24 hours’ notice.

A quorum at any meeting of the Board shall be a majority of Directors and meetings must be constituted so that the resident Canadian requirements of the *Insurance Companies Act* (Canada) are met. At each meeting of the Board, the independent Directors will meet privately.

On an annual basis, the Board will review this Charter and its Forward Agenda and approve changes as necessary. This Charter will be posted on the Corporation’s website.

## 1. Duties and Responsibilities of the Board

The Board is responsible for supervising the management of the business and affairs of the Corporation. The Board performs the following overall stewardship responsibilities either directly or through its Committees. The Board has clearly outlined matters that require Board approval and those that have been delegated to management.

### Board

- Planning Board and Committee size and composition and evaluating and selecting candidates for election at each annual meeting based on a skills, qualifications and competencies assessment process and consideration of the level of diversity on the Board.
- Formulating succession plans for the Board, the Chairman and the Committee Chairs.
- Annually reviewing and setting Director compensation.
- Maintaining a formal orientation program for new Directors and ongoing education programs for all Directors.



- Establishing corporate governance practices and policies and monitoring corporate governance trends.
- Assessing the effectiveness of the Board, its Committees, the Chairman, the Committee Chairs, and individual Directors on an annual basis, periodically with the assistance of external advisors.

### ***Senior Management***

- Appointing, evaluating and, if necessary, replacing the President & Chief Executive Officer and other members of senior management, including the Appointed Actuary.
- Delegating to management powers to manage the Corporation.
- Overseeing talent management and developing succession plans for the role of President & Chief Executive Officer and other senior management positions.
- Establishes annual objectives for the President & Chief Executive Officer and reviews performance against objectives.
- Reviewing the performance and approving the compensation frameworks for senior management, including alignment of those frameworks with applicable regulatory principles.
- Advising and counselling the President & Chief Executive Officer.
- Reviewing and approving the organizational structure on an annual basis.
- Reviewing the mandates, authority, independence and resources of Control Functions.

### ***Ethics and Integrity***

- Setting an ethical tone for the Corporation.
- Satisfying itself that senior management is sustaining a culture of integrity throughout the organization.
- Approving amendments to the Code of Business Conduct.
- Complying with and reviewing employee compliance with the Code of Business Conduct and ensuring prompt disclosure of any waivers of the Code of Business Conduct for Directors or senior management.

### ***Strategy***

- Approving the Corporation's vision and purpose statements.
- Reviewing the effectiveness of the strategic planning process and approving the strategic plan.
- Approving objectives and business, capital and investment plans on an annual basis.
- Monitoring corporate performance against these statements, objectives and plans and the Risk Appetite Policy on an ongoing basis.

### ***Operations***

- Reviewing reports from senior management, including leaders of Business Groups, on business, financial and operational performance relative to plans and the Risk Appetite Policy.
- Reviewing information on client engagement and value creation for clients.
- Reviewing information on distribution channels.
- Monitoring initiatives to improve productivity.
- Overseeing and approving significant activities of subsidiaries.

### ***Risk Management, Capital Management and Internal Control***

- Overseeing the management of risks, including through the allocation of risk oversight to Committees.
- Approving the Risk Management Framework, Risk Appetite Policy and Internal Control Framework.

- At least annually, approving policies and procedures for the management and control of risk and capital, and regularly reviewing compliance with those policies and procedures.
- Reviewing the effectiveness of internal control and management information systems that provide assurance as to the reliability of the Corporation's financial information and the safeguarding of its assets.
- Reviewing compliance with legislative and regulatory requirements.
- Reviewing the external audit plan, including the fees and scope of the audit engagement.
- Seeking assurances from senior management that controls are operating effectively, and establishing processes to periodically assess such assurances.

### ***Material Transactions***

- Reviewing and approving material initiatives, investments and transactions.

### ***Financial Reporting***

- Reviewing and approving the annual and interim financial statements, Management's Discussion and Analysis and related news releases.

### ***Communication and Disclosure***

- Reviewing and approving financial and corporate governance disclosure to shareholders and other stakeholders.
- Reviewing and approving policies with regard to public disclosure, confidentiality of information and securities trading.
- Enabling shareholders to provide feedback to the independent Directors.

### ***Other***

- Engaging any special advisors it deems necessary to provide independent advice at the expense of the Corporation.
- Requiring management to inform applicable regulators in a timely manner of substantial issues affecting the Corporation.
- Performing such other functions as prescribed by law or as assigned to the Board in the Corporation's governing documents.

## **2. Position Description For Directors**

The Board is responsible for supervising the management of the business and affairs of the Corporation. Each Director participates in fulfilling the Board's stewardship role by acting honestly and in good faith with a view to the best interests of the Corporation (fiduciary duty) and exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (duty of care).

### ***Duties and Responsibilities***

Principal duties and responsibilities of each Director include:

- Acting in the highest ethical manner and with integrity in all personal, business and professional dealings.
- Confirming compliance with the Code of Business Conduct on an annual basis and maintaining the confidentiality of corporate information and Board deliberations.
- Understanding the Corporation's vision and strategic objectives.
- Becoming knowledgeable of the Corporation's businesses and the financial services sectors in which it operates within a reasonable time of joining the Board.
- Understanding the Corporation's corporate governance policies and practices and the Charters of the Board and of each Committee on which he or she serves.

- Preparing thoroughly for each Board and Committee meeting by reviewing the materials sent to Directors in advance of meetings.
- Attending Board and Committee meetings and actively participating in deliberations and decisions in an objective manner that demonstrates independence from management.
- Informing himself or herself of significant matters dealt with at meetings not attended.
- Maintaining agreed upon levels of share ownership in the Corporation.

### ***Director Attributes***

The Board believes that Directors should provide objective and thoughtful guidance to, and oversight of, senior management and exhibit the following characteristics while executing their duties:

- Integrity
- Accountability
- Independent and informed judgment
- Commitment to operational excellence
- Knowledge of business issues and financial matters
- Collaboration
- Initiative
- Responsiveness

In addition, certain regulatory criteria apply to Directors and are related to independence, financial, compensation and risk management literacy, and assessment of suitability and integrity. The Director Independence Policy outlines the Board's approach to determining Director independence, including enhanced independence requirements for members of the Audit & Conduct Review Committee and the Management Resources Committee. The Assessment of Responsible Persons Policy outlines how independent assessments of the suitability and integrity of current and prospective Directors are undertaken.

## **3. Position Description for the Chairman**

The independent Directors will select from among their number a Director immediately following each annual meeting who will serve as the Chairman and assume responsibility for providing leadership to enhance the effectiveness and independence of the Board. The Chairman also manages the affairs of the Board so as to assist the Directors in carrying out their responsibilities and enhance the effectiveness and cohesion of the Board as a whole. The Chairman is a regular attendee at meetings of Board Committees. The Chairman should encourage open discussion and debate at Board meetings and have frequent dialogue with other Directors and senior management. The Chairman should also have recurring interactions with regulators.

### ***Duties and Responsibilities***

The principal duties and responsibilities of the Chairman include:

- Ensuring that the respective responsibilities of the Board and those of management are well understood, and that the boundaries between Board and management responsibilities are respected.
- Communicating the expectations of the independent Directors to management.
- In conjunction with the Chairman of the Governance, Nomination & Investment Committee, regularly evaluating, and in appropriate circumstances proposing enhancements to, the Corporation's governance structure and procedures.
- Assessing the sufficiency of the resources available to the Board and its Committees, including the scope, timeliness and relevance of available information.

- In consultation with the Governance, Nomination & Investment Committee, ensuring that the independent Directors are appropriately compensated in their capacities as Directors of the Corporation.
- In conjunction with the President & Chief Executive Officer, setting the Board agenda, chairing the Board meetings and ensuring that there is adequate time at Board meetings for discussion of relevant issues and in camera sessions for independent Directors.
- In conjunction with the President & Chief Executive Officer, setting the agendas for annual and special meetings and acting as the chair of those meetings.
- In conjunction with the Governance, Nomination & Investment Committee, leading assessments of the effectiveness of independent Directors, the Board and its Committees on an annual basis.
- In conjunction with the Governance, Nomination & Investment Committee, evaluating the performance of independent Directors and the Chairs of each Committee as part of an annual peer review process, and meeting individually with each independent Director at least annually to discuss individual performance.
- Together with the other Independent Directors, annually evaluating the performance of the President & Chief Executive Officer against their objectives and developing their objectives for the subsequent year.
- In conjunction with the Management Resources Committee, ensuring that appropriate human resource management practices (including succession, development and compensation plans) are in place for senior management.
- In conjunction with the Governance, Nomination & Investment Committee, determining the competencies, skills and qualities required or best suited from time to time to complement the diversity of the current Board composition and identifying prospective Board candidates. The Chairman is responsible for conducting initial interviews of prospective candidates and recommending prospective Directors to the Governance, Nomination & Investment Committee for its review and subsequent recommendation to the Board.
- Reviewing, with the Chairman of the Governance, Nomination & Investment Committee, the membership of each Board Committee and the selection and rotation of the Committee Chairs, and making recommendations to the Governance, Nomination & Investment Committee for its review and recommendation to the Board.
- In conjunction with the Governance, Nomination & Investment Committee, overseeing the orientation and training program for new Directors and the ongoing education program for all Directors.
- Engaging, at the expense of the Corporation, outside advisors for the independent Directors or the Board, as required.
- Communicating from time to time with shareholders, representatives of the Corporation's regulators and rating agencies, and with corporate governance-focused councils, coalitions and similar bodies, to discuss governance-related matters. In exceptional circumstances, where it is inappropriate for the President & Chief Executive Officer to communicate, or otherwise after prior consultation with the President & Chief Executive Officer, it may be necessary for the Chairman to communicate with the media about the affairs of the Corporation. These circumstances would normally be limited to Board matters or matters relating to the President & Chief Executive Officer (for example, compensation or succession). The Chairman will report on all such communications to the Board at its next regular meeting unless earlier reporting is advisable.

#### **4. Position Description For Committee Chairs**

The Chair of a Board Committee is responsible for providing leadership to enhance effective and independent functioning of the Committee in order that the Committee may fulfil its duties and responsibilities as outlined in its Committee Charter.

## ***Duties and Responsibilities***

The principal duties and responsibilities of each Committee Chair include:

- In conjunction with the Chairman and, when appropriate, other Committee Chairs, members of management and advisors, reviewing and approving the agenda for each meeting of the Committee.
- Chairing Committee meetings, ensuring that there is adequate time at Committee meetings for discussion of relevant issues and for the Committee members to meet privately.
- Reporting to the Board on the Committee's activities following each meeting and presenting recommendations to the Board on matters that require Board approval.
- In conjunction with the Management Resources Committee, providing recommendations to the Board on the appointment, reassignment, replacement or dismissal of Control Function leaders who report to the Committee, and annually providing input on the performance assessment and compensation awarded to those individuals.
- Leading an annual review of the adequacy of the Committee Charter.
- Leading an annual evaluation of the effectiveness of the Committee.

Committee Chairs are appointed annually. Generally, a Director will serve as a Committee Chair for five years.

## **5. Corporate Governance Policies And Practices**

### ***Director Election and Tenure***

Prior to each annual meeting, the Governance, Nomination & Investment Committee will review the candidacy of each nominee and confirm to the Board that each nominee meets the expectations outlined in the Position Description for Directors and satisfies the criteria for Board membership. In addition, the Governance, Nomination & Investment Committee will report on the independence of each nominee as defined in the Director Independence Policy.

Each Director will be elected for a term ending at the conclusion of the next annual meeting. Subject to the remainder of this section, a Director may stand for re-election at the end of each term until the twelfth annual meeting after his or her initial election or appointment to the Board, at which time he or she will retire.

The independent Directors, on the recommendation of the Governance, Nomination & Investment Committee, may waive the retirement requirement to enable a Director to stand for re-election for up to three additional one-year terms (i.e., until the fifteenth annual meeting after his or her initial election or appointment) if they unanimously determine that it is in the best interests of the Corporation to do so. Thereafter, the requirement to retire may be waived on an annual basis if the independent Directors, on the recommendation of the Governance, Nomination & Investment Committee, determine that it is in the best interests of the Corporation to do so.

A Director who is a member of management must resign from the Board when he or she leaves active employment with the Corporation or its affiliates.

### ***Majority Voting***

In elections where only the nominees recommended by the Board stand for election, a Director who receives more "withheld" votes than "for" votes for his or her election must immediately tender a written offer to resign from the Board. The Board will accept the resignation unless there are exceptional circumstances. The Board will make its decision within 90 days of the annual meeting and will promptly disclose its decision by way of news release. If the Board does not accept the resignation, it will fully explain the exceptional circumstances and the reasons for its decision in the news release.

A Director who tenders his or her resignation pursuant to the preceding paragraph will not participate in the consideration by the Board of the resignation offer.

### ***Access to Management***

Each Director shall have unrestricted access to management, as necessary, to carry out his or her responsibilities.

### ***Attendance at Board and Committee Meetings***

The Governance, Nomination & Investment Committee reviews the attendance of Directors each year as part of the nomination process for Director elections. Any Director who does not, in two consecutive years, attend at least 75% of the meetings of the Board and the Board Committees to which he or she is assigned, must tender a written offer to resign to the Chairman of the Governance, Nomination & Investment Committee for acceptance or rejection by the Board.

### ***Change of Occupation***

Directors whose principal employment or other business or professional circumstances change materially from that which they held when elected to the Board (including retirement from their principal employment) must notify the Chairman of the Governance, Nomination & Investment Committee in accordance with the Director Independence Policy and tender a written offer to resign for acceptance or rejection by the Board. The Board is not of the view that Directors in such circumstances must always leave the Board, however, an opportunity should be given to the Board to review the continued appropriateness of Board membership under the revised circumstances.

### ***Directorships and Board Interlocks***

Directors who are employed full-time should generally hold only one other public company directorship and Directors who are not employed full-time should generally hold no more than three other public company directorships.

No more than two Directors may serve together on the board of another public company, and Directors may not serve together on the boards of more than two other public companies (each, an "interlock"). The Corporation will disclose all interlocks, including interlocking committee memberships, in its Management Information Circular. The Governance, Nomination & Investment Committee will review all interlocks as part of its annual evaluation of Director independence to ensure that they do not impact the ability of the applicable Directors to exercise independent judgment in the best interests of the Corporation.

Directors must notify the Chair of the Board, the Chair of the Governance, Nomination & Investment Committee, the President and Chief Executive Officer and the Chief Legal Officer prior to accepting a directorship on an additional public, private or not-for-profit board in order to provide an opportunity for them to verify that a Director continues to have the time and commitment to fulfil his or her obligations to the Board and to be satisfied that the Director is in compliance with the above guidelines and no real or apparent conflict of interest would result.

For greater certainty, this notification is intended to capture the boards of corporations competing with the Corporation, organizations or groups adverse in interests to the Corporation or boards of entities that have the potential to give rise to a conflict of interest by virtue of a potential investment or service with the Corporation.

A director shall notify the Board annually about his or her principal occupation, other directorships, and business associations by completing the annual directors' questionnaire

circulated in connection with the preparation of the Corporation's management information circular and annual information form.

### ***Directors' Remuneration and Share Ownership***

The remuneration of Directors is reviewed every two years to ensure that Directors are adequately and competitively compensated.

Each independent Director should hold at least five times the annual Directors' retainer in the form of common shares or deferred share units of the Corporation by the fifth anniversary of the Director's election or appointment to the Board.

### ***Orientation of New Directors***

The Corporation provides an orientation program for new Directors which consists of a strategic overview session with the President & Chief Executive Officer, sessions with Business Group and Corporate function leaders, and a review of a wide range of written materials, including those that outline the organization of the Board and its Committees, the powers and duties of Directors, the required standards of performance for Directors, the Code of Business Conduct, this Charter, and the financial statements of the Corporation.

### ***Continuing Education for Directors***

The Corporation provides ongoing business and education sessions for Directors to enhance their knowledge of the organization, its businesses and key executives, and to address ongoing and emerging issues in the functional areas of Board oversight. Directors may participate in outside professional development programs approved by the Chairman, at the expense of the Corporation. Private meetings with members of management will be arranged as requested by a Director.

As part of the ongoing Director education program to: (i) enhance the Board's understanding and knowledge of different aspects of the businesses within the Corporation's four pillars; (ii) meet local management; and (iii) increase linkages with subsidiaries, Directors will conduct a site visit to one Business Unit/country within each of the Corporation's four Business Groups (Canada, US, Asia, SLF Asset Management – SLIM and MFS) at least once every two years. Directors will generally make these site visits in groups of two and the Governance, Nomination & Investment Committee, in consultation with the Chairman of the Board and the President & Chief Executive Officer, will recommend the schedule of future site visits for a given year. The participating Director(s) will report to the Board at the next regularly scheduled Board meeting.

### ***Interaction with the Media***

The Board believes that it is the responsibility of management, rather than Directors, to speak on behalf of the Corporation. From time to time, Directors may be requested by the media, or by institutional investors, shareholders, clients or other stakeholders, to discuss certain issues on behalf of the Corporation. Any Director to whom such a request is made should review the request with the Chairman and the President & Chief Executive Officer before responding.

### ***Shareholder Engagement and "Say on Pay"***

The Board believes it is important to have constructive engagement with the Corporation's shareholders to allow shareholders to express their views on governance matters.

The Chairman of the Board or his or her designate may communicate from time to time with shareholders, regulators, rating agencies and corporate governance-focused coalitions in

connection with governance-related matters, including the results of the annual advisory vote on executive compensation. All such communications will be reported to the Board of Directors no later than its next regularly scheduled meeting.

At each annual meeting shareholders will be asked to consider a non-binding advisory resolution on the executive compensation disclosure in the Corporation's information circular prepared for the annual meeting.

The results of the advisory vote will be published and if a significant number of shareholders oppose the resolution, the Board will consult shareholders to understand their concerns. The Board will review the Corporation's approach to compensation in the context of those concerns.



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