



**SUN LIFE FINANCIAL INC.**

**AND**

**SUN LIFE ASSURANCE COMPANY OF CANADA (“THE CORPORATION”)**

**CHARTER OF THE MANAGEMENT RESOURCES COMMITTEE**

**Purpose**

The Management Resources Committee (the “Committee”) is a standing committee of the Board of Directors (the “Board”) whose primary functions are to assist the Board with its oversight role by:

1. Providing input to the Board on succession plans for the position of President & Chief Executive Officer and reviewing succession plans for other senior management positions, with the intent of ensuring timely and effective continuity of leadership;
2. Reviewing the development of candidates for senior management positions, including the review of major changes in the overall organizational structure that impact senior management roles;
3. Establishing and overseeing processes for evaluating the performance of the President & Chief Executive Officer and reviewing the President & Chief Executive Officer’s assessment of the performance of his or her direct reports;
4. Reviewing and recommending to the Board remuneration for: (a) the President & Chief Executive Officer; (b) the Corporate Executive Vice-Presidents and Presidents of the Business Groups, except where approved by the Chair of the Committee and the President & Chief Executive Officer, and (iii) Control Function leaders<sup>1</sup>;
5. Promoting talent development across the organization;
6. Reviewing the employee value proposition to ensure there is sufficient focus on employee engagement and company culture;
7. Reviewing and recommending to the Board compensation policies, incentive compensation design and operation, and executive compensation practices; and
8. Overseeing worldwide governance for employee pension plans and employee and advisor savings and retirement plans sponsored by subsidiary companies (the “Pension and Savings Plans”).

**Membership**

The Committee is composed of not less than three Directors, including a Committee Chair, appointed by the Board on an annual basis following each annual meeting.

Each member of the Committee shall be independent as defined in the Director Independence Policy. No more than one member of the Committee may hold the office of Chief Executive Officer of a large public company.

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<sup>1</sup> The Control Function leaders are the Chief Financial Officer, Chief Investment Officer, Chief Risk Officer, Chief Credit Risk Officer, Chief Compliance Officer, Chief Internal Auditor and Chief Actuary.

Committee membership is reviewed annually by the Governance, Investment & Conduct Review Committee to ensure the Committee as a whole includes members with the experience and expertise required to fulfil the Committee's mandate. The Committee will include members who are literate in risk management and compensation matters.

Any member of the Committee may be removed or replaced at any time by the Board and the Board shall fill vacancies on the Committee.

### **Structure and Operations**

A meeting of the Committee may be called at any time by the Chairman of the Board (the "Chairman"), by the Committee Chair or by two members of the Committee. The Committee meets as frequently as is necessary, but not less than four times a year. A quorum at any meeting of the Committee shall be three members.

The Committee holds a private session at each regularly scheduled meeting with the Executive Vice-President, Chief Human Resources & Communications Officer, and that individual has unrestricted access to Committee members between meetings. The Committee holds a private session at each meeting of the Committee for members only. The Committee has full access to the Corporation's records and information and has the sole authority to appoint and engage any special advisors it deems necessary to provide independent advice at the expense of the Corporation. The Committee will pre-approve any additional work of a material nature assigned to a compensation consultant hired by the Committee and will not approve any work that would compromise the consultant's independence as an advisor.

On an annual basis, the Committee will review this Charter and the Forward Agenda for the Committee and, where necessary, recommend changes to the Board for approval. This Charter will be posted on the Corporation's website and the Committee will prepare a report on its activities for inclusion in the annual meeting material. The Committee shall undertake and review with the Board an annual performance evaluation of the Committee.

### **Duties and Responsibilities of the Committee**

#### **Human Resource Policies and Practices**

1. Considers emerging industry, regulatory and compensation governance principles and the possible impact on the Corporation's human resources policies and practices.
2. Reviews worldwide human resources policies pertaining to compensation, employee pension plans, leadership development and succession planning.
3. Reviews human resources-related aspects of material transactions that are being proposed by the Corporation.

#### **Succession and Performance Management**

4. Oversees the process by which the independent Directors evaluate the performance of the President & Chief Executive Officer and, without him or her being present, makes

recommendations to the independent Directors regarding the President & Chief Executive Officer's compensation based on the results of the evaluation.

5. Reviews the assessments of the performance of the Corporate Executive Vice-Presidents and Presidents of Business Groups.
6. Reviews and makes recommendations to the Board with respect to the appointment, reassignment, replacement or dismissal of; (a) the Corporate Executive Vice-Presidents and Presidents of the Business Groups, except where approved by the Chair of the Committee and the President & Chief Executive Officer, and (b) in conjunction with the applicable Committee Chair, the applicable Control Function leaders.
7. Reviews succession plans relating to other key senior management positions as determined by the Committee or the President & Chief Executive Officer from time to time, ensuring that an adequate number of individuals are being identified and developed to provide choice when it becomes necessary for the Committee to make such recommendations to the Board.

#### **Talent Development and Employee Engagement**

8. Advances the Corporation's talent agenda by ensuring strong alignment of its people processes, programs and practices with its strategy and business objectives.
9. Reviews the Corporation's diversity programs, including monitoring progress against internal diversity goals and objectives.
10. Reviews the employee value proposition and corresponding key metrics.
11. Reviews the employee engagement results and initiatives to enhance the work environment and company culture.

#### **Compensation**

12. Reviews and recommends eligibility for and terms of Change of Control Agreements and annually reviews the value of executive compensation arrangements applicable on termination of employment for the Named Executive Officers to be disclosed in the Corporation's Management Information Circular.
13. Reviews the Internal Audit Department's annual review of compensation programs and practices in relation to the Financial Stability Board's Principles and Standards for Sound Compensation Practices.
14. Reviews the design, approval and governance of material incentive programs (as defined and reviewed by the Committee on an annual basis) to ensure they do not encourage excessive risk taking, and reviews the implications of key enterprise risks, including human resources risks, on compensation design and human resources practices.
15. Reviews and recommends to the Board guidelines for the development of incentive compensation plans, including sales compensation plans.
16. Reviews and makes recommendations to the Board with respect to compensation matters, at least annually, including:
  - (a) salary increase budgets;

- (b) compensation frameworks for officers at the equivalent of the Corporation's Vice-President (E2) level and above, including compensation principles, objectives, competitive positioning and comparator groups;
  - (c) the remuneration of executives who have a material impact on the risk exposure of the company (Material Risk Takers, as defined in the Compensation and Appointment Policy);
  - (d) awards of Options under the Executive Stock Option Plan;
  - (e) the design of incentive programs applicable to senior management in non-sales roles at the equivalent of the Corporation's Vice-President (E2) level and above;
  - (f) the performance measures and targets for annual and long-term incentive plans, and the assessment of performance against incentive objectives and/or performance factors after the end of the applicable performance period;
  - (g) compensation arrangements for senior management of MFS Investment Management, including proposals for equity participation; and
  - (h) compensation arrangements including proposals for equity participation in a subsidiary.
17. Reviews annually the payouts under incentive plans not subject to approval by the Committee.
  18. Reviews shareholdings of the Corporation's Vice-President (E2) level and above to share ownership requirements.
  19. Reviews and approves executive compensation disclosure required under applicable securities laws.
  20. Receives reports on appointments, compensation changes and terminations of employment at the equivalent of the Corporation's Vice-President (E2) level and above approved pursuant to the authority delegated under the Compensation & Appointment Policy.
  21. Reviews and makes recommendations to the Board on appointments, compensation and other benefit arrangements at the equivalent of the Corporation's Vice-President (E2) level and above which are not within the authority delegated under the Compensation & Appointment Policy (e.g. the President & Chief Executive Officer and the Control Function leaders).
  22. Reviews and recommends to the Board compensation arrangements applicable to executives (E2 level and above), other than those identified in item 16 above, who would otherwise be among the ten most highly compensated executives of the Corporation, and its subsidiaries.

### **Pensions and Benefits**

23. Oversees the worldwide governance of Pension and Savings Plans, including:
  - (a) reviewing, approving and recommending to the Board a worldwide policy establishing a framework for the governance of Pension and Savings Plans by subsidiary companies;

- (b) approving the creation of, or any amendment to, any Pension and Savings Plan of a subsidiary that is exclusively for employees at the equivalent of the Corporation's Vice-President (E2) level and above; however, the creation of, or amendment to, a Pension and Savings Plan exclusively for employees at the equivalent of the Corporation's President & Chief Executive Officer, Corporate Executive Vice-Presidents and/or Presidents of Business Groups, is to be reviewed and, if acceptable, recommended to the Board; and
  - (c) receiving, and reporting annually to the Board on, the annual report on worldwide governance oversight for the Pension and Savings Plans.
24. Reviews and approves any new executive benefits or perquisite plans or changes to existing executive plans.

**Governance**

- 25. Reviews and approves the organizational structure of the Human Resources function on an annual basis.
- 26. Reviews, at least annually, and approves changes to the statement of mandate, responsibility and authority of the Executive Vice-President, Chief Human Resources & Communications Officer.
- 27. Reviews, at least annually, the adequacy of the authority and resources of the Executive Vice-President, Chief Human Resources & Communications Officer.
- 28. Approves the objectives and reviews the effectiveness of the Executive Vice-President, Chief Human Resources & Communications Officer and the Human Resources function annually.
- 29. Reviews matters within its mandate that are addressed in the regular examination and similar reports received from regulatory agencies, including management's responses and recommendations.
- 30. Evaluates the independence of any advisor proposed to be retained by the Committee and directly oversees the work performed by, and compensation paid to, such advisors.
- 31. Evaluates any potential conflicts of interest involving advisors to the Committee.
- 32. Reviews the agenda, minutes and list of follow up items of each Committee meeting.

**Other**

- 33. Considers such other matters relating to management performance, compensation and oversight as the Committee may deem appropriate.
- 34. Performs such duties and exercises such other powers as may from time to time be assigned to or vested in the Committee by the Board.