

SUN LIFE FINANCIAL INC. AND SUN LIFE ASSURANCE COMPANY OF CANADA (TOGETHER, "SUN LIFE")

Charter of the Audit Committee

The Audit Committee (the "Committee") is responsible for assisting Sun Life's Board of Directors (the "Board") in overseeing the integrity of financial statements and related information provided to shareholders and other stakeholders, compliance with financial regulatory requirements, adequacy and effectiveness of the internal controls implemented and maintained by management, and assessing the qualifications, independence, and performance of the external auditor. The Committee also acts as the audit committee for certain subsidiaries of Sun Life that are federally regulated financial institutions in accordance with the applicable provisions of the *Insurance Companies Act* (Canada) and the *Trust and Loan Companies Act* (Canada).

1. Duties and Responsibilities

In assisting the Board with its oversight role, the Committee:

1.1 Financial Reporting

- a) Reviews with management and Sun Life's external auditor (the "External Auditor") and makes recommendations to the Board on the approval of the quarterly unaudited and the annual audited consolidated financial statements, including the notes thereto, Management's Discussion and Analysis and the related news release (collectively, the "Financial Disclosure Documents").
- b) In conducting its review of the Financial Disclosure Documents:
 - i. reviews the reported and underlying earnings;
 - ii. discusses with the President & Chief Executive Officer and the Chief Financial Officer any significant issues raised in connection with the certifications relating to financial disclosure and controls that those officers are required to file with securities regulatory authorities;
 - iii. reviews reports from the Chief Actuary on the parts of the Financial Disclosure Documents prepared by that officer;
 - iv. reviews with management and the External Auditor Sun Life's principal accounting and actuarial practices and policies;
 - v. reviews other non-financial disclosures required to be included in the Financial Disclosure Documents; and
 - vi. considers emerging industry, regulatory and accounting standards and the possible impact on Sun Life's principal accounting practices and policies, including consideration of the use of non-International Financial Reporting Standards ("IFRS") measures.
- c) Periodically reviews tax matters.
- d) Reviews, at least annually, a report on litigation matters, as required.
- e) At the request of the Chair of the Committee, reviews finance, accounting and tax related aspects of material transactions that are being proposed by Sun Life.

1.2 Internal Control

- a) Requires management to implement and maintain appropriate systems, processes, and controls to ensure accurate, complete, and timely reporting of financial and related information and evaluates the effectiveness of such processes and controls and ensures that appropriate action is being taken to address any material internal control deficiencies.
- b) Reviews, at least annually, and makes recommendations to the Board on the approval of Sun Life's Internal Control Framework, which includes, amongst other things, procedures established to handle complaints received by Sun Life related to accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, if applicable.
- c) Reviews quarterly reports from the Chief Compliance Officer on complaints related to accounting, internal accounting controls or auditing matters, if applicable.
- d) Reviews management's quarterly reports on the effectiveness of Sun Life's internal controls over financial reporting, including any evolving disclosure standards.
- e) Reviews, as required, management's reports relating to emerging industry, regulatory and accounting standards, including their impacts on Sun Life's principal accounting practices and policies, and the status of their implementation.
- f) Periodically meets with the Business Group Chief Financial Officers and Heads of Internal Audit to review the control environment, resources, organizational structure, and priorities.

1.3 Internal Audit

- a) Reviews the Chief Auditor's quarterly reports on the effectiveness of Sun Life's governance, risk management and internal controls, and performance of the internal audit function relative to its plan.
- b) Reviews and approves the annual internal audit plan including resources, budget and expenses, reviews any significant changes to the internal audit plan, reviews any restrictions on the scope of activities or access to information during the audit, and oversees the coordination of the internal audit plan with the External Auditor's audit plan.
- c) Together with the Chair of the Committee, interacts with the Chief Auditor and senior management as required to support fulfilment of the Chief Auditor's mandate.
- d) Ensures the Chief Auditor reports on a functional basis to the Chair of the Committee and administratively to the President & Chief Executive Officer.
- e) Reviews the internal audit quality assurance and improvement program annually including, when applicable, external quality assessments.

1.4 External Auditor

- a) Reviews the External Auditor's audit findings reports and:
 - i. seeks assurances from the External Auditor that the financial statements, including the notes thereto, fairly present the financial position, results of operations and cash flows of Sun Life;
 - ii. assures itself that the External Auditor is satisfied that the accounting estimates and judgements made by management, and management's selection of accounting principles, reflect an appropriate application of IFRS;

- iii. discusses with the External Auditor any significant changes that were required in the external audit plan; and
 - iv. discusses any significant issues raised with management during the audit or review and oversees the resolution of any disagreements, including any restrictions on the scope of activities or access to information, and those matters that are required to be discussed under generally accepted auditing standards.
- b) Discusses with the External Auditor on a quarterly basis the results of quarterly review procedures over the financial statements, including discussions on key areas of judgement, significant transactions in the quarter and the progress against the external audit plan.
 - c) Reviews the independence of the External Auditor, including the requirements relating to such independence under the laws governing Sun Life, the applicable rules of stock exchanges on which Sun Life's securities are listed, and regulatory bodies with responsibility for establishing auditor independence requirements and policies and at least annually receives and reviews with the External Auditor its written statement delineating relationships with Sun Life and, if necessary, recommends that the Board take appropriate action to satisfy itself of the External Auditor's independence and accountability to the Committee, the Board and shareholders.
 - d) Appraises the qualifications and performance of the External Auditor, including timing and implementation of the rotation of the lead audit partner, and recommends to the Board the appointment, or if so, determined by the Committee the replacement, of the External Auditor, subject to the approval of the shareholders.
 - e) Reviews and approves the scope and terms of the External Auditor's engagement and reviews and recommends for approval by the Board the engagement letter and remuneration of the External Auditor.
 - f) Reviews and approves the Restricting Use of External Auditor Policy which outlines the services for which the External Auditor can be engaged, the approval process for such services and the policy regarding the employment of former employees of the External Auditor.
 - g) Determines, reviews, and approves the services to be performed by the External Auditor and the fees to be paid to the External Auditor for audit, audit-related and other services permitted by law and in accordance with the Restricting Use of External Auditor Policy.
 - h) Reviews with the External Auditor and management the overall scope of the external audit plan, quality control procedures and the resources that the External Auditor will devote to the audit.
 - i) Discusses with the External Auditor the financial and control-related aspects of material transactions that are being proposed by Sun Life.

1.5 Resources and Talent

- a) Reviews, at least annually, and approves changes to the statements of mandate, responsibility and authority of the Chief Actuary, Chief Auditor and Chief Financial Officer and the organizational structure of the Actuarial, Finance and Internal Audit functions.
- b) Reviews, at least annually, the adequacy of the authority, independence and resources of the Chief Actuary, Chief Auditor and Chief Financial Officer.
- c) Reviews, at least annually, management's reporting on the state of the information technology that delivers Sun Life's finance and actuarial reporting.
- d) Approves, at least annually, the objectives of the Chief Actuary, Chief Auditor and Chief Financial Officer and reviews, at least annually, the effectiveness of the Actuarial, Internal Audit and Finance functions.
- e) Reviews, at least annually, succession plans, for the Chief Actuary, Chief Auditor, Chief Financial Officer, and other senior management roles overseen by the Committee.

- f) Is consulted, through the Chair of the Committee in collaboration with senior management, in advance of any appointment, reassignment, replacement or dismissal of the Chief Actuary, Chief Auditor or Chief Financial Officer, including to determine the qualifications and competencies required for those roles, and reviews annually the performance assessment of those individuals.
- g) Requires the Chief Actuary, Chief Auditor and Chief Financial Officer to report on any material disagreements with other members of senior management relating to the business, and reviews how such matters are being addressed.

1.6 Regulatory

- a) 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.
- b) Reviews and discusses with the External Auditor and Chief Actuary such reports and regulatory returns of Sun Life as may be specified by law.
- c) Reviews with the External Auditor any regulatory matters that pertain to the External Auditor.

2. Composition and Procedures

2.1 Membership

- a) The Committee is composed of not less than three directors, including the Committee Chair, appointed by the Board on an annual basis following each annual meeting.
- b) Each member of the Committee shall be independent as defined in Sun Life's Director Independence Policy.
- c) The Governance Committee will review Committee membership annually to ensure the Committee includes members with the competencies, experience and expertise required to fulfil the Committee's mandate.
- d) Each member of the Committee shall be financially literate. In the Board's judgment, a member of the Committee is financially literate if, after seeking and receiving any explanations or information from senior financial management or the External Auditor of Sun Life that the member requires, the member is able to read and understand the consolidated financial statements of Sun Life to the extent sufficient to be able to intelligently ask, and to evaluate the answers to, probing questions about the material aspects of those financial statements.
- e) The Committee shall have at least one member that, in the Board's judgement, qualifies as an audit committee financial expert (as defined by the U.S. Securities and Exchange Commission).
- f) The Committee will discuss the qualifications for and determine whether a member of the Committee is a financial expert, and in conjunction with the Governance Committee, will ensure that all Committee members are financially literate.
- g) 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.

2.2 Meetings and Procedures

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

- d) The Chair of the Committee reports to the Board after each Committee meeting.
- e) The External Auditor reports to the Committee and receives notice of and may attend all Committee meetings.
- f) The Committee holds a private session at each meeting of the Committee for members only and at each regularly scheduled meeting with each of the Chief Actuary, Chief Auditor, Chief Financial Officer, and representatives of the External Auditor, and with the Chief Risk Officer and Chief Compliance Officer, as appropriate, and those individuals have unrestricted access to Committee members between meetings.
- g) The Committee will review its Forward Agenda as required, and on an annual basis, the Committee will review this Charter and, where necessary, recommend changes to the Board for approval.
- h) The Committee will review the minutes and list of follow up items of each Committee meeting.
- i) This Charter will be posted on Sun Life's website, and the Committee will prepare a report on its activities for inclusion in the annual management information circular.
- j) The Committee shall undertake and review with the Board an annual performance evaluation of the Committee and the Committee Chair.

3. Access to Management and Independent Advisors

The Committee:

- a) Has full and unrestricted access to management and, in consultation with the Board Chair, may engage any special advisors it deems necessary to provide independent advice at the expense of Sun Life.
- b) Establishes the scope and frequency of the independent reviews of the Actuarial, Finance and Internal Audit functions and determines whether any special advisors are engaged to conduct such independent reviews.
- c) Reviews the results of any independent reviews of the Actuarial, Finance and Internal Audit functions conducted at the request of the Committee.