

**Sun Life Financial Inc.  
and  
Sun Life Assurance Company of Canada**

**Director Independence Policy**

**Introduction and Purpose**

This Policy establishes the standards and processes for determining the independence of individuals who serve or may serve on the boards of directors of Sun Life Financial Inc. and Sun Life Assurance Company of Canada (collectively, the “Board”).

Whenever used in this Policy, “the Corporation” refers to Sun Life Financial Inc. and Sun Life Assurance Company of Canada and “Sun Life Financial group” refers to Sun Life Financial Inc. and its principal operating subsidiaries.

**Composition of the Board**

The Board must be able to operate independently of management in order to be effective. Therefore, a majority of the directors of the Corporation must be independent at all times.

To facilitate the objective of maintaining a majority independent Board at all times, non-management directors should be independent.

**Meaning of “Independent”**

An individual will be considered independent if he or she does not have, directly or indirectly, any relationship with the Corporation or its subsidiaries that could reasonably be expected to interfere with his or her exercise of independent judgment (a “Material Relationship”).

The Governance, Nomination & Investment Committee will determine, on an annual basis and more often as circumstances require, if an individual has a Material Relationship. In making its determinations, the Governance, Nomination & Investment Committee will apply the independence standards listed below.

**Independence Standards**

An individual will be deemed to have a Material Relationship if:

- He or she is a former Chief Executive Officer of the Corporation.
- He or she is, or has been within the last three years, an employee of the Corporation or its subsidiaries.
- He or she has an immediate family member<sup>1</sup> who is, or has been within the last three years, an executive officer<sup>2</sup> of the Sun Life Financial group.
- He or she is a partner or employee of the external auditor of the Corporation or was, within the last three years, a partner or employee of such auditor and personally worked on the audit of the Corporation during that time.
- He or she has an immediate family member who is a partner of the external auditor of the Corporation, an employee of such auditor who participates in its audit, assurance or tax compliance (but not tax planning) practice, or who was, within the last three years, a partner

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<sup>1</sup> For the purposes of this Policy, “immediate family member” means a spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee) who shares the individual’s home.

<sup>2</sup> For the purposes of this Policy, “executive officer” of any entity means a chair, a vice-chair, the president, a vice-president in charge of a principal business unit, division or function, and any other individual who performs a policy-making function for the entity.

or employee of such auditor and personally worked on the audit of the Corporation during that time.

- He or she or an immediate family member is or has been, within the last three years, an executive officer of another entity if any of the current executive officers of the Sun Life Financial group serves or served at the same time on that other entity's compensation committee.
- He or she received, or an immediate family member received, more than \$75,000 in direct compensation from the Corporation and its subsidiaries during any 12 month period in the last three years (exclusive of remuneration for acting as a member of the Board or a committee and other forms of deferred compensation that are not contingent on continued service).
- He or she is an employee, or an immediate family member is an executive officer, of an entity that has made payments to or received payments from the Corporation and its subsidiaries in respect of property or services that exceeded the greater of \$1 million or 2% of the entity's consolidated gross revenues in any of the last three years.
- He or she or an immediate family member is an executive officer, director or trustee of a civic or cultural institution, foundation, educational institution, charity or other tax exempt entity that receives or has received discretionary contributions of any kind from the Corporation and its subsidiaries which exceeded the greater of \$1 million or 1% of the entity's consolidated gross revenues in any of the last three years.
- He or she or an immediate family member is an executive officer, partner, or holder of more than a 10% interest in an entity that is indebted to the Corporation and its subsidiaries, or to which the Corporation and its subsidiaries are indebted, if the total amount of indebtedness exceeds 2% of the consolidated assets of the entity.

The preceding is not intended to be an exhaustive list of the relationships that constitute Material Relationships. If a director or proposed director has any direct or indirect relationship with the Corporation or a subsidiary that could reasonably be perceived as a Material Relationship or other conflict of interest, the members of the Board who are independent within the meaning of this Policy shall determine whether the relationship is in fact a Material Relationship by judging the overall "independent mindedness" of the individual in priority to the specific standards listed above.

### **Independence Standards for Audit & Conduct Review Committee Members**

Notwithstanding compliance with the independence standards set out above, a director may not serve on the Audit & Conduct Review Committee if:

- He or she accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or its subsidiaries (exclusive of remuneration for acting as a member of the Board or a committee and other forms of deferred compensation that are not contingent on continued service).
- The director's spouse, minor child or stepchild, or adult child or stepchild who shares the director's home receives any consulting, advisory or other compensatory fee from the Corporation or its subsidiaries.
- An entity in which the director is a partner, member, managing director, executive officer, or occupies a similar position (other than a limited partner, non-managing member, or other similar position which has no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or a subsidiary receives any consulting, advisory or other compensatory fee from the Corporation or its subsidiaries.
- He or she is affiliated with the Corporation or its subsidiaries or affiliates as defined in applicable rules and regulations.

## **Independence Standards for Management Resources Committee Members**

Notwithstanding compliance with the independence standards set out above, a director may not serve on the Management Resources Committee if he or she has a relationship with the Corporation that is material to his or her ability to be independent of management in connection with the duties of a Management Resources Committee member. In determining the individuals who will serve on the Management Resources Committee, the Governance, Nomination & Investment Committee will consider all factors specifically relevant to assessing whether a director has such a relationship, including:

- The source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Corporation to such director.
- Whether such director is affiliated with the Corporation or its subsidiaries or affiliates as defined in applicable rules and regulations.

## **Annual Evaluation of Director Independence**

In applying the standards set out above, the following evaluation procedure will be used:

- The Corporate Secretary will be responsible for gathering information concerning the directors and potential directors and any potential Material Relationships. All directors and proposed directors are required to disclose circumstances and relationships applicable to them that could reasonably be perceived as a Material Relationship or other conflict of interest. The Corporate Secretary will consult with the Chief Legal Officer or his/her designate regarding any actual or potential Material Relationships or conflicts of interest that are identified.
- The Corporate Secretary will report to the Governance, Nomination & Investment Committee on such Material Relationships or conflicts of interest.
- The Governance, Nomination & Investment Committee will consider the Corporate Secretary's report and will report to the Board on the status of each director and proposed director (i.e., independent or not independent).

This procedure applies to director appointments between annual meetings with any necessary modifications.

## **Transparency**

Disclosure in the Corporation's management information circular should include:

- Confirmation that the Governance, Nomination & Investment Committee has evaluated the independence of the directors and proposed directors in accordance with this Policy.
- Which directors the Governance, Nomination & Investment Committee have determined are not independent and why such determination has been made.
- Any additional disclosure concerning director independence required by National Instrument 58-101 - *Disclosure of Corporate Governance Practices* or other applicable rules and regulations.
- How the directors compare to the independence standards contained in the NYSE Corporate Governance Rules applicable to the directors of U.S. domestic companies listed on the NYSE (recognizing that the Corporation is not required to comply with such rules as long as it discloses any significant differences compared to its own practices).
- With respect to directors who will serve on the Audit & Conduct Review Committee or Management Resources Committee if elected, confirmation that they will meet the additional director independence standards for members of those committees set out above.

## **Changes in Circumstances**

If an independent director's circumstances change in the course of the year such that he or she may potentially have a Material Relationship, the director must promptly advise the Chairman of the Governance, Nomination & Investment Committee.

If, after further inquiry, the Chairman of the Governance, Nomination & Investment Committee believes the relationship may be a Material Relationship, the Governance, Nomination & Investment Committee as a whole will consider whether any action is required to be taken before the next annual meeting and if so, make a recommendation to the Board.

**Annual Review of the Policy**

The Governance, Nomination & Investment Committee will review this Policy annually, including as to the continued appropriateness of the director independence standards, and request Board approval for any material amendments to the Policy.

**Date**

This Policy is dated December 10, 2014.