

Charter of the Audit & Conduct Review Committee Sun Life Financial Inc. and Sun Life Assurance Company of Canada (“the Corporation”)

Purpose

The Audit & Conduct Review 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 with respect to:

1. The integrity of financial statements and related information provided to shareholders and others;
2. The Corporation’s compliance with financial regulatory requirements;
3. The adequacy and effectiveness of the internal control environment implemented and maintained by management;
4. Compliance with legal and regulatory requirements and the identification and management of compliance risk; and
5. The qualifications, independence and performance of the External Auditor who is accountable to the Committee, the Board and the shareholders.

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 and 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 the Corporation that the member requires, the member is able to read and understand the consolidated financial statements of the Corporation 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. In addition, the Committee shall have at least one member that the Board has determined is an audit committee financial expert.

Committee membership is reviewed in connection with appointments to the Committee and annually by the Governance, Nomination & Investment Committee to ensure the Committee as a whole includes members with the experience and expertise required to fulfill the Committee’s mandate and that the financial literacy and the audit committee financial expert requirements (as defined by the Securities and Exchange Commission) are met.

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”) or by any member of the Committee. The Committee meets as frequently as necessary, but not less than five times a year. A quorum at any meeting of the Committee shall be three members. The Chair of the Committee reports to the Board after each Committee meeting.

The Chair of the Committee is consulted in advance in connection with the appointment, reassignment, replacement or dismissal of the Chief Actuary, Chief Auditor, Chief Compliance Officer and Chief Financial Officer, and annually on the performance assessment and compensation awarded to those individuals.

The External Auditor reports to the Committee. The External Auditor receives notice of, and may attend all Committee meetings.

The Committee holds a private session at each regularly scheduled meeting with each of the Chief Actuary, Chief Auditor, Chief Compliance Officer, Chief Financial Officer and representatives of the External Auditor, and those individuals have 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, in consultation with the Chairman, may engage any special advisors it deems necessary to provide independent advice at the expense of the Corporation.

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 an annual performance evaluation of the Committee and report to the Board on the results thereof.

Duties and Responsibilities of the Committee

Financial Reporting

1. Reviews with management and the External Auditor and makes recommendations to the Board on the approval of:
 - (a) the interim unaudited consolidated financial statements, including the notes thereto, Management’s Discussion and Analysis and related news release; and

- (b) the annual audited consolidated financial statements, including the notes thereto, Management's Discussion and Analysis and related news release.
- 2. In conducting its review of the quarterly and annual financial statements:
 - (a) reviews the underlying earnings;
 - (b) discusses with the External Auditor any significant changes that were required in the external audit plan, any significant issues raised with management during the course of the audit or review, 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;
 - (c) receives a report from management on its review of the financial statements, Management's Discussion and Analysis and related news release, and discusses with the President & Chief Executive Officer and the Chief Financial Officer the certifications relating to financial disclosure and controls that those officers are required to file with securities regulatory authorities;
 - (d) 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 International Financial Reporting Standards;
 - (e) 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 the Corporation;
 - (f) discusses with the Chief Actuary the parts of the quarterly and annual audited consolidated financial statements prepared by that officer;
 - (g) reviews with management and the External Auditor the Corporation's principal accounting and actuarial practices and policies; and
 - (h) considers emerging industry, regulatory and accounting standards and the possible impact on the Corporation's principal accounting practices and policies, including consideration of the use of non-IFRS measures.

External Auditor

- 3. Reviews the independence of the External Auditor, including the requirements relating to such independence under the laws governing the Corporation, the applicable rules of stock exchanges on which the Corporation's securities are listed and regulatory bodies with responsibility for establishing auditor independence requirements and policies. At least annually, the Committee receives from and reviews with the External Auditor its written statement delineating relationships with the Corporation 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.
- 4. Appraises the skills, resources and performance of the External Auditor 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.
- 5. Reviews and approves the scope of the External Auditor's engagement and the engagement letter.
- 6. 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.
- 7. 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, with such approvals to be given by the Committee, through the exercise of authority delegated to one or more of the Committee's independent members or pursuant to pre-approval procedures adopted by the Committee in accordance with applicable requirements.
- 8. 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.
- 9. Reviews with the External Auditor any regulatory matters that pertain to the External Auditor.

Internal Control and Audit

- 10. Requires management to implement and maintain appropriate internal control procedures, reviews and evaluates the effectiveness of such procedures, and ensures that appropriate action is being taken to address any material internal control deficiencies.
- 11. Reviews at least annually and makes recommendations to the Board on the approval of the Corporation's Internal Control Framework.
- 12. Reviews management's reports on the effectiveness of the Corporation's disclosure controls and procedures and its internal control over financial reporting.
- 13. Reviews and approves the annual internal audit plan and oversees its coordination with the External Auditor's audit plan.
- 14. Reviews with management and the Chief Auditor the effectiveness of the internal control procedures, including a quarterly report thereon received from the Chief Auditor that includes disclosure of any significant changes that were required in the internal audit plan and any significant issues raised with management during the course of any internal audit work, including any restrictions on the scope of activities or access to information.

Compliance

- 15. Reviews at least annually and approves changes to policies or programs that provide for the monitoring of compliance with legal and regulatory requirements, including the regulatory compliance management system.
- 16. Reviews at least annually and approves the Compliance Plan.

17. Reviews at least annually the adequacy of and compliance with enterprise-wide policies for the management and mitigation of compliance risk, including risks associated with money laundering, terrorist financing, market conduct, bribery, corruption and fraud.
18. Reviews quarterly compliance reports with respect to, among other things, compliance trends and themes on an enterprise-wide basis, regulatory reviews and the Corporation's compliance risks and programs.
19. Reviews the effectiveness of procedures for complying with anti-money laundering and suppression of terrorism laws and regulations worldwide, including the annual Internal Audit Report on Anti-Money Laundering and Anti-Terrorist Financing programs.
20. Reviews processes for disclosure of information to clients about the Corporation's procedures and the effectiveness of and compliance with those disclosure procedures, as set out in the Annual Report of the Ombudsman on the Canadian Complaint Handling Procedures.
21. Approves procedures established to handle anonymous employee submissions with respect to concerns regarding accounting, internal control, auditing, personnel, and other matters.

Conduct Review

22. Requires management to establish procedures for complying with the self-dealing provisions contained in the *Insurance Companies Act* (Canada) (the "Act").
23. Reviews the procedures established by management and their effectiveness in ensuring compliance with the self-dealing provisions.
24. Reviews any related party transactions for which approval of the Board of Directors is required under the Act.
25. Reviews the practices of the Corporation to ensure that any transactions with related parties of the Corporation that may have a material effect on the stability or solvency of the Corporation are identified.
26. Reports to the Superintendent of Financial Institutions on its mandate and responsibilities respecting conduct review and the procedures referred to above.

Governance

27. Reviews and approves the organizational structure of the Actuarial, Compliance, Finance and Internal Audit functions on an annual basis.
28. Reviews, at least annually, and approves changes to the statements of mandate, responsibility and authority of the Chief Actuary, Chief Auditor, Chief Compliance Officer and Chief Financial Officer.
29. Reviews, at least annually, the adequacy of the authority, independence and resources of the Chief Actuary, Chief Auditor, Chief Compliance Officer and Chief Financial Officer.
30. Establishes the scope and frequency of the independent reviews of the Actuarial, Compliance, Finance and Internal Audit functions.
31. Approves the objectives and reviews the effectiveness of the Chief Actuary, Chief Auditor, Chief Compliance Officer and Chief Financial Officer and the Actuarial, Internal Audit, Compliance and Finance functions annually.
32. Requires the Chief Actuary, Chief Auditor, Chief Compliance Officer 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.
33. Reviews succession plans for the roles of Chief Actuary, Chief Auditor, Chief Compliance Officer, Chief Financial Officer and other senior management roles overseen by the Committee.
34. 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.
35. Discusses with the External Auditor the financial and control-related aspects of material transactions that are being proposed by the Corporation.
36. Reviews and discusses with the External Auditor and Chief Actuary such reports and regulatory returns of the Corporation as may be specified by law.
37. Discusses the qualifications for and determines whether a member of the Committee is a financial expert, and in conjunction with the Governance, Nomination & Investment Committee, ensures the ongoing financial literacy of Committee members.

Other

38. Performs such other duties and exercises such other powers as may, from time to time, be assigned to or vested in the Committee by the Board, and such other functions as may be required of the Committee by law, regulation or stock exchange rule.