

## **Annex "A"** **Board Charter**

This Charter sets out:

- The duties and responsibilities of the Board of Directors (the "Board");
- The position description for the Chairman;
- The position description for the Chief Executive Officer;
- The position description for the Directors;
- The position description for the Independent Directors;
- The position description for the Chairs of the Board Committees; and
- The corporate governance practices and policies that apply to the Board.

### **Purpose of the Charter**

As part of the Sun Life Financial group, the Corporation has available to it international risk management policies and procedures, and enterprise-wide functional review and reporting. The purpose of this charter is to specify how the Corporation is governed so as to promote good corporate governance of the Corporation and protect the interests of shareholders.

This Charter shall be read in conjunction with the Corporation's By-laws when and as applicable.

### **Composition of Board**

The Board shall consist of at least five (5) directors. Any appointment of directors must be approved by Sun Life Financial Inc. ("SLF") in accordance with its corporate requirements. Each Director shall possess the attributes set out in the Position Description for Directors. In addition, the Directors must possess the necessary skills, competence and experience in terms of management capabilities, preferably in the field of insurance or insurance-related disciplines in accordance with IC Circular Letter No. 31-2005 on Corporate Governance Principles and Leading Practices issued by the Insurance Commission.

The Board must include at least one (1) Director who is not a Corporation employee whose direct or primary responsibilities include the business or operations conducted on behalf of the Corporation ("Management"). The Board must also include at least two (2) Directors who are independent, as set out in IC Circular Letter 31-2005. Subject to the requirements from time to time of the SLF Board of Directors and the SLF Chief Executive Officer, both of these requirements may be satisfied by the same person.

### **Structure and Operations**

A schedule of regular Board and Board Committee meetings will be 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 two (2) weeks in advance of regularly scheduled meetings. Special meetings may be called at any time subject to the requirements set out in the Corporation's By-laws.

A quorum at any meeting of the Board shall be a majority of the Directors as fixed in the Corporation's Articles of Incorporation.

On an annual basis, the Board of Directors will review this Corporation's Board Charter and Committee Charter(s) and approve changes as necessary. The Charter(s) will be kept in the office of the Corporate Secretary and will be available for inspection by the Directors and the stockholders during regular business hours.

At each regularly scheduled meeting of Directors that is attended by representatives of the external auditor or by internal audit personnel or both, there should be an *in camera* meeting between the non-Management Directors and the external auditor, and between the non-Management Directors and the internal audit personnel, unless the non-Management Directors and the external auditors or internal audit personnel respectively indicate that there is no need for a meeting at that time.

#### Duties and Responsibilities of the Board of Directors

The Board of Directors 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 the Committee(s) of the Board.

##### Board of Directors

- In conjunction with SLF, planning the Board size and composition, establishing Committee(s) of the Board, and determining Director compensation.
- In conjunction with SLF, maintaining a formal orientation program and an ongoing education program for Independent Directors.
- In conjunction with SLF, establishing corporate governance practices and policies.
- Assessing its effectiveness, the effectiveness of the Committee(s) of the Board, the effectiveness of the Independent Directors of the Board and the effectiveness of individual Directors on an annual basis.

##### Senior Management

- In conjunction with SLF, selecting, evaluating and, if necessary, replacing the Chief Executive Officer of the Corporation and other members of senior management.
- Delegating to management powers to manage the Corporation.
- In conjunction with SLF, overseeing succession planning for senior management positions.
- In conjunction with SLF, reviewing the remuneration of senior management.
- Advising and counselling the Chief Executive Officer of the Corporation.

## **Strategy**

- In conjunction with SLF, reviewing the effectiveness of the strategic planning process, approving business objectives and strategic plans on an annual basis.
- In conjunction with SLF, monitoring corporate performance against these objectives and plans on an ongoing basis.

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

- Approving and reviewing compliance with policies and procedures for the management and control of risk, including capital management, and the internal control and management information systems that provide reasonable assurance as to the reliability of the Corporation's financial information and the safeguarding of its assets.
- Reviewing compliance with legislative and regulatory requirements.

## **Material Transactions**

- Reviewing and approving material investments, divestments, restructuring and other transactions.

## **Financial Reporting**

- Reviewing and approving the annual financial statements.
- Reviewing and monitoring the quarterly financial results.
- Establishing and overseeing the Corporation's accounting and financial management systems.

## **Communication and Disclosure**

- Approving the financial results for reporting to SLF and, if required, other stakeholders on a timely basis.

## **Other**

- In conjunction with SLF, engaging any special advisors it deems necessary from time to time to provide independent advice, at the expense of the Corporation.
- Performing such other functions as prescribed by law or as assigned to the Board in the Corporation's governing documents.

## **Position Description For the Chairman**

The Chairman of the Board provides leadership to assist the other Directors in carrying out their responsibilities and to enhance the effectiveness and cohesion of the Board as a

whole. The Chairman should encourage open discussion and debate at Board meetings and have frequent dialogue with other directors and senior management.

The Chairman works with senior management to set the Board agenda, chairs Board meetings, and ensures that there is adequate time at Board meetings for discussion of relevant issues, taking into account all other relevant management processes and procedures.

The Chairman is responsible for ensuring that appropriate orientation and training programs, and an ongoing education program, for new Independent Directors are in place and, in consultation with the Chief Executive Officer and the Corporate Secretary of SLF, for ensuring that any Independent Directors are appropriately compensated in their capacity as Directors.

#### **Position Description For the Chief Executive Officer of the Corporation ("CEO")**

The CEO is a Director. The CEO is responsible for the day-to-day management of the Corporation to provide business direction and operation leadership for the benefit of the Corporation and enhance shareholder value and ensure sound internal controls.

#### **Duties and Responsibilities**

The principal duties and responsibilities of the CEO include:

- Providing leadership for the management of the Corporation.
- Implementing and reporting to the Board on the Corporation's strategy.
- Overseeing the realization of the Corporation's objectives.
- Providing all such information to the Board as and when necessary to enable the Board to effectively monitor the performance of management.

#### **Position Description For the Directors**

The Board of Directors, as a whole, is responsible for managing and supervising 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**

The 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 SLF Code of Business Conduct on an annual basis and maintaining the confidentiality of corporate information and Board deliberations.

- Understanding the SLF vision and strategic objectives as they apply to the Corporation.
- Becoming knowledgeable of SLF's and 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 current corporate governance policies and practices, 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. Informing himself or herself of significant matters dealt with at meetings not attended.
- Disclosing any personal interest or conflict of interest in relation to any matter to be considered by the Board.

### **Director Attributes**

The Board of Directors believes that each Director should exhibit the following characteristics while executing his or her duties:

- Integrity
- Accountability
- Independent and informed judgment
- Commitment
- Diligence
- Knowledgeable of business issues and financial matters
- Ability to communicate openly and work effectively with fellow Directors and Management

### **Position Description for the Independent Director**

A Director is considered independent by the Corporation if the Director is independent of Management and free of any business or other relationship that could materially interfere with or influence the exercise of his unfettered and independent judgment or be perceived to do so.

### **Duties and Responsibilities**

The principal duties and responsibilities of the Independent Director include:

- Acting in the highest ethical manner and with integrity in all personal, business and professional dealings.
- Being aware of the legal and regulatory obligations as an independent non-executive director of the Corporation and notifying the Board immediately upon the occurrence of, or if becoming aware of, any matter which may affect his independence.
- Committing to provide the scope of services as agreed including but not limited to providing services with reasonable care and skill and to the best of his ability.

- Committing to observe the confidentiality of information and materials of SLF and the Corporation as provided for him and agree to keep them under safe custody and possession.

### **Position Description For the Chairs of Board Committees**

The Chair of a Committee of the Board of Directors 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 the Committee Charter.

### **Duties and Responsibilities**

The principal duties and responsibilities of each Committee Chair include:

- Reviewing and approving the agenda for each meeting of the Committee. The Committee Chair may consult or meet with the Chief Executive Officer of the Corporation, members of Management or other advisors as part of the agenda and meeting preparation process.
- 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 of Directors on the Committee's activities following each meeting and presenting recommendations to the Board of Directors on matters that require Board approval.
- Leading an annual review of the adequacy of the Committee Charter.
- Leading an annual evaluation of the effectiveness of the Committee.

### **Corporate Governance Policies And Practices**

#### **Election of Directors and Term of Office**

Under the By-Laws of the Corporation, Directors will be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected or qualified.

#### **Director Retirement**

Management Directors, and Directors who are otherwise employed by SLF or any of its affiliates, must tender their resignation from the Corporation Boards with effect no later than the last day of their employment with the Corporation or the affiliate, as applicable.

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

Any Director who does not, in two (2) consecutive years, attend at least 75% of the regularly scheduled meetings of the Board and the Board Committee(s) to which he or she is assigned, must tender a written offer to resign to the Chairman of the Board, and, if the Director is an independent Director, to the Chief Executive Officer, or if the Director is not

independent, to the General Counsel, of SLF. The Corporate Secretary of the Corporation will, during the first quarter of each year, advise the Chairman of the Corporation and the Corporate Secretary of SLF, of the Directors' attendance records.

### **Change of Occupation**

Any independent Director whose principal employment changes materially from that which he held when elected to the Board (including retirement from his principal employment) must notify the Chairman and the Chief Executive Officer of the Corporation and of SLF and tender a written offer to resign if requested.

### **Orientation of New Directors**

It is expected that all Directors other than independent Directors will have sufficient experience and knowledge of the business before they are nominated for membership on the Board. These Directors will be advised of their legal duties by the General Counsel of the Corporation or of Sun Life Financial Asia.

Independent Directors will be provided with appropriate education and training and be informed of the Corporation's and SLF's internal policies and procedures as appropriate, including written materials including those that outline the organization of the Board and its Committee(s), the powers and duties of Directors, the required standards of performance for Directors, the Sun Life Financial Code of Business Conduct, and this Charter.

### **Interaction with the Media**

The Board believes that it is the responsibility of Management, rather than members of the Board, to speak on behalf of the Corporation. From time to time, Directors may be requested by the media, or by institutional investors, shareholders, customers or policyholders, to discuss certain issues on behalf of the Corporation. Any Director to whom such a request is made should review the request with the President of the Corporation. Authorization to speak on behalf of a particular business or legal entity should only be made in accordance with the Sun Life Financial Disclosure Policy.