

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

# Charter of the Governance Committee

The Governance Committee (the "Committee") is responsible for assisting Sun Life's Board of Directors (the "Board") in overseeing (i) the development of effective corporate governance guidelines and processes, including those addressing the effectiveness of the Board and its committees and director succession planning and recruitment; (ii) Sun Life's Investment Plan and investment performance, including investment practices, procedures and controls related to the management of the general fund investment portfolio; (iii) sustainability matters including Sun Life's Sustainability Policy, Sustainability Strategy (including the development of a Climate Transition Plan) and Sustainability Report; and (iv) compliance and compliance management programs, including compliance with legal and regulatory requirements, the identification and management of compliance risks and the development of policies and processes to sustain ethical behaviour. The Committee also serves as the conduct review committee of Sun Life and the conduct review committee for certain subsidiaries of Sun Life that are federally regulated financial institutions in accordance with applicable provisions of the *Insurance Companies Act (Canada)* and *Trust and Loan Companies Act (Canada)*.

## 1. Duties and Responsibilities

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

### GOVERNANCE

#### 1.1 Corporate Governance Guidelines and Processes

- a) Reviews and makes recommendations to the Board concerning: the effectiveness of Sun Life's corporate governance processes and guidelines; Sun Life's management information circular (the "Circular"), including corporate governance disclosure, non-routine items of business in the Circular, and shareholder proposals submitted for inclusion in the Circular; and the Annual Information Form.
- b) Reviews and makes recommendations to the Board concerning: the Director Independence Policy, the Board Composition Policy, the charters of the Board and its committees, the position descriptions for the Chair of the Board (the "Board Chair"), committee chairs and individual directors, and director remuneration, including director share ownership guidelines.
- c) Reviews reports on corporate governance and regulatory developments.
- d) Reviews and approves policies concerning public disclosure, confidentiality of information, securities trading and assessment of responsible persons and subsidiary board governance (the "Governance Policies"), any significant changes to the Governance Policies, and reviews, at least annually, reports on the adequacy of and compliance with the Governance Policies.
- e) At the request of the Committee Chair, reviews governance-related aspects of material transactions that are being proposed by Sun Life.

#### 1.2 Board Effectiveness, Orientation and Education

- a) Together with the Board Chair, reviews and makes recommendations to the Board concerning: the processes for evaluating and assessing the effectiveness of the Board, the Board committees, the Board and committee chairs and the contributions of individual directors, including considering whether independent reviews of the Board and its committees are conducted from time to time.

- b) In consultation with the Board Chair, oversees orientation programs for new directors and education programs for current directors.

### **1.3 Board Composition, Succession and Recruitment**

- a) Together with the Board Chair, oversees the recruitment of qualified individuals with a broad range of business and strategic expertise to serve on the Board and complement the current Board composition.
- b) Reviews and recommends to the Board, at least annually, the Director Recruitment Guidelines, which includes the key competencies, experience and other characteristics required by the Board to drive effective governance and create sustainable value for Sun Life's stakeholders over the long term; and disclosure related to the election of directors for inclusion in the Circular.
- c) Assesses the independence of directors and together with the Board Chair, makes recommendations to the Board relating to the selection of the Board and committee chairs and committee membership after each annual meeting.
- d) Reviews and makes recommendations to the Board concerning the Board Composition Policy, including its effectiveness and whether its minimum composition aspirations have been achieved or exceeded.
- e) Considers any resignation letter submitted to the Committee Chair by a director and recommends acceptance or rejection by the Board.
- f) Oversees the process for the receipt and recommendation of director nominations outlined in Sun Life's Proxy Access Policy.

## **INVESTMENTS**

### **1.4 Investments**

- a) Reviews and recommends to the Board the approval of Sun Life's investment strategy, including the annual Investment Plan, and monitors performance against the Investment Plan.
- b) Requires management to identify and review with the Committee current market trends, investment management strategies to manage those trends, and investment-related regulatory issues and their possible impacts on Sun Life.
- c) Receives quarterly reports from the Chief Credit Risk Officer on credit risks.
- d) Reviews the quarterly investment performance of the general fund investments and annually reviews the total holdings of securities, mortgages, and real estate assets of the general funds.
- e) On an annual basis, reviews the allocation policies and practices governing the allocation of investment opportunities between Sun Life's general account and third-party accounts.
- f) Reviews new asset classes which are recommended for investment by management.
- g) Reviews quarterly reports on significant investment transactions and reviews and approves exceptions or exemptions to certain limits in the Investment and Credit Risk Management Policy transactions, either separately or jointly with the Risk Committee.
- h) At the request of the Committee Chair, reviews investment-related aspects of material transactions that are being proposed by Sun Life in accordance with investment policies.
- i) Receives reports on breaches under the Investment and Credit Risk Management Policy.

## **SUSTAINABILITY**

### **1.5 Sustainability**

- a) Reviews, approves, and oversees Sun Life's alignment with the Enterprise Sustainability Policy, including oversight of climate-related matters.
- b) Oversees and receives reports, at least annually, on progress against Sun Life's sustainability strategy and commitments.
- c) Reviews and approves the annual Sustainability Report and the annual Chief Sustainability Officer Plan.
- d) Reviews any material issues related to sustainability raised by management throughout the year, including climate-related matters.
- e) Oversees the development and implementation of Sun Life's Climate Transition Plan, and reviews, at least annually, reports on such development and implementation.

### **1.6 Philanthropy**

- a) Reviews and approves the Enterprise Philanthropic Policy and receives a report, at least annually, on Sun Life's philanthropic program.

## **COMPLIANCE AND CONDUCT REVIEW**

### **1.7 Oversight of Compliance and Ethics**

- a) Reviews and approves, at least annually, the Compliance Plan.
- b) Reviews and approves, at least annually, enterprise-wide framework and policies for the management and mitigation of compliance risk, including risks associated with financial crimes (including fraud, money laundering and terrorist financing), market conduct, business conduct and privacy (the "Compliance Policies"), reviews and approves any significant changes to the Compliance Policies and reviews, at least annually, reports on the adequacy of and compliance with the Compliance Policies.
- c) Reviews, at least annually, changes to policies or programs that provide for the monitoring of compliance with legal and regulatory requirements, including the regulatory compliance management program.
- d) Reviews quarterly compliance reports with respect to, among other things, compliance trends and themes on an enterprise-wide basis, regulatory reviews and Sun Life's compliance risks and financial crimes programs and the status of compliance with and effectiveness of the Code of Conduct Management Policy.
- e) Reviews the effectiveness of procedures for complying with anti-money laundering and anti-terrorist financing laws and regulations worldwide, including the annual Internal Audit Report on Anti-Money Laundering and Anti-Terrorist Financing Programs.
- f) Reviews and makes recommendations to the Board, at least every three years, concerning amendments to the Code of Conduct which includes standards for ethical behaviour.
- g) Reviews and approves procedures established to administer the Code of Conduct, including the handling of whistle-blower and anonymous employee or public submissions with respect to concerns regarding the Code of Conduct and other matters.
- h) Reviews processes for disclosure of information to Clients about Sun Life's procedures and the effectiveness of and compliance with those disclosure procedures, as set out in the Annual Report on the Canadian Complaint Handling Procedures.

- i) Periodically meets with the Business Group leaders, who have first-line responsibility for compliance management programs, and chief compliance officers, who have second-line responsibility for compliance management programs, to review compliance management programs, resources, organizational structures, and priorities.

### **1.8 Self-Dealing and Conduct Review**

- a) Requires management to establish procedures for complying with the self-dealing provisions contained in the *Insurance Companies Act* (Canada) and the *Trust and Loan Companies Act* (Canada) (the "Acts") and reviews those procedures and their effectiveness in ensuring compliance with the self-dealing provisions.
- b) Reviews any related party transactions for which approval of the Board is required under the Acts and reviews the practices of Sun Life to ensure that any transactions with related parties of Sun Life that may have a material effect on the stability or solvency of Sun Life are identified.
- c) Reports to the Superintendent of Financial Institutions on its mandate and responsibilities respecting conduct review and the procedures referred to above.

## **OTHER MATTERS**

### **1.9 Resourcing and Talent**

- a) Reviews, at least annually, and approves changes to the statements of mandate, responsibility and authority of the Chief Compliance Officer and Chief Investment Officer and the organizational structure of the Compliance and Investment functions.
- b) Reviews, at least annually, the adequacy of the authority and resources of the Chief Compliance Officer and Chief Investment Officer and the independence of the Chief Compliance Officer.
- c) Approves, at least annually, the objectives of the Chief Compliance Officer and Chief Investment Officer and reviews, at least annually, the effectiveness of the Compliance and Investment functions.
- d) Reviews, at least annually, succession plans for the roles of Chief Compliance Officer, Chief Legal Officer, and Chief Investment Officer.
- e) 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 Investment Officer or the Chief Compliance Officer, including to determine the qualifications and competencies required for those roles, and reviews annually the performance assessment of those individuals.
- f) Requires the Chief Compliance Officer and Chief Investment 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.

### **1.10 Other**

- a) Reviews the adequacy of directors' and officers' liability insurance coverage.
- b) 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.

## **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 the Director Independence Policy.
- c) Committee membership is reviewed annually to ensure the Committee as a whole includes members with the competencies, experience and expertise required to fulfill the Committee's mandate. The Committee will include members who are literate in corporate governance and investment matters.
- d) 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 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 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 Investment Officer and Chief Compliance Officer and those individuals have unrestricted access to Committee members between meetings.
- f) 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.
- g) The Committee will review the minutes and follow up items list of each Committee meeting.
- h) 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 Circular.
- i) 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, including to assist in the review of director compensation, the identification of Director candidates or to evaluate and assess the effectiveness of the Board, at Sun Life's expense.
- b) Establishes the scope and frequency of the independent reviews of the Compliance and Investment functions and determines whether any special advisors are engaged to conduct such independent reviews.
- c) Reviews the results of any independent reviews of the Compliance and Investment functions conducted at the request of the Committee.