

## Savings & Protection

### Policies issued by Sun Life Assurance Company of Canada prior to April 1, 2000

#### Dividend Philosophy

This is the dividend philosophy for individual participating policies issued on or before March 31, 2000 by Sun Life Assurance Company of Canada which were transferred to Sun Life Financial (Hong Kong) Limited in 2000 and were subsequently transferred to Sun Life Hong Kong Limited (the "Company") in 2006.

These individual participating policies are, in general, part of a "Closed Block", meaning new policies are no longer added to this block. These policies are subject to provisions contained in the Scheme of Transfer (the "Scheme") approved by the High Court and this description of the dividends on those policies is consistent with those provisions. A copy of the policyholder circular, including a summary of the Scheme, that was sent to all affected policyholders prior to the transfer, is available on request.

The participating policyholders in this Closed Block are eligible to receive distributions in respect of their policies, commonly referred to as policyholder dividends, as declared from time to time at the discretion of the Board of Directors of the Company, in accordance with applicable law and the terms of the Scheme. These dividends are not guaranteed and can vary from year to year; their determination is based on the advice of the Company's appointed actuary, who applies accepted actuarial principles and practices.

In general, dividends on these policies reflect the experience, over time, of the group to which they belong. The experience of these policies may be smoothed over time to provide greater consistency in the dividends declared. Dividends will typically vary based on the performance of a number of factors, with the investment return, including the impact of asset defaults, normally being the main determinant of dividend performance. Other factors may include, but are not limited to, claims experience, taxes, inflation, policyholder persistency experience, and policy expenses.

Policyholder dividends are also paid with the goal of avoiding a material tontine or deficiency of funds available in the Closed Block. All assets in the Closed Block will be used over the lifetime of the Closed Block to pay policy benefits, including dividends, expenses and taxes charged to the Closed Block. The Closed Block policies are accounted for separately from other policies.

The dividend allocation process followed by the Company in respect of participating policies recognizes the contributions made by the policies to this Closed Block. Not all policies contribute to the same extent or at the same time, and there are certain practical limits that apply to the recognition of the contributions in some circumstances. This process seeks to achieve reasonable equity among groups of policies and among policies issued at different times. In order to determine the contribution of policies, policies are grouped by common experience factors such as mortality, investment return by currency, taxes, and administrative expenses.

Management of participating business is governed by the Company's internal policies, as well as advice by the internal Par Governance Committee.