

## Savings & Protection

### Policies issued by Guardian Assurance Public Limited Company

#### Bonus Philosophy

This is the bonus philosophy for with-profit policies issued on or before June 30, 1999 by the Hong Kong branch of Guardian Assurance Public Limited Company and transferred to CMG Asia Limited (now named Sun Life Hong Kong Limited (the "Company")) in 1999.

These with-profit policies are held in a separate sub-fund operated in accordance with the Scheme of Transfer (the "Scheme") dated July 21, 1999 and applicable law. A copy of the policyholder circular dated April 27, 1999, including a summary of the Scheme that was sent to affected policyholders prior to the transfer, is available on request.

In general, the sub-fund is closed to new business. No money or assets may be taken out of the sub-fund other than in connection with the management of the sub-fund and limited distributions to shareholders. The amount available for distribution to shareholders is limited to, at most, 10% of the total amount determined to be available for distribution to policyholders and shareholders from time to time.

Life insurance involves the transfer of risk from an individual to a life insurer. For with-profit policies, a portion of the risk is shared among the policyholders and the insurer. As part of this risk-sharing relationship, with-profit policyholders may also share, through bonuses declared on their policies, certain rewards based on the experience underlying their policies. Bonuses are not guaranteed and can vary from year to year.

In general, bonus rates reflect the experience, over time, of the types of policies within the sub-fund. The experience of the policies within the sub-fund may be smoothed over time to provide greater consistency in the bonuses declared. Bonus rates 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 bonus performance. Other factors may include, but are not limited to, claims experience, taxes, administrative costs, and policyholder persistency experience.

The bonus allocation process seeks to achieve reasonable equity among types of policies and among policies issued at different times, to the extent practicable. Bonuses are determined with the goal of avoiding a material tontine or deficiency in the sub-fund. At least annually, the Board of Directors of the Company determines the amount of bonus to be declared to with-profit policyholders. This determination is based on the advice of the Company's appointed actuary, who applies accepted actuarial principles and practices. Management of with-profit business is also governed by the Company's internal policies, as well as advice by the internal Par Governance Committee.