

RISK MANAGEMENT FRAMEWORK (RMF)

APPROVAL	
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TABLE OF CONTENTS

1.0	Purpose and Application	2
1.1	Purpose	2
2.0	Risk Management Framework.....	3
2.1	Risk Governance and Accountabilities.....	3

RISK MANAGEMENT FRAMEWORK (RMF)

1.0 Purpose and Application

1.1 Purpose

The Risk Management Framework (RMF) sets out the over-arching framework for the management of risk across the enterprise. It sets out all the components of our risk programs and explains how they operate together in support of the business. The RMF prescribes a comprehensive set of protocols and programs that need to be followed in conducting business activities. The risks that arise when providing products and services to Clients, which are in line with our purpose to help our Clients achieve lifetime financial security and live healthier lives, should be managed within these protocols and programs.

As a large financial services organization operating in a complex industry, the Company encounters a variety of risks and uncertainties. We face risks in formulating our business strategy and business objectives, in carrying on our business activities in the pursuit of our strategy and objectives, and from external factors such as changes in the economic, political, environmental, social and regulatory landscape. We are subject to financial and insurance risks that are connected to our liabilities and with the management and performance of our assets, including how we match returns from assets with the payment of liabilities to our Clients. Each of these risks are also considered from the perspective of different types of uncertainties under which either the outcomes and/or their probabilities of occurrence are unknown.

Thus, while all risk cannot necessarily be eliminated or known with certainty, the RMF seeks to ensure that risks to a business undertaking are appropriately managed to achieve the Company's business objectives over time and are not expected to exceed the pre-established boundaries for risk taking. The RMF, corporate strategy and business objectives are all aligned to each other and the risk management protocols and programs are embedded within every business segment. We have adopted the Three Lines of Defence (LOD) model to provide a consistent, transparent and clearly documented allocation of accountability and segregation of functional responsibilities. Management, as the first LOD, owns the risks that are intrinsic to its business and has the responsibility to identify and manage these risks. Risk and oversight functions provide independent oversight and challenge as the second LOD and Internal Audit provides independent assurance as the third LOD.

Effective risk management is critical to the overall profitability, competitive market positioning and long term financial viability of the Company.

RISK MANAGEMENT FRAMEWORK (RMF)

2.0 Risk Management Framework



The RMF elements include Risk Governance and Accountabilities, Risk Universe, Risk Appetite and Risk Management Policies. The RMF sets out the key risk management processes – identification, measurement, management, monitoring and reporting.

2.1 Risk Governance and Accountabilities

Sun Life’s risk governance structure is consistent with the Office of the Superintendent of Financial Institutions’ (OSFI) most recent guideline on corporate governance issued in September 2018.

Board of Directors (Board)

The Board is responsible for ensuring the governance of all risks across the enterprise and has primary responsibility for taking action to ensure risk management policies, programs and practices are in place.