SHINING FOR YOU

ANNUAL REPORT 2016

Sun Life Financial


Sun Life

Index

Our Mission

To help clients achieve lifetime financial security.

Our Vision

A community of 5 million Sun Lifers who have
ensured their brighter future with the country's best financial
services company.

Our Core Values

INTEGRITY
We are committed to the highest standards of business ethics and good governance.

ENGAGEMENT
We value our diverse, talented workforce and encourage, support and reward them for contributing to the full extent of their potential.

CLIENT FOCUS
We provide sound financial solutions for our clients and always work with their interests in mind.

EXCELLENCE
We pursue operational excellence through our dedicated people, our quality products and services, and our value-based risk management.

VALUE
We deliver value to the clients and shareholders we serve and to the communities in which we operate.

Strategic Goals for 2016

Sustaining market leadership in our life insurance business.

Diversifying market segments, geographic scope, and product lines for the life business.

Growing a profitable bancassurance business through the joint venture.

Growing the asset management business through diversification of distribution and product lines.

Message from the Chairman

Being the top life insurance company in the Philippines for six consecutive years says one thing - - Sun Life is well-equipped to face any market condition. I have seen how our Company consistently mounted strategies that worked and passionately pursued its goals.

On several occasions I emphasized that to sustain leadership, there must be focus, the will to get things done, and the determination to achieve beyond expectations. I must say all these qualities took Sun Life to where it is today.

We forged partnerships that boosted our expansion activities. We developed products centered on client needs. Our advisors garnered international accolades, and we enhanced processes resulting in better client servicing. We also served our communities well.

I am extremely proud to have witnessed our Company raising the bar amidst a challenging environment.

On behalf of the Board, I would like to extend my heartfelt congratulations to the Philippine leadership team, the employees and advisors for all your valuable contributions to our continuing success.

Moving forward, we will continue to strive hard to deliver on our promise to help our policyholders and investors achieve financial security, in a manner that creates the best client experience. And of course, the Board will support new initiatives for further growth.

To all our employees and advisors, thank you for the hard work, the dedication and the passion to serve our clients.

And to our policyholders and investors, thank you for staying with us. Your trust and confidence always keep us inspired.

I look forward to another sterling year in 2017!

Jose Isidro N. Camacho

Message from the President and CEO

2016 was another turbulent year characterized by dramatic changes across the globe as unexpected events took hold - the election of Donald Trump in the US, Brexit, the impeachment of presidents from Brazil and South Korea, and the resignation of popular heads of state. Europe and the US were subjected to a spate of terrorist attacks. The crisis in the Middle East worsened and there were hundreds of victims of hurricanes and earthquakes. It was a disastrous year that took its toll particularly on financial markets.

But despite these global uncertainties, the Philippine economy continued to expand at an average pace of 7% for the first three quarters. This was fueled by strong domestic consumption and growth in investments, and is expected to accelerate further in the coming years as the new government fast-tracks its infrastructure spending.

For Sun Life, on the other hand, 2016 was a pivotal year as we commenced a new chapter in our journey towards helping achieve a brighter Philippines through "RI5EPH" - our five-year growth plan which will drive us to serve five million clients by 2020.

As an initial step towards this ambitious goal, in 2016 we rallied for financial inclusion through partnerships with various organizations.

We teamed up with PLDT and Smart Communications for the development of financial technology for emerging markets. We signed an agreement with house developer 8990 to provide financial services to lower-cost home buyers. And we concretized an alliance with Universal Storefront Services Corporation or USSC to further widen our reach to the underserved sectors of society.

Aside from these partnerships, the year also saw us pursuing new initiatives designed to enhance client servicing, product development and branding. We started enhancing our digital platforms, launching an app that allows one to inquire on his policy, transfer funds, and place money right on his mobile phone.

We look forward to launching more digital services in the coming years.

In 2016, Sun Life also continued to strengthen ties with the various communities where the Company operates through its Foundation activities. We turned over the last installment of 40 boats in Samar and Leyte (which completes the 160 boats we committed to provide in these areas). We also turned over a total of 21 classrooms spread over Aklan, Leyte and Tacloban last year, in addition to the 50 classrooms turned over to other areas in the Visayas in previous years.

It was indeed inspiring to see our employees and advisors taking effort to boldly face the challenges of the year that was, and we thank them for all the support.

Most of all, we thank you, our policyholders and investors, for your continuing patronage and trust in us. You truly make us shine.

Together let us face the future with the same unstinting optimism and passion to help every Filipino achieve financial freedom and have a secure and brighter life!

Rizalina G.Mantaring

Board of Directors and Credentials

JOSE ISIDRO N. CAMACHO

Independent Director, Non-Executive Chairman of the Board (2009 to present)

Mr. Jose Isidro N. Camacho, 61 years old, is currently an independent director and non-executive Chairman of the Board of Sun Life of Canada (Philippines), Inc. (2009 to present). He is also an independent director of Sun Life Grepa Financial, Inc. Mr. Camacho is also a board member of Sun Life Malaysia Assurance Berhad and Sun Life Malaysia Takaful Berhad (2013 to present). Presently, he is the Managing Director of Credit Suisse, based in Singapore and also the Vice Chairman for Asia Pacific.

He has a long and distinguished career in government and international banking, including his roles as Secretary of Energy and Secretary of Finance for the Philippines from 2001 to 2003. Prior to joining the government, Mr. Camacho was Managing Director and Chief Country Officer for the Philippines at Deutsche Bank, AG in Manila. Mr. Camacho began his career at Bankers Trust where he worked for 20 years in various positions in New York, Japan, Hong Kong, the Philippines and in Singapore.

Mr. Camacho graduated cum laude with a bachelor's degree in mathematics from De La Salle University and received his MBA with a concentration in finance from the Harvard Business School. On February 2017, Mr. Camacho was awarded an Honorary Degree of Doctor of Business Administration from Eastern Asia University, Thailand.

KARIM GILANI

Director (September 2015 to present)

Mr. Karim Gilani, 37 years old, is currently the Chief Financial Officer (CFO), Sun Life Financial Asia. Before he assumed the role of CFO, Mr. Gilani was the Chief Risk Officer, Sun Life Financial Asia.

Mr. Gilani is a highly experienced insurance professional with 15 years of experience acquired at Mercer, Swiss Re, ICICI Prudential, and, more recently, Manulife Financial. Over his career, he has worked in Canada, India, and Hong Kong in varying roles in the Health & Group benefits consulting, reinsurance, and insurance industries.

He holds a Bachelor's degree in science specialized in Actuarial Science with a major in Commerce & Finance from the University of Toronto. He is a Fellow of the Society of Actuaries and of the Canadian Institute of Actuaries.

RIZALINA G. MANTARING

Director (2009 to present)

Ms. Rizalina G. Mantaring, 57 years old, is the President & CEO of the Sun Life Financial group of companies in the Philippines, and a member of its various boards. She joined Sun Life as head of its Asia Pacific Information Systems Department in 1992. As Head, she laid the groundwork and transformed the technology platform of Sun Life Philippines into the most advanced in the industry, allowing for the operational efficiency and service levels for which Sun Life is known. In 1999, she took responsibility for the Operations area of the Philippine subsidiary, gradually implementing operational and service improvements and innovations which have led to the company's excellent reputation as the industry leader in customer service. Over the years, she successively took on additional responsibilities until her appointment as Chief Operating Officer. In 2008, she was appointed Chief Operations Officer for Asia, with responsibility for Operations & Information Technology. In March 2009, she became Deputy President for Sun Life Philippines, then President and CEO in August of the same year.

She graduated with a B.S. Electrical Engineering degree (cum laude) from the University of the Philippines, and an M.S. Computer Science from the State University of New York at Albany. She has also attended numerous executive development programs conducted by Harvard University, The Wharton School, Duke University, Oxford University, Asian Institute of Management, and The Niagara Institute. She is a Fellow of the Life Management Institute (with distinction) of the Life Office Management Association (LOMA).

She was a board director of the Philippine Life Insurance Association (PLIA) from 2011-2013, and was again elected to the board starting 2015 to the present. She served as PLIA President from 2014-2015. She also served as board director of the Philippine Federation of Pre-need Companies from 2006-2008. She also serves as Independent Director of Ayala Land, Inc., First Philippine Holdings, Inc., and Microventures Inc.

FRANCISCO S.A. SANDEJAS

Independent Director (March 2016 to present)

Mr. Paco Sandejas, 49 years old, is Managing Founder at Narra Ventures, a boutique early-stage investment group that has invested in over 35 high-technology companies, with some notable companies being Inphi (NYSE: IPHI), SiRF (now CSR), Amulaire, Quintic (NASDAQ: NXPI), Calypto (NASDAQ: MENT) and Sandbridge.

He is also the Founder and CEO of Xepto Digital Education, a system developer and integrator of the most innovative platform for the delivery of Digital Education content and tools for schools of the developing world.

Paco also serves on the board of UnionBank of the Philippines and Stratpoint Technologies.

At Stanford where he completed his Ph.D. and M.S. in Electrical Engineering, he co-invented the Grating Light Valve (GLV), one of Stanford’s top IP money-makers. He was the first summa cum laude of University of the Philippines-Diliman’s Applied Physics program and was awarded Ten Outstanding Students of the Philippines.

An active trustee of the Philippine Development Foundation and co-founder of the Brain Gain Network (www.BGN.org), Paco advises various agencies of the Philippine Government, De La Salle University and the University of the Philippines. He has worked at H&Q Asia Pacific, Applied Materials and Siliscape.

KEVIN STRAIN

Director (June 2015 to present)

Mr. Kevin Strain, 50 years old, is the President of Sun Life Financial Asia. Appointed in 2012, he is responsible for Sun Life's interests in Asia, including identifying opportunities for growth in the region and managing Sun Life's relationships with its partners. Sun Life has operated in Asia since the 1890s, and today spans seven key markets – the Philippines, Hong Kong, Indonesia, India, China, Vietnam, and Malaysia. He is based in Sun Life's Asia Regional Office in Hong Kong and is a member of the Sun Life's Executive Team.

With significant insurance and leadership experience in both individual and group businesses and in managing finance functions, Mr. Strain was Senior Vice-President of Sun Life's Individual Insurance and Investments division in Canada from 2007 to 2012, responsible for the creation and delivery of insurance, health and wealth management products and solutions nationwide. This included managing an expansive distribution organization encompassing Sun Life's career sales force, the largest in Canada, and third party distributors.

In earlier roles, Mr. Strain was Vice-President of Investor Relations in Sun Life's corporate office and held senior finance positions in Sun Life's Canadian operations. He joined Sun Life in 2002 as part of its acquisition of the Clarica Life Insurance Company, where he served in finance and customer-focused roles before being appointed head of Clarica's Canadian pension and group savings division.

Philippine Leadership Team

RIZALINA G. MANTARING
President & Chief Executive Officer

CARLO L. CAGALINGAN
Chief Technology Officer

MA. KARENINA M. CASAS
Chief Operations Officer

MARIA JOSEFINA A. CASTILLO
Chief Financial Officer

MICHAEL GERARD D. ENRIQUEZ
Chief Investment Officer

RICHARD S. LIM
President, Sun Life Grepa Financial, Inc. (SLGFI)

MARIA LOURDES D. LOPA
Chief Marketing Officer

MICHAEL OLIVER G. MANUEL
Chief Business Development Officer

HIYASMIN LEDI C. MATTISON
Chief Human Resources Officer

ALEXANDER S. NARCISO
Chief Agency Distribution Officer

VALERIE N. PAMA
President, Sun Life Asset Management Company, Inc. (SLAMCI)

MARIA SACHIKO A. PANG
Chief Actuary

BENEDICTO C. SISON
Chief Strategy & Financial Management Officer

ATTY. EDGAR S. TORDESILLAS
General Counsel

Board Appointed Officers

RIZALINA G. MANTARING
President

JEMILYN S. CAMANIA
Corporate Secretary

DONNA C. DUQUE-PASTORAL
Assistant Corporate Secretary

MARIA JOSEFINA A. CASTILLO
Treasurer

AJEE T. CO
Acting Compliance Officer

JOEL O. BUNGABONG
Internal Auditor

RIA V. MERCADO
Risk Officer

Board Appointed Officers

RIZALINA G. MANTARING

President (2009 to present)

See profile in page 13

JEMILYN S. CAMANIA

Corporate Secretary (2010 to present)

Atty. Jemilyn S. Camania, 41 years old, is the Corporate Secretary of Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company, Inc., Sun Life Financial Philippine Holding Company, Inc., Sun Life Financial – Philippines Foundation, the 12 Sun Life Prosperity Funds, Grepalife Asset Management Corporation, Great Life Financial Assurance Corporation, the 3 Grepalife Mutual Funds; and the Assistant Corporate Secretary of Sun Life Grepa Financial, Inc.

With over 15 years of experience, Atty. Camania started at Sun Life as Assistant Counsel in 2004, and then moved up the ranks to become Counsel (2007 to 2011) and Senior Counsel (2011 to 2012). She is currently Sun Life's Deputy General Counsel (2012 to present) and Head of General Corporate Services (from 01 May 2016). In April 2016, she was appointed in a concurrent capacity as Senior International Counsel for Sun Life Financial Asia. Prior to joining Sun Life, she worked as an Associate at the Cayetano Sebastian Ata Dado & Cruz Law Offices (2001 to 2004).

Atty. Camania received her Bachelor of Arts in Psychology (1992) and Bachelor of Laws (2001) degrees from the University of the Philippines (Diliman). She was called to the Bar in 2002. She is also a Fellow, Life Management Institute (2010), Professional, Customer Service (with distinction) (2011), and Associate, Insurance Regulatory Compliance (2014) of the LOMA.

DONNA C. DUQUE-PASTORAL

Assistant Corporate Secretary (June 2016 to present)

Prior to joining Sun Life in April 2013, Atty. Donna C. Duque-Pastoral, 36 years old, was Legal & Compliance Senior Manager and Assistant Corporate Secretary at Manulife Philippines, Manulife Financial Plans, Inc. and Manulife Chinabank Life Assurance Corporation where she worked from 2008 to 2013. Prior to Manulife, she was an Associate at Soo Gutierrez Leogardo & Lee Law Offices (2006 to 2008).

Atty. Duque-Pastoral obtained her AB Political Science (2000) and Bachelor of Laws (2006) from the University of the Philippines. She was called to the Bar in 2007. She is also an Associate, Life Management Institute (2017) and Associate, Insurance Regulatory Compliance (2015) of LOMA.

MARIA JOSEFINA A. CASTILLO

Treasurer (August 2015 to present)

Ms. Maria Josefina A. Castillo, 43 years old, is the Chief Financial Officer for Sun Life Financial – Philippines. She was appointed as Treasurer of Sun Life of Canada (Philippines), Inc. on September 2015. Concurrently, she serves in the same capacity at Sun Life Financial, Plans, Inc., Sun Life Grepa Financial, Inc., Grepalife Asset Management Corporation, the 3 Grepalife Mutual Funds and Great Life Financial Assurance Corporation. She is responsible for the overall leadership of the Finance function of Sun Life Philippines and its subsidiaries, as well as the Sun Life Prosperity family of funds. Ms. Castillo is part of the Philippine Leadership Team.

Ms. Castillo has over 20 years of extensive finance experience in the life insurance industry. She started with Sun Life in 2003 as Manager of Asia Accounting under Regional Accounting and Control and promoted as Head of the same department in 2006. Ms Castillo joined the Philippine operations in 2011 as Finance Project Lead for the joint venture integration and was appointed Controller in 2013. Prior to joining Sun Life, Ms Castillo worked with CMG Life Insurance Company, Inc., Permanent Plans, Inc. and SyCip, Gorres, Velayo & Co.

Ms. Castillo is a Certified Public Accountant, having graduated from Miriam College with a degree in B. S. Accountancy. She received her Master in Business Administration from the University of the Philippines (Diliman). She is a Fellow, Life Management Institute (FLMI) and an Associate, Customer Service (ACS) of the LOMA.

AJEE T. CO

Acting Compliance Officer (March 2017 to present)

Effective 10 March 2017, Atty. Ajee T. Co, 42 years old, Deputy Compliance Head, is in charge of the compliance team in transition following Atty. Conchitina D.L. Gregorio's departure. As Acting Compliance Officer of Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company, Inc., the 12 Sun Life Prosperity Funds, Sun Life Grepa Financial, Inc., Grepalife Asset Management Corporation, Great Life Financial Assurance Corporation, and the 3 Grepalife Mutual Funds, she is responsible for leading the Compliance team in the Philippines in the development and implementation of programs and systems to support the overall Sun Life Compliance strategy and in partnering with business leaders to identify, assess, and mitigate compliance risks.

Atty. Co brings to Sun Life more than 18 years of experience, coming most recently from Standard Chartered Bank as Compliance Head for seven years after two years as Wholesale Banking Compliance Adviser. Prior to this, she was Assistant Vice- President – Legal & Compliance Officer at Pru Life Insurance Corporation of UK for almost three years. She is a former Associate Lawyer at Siguion–Reyna, Montecillo & Ongsiako Law Offices and Senior Associate at Sycip, Gorres, Velayo & Co. Market Circle 1, Tax Group.

Atty. Co graduated from the University of the Philippines (Diliman) with a degree in Bachelor of Laws and from the De La Salle University-Taft with a degree in Bachelor of Science in Accountancy. She ranked 8th in the CPA Board Examinations in 1994.

JOEL O. BUNGABONG

Internal Auditor (2010 to present)

Mr. Bungabong, 39 years old, is the Audit Head for the Sun Life Financial Philippines group since 01 October 2009.

He joined Sun Life as a Systems Audit Manager (acting in a Specialist role) in 2006, and was appointed as Team Leader of the Systems Audit Team in 2008 until his appointment as Audit Head in 2009. Prior to joining Sun Life, he was an Associate Director in the Technology and Security Risk Services (TSRS) practice of SyCip Gorres Velayo & Co. (SGV), a member practice of Ernst & Young Global.

He is a Certified Public Accountant (CPA) in the Philippines since 1998, a Certified Information Systems Auditor (CISA) since 2002, a Certified Information Security Manager (CISM) since 2008, and a Certified Forensic Accountant (CrFA) since 2012. He acquired his Fellow, Life Management Institute (FLMI) designation in 2011.

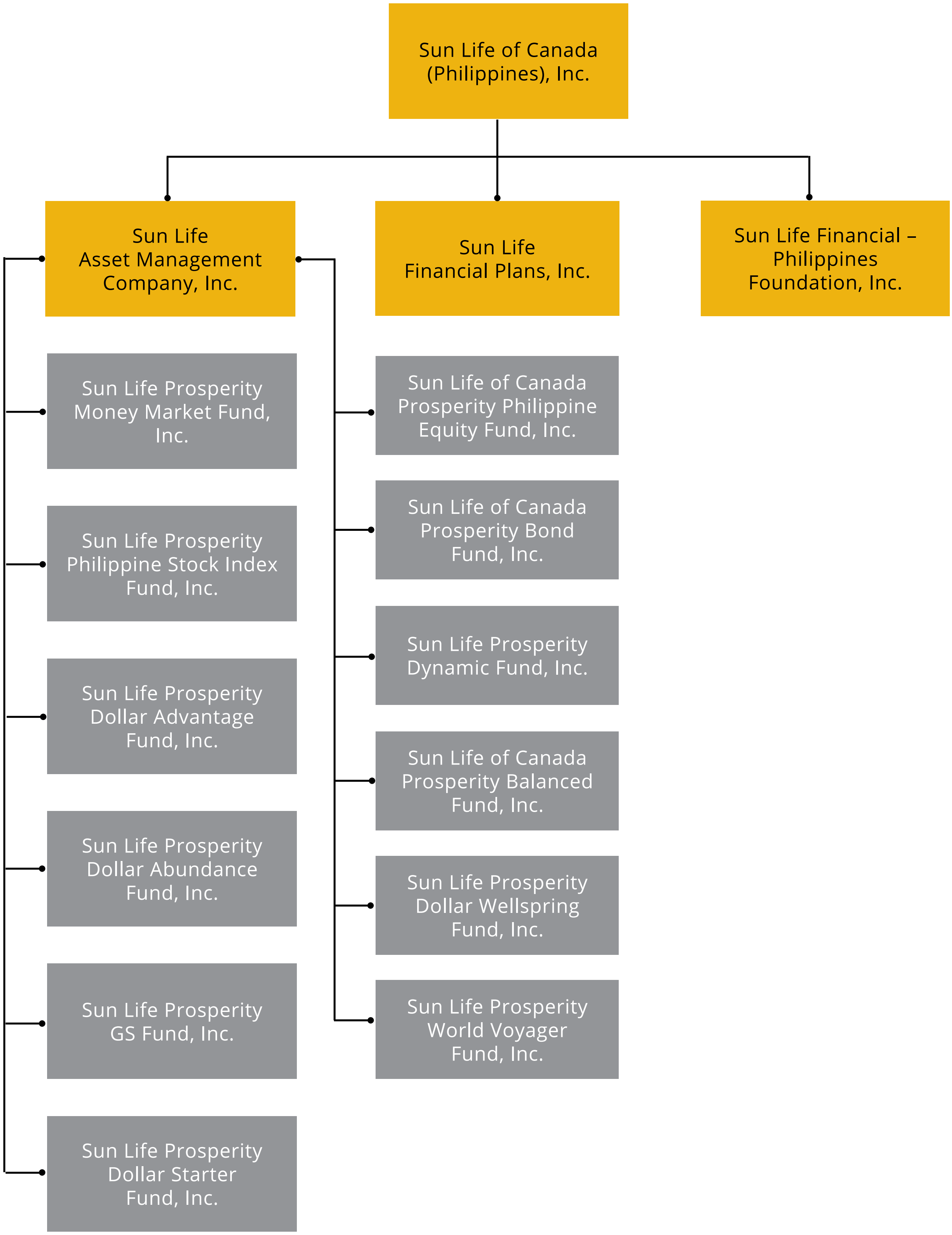
RIA V. MERCADO

Risk Officer (2015 to present)

Ms. Ria V. Mercado, 41 years old, is the Risk Officer of Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company, Inc., the 12 Sun Life Prosperity Funds, Sun Life Grepa Financial, Inc., Grepalife Asset Management Corporation, Great Life Financial Assurance Corporation, and the 3 Grepalife Mutual Funds. Ms. Mercado brings a wealth of experience in leading risk and control functions. She joined Sun Life from Deutsche Knowledge Services (DKS), where she was Debt and Client Risk & Control Lead. She was responsible for risk and control initiatives and for proactively identifying and mitigating operations risks through quality assurance initiatives. Prior to DKS, she was with Standard Chartered Bank where she rose from Graduate Associate to AVP – Unit Operational Risk Manager.

Ms. Mercado holds a Master in Business Management degree from the Asian Institute of Management. She is a BS Business Administration graduate of the University of the Philippines (Diliman).

Subsidiaries and Affiliates



Audited Financial Statements

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Sun Life of Canada (Philippines), Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Navarro Amper & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JOSE ISIDRO N. CAMACHO
Chairman of the Board

RIZALINA G. MANTARING
President & Chief Executive Officer

MA. JOSEFINA A. CASTILLO
Chief Financial Officer & Treasurer

Signed this 7th day of March 2017

NavarroAmper&Co.

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Life of Canada (Philippines), Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Sun Life of Canada (Philippines), Inc. in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required by Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 46 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
IC Accreditation No. F-2017-001-R, issued on February 24, 2017; effective until February 23, 2020
TIN 005299331

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 0526-AR-3, issued on April 21, 2016; effective until April 21, 2019, Group A
IC A. N. SP-2017-003-O, issued on February 24, 2017; effective until February 23, 2020
TIN 170035681
BIR A.N. 08-002552-18-2015, issued on February 6, 2015; effective until February 5, 2018
PTR No. A-3264646, issued on January 5, 2017, Taguig City

Taguig City, Philippines
March 7, 2017


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STATEMENTS OF FINANCIAL POSITION

	December 31	
ASSETS	**2016**	**2015**
Cash and cash equivalents	P3,675,827,426	P4,033,043,516
Financial assets at fair value through profit or loss	86,654,567,495	75,068,767,157
Available-for-sale financial assets	98,102,939,874	96,023,068,191
Uncollected policyholder premiums	400,968,040	449,643,910
Policyholders' loans	7,493,810,802	7,699,874,677
Loans and receivables	5,457,745,290	4,837,824,096
Due from related parties	242,658,985	177,009,802
Investment income earned and accrued	1,999,452,598	1,793,937,621
Other receivables	382,166,017	159,518,126
Loan to fellow subsidiary	2,124,160,601	1,964,391,278
Investments in associates	501,944,671	509,409,995
Investments in subsidiaries	630,360,590	630,360,590
Intangible asset - net	126,297,778	147,347,410
Leasehold, property and equipment - net	1,415,487,905	1,275,333,791
Investment property - net	706,749,532	774,628,544
Prepayments and other assets	784,169,132	690,364,945
TOTAL ASSETS	**P210,699,306,736**	**P196,234,523,649**

	December 31	
Liabilities	**2016**	**2015**
Derivative financial instruments	P71,027,449	P47,443,272
Variable unit-linked liabilities	87,326,879,735	75,070,171,081
Insurance contract liabilities	62,669,347,018	60,093,733,159
Due to policyholders	26,656,223,916	25,810,875,355
Due to related parties	38,414,417	23,472,314
Accounts payable, accrued expenses and other liabilities	2,717,648,062	2,683,445,792
Retirement benefit obligation	118,400,200	323,830,500
Deferred tax liability	122,566,118	130,873,291
	179,720,506,916	164,183,844,764

Equity		
Share capital	500,000,200	500,000,200
Reserves	15,854,514,194	16,926,742,139
Retained earnings	14,624,285,426	14,623,936,546
	30,978,799,820	32,050,678,885
TOTAL LIABILITIES AND EQUITY	**P210,699,306,736**	**P196,234,523,649**

STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31	
	2016	2015
Income		
Gross premiums	P32,159,569,757	P33,018,114,278
Less premiums ceded	265,660,481	206,988,070
Premiums - net	31,893,909,276	32,811,126,208
Investments - net	6,653,195,368	7,369,313,351
Fee income	319,939,166	330,930,288
Other income	1,024,740,208	1,010,006,554
	39,891,784,018	41,521,376,401
Benefits, Increase in Reserves and Operating Expenses		
Variable unit-linked fund allocation	12,266,985,230	13,831,846,651
Increase in insurance contract liabilities	2,575,613,859	2,606,178,346
Surrenders and maturities	7,808,041,799	7,237,930,129
Death, disability and other policy benefits	4,391,114,739	4,239,301,773
Commissions, bonuses and other agents' expenses	5,637,653,517	5,143,967,796
General and administrative expenses	3,722,854,107	3,219,371,675
Insurance taxes, licenses and fees	325,931,655	353,830,103
	36,728,194,906	36,632,426,473

	For the Years Ended December 31	
	2016	**2015**
Profit Before Tax	3,163,589,112	4,888,949,928
Income tax expense	1,380,742,532	1,535,091,352
Profit for the Year	1,782,846,580	3,353,858,576
Other Comprehensive Income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit obligation	217,503,100	(151,309,200)
Items that will be reclassified to profit or loss		
Net loss on fair value measurement	(1,072,227,945)	(7,079,569,301)
Other Comprehensive Loss	(854,724,845)	(7,230,878,501)
Total Comprehensive (Loss) Income for the Year	**P 928,121,735**	**(P3,877,019,925)**

STATEMENTS OF CHANGES IN EQUITY

	For the Years Ended December 31	
	SHARE CAPITAL	RESERVES
Balance, 1 January 2015	P500,000,200	P24,006,311,440
Profit for the year	-	
Other comprehensive loss - net	-	(7,079,569,301)
Total comprehensive loss	-	(7,079,569,301)
Dividends declared and paid	-	
Balance, 31 December 2015	500,000,200	16,926,742,139
Profit for the year	-	
Other comprehensive loss - net	-	(1,072,227,945)
Total comprehensive loss	-	(1,072,227,945)
Dividends declared and paid	-	
Balance, 31 December 2016	**P500,000,200**	**P15,854,514,194**

RETAINED EARNINGS	TOTAL
P13,421,387,970	P37,927,699,610
3,353,858,576	3,353,858,576
(151,309,200)	(7,230,878,501)
3,202,549,376	(3,877,019,925)
(2,000,000,800)	(2,000,000,800)
14,623,936,546	32,050,678,885
1,782,846,580	1,782,846,580
217,503,100	(854,724,845)
2,000,349,680	928,121,735
(2,000,000,800)	(2,000,000,800)
P14,624,285,426	**P30,978,799,820**

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31	
	2016	**2015**
Cash Flows from Operating Activities		
Profit before tax	P3,163,589,112	P4,888,949,928
Adjustments for:		
Depreciation and amortization	264,582,871	226,471,511
Unrealized loss (gains) on foreign exchange	(408,553,725)	(436,244,302)
Unrealized loss on derivative financial instruments	23,584,177	33,513,250
Unrealized fair value loss (gain) on financial assets at FVTPL	1,530,835,052	3,798,752,690
Impairment loss on AFS finanical assets	43,022,286	263,979,722
Realized fair value gain from :		
AFS financial assets	(48,502,309)	(2,123,027,670)
Financial asstes at FVTPL	320,934,589	(935,817,819)
Gain on disposal of leasehold, property and equipment	(4,413,132)	(2,954,462)
Interest income	(7,706,379,553)	(7,477,177,609)
Dividend income	(1,015,126,817)	(918,881,803)
Increase in insurance contract liabilities	2,575,613,859	2,606,178,346
Dividends to policyholder	1,982,740,894	1,895,315,575
Interest on dividends to policyholder	1,411,058,295	1,383,780,293
Retirement benefit expense	115,141,500	80,172,400

	For the Years Ended December 31	
	2016	2015
Operating cash flows before working capital changes	2,248,127,099	3,283,010,050
Decrease (Increase) in:		
Uncollected policyholder premiums	48,675,870	68,102,686
Receivable from agents and employees	(3,913,123)	(3,123,316)
Due from related parties	(69,976,100)	(82,633,740)
Other receivables	(218,320,971)	102,555,809
Prepayments and other assets	(37,746,524)	(208,027,509)
Increase (Decrease) in:		
VUL linked liabilities	12,281,908,654	13,823,633,016
Due to policyholders	130,525,803	(185,033,281)
Due to related parties	14,942,103	(8,304,521)
Accounts payable, accrued expenses and other liabilities	34,202,270	(400,619,659)
Cash generated from operations	14,428,425,082	16,389,559,535
Income taxes paid	(1,470,307,369)	(1,404,218,061)
Interest and dividends paid to policyholders	(2,678,976,431)	(2,295,272,747)
Contributions paid to retirement plan	(103,068,700)	(81,899,100)
Net cash generated from operating activities	10,176,072,582	12,608,169,627

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31	
	2016	**2015**
Net cash from operating activities (balance forwarded)	10,176,072,582	12,608,169,627
Cash Flows from Investing Activities		
Interest received from		
Guaranteed loans	300,574,767	290,069,126
Receivables from agents and employees	13,234,200	13,011,639
Receivables from policyholders' Loans	764,930,795	772,648,936
Investments in AFS financial assets	5,908,563,499	5,889,823,834
Investments in financial assets at FVTPL	627,509,449	528,425,499
Cash and cash equivalents	36,991,782	22,132,079
Dividend received from shares of stocks	1,000,623,101	904,064,686
Proceeds from sale/maturities of investments in:		
AFS Financial Assets	1,662,518,343	11,813,991,964
Financial assets at FVTPL	56,916,355,223	37,771,785,260

	For the Years Ended December 31	
	2016	**2015**
Acquisitions of investments in:		
AFS Financial Assets	(4,611,632,924)	(13,672,240,898)
Financial assets at FVTPL	(70,353,925,202)	(54,047,335,236)
Acquisition of leasehold, property and equipment	(317,219,413)	(192,419,508)
Collections of:		
Guaranteed loans	22,200,000	22,200,000
Policyholders' loans	2,685,214,371	2,881,062,378
Releases of:		
Guaranteed loans	(638,208,071)	-
Loan to fellow subsidiary	(80,000,000)	(40,000,000)
Policyholders' loans	(2,479,150,496)	(2,704,105,990)
Proceeds from disposal of leasehold, property and equipment	5,824,204	4,373,481
Net cash used in investing activities	(8,535,596,372)	(9,742,512,750)
Cash Flows from Financing Activity		
Dividends paid	(2,000,000,800)	(2,000,000,800)
Net Increase (Decrease) in Cash and Cash Equivalents	(359,524,590)	865,656,077
Effect of Changes in Foreign Exchange Rates	2,308,500	4,978,751
Cash and Cash Equivalents, Beginning	4,033,043,516	3,162,408,688
Cash and Cash Equivalents, End	**P3,675,827,426**	**P4,033,043,516**

AUDIT & NON-AUDIT FEES

As approved by the Board, the Company engages the services of Navarro Amper & Co,, a local member firm of Deloitte Touche Tohmatsu Limited, as its external auditor. The audit fees of Navarro Amper & Co., for 2016 amounted to Php3.41 million. There were no other fees paid to the firm during the same year other than audit fees.

SHAREHOLDERS' DIVIDEND POLICY

Sun Life Philippines satisfies the requirements of local regulations and, when prudent and appropriate, the Company returns through dividends and other distributions, excess capital to its parent company.

RISK MANAGEMENT

The Company's overall risk management framework establishes policies, operating guidelines, risk tolerance limits and practices for risk management patterned after the Company's parent organization. It provides oversight to the risk management activities within the Company's business segments, ensuring discipline and consistency are applied to the practice of risk management.

The Company's activities expose it to a variety of operational risk and financial risks such as market risk (which includes foreign exchange risk, interest rate risk and equity price risk), credit risk, liquidity risk and insurance risk (which includes product design and pricing risk, mortality and morbidity risk and legal, regulatory and market conduct risk management).

Risk Framework

The risk management program is designed to:

a. avoid risks that could materially affect the value of the Company,
b. contribute to sustainable earnings,
c. take risks that the Company can manage in order to increase returns, and
d. provide transparency of the Company's risks through internal and external reporting.

The Company is in the business of accepting risks for appropriate return and takes on those risks that meet its objectives. The program design aligns risk management with the Company's vision and strategy and embeds it within the business management practices of the business groups.

In pursuing its business objectives, Management is responsible for ensuring that all significant risks are appropriately identified, assessed, managed, reported and monitored.

The Board of Directors (the "Board") is ultimately responsible for ensuring that risk management policies and practices are in place. The Board has oversight role with respect to ensuring the identification of major areas of risk and development of strategies to manage those risks, and to review compliance with risk management policies implemented by the Company.

Key Risk Processes

The Company has established a formal risk identification program whereby key risks that may impact its business are identified. Exposure to these risks is assessed on a qualitative and quantitative basis. Risk control programs and action plans are established for mitigating the exposure.

The Company has adopted risk management policies to provide a consistent approach to measurement, mitigation and control, and monitoring of risk exposures.

Risk Categories

The Company's activities expose it to a variety of operational risk and financial risks such as market risk (which includes foreign exchange risk, interest rate risk and equity price risk), credit risk, liquidity risk and insurance risk (which includes product design and pricing risk, mortality and morbidity risk and legal, regulatory and market conduct risk management).

A. Market risk

Market risk arises when there is uncertainty in the valuation of financial assets and liabilities from changes in equity markets, interest rates, and foreign exchange rates.

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US dollars. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company's financial assets are primarily denominated in the same currencies as its insurance contracts, which mitigate the foreign exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than in which the insurance contracts are expected to be settled.

Interest rate risk

This is the risk of asset-liability mismatch resulting from the interest rate volatility.

This risk is managed by cash flow and/or duration matching strategies and by providing reasonable long term returns based on asset allocation strategies. The Company has established policies and operating guidelines in managing interest rate risk.

Equity price risk

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic purposes. Equity exposure is managed through the equity asset class allocation target and range defined in the Portfolio Policies & Parameters in accordance with the Asset Liability Management Operating Guideline. Exposure is monitored periodically and reported to the Asset Liability Committee (ALCO) on a quarterly basis.

B. Credit risk

Credit risk refers to the risk that an issuer of securities in the Company's investment portfolio, debtor or counterparty and intermediary, to whom the Company has an exposure, will default on its contractual obligations resulting in financial loss to the Company. It is the uncertainty surrounding the likelihood of default or credit downgrades.

The Company has no significant concentration of credit risk except on Philippine government securities as required by Philippine laws and regulations. It has policies in place to ensure that services are rendered to customers with an appropriate credit history.

Credit risks associated with fixed income investments are managed using:

a. Detailed credit and underwriting policies
b. Specific diversification requirements
c. Comprehensive due diligence and on-going credit analysis
d. Aggregate counterparty exposure limits
e. Monitoring against pre-established limits

C. Liquidity risk

Entities within the Sun Life Financial Group are required to have appropriate liquidity. This means having sufficient liquidity to be able to meet all obligations promptly under foreseeable adverse circumstances, while not having excessive liquidity that entails an opportunity cost in terms of product competitiveness and asset yields.

Exposure to liquidity risk is measured and managed by using Liquidity Ratios calculated over various scenarios and time horizons. The Company measures and manages its Liquidity Ratios within prescribed tolerances and target ranges, and monitors and reports its Liquidity Ratios as set forth in the Liquidity Operating Guideline developed in compliance with the ALCO Operating Guideline. This will also contain a Contingency Plan for the management of liquidity in the event of a liquidity crisis.

D. Insurance and underwriting risks

Insurance risk is the uncertainty of product performance due to differences between the actual experience and expected assumptions affecting amounts of claims, benefits payments, expenses and the cost of embedded options and guarantees related to insurance risks. The risk class includes risk factors relating to product development and pricing, mortality, morbidity, longevity, policyholder behavior and reinsurance.

Insurance risk is managed through a number of enterprise wide controls addressing a wide range of insurance risk factors, as follows:

- Enterprise wide Insurance Underwriting and Claims, Product Development and Pricing, and Reinsurance Risk management policies
- Product development and pricing policies require detailed risk assessment and provision for material insurance risks.

- Target capital levels established that exceed regulatory minimums.
- Board approved maximum retention limits (amounts issued in excess of these limits are reinsured).
- Various limits, restrictions and fee structures may be introduced into plan designs in order to establish more homogeneous policy risk profile and limit potential for anti-selection.
- Enterprise underwriting and risk selection standards with oversight by Corporate underwriting and claims risk management function.
- Diversification and risk pooling is managed by aggregation of broad exposures across product lines, geography, distribution channels, etc.
- Experience studies (both Company specific and industry level) and Source of Earnings analysis are periodically monitored and factored into ongoing valuation, renewal and new business pricing processes.
- Stress-testing techniques, such as DCAT, are used to measure the effects of large and sustained adverse movements in insurance risk factors.
- The Company has established a reinsurance ceded policy to set acceptance criteria and protocols to monitor the level of reinsurance ceded to any single reinsurer or group of reinsurers. Our reinsurance counterparty risk profile is monitored closely, including through regular reporting to the Risk Review Committee of the Sun Life Financial Board.

E. Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, controls, people and systems. Categories of operational risks may fall under: sales and distribution, human resources, information technology, processes and people, accounting and finance, model risk, legal and regulatory and third party relationships.

The Company ensures that internal controls and practices are consistent with enterprise wide policies supporting the management of operational risks.

The Company has established business specific guidelines. Comprehensive insurance program, including appropriate levels of self-insurance, is maintained to provide protection against potential losses. Environmental risk management program is maintained to help protect investment assets, such as real estate, mortgage, and structured finance portfolios, from losses due to environment issues and to help ensure compliance with applicable laws.

Regulatory Compliance Management Policy

The Regulatory Compliance Management Policy sets out the framework for the management and mitigation of compliance risk. The objective of the Policy is to establish a strong, sustainable compliance risk management program that conforms to regulatory and industry standards and provides a reasonable assurance that the following outcomes are achieved:

a. the identification, assessment, communication and maintenance of applicable compliance requirements;
b. the development, communication and maintenance of a system of key controls designed to effect compliance with applicable compliance requirements and to manage and mitigate compliance risk;
c. effective monitoring and oversight of management's day-to-day activities through which material compliance matters are identified, escalated and resolved; and
d. timely reporting to management on the overall effectiveness of the Policy and the state of compliance in Sun Life.

The Board provides the highest level of independent oversight of the management and operations of the Company. The Board is also responsible for approving regulatory compliance management policies and ensuring that the same are reviewed and assessed on its effectiveness.

The Management implements day-to-day compliance. It is accountable for identifying and assessing compliance risks, specifically incorporating consideration of compliance risks in business activities and decisions, and managing compliance risks in day-to-day activities.

NON-FINANCIAL PERFORMANCE INDICATORS

Sun Life Philippines topped the industry for sixth consecutive year in 2016. The Company registered PHP 32 billion in total premium income securing market leadership in that category.

The Company's 2016 Global Engagement Index stood at 90% which indicates that employees continued to be strongly engaged. Furthermore, Sun Life Philippines ranked first in the Region in terms of the percentage of highly-engaged employees.

The Company's 2016 Net Promoter Score, which measure clients' willingness to recommend a company's services, is above industry average.

The Company also proved its media strength, particularly in mainstream channels, generating a total media ROI of PHP 39.3 Million or 53% of the industry's total value for 2016. This was driven by its strong volume advantage and presence in premium media platforms.

RELATED PARTY TRANSACTIONS

A related party transaction ("RPT") is a transfer of resources, services or obligations between the Parent Company and a related party, regardless of whether a price is charged. Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

The Company has a Review Committee for RPTs that reviews and endorses all related party transactions including those involving directors, officers, stockholders, and related interests. The RPT Committee also takes into account whether the RPT is entered into on terms no less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances.

Details of RPTs are provided in Note 18 of the 2016 Audited Financial Statements.

WHISTLE BLOWER AND BREACH POLICY

The Whistle Blower program of the Company provides a formal mechanism and channel for directors, officers, employees, suppliers, business partners, contractors and sub-contractors, and other third parties to raise serious concerns about a perceived wrongdoing or questionable or unethical behavior or transaction, malpractice, or any risk involving the Company or any of its officers and employees. Sun Life strictly prohibits any form of retaliation against those reporting concerns in good faith and guarantees that the whistleblower will be shielded or free from reprisals, harassment, or disciplinary action.

Suspected breaches of the Sun Life Financial Code of Business Conduct, the same must be promptly reported to the Compliance Officer, Head of Human Resources, or the General Counsel. Suspected breaches may also be reported anonymously through the following Ethics Hotline numbers available 24 hours a day.

Dial 105 11 or 105-12 (cell phone - no "02" prefix)
Dial 1010-5511-00 (landline)

You'll be prompted to dial the Alertline number 800 481 6966
For English please select "1"
For Tagalog please select "9"

The whistleblower may also submit his or her report or concern in writing directly to the Compliance Officer, or by

email to: slf_code_of_business_conduct@sunlife.com

Corporate Governance

Trust is an important element in the insurance business. In fact, one can say that the insurance business is chiefly built on trust. Sun Life of Canada (Philippines), Inc., its Board of Directors (the "Board") and Management are committed to maintaining high standards of governance that will ensure that the trust upon which its business is built will not be compromised. The Board and Management of Sun Life adopt governance policies and practices intended to align the interests of all its stakeholders. Sun Life is committed to fully comply with all regulatory standards and reflect in the best way possible best practices that are in the interest of all its stakeholders. As part of this commitment, the Board annually reviews and approves its Manual on Corporate Governance, as well as the charters of Board, Audit Committee, Review Committee for Related Party Transactions, Remuneration and Nomination Committee, and Risk Management Committee. In 2016, the Company substantially complied with the Code of Corporate Governance prescribed by the Insurance Commission.

Board of Directors

The Board of Directors is primarily responsible for identifying and setting the Company's strategic directions as well as its Mission and Vision. The Board monitors the implementation of the Company's strategy and reviews the vision and mission periodically. Every year during their fourth quarter meeting, the Board of Directors review the Company's Mission and Vision Statements to determine if the same is still aligned with the Company's objectives and corporate strategy.

It is also responsible for assessing the performance of Management in addition to its own performance. The Business Review report presented by the President & CEO every board meeting is an opportunity for the directors to give their insights on the Company's objectives and corporate strategy

It is composed of five (5) members who are elected for their integrity, competence and high ethical standards. The members are experts in their respective fields of specialization and are found to possess all the qualifications and skills of a director as set in the By-Laws and the Manual of Corporate Governance of the Company. Attendance in professional education programs to enrich the skills of the Directors is highly encouraged and when permitted, the same are provided by the Company.

The members of the Board are mandated and the Board ensures that each member devotes sufficient time and contributes its skills and knowledge in the performance of their roles and functions.

For the 2016 to 2017 term, Messrs. Jose Isidro N. Camacho and Francisco S. A. Sandejas were elected as Independent Directors. Mr. Camacho is currently involved in international banking as Managing Director of Credit Suisse, based in Singapore, and also the Vice Chairman for Credit Suisse Asia Pacific. Dr. Sandejas is active in the fields of banking, communications and high technology, including semiconductors, computing and software engineering. Dr. Sandejas is the Chairman and Founder of Stratpoint Technologies, Inc., Xepto Computing, Colixo Inc. and Narra Ventures, Inc.

No Independent Director serves on more than five (5) boards of Publicly-listed Companies. The Independent Directors ensure that acts and decisions of the Board are made in accordance with the requirements of the regulations and are free from conflicts of interest. Independent directors can serve five (5) consecutive years and can be re-elected after a 2 year cooling off period. Independent directors are perpetually barred from the Company after serving ten (10) years.

It is the objective of the Company to at all times maintain a well-balanced Board membership structure to facilitate free, open, and unhampered discussions of all matters elevated to the Board. The Company further ensures that the independence, integrity and competence of the members of the Board are unquestionable.

Members of the Board of Directors for 2016 - 2017

Jose Isidro N. Camacho, Chairman & Independent Director

Francisco S.A. Sandejas, Independent Director

Karim Gilani

Rizalina G. Mantaring, President & CEO

Kevin D. Strain

Attendance of the Members of the Board

The Board of Directors had fully participated in the meetings in 2016, showing no absences.

Board of Directors	Meeting Dates				
	8 March 2016	7 June 2016	6 September 2016	25 October 2016	6 December 2016
Rizalina G. Mantaring	✔	✔	✔	✔	✔
Jose Isidro N. Camacho	✔	✔	✔	✔	✔
Francisco S.A. Sandejas	✔	✔	✔	✔	✔
Kevin D. Strain	✔	✔	✔	✔	✔
Karim Gilani	✔	✔	✔	✔	✔

Committees

Various Committees created by the Board provide guidance and advice on important issues in their respective areas of concern. The Committees provide support and assistance in relevant functions of the Board as mandated by laws, regulations, their respective Committee charters, Manual on Corporate Governance, and the Company's By-Laws.

Audit Committee Members for 2016 – 2017

Jose Isidro N. Camacho, Committee Chairman and Independent Director

Francisco S. A. Sandejas, Independent Director

Kevin D. Strain

The Audit Committee had 4 meetings in 2016, and all the Committee members had perfect attendance and actively participated in the meetings.

Audit Committee Members	Meeting Dates			
	8 March 2016	7 June 2016	6 September 2016	6 December 2016
Jose Isidro N. Camacho	✔	✔	✔	✔
Francisco S.A. Sandejas	✔	✔	✔	✔
Kevin D. Strain	✔	✔	✔	✔

The Audit Committee hears quarterly reports from the Internal Auditor, External Auditor and Chief Financial Officer. The non-executive Committee members have a private and confidential meeting with the Internal Auditor and the External Auditor separately, with no management present.

Risk Management Committee Members for 2016 - 2017

Karim Gilani, Committee Chairman

Jose Isidro N. Camacho, Independent Director

Francisco S.A. Sandejas, Independent Director

The Risk Management Committee had 4 meetings in 2016, and all the Committee members had perfect attendance and actively participated during the meetings.

Risk Management Committee Members	Meeting Dates			
	8 March 2016	7 June 2016	6 September 2016	6 December 2016
Jose Isidro N. Camacho	✔	✔	✔	✔
Francisco S.A. Sandejas	✔	✔	✔	✔
Karim Gilani	✔	✔	✔	✔

The Risk Management Committee hears quarterly reports from the Chief Actuary, Risk Officer and Compliance Officer. The non-executive Committee members have a private and confidential meeting with the Risk Officer and the Compliance Officer separately, with no management present.

Remuneration and Nomination Committee Members for 2016-2017

Jose Isidro N. Camacho, Committee Chairman and Independent Director

Kevin D. Strain

Rizalina G. Mantaring (until 07 June 2016)

Francisco S.A. Sandejas, Independent

The Remuneration and Nomination Committee had 1 meeting in 2016, and all the Committee members had perfect attendance.

Remuneration and Nomination Committee Members	Meeting Dates
	8 March 2016
Jose Isidro N. Camacho	✔
Rizalina G. Mantaring	✔
Kevin D. Strain	✔

The Remuneration and Nomination Committee meets at least once a year to recommend persons to fill any vacancy on the Board and review and assess the compensation of independent directors and key officers.

Review Committee for Related Party Transactions

Jose Isidro N. Camacho, Committee Chairman and Independent Director

Karim Gilani

Francisco S. A. Sandejas, Independent Director

The Review Committee for Related Party Transactions was created on 07 June 2016. It had its first meeting on 07 March 2017, with all the Committee members in attendance.

Review Committee for Related Party Transactions Members	Meeting Dates
	7 March 2017
Jose Isidro N. Camacho	✔
Francisco S. A. Sandejas	✔
Karim Gilani	✔

Training

The Company maintains a formal orientation and ongoing education program for Independent Directors. All Directors are provided with, and encouraged to attend, appropriate trainings and informed of the Company'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 and the Sun Life Financial Code of Business Conduct.

The Directors have attended the following trainings on corporate governance conducted by Risks, Opportunities, Assessment, Management (ROAM), Inc., which is accredited by the Insurance Commission.

	Trainings Attended
Jose Isidro N. Camacho	Corporate Governance (2015)
Francisco S. Sandejas	Corporate Governance (2015)
Karim Gilani	Corporate Governance (2015)
Rizalina G. Mantaring	Corporate Governance (2016)
Kevin D. Strain	Corporate Governance (2015)

Board Performance Appraisal

The Company has a board assessment process in place. Every year, the Compliance Officer requests the directors to answer a Board Effectiveness Questionnaire to assess the effectiveness of the Board and Board Committees in the performance and exercise of their functions and mandate under the Manual on Corporate Governance, Charters of the various Board Committees, and applicable laws and regulations.

The questionnaire includes self-assessments on (1) performance as an individual director, (2) performance of the Board as a body, and (3) performance of each of the Committees to which the directors belong. The Questionnaire is sent to all members of the Board covering various facets of corporate governance including the responsibilities of the Board, independence, strategic planning, audit, risk management and skills and experience of individual directors. The results of the Questionnaire are collated by the Compliance Officer to ensure utmost confidentiality. Responses from individual directors are not disclosed and only the consolidated results are discussed and reported to the Board.

In 2016, the Directors accomplished the Board Effectiveness Questionnaire and have evaluated themselves, the Board and the Board-Level Committees to be very independent and effective in implementing their respective mandates and discharging their duties and responsibilities. The Company has robust and effective risk management policies and procedures in place to identify, mitigate and manage risks arising from the Company's operations. The results of the assessment were reported to the Board.

Diversity and Inclusion

Our commitment to diversity and inclusion is at the center of our company values and is critically important to the board and executive management. We believe that highly qualified directors and executive leaders who reflect the clients we serve, our employees, and the communities where we operate bring broader perspectives and experience to deepen our insight, enhance innovation and accelerate growth. They also create an inclusive, high performing culture where all employees, regardless of gender, race, religion, age, country of origin, physical ability, sexual orientation or other diversity attributes, can contribute to their full potential.

Women on the Board

The board believes a diverse group of directors produces better corporate governance and decision-making. The board has adopted a diversity policy that includes provisions relating to the identification and nomination of female directors. The objective of the board's diversity policy is to ensure that the board as a whole possesses diverse characteristics, including a diversity of qualifications, skills, experience and expertise relevant to the company's business, in order to appropriately fulfil its mandate.

Effective implementation of the board's diversity policy is the responsibility of the Nomination & Remuneration Committee. When recruiting candidates for appointment or election to the board, the Nomination & Remuneration Committee will generally:

- develop a preferred candidate profile based on the qualifications, skills, experience and expertise determined to be best suited to complement the existing directors or fill a need on the board,
- consider the level of diversity on the board based on gender and other criteria such as age, ethnicity and geography, and
- require a director search firm to identify diverse candidates within the scope of the preferred candidate profile.

The Nomination & Remuneration Committee will assess the effectiveness of the board's diversity policy by considering the level of diversity on the board based on the factors identified above.

Women in executive officer positions

Sun Life renewed its commitment to diversity and inclusion, creating an enterprise strategy to strengthen diversity of all kinds, including gender and diversity, in day-to-day business practices. The strategy focuses on a series of actions that addresses unique opportunities to understand our clients' needs in more depth, review and enhance our talent management practices, enrich our already collaborative and inclusive culture, and ensure our investments and participation in the community support our diversity objectives.

We are embedding diversity further into the core of our talent management practices to ensure they are free of systemic bias and that no group, including women, is disadvantaged. We regularly monitor and review the number of women in executive and senior leadership positions through our annual Talent Review and Succession Management process. This is an annual activity where we accomplish the following:

- succession planning for positions on our Executive Team and the management teams of each business group and function, including specific plans to address gaps
- review of the potential of all leaders at the middle management level and above, including the required support for their on-going development and career growth.

One of the key metrics we review is the number of women in executive and senior leadership roles and in our senior management pipeline. Our Executive Team reviews the results of this process, including year-over-year changes, and the members discuss and advise on the number of women currently holding executive officer positions and in our pipeline.

When we select leaders for executive officer and senior leadership positions, both internally and externally, we require a diverse slate of candidates, including women. In situations where we are working with external executive search firms, one of the standard terms and conditions in our contracts is the presentation of diverse candidates and we identify talent pools where we are likely to find candidates with broad skills and experience.

At the conclusion of our annual performance management and compensation cycle, we analyze compensation levels across the organization, including the compensation of women holding executive officer and senior leadership positions, to ensure fair and equitable treatment, free from systemic bias.

Succession Planning

Human Resources has primary oversight of talent development and succession planning for senior management, the performance assessment of the CEO, and the CEO's assessments of the other senior officers. Management conducts in-depth reviews of succession options relating to senior management positions and, when appropriate, approves the rotation of senior executives into new roles to broaden their responsibilities and experiences and deepen the pool of internal candidates for senior management positions.

In 2016, Human Resources has conducted an assessment of talent across the company and reviewed reports on planned actions to enhance talent development and increase bench strength for key roles. The Company also reviewed in detail succession plans for Executive Team roles and heads of key functions.

MODES OF COMMUNICATION

We are committed to always keep our stakeholders abreast with company developments , events and other activities through various media available to them, as follows:

INTRANET SKIES

Sun Life's intranet provides the latest updates on staff and agency activities. These news reports posted on SKIES are updated on a weekly or daily basis depending on the urgency of the news or advisories. Those who have access to SKIES include all employees and New Business Managers only.

AGENT'S PORTAL

If we have SKIES for the staff, we have an Agents' Portal to keep all field managers and advisors updated on the latest news about the company, agency activities and sales campaign.

QUARTERLY STAFF TOWN HALL MEETINGS

The Company, through its Human Resources Department, holds quarterly town hall meetings with the staff to discuss the latest development within the company, changes in company policies, management decisions and activities that require staff participation. This is also one opportunity where service awardees are recognized and new hires are introduced to the whole workforce.

SUN LIFE PH WEBSITE

Sun Life's Philippine website provides the latest news, product information, marketing activities of the company. The information posted in the website is updated on a weekly or monthly basis depending on the urgency of the information.

BRANCH MEETINGS

All New Business Office managers are required to hold weekly or monthly meetings with their team members to update one another on their NBO's progress with regard to their respective sales targets, and to discuss and plot new activities. The branch meetings also serve as an opportunity to honor sales awardees and introduce their newly-coded advisors to the whole branch.

INTERNAL SUN LIFE NEWS BROADCAST (SLF SOCIAL)

SLF SOCIAL is a marketing-initiated TV newscast that reports on the latest news about the company, updates on staff events and interviews with staff members and executives who get invited to share their insights about company policies and management decisions.

PRESS CONFERENCES

The company, through its Integrated Public Relations & Corporate Communications section, holds periodical press conferences to share with media friends updates about company activities, campaigns, and survey results coming from SOLAR (Sun Life's Study of Lifestyles, Attitudes and Relationships) on the state of the Filipinos' financial literacy and their behavior towards financial planning and money matters. These press conferences give Sun Life the opportunity to have the company CEO and members of the Philippine leadership Team to be interviewed by the various press and TV personnel on issues relevant to the industry and advocacies supported by Sun Life. Each press conference, held either outside Metro Manila or in the Metro itself is usually attended by at least 30 press reporters and editors, and at least four TV networks.

COMPANY PUBLICATIONS AND E-NEWSLETTERS

The four company journals include the following: The SUN Today, a quarterly newsletter for the staff; SHINE Magazine, a tri-annual news magazine for all advisors; Sun eNews, the electronic newsletter for all advisors; and Bright News , the electronic newsletter for clients.

Sun Life also sends out the annual newsletter, LIFETIMES, to all participating policyholders. This annual newsletter features the President's Report that discusses financial performance for the year and the changes in dividend scale adjustments as mandated by Toronto-based Sun Life Financial, Inc. It also features new product launches and operational updates. LIFETIMES is sent out to some 300,000 par policyholders every June of each year.

Corporate Social Responsibility

The story of the Sun Life Foundation unfolds in the hands and hearts of every Sun Lifer.

Giving back has been a tradition of the Sun Life family. Advisors and employees have organized their own volunteer activities, passing on the value of generosity through generations. It was in this spirit that the Sharing Hope and Resources for Education and Social Services or S.H.A.R.E.S. was born. Here, volunteerism flourished from providing relief efforts to building houses for the homeless, caring for the environment and providing free education. The light of generosity radiated through the company, inspiring Sun Lifers to truly make a difference.

And in 2007, the deep and collective desire of Sun Lifers to help the less privileged and contribute to building a more sustainable community paved the way for the establishment of the Sun Life Financial-Philippines Foundation, Inc. ("Sun Life Foundation"). It harnessed the energy of Sun Lifers further towards achieving our mission of BUILDING A BRIGHTER WORLD – anchored by the four pillars of Education, Health, Environment and Arts and Culture.

Today, the Sun Life Foundation continues to pursue its vision of a Brighter World -- by touching lives and making them shine not only for a day but for generations to come.

In 2016, the following projects were mounted:

Education

Sun Life Foundation heightened its volunteer activities through ‘Brigada Eskwela,’ an annual project in support of the Department of Education’s cleanliness program wherein volunteers from various organizations come together to paint classrooms and clean school surroundings in preparation for the coming school year. Sun Life gathered over a hundred volunteers to clean and paint classrooms in Manila, Bacolod, Cebu, Davao and Iloilo. In conjunction with the project.

Sun Life employees and advisors also gathered to distribute back-to-school kits to elementary and high school students in Metro Manila and in the Visayas.

The Sun Life Foundation also partnered for the first time in 2016 with BDO Foundation to turn over a two-story school building consisting of four-classrooms fully equipped with armchairs, teachers’ desks, blackboards, wall fans and toilets benefiting over 700 students of Panalaron Central School in Tacloban City, Leyte. This is in addition to the 21 classrooms donated earlier also in the Visayas . These donations form part of Sun Life Foundation’s “Project 120 Classrooms” in partnership with Children’s Hour, which aimed at helping rebuild schools in areas that were affected by the Bohol earthquake and the Typhoon Yolanda in 2013.

Scholarship grants were also given last year to eight academic partners in Luzon and Vismin. Complementing these was the Foundation’s ‘Bantay Edukasyon Scholarship Grant’ for elementary and high school students at the Legacy of Light Village in Calauan, Laguna which is now home to informal settlers who used to live along the banks of Estero de Paco and Pandacan.

Environment

In partnership with World Wide Fund for Nature – Philippines (WWF-Philippines), Sun Life Foundation continued to provide clean water through the 'WWF Forests for Water Program," helping local farmers and families in far flung areas in Isabela.

The Sun Life Foundation also teamed up with WWF in piloting the first EARTH HOUR Village in Monreal, Masbate. Sun Life Foundation's donation was used to fund proposed adaptive technology solutions - - specifically food through container gardening, water with rainwater harvesting tank with biofilter for safe drinking, and energy components via solar powered lamps to light up houses during the night - - for a total of five sitios within the Earth Hour Village. An estimated 125 households benefited from the project.

Aside from these, the Sun Life Foundation also conducted relief operations in Typhoon Lawin-stricken areas in Cagayan (Penablanca and Iguig) and Abra. The year also saw the Foundation donating one rescue boat   to Bulacan, in addition to the 40 boats donated to the fishermen in Leyte and Samar (which completes the 160 boats committed for these areas).

Health

In its efforts to continue its tradition for an annual blood donation drive in partnership with the Philippine Red Cross (PRC), the Sun Life Foundation held its nationwide blood drive in Manila, Bacolod, Iloilo, Davao and Cebu with over a hundred combined donors participating in these key cities.

Participation in key initiatives for the benefit of kids living with cancer also took the front seat with the Sun Life Foundation, in alliance with Kythe Foundation, sponsoring a volunteer activity through project "Kythe Flying," hand in hand with "Haven for the Elderly," a volunteer activity for the abandoned elderly

Arts & Culture

And finally, in the realm of arts and culture, the Foundation provided for the construction of "Gallery I: Biodiversity of the Philippines" at the National Museum of Natural History which will showcase a stuffed version of Lolong – the largest crocodile in captivity in the world – which was caught in Agusan del Sur.

Branches and Offices

TERRITORY 1 (MANILA 1 & MINDANAO)		
Branch	**Address**	**Contact no(s)**
BAOBAB	6F, BTTC Centre, 288 Ortigas Ave. cor Roosevelt St., San Juan City	719-3893 loc 512 Fax 719-3894
BIRCH	2/F Tiburon Bldg., Dasmarinas cor. Q. Paredes, Binondo, Manila	247-9402/09 Fax 247-9422
CEDAR	3/F ACE Bldg., 101 Rada St., Legaspi Vill., Makati City	643-1633 Fax 892-7062
CYPRESS	6F, BTTC Centre, 288 Ortigas Ave. cor Roosevelt St., San Juan City	7193903 ext 403 Fax 7193904 ext 404
EMPRESS	16F, Frabelle Business Center, 111 Rada St. Legaspi Village, Makati City	705-9701 loc. 2701
EUCALYPTUS	3/F ACE Bldg., 101 Rada St., Legaspi Vill., Makati City	894-2462 Fax 812-9834
GOLDENRAIN	16F, Frabelle Business Center, 111 Rada St. Legaspi Village, Makati City	705-9601
GREEN FIR	6/F Tiburon Bldg. ,Dasmarinas cor. Q. Paredes Binondo, Manila	247-9434 Fax 247-9438
JOSHUA TREE	16F Picadilly Star, Blk. 19, Lot 3, 4th Ave. corner 27th St., Bonifacio Global City, Taguig City	804-1706 loc 8031 Fax 831-3621
LAURELWOOD	5/F ACE Bldg., 101 Rada St., Legaspi Vill., Makati City	643-1703 Fax 892-7062
MANGO	2/F, Place One Commercial Bldg., 205 Katipunan Ave., Quezon City	961-2403 Fax 961-2812
MULBERRY	2/F ORCEL 2 Bldg. , 1611, Quezon Ave, QC	920-4108 Fax 920-3170
OSMANTHUS	5/F Tiburon Bldg., Dasmarinas cor. Q. Paredes, Binondo, Manila	247-9462/76 Fax 247-9497
REDWOOD	6F, BTTC Centre, 288 Ortigas Ave. cor Roosevelt St., San Juan City	719-3802 ext 302 Fax: 719-3805
REDWOOD -CEBU	3/F Innove Plaza, Panay Road cor. Samar Loop, Cebu Business Park, Cebu City	(032) 415-8568 TeleFax: (032) 415-8568
RED SPRUCE	6F, BTTC Centre, 288 Ortigas Ave. cor Roosevelt St., San Juan City	719-3878 Fax 7193988

ROYAL POINCIANA	15F, Frabelle Business Center, 111 Rada St. Legaspi Village, Makati City	705 9650 - 74
SAKURA	15F, Frabelle Business Center, 111 Rada St. Legaspi Village, Makati City	705-9751
TINDALO	7/F ACE Bldg., 101 Rada St., Legaspi Vill., Makati City	643-1861 Fax 892-7016
PROVINCIAL SALES MINDANAO	2/F Plaza de Luisa Comm Comp., R. Magsaysay Ave., Davao City	(082) 227-5269 / 2279319 / 222-0731 227-9462 / 227-9859 / 227-6128 Fax # (082) 221-3968
DURIAN	2/F Plaza de Luisa Comm Comp., Ramon Magsaysay Ave., Davao City	(082) 221-0072/227-7514 Fax (082) 226-3638
IRONWOOD	3/F Santanna Bldg; Santiago Boulevard General Santos City, 9500	(083) 553- 0850
MANGROVE	2/F Plaza de Luisa Comm Comp., R. Magsaysay Ave., Davao City	(082) 227-5269 / 2279319 / 222-0731 227-9462 / 227-9859 / 227-612 Fax # (082) 221-3968
NARRA	2/F Phil 1st Insurance Bldg., Pres Aguinaldo cor Borja Sts, CDO City	(088) 857-4824 (08822) 72-62-52

TERITORY 2 (MANILA 2 , LUZON & VISAYAS)

Branch	Address	Contact no(s)
ALMOND	10/F Feliza Bldg., 108 V.A. Rufino St., Legaspi Vill., Makati City	892-8204 Fax 894-5624
BAMBOO	6/F Lepanto Bldg.,8747 Paseo de Roxas St., Salcedo Village Makati City	813-7229 loc 601 Fax 813-7229 loc 611
CHESTNUT	2/F Lepanto Bldg.,8747 Paseo de Roxas St., Salcedo Village Makati City	813-7229 loc.301 Fax 812-9047/361-6776
COTTONWOOD	Unit 1601 Picadilly Star, Blk. 19, Lot 3, 4th Ave. corner 27th St., Bonifacio Global City, Taguig City	804-1706 loc 8002 Fax: 804-1023
EVERGREEN	3/F Unit 3001, Orient Square Bldg. F. Ortigas Jr. Ave., Ortigas Ctr, Pasig City	683-3436 Fax 650-0397
GENUS PINE	10/F Feliza Bldg., 108 V.A. Rufino St., Legaspi Vill., Makati City	892-4174 Fax 894-1403
IVY	5/F ACE Bldg., 101 Rada St., Legaspi Vill., Makati City	643-1690 Fax 819-6124
JACARANDA	30/F Unit 3001 Orient Square Bldg. F. Ortigas Jr. Ave., Ortigas Ctr, Pasig City	683-3408/02
JARRAH	30/F Unit 3001, Orient Square Bldg. F. Ortigas Jr. Ave., Ortigas Ctr, Pasig City	683-3475 Fax 683-3421

TERRITORY 3 (MANILA 3 & MINDANAO)		
Branch	**Address**	**Contact no(s)**
MOLAVE	2/F ACE Bldg., 101 Rada St., Legaspi Vill., Makati City	643-1771 Fax 892-4144
MULAWIN	5/F ACE Bldg., 101 Rada St., Legaspi Vill., Makati City	643-1743 Fax 815-4978
PALM	5/F ACE Bldg., 101 Rada St., Legaspi Vill., Makati City	643-1833 Fax 893-1887
ROSEWOOD	2/F Lepanto Bldg.,8747 Paseo de Roxas St., Salcedo Village Makati City	813-7229 loc.501 Fax 812-6676
SEQUOIA	2/F Lepanto Bldg.,8747 Paseo de Roxas St., Salcedo Village Makati City	813-7229 loc.401 Fax 812-3368
TJIKKO	24/F Unit 3001, Orient Square Bldg. F. Ortigas Jr. Ave., Ortigas Ctr, Pasig City	683-3484
BAYWOOD	2F AS BLDG. (PLANTERS DEVT BANK) National Road, Calamba,Laguna	(049) 545-7491/ (049) 545-9830-Baywood telefax:(049) 545-0460/ (049) 545-0461)
COACHWOOD	2/F Odette Grace Bldg. McArthur H-way, Dolores, San Fernando, Pampanga	(045) 961-0208/961-1304/8601632 Fax (045) 961-1303
DRAGONWOOD	3/F RM Centerpoint, Rizal Ave. cor Magsaysay Drive, East Tapinac, Olongapo City	(047)224-7375 to 78 Fax (047) 224-7376
MAGNOLIA WOODS (Pampanga)	3/F Oceana Commercial Complex, km 85, Mc. Arthur Highway, Sta. Maria,Balibago, Angeles City, Pampanga	(045) 458-2737/458-2739 Fax (045) 458-2398
MIRACLE TREE	Unit 316 & 317, Arcadia Building, Tagaytay-Balibago Road, Sta Rosa City, Laguna	(045) 544 2865
OLIVE (Cabanatuan)	2nd Floor, PCG Building, Km. 112, Maharlika HW, Cabanatuan City, Nueva Ecija	(044) 463-8251 Fax (044) 600-2867
PROVINCIAL SALES VISAYAS	3/F Innove Plaza, Panay Road cor Samar Loop, Cebu Bus. Park, Cebu City	(032) 415-8543 (trunkline) 415-8544 to 49 415-8565 (telefax) local 5312
ACACIA	3/F Innove Plaza, Panay Road cor Samar Loop, Cebu Bus. Park, Cebu City	(032) 415-8543 (trunkline)| 415-8544 to 49; 415-8565 (telefax)
BRISTLECONE	2/F 168 Platinum Square Bldg., Gen Luna St., Iloilo City	(033) 337-8918/336-3189 (033) 508-5323 Fax # (033) 336-8120
BRISTLECONE (Bacolod)	Two Sanparq Building, San Antonio Park Square, Lacson St., Mandalagan, Bacolod City.	(034) 441-1246/441-1233/441-1240 (034) 441-1253/441-1236/441-1256 Fax (034) 441-1158 csd
CORINTHIAN	3/F 168 Platinum Square Bldg. Gen Luna St., Iloilo City,	(033) 338-4551 to 54 (033) 338-4557 Fax (033) 335-8387 / (033) 335-0032
CORINTHIAN (Bacolod)	Two Sanparq Building, San Antonio Park Square, Lacson St., Mandalagan, Bacolod City.	(034) 441-1246/441-1233/441-1240 (034) 441-1253/441-1236/441-1256 Fax (034) 441-1158 csd


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FOR INQUIRIES: CONTACT CUSTOMER CARE HOTLINE AT (02) 849-9888

Sun Life Financial

Sun Life of Canada (Philippines), Inc.
2/F Sun Life Centre
5th Avenue corner Rizal Drive
Bonifacio Global City,
Taguig City 1634

Trunkline: 555-8888
Call Center (Sunlink): (632) 849-9888

www.sunlife.com.ph

CLIENT'S COPY

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	1	1	6	1	9

Company Name

SUN LIFE OF CANADA

(PHILIPPINES), INC.

Principal Office (No./Street/Barangay/City/Town)Province)

2ND FLOOR SUN LIFE CENTRE

5TH AVENUE COR. RIZAL DRIVE

BONIFACIO GLOBAL CITY

TAGUIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	555-8888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
6	Third Friday of April	12 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Josefina Castillo	jcast@sunlife.com	555-8888	

Contact Person's Address

2nd Floor Sun Life Centre Bldg 5th Avenue cor. Rizal Drive, Bonifacio Global City, Taguig City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commimission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Futher, non-receipt of Notice of Defeciencies shall not excuse the corporation from liability for its deficiencies.

Sun Life Financial

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The Management of Sun Life of Canada (Philippines), Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Navarro Amper & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JOSE ISIDRO N. CAMACHO
Chairman of the Board

RIZALINA G. MANTARING
President & Chief Executive Officer

MA. JOSEFINA A. CASTILLO
Chief Financial Officer & Treasurer

Signed this 7th day of March 2017

Subscribed and sworn to before me, a Notary Public for and in ______, this ___ day of ______2017 APR 0 4 2017

at PASAY CITY by affiants, who personally exhibiting as proof of their identity the following competent evidence of identification:

Name	Competent Evidence of Identity	
Jose Isidro N. Camacho	Passport No. EC 1387801	06-13-14/Singapore
Rizalina G. Mantaring	Passport No. EC5964028	11-13-15/Manila
Maria Josefina A. Castillo	Passport No.P2050182A	02-28-17/Manila

Doc. No. 284
Page No. 58
Book No. IV
Series of 2017

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. 5266148-1/3/2017 PASAY CITY
IBP NO. 1052056-1/3/2017 PASAY CITY
COMPLIANCE NO.
V-0024151-10/25/2016
ROLL NO. 28781

Sun Life Financial

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for Sun Life of Canada (Philippines), Inc. for the period ending December 31, 2016.

In discharging this responsibility, I hereby declare that I, am the Controller of Sun Life of Canada (Philippines), Inc.

Furthermore, in my compilation services for preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of Navarro Amper & Co. who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

Roselle L. Lustre

Professional Identification Card Number: 92403
Valid Until September 12, 2019

Accreditation Number: 1108 Reference No. 2016-3574
Valid Until September 12, 2019

APR 07 2017

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 04 2017 DAY OF 2017 IN PASAY CITY

NOTARY PUBLIC

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. 5266148-1/3/2017 PASAY CITY
IBP NO. 1052058-1/3/2017 PASAY CITY
COMPLIANCE NO.
U-0024151-10/25/2016
ROLL NO. 28781

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Book No. 12
Series of 2017

NavarroAmper&Co.

Navarro Amper & Co.
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www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

The Board of Directors and Shareholders
SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Gentlemen:

We have examined the financial statements of Sun Life of Canada (Philippines), Inc. for the year ended December 31, 2016, on which we have rendered the attached report dated March 7, 2017.

In compliance with SRC Rule 68, as amended, we are stating that the said Company has only one (1) shareholder owning one hundred (100) or more shares.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
IC Accreditation No. F-2017-001-R, issued on February 24, 2017; effective until February 23, 2020
TIN 005299331

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 0526-AR-3, issued on April 21, 2016; effective until April 21, 2019, Group A
IC A. N. SP-2017-003-O, issued on February 24, 2017; effective until February 23, 2020
TIN 170035681
BIR A.N. 08-002552-18-2015, issued on February 6, 2015; effective until February 5, 2018
PTR No. A-3264646, issued on January 5, 2017, Taguig City

Taguig City, Philippines
March 7, 2017

Deloitte.

NavarroAmper&Co.

Navarro Amper & Co.
19th Floor Net Lima Plaza
5th Avenue corner 26th Street
Bonifacio Global City, Taguig 1634
Philippines

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Fax: +63 (2) 869 3676
www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

APR 07 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Life of Canada (Philippines), Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Sun Life of Canada (Philippines), Inc. in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required by Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 46 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
IC Accreditation No. F-2017-001-R, issued on February 24, 2017; effective until February 23, 2020
TIN 005299331

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 0526-AR-3, issued on April 21, 2016; effective until April 21, 2019, Group A
IC A. N. SP-2017-003-O, issued on February 24, 2017; effective until February 23, 2020
TIN 170035681
BIR A.N. 08-002552-18-2015, issued on February 6, 2015; effective until February 5, 2018
PTR No. A-3264646, issued on January 5, 2017, Taguig City

Taguig City, Philippines
March 7, 2017

APR 07 2017

SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

STATEMENTS OF FINANCIAL POSITION

	Notes	December 31 2016	2015
ASSETS			
Cash and cash equivalents	6	**P 3,675,827,426**	P 4,033,043,516
Financial assets at fair value through profit or los	12	**86,654,567,495**	75,068,767,157
Available-for-sale financial assets	8	**98,102,939,874**	96,023,068,191
Uncollected policyholder premiums	28	**400,968,040**	449,643,910
Policyholders' loans	13	**7,493,810,802**	7,699,874,677
Loans and receivables	9	**5,457,745,290**	4,837,824,096
Due from related parties	18	**242,658,985**	177,009,802
Investment income earned and accrued	14	**1,999,452,598**	1,793,937,621
Other receivables	19	**382,166,017**	159,518,126
Loan to fellow subsidiary	18	**2,124,160,601**	1,964,391,278
Investment in associate	11	**501,944,671**	509,409,995
Investments in subsidiaries	10	**630,360,590**	630,360,590
Intangible asset - net	16	**126,297,778**	147,347,410
Leasehold, property and equipment - net	15	**1,415,487,905**	1,275,333,791
Investment property - net	17	**706,749,532**	774,628,544
Prepayments and other assets	20	**784,169,132**	690,364,945
TOTAL ASSETS		**P210,699,306,736**	P196,234,523,649
LIABILITIES AND EQUITY			
Liabilities			
Derivative financial instruments	7	**P 71,027,449**	P 47,443,272
Variable unit-linked liabilities	21	**87,326,879,735**	75,070,171,081
Insurance contract liabilities	22	**62,669,347,018**	60,093,733,159
Due to policyholders	23	**26,656,223,916**	25,810,875,355
Due to related parties	18	**38,414,417**	23,472,314
Accounts payable, accrued expenses and other liabilities	24	**2,717,648,062**	2,683,445,792
Retirement benefit obligation	35	**118,400,200**	323,830,500
Deferred tax liability	39	**122,566,118**	130,873,291
		179,720,506,916	164,183,844,764
Equity			
Share capital	25	**500,000,200**	500,000,200
Reserves	26	**15,854,514,194**	16,926,742,139
Retained earnings		**14,624,285,426**	14,623,936,546
		30,978,799,820	32,050,678,885
TOTAL LIABILITIES AND EQUITY		**P210,699,306,736**	P196,234,523,649

See Notes to Financial Statements.

SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the Years Ended December 31 2016	2015
Income			
Gross premiums	28	**P32,159,569,757**	P33,018,114,278
Less premiums ceded	28	**265,660,481**	206,988,070
Premiums - net		**31,893,909,276**	32,811,126,208
Investments - net	29	**6,653,195,368**	7,369,313,351
Fee income	18	**319,939,166**	330,930,288
Other income	30	**1,024,740,208**	1,010,006,554
		39,891,784,018	41,521,376,401
Benefits, Increase in Reserves and Operating Expenses			
Variable unit-linked fund allocation	21	**12,266,985,230**	13,831,846,651
Increase in insurance contract liabilities	22	**2,575,613,859**	2,606,178,346
Surrenders and maturities	23	**7,808,041,799**	7,237,930,129
Death, disability and other policy benefits	23	**4,391,114,739**	4,239,301,773
Commissions, bonuses and other agents' expenses	31	**5,637,653,517**	5,143,967,796
General and administrative expenses	32	**3,722,854,107**	3,219,371,675
Insurance taxes, licenses and fees	33	**325,931,655**	353,830,103
		36,728,194,906	36,632,426,473
Profit Before Tax		**3,163,589,112**	4,888,949,928
Income tax expense	38	**1,380,742,532**	1,535,091,352
Profit for the Year		**1,782,846,580**	3,353,858,576
Other Comprehensive Income			
Item that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation	35	**217,503,100**	(151,309,200)
Item that will be reclassified to profit or loss			
Net loss on fair value measurement	26	**(1,072,227,945)**	(7,079,569,301)
Other Comprehensive Loss		**(854,724,845)**	(7,230,878,501)
Total Comprehensive (Loss) Income for the Year		**P 928,121,735**	(P3,877,019,925)

See Notes to Financial Statements.

SUNLIFE OF CANADA (PHILIPPINES), INC.

(A Wholly-Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.)

STATEMENTS OF CHANGES IN EQUITY

		For the Years Ended December 31			
	Notes	**Share Capital**	**Reserves**	**Retained Earnings**	**Total**
Balance, January 1, 2015		P500,000,200	P24,006,311,440	P13,421,387,970	P37,927,699,610
Profit for the year		-		3,353,858,576	3,353,858,576
Other comprehensive loss - net	29, 35	-	(7,079,569,301)	(151,309,200)	(7,230,878,501)
Total comprehensive loss		-	(7,079,569,301)	3,202,549,376	(3,877,019,925)
Dividends declared and paid	27			(2,000,000,800)	(2,000,000,800)
Balance, December 31, 2015		500,000,200	16,926,742,139	14,623,936,546	32,050,678,885
Profit for the year		-		1,782,846,580	1,782,846,580
Other comprehensive loss - net	29, 35		(1,072,227,945)	217,503,100	(854,724,845)
Total comprehensive loss		-	(1,072,227,945)	2,000,349,680	928,121,735
Dividends declared and paid	27			(2,000,000,800)	(2,000,000,800)
Balance, December 31, 2016		**P500,000,200**	**P15,854,514,194**	**P14,624,285,426**	**P30,978,799,820**

See Notes to Financial Statements.

SUN LIFE OF CANADA (PHILIPPINES), INC.

[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]

STATEMENTS OF CASH FLOWS

		For the Years Ended December 31	
	Notes	**2016**	**2015**
Cash Flows from Operating Activities			
Profit before tax		**P3,163,589,112**	P4,888,949,928
Adjustments for:			
Depreciation and amortization	32	**264,582,871**	226,471,511
Unrealized loss (gains) on foreign exchange		**(408,553,725)**	(436,244,302)
Unrealized loss on derivative financial instruments	7, 29	**23,584,177**	33,513,250
Unrealized fair value loss on financial assets at FVTPL	12	**1,530,835,052**	3,798,752,690
Impairment loss on AFS finanical assets	8	**43,022,286**	263,979,722
Realized fair value loss (gain) from :			
AFS financial assets	8, 29	**(48,502,309)**	(2,123,027,670)
Financial asstes at FVTPL	12, 29	**320,934,589**	(935,817,819)
Gain on disposal of leasehold, property and equipment	30	**(4,413,132)**	(2,954,462)
Interest income	29, 30	**(7,706,379,553)**	(7,477,177,609)
Dividend income	29	**(1,015,126,817)**	(918,881,803)
Increase in insurance contract liabilities	22	**2,575,613,859**	2,606,178,346
Dividends to policyholder	23	**1,982,740,894**	1,895,315,575
Interest on dividends to policyholder	23	**1,411,058,295**	1,383,780,293
Retirement benefit expense	35	**115,141,500**	80,172,400
Operating cash flows before working capital changes		**2,248,127,099**	3,283,010,050
Decrease (Increase) in:			
Uncollected policyholder premiums		**48,675,870**	68,102,686
Receivable from agents and employees		**(3,913,123)**	(3,123,316)
Due from related parties		**(69,976,100)**	(82,633,740)
Other receivables		**(218,320,971)**	102,555,809
Prepayments and other assets		**(37,746,523)**	(208,027,509)
Increase (Decrease) in:			
VUL linked liabilities		**12,281,908,654**	13,823,633,016
Due to policyholders		**130,525,803**	(185,033,281)
Due to related parties		**14,942,103**	(8,304,521)
Accounts payable, accrued expenses and other liabilities		**34,202,270**	(400,619,659)
Cash generated from operations		**14,428,425,082**	16,389,559,535
Income taxes paid		**(1,470,307,369)**	(1,404,218,061)
Interest and dividends paid to policyholders		**(2,678,976,431)**	(2,295,272,747)
Contributions paid to retirement plan	35	**(103,068,700)**	(81,899,100)
Net cash generated from operating activities		**10,176,072,582**	12,608,169,627

(Forward)

	Notes	2016	2015
Net cash from operating activities *(balance forwarded)*		**10,176,072,582**	12,608,169,627
Cash Flows from Investing Activities			
Interest received from			
Guaranteed loans	9	**300,574,767**	290,069,126
Receivables from agents and employees	9	**13,234,200**	13,011,639
Receivables from policyholders' loans		**764,930,795**	772,648,936
Investments in AFS financial assets		**5,908,563,499**	5,889,823,834
Investments in financial assets at FVTPL	8	**627,509,449**	528,425,499
Cash and cash equivalents		**36,991,782**	22,132,079
Dividend received from shares of stocks	8, 12	**1,000,623,101**	904,064,686
Proceeds from sale/maturities of investments in:			
AFS Financial Assets	8	**1,662,518,343**	11,813,991,964
Financial assets at FVTPL	12	**56,916,355,223**	37,771,785,260
Acquisitions of investments in:			
AFS Financial Assets	8	**(4,611,632,924)**	(13,672,240,898)
Financial assets at FVTPL		**(70,353,925,202)**	(54,047,335,236)
Acquisition of leasehold, property and equipment	15	**(317,219,413)**	(192,419,508)
Collections of:			
Guaranteed loans		**22,200,000**	22,200,000
Policyholders' loans		**2,685,214,371**	2,881,062,378
Releases of:			
Guaranteed loans		**(638,208,071)**	-
Loan to fellow subsidiary	18	**(80,000,000)**	(40,000,000)
Policyholders' loans		**(2,479,150,496)**	(2,704,105,990)
Proceeds from disposal of leasehold, property and equipment		**5,824,204**	4,373,481
Net cash used in investing activities		**(8,535,596,372)**	(9,742,512,750)
Cash Flows from Financing Activity			
Dividends paid	27	**(2,000,000,800)**	(2,000,000,800)
Net Increase (Decrease) in Cash and Cash Equivalents		**(359,524,590)**	865,656,077
Effect of Changes in Foreign Exchange Rates		**2,308,500**	4,978,751
Cash and Cash Equivalents, Beginning		**4,033,043,516**	3,162,408,688
Cash and Cash Equivalents, End		**P3,675,827,426**	P4,033,043,516

See Notes to Financial Statements.

1. CORPORATE INFORMATION

Sun Life of Canada (Philippines), Inc. (the "Company"), a wholly owned subsidiary of Sun Life of Canada (Netherlands) B.V., is a stock life insurance company authorized to engage in, conduct, transact, carry on and undertake the business of life insurance, including accident and health insurance. The ultimate parent company is Sun Life Financial, Inc. (SLF, Inc.), a company incorporated under the laws of Canada.

The Company was registered with the Philippine Securities and Exchange Commission (SEC) on July 28, 1999. On December 22, 1999, the Company was granted a Certificate of Authority by the Insurance Commission (IC) to operate as a life insurance company and started commercial operations on April 1, 2000. On July 29, 2004, the IC approved the Company's license to sell variable insurance or investment-linked insurance, a life insurance product that is linked to investment funds.

The registered office address and principal place of business of the Company is at the 2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, Taguig City.

2. FINANCIAL REPORTING FRAMEWORK

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standard Council (FRSC) and the Board of Accountancy (BOA), and adopted by SEC.

Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis, except for:

- financial instruments measured at fair value;
- financial instruments carried at amortized cost;
- investment in associate measured at fair value;
- insurance contract liabilities computed based on assumptions which are in accordance with the Insurance Code of the Philippines and the regulations set by the IC;
- liabilities for cash-settled share-based payment arrangements measured at fair value; and
- the defined benefit obligation recognized as the net total of the present value of the defined benefit obligation less the present value of plan assets.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company is also required to file an annual statement with the IC, which is different from this set of financial statements. In certain respects, insurance accounting principles and reporting practices differ from PFRS. For the annual statement submitted with the IC, the significant principles and practices are as follows:

a. Policyholder premiums are recognized as earned when due or received instead of over the life of the policy; commissions on reinsurance ceded are recognized when cessions are made;

b. Policy acquisition costs are charged to current operations as incurred rather than amortized over the premium-paying period of the policies;

c. Investments in marketable bonds are carried at book value, while shares of stocks are stated at market value based on the recommended value published by the IC rather than closing prices used for statutory reporting;

d. Legal policy reserves, reserve for dividends to policyholders and other policy liabilities are computed based on actuarial assumptions, in accordance with the Philippine insurance regulations and are modified as the need arises to reflect current experience;

e. Policy benefits are recognized in the accounts when paid or when claims are filed and approved.

Functional Currency

These financial statements are presented in Philippine peso, the currency of the primary economic environment in which the Company operates. All amounts are recorded in the nearest peso, except when otherwise indicated.

Separate Financial Statements

These are the Company's separate financial statements. Separate financial statements are those presented by a Parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

The Company did not present consolidated financial statements having met the following criteria set out in PFRS 10, *Consolidated Financial Statements*:

- the Company is itself a wholly owned subsidiary of another entity and its owners including those not otherwise entitled to vote, have been informed about, and do not object to, the Company not preparing consolidated financial statements;
- the Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- the Company did not file, nor is it in the process of filing, its consolidated financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- the ultimate parent of the Company produces consolidated financial statements available for public use that comply with PFRS.

The consolidated financial statements in accordance with IFRS are prepared by SLF Inc., a publicly traded company and is the holding company of Sun Life Assurance Company of Canada (Sun Life Assurance) and Sun Life Global Investments Inc. Both SLF Inc. and Sun Life Assurance are incorporated under the Insurance Companies Act of Canada, and are regulated by the Office of the Superintendent of Financial Institutions, Canada (OSFI). The consolidated financial statements can be obtained from SLF Inc., the ultimate parent, located at 150 King Street West, Toronto, Ontario, Canada M5H 1J9.

3. ADOPTION OF ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standards Effective in 2016

The following new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and issued by the FRSC in the Philippines were adopted by the Company effective on January 1, 2016:

Amendments to PAS 16, *Property, Plant and Equipment* and Amendments to PAS 41, *Agriculture*

The amendments include 'bearer plants' within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with PAS 16. The amendments also introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The amendments moreover, clarify that produce growing on bearer plants remains within the scope of PAS 41.

The amendments did not have an impact on the Company's financial statements.

Amendments to PAS 27, *Separate Financial Statements*

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted.

The amendments did not have an impact on the Company's financial statements.

Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*

These amendments prohibit the use of a revenue-based depreciation method for property, plant and equipment and introduces a rebuttable presumption that such method is not appropriate for calculating the amortization of an intangible asset. However, the IASB states that there are limited circumstances when the presumption can be overcome:

- the intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and
- it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset).

The amendments did not have an impact on the Company's financial statements.

Annual Improvements to PFRSs 2012-2014 Cycle

The annual improvements address the following issues:

Amendments to PFRS 7, *Financial Instruments: Disclosures*

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and clarification on the applicability of the amendments to PFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendments did not have an impact on the Company's financial statements.

Amendment to PAS 19, *Employee Benefits*

The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendment did not have an impact on the Company's financial statements.

Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*

The amendments address the following issues that have arisen in relation to the exemption from consolidation for investment entities:

- whether an investment entity parent should account for an investment entity subsidiary at fair value, when the subsidiary provides investment-related services to third parties;
- the interaction between the investment entity amendments and the exemption from preparing consolidated financial statements requirements in PFRS 10; and
- whether a non-investment entity must 'unwind' the fair value accounting of its joint ventures or associates that are investment entities.

An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by PFRS 12.

The amendments did not have an impact on the Company's financial statements.

Amendments to PAS 1, *Presentation of Financial Statements*

The amendments include the following:

- Materiality. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- Statement of financial position and statement of profit or loss and other comprehensive income. The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements, and (2) clarify that an entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes. The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in PAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2016

The Company will adopt the following once became effective.

PFRS 9, *Financial Instruments (2014)*

This standard consists of the following three phases:

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under this standard, all recognized financial assets that are currently within the scope of PAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write done for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.

- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option.

- All other debt instruments must be measured at FVTPL.

- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. Under this standard, changes in the fair value of financial liability designated as FVTPL attributable to changes in credit risk are presented in other comprehensive income, unless the presentation of the effect of such change in other comprehensive income would create or increase an accounting mismatch. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The Company conducted an initial study on the impact of an early adoption of PFRS 9, Financial Instruments, on the financial statements using the audited financial data as at December 31, 2016. Based on Management's assessment, the recognition and measurement of the Company's loans and receivables, investment in equity securities, and financial liabilities would be the same under PAS 39 and PFRS 9. Investments in debt securities, however, will have to be measured either at amortized cost or FVTPL, depending on the business model and cash flow characteristics of the investment.

Phase 2: Impairment methodology

The impairment model under this standard reflects expected credit losses. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

The future adoption of the standard will result in initial measurement of loans and receivables at fair value net of transaction costs and expected credit losses.

Phase 3: Hedge accounting

The general hedge accounting requirements for this standard retain the three types of hedge accounting mechanism in PAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of economic relationships. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The future adoption of the standard will have no effect on the Company's financial statements since the Company does not apply hedge accounting.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

PFRS 16, *Leases*

This standard specifies how a PFRS reporter will recognize, measure, present and disclose leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged.

The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is not permitted, until IFRS 15, *Revenue from Contracts with Customers*, is adopted.

The Management is still evaluating the impact of the new accounting standard.

Amendments to PAS 7, *Disclosure Initiative*

The amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. Furthermore, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The standard is effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

The future adoption of the amendments will have no impact on the Company's financial statements.

Amendments to PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The standard is effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

The future adoption of the amendments will have no impact on the Company's financial statements.

PIC Q&A No. 2016-04 - Application of PFRS 15 *"Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contracts*

This interpretation applies to the accounting for revenue from the sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria in paragraph 9 of PFRS 15.

This interpretation does not deal with the accounting for other aspects of real estate sales such as variable considerations, financing components, commissions and other contract costs, timing of sales of completed properties, etc.

The future adoption of the interpretation will have no impact on the Company's financial statements.

Amendments to PFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 includes:

a. Accounting for cash-settled share-based payment transactions that contain a performance condition. The amendment added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

b. Classification of share-based payment transactions with net settlement features. The amendment has introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

c. Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment has introduced the following clarifications:

- On modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.
- Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

The future adoption of the amendments will have no impact on the Company's financial statements.

Amendments to PFRS 4 – Applying PFRS 9, *Financial Instruments* with PFRS 4 *Insurance Contracts*

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018.

The Management is still evaluating the impact of the new accounting standard.

Annual Improvements to PFRSs 2014-2016 Cycle

The annual improvements address the following issues:

Amendments to PFRS 1 – First-time Adoption of International Financial Reporting Standards

The amendments include the deletion of short-term exemptions stated in the appendix of PFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

Amendments to PFRS 12 – Disclosure of Interests in Other Entities

The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those disclosures needed in the summarized financial for subsidiaries, joint ventures and associates, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.

The future adoption of the amendments will have no impact on the Company's financial statements.

Amendments to PAS 28, *Investments in Associates and Joint Ventures*

The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The Management is still evaluating the impact of the new accounting standard.

Amendments to PAS 40, *Investment Property*

The amendments in transfers of investment property are:

- Stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The Management is still evaluating the impact of the new accounting standard.

Philippine Interpretations IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

The Interpretation is effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The future adoption of the interpretation will have no impact on the Company's financial statements.

New Accounting Standards Issued by International Accounting Standard Board (IASB) which is Effective After the Reporting Period Ended December 31, 2016 but pending for adoption in the Philippines.

The Company will adopt IFRS 15 once became effective.

IFRS 15, *Revenue from Contracts with Customers*

The standard combines, enhances, and replaces specific guidance on recognizing revenue with a single standards.

It defines a new five-step model to recognize revenue from customer contracts as follows:

(a) Step 1: Identify the contract(s) with a customer
(b) Step 2: Identify the performance obligations in the contract
(c) Step 3: Determine the transaction price
(d) Step 4: Allocate the transaction price to the performance obligations in the contract
(e) Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The Management is still evaluating the impact of the new accounting standard on the Company's current revenue recognition

4. SIGNIFICANT ACCOUNTING POLICIES

Financial Assets

Initial recognition

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets, except for investments classified as at FVTPL.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification and subsequent measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets as at December 31, 2016 and 2015 consist of loans and receivables, financial assets at FVTPL and AFS financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company's financial assets classified under this category include cash and cash equivalents, loans and receivables, loan to fellow subsidiary, investment income earned and accrued, policyholders' loans, uncollected policyholder premiums, due from related parties and other receivables.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated upon initial recognition

A financial asset is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company, manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss.

AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM investments or financial assets at FVTPL.

AFS financial assets are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated in investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including fixed income securities classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract such as, default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company.

For certain categories of financial assets, such as uncollected policyholders premiums, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition.

The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

AFS financial assets

When a decline in the fair value of listed shares and fixed income securities classified as AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative gain or loss that had been recognized in other comprehensive income are reclassified to profit or loss in the period even though the financial asset has not been derecognized.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Investment in Associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but there is no control or joint control over those policies.

The Company is exempt from applying equity method based on the provision of PAS 28 (revised 2011) paragraph 17 which states that an investment in associate is not accounted under the equity method when the investee is a parent that is exempt from preparing consolidated financial statements and prepares separate financial statements as its primary financial statements. PAS 27 (revised 2011) paragraph 10 states that in those separate financial statements, investments in associates shall be accounted for either at cost or at fair value in accordance with PAS 39.

The investment in associate is measured initially at fair value including transaction costs. Subsequent to initial recognition, investments in associates are carried at fair value with changes in fair value charged to other comprehensive income and accumulated in investment revaluation reserve.

When a decline in the fair value has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative gain or loss that had been recognized in other comprehensive income are reclassified to profit or loss in the period even though the financial asset has not been derecognized.

Impairment losses previously recognized in profit or loss are not revered through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

The investment in associate is derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in investment revaluation reserve is recognized in profit or loss.

Associate of investment entities

Investment in associates of investment entities are measured at fair value with gains and losses charged to profit or loss.

Investments in Subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by the Company. Investments in subsidiaries are measured initially at cost. Subsequently, these are carried in the Company's financial statements at cost less any accumulated impairment losses.

The Company's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in subsidiaries. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Company's accounting policy on impairment of tangible and intangible assets as a single asset. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The investment in subsidiary is derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in subsidiary and is recognized in profit or loss.

When the Company loses control of a subsidiary, the Company recognizes the fair value of the consideration received, if any, from the transaction that resulted in the loss of control. The carrying amount of the investment in subsidiary is derecognized and any investment retained in the former subsidiary is recognized at its fair value at the date the control is lost. Any resulting difference is recognized in profit or loss.

Subsidiaries of investment entities

An investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

An investment entity does not consolidate when it obtains control over a subsidiary. Instead, investment in subsidiaries are measured at fair value with gains and losses charged to profit or loss.

Variable Unit-linked Insurance Contracts

Variable unit-linked insurance contracts are products for which the Company issues a contract where the benefit amount is directly linked to the fair value of the investments held in particular variable unit-linked (VUL) fund. Although the underlying assets are registered in the Company's name, the VUL fund policyholder bears the risk and rewards of the fund's investment performance. The deposit component received from variable unit-linked insurance contracts is shown as part of gross premiums.

Variable unit-linked liabilities

Variable unit-linked liabilities is increased by additional deposits and changes in unit prices and decreased by policy administration fess, fund changes, and any withdrawals. At the end of each reporting period, variable unit-linked liabilities is computed based on the basis of the number of units allocated to the policy holder multiplied by the unit price of the underlying investment funds. The assets, liabilities, income and expenses of the internal investment funds have been reflected in the appropriate accounts in the statement of financial position and statement of comprehensive income.

Leasehold, Property and Equipment

Leasehold, property and equipment are initially measured at cost. The cost of an item of leasehold, property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Major spare parts and stand-by equipment qualify as leasehold, property and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of leasehold, property and equipment, they are accounted for as leasehold, property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

At the end of each reporting period, item of leasehold, property and equipment measured are carried at cost less any subsequent accumulated depreciation and impairment losses.

Subsequent expenditures relating to an item of leasehold, property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on a straight-line method based on their estimated useful lives of the assets as follows:

Building and building improvements	18-36 years
Condominium units	25 years
Furniture and fixtures	10 years
Office equipment	5 years
Transportation equipment	3 years
Computer equipment	3 years

Leasehold improvements are amortized over the improvement's useful life of ten years or when shorter, the term of the relevant lease.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of leasehold, property and equipment.

Transfers to, or from, leasehold, property and equipment shall be made only when there is a change in use.

An item of leasehold, property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Property

Investment property is property that is held to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is computed on the straight-line method based on the estimated useful life of 36 years.

Transfers to or from investment property shall be made only when there is a change in use.

Investment property is derecognized by the Company upon its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Intangible Asset

The Company's intangible asset relates to the long-term leasehold interest with finite useful life.

Intangible assets that are acquired by the Company with finite useful life are initially measured at cost.

At the end of each reporting period, intangible assets are carried at cost less any subsequent accumulated depreciation and impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization for intangible asset with finite useful life is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the intangible asset, from the date that this is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods of long-term leasehold interest is 25 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss when the asset is derecognized.

Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units. Otherwise, these are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. The increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

The Company's financial liabilities as at December 31, 2016 and 2015 consist of due to policyholders, due to related parties, accounts payable, accrued expenses and other liabilities.

Financial liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities, except for debt instruments classified at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Subsequent measurement

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss.

Derivatives are classified as at FVTPL unless such are designated as effective cash flow hedging instruments. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at end of each reporting period. All derivatives are carried as assets when fair value is positive. Otherwise, derivatives are carried as liabilities. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period to the net carrying amount on initial recognition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Derecognition

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds are received, net of direct issue costs.

Ordinary shares

Share capital consisting of ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Retained earnings

Retained earnings represent accumulated profit attributable to equity holders of the Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Insurance Contract Liabilities

Legal policy reserves and reserve for dividends to policyholders are computed based on the assumptions which are in accordance with the Insurance Code of the Philippines and regulations set by the IC.

Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed to assess the adequacy of the calculated reserves using best estimate assumptions for expected future experience. Assumptions in relation to future deaths, accident or sickness, policy terminations, investment returns and administration expenses are established. An additional provision will be established for any deficiency with direct recognition on profit or loss.

Other Insurance Policy and Contract Liabilities

Other insurance policy and contract liabilities are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event; when it is probable that the Company will be required to settle the obligation through an outflow of resources embodying economic benefits and; when the amount of the obligation can be estimated reliably.

An amount equal to the policyholders' dividends expected to be allotted to policyholders over the next twelve months is set up as provision for policyholders' dividends.

Reserves for claims Incurred But Not Reported (IBNR) pertain to the estimate of the sum of individual claims that have already occurred but on which notice has not yet been received by the Company. This is computed using factors resulting from the review of prior years' experience.

Outstanding claims, premiums on deposit, premiums paid in advance, proceeds on deposit and dividends on deposit are obtained directly from the policy administration system. These represent actual claims payable to the policyholders, premiums paid in advance and balances of benefits and dividends left on deposit with the Company including any interest accruals.

Other insurance policy and contract liabilities are determined and reviewed at end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, such liabilities shall be reversed.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event it is probable that the Company will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Contingent liabilities and contingent assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only if an inflow of economic benefits is probable.

Share-based Payments

The Company recognizes the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

The equity instruments offered by SLF, Inc. include stock options. The share-based compensation expense amounts are determined based on the fair value of the equity instruments on the date of grant, recognized rateably over the vesting period of the instruments.

The fair value for stock options is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value of stock awards equals the value of the stock that is awarded on the grant date.

The amount of liability recognized based on the fair value of the stock options granted is settled through intercompany charges between the Company and SLF, Inc.

Employee Benefits

Short-term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits

The Company has a funded non-contributory defined benefit retirement plan. For the defined benefit retirement plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss in the line item retirement benefit expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets.

The funding policy is to contribute an amount based on the actuarial valuation report which is carried out at each reporting date. Actual contributions are made on the first quarter of the year after the valuation date.

Revenue Recognition

Life insurance premiums

Life insurance premiums written are recognized as earned at policy anniversary date. When premiums are recognized, actuarial liabilities are computed to match benefits and expenses with such revenue.

Recoveries from ceded reinsurance

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Interest and dividend revenues

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Rental income

Revenue recognition for rental income is disclosed in the Company's policy for leases.

Fee income

Management and service fee are recognized in the accounting period in which the services are rendered.

Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the nature of expense method.

Death, Disability, and Other Policy Benefits

Death, Disability, and Other Policy Benefits are recorded as expense when incurred. Death and health claims, as well as policy surrenders, are recorded when notices of claims and surrenders have been received. Dividends are recognized when earned by the policy holders upon policy anniversary date or when policies reach maturity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Company as lessor</u>

Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

<u>The Company as lessee</u>

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which these are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities when the gains and losses of such non-monetary items are recognized in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Parent Company and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, leasing transactions that are within the scope of PAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Taxation

Income tax expense represents the sum of current tax expense and deferred tax expense.

<u>Current tax</u>

The current tax expense is composed of the regular corporate income tax (RCIT), the minimum corporate income tax (MCIT) or final tax. The RCIT and MCIT are based on taxable profit for the year which may differ from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. RCIT is calculated using 30% of taxable net income and MCIT at 2% of gross income, and the tax due for the year is the higher of the RCIT or MCIT.

<u>Deferred tax</u>

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when these relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax

Current and deferred tax are recognized as an expense or income in profit or loss, except when these relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax are also recognized outside profit or loss.

Events After the Reporting Period

The Company identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Accounting Judgment

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Classification of investments in mutual funds

Management exercises its judgment in determining whether the Company has significant influence over another entity by evaluating the substance of relationship that indicates the significant influence the Company has over its associates. The recognition and measurement of the Company's investment over these entities will depend on the result of the judgment made.

The Company classified its investment in Sun Life Prosperity Dynamic Fund, Inc. (Dynamic Fund) as investment in associate despite holding less than 20% of the voting rights since significant influence was clearly demonstrated through Sun Life Asset Management Company, Inc.'s (SLAMCI), the Company's subsidiary, participation in the financial and operating policy decisions of Dynamic Fund being its fund manager.

In the Company's separate financial statements, investments in mutual funds designated as associate is carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in investment revaluation reserve.

Investment entities

Management exercises its judgment whether an entity will qualify as investment entity by evaluating the structure and nature of transactions of the entity. The recognition and measurement of an investment entity's subsidiary will depend on the result of the judgment made.

Variable unit-linked insurance contracts are products for which the Company issues a contract where the benefit amount is directly linked to the fair value of the investments held. Although the underlying assets are registered in the Company's name, the VUL fund policyholder bears the risk and rewards of the fund's investment performance.

Since the VUL funds obtain funds from one or more policyholders for the purpose of providing those policyholders with investment management services; commit to its policyholders that its business purpose is to invest funds solely for returns from investment income; and measure and evaluate the performance of substantially all of its investments on a fair value basis, the VUL funds qualify as investment entities. Accordingly, a subsidiary and associate of the VUL funds are carried at fair value with gains and losses charged to profit or loss.

Savings deposits designated at FVTPL

The Company designated the savings deposits held by the VUL funds as financial assets at FVTPL since it forms part of a group of managed financial assets whose performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy. The information about the group of managed financial assets is provided internally on that basis to the Company's management.

As at December 31, 2016 and 2015, the carrying amount of savings deposits designated as financial assets at FVTPL amounted to P2,325,581,498 and P9,743,141,490, respectively, as disclosed in Note 12.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimating useful lives of assets

The useful lives of assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recording expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease the assets.

The estimated useful life of the building under leasehold, property and equipment was determined to be 36 years since it is reasonably certain that the Company will exercise the renewal option of the leasehold interest.

As at December 31, 2016 and 2015, the carrying amounts of the Company's leasehold, property and equipment amounted to P1,415,487,905 and P1,275,333,791, respectively, as disclosed in Note 15. Total accumulated depreciation as at December 31, 2016 and 2015 amounted to P1,523,384,592 and P1,338,386,233, respectively, as disclosed in Note 15.

As at December 31, 2016 and 2015, the carrying amount of the Company's intangible asset amounted to P126,297,778 and P147,347,410, respectively, as disclosed in Note 16. Total accumulated amortization as at December 31, 2016 and 2015 amounted to P399,942,963 and P378,893,331, respectively, as disclosed in Note 16.

As at December 31, 2016 and 2015, the carrying amount of the Company's investment property amounted to P706,749,532 and P774,628,544, respectively, as disclosed in Note 17. Total accumulated depreciation as at December 31, 2016 and 2015 amounted to P183,304,137 and P146,912,080, respectively, as disclosed in Note 17.

Asset impairment

The Company performs an impairment review when certain impairment indicators are present.

Determining the recoverable amounts of leasehold, property and equipment, intangible asset, investment property and investments in subsidiaries requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that leasehold, property and equipment, intangible asset, investment property and investments in subsidiaries are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

As at December 31, 2016 and 2015, Management believes that the recoverable amounts of the Company's leasehold, property and equipment, intangible asset, investment property and investments in subsidiaries exceed their carrying amounts; accordingly, no impairment loss was recognized in both years.

Deferred tax assets

The Company reviews the carrying amounts at the end of each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company assessed that it may not be able to take full advantage of the tax benefits, hence, it did not recognize any deferred tax assets. The unrecognized deferred tax assets amounted to P4,132,854,298 and P3,419,265,947 as at December 31, 2016 and 2015, respectively, as disclosed in Note 39.

Determining the fair value of debt instruments

The Company carries its investments in traded debt securities at fair value, which requires use of accounting estimates and judgment. Since market interest rate is a significant component of fair value measurement, fair value would differ if the Company applied a different set of reference rates in the valuation methodology. Any change in the fair value of these financial assets would affect other comprehensive income and equity.

As at December 31, 2016 and 2015, the carrying amount of investments in traded debt securities carried at fair value subsequent to initial recognition amounted to P115,659,330,102 and P106,019,336,264, respectively, as disclosed in Notes 8 and 12.

Estimating allowances for doubtful accounts

The Company estimates the allowance for doubtful accounts related to its policyholders' loans, loans and receivables, investment income earned and accrued, loan to fellow subsidiary, uncollected policyholder premiums, due from related parties and other receivables based on assessment of specific accounts when the Company has information that certain counterparties are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including, but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on third party credit reports and known market factors. The Company used judgment to record specific reserves for counterparties against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information obtained impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As at December 31, 2016 and 2015, Management believes that the receivables are fully recoverable, accordingly, no doubtful accounts expense was recognized in both years.

The carrying amounts of the receivables are as follows:

	Notes	2016	2015
Policyholders' loans	13	**P7,493,810,802**	P 7,699,874,677
Loans and receivables	9	**5,457,745,290**	4,837,824,096
Loan to fellow subsidiary	18	**2,124,160,601**	1,964,391,278
Investment income earned and accrued	14	**1,999,452,598**	1,793,937,621
Uncollected policyholder premiums	28	**400,968,040**	449,643,910
Due from related parties	18	**242,658,985**	177,009,802
Other receivables	19	**382,166,017**	159,518,126
		P18,100,962,333	P17,082,199,510

Estimating legal policy reserves and reserve for dividends to policyholders

The Company estimates the probable costs related to future deaths, accident or sickness, policy terminations, investment returns and administration expenses. These are determined by the internal actuary duly recognized and accredited by the Actuarial Society of the Philippines and IC. The legal policy reserves and reserve for dividends to policyholders are computed based on assumptions which are in accordance with the Insurance Code of the Philippines and the regulations set by the IC. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the recognized liabilities.

As at December 31, 2016 and 2015, insurance contract liabilities amounted to P62,669,347,018 and P60,093,733,159, respectively, as disclosed in Note 22. Increase in insurance contract liabilities amounted to P2,575,613,859 and P2,606,178,346 in 2016 and 2015, respectively, as disclosed in Note 22.

Post-employment and other retirement benefits

The determination of the retirement obligation cost and other retirement benefits is dependent on the selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates and rates of compensation increase. Actual results that differ from the assumptions are directly charged to other comprehensive income and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

In 2016 and 2015, the Company recognized total retirement benefit expense amounting to P115,141,500 and P80,172,400, respectively, and as at the end of those reporting periods, retirement benefit obligation amounted to P118,400,200 and P323,830,500, respectively, as disclosed in Note 35.

Contingencies

The Company is currently involved in various legal proceedings, as disclosed in Note 38. Estimates of probable costs for the resolution of these claims have been developed in consultation with outside counsel handling the defences in these matters and are based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Company's strategies relating to these proceedings.

6. CASH AND CASH EQUIVALENTS

The details of the Company's cash and cash equivalents are as follows:

	2016	2015
Cash on hand and in banks	**P 729,428,097**	P 826,626,462
Cash equivalents	**2,946,399,329**	3,206,417,054
	P3,675,827,426	P4,033,043,516

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company classifies an investment as cash equivalent if that investment has a maturity of three months or less from the date of acquisition.

Cash equivalents represent short-term deposits with periods varying from one day to two months depending on the cash requirements of the Company, and earn annual interest rates ranging from 0.375% to 2.5% in 2016 and 0.25% to 3.00% in 2015 for peso placements and 0.01% to 1.25% in 2016 and 0.25% to 1.50% in 2015 for dollar placements. Interest earned on cash and cash equivalents amounted to P35,115,572 and P20,475,393 in 2016 and 2015, respectively, as disclosed in Notes 29.

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is a party to foreign currency swaps in the management of its foreign currency exposures. The Company utilizes currency derivatives to help mitigate currency mismatch and to enhance yield on investments but opted not to apply hedge accounting. The underlying investments in foreign currency swaps are denominated in US dollar currency.

At the end of each reporting period, total notional amount of outstanding foreign currency swaps and forward contracts that the Company has committed to are shown below.

Outstanding Contracts	Average Exchange Rate		Contract Value (Notional)		Fair Value Asset (Liability)	
	2016	2015	**2016**	2015	**2016**	2015
One to four years	**P49.71**	P47.17	**P454,705,000**	P454,705,000	**(P71,027,449)**	(P47,443,272)

Net unrealized loss on derivative financial instruments recognized in profit or loss amounted to P23,584,177 and P33,513,250 in 2016 and 2015, respectively, as disclosed in Note 29.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Details of available-for-sale financial assets are as follows:

	2016	2015
Investments in bonds, government and other securities	**P94,258,921,227**	P91,688,949,274
Investments in stocks	**3,326,373,971**	3,825,250,750
Investments in UITF	**517,644,676**	508,868,167
	P98,102,939,874	P96,023,068,191

The movements in the available-for-sale financial assets are summarized as follows:

	Note	2016	2015
Balance, beginning		**P96,023,068,191**	P 99,128,904,806
Additions		**4,611,632,924**	13,672,240,898
Disposals		**(1,662,518,343)**	(11,813,991,964)
Amortization of premiums - net		**(216,205,525)**	(190,629,092)
Fair value adjustments	26	**(1,059,282,598)**	(5,180,041,353)
Foreign exchange differences		**406,245,225**	406,584,896
		P98,102,939,874	P96,023,068,191

The Company recognized impairment losses on equity securities amounting to P43,022,286 and P263,979,722 in 2016 and 2015, respectively, due to either prolonged or significant decline in the investments' fair value below cost. Accordingly, the net fair value losses previously accumulated in other comprehensive income were reclassified to profit or loss.

The cost and fair value changes are as follows:

	Note	2016	2015
Cost			
Investments in bonds, government and other securities		**P81,628,612,166**	P78,202,115,624
Investments in stocks		**3,486,813,390**	3,768,675,628
		85,115,425,556	81,970,791,252
Accumulated fair value adjustments	26	**12,987,514,318**	14,052,276,939
		P98,102,939,874	P96,023,068,191

Investments in stocks pertain to investments in listed equity securities that represent opportunities for return through dividend income and trading gains.

Investment income from available-for-sale financial assets reported in profit or loss are summarized below:

	Notes	2016	2015
Interest income	29	**P5,757,881,208**	P5,697,558,896
Realized fair value gain	26,29	**48,502,309**	2,123,027,670
Dividend income	29	**64,036,803**	90,079,009
Impairment loss	26,29	**(43,022,286)**	(263,979,722)
		P5,827,398,034	P7,646,685,853

Realized gain (loss) from disposals are summarized below:

	Notes	2016	2015
Stocks		P32,579,628	(P 178,187,589)
Fixed income		15,922,681	2,301,215,259
	26, 29	P48,502,309	P2,123,027,670

Debt securities classified as available-for-sale carry effective interest rates of:

	2016	2015
Investment in government bonds	3.50% to 18.25%	3.63% to 18.25%
Investment in private bonds	6.49% to 8.35%	4.93% to 8.35%

9. LOANS AND RECEIVABLES

The details of the Company's loans and receivables are shown below.

	Note	2016	2015
Guaranteed loans		P5,242,727,518	P4,604,519,447
Receivables from agents and employees	18	215,017,772	233,304,649
		P5,457,745,290	P4,837,824,096

Guaranteed loans represent amounts extended to the Company's major corporate clients, which carry terms from five to ten years. Receivables from agents and employees pertain to short-term emergency and personal loans with terms of one and two years, respectively, and long-term car and housing loans with maximum terms of five years and twenty years, respectively.

The following presents the breakdown of receivables from agents and employees:

	2016	2015
Due within 12 months		
Receivables from agents	P 25,661,926	P 25,920,424
Receivables from employees	11,510,822	3,982,737
	37,172,748	29,903,161
Due beyond 12 months		
Receivables from agents	50,165,272	50,985,680
Receivables from employees	127,679,752	152,415,808
	P215,017,772	P233,304,649

The following presents the breakdown of guaranteed loans:

	2016	2015
Due within 12 months	P 639,000,000	P -
Due beyond 12 months	4,603,727,518	4,604,519,447
	P5,242,727,518	P4,604,519,447

Interest income from loans and receivables reported in profit or loss are summarized below:

	Notes	2016	2015
Guaranteed loans	29	P308,866,236	P289,861,404
Receivables from agents and employees	30	13,133,679	12,930,360
		P321,999,915	P302,791,764

10. INVESTMENTS IN SUBSIDIARIES

Subsidiaries carried at cost

The details of the Company's investments in subsidiaries carried in the books at cost, are shown below:

Name of subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity	2016	2015
Sun Life Financial Plans, Inc. (SLFPI)	Philippines	100%	Pre-need Company	P525,000,000	P525,000,000
Sun Life Asset Management Company, Inc. (SLAMCI)	Philippines	100%	Asset Management Company	105,360,590	105,360,590
				P630,360,590	P630,360,590

Aggregated financial information of the subsidiaries are as follows:

	2016	2015
SLFPI		
Cash and cash equivalents	P 95,854,430	P 119,933,455
Other current assets	141,931,460	280,498,316
Current assets	237,785,890	400,431,771
Non-current assets	8,002,071,667	8,573,652,581
Total assets	P8,239,857,557	8,974,084,352
Current financial liabilities	87,990,392	75,577,443
Other current liabilities	1,289,818	25,220,703
Current liabilities	89,280,210	100,798,146
Non-current financial liabilities	23,647,104	25,559,321
Other non-current liabilities	7,196,501,011	7,468,162,187
Non-current liabilities	7,220,148,115	7,493,721,508
Total liabilities	7,309,428,325	7,594,519,654
Equity	P 930,429,232	P1,403,460,519
Premium revenue	P 150,841,677	P 171,108,651
Interest income	16,709,095	23,229,610
Amortization	466,978	-
Income tax expense	3,717,454	5,124,470
Net income (loss) for the year	(154,018,643)	396,827,376
Other comprehensive loss	(319,012,644)	(795,834,227)
Total comprehensive loss	(P 473,031,287)	(P 399,006,851)

	2016	2015
SLAMCI		
Cash and cash equivalents	**P 408,511,194**	P278,525,470
Other current assets	**99,013,522**	95,102,662
Current assets	**507,524,716**	373,628,132
Non-current assets	**833,744,038**	620,680,581
Total assets	**1,341,268,754**	994,308,713
Current financial liabilities	**86,126,051**	78,600,306
Other current liabilities	**20,293,417**	20,550,945
Current liabilities	**106,419,468**	99,151,251
Non-current liabilities	**604,613**	3,464,300
Total liabilities	**107,024,081**	102,615,551
Equity	**P1,234,244,673**	P891,693,162
Management and services fees	**P 966,558,325**	P1,002,207,886
Interest income	**1,798,871**	965,820
Depreciation and amortization	**2,775,386**	28,949,199
Income Tax Expense	**147,145,654**	141,071,704
Profit for the year	**353,107,109**	310,231,780
Other comprehensive loss	**(10,555,598)**	(8,667,062)
Total comprehensive income	**P 342,551,511**	P 301,564,718

Subsidiary of investment entities

As at December 31, 2015, the Company's VUL Funds hold 76% ownership interest on Sun Life Prosperity Money Market Fund, Inc. which constitute control. Since VUL funds are considered investment entities, as disclosed in Note 5, the VUL funds measure the investment in Money Market Fund at fair value with gains and losses charged to profit or loss.

Aggregated financial information of the subsidiary of investment entities are as follows:

	2016	2015
Money Market Fund		
Cash in banks	**P -**	P 44,037,682
Other current assets	**-**	5,153,191,201
Current assets	**-**	5,197,228,883
Non-current assets	**-**	1,367,709,789
Total assets	**-**	6,564,938,672
Current financial liabilities	**-**	4,870,159
Other current liabilities	**-**	217,743
Total liabilities	**-**	5,087,902
Equity	**P -**	P6,559,850,770
Interest income	**P -**	P 24,414,915
Income Tax Expense	**-**	2,882,248
Profit and total comprehensive income for the period	**P -**	P 20,968,473

Management believes that there is no indication that an impairment loss has occurred on its investments in subsidiaries as at December 31, 2016 and 2015.

11. INVESTMENT IN ASSOCIATE

Associate carried at fair value through other comprehensive income

The details of the Company's investment in associate is as follows:

Name of associate	Place of incorporation	Proportion of ownership 2016	Proportion of ownership 2015	Principal activity
Sun Life Prosperity Dynamic Fund, Inc.	Philippines	17%	16%	Open-end Investment Company

Movements in investment in associate measured at fair value are summarized as follows:

	Note	2016	2015
Cost		**P511,169,995**	P511,169,995
Accumulated fair value adjustment			
Balance, January 1		**(1,760,000)**	38,720,000
Fair value adjustments	26	**(7,465,324)**	(40,480,000)
Balance, December 31	26	**(9,225,324)**	(1,760,000)
		P501,944,671	P509,409,995

The fair values of this investment are based on published Net Asset Value Per Share (NAVPS) as at reporting date.

Aggregated financial information of the associate are as follows:

	2016	2015
Dynamic Fund		
Cash in banks	**P 7,835,375**	P 12,593,939
Other current assets	**2,760,087,885**	3,174,327,642
Total assets	**2,767,923,260**	3,186,921,581
Current financial liabilities	**8,467,848**	39,944,593
Other current liabilities	**642,311**	596,474
Total liabilities	**9,110,159**	40,541,067
Equity	**P2,758,813,101**	P3,146,380,514
Net realized gains on investments	**P 10,590,821**	P 136,531,513
Interest income	**40,528,153**	6,341,356
Income tax expense	**16,859,084**	24,359,231
Loss and other comprehensive loss for the period	**(P 79,079,177)**	(P 251,578,794)

Associate of investment entities

As at December 31, 2016, the Company's ownership interest decreased to 21% constituting significant influence. Since VUL funds are considered investment entities, as disclosed in Note 5, the VUL funds measure the investment in Money Market Fund at fair value with gains and losses charged to profit or loss.

Aggregated financial information of the associate of investment entities are as follows:

	2016	2015
Money Market Fund		
Cash and cash equivalents	**P 152,006,930**	P -
Other current assets	**8,206,825,007**	-
Current assets	**8,358,831,937**	-
Non-current assets	**1,267,783,053**	-
Total assets	**9,626,614,990**	-
Current financial liabilities	**81,039,964**	-
Other current liabilities	**2,588,521,577**	
Total liabilities	**2,669,561,541**	
Equity	**P6,957,053,449**	P -
Interest income	**P 161,960,302**	P -
Income Tax Expense	**14,786,403**	-
Profit and total comprehensive income for the period	**P 130,583,964**	P -

12. FINANCIAL ASSETS AT FVTPL

This account pertains to the financial assets of the variable unit-linked funds managed by the Company. Details are as follows:

	Notes	2016	2015
Investments in savings deposits		**P 2,325,581,498**	P 9,743,141,490
Investment in stocks		**56,080,024,687**	45,978,663,008
Investments in bonds, government and other securities		**21,400,408,875**	14,330,386,990
Investments in mutual fund	18	**6,848,552,435**	5,016,575,669
	21	**P86,654,567,495**	P75,068,767,157

Held for trading financial assets are composed of investments in bonds, government and other securities, equity securities and investments in mutual funds while designated financial assets are composed of investments in savings deposits.

Investment in mutual fund pertains to the investment in Sun Life Prosperity Money Market Fund, Inc. as disclosed in Note 18.

Debt securities classified as financial assets at FVTPL carry effective interest rates of:

	2016	2015
Investments in savings deposits	**0.18% to 2.75%**	0.25% to 3%
Investment in government bonds	**3.38% to 8.13%**	3.91% to 5.75%
Investment in private bonds	**4.51%**	0.28% to 4.67%

Investment income (loss) earned and incurred from financial assets at FVTPL are as follows:

	Note	2016	2015
Interest income	29	P 751,339,912	P 613,135,426
Dividends	29	951,090,014	828,802,794
Realized fair value (loss) gain, net	29	(320,934,589)	935,817,819
Unrealized fair value gain(loss), net	29	(1,530,835,052)	(3,798,752,690)
		(P 149,339,715)	(P1,420,996,651)

Details of the Company's interest income from financial assets at FVTPL are as follows:

	Note	2016	2015
Interest income from:			
Investments in savings deposits		P 59,476,569	P64,107,526
Investments in bonds, government and other securities		691,863,343	549,027,900
	29	P751,339,912	P613,135,426

Details of the Company's realized and unrealized fair value gain (loss) are as follows:

	Note	2016	2015
Realized fair value gain(loss) from:			
Equity securities		(P 248,264,765)	P651,931,910
Fixed income securities		(172,128,826)	259,580,540
Mutual funds		99,459,002	24,305,369
	29	(P 320,934,589)	P935,817,819
Unrealized fair value gain(loss) from:			
Equity securities		(P1,071,706,592)	(P2,957,757,686)
Fixed income securities		(584,124,723)	(804,263,746)
Mutual funds		124,996,263	(36,731,258)
	29	(P1,530,835,052)	(P3,798,752,690)
		(P1,851,769,641)	(P2,862,934,871)

13. POLICYHOLDERS' LOANS

Policy loans are either policyholder's direct borrowing or borrowing to pay premiums. These are carried at their unpaid balance and are fully secured by the cash surrender values on their policies to which the loans are made. Interest is charged and accrued on a daily basis. Unpaid accrued interest forms part of the unpaid balance at the end of the policy anniversary.

Interest income recognized amounted to P756,899,841 and P766,487,129 in 2016 and 2015, respectively, as disclosed in Note 30.

14. INVESTMENT INCOME EARNED AND ACCRUED

The details of the investment income earned and accrued are shown below:

	Note	2016	2015
Accrued interest from AFS financial assets		**P1,218,862,650**	P1,153,339,416
Accrued interest from policyholders' loans		**331,399,274**	339,430,228
Accrued interest from financial assets at FVTPL		**332,827,320**	208,996,857
Accrued interest from guaranteed loans		**41,683,518**	33,392,049
Accrued interest on loan to fellow subsidiary	18	**34,133,187**	30,759,406
Dividends receivable		**37,641,291**	23,137,575
Accrued interest from cash equivalents		**2,780,088**	4,656,298
Others		**125,270**	225,792
		P1,999,452,598	P1,793,937,621

15. LEASEHOLD, PROPERTY AND EQUIPMENT - net

The movements in leasehold, property and equipment are summarized as follows:

	Office Equipment	Computer Equipment	Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Condominium Units	Building and Building Improvements	Total
Cost								
January 1, 2015	P 87,546,335	P481,121,425	P 273,745,396	P 96,625,535	P 341,913,116	P 83,900,348	P1,077,678,724	P 2,442,530,879
Additions	15,943,544	55,609,536	43,374,865	16,579,089	60,740,106	-	172,368	192,419,508
Disposals	(46,095)	(4,052,935)	(1,177,751)	(15,953,582)	-	-	-	(21,230,363)
December 31, 2015	103,443,784	532,678,026	315,942,510	97,251,042	402,653,222	83,900,348	1,077,851,092	2,613,720,024
Additions	13,071,122	185,793,706	18,664,962	33,647,084	59,931,216	-	6,111,323	317,219,413
Disposals	-	(2,804,903)	-	(20,748,992)	-	-	-	(23,553,895)
Transfers	-	-	-	-	-	-	31,486,955	31,486,955
December 31, 2016	116,514,906	715,666,829	334,607,472	110,149,134	462,584,438	83,900,348	1,115,449,370	2,938,872,497
Accumulated Depreciation and Amortization								
January 1, 2015	66,564,259	418,752,143	163,450,457	77,370,287	242,792,112	54,814,893	167,443,964	1,191,188,115
Depreciation	8,939,452	46,356,814	16,081,869	12,591,534	17,989,978	3,356,014	61,693,801	167,009,462
Disposals	(46,095)	(4,052,829)	(1,071,969)	(14,640,451)	-	-	-	(19,811,344)
December 31, 2015	75,457,616	461,056,128	178,460,357	75,321,370	260,782,090	58,170,907	229,137,765	1,338,386,233
Depreciation	10,981,381	66,166,973	20,403,329	17,568,741	24,165,578	3,356,014	62,507,570	205,149,586
Disposals	-	(2,883,637)	-	(19,259,186)	-	-	-	(22,142,823)
Transfers	-	-	-	-	-	-	1,991,596	1,991,596
December 31, 2016	86,438,997	524,339,464	198,863,686	73,630,925	284,947,668	61,526,921	293,636,931	1,523,384,592
Carrying Amounts December 31, 2016	**P30,075,909**	**P191,327,365**	**P135,743,786**	**P36,518,209**	**P177,636,770**	**P22,373,427**	**P821,812,439**	**P1,415,487,905**
Carrying Amounts December 31, 2015	P 27,986,168	P 71,621,898	P 137,482,153	P 21,929,672	P 141,871,132	P 25,729,441	P 848,713,327	P 1,275,333,791

Gain on disposal of equipment, furniture and fixtures amounted to P4,413,132 and P2,954,462 in 2016 and 2015 respectively, which are included under Other Income, in Note 30. Management believes that there is no indication that an impairment loss has occurred.

In 2016, certain assets, with cost and accumulated depreciation amounting to P31,486,955 and P1,991,596, respectively, were transferred from property held for rental to owner-occupied property.

16. INTANGIBLE ASSET - net

The movement in intangible asset, consisting of leasehold interest, is summarized as follows:

	Note	Long-term Leasehold Interest - net
Cost		
December 31, 2016 and 2015		P 526,240,741
Accumulated Amortization		
January 1, 2015		357,843,702
Amortization	32	21,049,629
December 31, 2015		378,893,331
Amortization	32	21,049,632
December 31, 2016		399,942,963
Carrying Amount		
December 31, 2016		**P126,297,778**
Carrying Amount		
December 31, 2015		P 147,347,410

The Sun Life of Canada (Philippines), Inc. Multi-Employer Employee's Retirement Plan entered into a Purchase of Long-term Leasehold Interest Agreement with Sun Life Assurance Company of Canada (SLACC) Philippine Branch. The Agreement provided for a 25-year absolute interest to possess and use the real property for a price of P526,240,741. The leasehold interest was transferred by the SLACC Philippine Branch in 1997 to the Company as a result of its demutualization. The IC has approved the purchase of long-term interest and the future cost of building construction and other improvements thereon as admitted assets, subject to certain terms and conditions.

As at December 31, 2016 and 2015, this intangible asset will be fully amortized in 6 and 5 years, respectively.

Management believes that there is no indication that an impairment loss has occurred on its intangible asset with definite useful lives.

17. INVESTMENT PROPERTY - net

	Notes	
Cost		
December 31, 2015		P 921,540,624
Transfers	15	(31,486,955)
December 31, 2016		890,053,669
Accumulated Depreciation		
January 1, 2015		108,499,660
Depreciation	32	38,412,420
December 31, 2015		146,912,080
Depreciation	32	38,383,653
Transfers	15	(1,991,596)
December 31, 2016		183,304,137
Carrying Amount		
December 31, 2016		**P706,749,532**
Carrying Amount		
December 31, 2015		P 774,628,544

Management engaged an independent appraiser accredited by the SEC, Cuervo Appraisers, Inc., to determine the fair value of the investment property. Based on the result of the appraisal which was carried out in January 2015, the fair value of the investment property amounted to P1,500,419,000. The fair value was determined using the Cost Approach which is based on the reproduction cost of the subject property or asset, less total depreciation. As such, the fair value hierarchy is considered as Level 3.

Management believes that the fair value of the investment property has not significantly changed since the last valuation date as the economic condition which may affect the volatility of the fair value of the property has remained constant.

The rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to P123,202,194 and P119,640,873 in 2016 and 2015, respectively, as disclosed in Note 30. Direct operating expenses such as depreciation, repairs and maintenance and real property taxes, arising from holding the investment property amounted to P60,747,029 and P54,240,052 during 2016 and 2015, respectively.

On January 1, 2016, certain assets, with cost and accumulated depreciation amounting to P31,486,955 and P1,991,596, respectively, were transferred from property held for rental to owner-occupied property, as disclosed in Note 15.

Management believes there is no indication that an impairment loss has occurred on its investment property.

18. RELATED PARTY TRANSACTIONS

The Company has the following transactions and outstanding balances with related parties as at and for the years ended December 31:

Nature of Transactions	Notes	Amounts of Transactions During the Year 2016	Amounts of Transactions During the Year 2015	Outstanding Balance Asset (Liability) 2016	Outstanding Balance Asset (Liability) 2015	Terms	Conditions
Parent							
Sun Life Assurance Company of Canada							
Expense chargebacks	18.e	**P 101,028,561**	P 9,527,586	**(P 38,367,414)**	(P23,427,832)	90-day; non-interest bearing	Unsecured
Dividends	27	**2,000,000,800**	2,000,000,800	**-**	-		
Share-based compensation	24, 36	**33,843,212**	34,413,852	**(82,755,479)**	(71,743,450)	90-day; non-interest bearing	Unsecured
Fellow Subsidiaries							
Sun Life Philippine Holding Company							
Loan	18.a	**80,000,000**	40,000,000	**2,124,160,601**	1,964,391,278	3-5 years; fixed rate ranging from 2.81% to 4.22%	Unsecured, No impairment
Interest income	18.a	**83,143,105**	76,729,001	**34,133,187**	30,759,406	-	-
Reimbursable expenses	18.e	**400,000**	200,000	**-**	200,000	90-day; non-interest bearing	Unsecured, No impairment
Sun Life Assurance Company of Canada - Hong Kong Regional Office							
Reimbursable expenses	18.e	**399,551,858**	360,294,382	**160,511,973**	125,105,133	90-day; non-interest bearing	Unsecured, No impairment
Sun Life Financial Asia Services Limited							
Reimbursable expenses	18.e	**79,806,215**	78,161,161	**25,196,892**	21,006,366	30-day; non-interest bearing	Unsecured, No impairment
Transfer of retirement fund	35	**(502,600)**	9,595,200	**-**	-		
PT Asuransi Sun Life Indonesia							
Reimbursable expenses	18.e	**-**	108,467	**-**	5,454	90-day; non-interest bearing	Unsecured, No impairment

Nature of Transactions	Notes	Amounts of Transactions During the Year 2016	2015	Outstanding Balance Asset (Liability) 2016	2015	Terms	Conditions
Sun Life of Canada (International) Limited							
Reimbursable expenses	18.e	**875,967**	1,143,556	**700,044**	101,715	90-day; non-interest bearing	Unsecured, No impairment
Sun Life Assurance Company of Canada - US Branch							
Expense chargebacks	18.e	**-**	44,482	**(47,003)**	(44,482)	90-day; non-interest bearing	Unsecured
Joint venture of fellow subsidiary							
Sun Life Assurance Malaysia Berhad							
Reimbursable expenses	18.e	**36,737**	105,993	**-**	2,431	90-day; non-interest bearing	Unsecured, No impairment
Sun Life Grepa Financial, Inc.							
Reimbursable expenses	18.e	**27,605,179**	31,963,922	**4,116,246**	1,142,665	30-day; non-interest bearing	Unsecured, No impairment
Fee income	18.b	**230,175,819**	231,137,171	**42,136,628**	21,489,260	Transaction fees with 6.8% markup; 30-day; non-interest bearing	Unsecured, No impairment
Sun Life India							
Reimbursable expenses	18.e	**-**	1,602	**-**	1,602	90-day; non-interest bearing	Unsecured, No impairment
Sun Life Vietnam							
Reimbursable expenses	18.e	**3,143**	4,219	**-**	-	90-day; non-interest bearing	Unsecured, No impairment
Subsidiaries							
Sun Life Asset Management Company, Inc.							
Reimbursable expenses	18.e	**39,441,454**	172,075,921	**9,657,450**	1,793,236	30-day; non-interest bearing	Unsecured, No impairment
Transfer of retirement fund	35	**(534,400)**	5,847,100	**-**			
Rental income	18.d	**5,723,234**	5,314,247	**-**	-		
Sun Life Financial Plans, Inc.							
Rider premiums	18.c	**7,536,435**	30,859,981	**-**	2,035,023	30-day; non-interest bearing	Unsecured, No impairment
Sun Life Prosperity Money Market Fund, Inc.							
Subscription of redeemable shares	10	**-**	5,003,000,000	**-**	5,016,575,669	Redeemable at NAVPS at the date of redemption	

Nature of Transactions	Notes	Amounts of Transactions During the Year 2016	2015	Outstanding Balance Asset (Liability) 2016	2015	Terms	Conditions
Grepalife Asset Management Corporation							
Fee income	18.b	**1,497,489**	4,326,917	**264,557**	4,326,917	Transaction fees with 6.8% markup; 30-day; non-interest bearing	Unsecured, No impairment
Associate							
Sun Life Prosperity Money Market Fund, Inc.							
Subscription of redeemable shares	11	**3,192,297,400**	-	**6,848,552,435**	-	Redeemable at NAVPS at the date of redemption-	
Contributor							
Sun Life Financial Philippines Foundation, Inc.							
Reimbursable expenses	18.e	**75,195**	59,920	**75,195**	-	90-day; non-interest bearing	Unsecured, No impairment
Sun Life of Canada (Philippines), Inc. Multi-Employer Employee's Retirement Plan							
Contribution	35	**103,068,700**	81,899,100	-	-	-	-
Key Management Personnel							
Loans	18.f	-	-	**51,927,672**	56,989,560	1 to 20 years; interest-bearing	Unsecured, No impairment
Loan to fellow subsidiary				**P2,124,160,601**	P1,964,391,278		
Due from related parties				**P 242,658,985**	P 177,009,802		
Due to related parties				**P 38,414,417**	P 23,472,314		
Interest income earned and accrued	14			**P 34,133,187**	P 30,759,406		
Receivable from agents and employees	9			**P 51,927,672**	P 56,989,560		
Financial assets at FVTPL	12			**P6,848,552,435**	P5,016,575,669		
Fee income		**P231,673,308**	P235,464,088				
Transfers	35	**(P 1,037,000)**	P 15,442,300				

Details of the Company's related party transactions are as follows:

a. On February 14, 2011, the BOD approved the extension of a loan not exceeding P2,000,000,000 to Sun Life Financial Philippine Holding Company, Inc., a fellow subsidiary. On September 22, 2011, October 17, 2011 and February 13, 2012, the Company granted a three-year fixed rate loan amounting to P1,255,000,000 at 3.2288%, P60,000,000 at 3.971% and P580,000,000 at 3.8481% per annum, respectively.

   On March 7, 2013, July 10, 2013 and July 14, 2014, the Company granted additional three-year fixed rate loan amounting to P40,000,000 each with 2.8104%, 3.0458% and 3.1032% interest rates per annum, respectively.

   On September 17, 2014, the Company granted the extension of the loan agreement dated September 22, 2011 to an extended period up to 5 years for the principal amount of P1,255,000,000, and also amended the interest rate from 3.2288% to 4.2159% per annum.

   On October 26, 2015, the Company granted a loan for the principal amount of P40,000,000 at 3.1713% per annum.

   On March 15, 2016 and September 8, 2016, the Company granted additional three-year fixed rate loan amounting to P40,000,000 each with 4.0277% and 2.8821% interest rates per annum, respectively.

   In addition, the Company extended the outstanding principal of the loans entered on March 07, 2013 and July 10, 2013 until March 07, 2021 and July 10, 2021 subject to interest at the rates of 4.1800% and 2.8327%, respectively.

   Outstanding balance as at December 31, 2016 and 2015 amounted to P2,124,160,601 and P1,964,391,278, respectively. The borrower may repay the loan in whole or in part prior to the repayment date provided that no repayment shall be made unless the borrower has given the Company at least 30 days' prior written notice of its intention.

   Accrued interest receivable as at December 31, 2016 and 2015 amounted to P34,133,187 and P30,759,406, respectively, as disclosed in Note 14. Interest income earned in 2016 and 2015 amounted to P83,143,105 and P76,729,001, respectively, as disclosed in Note 30.

b. On October 24, 2011, a Service Level Agreement was executed between the Company and Grepalife Financial, Inc. The Company will be the service provider of Sun Life Grepa Financial, Inc.'s (SLGFI) and Grepalife Asset Management Corporation (GAMC) back-office individual and group services in the areas of operations, finance, actuarial, investment, information technology, administrative services, product development, legal, compliance and risk management. The Company will be paid its actual cost to provide those services with VAT and a mark-up of 6.8% as agreed by those parties.

c. In the normal course of business, the Company provides insurance riders to SLFPI's planholders.

d. The Company has entered into lease agreements with its subsidiaries and fellow subsidiary. Leases are negotiated for an average term of one year to five years, renewable at the option of the Company under such terms and conditions, which are mutually acceptable to both parties. The rental charges shall be subject to 3% escalation beginning in the second year of the term of the lease as disclosed in Note 37.

e. Reimbursable expenses pertains to transactions with subsidiaries and related parties which consist mainly of inter-company billings made by the Company to related parties for shared costs and operating expenses for integrated backroom services (such as the operations of systems and human resources, legal and internal audit teams, rent and others) which are recognized as deductions from the related expenses. Expense chargebacks pertain to expenses paid by related parties on behalf of the Company.

f. Loans granted to key management personnel are as follows:

	Note	2016	2015
Short-term loans	9	**P 112,500**	P 15,000
Long-term loans	9	**51,815,172**	56,974,560
		P51,927,672	P56,989,560

These interest bearing loans are presented as part of receivables from agents and employees with maximum terms of one year and 20 years for short-term and long-term loans, respectively.

Remuneration of Key Management Personnel

The remuneration of key management personnel of the Company is set out below in aggregate as specified in PAS 24.

	Notes	2016	2015
Short-term employee benefits	32	**P450,117,359**	P369,342,098
Post-employment benefits	34	**28,624,061**	19,531,876
Share-based payments	34, 36	**33,843,212**	34,413,852
		P512,584,632	P423,287,826

Significant Information on the Retirement Plan

The Company has a funded retirement plan for its employees maintained with a trustee bank. The details of the fund are disclosed in Note 35.

The Sun Life of Canada (Philippines), Inc. Multi-Employer Employee's Retirement Plan entered into a Purchase of Long-term Leasehold Interest Agreement with the SLACC Philippine Branch. The Agreement provided for a 25-year absolute interest to possess and use the real property for a price of P526,240,741. The leasehold interest was transferred by the SLACC Philippine Branch in 1997 to the Company as a result of its demutualization.

19. OTHER RECEIVABLES

The details of the Company's other receivables are as follows:

	2016	2015
Due from brokers	**P355,629,496**	P135,457,769
Rental receivable	**3,870,089**	982,394
Other receivables	**22,666,432**	23,077,963
	P382,166,017	P159,518,126

Due from brokers account refers to amounts receivable from brokers for the sale of investments processed on or before the reporting period, that are settled three days after the transaction date.

Rental receivable pertains to the uncollected rental income due and demandable from tenants.

Other receivables pertain to travel and expense advances given to employees.

20. PREPAYMENTS AND OTHER ASSETS

The details of the Company's prepayments and other assets are shown below.

	Note	2016	2015
Prepaid taxes		**P423,871,324**	P342,613,660
Prepaid supplies		**227,533,136**	223,320,428
Investment in trust fund		**90,357,067**	90,215,250
Security deposits	37	**40,957,585**	33,324,309
Other assets		**1,450,020**	891,298
		P784,169,132	P690,364,945

Investment in trust fund is a portfolio of assets managed by professional fund managers set aside for loans to agents and restricted for other use.

21. VARIABLE UNIT-LINKED LIABILITIES

On July 29, 2004, the IC approved the Company's license to sell variable or investment-linked insurance, a life insurance product that is linked to investment funds. The portion of the premium invested separately in identifiable funds managed by the Company is known to the policyholder at the outset. The funds are valued regularly and divided into units allocated to the investment-linked policyholder's share in the fund.

VUL liabilities represent net assets of the VUL funds attributable to the policyholders. Details are as follows:

	Note	2016	2015
Assets			
Financial assets at FVTPL	12	**P86,654,567,495**	P75,068,767,157
Other assets		**1,086,274,558**	339,148,382
		87,740,842,053	P75,407,915,539
Liabilities		**190,554,086**	140,292,862
Net Assets		**87,550,287,967**	75,267,622,677
Less: Net Assets attributable to seed capital		**223,408,233**	197,451,596
Net Assets attributable to policyholders		**P87,326,879,735**	P75,070,171,081

Other assets are included under other receivables, prepayments and other assets.

Liabilities are recognized under taxes, licenses and fees due and accrued and due to brokers.

Movement of VUL net assets attributable to policyholders are as follows:

	Notes	2016	2015
Balance beginning of the year		**P75,070,171,081**	P61,246,538,072
VUL fund contributions	28	**22,518,361,603**	23,687,971,824
VUL fund withdrawals	23	**(3,813,811,915)**	(3,293,573,456)
VUL fund loss for the year		**(6,447,841,034)**	(6,570,765,359)
		P87,326,879,735	P75,070,171,081

The details of VUL fund allocation recognized in profit or loss are as follows:

	Notes	2016	2015
VUL fund loss for the year		**(P 6,447,841,034)**	(P 6,570,765,359)
Loss attributable to seed capital		**10,276,576**	8,213,642
Loss attributable to VUL policyholders		**(6,437,564,458)**	(6,562,551,717)
VUL fund contributions	28	**22,518,361,603**	23,687,971,824
VUL fund withdrawals	23	**(3,813,811,915)**	(3,293,573,456)
		P12,266,985,230	P13,831,846,651

22. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities are computed in accordance with Title 5 (Reserves) of the Insurance Code. Valuation is primarily done on net premium basis using standard tables of mortality with interest at not more than six per centum compound interest.

A liability for an insurance contract is established to fulfill future contractual obligations. In determining this contractual liability, the Company makes use of the assumptions approved by the IC. These assumptions may vary by product.

This account consists of:

	2016	2015
Legal policy reserves	**P60,723,123,875**	P58,129,605,318
Reserves for dividends to policyholders	**1,946,223,143**	1,964,127,841
	P62,669,347,018	P60,093,733,159

Legal Policy Reserves

The details of the Company's legal policy reserves are as follows:

	2016	2015
Unmatured obligations	**P61,019,704,179**	P58,364,538,637
Less: Ceded unmatured obligations	**296,580,304**	234,933,319
	P60,723,123,875	P58,129,605,318

Ceded unmatured obligations are the reinsurer's share of liabilities to policyholders.

Reserve for Dividends to Policyholders

This account pertains primarily to the dividends expected to be allotted to policyholders over the next 12 months from the reporting date.

Increase in Insurance Contract Liabilities

This account consists of:

	2016	2015
Legal policy reserves	**P2,593,518,557**	P2,524,251,811
Reserves for dividends to policyholders	**(17,904,698)**	81,926,535
	P2,575,613,859	P2,606,178,346

The Key Assumptions are Determined as Follows:

Mortality and morbidity tables

Mortality refers to the rate at which death occurs for a defined group of people while morbidity refers to the rate of accident or sickness, and recovery therefrom, for a defined group of people. Best estimate assumptions for both mortality and morbidity are generally based on the Company's historical experience of its policyholders' portfolio profile. For the purpose of liability valuation, rates are based on standard tables, as required by the Insurance Code, adjusted to provide additional provision as may be required based on the actual Company experience. Increase in mortality or morbidity rates would reduce net profit for life insurance contracts.

Interest rates

The best interest assumptions are developed using the current assets and liabilities to simulate the financial operations for some years into the future under stipulated scenarios as to the future level of new money investment yields, inflation, and asset mix. Interest rates may not be more than 6% as required by the Insurance Code. Decrease in interest rates would reduce profit for the year.

Expenses

Operating expenses include costs of premium collection, claims processing, preparation and mailing of policy statements and related indirect expenses and overheads. Expense assumptions are mainly based on recent Company experience using an internal expense allocation methodology. Future expense assumptions reflect inflation. Increase in unit expenses would result in a decrease in profit for the year.

Policy Terminations

Policyholders may allow their policies to terminate prior to the end of the contractual coverage period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options in the contract. Assumptions for termination experience on life insurance are generally based on the Company's experience. Termination rates may vary by plan, age at issue, method of premium payment, and policy duration. Changes in termination rates may increase or decrease profit for the year.

Other Insurance Policy Liabilities

Outstanding claims, premiums on deposit, and premiums paid in advance are obtained directly from the policy administration system. These represent actual claims payable to the policyholders, premiums paid in advance and balances of benefits and dividends left on deposit with the Company including any interest accruals.

23. DUE TO POLICYHOLDERS

The details of due to policyholders are as follows:

	2016	2015
Dividends payable to policyholders	**P25,649,847,755**	P24,935,024,997
Death benefits	**625,234,454**	490,788,406
Surrenders and maturities	**242,571,585**	255,915,829
IBNR claims	**118,677,687**	111,503,687
Hospitalization and disability benefits	**19,892,435**	17,642,436
	P26,656,223,916	P25,810,875,355

Dividends payable to policyholders pertains to dividends and anticipated endowments from outstanding insurance contracts issued by the Company.

IBNR claims are estimated by the actuary of the Company on the basis of past experiences.

Death, disability and other policyholder benefits expense charged to profit or loss are as follows:

	2016	2015
Dividends to policyholders	**P1,982,740,894**	P1,895,315,575
Interest on dividends	**1,411,058,295**	1,383,780,293
Death claims	**879,558,963**	886,174,383
Other benefits	**117,756,587**	74,031,522
	P4,391,114,739	P4,239,301,773

Claims paid and incurred for matured, cancelled or surrendered policies as well as anticipated endowments are as follows:

	Note	2016	2015
Anticipated endowment expense		**P1,556,116,804**	P1,465,941,514
Cash surrender value expense		**1,352,236,637**	1,306,829,381
Matured endowment expense		**1,085,876,443**	1,171,585,778
VUL Fund Withdrawals	21	**3,813,811,915**	3,293,573,456
		P7,808,041,799	P7,237,930,129

24. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

The details of the Company's accounts payable, accrued expenses and other liabilities are as follows:

	Notes	2016	2015
Agent related payable		**P 472,598,085**	P 529,530,015
Taxes, licenses and fees due and accrued		**401,542,423**	363,153,933
Salaries and employee benefits		**357,206,735**	338,811,799
Premium suspense		**352,925,436**	243,247,886
Due to brokers		**252,373,883**	346,448,016
Premiums received in advance		**211,334,420**	262,551,245
Commissions payable		**124,961,339**	45,070,261
Banking suspense		**123,629,159**	113,671,270
Reinsurance liabilities		**110,737,489**	96,676,321
Share-based payment liability	18, 36	**82,755,479**	71,743,450
Advertising		**58,016,747**	90,567,257
Refundable deposits	37	**24,337,239**	20,421,174
Professional fees		**20,514,331**	19,843,092
VAT payable		**17,873,777**	20,915,619
Deferred rent payable		**16,609,553**	18,927,005
Utilities payable		**13,821,688**	30,388,699
Miscellaneous		**76,410,279**	71,478,750
		P2,717,648,062	P2,683,445,792

Due to brokers account pertains to amounts payable to brokers for the purchase of investments processed on or before the reporting period, that are settled three days after the transaction date.

Premium suspense account represents premiums collected on policies not yet issued, pending the receipt of requirements from the prospective policyholders.

Premiums received in advance pertain to the premiums collected on policies which were requested by policyholders to be paid in advance at a discounted amount determined by Sun Life.

Banking suspense pertains to stale checks and unidentified bank credits. Stale checks refer to checks issued which had not been presented to banks for more than 6 months. Unidentified bank credits pertain to the unidentified bank collections temporarily recorded in a suspense account pending the confirmation of the policyholder's identification.

25. SHARE CAPITAL

Components of share capital in 2016 and 2015 are as follows:

	2016	2015
Authorized:		
10,000,000 ordinary shares at P100 par value	**P1,000,000,000**	P1,000,000,000
Issued, outstanding and fully paid:		
5,000,002 ordinary shares at P100 par value	**P 500,000,200**	P 500,000,200

The Company has one class of ordinary shares which carry no right to fix income.

There was no movement in the share capital of the Company in the 2016 and 2015 reporting periods.

26. RESERVES

The details of the Company's reserves are as follows:

	Notes	2016	2015
Investment revaluation reserve:			
Available-for-sale financial assets	8	**P12,987,514,318**	14,052,276,939
Investments in associates	11	**(9,225,324)**	(1,760,000)
		12,978,288,994	14,050,516,939
Contributed surplus		**50,000,000**	50,000,000
Contingency surplus		**2,826,225,200**	2,826,225,200
		P15,854,514,194	P16,926,742,139

Contingency surplus

The contingency surplus represents the net accumulated unappropriated surplus of SLACC Philippine Branch which formed part of the assets, properties and the undertaking of the life insurance business that was transferred to the Company when it entered into an Indemnity and Asset Transfer Agreement with SLACC Philippine Branch on March 31, 2000. The IC designated the amount as a Contingency Surplus Fund (CSF) and further stipulated that both cash and stock dividends cannot be declared out of the CSF. However, the CSF may be repatriated in the future to SLACC subject to the approval of the IC.

Investment revaluation reserves

Movement of investment revaluation reserves are as follows:

	Notes	2016	2015
Balance, beginning		**P14,050,516,939**	P21,130,086,240
Movements			
Net gain (loss) on fair value measurement:			
Available-for-sale financial assets	8	**(1,059,282,598)**	(5,180,041,353)
Investments in associates	11	**(7,465,324)**	(40,480,000)
Reclassification adjustments relating to impairment losses on AFS financial assets during the year	8, 29	**43,022,286**	263,979,722
Reclassification adjustments relating to AFS financial assets disposed of during the year	8	**(48,502,309)**	(2,123,027,670)
		(1,072,227,945)	(7,079,569,301)
Balance, End		**P12,978,288,994**	P14,050,516,939

Investments revaluation reserves represents accumulated gains and losses arising on the revaluation of AFS financial assets and investment in associate that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

27. DIVIDENDS DECLARED

On March 8, 2016 and March 6, 2015, the Company declared and paid P2,000,000,800 (P400 per share) cash dividends out of the Company's unrestricted retained earnings to stockholders of record as at the declaration dates.

28. PREMIUMS - net

The details of premiums - net are as follows:

	Note	2016	2015
Premiums from:			
VUL insurance contracts	21	**P22,518,361,603**	P23,687,971,824
Life insurance contracts		**9,641,208,154**	9,330,142,454
		32,159,569 ,757	33,018,114,278
Less: Premiums ceded		**265,660,481**	206,988,070
		P31,893,909,276	P32,811,126,208

The uncollected policyholder premiums, which are all current, amounted to P400,968,040 and P449,643,910 as at December 31, 2016 and 2015, respectively.

Life insurance contracts offered by the Company mainly include whole life, endowment, term insurance and unit-linked products.

Whole life and term insurance are traditional products that provide for lump sum payments to the beneficiary upon death of the insured as long as death occurred within the terms of the policy.

An endowment product provides for lump sum payment to the beneficiary upon death of the insured if death occurred within the terms of the policy, or to the insured if he survives the endowment period.

A unit-linked product is a non-traditional product. It includes a protection element in the form of a term insurance. In addition, a portion of the premium is placed in segregated funds. The value of each fund depends on the returns from the investments held by the fund.

29. INVESTMENTS INCOME - net

The details of investments income - net are as follows:

	Notes	2016	2015
Interest income from:			
AFS financial assets	8	**P5,757,881,208**	P 5,697,558,896
Financial assets at FVTPL	12	**751,339,912**	613,135,426
Loans receivable – Guaranteed loans	9	**308,866,236**	289,861,404
Cash and cash equivalents	6	**35,115,572**	20,475,393
		6,853,202,928	6,621,031,119
Realized fair value gain (loss) from:			
AFS financial assets	8	**48,502,309**	2,123,027,670
Financial assets at FVTPL	12	**(320,934,589)**	935,817,819
		(272,432,280)	3,058,845,489
Dividend income from:			
AFS financial assets	8	**64,036,803**	90,079,009
Financial assets at FVTPL	12	**951,090,014**	828,802,794
		1,015,126,817	918,881,803
Others:			
Unrealized holding losses from derivative financial instruments	7	**(23,584,177)**	(33,513,250)
Impairment loss from AFS financial assets	8, 26	**(43,022,286)**	(263,979,722)
Foreign exchange gain		**654,739,418**	866,800,602
Unrealized fair value loss from financial assets at FVTPL	12	**(1,530,835,052)**	(3,798,752,690)
		(942,702,097)	(3,229,445,060)
		P6,653,195,368	P7,369,313,351

30. OTHER INCOME

The details of other income are as follows:

	Notes	2016	2015
Interest from policyholders' loans	13	**P 756,899,841**	P 766,487,129
Interest from receivables from agents and employees	9	**13,133,679**	12,930,360
Interest from loan to fellow subsidiary	18	**83,143,105**	76,729,001
Rental income	17, 37	**123,202,194**	119,640,873
Gain on disposal of leasehold, property and equipment	15	**4,413,132**	2,954,462
Others		**43,948,257**	31,264,729
		P1,024,740,208	P1,010,006,554

31. COMMISSIONS, BONUSES AND OTHER AGENTS' EXPENSES

The details of commissions, bonuses and other agents' expenses are as follows:

	2016	2015
Commissions	**P3,011,871,790**	P2,658,357,030
Bonuses and benefits	**2,398,351,790**	2,239,442,195
Other agents' expenses	**227,429,937**	246,168,571
	P5,637,653,517	P5,143,967,796

Commissions are based on premiums due and received or accrued by the Company and are paid in local currency regardless of the policy currency.

Other agents' expenses pertain to allowances, either cash or in kind, and agent's training and conference expenses.

32. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are as follows:

	Notes	2016	2015
Employee benefits	34	**P1,874,692,426**	P1,636,299,166
Depreciation and amortization	15, 16, 17	**264,582,871**	226,471,511
Rent	37	**235,998,424**	213,136,469
Outside services		**227,498,917**	222,751,980
Advertising and promotions		**230,124,582**	154,212,171
Investment expenses		**162,695,258**	221,248,932
Repairs and maintenance		**132,858,646**	98,528,874
Materials, supplies and facilities		**135,668,456**	90,419,659
Bank charges		**22,959,239**	29,147,171
Miscellaneous		**435,775,288**	327,155,742
		P3,722,854,107	P3,219,371,675

Details of depreciation and amortization are summarized below:

	Notes	2016	2015
Leasehold, property and equipment	15	**P205,149,586**	P167,009,462
Investment property	17	**38,383,653**	38,412,420
Intangible assets	16	**21,049,632**	21,049,629
		P264,582,871	P226,471,511

33. INSURANCE TAXES, LICENSES AND FEES

The details of insurance taxes, licenses and fees are as follows:

	2016	2015
Premium taxes	**P185,356,486**	P167,778,865
Local business taxes	**82,023,475**	133,823,240
Documentary stamp taxes	**12,707,015**	11,180,070
Other licenses and fees	**45,844,679**	41,047,928
	P325,931,655	P353,830,103

Premium taxes pertain to the 2% of the total premiums collected, whether such premiums are paid in money, notes, credits or any substitute for money, excluding premiums refunded within six months after payment on account of rejection of risk or returned for other reason to a person insured based on NIRC Sec. 123, a rule governing Life Insurance Premium.

Other licenses and fees consist of municipal taxes, community taxes, barangay clearance, filing fees.

34. EMPLOYEE BENEFITS

The details of employee benefits charged to profit or loss are as follows:

	Notes	2016	2015
Short term benefits		**P1,725,707,714**	P1,521,712,914
Post-employment benefits	35	**115,141,500**	80,172,400
Stock options and other share-based payments	36	**33,843,212**	34,413,852
	32	**P1,874,692,426**	P1,636,299,166

Post-employment benefit charged to other comprehensive income amounted to gain of P217,503,100 and loss of P151,309,200 in 2016 and 2015, respectively, as disclosed in Note 35.

35. RETIREMENT BENEFIT PLAN

The Company is a participant to the Sun Life of Canada (Philippines), Inc. Multi-Employer Employees' Retirement Plan (the "Retirement Plan"), a funded and non-contributory defined benefit retirement plan covering substantially all of its qualified employees. The other participants to the Retirement Plan are Sun Life Financial Asia Services Limited (ROHQ) and SLAMCI.

Under the plan, the employees, who are 50 years old and with at least 10 years of credited service or who are 65 years old, are entitled to a lump sum post-retirement benefit amounting to 50% to 200% of average monthly salary during the last three years immediately preceding the month of termination or a minimum benefit under the labor code, whichever is higher.

The retirement plan typically expose the participants to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Interest risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2016 by Towers Watson, an independent actuary, with report dated February 9, 2017. The valuation includes information for comparative periods as of December 31, 2015. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	2016	2015
Discount rate	**5.50%**	5.25%
Expected rate of salary increases	**7.00%**	7.00%
Average longevity at retirement age for current pensioners (years)	**33.425**	33.65
Average longevity at retirement age for current employees (future pensioners) (years)	**12.45**	12.40

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

	2016	2015
Service cost		
Current service cost	**P 100,436,300**	P 73,659,400
Net interest expense	**14,705,200**	6,513,000
Components of defined benefit costs recognized in profit or loss	**115,141,500**	80,172,400
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(275,252,300)**	11,950,200
Actuarial gains and losses:		
from changes in demographic assumptions	**-**	102,986,900
from changes in financial assumptions	**(39,969,300)**	(18,375,800)
from experience adjustments	**97,718,500**	54,747,900
Components of defined benefit costs recognized in other comprehensive income	**(217,503,100)**	151,309,200
	(P 102,361,600)	P231,481,600

Total retirement cost for 2016 and 2015 has been included as employee benefits as disclosed in Note 34.

The amount included in the statements of financial position arising from the Company's obligations with respect to its defined benefit obligation is as follows:

	2016	2015
Present value of defined benefit obligations	P 1,265,451,400	P1,111,479,800
Fair value of plan assets	(1,147,051,200)	(787,649,300)
Net liability arising from defined benefit obligation	P 118,400,200	P 323,830,500

Movements in the present value of defined benefit obligations are as follows:

	Note	2016	2015
Balance, January 1		P1,111,479,800	P 873,155,100
Current service cost		100,436,300	73,659,400
Interest cost		57,482,700	35,735,200
Remeasurement (gains)/losses:			
Actuarial loss arising from changes in demographic assumptions		-	102,986,900
Actuarial gains arising from changes in financial assumptions		(39,969,300)	(18,375,800)
Actuarial losses arising from experience adjustments		97,718,500	54,747,900
Benefits paid		(60,659,600)	(25,871,200)
Transfers	18	(1,037,000)	15,442,300
Balance, December 31		P1,265,451,400	P1,111,479,800

Movements in the fair value of plan assets are as follows:

	Note	2016	2015
Balance, January 1		P 787,649,300	P698,907,100
Interest income		42,777,500	29,222,200
Remeasurement (gains) losses:			
Return on plan assets (excluding amounts included in net interest expense)		275,252,300	(11,950,200)
Contributions from the employer		103,068,700	81,899,100
Benefits paid		(60,659,600)	(25,871,200)
Transfers	18	(1,037,000)	15,442,300
Balance, December 31		P1,147,051,200	P787,649,300

Fair value of plan assets represents the Company's share in Sun Life Financial Group Retirement Plan's assets as at December 31, 2016 and 2015. The assets of the Retirement Plan were allocated to the participating companies by taking into consideration actual contribution and benefit payments during the year.

The defined benefit plans are administered by a Retirement Plan Trustee that is legally separated from the entity. The appointed Retirement Trustee is responsible for the general administration and management of the Retirement Fund.

Transfers pertain to adjustments arising from intercompany employee transfers.

The analysis of the fair value of allocated plan assets and the expected rate of return at the end of each reporting period was as follows:

	Fair Value 2016	2015
Cash and cash equivalents	**P 20,073,396**	P 31,899,797
Debt instruments	**504,243,708**	393,509,590
Equity instruments	**94,517,019**	129,883,370
Real estate	**646,936,876**	381,773,616
Accrued Expenses	**(118,719,799)**	(149,447,073)
	P1,147,051,200	P787,619,300

The significant information of the unallocated Retirement Plan as at December 31 are as follows:

	Fair Value 2016	2015
Cash and cash equivalents	**P 21,338,193**	P33,765,591
Debt instruments	**536,015,402**	416,525,663
Equity instruments	**100,472,405**	137,480,148
Real estate	**687,699,469**	404,103,260
Accrued expenses	**(126,200,169)**	(158,156,362)
	P1,219,325,300	P833,718,300

Debt instruments pertain to investments in bonds and government securities.

Equity instruments pertain to investments in equity securities listed in the local stock exchange.

The determination of the defined benefit obligation used significant actuarial assumptions including discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in Assumption		**Increase (Decrease) on Retirement Benefit Obligation**	
	2016	**2015**	**2016**	**2015**
Discount rate	**1% increase**	1% increase	**(P142,817,800)**	(P95,585,541)
	1% decrease	1% decrease	**130,819,800**	114,306,343
Expected salary growth rate	**1% increase**	1% increase	**155,326,900**	96,838,585
	1% decrease	1% decrease	**(132,535,600)**	(83,416,108)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analyses, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analyses from prior years.

The Asset-Liability Matching Strategies are set and reviewed from time to time by the plan trustees by taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor. This considers the expected benefit cash flows to be matched with asset durations.

There has been no change in the process used to manage its risks from prior periods.

The average duration of the benefit obligation for active employees is 14.19 and 19.06 years as at December 31, 2016 and 2015, respectively.

The Company expects to make a contribution of P41,889,100 in 2017 to the defined benefit plan.

36. CASH-SETTLED AND SHARE-BASED COMPENSATION

Executive Stock Option Plans

Sun Life Financial, Inc., the Company's ultimate parent company, granted stock options to certain employees and officers under the Executive Stock Option Plan and to all eligible employees under the Special 2001 Stock Option Award Plan. These options are granted at the closing price of the common shares on the Toronto Stock Exchange (TSX) on the grant date for stock options granted after January 1, 2007, and the closing price of the trading day preceding the grant date for stock options granted before January 1, 2007. The options granted under the stock option plans generally vest over a four-year period under the Executive Stock Option Plan and two years after the grant date under the Special 2001 Stock Option Award Plan. All options have a maximum exercise period of 10 years.

The activities in the stock option plan and the weighted average exercise prices of share options are as follows:

	2016		2015	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
Balance, January 1	**55,759**	**C$30.86**	**55,759**	**C$30.86**
Granted	**-**	**-**	-	-
Exercised	**(12,668)**	**21.53**	-	-
Expired	**(3,600)**	**49.4**	-	-
Balance, December 31	**39,491**	**C$32.16**	**55,759**	**C$30.86**
Exercisable, December 31	**39,491**	**C$32.16**	**52,592**	**C$31.42**

The following are the stock options outstanding and exercisable as at December 31, 2016 and 2015, by exercise price:

	2016			2015		
Range of Exercise Prices	**Number of Stock Options (Thousands)**	**Remaining Contractual Life (Years)**	**Weighted Average Exercise Price**	Number of Stock Options (Thousands)	Remaining Contractual Life (Years)	Weighted Average Exercise Price
$20.08 to $21.36	**242,637**	**2.15**	**$20.08**	341,119	3.15	$20.08
$21.37 to $27.45	**707,287**	**5.08**	**$22.30**	702,392	6.08	$22.30
$27.46 to $30.95	**552,845**	**4.77**	**$29.14**	621,884	4.85	$29.77
$30.96 to $47.95	**1,304,397**	**7.48**	**$38.02**	445,519	5.52	$33.80
$47.96 to $52.71	**590,034**	**0.59**	**$50.53**	1,439,195	1.26	$49.78
	3,397,200	**4.96**	**$34.19**	3,550,109	3.56	$35.98

The weighted average fair values of the stock options, calculated using the Black-Scholes option-pricing model, granted during the years ended December 31, 2016 and 2015 were C$7.80 and C$7.74, respectively.

Fair value of each option is estimated on the date of grant using Black-Scholes pricing model with the following assumptions:

	2016	2015
Risk-free interest rate	**0.94%**	0.95%
Expected volatility	**32.25%**	32.76%
Expected dividend yield	**4.00%**	4.00%
Expected life of the option (in years)	**6.25%**	6.25%
Exercise price	**$31.45**	$27.97

Sun Share Unit ("Sun Share") Plan

Under the Sun Share plan, participants are granted units that are equivalent in value to one common share and have a grant price equal to the average of the closing price of a common share on the TSX on the five trading days immediately prior to the date of grant. Participants generally hold units for up to 36 months from the date of grant. The units earn dividend equivalents in the form of additional units at the same rate as the dividends on common shares. Units may vest or become payable if we meet specified threshold performance targets. The plan provides for performance factors to motivate participants achieve a higher return for shareholders (performance factors are determined through a multiplier that can be as low as zero or as high as two times the number of units that vest). Payments to participants are based on the number of units vested multiplied by the average closing price of a common share on the TSX on the five trading days immediately prior to the vesting date.

Total units outstanding under this plan amounted to 72,841 and 59,019 as at December 31, 2016 and 2015, respectively.

Share based compensation expense recognized in profit or loss amounted to P33,843,212 and P34,413,852 in 2016 and 2015, respectively.

Share based payment liability as at December 31, 2016 and 2015 amounted to P82,755,479 and P71,743,450, respectively, as disclosed in Notes 18 and 24. The amount of liability recognized is settled through intercompany charges between the Company and SLF, Inc.

37. OPERATING LEASE AGREEMENTS

The Company as Lessee

The Company leases several office facilities and operating equipment under cancellable and non-cancellable lease agreements. Rental charges are subject to escalation of between 5% to 15%.

Total rent expense computed using the straight-line method amounted to P235,998,424 and P213,136,469 in 2016 and 2015, respectively, as disclosed in Note 32. Security deposits relating to the Company's leases amounted to P40,957,585 and P33,324,309 as at December 31, 2016 and 2015, respectively, as disclosed in Note 20.

Future annual minimum lease payments over the remaining term of the lease are as follows:

	2016	2015
Not later than one year	**P119,201,537**	P133,306,003
Later than one year but not later than five years	**231,776,974**	233,143,183
	P350,978,511	P366,449,186

The Company as Lessor

The Company leases out its office space under an operating lease to its subsidiaries, related parties and third parties. Leases are negotiated for an average term of one year to five years, renewable at the option of the Company under such terms and conditions, which are mutually acceptable to both parties. The rental charges shall be subjected to 5% escalation beginning in the second year of the term of the lease.

Property rental income earned amounted to P123,202,194 and P119,640,873 in 2016 and 2015, respectively as discussed in Notes 17 and 30.

Total refundable deposits recognized in the statements of financial position as part of accounts payable, accrued expenses and other liabilities amounted to P24,337,239 and P20,421,174 as at December 31, 2016 and 2015, respectively, as disclosed in Note 24.

At the end of each reporting period, the Company had contracted with tenants for the following future minimum lease payments:

	2016	2015
Not later than one year	**P 61,851,599**	P103,985,224
Later than one year but not later than five years	**72,740,350**	168,413,564
Later than five years but not later than ten years	**10,319,772**	29,853,776
	P144,911,721	P302,252,564

38. INCOME TAXES

Components of income tax expense charged to profit or loss are as follows:

	2016	2015
Final taxes	**P1,389,049,705**	P1,404,218,061
Deferred tax (benefit) expense	**(8,307,173)**	130,873,291
	P1,380,742,532	P1,535,091,352

Final taxes are taxes withheld on the Company's interest income on cash and cash equivalents and government bonds, and proceeds from sale of equity securities.

Reconciliation between tax expense and the product of accounting profit multiplied by 30% in 2016 and 2015 are as follows:

	2016	2015
Accounting profit before tax	**P3,163,589,112**	P4,888,949,928
Tax expense at 30%	**P 949,076,734**	P1,466,684,978
Tax effects of:		
Income subject to lower tax rate and tax exempt	**(1,145,164,645)**	(1,446,969,059)
Dividend income	**(303,181,310)**	(275,664,540)
Non-deductible expenses	**327,602,736**	512,377,349
Unrecognized deferred tax assets	**1,552,409,017**	1,278,662,624
	P1,380,742,532	P1,535,091,352

Under Republic Act No. 8424, the Company is subject to RCIT of 30% of taxable income, or 2% MCIT on gross income, whichever is higher. There was no MCIT in 2016 and 2015.

39. DEFFERED TAXES

Deferred Tax Assets

The Company reviews the carrying amounts at the end of each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The Company's accumulated unrecognized deferred tax assets amounted to P4,132,854,298 and P3,419,265,947 as at December 31, 2016 and 2015, respectively.

The above deferred tax assets were not recognized since Management believes that it is not probable that future taxable profit will available against which deferred tax asset can be utilized.

Details of the Company's NOLCO are as follows:

Year Incurred	Year of Expiry	2015 Balance	Additions	Utilized / Expired	**2016 Balance**
2013	2016	P 3,530,676,842	P -	(P3,530,676,842)	**P -**
2014	2017	2,923,765,954	-	-	**2,923,765,954**
2015	2018	4,878,694,347	-	-	**4,878,694,347**
2016	2019		5,885,827,016	-	**5,885,827,016**
		P11,333,137,143	P5,885,827,016	(P3,530,676,842)	**P13,688,287,317**

Deferred Tax Liability

Movement of deferred tax liability arising from unrealized foreign exchange gain are summarized as follows:

	2016	2015
Balance, beginning	**P130,873,291**	P -
Charged to profit or loss	**(8,307,173)**	130,873,291
	P122,566,118	P130,873,291

40. CONTINGENCIES

In the normal course of the Company's operations, there are various outstanding contingent liabilities such as pending legal cases which are not reported in the accompanying financial statements. The Company recognizes in its books losses and liabilities incurred in the course of its operations as these become determinable and quantifiable. In the opinion of the management and its legal and tax counsels, it is not liable to and has strong position on these contingent liabilities, and if decided adversely, will not have a material effect on the Company's financial position and resulting operations.

41. FAIR VALUE INFORMATION

Financial Instruments

Assets and liabilities measured at fair value on a recurring basis

The following table gives information about how the fair values of the Company's assets and liabilities, which are measured at fair value at the end of each reporting period.

	Level 1	Level 2	Total
December 31, 2016			
Financial Assets			
Financial assets at FVTPL			
Investments in savings deposits	P -	P2,325,581,498	P2,325,581,498
Investments in bonds, government and other securities	20,784,325,988	616,082,887	21,400,408,875
Investments in stocks	56,080,024,687	-	56,080,024,687
Investment in mutual fund	6,848,552,435	-	6,848,552,435
AFS financial assets			
Investments in bonds, government and other securities	50,447,944,675	43,810,976,552	94,258,921,227
Investments in stocks	3,326,373,971	-	3,326,373,971
Investment in UITF	517,644,676	-	517,644,676
Investment in associate	501,944,671	-	501,944,671
	P138,506,811,103	P46,752,640,937	P185,259,452,040
Financial Liabilities			
Derivative financial instruments	P -	P71,027,449	P71,027,449
December 31, 2015			
Financial Assets			
Financial assets at FVTPL			
Investments in savings deposits	P -	P9,743,141,490	P9,743,141,490
Investments in bonds, government and other securities	12,875,951,020	1,454,435,970	14,330,386,990
Investments in stocks	45,978,663,008	-	45,978,663,008
Investment in mutual funds	5,016,575,669	-	5,016,575,669
AFS financial assets			
Investments in bonds, government and other securities	31,999,623,162	59,689,326,112	91,688,949,274
Investments in stocks	3,825,250,750	-	3,825,250,750
Investments in UITF	508,868,167	-	508,868,167
Investment in associate	509,409,995	-	509,409,995
	P100,714,341,771	P70,886,903,572	P171,601,245,343
Financial Liabilities			
Derivative financial instruments	P -	P47,443,272	P47,443,272

Fair value of derivative financial instruments are determined based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The fair values of investments in bonds, government and other securities classified as Level 1 are based on quoted prices of either done deals or bid rates of identical instruments while the fair value of fixed-income securities classified as Level 2 are based on quoted prices of either done deals and bid rates of similar instruments and interpolated yields derived from benchmark rates.

Investments in mutual funds and investments in associate are valued at its published Net Assets Values Per Share (NAVPS) as at reporting date.

The fair values of the special savings deposits are based on discounted cash flow analysis using prevailing market interest rates. However, due to their short term maturity, their carrying amounts approximate their fair values.

Investments in UITF are valued at published NAVPU as at reporting date.

Listed equity securities are valued at closing price in compliance with SRC Rule 52.1 Par. E, which states that securities shall be valued at the last sales price. If no sale of such security is made on that date, bid prices will then be considered as the closing price.

The carrying amounts and fair values of the Company's financial assets and financial liabilities are shown below:

	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P 3,675,827,426**	**P 3,675,827,426**	P4,033,043,516	P4,033,043,516
Uncollected policyholder premiums	**400,968,040**	**400,968,040**	449,643,910	449,643,910
Policyholders' loans	**7,493,810,802**	**8,880,045,781**	7,699,874,677	9,385,467,743
Loans and receivables	**5,457,745,290**	**5,652,374,617**	4,837,824,096	4,818,893,605
Due from related parties	**242,658,985**	**242,658,985**	177,009,802	177,009,802
Loan to fellow subsidiary	**2,124,160,601**	**1,947,704,178**	1,964,391,278	1,789,005,051
Other receivables	**382,166,017**	**382,166,017**	159,518,126	159,518,126
Security deposit	**40,957,585**	**34,710,981**	33,324,309	28,194,634
Investment income earned and accrued	**1,999,452,598**	**1,999,452,598**	1,793,937,621	1,793,937,621
	P21,817,747,344	**P23,215,908,623**	P21,148,567,335	P22,634,714,028
Financial Liabilities				
Due to policyholders	**P26,656,223,916**	**P26,656,223,916**	P25,810,875,355	P25,810,875,355
Due to related parties	**38,414,417**	**38,414,417**	23,472,314	23,472,314
Accounts payable, accrued expenses and other liabilities	**2,281,622,308**	**2,281,622,308**	2,280,449,235	2,280,449,235
	P28,976,260,641	**P28,976,260,641**	P28,114,796,904	P28,114,796,904

Accounts payable, accrued expenses and other liabilities are net of government payables and deferred rentals which are not considered as financial liabilities.

The fair values of the Company's financial assets and financial liabilities are determined on the following basis:

Cash and cash equivalents, investment income earned and accrued, due from related parties, other receivables, due to related parties, accounts payable, accrued expenses and other liabilities, uncollected premiums and due to policyholders have short-term maturities, hence, their carrying amounts are considered their fair values.

The fair value of loan receivables, loan to fellow subsidiary, policyholders' loans and security deposit were determined based on a discounted cash flow analysis using domestic banks' average lending rates of 5.67% and 5.73% for 2016 and 2015, respectively.

42. RISK MANAGEMENT

The Company's overall risk management framework establishes policies, operating guidelines, risk tolerance limits and practices for risk management patterned after the Company's parent organization. It provides oversight to the risk management activities within the Company's business segments, ensuring discipline and consistency are applied to the practice of risk management.

The Company's activities expose it to a variety of operational risk and financial risks such as market risk (which includes foreign exchange risk, interest rate risk and equity price risk), credit risk, liquidity risk and insurance risk (which includes product design and pricing risk, mortality and morbidity risk and legal, regulatory and market conduct risk management).

Risk Framework

The risk management program is designed to:

a. avoid risks that could materially affect the value of the Company,

b. contribute to sustainable earnings,

c. take risks that the Company can manage in order to increase returns, and

d. provide transparency of the Company's risks through internal and external reporting.

The Company is in the business of accepting risks for appropriate return and takes on those risks that meet its objectives. The program design aligns risk management with the Company's vision and strategy and embeds it within the business management practices of the business groups.

In pursuing its business objectives, Management is responsible for ensuring that all significant risks are appropriately identified, assessed, managed, reported and monitored.

Accountability provides clear lines of responsibility and authority for risk acceptance and risk taking. In order for risk management to be effective, all must understand the roles and responsibilities.

The BOD is ultimately responsible for ensuring that risk management policies and practices are in place. The BOD has oversight role with respect to ensuring the identification of major areas of risk and development of strategies to manage those risks, and to review compliance with risk management policies implemented by the Company and with legal and regulatory matters.

Key Risk Processes

The Company has established a formal risk identification program whereby key risks that may impact its business are identified. Exposure to these risks is assessed on a qualitative and quantitative basis. Risk control programs and action plans are established for mitigating the exposure.

The Company has adopted risk management policies to provide a consistent approach to measurement, mitigation and control, and monitoring of risk exposures.

Risk Measurement

The Company has established market risk tolerance limits that set out the maximum target income sensitivity of the Company to changes in interest rates and the equity markets.

Risk Categories

Market risk

Market risk arises when there is uncertainty in the valuation of financial assets and liabilities from changes in equity markets, interest rates, and foreign exchange rates.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US dollars. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

Assets are currency matched to the liabilities they support, and the Company's assets are invested as specified in the Asset Liability Management Operating Guideline, unless otherwise approved by the Asset Liability Committee (ALCO). The said guideline also defines the approved foreign currency exposure through an early-warning threshold, and through soft and hard tolerance limits thereafter. When a breach of the soft limit occurs, at a maximum no action should be taken that will worsen the situation. The focus is on identifying cause and assessing the risk of a hard breach. When a hard breach of the hard limit occurs, the focus is on taking immediate corrective action to restore the foreign exchange position within a reasonable time horizon.

The carrying amounts of the Company's foreign currency denominated monetary financial assets and monetary financial liabilities at the end of each reporting period are as follows:

	2016	2015
Cash and cash equivalents	**P 450,422,024**	P 882,809,560
Available-for-sale financial assets	**7,698,458,248**	7,134,039,139
Financial assets at FVTPL	**5,811,789,358**	5,111,417,526
Policyholders' loans	**262,449,510**	236,265,504
Uncollected policyholder premiums	**30,181,713**	36,332,356
Investment income earned and accrued	**121,228,267**	110,844,801
Other receivables	**760,890**	478,086
Due to policyholders	**(1,787,628,441)**	(248,956,829)
Accounts payable, accrued expense and other liabilities	**(259,093,124)**	(249,285,742)
	P12,328,568,445	P13,013,944,401

The following table details the Company's sensitivity to a 5% increase and decrease in the Philippine peso against the relevant foreign currency. The sensitivity rate used for reporting foreign currency risk internally to key management personnel is 5% and it represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary financial assets and liabilities and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in net profit when the Philippine peso weakens by 5% against the relevant currency. For a 5% strengthening of the Philippine peso against the relevant currency, there would be an equal and opposite impact on the net profit and the amounts below would be negative.

	Effect on Profit for the Year	
	2016	2015
Cash and cash equivalents	**P 22,521,101**	P 44,140,478
Available-for-sale financial assets	**384,922,912**	356,701,957
Financial assets at FVTPL	**290,589,468**	255,570,876
Policyholders' loans	**13,122,476**	11,813,275
Uncollected policyholder premiums	**1,509,086**	1,816,618
Investment income earned and accrued	**6,061,413**	5,542,240
Other receivables	**38,045**	23,904
Due to policyholders	**(89,381,422)**	(12,447,841)
Accounts payable, accrued expense and other liabilities	**(12,954,656)**	(12,464,286)
	P616,428,423	P650,697,221

Credit risks associated with fixed income investments are managed using:

a. Detailed credit and underwriting policies

b. Specific diversification requirements

c. Comprehensive due diligence and on-going credit analysis

d. Aggregate counterparty exposure limits

e. Monitoring against pre-established limits

Provisions for impaired assets are charged against the carrying value of the asset with additional allowances provided for in actuarial liabilities.

Following are portfolio parameters for the aggregate fixed income portfolio for the Company for 2016 and 2015. Exposure will be measured on market value exposures at the time of purchase.

	Maximum	Minimum
Government of the Republic of the Philippines	100%	25%
Bangko Sentral ng Pilipinas	100%	-
Single Underlying Credit	5%	-
Group of Related Underlying Credits	10%	-
One Industry Sector	20%	-
Aggregate Exposure to a Single Bank	25%	-

Aggregate exposure to any single bank shall include all direct lending exposure plus letters of credit securing private fixed income. Where there are no letters of credit, the single issuer (underlying credit) will prevail. For other portfolio parameter tests, the letter of credit will not be included.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	Notes	2016	2015
Cash in banks and cash equivalents	6	**P 3,675,329,435**	P 4,031,635,800
Available-for-sale financial assets	8	**94,258,921,227**	91,688,949,274
Financial Assets at FVTPL	12	**23,725,990,373**	24,073,528,480
Loans and receivables	9	**5,457,745,290**	4,837,824,096
Loan to fellow subsidiary	18	**2,124,160,601**	1,964,391,278
Policyholders' loans	13	**7,493,810,802**	7,699,874,677
Investment income earned and accrued	14	**1,999,452,598**	1,793,937,621
Uncollected policyholder premiums	28	**400,968,040**	449,643,910
Due from related parties	18	**242,658,985**	177,009,802
Security deposit		**40,957,585**	33,324,309
Other receivables	19	**382,166,017**	159,518,126
		P139,802,160,953	P136,909,637,373

The Company has no past due accounts.

Interest rate risk

This is the risk of asset-liability mismatch resulting from the interest rate volatility.

The primary source of the Company's interest rate risk relates to cash and cash equivalents, debt securities classified as financial assets at FVPTL and available-for-sale, policyholders' loans, and policyholder dividends. The interest rates on these assets and liabilities are disclosed in Notes 6, 8, 12 and 22.

This risk is managed by cash flow and/or duration matching strategies and by providing reasonable long term returns based on asset allocation strategies. The Company has established policies and operating guidelines in managing interest rate risk.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of each reporting period. A 100 basis point increase or decrease is used for reporting interest rate risk internally to key management personnel and represents Management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's:

a. Profit for the years ended December 31, 2016 and 2015 would have increased or decreased by P59 million and P52 million, respectively. This is mainly attributable to the impact of new money yields on reinvestments; and

b. Other equity reserves would have increased by P8.6 billion in 2014 and P9.5 billion in 2015 if interest rates had been 100 basis points lower, or decreased by P7.6 billion in 2016 and P8.2 billion in 2015 if interest rates had been 100 basis points higher, mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.

Equity price risk

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic purposes. Equity exposure is managed through the equity asset class allocation target and range defined in the Portfolio Policies & Parameters in accordance with the Asset Liability Management Operating Guideline. Exposure is monitored periodically and reported to the Asset Liability Committee on a quarterly basis.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices have been 10% higher or lower, equity reserves would have increased or decreased by P319 million in 2016 and P369 million in 2015, as a result of the changes in fair value of available-for-sale shares.

Credit risk

Credit risk refers to the risk that an issuer of securities in the Company's investment portfolio, debtor or counterparty and intermediary, to whom the Company has an exposure, will default on its contractual obligations resulting in financial loss to the Company. It is the uncertainty surrounding the likelihood of default or credit downgrades.

The Company has no significant concentration of credit risk except on Philippine government securities as required by Philippine laws and regulations. It has policies in place to ensure that services are rendered to customers with an appropriate credit history.

The following table details the credit quality of the Company's neither past due nor impaired financial assets:

	Neither Past Due nor Impaired				
	High Grade	Satisfactory Grade	Acceptable Grade	Low Grade	Total
2016					
Cash and cash equivalents	**P 3,675,827,426**	**P -**	**P -**	**P -**	**P 3,675,827,426**
Available-for-sale financial assets	**94,258,921,227**	**-**	**-**	**-**	**94,258,921,227**
Financial assets at FVTPL	**23,725,990,373**	**-**	**-**	**-**	**23,725,990,373**
Loans and receivables	**-**	**5,457,745,290**	**-**	**-**	**5,457,745,290**
Loan to fellow subsidiary	**-**	**2,124,160,601**	**-**	**-**	**2,124,160,601**
Policyholders' loans	**-**	**7,493,810,802**	**-**	**-**	**7,493,810,802**
Investment income earned and accrued	**1,554,470,058**	**444,982,540**	**-**	**-**	**1,999,452,598**
Uncollected policyholder premiums	**-**	**400,968,040**	**-**	**-**	**400,968,040**
Due from related parties	**-**	**242,658,985**	**-**	**-**	**242,658,985**
Security deposit	**40,957,585**	**-**	**-**	**-**	**40,957,585**
Other receivables	**-**	**382,166,017**	**-**	**-**	**382,166,017**
	P123,256,166,669	**P16,546,492,275**	**P -**	**P -**	**P139,802,658,944**
2015					
Cash and cash equivalents	P 4,033,043,516	P -	P -	P -	P 4,033,043,516
Available-for-sale financial assets	91,688,949,274	-	-	-	91,688,949,274
Financial assets at FVTPL	24,073,528,480	-	-	-	24,073,528,480
Loans and receivables	-	4,837,824,096	-	-	4,837,824,096
Loan to fellow subsidiary	-	1,964,391,278	-	-	1,964,391,278
Policyholders' loans	-	7,699,874,677	-	-	7,699,874,677
Investment income earned and accrued	1,366,962,571	426,975,050	-	-	1,793,967,621
Uncollected policyholder premiums	-	449,643,910	-	-	449,643,910
Due from related parties	-	177,009,802	-	-	177,009,802
Security deposit	33,324,309	-	-	-	33,324,309
Other receivables	-	159,518,126	-	-	159,518,126
	P121,195,808,150	P15,715,236,939	P -	P -	P136,911,045,089

The Company uses internal ratings to determine the credit quality of its financial assets. These have been mapped to the summary rating below:

High Grade - applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Company has excellent repayment experience.

Satisfactory Grade - applies to financial assets that are performing as expected.

Acceptable Grade - applies to counterparties with risk profiles that are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category.

Low Grade - applies to risks that is neither past due nor expected to result in loss but where the Company requires a workout of the relationship unless an early reduction in risk is achievable.

Liquidity risk

Entities within the Sun Life Financial Group are required to have appropriate liquidity. This means having sufficient liquidity to be able to meet all obligations promptly under foreseeable adverse circumstances, while not having excessive liquidity that entails an opportunity cost in terms of product competitiveness and asset yields.

Exposure to liquidity risk will be measured and managed by using Liquidity Ratios calculated over various scenarios and time horizons. The Company measures and manages their Liquidity Ratios within prescribed tolerances and target ranges, and monitors and reports their Liquidity Ratios as set forth in the Liquidity Operating Guideline developed in compliance with the Asset Liability Management Corporate Operating Guideline. This will also contain a Contingency Plan for the management of liquidity in the event of a liquidity crisis.

The table below illustrates the net cash flows over the lifetime of the Company's existing portfolio. Positive net cash flows are assumed to be reinvested at a conservative net annual effective yield and equity holdings are assumed to have zero market value growth.

Financial Assets Portfolio for:	Less than One-Year	One-Five Years	More than Five Years	Total
		(In Million Pesos)		
December 31, 2016				
Asset cash flow	**P7,446**	**P21,362**	**P479,691**	**P508,499**
Liability cash flow	**(3,161)**	**(7,494)**	**(210,654)**	**(221,309)**
	P4,285	**P13,868**	**P269,037**	**P287,190**
December 31, 2015				
Asset cash flow	P5,990	P19,791	P428,358	P454,139
Liability cash flow	(3,397)	(9,305)	(193,444)	(206,146)
	P2,593	P10,486	P234,914	P247,993

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Within one year	Beyond one year	Total
December 31, 2016			
Due to policyholders	**P1,338,536,911**	**P25,317,687,005**	**P26,656,223,916**
Due to related parties	**38,414,417**	**-**	**38,414,417**
Accounts payable, accrued expenses and other liabilities	**2,281,622,308**	**-**	**2,281,622,308**
	P3,658,573,636	**P25,317,687,005**	**P28,976,260,641**
December 31, 2015			
Due to policyholders	P1,166,112,080	P24,644,763,275	P25,810,875,355
Due to related parties	23,472,314	-	23,472,314
Accounts payable, accrued expenses and other liabilities	2,280,449,235	-	2,280,449,235
	P3,470,033,629	P24,644,763,275	P28,114,796,904

Insurance and underwriting risks

Insurance risk is the uncertainty of product performance due to differences between the actual experience and expected assumptions affecting amounts of claims, benefits payments, expenses and the cost of embedded options and guarantees related to insurance risks. The risk class includes risk factors relating to product development and pricing, mortality, morbidity, longevity, policyholder behaviour and reinsurance.

Insurance risk is managed through a number of enterprise wide controls addressing a wide range of insurance risk factors, as follows:

- Enterprise wide Insurance Underwriting and Claims, Product Development and Pricing, and Reinsurance Risk management policies
- Product development and pricing policies require detailed risk assessment and provision for material insurance risks.
- Target capital levels established that exceed regulatory minimums.
- Board approved maximum retention limits (amounts issued in excess of these limits are reinsured).
- Various limits, restrictions and fee structures may be introduced into plan designs in order to establish more homogeneous policy risk profile and limit potential for anti-selection.
- Enterprise underwriting and risk selection standards with oversight by Corporate underwriting and claims risk management function.

- Diversification and risk pooling is managed by aggregation of broad exposures across product lines, geography, distribution channels, etc.
- Experience studies (both Company specific and industry level) and Source of Earnings analysis are periodically monitored and factored into ongoing valuation, renewal and new business pricing processes.
- Stress-testing techniques, such as DCAT, are used to measure the effects of large and sustained adverse movements in insurance risk factors.
- The Company has established a reinsurance ceded policy to set acceptance criteria and protocols to monitor the level of reinsurance ceded to any single reinsurer or group of reinsurers. Our reinsurance counterparty risk profile is monitored closely, including through regular reporting to the Risk Review Committee of the Sun Life Financial BOD.

The factors affecting the Company's insurance and underwriting risks are described as follows:

a. *Product design and pricing*

Product design and pricing risk is the risk a product does not perform as expected causing financial consequences. This risk may arise from deviations in realized experience versus assumptions used in the pricing of products. Risk factors include uncertainty concerning future investment yields, policyholder behaviour, mortality and morbidity experience, sales levels, mix of business, expenses and taxes. Although some products permit premiums or charges/credit adjustments during the life of the policy or contract, the terms of these policies or contracts may not allow for sufficient adjustments to maintain expected profitability.

Product development, design and pricing processes have been implemented throughout the Company. New products are subject to a risk assessment process to identify key risks and must be approved by a multi-disciplinary committee. Pricing models, methods and assumptions are subject to periodic internal peer reviews.

An annual assessment is performed to conform compliance with the Enterprise wide Product Design and Pricing Operating Policy approved by Risk Review Committee of the Sun Life Financial BOD and related operating guidelines.

Experience studies and sources of earnings analysis are used to monitor actual experience against those assumed in pricing and valuation.

On experience rated products, participating and adjustable products, emerging experience are monitored against those assumed in pricing and valuation.

Limits and restrictions may be introduced into the design of the product to mitigate adverse policyholder behaviour or apply upper thresholds on certain benefits.

b. *Policyholder behaviour risk*

The Company can incur losses due to adverse policyholder behaviour relative to that assumed in the liabilities with regard to lapse of policies or exercise of other embedded policy options.

Uncertainty in policyholder behaviour can arise from several sources including unexpected events in the policyholder's circumstances, the general level of economic activity (whether higher or lower than expected), changes in pricing and availability of current products, the introduction of new products, changes in underwriting technology and standards as well as changes in financial strength or reputation. Uncertainty in future cash flows affected by policyholder behaviour can be further exacerbated by irrational behaviour during times of economic turbulence or at key option exercise points in the life of an insurance contract.

Various types of provisions are built into many of the Company's products to reduce the impact uncertain policyholder behaviour. These provisions include:

- surrender charges which adjust the payout to the policyholder by taking into account prevailing market conditions;
- limits on the amount that policyholders can surrender or borrow;
- restrictions on the timing of policyholders' ability to exercise certain options; and
- restrictions on both the types of funds customers can select and the frequency with which they can change funds.

c. *Mortality and morbidity risk*

Mortality and morbidity risk is the risk of incurring higher than anticipated mortality and morbidity claim losses on any one policy or group of policies. It can arise in the normal course of business through the random fluctuation in realized experience, through catastrophes, or in association with other risk factors such as product development and pricing or model risk. Adverse mortality and morbidity experience could also occur through systemic anti-selection, which could arise due to poor plan design or underwriting process failure or the development of investor owned and secondary markets for life insurance policies.

Detailed uniform underwriting procedures have been established to determine the insurability of applicants and to manage exposure to large claims. These underwriting requirements are regularly scrutinized against industry guidelines and oversight is provided through a corporate underwriting and claim management function.

Individual and group insurance policies are underwritten prior to initial issue and renewals based on selection, plan design and rating techniques.

Underwriting and claims risk policies approved by the Risk Review Committee of the Sun Life Financial BOD include limits on the maximum amount of insurance that may be issued under one policy and the maximum amount that may be retained. These limits vary by geographic region and amounts in excess of limits are reinsured to ensure there is no exposure to unreasonable concentration of risk.

d. *Expense risk*

Expense risk is the risk that future expenses are higher than assumed. This risk can arise from general economic conditions, unexpected increases in inflation, or reduction in productivity leading to increase in unit expenses. Expense risk occurs in products where we cannot or will not pass increased costs on to the customer and will manifest itself in the form of a liability increase or a reduction in expected future profits.

The Company closely monitors expenses through an annual budgeting process and on-going monitoring of any expense gaps between unit expenses assumed in pricing and actual expenses.

e. *Reinsurance market risk*

The Company purchases reinsurance for certain risks underwritten by various insurance businesses. Reinsurance market risk is the risk of financial loss due to adverse developments in reinsurance markets (for example, discontinuance or diminution of reinsurance capacity or an increase in the cost of reinsurance) or insolvency of a reinsurer.

Changes in reinsurance market conditions, including actions taken by reinsurers to increase rates on existing coverage with non-guaranteed premiums, may adversely impact the availability or cost of maintaining existing or securing new requisite reinsurance capacity, with adverse impacts on our profitability and financial position.

The Company has a reinsurance ceded policy approved by the Risk Review Committee of the Sun Life Financial BOD to set acceptance criteria and monitor the level of reinsurance ceded to any single reinsurer or group of reinsurers. The policy also determines which reinsurance companies qualify as suitable business partners and requires that all agreements include provisions to allow action to be taken, such as recapture of ceded risk (at a potential cost to the Company), in the event that the reinsurer is losing its legal ability to carry on business through insolvency or regulatory action. New sales of products can also be discontinued or changed to reflect developments in the reinsurance markets. In force reinsurance, treaties are typically guaranteed for the life of the ceded policy, however, some reinsurance rates may be adjustable. There is generally more than one reinsurer supporting a reinsurance pool and to diversify risks.

Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, controls, people and systems. Categories of operational risks may fall under: sales and distribution, human resources, information technology, processes and people, accounting and finance, model risk, legal and regulatory and third party relationships.

The Company ensures that internal controls and practices are consistent with enterprise wide policies supporting the management of operational risks.

The Company has established business specific guidelines. Comprehensive insurance program, including appropriate levels of self-insurance, is maintained to provide protection against potential losses. Environmental risk management program is maintained to help protect investment assets, primarily, whenever applicable, real estate, mortgage, and structured finance portfolios, from losses due to environment issues and to help ensure compliance with applicable laws.

Regulatory Compliance Management Policy

The Regulatory Compliance Management Policy sets out the framework for the management and mitigation of Compliance Risk. The objective of the Policy is to establish a strong, sustainable Compliance Risk management program that conforms to regulatory and industry standards and provides a reasonable level of assurance that the following outcomes are achieved:

a. the identification, assessment, communication and maintenance of applicable Compliance Requirements;

b. the development, communication and maintenance of a system of key controls designed to effect compliance with applicable Compliance Requirements and to manage and mitigate Compliance Risk;

c. effective monitoring and oversight of management's day-to-day activities through which material compliance matters are identified, escalated and resolved; and

d. timely reporting by the Chief Compliance Officer to the Operational Risk and Compliance Committee (ORCC) and the Board of Directors on the overall effectiveness of the Policy and the state of compliance in Sun Life.

The Board of Directors (BOD) provides the highest level of independent oversight of the management and operations of the Company. The BOD is also responsible for approving Regulatory Compliance Management policies and ensuring that the same are reviewed and assessed on its effectiveness.

The Management implements day-to-day compliance. It is accountable for identifying and assessing Compliance Risks, specifically incorporating consideration of Compliance Risks in business activities and decisions, and managing Compliance Risks in day-to-day activities. Management accomplishes its task though, among other things:

i. creating an atmosphere within the Business Unit that fosters high ethical standards and conduct;

ii. ensuring compliance function within the Business Unit is established and adequately resourced;

iii. identifying, assessing, communicating and maintaining Compliance Requirements (requirements set out in governing legislation, regulations, and regulatory policies, bulletins, directives and guidelines)., and produce adequate documentation to demonstrate this;

iv. ensuring a current inventory of Compliance Risks affecting Business Units is established, maintained and documented;

v. ensuring the implementation of adequate day-to-day controls, including the application of Operating Guidelines and development of new guidelines as needed, by appointing qualified individuals to ensure that Compliance Risks are being managed and monitored effectively; providing timely and appropriate remedial action or escalation to address material compliance matters;

vi. ensuring the production of adequate documentation to demonstrate how Compliance Requirements are being communicated, how Compliance Risks are managed and monitored, and to support the flow of information to the Board of Directors and the Chief Compliance Officer (SCO); and

vii. implementing any changes required to ensure that significant recommendations concerning issues of non-compliance or control improvements made by Compliance personnel, General Counsel or Internal Audit are acted upon in a timely fashion and ensuring that appropriate remedial action is taken with respect to incidences of non-compliance.

43. CAPITAL RISK MANAGEMENT

This policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders and the policyholders. The interest of the shareholders is to maximize returns. The interests of participating and other policyholders are also protected under the demutualization agreements and the appropriate regulatory requirements.

The BOD establishes the written policies, standards and procedures necessary to effectively implement policies.

The level of capital adequacy risk accepted by the Company should be prudent as determined by Management. Capital adequacy risk is mitigated through appropriate risk management policies and processes.

Capital Structure

Maximizing returns on capital requires maintenance of an optimal capital structure. The Company seeks to maintain the optimal mixture of available financial instruments within its capital structure.

The overall quality of the capital base is a function of the characteristics and amounts of the individual types of capital within the overall capital structure. In general, the quality of individual capital item is measured by the capital's permanency, degree of subordination, ability to absorb losses and fixed charge obligations.

The Company is committed to maintaining a sufficiently high quality capital structure to:

a. Maintain the target level of financial strength;

b. Achieve the target financial ratings; and

c. Comply with the capital adequacy requirements.

The Company has established capital risk management policies and operating guidelines and the BOD and Management review the capital structure on a quarterly basis. A corporate capital management committee monitors the capital management program of the Company to ensure adherence to the policies and to the local regulatory capital requirements. A capital plan is prepared on an annual basis as part of the business planning process.

The capital structure of the Company consists of equity comprising issued capital, reserves and retained earnings.

The Company maintains at least the minimum net worth required by the applicable local regulators amounting to P250 million. In addition, the Company maintains an appropriate operational minimum capital ratio and move towards an optimal target capital ratio.

The equity ratio at year end is as follows:

	2016	2015
Equity	**P 30,978,799,820**	P 32,050,678,885
Total assets	**210,699,306,736**	196,234,523,649
Equity ratio	**0.15:1**	0.16:1

Management believes that the above ratio is within the acceptable range.

The Company's strategy has remained unchanged in 2016 and 2015.

Regulatory Capital Requirement

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain capital requirement.

The 2015 Annual Statement synopsis was approved by IC on January 16, 2017 where the total assets admitted amounted to P181,914,292,526 and those assets that are not admitted are as follows:

	2016	2015
Prepayments and other assets	**P 231,461,103**	P 227,691,230
Receivables	**165,819,769**	165,468,395
Leasehold, property and equipment - net	**126,133,304**	107,734,194
Other assets	**2,124,160,601**	1,964,391,278
	P 2,647,574,777	P 2,465,285,097

Fixed capitalization requirements

In 2015, the IC issued Circular Letter No. 2015-02-A which provides for the minimum capitalization requirements of all life, non-life and reinsurance companies in pursuant to Section 194 of the Insurance Code as Amended (RA 10607). Under this circular, a minimum statutory net worth for domestic insurance has been stipulated at each compliance date. The statutory net worth shall include the Company's paid-up capital, capital in excess of par value, contributed, contingency surplus, retained earnings and revaluation increments as may be approved by the IC and this shall remain unimpaired at all times.

As at December 31, 2016 and 2015, the required statutory net worth for the Company is P550 million and Php250 million, respectively.

The Company has fully complied with the net worth requirements of Circular Letter No. 2015-02-A as at the end of each reporting period.

Risk-based capital requirements (RBC)

In 2006, the IC issued Memorandum Circular (IMC) No. 6-2006 adopting a risk-based capital framework to establish the required amounts of capital to be maintained by the life insurance companies in relation to their investment and insurance risks. The investments and insurance risks of the company are classified under four major categories as asset default risk, insurance pricing risk, interest rate risk and general business risk.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the company's paid-up capital, capital in excess of par value, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the Trend Test. The Trend Test has failed, in the event that:

a. The RBC ratio is less than 125% but is not below 100%

b. The RBC ratio has decreased over the past year

c. The difference between RBC ratio and the decrease in the RBC ratio over the past year is less than 100%

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels. As of the latest filing made by the Company to the IC, the RBC ratio on December 31, 2015 is 250%. The Company's RBC ratio is still subject to examination by the IC.

Retention of profits in excess of paid-in capital

In 2008, the SEC issued Memorandum Circular (SMC) No. 11 providing the guidelines in determining the appropriate amount of Retained Earnings available for dividend distribution taking into consideration the effective accounting standards and rules of the SEC. Stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-in capital stock. On January 24, 2013, SEC issued Bulletin No. 14 Presentation Reconciliation of Retained Earnings which prescribes the presentation of the reconciliation. Based on the guidelines set forth by SEC, the Company's total retained earnings available for dividend amounted to P27,034,272,814 and P14,023,992,349 as at December 31, 2016 and 2015, respectively.

Revenue Regulations No. 2-2001 provides that insurance companies are exempted from the 10% improperly accumulated earnings tax imposed on improperly accumulated taxable income.

Management will continue to evaluate the need to declare dividends after considering the regulatory capital requirement of IC on fixed capitalization and risk-based capital requirement. Approval of the Company's Board of Directors will be requested as deemed necessary.

Financial Reporting Framework (FRF)

In 2015, IC issued Circular Letter (CL) No. 2015-29, Financial Reporting Framework under Section 189 of the amended Insurance Code (RA No. 10607). Whereas, the FRF will adopt the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial and insurance core principles.

Subsequently, the IC issued CL No. 2016-65 to supersede the CL No. 2015-29 which states that the new regulatory requirement is hereby promulgated effective January 1, 2017. Accordingly, the Financial Reporting Framework will be used on the statutory quarterly and annual reporting for net worth requirements.

44. RECLASSIFICATION

Certain amounts in the comparative financial statements have been reclassified to conform to the current year's presentation.

Details of the reclassifications are as follows:

	December 31, 2015 (Previous Presentation)	Reclassifications	**December 31, 2015 (Current Presentation)**
Due to policyholders	P25,520,613,633	P 290,261,722	**P25,810,875,355**
Insurance contract liabilities	60,383,994,881	(290,261,722)	**60,093,733,159**
Death, disability, and other policy benefits	4,200,859,341	38,442,432	**4,239,301,773**
Increase in insurance contract liabilities	2,644,620,778	(38,442,432)	**2,606,178,346**
VUL fund allocation	17,125,420,107	(3,293,573,456)	**13,831,846,651**
Surrenders and maturities	3,944,356,673	3,293,573,456	**7,237,930,129**
Other receivables	163,845,043	(4,326,917)	**159,518,126**
Due From Related Parties	172,682,885	4,326,917	**177,009,802**

Management believes that the above reclassifications would better reflect the nature of the transactions and provide a more relevant and reliable financial information. The reclassification did not have any impact on the prior year's profit or loss.

45. EVENTS AFTER THE REPORTING PERIOD

On March 7, 2017, BOD declared Php 2,322,303,000 dividends.

46. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU of INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NO. 15-2010

The following supplementary information for 2016 are presented for purposes of filing with the BIR and are not required part of the basic financial statements.

Output VAT

Details of the Company's output VAT declared in 2016 are as follows:

Fee income:	
Asset management	1,604,610,550
Partial fund with charge	21,648,825
	1,626,259,375
Rental income	141,606,837
Transaction fees	215,374,156
Other income	7,366,366
	1,990,606,734
Output VAT rate	**12%**
	P238,872,808

Input VAT

Details of the Company's input VAT claimed in 2016 are as follows:

Balance, January 1	**P -**
Current year's domestic purchases/payments for services lodged under other accounts	**4,109,224**
Creditable Value Added Tax	**873,450**
Total available input VAT	**4,982,674**
Less: Claims for tax credit	**4,982,674**
Balance, December 31	**P -**

Documentary stamp tax

The Company's documentary stamp tax paid or accrued in 2016 amounted to P12,707,015.

Other taxes and licenses

Details of the Company's other taxes and licenses and permit fees paid or accrued charged to operating expenses in 2016 are as follows:

Other percentage tax (premium tax)	**P185,356,486**
Permit fees	**82,023,475**
Real property tax	**12,075,962**
Residence or community tax	**42,000**
Others	**33,726,718**
	P313,224,641

Withholding taxes

Details of the Company's withholding taxes paid or accrued in 2016 are as follows:

Withholding tax on compensation and benefits	**P 350,570,283**
Expanded withholding taxes	**704,921,743**
Final withholding taxes	**221,486,558**
	P1,276,978,584

Deficiency tax assessments and tax cases

The Company has no tax assessments and tax cases in 2016.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company have been approved and authorized for issuance by the Board of Directors on March 7, 2017.

* * *

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE

The Board of Directors and Shareholders
SUN LIFE OF CANADA (PHILIPPINES), INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Netherlands) B.V.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

We have audited the financial statements of Sun Life of Canada (Philippines), Inc. as at and for the years ended December 31, 2016 and 2015 in accordance with Philippine Standards on Auditing on which we have rendered an unqualified opinion dated March 7, 2017.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the list of all effective accounting standards and interpretations as at December 31, 2016, as required by the Philippine Securities and Exchange Commission under the SRC Rule 68, as Amended, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
IC Accreditation No. F-2017-001-R, issued on February 24, 2017; effective until February 23, 2020
TIN 005299331

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 0526-AR-3, issued on April 21, 2016; effective until April 21, 2019, Group A
IC A. N. SP-2017-003-O, issued on February 24, 2017; effective until February 23, 2020
TIN 170035681
BIR A.N. 08-002552-18-2015, issued on February 6, 2015; effective until February 5, 2018
PTR No. A-3264646, issued on January 5, 2017, Taguig City

Taguig City, Philippines
March 7, 2017

Deloitte.

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DECLARATION
As at December 31, 2016

SUN LIFE OF CANADA PHILIPPINES, INC.

Items	Amount
Unappropriated Retained Earnings, beginning	**P14,623,936,546**
Adjustments:	
Add: Non-actual losses	
Net loss on defined benefit obligation	151,309,200
Net loss on fair value measurement	7,079,569,301
Unrealized loss on derivative financial instruments	33,513,250
Unrealized fair value loss on financial assets at FVTPL	3,798,752,690
Less: Non-actual / Unrealized Income net of Tax	
Unrealized gains on foreign exchange	(436,244,302)
Unappropriated Retained Earnings, as adjusted, Beginning	**P25,250,836,685**
Net profit for the year	1,782,846,580
Add: Non-actual losses	
Net loss on fair value measurement	1,072,227,945
Unrealized loss on derivative financial instruments	23,584,177
Unrealized fair value loss on financial assets at FVTPL	1,530,835,052
Less: Non-actual / Unrealized Income net of Tax	
Net gain on defined benefit obligation	(217,503,100)
Unrealized gains on foreign exchange	(408,553,725)
Net Income Actual/Realized	**29,034,273,614**
Less: Dividend declaration during the year	2,000,000,800
Unappropriated Retained Earnings, as adjusted, ending	**P27,034,272,814**

Sun Life of Canada (Philippines), Inc.
List of Effective Standards and Interpretations under the Philippine Financial Reporting Standards (PFRS) as of December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	*First-time Adoption of Philippine Financial Reporting Standards*			✓
	Amendments to PFRS 1 and PAS 27: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*			✓
	Amendments to PFRS 1: *Additional Exemptions for First-time Adopters*			✓
	Amendment to PFRS 1: *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters*			✓
	Amendments to PFRS 1: *Severe Hyperinflation and Removal of Fixed Date for First-time Adopters*			✓
	Amendments to PFRS 1: *Government Loans*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PFRS 1: *First-Time Adoption of PFRS*			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 1: *First-time Adoption of International Financial Reporting Standards (Changes to the Basis for Conclusions only)*			✓
	Amendments to PFRS 1: *Deletion of short-term exemptions for first-time adopters**			✓
PFRS 2	*Share-based Payment*	✓		
	Amendments to PFRS 2: *Vesting Conditions and Cancellations*	✓		
	Amendments to PFRS 2: *Group Cash-settled Share-based Payment Transactions*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 2: *Definition of Vesting Condition*	✓		
	Amendments to PFRS 2: *Classification and Measurement of Share-based Payment Transactions**		✓	
PFRS 3 (Revised)	*Business Combinations*			✓
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 3: *Accounting for Contingent Consideration in a business combination*			✓
	Annual Improvements to PFRSs 2011-2013 Cycle			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	- Amendments to PFRS 3: *Scope of Exception for Joint Ventures*			
PFRS 4	*Insurance Contracts*	✓		
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PFRS 4: *Applying PFRS 9* Financial Instruments *with PFRS 4 Insurance Contracts**		✓	
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 5: *Changes in methods of disposal*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*			✓
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to PFRS 7: *Improving Disclosures about Financial Instruments*	✓		
	Amendments to PFRS 7: *Disclosures - Transfers of Financial Assets*	✓		
	Amendments to PFRS 7: *Disclosures – Offsetting Financial Assets and Financial Liabilities*	✓		
	Amendments to PFRS 7: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	✓		
	Amendments to PFRS 7: *Hedge Accounting Disclosures*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 7: *Servicing contracts and Applicability of the amendments to PFRS 7 to condensed interim financial statements*			✓
PFRS 8	*Operating Segments*			✓
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 8: *Aggregation of Operating Segments and Reconciliation of the reportable segments' assets to the entity's assets*			✓
PFRS 9	*Financial Instruments (2014)**		✓	
PFRS 10	*Consolidated Financial Statements*			✓
	Amendments to PFRS 10: *Consolidated Financial Statement: Transition Guidance*			✓
	Amendments to PFRS 10:*Transition Guidance and Investment Entities*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: *Sales or contributions of assets between an investor and its associate/joint venture**			✓
	Amendments to PFRS 10: *Investment Entities: Applying the Consolidation Exception*	✓		
PFRS 11	*Joint Arrangements*			✓
	Amendments to PFRS 1: *Joint Arrangements: Transition Guidance*			✓
	Amendments to PFRS 11: *Accounting for Acquisitions of Interests in Joint Operations*			✓
PFRS 12	*Disclosure of Interests in Other Entities*	✓		
	Amendments to PFRS 12: *Disclosure of Interests in Other Entities: Transition Guidance*	✓		
	Amendments to PFRS 12: *Transition Guidance and Investment Entities*	✓		
	Amendments to PFRS 12: *Investment Entities: Applying the Consolidation Exception*	✓		
	Amendment to PFRS 12: *Clarification of the scope of the standard**		✓	
PFRS 13	*Fair Value Measurement*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 13: *Fair Value Measurement (Amendments to the Basis of Conclusions only, with consequential amendments to the Bases of Conclusions of other standards)*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 13: *Portfolio Exception*	✓		
PFRS 14	*Regulatory Deferral Accounts*			✓
PFRS 15	*Revenue from Contracts with Customers**		✓	
	Amendments to PFRS 15: *Clarifications to PFRS 15**		✓	
PFRS 16	*Leases **		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	*Presentation of Financial Statements*	✓		
	Amendment to PAS 1: *Capital Disclosures*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendments to PAS 1: *Presentation of Items of Other Comprehensive Income*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 1: *Comparative Information*	✓		
	Amendments to PAS 1: *Disclosure Initiative*	✓		
PAS 2	*Inventories*			✓
PAS 7	*Statement of Cash Flows*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
	Amendments to PAS 7: *Disclosure Initiative**	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
PAS 10	*Events after the Reporting Period*	✓		
PAS 11	*Construction Contracts*			✓
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12: *Deferred Tax: Recovery of Underlying Assets*	✓		
	Amendment to PAS 12: *Recognition of Deferred Tax Assets for Unrealized Losses**		✓	
PAS 16	*Property, Plant and Equipment*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 16, *Servicing Equipment*			✓
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 16: *Revaluation Method - Proportionate Restatement of Accumulated Depreciation*			✓
	Amendments to PAS 16: *Clarification of Acceptable Methods of Depreciation*	✓		
	Amendments to PAS 16: *Agriculture: Bearer Plants*			✓
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19 (Amended)	*Employee Benefits (2011)*	✓		
	Amendments to PAS 19: *Defined Benefit Plans: Employee Contributions*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 19: *Discount rate: regional market issue*	✓		
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment to PAS 21: *Net Investment in a Foreign Operation*			✓
PAS 23 (Revised)	*Borrowing Costs*	✓		
PAS 24 (Revised)	*Related Party Disclosures*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 24: *Key Management Personnel*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*	✓		
PAS 27 (Amended)	*Separate Financial Statements*	✓		
	Amendments to PAS 27: *Transition Guidance and Investment Entities*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: *Equity Method in Separate Financial Statements*			✓
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*	✓		
	Amendments to PAS 28: *Sales or contributions of assets between an investor and its associate/joint venture**		✓	
	Amendments to PAS 28: *Investment Entities: Applying the Consolidation Exception*	✓		
	Amendment to PAS 28: *Measuring an associate or joint venture at fair value**		✓	
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendment to PAS 32: *Classification of Rights Issues*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle -Amendments to PAS 32: *Tax Effect of Equity Distributions*	✓		
	Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities*	✓		
PAS 33	*Earnings per Share*			✓
PAS 34	*Interim Financial Reporting*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 34: *Interim Reporting of Segment Assets*			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 34: *Disclosure of information 'elsewhere in the interim financial report'*			✓
PAS 36	*Impairment of Assets*	✓		
	Amendments to PAS 36: *Recoverable Amount Disclosures for Non-Financial Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 38: *Revaluation Method - Proportionate Restatement of Accumulated Amortization*			✓
	Amendments to PAS 38*: Clarification of Acceptable Methods of Amortization*	✓		
PAS 39	Financial Instruments: *Recognition and Measurement*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: *Transition and Initial Recognition of Financial Assets and Financial Liabilities*	✓		
	Amendments to PAS 39: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*			✓
	Amendments to PAS 39: *The Fair Value Option*	✓		
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets – Effective Date and Transition*	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: *Embedded Derivatives*	✓		
	Amendment to PAS 39: *Eligible Hedged Items*			✓
	Amendment to PAS 39: *Novation of Derivatives and Continuation of Hedge Accounting*			✓
	Amendment to PAS 39: *Hedge Accounting Application*			✓
PAS 40	*Investment Property*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PAS 40: *Clarifying the Interrelationship of PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-Occupied Property*			✓
	Amendments to PAS 40: *Transfers of Investment Property**		✓	
PAS 41	*Agriculture*			✓
	Amendments to PAS 41: *Agriculture: Bearer Plants*			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*			✓
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 9	*Reassessment of Embedded Derivatives*	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*			✓
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*			✓
	Amendments to Philippine Interpretations IFRIC-14: *Prepayments of a Minimum Funding Requirement*			✓
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	*Levies*			✓
IFRIC 22	*Foreign Currency Transactions and Advance Consideration**		✓	
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-15	*Operating Leases - Incentives*			✓
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements: Disclosures*			✓
SIC-31	*Revenue - Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets - Web Site Costs*			✓
PIC Q&A No. 2006-01	*Revenue Recognition for Sales of Property Units Under Pre-Completion Contracts*			✓
PIC Q&A No. 2006-02	*Clarification of Criteria for Exemption from Presenting Consolidated Financial Statements*	✓		
PIC Q&A No. 2007-03	*Valuation of Bank Real and Other Properties Acquired (ROPA)*			✓
PIC Q&A No. 2008-01	*Rate Used in Discounting Post-employment Benefit Obligations*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PIC Q&A No. 2009-01	*Financial Statements Prepared on a Basis Other than Going Concern*			✓
PIC Q&A No. 2010-01	*Rate Used in Determining the Fair Value of Government Securities in the Philippines*	✓		
PIC Q&A No. 2010-02	*Basis of Preparation of Financial Statements*	✓		
PIC Q&A No. 2010-03	*Current/non-current Classification of a Callable Term Loan*			✓
PIC Q&A No. 2011-02	*Common Control Business Combinations*			✓
PIC Q&A No. 2011-03	*Accounting for Inter-company Loans*	✓		
PIC Q&A No. 2011-04	*Costs of Public Offering of Shares*			✓
PIC Q&A No. 2011-05	*Fair Value or Revaluation as Deemed Cost*			✓
PIC Q&A No. 2011-06	*Acquisition of Investment Properties – Asset Acquisition or Business Combination?*			✓
PIC Q&A No. 2012-01	*Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*			✓
PIC Q&A No. 2012-02	*Cost of a New Building Constructed on Site of a Previous Building*			✓
PIC Q&A No. 2013-03 (Revised)	*Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirement of Republic Act (RA) 7641: The Philippine Retirement Law*	✓		
PIC Q&A No. 2015-01	*Conforming Changes to PIC Q&As - Cycle 2015*			✓

**These are the new and revised accounting standards and interpretations that are effective for annual period beginning on or after the reporting period ended December 31, 2016.*

2016 Sustainability Report

Building sustainable, healthier communities for life

Sun Life Financial

Life's brighter under the sun

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FORWARD-LOOKING STATEMENTS

Certain statements made in this report are forward-looking statements, including statements relating to our plan and priorities and other statements that are not historical facts. The forward-looking statements represent our current expectations, estimates and projections regarding future events. These forward-looking statements are not a guarantee of future performance, involve inherent risks and uncertainties and are based on key factors and assumptions, all of which are difficult to predict. Future results may differ materially from those expressed in forward-looking statements due to, among other factors, the matters set out in the Company's Management's Discussion and Analysis for the year ended December 31, 2016 and for the quarter ended March 31, 2017 under the heading "Risk Factors" and other factors detailed in the Company's annual and interim financial statements and any other filings with Canadian and U.S. securities regulators made available on www.sedar.com and www.sec.gov, respectively.

The forward-looking statements contained in this report describe our expectations as at March 31, 2017 and accordingly, are subject to change after such date. The Company does not undertake any obligation to update or revise its forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

OVERVIEW

AWARDS AND RECOGNITION

Global 100 Most Sustainable Corporations

For the eighth consecutive year in 2016, Sun Life ranked among the Global 100 Most Sustainable Corporations in the World, as selected by Corporate Knights.

Canada's Best 50 Corporate Citizens

Sun Life has appeared on this annual ranking by Corporate Knights magazine 11 of the 15 years since its inception. The 2016 edition ranks Sun Life, the only major life insurance company on the list, ninth overall.

Most Trusted Brand™ Award

For the seventh year in a row, Canadians voted Sun Life Financial the Most Trusted Brand™ of Life Insurance Companies according to the 2016 Reader's Digest Trusted Brand™ Survey.

™ Trusted Brand is a registered trademark of Reader's Digest

Top 10 for Governance Practices

For the eighth consecutive year, Sun Life ranked in the top 10 in The Globe and Mail Report on Business' Board Games review of corporate governance practices of Canada's largest companies.

FTSE4Good®

Since 2001, Sun Life Financial has been a member of the FTSE4Good Index Series, an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards.

Dow Jones Sustainability Index

For the 10th consecutive year, Sun Life was included on the Dow Jones Sustainability Index (DJSI) - North America.

ABOUT THIS REPORT

Published annually, the purpose of our sustainability report is to inform our key stakeholders about the environmental, social and governance (ESG) aspects of our business and our 2016 performance relevant to Sun Life's four sustainability pillars.

The concept of materiality is central to sustainability reporting and helps companies determine the types of ESG issues to address and report on. The Global Reporting Initiative (GRI) Guidelines, which we use to inform our sustainability reporting (see GRI Index on page 58), defines material aspects as those that reflect an organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders. On the basis of the GRI definition of material aspects, this report covers the ESG aspects regarded as material to our operations and stakeholders; we refer to these aspects as "priority topics". We include data related to our ESG performance, as well as information about how we are managing the impacts, risks and opportunities.

Report structure

This report is organized into two sections:

- The first section provides an overview of Sun Life's business and sustainability approach.
- The second section outlines our management approach and 2016 performance relevant to Sun Life's four sustainability pillars.

In addition to this report, you can find sustainability-related disclosures and management practices in our Annual Report, Annual Information Form, Management Information Circular, Public Accountability Statement, and on sunlife.com.

Our process

Information and data included in this report was reviewed by internal subject matter experts and management, including members of our International Sustainability Council (ISC). The Governance, Nomination & Investment Committee (GNIC) of our Board of Directors approves the report before it is published. Our report is not externally assured.

Report scope

This sustainability report is for Sun Life Financial Inc., Sun Life Assurance Company of Canada and Sun Life Insurance (Canada) Limited for the fiscal year January 1 to December 31, 2016, and includes information regarding their subsidiaries and joint ventures, including Sun Life Financial Trust Inc. Unless otherwise noted, all dollar amounts are expressed in Canadian currency. In this document, unless the context requires otherwise, references to "we," "our," "us," "the Company," "Sun Life," and "Sun Life Financial" mean Sun Life Financial Inc. and its subsidiaries.

MESSAGE FROM THE PRESIDENT AND CEO

I'm pleased to introduce Sun Life's 2016 Sustainability Report – a presentation of how we've progressed against our key sustainability goals, in close alignment with our Four Pillar business strategy and our company's purpose to help Clients achieve lifetime financial security and well-being.

For more than 150 years, Sun Life has focused on building and maintaining a strong business for the long-term. In 2016 we built on that, announcing a step-change in putting our Clients at the centre of everything we do. Whether that's doing more to help prevent and treat diabetes, providing access to alternative investments with higher yields, or leading the way in digital innovation to make it easier for our Clients to get the services they need, we see a relentless focus on Clients as closely linked to furthering our sustainability commitment.

Looking ahead, we want to improve the Client experience in three key ways – making it easier for Clients to do business with us, connecting with and talking to our Clients more than we do today, and being better at servicing Client needs and resolving their problems when issues arise.

This Client focus, coupled with building a winning culture that emphasizes collaboration, integrity and treating Clients and colleagues with dignity and respect, will advance our efforts to build strong, healthy communities.

I'd like to share with you a few examples of how we advanced our sustainability strategy in 2016.

Client and Community Wellness – We continued our focus on diabetes awareness, prevention, care and research, and have committed more than $17 million to the cause since 2012.

Organizational Resilience – We're proud of our strong, inclusive culture at Sun Life, one that allows all employees to contribute to their full potential. In 2016, we achieved an employee engagement score of 85%, demonstrating we're on the right track and firmly placing us alongside leading high performance companies globally.

Environmental Responsibility – We continue to make great strides in reducing our environmental footprint, and are incorporating more green features and amenities within our real estate portfolio. Over the past three years, we have realized significant reductions in greenhouse gas emissions.

Governance and Risk Management – We're dedicated to continuous improvement in both our corporate governance and risk management practices. In 2016, for example, we updated our Risk Management Framework to include a risk culture statement. We view this as another critical step to entrenching a risk mindset across our organization, reinforcing to employees that we all play a role in managing risk.

As you read through this report, you'll see our commitment to our Clients, employees and shareholders, and our focus on building healthier, sustainable communities for life, but we recognize the need to advance our reporting to meet evolving stakeholder expectations. That's why we have made a number of improvements to this year's report, including providing more meaningful, consistent performance data. We know we have more work and refinement to do, particularly around establishing our benchmarks and targets, all of which will help us to better measure and evaluate our progress on our priority topics.

A heartfelt thank you to our Clients, who entrust us with what's most important to them, and our employees and advisors, who work tirelessly to serve our Clients and help them achieve lifetime financial security and well-being. While there's still more to do to embed sustainability in our daily practices, we remain committed to the path ahead.

DEAN A. CONNOR
President & Chief Executive Officer

MESSAGE FROM THE CHAIR OF THE INTERNATIONAL SUSTAINABILITY COUNCIL

Thank you for taking the time to read our 2016 Sustainability Report. I am the Chair of Sun Life's International Sustainability Council – a group of business leaders charged with promoting our sustainability strategy across our business. It's been very rewarding to see the progress we are making towards an ever-stronger, responsive, resilient and sustainable organization.

Momentum is building in the implementation of sustainability principles and practices across Sun Life. The evidence can be found in the many initiatives recounted in this year's report, as well as the external recognition we have garnered in the past year through inclusion in key indexes and rankings like the FTSE4Good Index, Dow Jones Sustainability Indices and, most recently, the 2017 Global 100 Most Sustainable Corporations in the World.

I am often asked why Sun Life places such focus on sustainability, in light of other challenges our business faces. My answer is that not only does sustainability matter deeply to our individual and corporate Clients, employees, advisors, and shareholders, but it is also intrinsically linked to our core business and our long-term commitment to helping Clients achieve lifetime financial security and to live healthier lives.

As one important example, our world faces unprecedented challenges in relation to climate change, and these challenges pose significant economic and social risks, which will affect us all in the coming years.

This issue is real and relevant to our organization. We recognize its potential for impact on human health, including the physical and financial well-being of our Clients. Solutions to address climate change must come from a broad range of businesses, governments and individual citizens globally. For Sun Life's part, we are working to integrate assessment of climate change within our sustainability strategy. For example, in 2016 we expanded measurement of Sun Life's greenhouse gas emissions to reflect our global footprint, as a baseline to help us manage the impacts of our business operations. In addition, we formed a team to assess the potential impact of climate change on our investment strategies.

We have continued to enhance the resilience of our organization through our focus on building a diverse and inclusive workforce, which attracts the best and most talented people to our team. We remain fully committed to Clients and community wellness. We also emphasize strong governance and risk management practices to help ensure that we understand and address major risks to our business, and that we make more responsible, far-sighted investment decisions.

Of course, we can always do better, and we continue our efforts to identify any gaps in our strategy.

As we continue along this journey, our stakeholders can expect to see us do more to ensure our sustainability ambitions are holistic and outcome-based. While our activities may vary from country to country, they are centred around a common theme: building sustainable, healthier communities for life.

Ultimately, our sustainability-building initiatives make Sun Life a stronger, more resilient organization that is well positioned for long-term success – as a committed and preferred employer, as a trusted community partner, and as a company that is respected and admired for what we deliver to Clients and shareholders.

PHILIP GILLIN

Senior Managing Director and Portfolio Manager, Canadian Property Investments and Chair of the International Sustainability Council

ABOUT SUN LIFE

Founded in Canada in 1865, today Sun Life Financial is a leading international financial services organization. Sun Life has operations in a number of markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China, Australia, Singapore, Vietnam, Malaysia and Bermuda.

We provide a diverse range of protection and wealth solutions to individuals, businesses and institutions, including:

INSURANCE

- Life insurance, including term life and permanent life
- Health insurance, including dental, critical illness, long-term care, disability

INVESTMENTS

- Mutual funds, segregated funds, annuities and guaranteed investment products

ADVICE

- Financial planning and retirement planning services through licensed professionals

ASSET MANAGEMENT

- Pooled funds, institutional portfolios and pension funds – provided through our subsidiaries, MFS Investment Management and Sun Life Investment Management

Our mission

To help Clients achieve lifetime financial security and well-being.

Our ambition

To be one of the best insurance and asset management companies in the world.

Sun Life's four pillar strategy:

Our strategy is focused on four key pillars of growth, where we aim to be a leader in the markets in which we operate.

CAN — A leader in Insurance and Wealth Solutions in our Canadian home market

US — A Leader in U.S. Group Benefits and International high net worth solutions

AM — A Leader in global Asset Management

ASIA — A Leader in Asia through Distribution Excellence in Higher Growth Markets

Sun Life's strategic areas of focus

ENHANCED CLIENT FOCUS

We are focused across all of our businesses on building lasting Client relationships, and putting our Clients at the centre of everything we do.

DIGITAL

We will continue to invest in our digital capabilities - including both technologies and the talent and culture that will enable us to be more agile, bolder and faster.

DATA AND ANALYTICS

We are finding ways to use data to strengthen Client relationships, and enhance our efficiency, effectiveness and profitability.

TALENT AND CULTURE

Our goals are to attract a disproportionate share of top talent across our geographies, continue to build on our high-performance culture and ensure that our focus on our Clients becomes deeply embedded in our culture.

FINANCIAL DISCIPLINE

Continued financial prudence, disciplined capital allocation and strong execution will be crucial for us to meet our objectives.

Financial highlights

2016 UNDERLYING NET INCOME
BY BUSINESS GROUP [1, 2, 3]

2016 UNDERLYING NET INCOME
BY PRODUCT TYPE [1, 2]

$903 billion

ASSETS UNDER MANAGEMENT [1, 2]

Markets of operation

32,900

EMPLOYEES[1]

Includes 11,917 employed by our Asia joint ventures.

99,865

ADVISORS[1]

Includes 71,410 advisors from our joint ventures in China, India and the Philippines.

OFFICES IN 26 countries

[1] All figures as of December 31, 2016.

[2] Underlying net income, underlying return on equity, underlying earnings per share and assets under management described on pages 1-8 of our Annual Report represent non-IFRS (International Financial Reporting Standard) financial measures. For additional information see Non-IFRS Financial Measures in our 2016 annual Management's Discussion and Analysis.

[3] Excludes Corporate Support results.2016 Reported Net Income by Business Group: SLF Canada 35%, SLF U.S. 19%, SLF Asset Management 27%, SLF Asia 12%, SLF U.K. 7%; excludes Corporate Support results.

OUR SUSTAINABILITY STRATEGY

Sun Life's focus on advancing sustainability – centred around a vision of building sustainable, healthier communities for life – is a key strategy for the Company and is essential to our overall business success.

We define sustainability as taking accountability for our social, environmental, economic and governance impacts, risks and opportunities, in ways that help to ensure our long-term ability to deliver value to our Clients, employees, shareholders and communities.

While we have had sustainability-related programs in place for many years, in 2014 our Board of Directors approved a formal, Company-wide sustainability strategy. The strategy focuses on four pillars within which we continue to deepen our commitment and strengthen our practices: organizational resilience, environmental responsibility, community wellness and governance and risk management. Our priority topics, informed by stakeholder feedback (see page 12), are mapped to these four pillars.

Aligned with our business strategy and stakeholder input

Our sustainability strategy is based on input from external and internal stakeholders and is aligned with our business strategy and our four pillars of growth (see page 8) that have guided our Company for the past several years. With a cohesive sustainability strategy, we are able to apply focus, discipline and coordination to our diverse global efforts, instill senior management accountability, and promote the development of specific, targeted programs connected directly to our business strategy.

"Our approach to sustainability is a real differentiator for Sun Life. Through our focused strategy, we are taking action to advance our organizational resilience, be accountable for our environmental interactions, strengthen communities and demonstrate the strong governance and risk management that will serve us –and our Clients – for the long-term. We continue embedding this sustainability perspective into our culture and across operations, knowing that it's a driver of long-term success."

MELISSA J. KENNEDY

Executive Vice-President, Chief Legal Officer & Public Affairs and Executive Sponsor of Sustainability

The four pillars of our sustainability strategy:

ORGANIZATIONAL RESILIENCE

We believe that putting the Client at the centre of all we do, and supporting our talent and culture, contributes to a resilient organization that is forward-thinking and built for the long term.

ENVIRONMENTAL RESPONSIBILITY

We are accountable for the impact of our operations on the environment, so we're taking even more steps to measure, manage and reduce that impact.

COMMUNITY WELLNESS

We believe that by actively supporting the communities in which we live and work, we can help to build a positive environment for our Clients, employees, advisors and shareholders.

GOVERNANCE AND RISK MANAGEMENT

A well-run organization contributes to a stable operating platform for the Company, and positions us to meet our obligations to stakeholders. Pro-active risk management and an embedded risk culture are essential to our long-term success.

STAKEHOLDER ENGAGEMENT

We engage in many ways with our stakeholder groups. We value open and constructive dialogue as it allows us to build positive relationships and to understand the evolving priorities, expectations and concerns of diverse parties. In turn, this helps us continually improve our business and ensures we're taking action on the right issues.

Our main stakeholders, listed below, are those who we consider to have a direct or indirect interest in, or can influence or be impacted by, our business activities.

STAKEHOLDERS	ENGAGEMENT METHODS
Clients	• Client experience surveys • Focus groups • Client feedback channels (in-person, email, social media, call centre) • Customer/market research • Claims management processes • Complaint resolution processes
Employees and advisors	• Bi-annual Global Employee Engagement Survey • Training and development activities • Internal social media and online forums • Manager/staff meetings, including formal performance appraisals • Town hall meetings with senior executives • Employee Ethics Hotline
Shareholders, investors, ESG analysts	• Investor Days • Annual Meetings • Quarterly earnings conference calls, webcast presentations, conference participation • Meetings with investor groups • Participation in surveys

STAKEHOLDERS	ENGAGEMENT METHODS
Community organizations and members	• Community outreach • Sponsorships • Employee and advisor giving and volunteerism • Memberships • Community consultations/meetings
Governments and regulators, NGOs, industry associations	• Ongoing dialogue • Participation in consultation processes • Participation in conferences, events, symposia • Industry/trade association memberships
Suppliers	• RFP processes • Regular meetings and briefings • Ongoing relationship management • Supplier risk assessment • Supplier Diversity Program
Media	• Briefings/interviews • Press releases • Phone, email and social media channels

PRIORITY TOPICS

Through a materiality process, we identified, prioritized and validated 14 priority topics most relevant to our sustainability strategy, based on their current significance to our stakeholders and our business. These topics drive the content of this report, and below they are mapped to Sun Life's four sustainability pillars:

Organizational Resilience

- Client focus
- Digital innovation
- Data security and privacy
- Talent management
- Workforce wellness
- Diversity and inclusion

Governance and Risk Management

- Ethics, integrity and corporate governance
- Risk management
- Transparency and disclosure

Environmental Responsibility

- Operational footprint
- Responsible investing

Community Wellness

- Strategic philanthropy
- Infrastructure investments
- Public policy

Materiality process

The key steps in our materiality process include:

- Listening to external stakeholders throughout the year via diverse channels (see page 11).
- Consulting with relevant internal partners, including our ISC.
- Reviewing industry trends related to sustainability.
- Considering global reporting frameworks, including the GRI.
- Seeking feedback on our previous sustainability reports.
- Participating in the United Nations Environment Programme Finance Initiative (UNEP FI), Council for Clean Capitalism, United Nations supported Principles for Responsible Investment (UN-supported PRI) and Sustainable Waterloo Region programs.

In 2016 we continued to be guided by feedback received through a stakeholder panel on sustainability, conducted by a third party in 2015. The goal was to help ensure we engage in and report on the topics that are most likely to influence stakeholder assessments and decisions. The session involved external and internal stakeholders representing Clients, employees and advisors, investors, shareholders, government, advocacy groups, industry associations, sustainability think tanks, NGOs and community interest groups and academia.

During the session, we identified and discussed a wide range of sustainability topics. Participants used a confidential voting tool to indicate whether the topic impacts (positively or negatively) the community or organization they represented, and whether Sun Life was in a position to have an impact on the topic. The results of this exercise were presented to our ISC, who evaluated the topics taking stakeholder input into consideration.

While we find value in these steps of the materiality process, we acknowledge there is room to further develop the stakeholder engagement process and to more frequently and intentionally connect stakeholder engagement outcomes to our sustainability strategy.

ORGANIZATIONAL RESILIENCE

Our ambition is to be one of the best insurance and asset management companies in the world. It's about cultivating an organization that is competitive, resilient and forward-thinking.

To achieve this, we are working hard to understand Client needs and how we can deliver the best Client experience at key touch points in each of our markets worldwide. We know that our employees are the most critical factor in this effort, so our focus is also on building the best team possible for today and tomorrow – by effectively managing and developing our talent, supporting our employees' well-being and fostering an inclusive, high-performance culture.

IN THIS SECTION

CLIENT FOCUS

Why it matters

Our Clients are at the centre of everything we do. We believe that relentlessly focusing on Clients means they will do more business with Sun Life, stay with us longer, and refer more friends and family.

Our approach

We have always sought to be diligent in our services to our Clients, but our strategy going forward will intensify this focus across all of our businesses. We are elevating Client-centricity and thinking as part of our enhanced Client focus strategy. To get there, our sights are firmly set on improving the Client experience in three key ways:

1. **Making it easier to do business with us** – for example, by simplifying processes and writing documents in clearer, plain language

2. **Being more proactive in contacting our Clients** – so that we engage with them more than we do today

3. **Providing better problem resolution** – when issues arise

By doing these three things well, we will create the conditions to drive a strong emotional connection to our brand. There is a lot to do in each of these areas, and we are making progress.

Responsibility for the Client experience at Sun Life is shared across our businesses.

Progress in 2016

48,000
in-person and online benefits enrollment consultations provided to our Clients

Proactive contact

We are working to expand the consultative practices of our advisor community. It's an essential component of our enhanced Client focus strategy, and it involves building stronger relationships by actively engaging with our Clients and proactively offering them solutions that will get them on track towards financial security and well-being. Here are some examples from 2016:

- In the U.S., we increased proactive contact with Clients through hundreds of additional face-to-face meetings.
- We produced videos in which our Clients shared their stories of overcoming disabilities to get back to the rewards of healthy work.
- We invited our employer Clients to digital forums on key issues they face, like trends in high cost medical claims, mental health issues in the workplace and the effect politics may have on benefits.
- We provided 48,000 in-person and online benefits enrollment consultations to our Clients.

Making it easier to do business with us

This year we introduced significant individual insurance underwriting changes and enhanced insurance products and services to make it easier and more convenient to access insurance.

Highlights include:

- In Canada, we launched some of the most comprehensive changes to underwriting requirements in the industry in over a decade, making it easier and more convenient to access insurance. We no longer require oral fluid samples, urine HIV tests, electrocardiogram (ECG), or medical exams. We also introduced life insurance coverage of more than $3 million to people living with HIV – providing the most coverage for the broadest range of ages (20 and older) in the Canadian industry – 50 per cent more coverage than our closest competitor.
- In the U.S., we improved the setup of new group benefit plans, creating a more seamless transition for Clients moving to Sun Life. In our short-term disability business, we are piloting the use of predictive modelling for processing Client claims, which could speed up the payment of almost half of these claims.
- In the Philippines, we launched **Sun Fit and Well**, a comprehensive life and health protection product, to address Client concerns about their health and lack of financial preparedness to face grave illnesses. The first of its kind in the market, it encourages wellness and prevention and provides comprehensive coverage for 114 critical illnesses from diagnosis through to treatment and rehabilitation.
- In a pilot program in Hong Kong, we're offering standard life insurance rates to Clients with diabetes (who would typically otherwise pay higher premiums) who attend diabetes clinics regularly and manage their condition successfully for two years.

Industry leading life insurance coverage

introduced by Sun Life for people living with HIV

In addition, we continued to innovate using technology to make it easier for our Clients to get the services they need. Refer to page 16 for more details.

In 2016, we also launched a clear communication initiative in Canada to review and rewrite Client-facing materials based on plain language principles. This work will be leveraged in other regions as well. To drive this effort, we formed a plain language advisory team as well as a plain language review panel.

Problem resolution

Wherever we operate, there are formal processes in place to handle concerns and complaints. For example, in Canada we have a four-step process that includes escalating a complaint to our internal Ombudsman's Office. Our social media team also tracks each comment or complaint across various channels, and engages the appropriate Customer Services team to assist with a direct follow-up within 24 business hours.

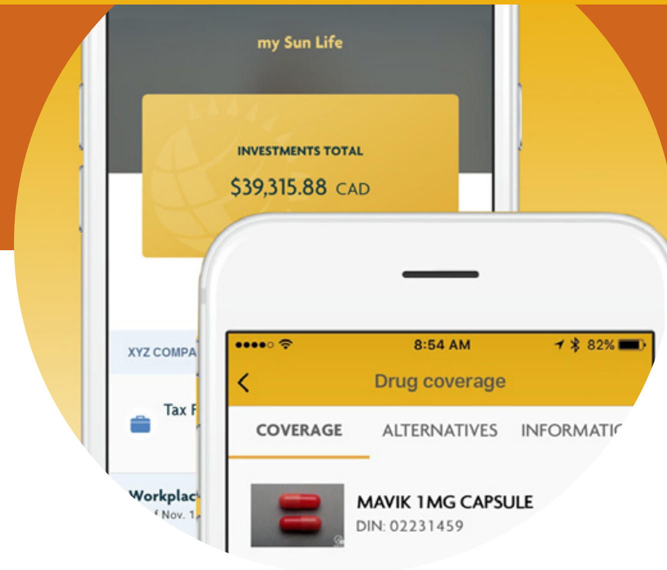
In response to Client feedback, we are taking steps to improve problem resolution. In 2016, we brought together problem resolution teams to share best practices and we created reporting tools to better track and measure key performance indicators (KPIs). Our newly established Client Advocacy team works with all the problem resolution teams and is focused on enhancing the problem resolution experience for our Clients. Leveraging our internal continuous improvement tools and processes, this team is working to build a framework that sets Sun Life apart in the way we resolve Clients' problems, using every problem as an opportunity to learn and improve.

Measuring the Client experience

We continue to measure our progress in delivering a great Client experience using a combination of metrics. One such metric is the Net Promoter Score®[1], a globally recognized methodology that provides a regular gauge of the level of loyalty our Clients have with Sun Life. In addition to the Net Promoter Score, we have developed a comprehensive indicator of our service delivery performance, which we call our **Client Index**. This proprietary measurement is developed using Client ratings from across several service dimensions. Both the Net Promoter Score and Client Index metrics are used as performance factors in our annual incentive compensation plan for all employees.

[1] Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

DIGITAL INNOVATION



Why it matters

In a digitally-driven world, innovation closely connects to Client satisfaction. Digital touchpoints are changing the way people research, buy and manage their insurance and wealth solutions. Our digital capabilities are therefore critical, both to support our Clients' needs and evolving preferences and to increase our business efficiency and effectiveness.

Our approach

We're investing significantly in the digital side of our business model, to enhance our leadership position and support our mission to help our Clients achieve lifetime financial security and well-being. Our strategies in this area include:

- Developing new products, services and innovations that are relevant and personal to our Clients, conveniently available and serve unmet needs.
- Building digital skills and confidence among our employees that will enable us to be more agile, bolder and faster.
- Digitizing current business processes and enhancing our technology infrastructure, to create a more resilient, up-to-date technology platform.
- Harnessing Sun Life's internal innovation hubs and leveraging external arrangements to tap into other expertise and the start-up community in order to accelerate and expand our digital innovation agenda.

The digital innovation agenda at Sun Life is advanced by several teams, involving collaboration between areas including IT, Global Brand and Digital Marketing and each business unit. Each business unit drives its own digital strategy, with the goal of better meeting the needs of their Clients and operations.

Progress in 2016

Digital apps and tools

- **my Sun Life Mobile app:** We enhanced our my Sun Life Mobile app, a highly-rated mobile app in the Canadian insurance industry. Clients can now use their my Sun Life Mobile app and smartphone camera to capture and submit health claims; view their mutual fund and segregated fund account balances; and find contact information and Sun Life Client ratings for 80,000 healthcare providers.
- **MAX my money@work**: Our new digital tool revolutionizes how Canadian plan sponsors engage their plan members by enabling them to enroll (or re-enroll) in their workplace retirement and savings plan with one click on their mobile device.

- **Digital Benefits Assistant program:** We continued to roll out timely, personalized Client experiences to our group and Choices plan members with this program. Marking the first real-time decision management technology in the insurance industry, Sun Life's Digital Benefits Assistant program leverages big data and advanced analytics in a relevant and personalized way to help Clients gain the most value from their benefits and investment plans.

- **U.S. app:** Our U.S. Clients can now use our my Sun Life Mobile app to locate and choose dentists in the Sun Life dental network.

- **Digital enhancements in Asia:** In the Philippines we launched the country's first life insurance mobile app, which was downloaded more than 60,000 times in the first four months. In Malaysia, we introduced the country's first end-to-end online solution that brings the Client from the price quoting stage right through to payment.

- **Digital Health Solutions:** This new business area will bring Sun Life's digital and health capabilities together with those of leading players from across the healthcare spectrum to help Canadians:

  - find new and better ways of accessing healthcare products and services;
  - act by making healthy choices to support wellness goals; and
  - better manage chronic conditions with technologies and insights.

Sun Life received the **highest overall score** in Forrester Research's Canadian Life Insurance Digital Sales Functionality Benchmark

In November 2016, Sun Life received the highest overall score in Forrester Research's **Canadian Life Insurance Digital Sales Functionality Benchmark**. Forrester Research evaluated how well leading Canadian life insurance companies are using digital touchpoints (desktop, tablet and mobile) to win new business. Sun Life's top score of 75 out of 100 exceeds the average score of 47.

SPOTLIGHT

Proactive, personalized nudges help Clients take action

Canada's Digital Benefits Assistant program allows Sun Life to more proactively engage with Clients, raise awareness to create interest and nudge Canadians to act for their well-being. The Digital Benefits Assistant program uses data, analytics and decision technologies to help Clients solve problems and better appreciate their benefits through Bright Idea nudges.

Bright Idea nudges are opportunities presented to the Client, including a relevant action they can take. For instance, alerts driven by the Digital Benefits Assistant program prompt new Group Retirement Services plan members to fully enroll in their plans, easily guiding them through sign-up and helping them understand the features. Since launch, Bright Idea nudges have reached 1.4 million Clients, and our Client Call Centre reports that the nudges have been transformational, significantly improving the quality of conversations and our ability to help Clients take the necessary actions to achieve lifetime financial security.

Collaborating to boost digital capabilities

To help position Sun Life at the helm of insurance industry innovation and speed up the delivery of digital solutions for Clients, we teamed up with several partners in 2016:

- Sun Life announced an arrangement with North America's largest innovation hub, **MaRS Discovery District** in Toronto. This arrangement provides unique opportunities to share ideas and collaborate with financial and health technology start-ups on cutting-edge solutions designed to help our Clients with their finances, health and well-being.
- Sun Life became the first Canadian insurance company to team up with **Plug and Play Tech Center**, a U.S.-based global technology accelerator that connects start-ups from around the world to corporations and investors.
- In the Philippines, we joined together with **Voyager Innovations**, the digital innovations arm of leading Philippine telco PLDT and its mobile provider Smart Communications, Inc., to develop fintech services for emerging markets, starting with the Philippines.

SPOTLIGHT

Digital labs spark brighter ideas

Technology labs

Behind the scenes of our digital transformation, Sun Life has four digital technology labs – in India, Waterloo, Montreal, and Toronto – which bring together our IT teams and business leaders to collaborate on and test ways to enhance the Client experience.

Design Thinking Lab

Complementing the technology labs is Sun Life's new Client-focused Design Thinking Lab, which uses an industry-proven methodology to inform digital experiences and project direction. Design Thinking integrates Client needs, business goals and technology capabilities in short project "sprints" where new digital ideas are tested early with Clients and refined into remarkable experiences.

"More and more of our Clients are using mobile to connect with us, and they have told us that they want better tools to manage their health and well-being. Our digital transformation is all about meeting these needs and adapting to how Clients want to engage with us."

Alice Thomas, Chief Digital Technology Officer

DATA SECURITY AND PRIVACY

Why it matters

Our business is dependent on maintaining a secure environment for our Clients, employees and other parties' information.

Our approach

We maintain and continually invest in practices, processes and tools to safeguard the confidentiality of Client information and our networks.

Security at Sun Life is the result of a combination of people, processes and technology - designed to work together to protect Client information. Employees undergo annual training to educate them on their role in using technology responsibly.

Our **Global Privacy Commitment** outlines a set of principles followed by all of our operations worldwide to help ensure that our Clients' personal information remains private and confidential. In certain countries in which we do business, the Global Privacy Commitment is supplemented by more detailed privacy policies or codes that reflect the particular legislative requirements of those countries. Employees receive company-wide training about relevant privacy laws and being vigilant about protecting Client confidentiality.

The Operational Risk & Compliance Committee provides senior management oversight and direction on operational risk exposures, including organizational data security and privacy. Our Chief Information Security Officer, who reports to the Chief Technology Officer, manages our data security program. Our Chief Privacy Officer for the enterprise, who reports to the Senior Vice-President & General Counsel, Sun Life Financial Canada, is responsible for global privacy, and we have privacy officers in each region where we do business.

Progress in 2016

- We continued to make investments in technology and cyber security professionals to better prepare us for new and emerging information security and privacy risks.
- Our Information Security team implemented additional measures to help Sun Life create a more secure, breach-resilient data infrastructure. The team also continued to build security awareness and educate our employees through various communications, including articles, presentations and emails.
- There were no substantiated privacy complaints from regulatory bodies regarding breaches of Client privacy or loss of Client data in any of our global operations.
- For the seventh year in a row, Canadians voted Sun Life Financial the **Most Trusted Brand™ of Life Insurance Companies** according to the 2016 Reader's Digest Trusted Brand™ Survey.

TALENT MANAGEMENT

Why it matters

With a global workforce of 132,765 people – comprising 32,900 employees and 99,865 advisors – strategically managing and motivating our employees is central to our success. We believe that the more engaged our employees are, the more productive and passionate they will be in delivering better outcomes for our Clients and other stakeholders.

Our approach

Attracting, developing and retaining talent that understands and is committed to enhancing the long-term sustainable business platform for the Company is a strategic imperative. Our objective is to build and attract a disproportionate share of top talent across our businesses, wrapped in a winning culture that emphasizes collaboration, integrity and treating Clients and colleagues with dignity and respect.

As our complex business environment is ever-changing, we equip our workforce to meet this challenge through development opportunities at every level of the organization. From tuition assistance to an e-learning portal containing more than 10,000 learning opportunities, we are committed to building the best team possible for today and tomorrow. Recognizing the important role that leaders play in engaging talent, we place a strong emphasis on leadership development, from junior managers to senior executives.

We encourage open, two-way dialogue with our employees and seek their input through various channels (see page 11). Every two years we work with a third-party professional services firm to conduct our Global Employee Engagement Survey, which measures the degree to which employees are invested in Sun Life and motivated to contribute their best.

GLOBAL WORKFORCE OF

132,765

PEOPLE

10,000+

LEARNING OPPORTUNITIES
ON OUR E-LEARNING PORTAL

$40M

INVESTED IN LEARNING
AND DEVELOPMENT

Progress in 2016

Employee engagement

In 2016, more than 86 per cent of our employees completed our **Global Employee Engagement Survey**. We used a new survey methodology to gather a broader view on engagement as well as deeper insights to help us keep raising the bar on our high-performance culture, and enabling focused action planning.

85% Employee engagement score[1]

88% Employees who are proud to work at Sun Life

- For the fourth consecutive survey, our employee engagement scores have increased, exceeding the external benchmarks for global financial institutions and on par with top-performing global companies. This suggests that our intensified efforts to create a positive and rewarding employee experience are working.
- Employees told us that our areas of strength include career opportunities, confidence in our future, ongoing sustainability efforts, clarity around their accountabilities, and the connection of these with our corporate priorities.
- Areas of opportunity include continuing to improve productivity management through Sun Life's **Brighter Way Management System**, enhancing learning and development through formal and experiential programs, and adding variety to employee recognition programs.

As with previous surveys, management and employees worked together to respond to the survey insights, creating targeted action plans that address feedback specific to their area. Our employees have told us they value the opportunity to provide feedback and appreciate getting directly involved with action planning, enabling them to make a direct impact on the business and on their personal growth.

We view strong employee engagement as a path to lower turnover, which is why we're pleased that our global turnover rate, at 10.4 per cent in 2016, continues to drop; the average tenure at Sun Life has increased to 8.5 years.

KEY PERFORMANCE INDICATORS	2014	2015	2016
Employee turnover rate[2]	10.6%	10.6%	10.4%
Average employee tenure	8.2 years	8.2 years	8.5 years

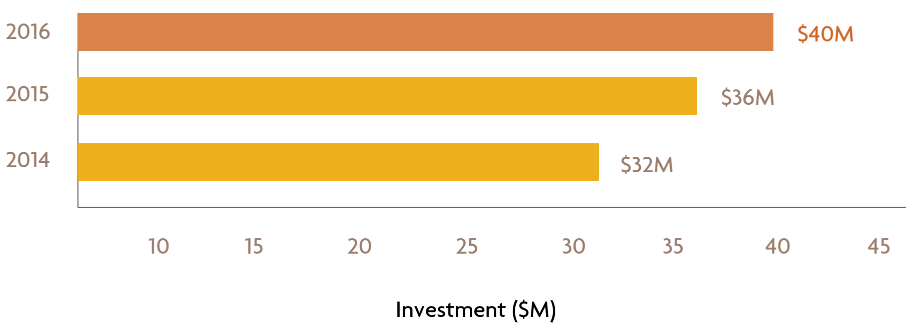
[1] Our Global Engagement Survey is conducted every two years. It was not conducted in 2015.

[2] Turnover rate refers to voluntary turnover. The turnover rate reported in the Sun Life Financial Inc. 2014 Sustainability Report reflected total turnover. The 2014 turnover rate reported in the table above reflects voluntary turnover.

Learning and development

During 2016, we invested more than $40 million in training and developing Sun Life employees globally, as we maintained a focus on building the best teams while ensuring a continuous pipeline of top talent in a competitive labour market. An external research firm was commissioned last year to review and benchmark our learning and development practices and rated them as best in class.

TOTAL INVESTED IN LEARNING AND DEVELOPMENT



Leadership development

In recent years we have 'doubled down' on leadership development, creating a blend of customized development programs to foster strong, effective leaders. In 2016, we continued to drive growing participation in these initiatives, including:

- **Advancing High Performance (AHP):** AHP is an immersive, experiential program for people leaders that sharpens fundamental leadership capabilities and enhances mindsets and behaviours to advance our high-performance culture. Since inception, 35 per cent of our people leaders have completed the program; our goal is to reach 65 per cent by 2018. The program was recognized in 2016 with the **Excellence in Practice Award** by the Association for Talent Development.
- **Coaching for Great Work:** We rolled out this initiative in Canada, first piloted in 2015, in response to an expressed need for an internally-delivered coaching program. Over 110 participants completed the program in 2016.
- **360 Assessment:** The 360 Assessment provides mid to senior managers across Sun Life with multi-level feedback – from their staff, colleagues and managers – that builds self-awareness, sharpens leadership skills and feeds into development plans. Since inception, 414 participants have completed the program, including 135 in 2016.

Last year we introduced a standardized evaluation methodology so that we can better measure effectiveness across all our leadership programs. Ninety-six per cent of participants reported satisfaction with their completed program.

Employee development

Every year all employees must complete mandatory training on a range of topics. In addition, business groups across Sun Life hold “lunch ‘n learns”, workshops and webinars to keep employees abreast of key developments and ways we’re changing to enhance the Client experience.

Approximately 19,000 employees in 10 countries across Sun Life have accessed our **Global Learning Centre (GLC)**, a comprehensive e-learning portal that includes non-mandatory courses and simulations, skills briefs, guides, test prep exams, mentoring, job aids, videos and more. In 2016:

- 26 per cent of eligible employees completed non-mandatory GLC learning activities; and
- every dollar Sun Life spent on online training (mandatory) provided through the GLC translated to $8 in value via increased productivity or cost savings, up from $3 in 2015.

Every **$1** spent on mandatory online training

translated to **$8** in value

In light of its demonstrated value, we know we have more work to do to engage our employees in taking advantage of the GLC. In 2017, we plan to increase awareness among managers and employees, enhance the online experience for ease of use, and curate content to more closely align with employee development interests.

Internal promotion

In 2016, we filled seven out of 10 Director level and above roles through lateral moves and promotions. By focusing on internal recruitment, employees have more opportunities to grow their careers and Sun Life retains more employees with valuable talent and organizational know-how.

Investing in young people

In 2016, Sun Life was once again named one of **Canada’s Top Employers for Young People**. Our innovative student and new graduate programs are a key differentiator for us. To attract and nurture young talent, Sun Life:

- participates in a range of student initiatives, including on-campus recruitment, co-op and work-study opportunities, and paid internships.
- manages a **Rotational Leadership Development Program**, introduced six years ago, to provide recent grads with an opportunity to work in three different roles over three years. In 2016, we refined the program by creating three streams of focus: general business; investment/asset management; and information technology.
- facilitates its own **Millennial Think Tank**, which helps shape products, technology and campaigns targeted to current and future millennial Clients. Participants, 20-36 years of age, are identified by their leadership teams. Membership in the Think Tank provides a unique development and networking experience.

WORKFORCE WELLNESS

Why it matters

Employee wellness underpins our ability to deliver exceptional service to Clients, attract and retain top talent and limit absenteeism. Research shows that a healthy employee is a more engaged employee and a more engaged employee is critical to the success of our high-performance culture.

Our approach

We take a holistic view of workforce wellness by focusing on physical, mental and financial wellness. This three-pillar approach helps frame our benefits programs, set priorities and embed wellness into Sun Life's culture.

We invest in a wide variety of programs, incentives and services to promote wellness across the three wellness pillars and help our employees identify health risks, prevent serious diseases and lead healthier lifestyles. We offer competitive benefits packages, retirement and savings plans, access to third-party confidential professional advice and support, as well as support flexible work options to help employees balance the demands of their work and personal lives.

Although accountability for workforce wellness lies with each business unit, we leverage local initiatives across the organization. In Canada and the U.S., a network of more than 225 Wellness Ambassadors - employee volunteers - works to promote local programs and initiatives in support of Sun Life's wellness pillars. The Wellness Ambassadors work together with our Benefits and Wellness team, to make wellness an ongoing topic of discussion and encourage participation.

Progress in 2016

Physical wellness

Ensuring the physical safety of our workforce is a continuous effort, and we have many programs in place to achieve that. Examples include:

- **Health Coaching:** In 2016, we introduced Health Coaching sessions in Canada, a collaborative and personalized program to help employees improve their physical health. Employees can participate in up to four, 30-minute coaching sessions by phone with a Registered Nurse.
- **Healthy Workplace Month:** As a proud sponsor of *Canada's Healthy Workplace Month*® in 2016, we promoted fun, engaging activities for Canadian employees – from yoga, walking groups and recipe contests to healthy snack breaks and massages.
- **BrightWork initiative:** We continue to transform our work spaces through our BrightWork initiative, which gives employees greater opportunity for collaboration and workstyle flexibility.

Mental wellness

Initiatives in 2016 to support and promote mental health include:

- **Psychology benefit:** Under our Canadian employee benefits plan, we significantly increased the psychology benefit (from $1,500 to $12,500 under our enriched option).
- **Mental Health Assessment:** Using the Canadian National Standard for Psychological Health and Safety in the Workplace as a guide, together with experts in the field, we completed an evaluation of our workplace mental health, using tools such as employee surveys and focus groups. In 2017, we intend to take action tailored to the results.

SPOTLIGHT

Wellness Challenge

We took our Wellness Challenge global in 2016. This popular annual event is a friendly competition that inspires our leaders and employees to adopt or improve their nutrition habits, increase their physical activity and participate in financial wellness and stress-relieving activities.

3,700+ employees across three continents were physically active for more than 28,700 hours

293,000+ servings of fruit and vegetables consumed by employees

2,240+ hours of financial planning engaged in by employees

2,670 acts of kindness by employees for their colleagues

91% of participants achieved the healthy living goals they set for the challenge

90% of participants took part in stress-relieving activities at least four days per week post-challenge

Financial wellness

In 2016, Sun Life spent $3.4 billion on compensation and benefits programs globally, up from $2.8 billion the previous year. Collectively, these programs help our employees achieve lifetime financial security. In addition, Sun Life has established a Benevolent Fund to assist employees and their families facing difficult financial circumstances due to illness, death or other unforeseen events. We also have a global academic scholarship program for employees' children.

Benefit programs in each country are designed to be locally relevant. For example, financial wellness programs for eligible Canadian employees include:

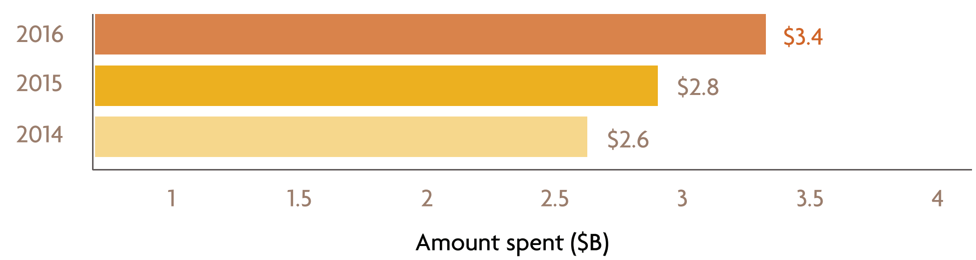
- **Pension, stock and savings programs** – which help employees build savings and enhance their financial security in retirement
- **Subsidized insurance** – including life, disability, home and auto
- **Individual financial advice sessions** and group education sessions
- **Flexible Benefits plan** – eligible employees can allocate their benefits according to their specific needs

During **Financial Literacy Month** in Canada, we offered drop-in booths, seminars and access to financial advisors to help employees expand their knowledge of financial products and services and to assist with financial planning and management. More than 2,500 employees participated in 2016, and those who did were eligible for related prizes, such as a $500 contribution to a tax-free savings account or Company savings plan.

Wellness rewards

Our employees in Canada and the U.S. can earn financial incentives by participating in various wellness activities. In Canada, the money can be used to pay for eligible wellness products and activities - such as fitness memberships, health-related services, and child and elder care expenses - for any family member. In the U.S., employees can receive a medical premium reduction by taking a health assessment and achieving biometric screening results in healthy ranges in three out of five categories.

TOTAL SPENT ON COMPENSATION AND BENEFITS GLOBALLY



KEY PERFORMANCE INDICATORS	2014	2015	2016
Percentage of eligible employees in Canada participating in Sun Life's defined contribution plan	80%	80%	82%
Percentage of eligible employees in Canada participating in Sun Life's share purchase plan	55%	56%	57%

DIVERSITY AND INCLUSION

Why it matters

We believe that building a workforce that more closely reflects our Clients and communities will better position us to serve their unique needs. By strengthening our inclusive environment and fostering our high-performance culture, we believe our employees will feel respected, connected and inspired to be their very best.

Our approach

Diversity and inclusion have always been at the core of Sun Life's values. Our business practices and commitment to diversity of all kinds – gender, race, religion, age, country of origin, sexual orientation – is reflected throughout the enterprise.

As part of our refreshed commitment to diversity and inclusion, we created an enterprise strategy, designed to build on existing activities across our geographies and bring additional focus and coordination to accelerate change in our workplace and our workforce composition.

Our executive team is committed to strengthening diversity and inclusion across our global footprint. Diversity and inclusion practices are incorporated in recruiting, talent development, benefit programs and other key talent management initiatives. Our Senior Vice-President, Global Organization Development, is responsible for overseeing diversity and inclusion. Across the Company, senior leaders focus on specific actions to enhance diversity and inclusion in their business areas. Sun Life's senior management team and Board of Directors receive regular updates on our activities and progress, including gender diversity, particularly women in senior management.

The strategy has the following areas of focus and goals:

Clients

Reflect the diversity of our Client base and meet their differing needs and priorities in all our markets and businesses

Colleagues

Help all employees contribute to their full potential

Communities

Support diversity in the communities where we operate, through key partnerships and by encouraging the inclusion of diverse suppliers as part of our competitive bidding process

Progress in 2016

In 2016, we made meaningful progress in embedding best practices for diversity and inclusion:

- Delivered workshops to help our most senior leaders understand how biases influence key decisions in the workplace and often have unintended consequences
- Introduced new diversity requirements for our suppliers and vendors
- Developed a scorecard and key measures to track our progress over time
- Continued to grow employee-led inclusion groups

Gender equality

- As a public commitment to support closing the gender wage gap, in the U.S. we signed on to the **100% Talent: The Boston Women's Compact**, pledging commitment to leveling the playing field for working women.
- Membership in our **Women's Leadership Network** grew by over 50 per cent to 605 Sun Life employees in 2016, up from 395 the previous year. This group is dedicated to helping women achieve their full potential, through mentoring opportunities, development programs and other supports.
- In 2016, our Executive Sponsor of Sustainability, Melissa Kennedy, Executive Vice-President, Chief Legal Officer & Public Affairs, was a recipient of **Canada's Most Powerful Women: Top 100** by The Women's Executive Network (WXN), in part for her commitment to diversity at Sun Life and throughout the legal community.

47% Middle management and above are women

33% Senior management are women

62% Staff level are women

Supporting the LGBTQ community

- **Pride at Work:** Sun Life joined Pride at Work Canada to learn and explore further ways of creating a safer, more inclusive culture for LGBTQ employees.
- **Egale Centre:** To strengthen mental health resiliency for Toronto's LGBTQ youth, Sun Life donated $100,000 to Egale Centre, Canada's first and Toronto's only facility that will combine counselling with transitional and emergency housing exclusively for homeless LGBTQ youth.
- **Inclusion Network:** Members of GLOBE, our U.S. Gays, Lesbians & Others Building Equality Inclusion Network, and other colleagues marched in the Boston and Portland Pride Parades.

Perfect scores for workplace equality

For the 9th consecutive year, Sun Life earned a perfect score on the Human Rights Campaign Foundation's **2017 Corporate Equality Index (CEI)**, a U.S. benchmarking tool on corporate policies and practices related to LGBTQ workplace equality.

In Canada, Sun Life was one of two companies to receive a perfect score in the inaugural **LGBT Corporate Canadian Index** for taking quantifiable actions to create an inclusive environment for LGBTQ employees.

Supporting Indigenous Peoples in Canada

- **University of Winnipeg Sun Life Financial Diabetes Awareness and Education Program:** Sun Life has been teaming up with The University of Winnipeg since 2012 to create and sustain this program that helps prevent diabetes among local Indigenous inner-city youth and at-risk populations between the ages of 10 and 15.
- **Canadian Aboriginal & Minority Supplier Council (CAMSC):** Sun Life is a proud member of CAMSC, an organization focused on deepening business relationships and driving economic growth of the Canadian supply chain through the inclusion of Aboriginals and Minority suppliers.
- **Indspire's Building Brighter Futures Program:** Sun Life is a sponsor of Indspire's bursary and scholarships program. Indspire is an Indigenous-led charity that invests in the education of Indigenous peoples.

"The bursary has alleviated the financial burden of pursuing a post-secondary education. Besides lessening my tuition, the bursary specifically helped me obtain a MacBook Pro laptop, something that is required for the mobile courses in the Bachelor of Computer Science program. Without the bursary, I know I would have been struggling to obtain the funds to purchase it."

Ashlee Foureyes, Indspire bursary recipient

ENVIRONMENTAL RESPONSIBILITY

At Sun Life, we recognize the links between a healthy environment and a healthy economy, on which our business depends.

We focus on investing responsibly and managing environmental risks. We take responsibility for our business activities that impact the environment, holding ourselves accountable for managing our operating footprint. We also engage our employees and suppliers in environmental stewardship.

IN THIS SECTION

OPERATIONAL FOOTPRINT

Why it matters

Sun Life's operations span across various facilities in 26 countries. At Sun Life, measuring, managing and reporting on the impacts of our business operations, particularly our greenhouse gas (GHG) emissions, is an important part of our environmental commitment. Reducing inputs such as energy, corporate travel, paper, water and waste will not only decrease GHG emissions but also help reduce operating costs.

Our approach

We are committed to integrating environmental sustainability in our day-to-day operations and taking actions to reduce our environmental footprint. Our environmental framework provides the foundation for managing the impacts our building operations and employee-based travel and paper consumption have on the communities in which we operate. We also work closely with our employees and suppliers to promote environmental stewardship and bring awareness to these impacts.

Our Environmental Sustainability Committee (ESC) helps to ensure further integration of sustainability within the Company's governance structure. The ESC is responsible for identifying reduction opportunities and developing plans for implementation.

This year, we began reporting GHG emissions for our global operations, spanning North America, Asia, the UK and the Caribbean. Going forward, we are committed to continue managing our carbon footprint by setting reduction targets and measuring our progress against them.

To continue advancing our understanding of environmental solutions and best practices, we participate in various external initiatives, including:

- **United Nations Environment Programme Finance Initiative**
- **CDP Climate Change Program**
- **The Council for Clean Capitalism**

9.1% ↓ reduction
In global GHG emissions from 2014 to 2016

7.5% ↓ decrease
In global energy consumption from 2014 to 2016

77% → average waste diversion
In major sites in Canada

Progress in 2016

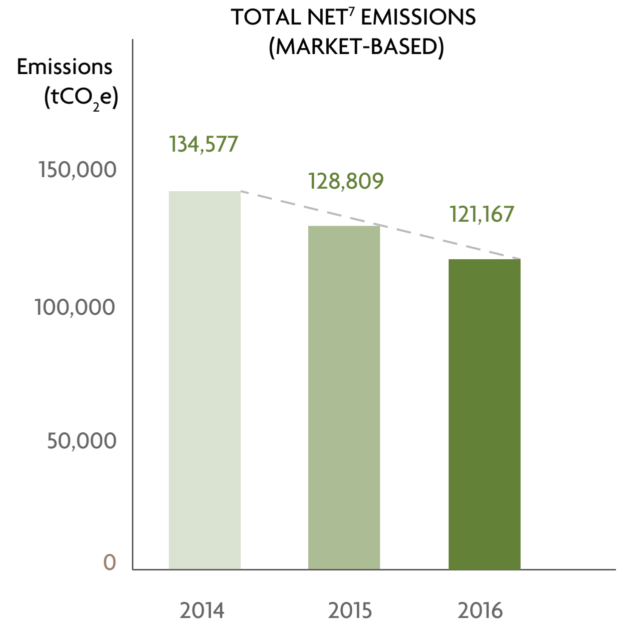
Reducing our GHG emissions

Global, enterprise-wide GHG reporting

At Sun Life, we recognize we have an important role to play in addressing climate change, and more specifically reducing GHG emissions from our own operations. Throughout 2016, we expanded the scope of our environmental reporting through our GHG Framework, which resulted in more comprehensive reporting of our global footprint than we have been able to accomplish previously.

Our total global GHG emissions decreased by 9.1 per cent from 2014 to 2016. By continuing to compile more accurate data on the Company's GHG emissions, we are in a better position to develop tailored business strategies and targets, using our reporting metrics as a benchmark for our performance. In our investment properties in North America, which comprise more than 75 per cent of the Company's global GHG emissions, we achieved a decrease of approximately 10 per cent in GHG emissions intensity ($kgCO_2e/ft^2$) from 2014 to 2016 (normalized for weather and occupancy).

GLOBAL GHG EMISSIONS ASSOCIATED WITH REAL ESTATE (TONNES OF CARBON DIOXIDE EQUIVALENT (tCO_2e))	2014	2015	2016
CORPORATE (Sun Life occupied space)[1]			
Scope 1 (Sun Life paid natural gas)	2,814	2,418	2,150
Scope 2 (Sun Life paid[5] electricity, steam, chilled water)	8,557	8,656	8,570
Scope 3 (Landlord paid utilities, water, waste[4])	8,968	8,555	8,633
Total location-based[2]	20,339	19,628	19,352
Total market-based[3]	20,339	19,628	19,352
Market-based emissions intensity ($kgCO_2e/ft^2$)	5.4	5.2	5.2
INVESTMENT PORTFOLIO (Sun Life owned buildings)			
Scope 1 (Sun Life paid natural gas)	28,567	25,417	25,078
Scope 2 (Sun Life paid electricity, chilled water)	77,024	75,764	73,234
Scope 3 (Tenant paid[6] natural gas, electricity, steam, chilled water, water)	8,646	8,001	7,227
Total location-based[2]	114,238	109,181	105,540
Total market-based[3]	114,238	109,181	103,230
Market-based emissions intensity ($kgCO_2e/ft^2$)	4.1	3.9	3.6
Total net[7] emissions (market-based)	**134,577**	**128,809**	**121,167**



- GHG values are calculated based on the Greenhouse Gas Protocol and Scope 2 Guidance of the World Resources Institute and the World Business Council for Sustainable Development (www.ghgprotocol.org).
- Sun Life has chosen the Financial Control approach for determining the scope of its GHG and energy use reporting. This includes all locations for which Sun Life (or its third-party property managers) is directly metered and billed for energy used and where Sun Life has the ability to implement energy reduction initiatives. Joint venture properties are accounted for based on Sun Life's equity share in the properties.
- All GHG values are listed in tonnes of carbon dioxide equivalents; all energy use values are in gigajoules; both are reported for the calendar year (January 1 to December 31).
- Emission factors are taken from publicly available sources.

1. Some Corporate offices are located in Sun Life Investment properties. To avoid double-counting, these emissions are counted under the Investment portfolio.
2. Location-based electricity emissions reflect the grid-average emission intensity (gCO2e/kWh) for the region where a property is located.
3. Market-based electricity emissions reflect contractual instruments implemented with respect to electricity purchases, i.e. Renewable Energy Credits (RECs). The only eligible REC purchases (meeting the quality criteria of the WRI Scope 2 Emission Reporting Guidance) reported are for Investment Properties in 2016 (equivalent to 2,310 tCO2e). RECs purchased before this time do not adhere to the new quality criteria and are therefore not reported.
4. Emissions resulting from waste are reported for Investment properties, where available. Emissions from waste used to produce energy at Waste to Energy facilities are not considered to be in scope.
5. Includes utilities billed directly to Sun Life by the utility vendor, or submetered by the landlord and recovered from Sun Life based on actual consumption.
6. Includes submetered utility use for which costs are recovered from tenants based on actual consumption.
7. In 2016, net emissions account for carbon offsets of 1,415 tCO_2e purchased to offset property emissions.

Energy

Between 2014 and 2016, we achieved a 7.5 per cent reduction in energy use across our combined investment and corporate portfolio. Throughout 2016, we realized continued energy savings across our global operations through various initiatives. For example:

- We made improvements and retrofits to enhance eco-efficiency in several of our data centres that consume large amounts of energy and will review other existing data centres for potential retrofit opportunities and energy savings.
- Sun Life in Ireland signed a two-year contract for its Waterford site to be supplied by 100 per cent renewable energy, which will save an estimated 3,355 tCO_2e through the term of the contract.
- We installed a new energy management system and are increasing use of LED lighting to reduce energy use in our major U.S. site in Wellelsey.

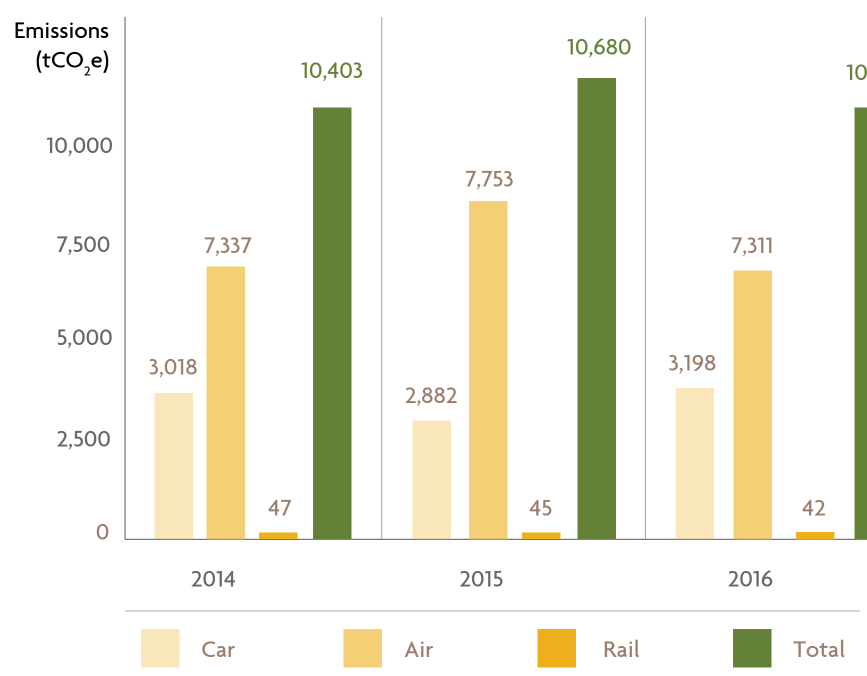
GLOBAL ENERGY CONSUMPTION ASSOCIATED WITH REAL ESTATE			
	2014	2015	2016
CORPORATE (Sun Life occupied space)			
Energy consumption (eMWh)	98,134	94,606	93,474
Energy intensity (kWh/ft²)	26.2	25.2	24.9
INVESTMENT PORTFOLIO (Sun Life owned buildings)			
Energy consumption (eMWh)	400,234	377,215	370,543
Renewable energy (eMWh)	23,423	15,313	13,064
Energy intensity (kWh/ft²)	14.5	13.5	12.8
Total Energy (eMWh)	**498,369**	**471,822**	**464,017**

- Energy consumption includes electricity, heating fuel, chilled water and steam.
- Renewable energy purchases are included in the reported energy consumption.

Corporate travel

From 2014 to 2016, total emissions resulting from corporate travel increased marginally (<1.5 per cent). We define corporate travel as travel by air, rail, car rental for business purposes and employee-claimed mileage (employee-owned car travel). As Sun Life continues to invest in technologies such as video-conferencing capabilities, we aim to reduce the amount of short, medium and long-haul employee-based travel.

GHG EMISSIONS ASSOCIATED WITH CORPORATE TRAVEL



- Travel emissions data accounts for materially all travel for Sun Life's North American operations, and the majority of travel for international operations.

Green buildings

In Canada, Sun Life owns and leases over 2 million square feet of green-certified space. All of our major corporate sites in Canada, in addition to many properties in our investment portfolio, are Leadership in Energy and Environmental Design (LEED®)[1] or BOMA BEST®[2] certified.

In the Philippines, Sun Life Centre, Sun Life's first wholly-owned building in the country was honored by the Property & Real Estate Awards as the Most Outstanding Project in the Sustainable Development category. Completed in 2011, Sun Life Centre set the standard for premium office buildings in the Bonifacio Global City area in Taguig, Philippines, being the first building certified LEED® Core and Shell at Gold Level and LEED® Commercial Interiors at Platinum level.

In the U.S., we installed four electric vehicle charging stations in our Wellesley site for employee use, which resulted in GHG savings of 5.1 tonnes of CO_2e.

SPOTLIGHT

Showcasing sustainability in our new global headquarters

In 2017, Sun Life will relocate its Corporate Headquarters in Toronto to One York, a new office tower targeting LEED® Platinum certification. We are also targeting LEED® Gold Commercial Interior certification.

Many of the building materials were locally sourced or include recycled materials. Inside, LED (light-emitting diode) lighting is used for greater efficiency and a light harvesting system monitors daylight and adjusts the electric lighting automatically, to reduce energy consumption. The building also accesses innovative deep lake water cooling, which draws cold water from Lake Ontario to operate the building's air conditioning system. A 66 per cent reduction in water usage is expected as a result of low-flow fixtures and two rain water harvesting cisterns.

Sun Life will occupy approximately 55 per cent of the 800,000 square-foot office complex. As we continue efforts to reduce paper use with the move, the number of office printers is expected to be reduced by about 40 per cent.

Of note, 88 per cent of the project's construction waste was diverted from landfill.

[1] LEED®—an acronym for Leadership in Energy and Environmental Design™— is a registered trademark of the U.S. Green Building Council®. The Canada Green Building Council is the sole license holder for the LEED® trademark in Canada.

[2] BOMA BEST Sustainable Buildings certification recognizes excellence in energy and environmental management and performance in commercial real estate. The Program is managed by the Building Owners and Managers Association of Canada (BOMA Canada) and delivered by the eleven Local BOMA Associations throughout Canada.

Resource efficiency

Paper

Paper reduction is a key area of focus in helping to minimize our operational footprint. Process improvements achieved significant reductions in 2016:

- Sun Life Financial Canada decreased paper consumption within its document services operations by 10 per cent from 2015. This was achieved by changing the way some paper is purchased and printed (resulting in zero waste), and by reducing the frequency of printing dental provider cheques, introducing new web registration processes, and through efforts to increase the number of plan members providing email addresses for correspondence and claims purposes, resulting in increased online adoption.
  - The goal is to reduce paper consumption by a further 10 per cent in 2017.
- We consolidated our corporate expense reimbursement system in North America, resulting in an estimated 88,000 sheets of paper saved.
- Our Ireland offices installed a print and release program on all printing devices, which achieved a 50 per cent reduction in total paper purchased.

From 2015 to 2016, Sun Life Financial Canada document services operations achieved a **10% decrease** in paper consumption

Prior reporting has focused on the amount of paper purchased within our corporate operations. Beginning with 2016, we will focus on providing more accurate totals of the amount (tonnes) of paper printed within our day-to-day business (internal) and through marketing, statements and direct mail (external). In 2017, we will continue to aggregate reporting from our international operations for inclusion in future reports.

2016 PAPER CONSUMPTION (TONNES) NORTH AMERICA[1]

[1] Operations in Canada and the U.S.
[2] Copy paper printed from networked printing devices
[3] Marketing, direct-mail, statements

Water

Between 2014 and 2016, we reduced water intensity in our corporate operations by 7.3 per cent. Looking forward, we will continue to identify water saving measures within our real estate portfolios and undergo retrofits where feasible.

GLOBAL WATER CONSUMPTION ASSOCIATED WITH REAL ESTATE			
	2014	2015	2016
CORPORATE (Sun Life occupied space)			
Water consumption (m^3)	272,645	260,531	253,049
Water intensity (L/ft^2)	72.5	69.3	67.2
INVESTMENT PORTFOLIO (Sun Life owned buildings)			
Water consumption (m^3)	1,955,549	1,968,273	2,033,833
Water intensity (L/ft^2)	71.0	70.6	70.4

Waste

The average waste diversion rate at our major office sites in Canada is 77 per cent, and we are working to gather data for our international sites. We are steadily reducing waste through a combination of resource efficiency, reuse and recycling programs. For example:

- Our 313,506 square-foot site in Montreal, housing more than 1,400 employees, has undergone significant improvements in waste diversion since 2014. This is due to a training program for housekeeping staff, information sessions with tenants, new waste stations in kitchen areas and the removal of superfluous waste bins.
- At Corporate and Canadian Headquarters, we introduced new recycling facilities to handle items that typically can't be recycled; for example, stations that accept coffee cups, lids and liquids.

Sustainability within our supply chain

Our supply chain predominately includes those services and products that are required to run a financial services business. We expect our suppliers to conduct their business ethically and responsibly and in full compliance with all applicable laws and regulatory requirements.

We require that all suppliers acknowledge our **Supplier Code of Conduct**. We have incorporated environmental and social questions in all requests for proposals (RFPs) for new suppliers. As part of the RFP process, we require that all respondents reply to questions related to their sustainability practices. The grading of these answers is used in the overall evaluation of the responses considered when making a final selection.

In 2016, our Supplier Risk and Performance Management team issued a **Supplier Questionnaire** that included a series of sustainability-related questions to 835 suppliers. The purpose of the Supplier Questionnaire was to:

- engage, validate and update supplier profiles;
- gain a better understanding of suppliers' programs and policies on sustainability and diversity; and
- re-assess potential risks to help ensure that our suppliers are aligned with Sun Life's expectations.

RESPONSIBLE INVESTING

Why it matters

With $142.4 billion in invested funds in our General Account, Sun Life is a large investment manager. We believe responsible investing can improve the long-term return on our assets, which better positions Sun Life to help our Clients and shareholders achieve lifetime financial security and well-being. Incorporating an ESG lens in investment decision-making helps us to identify and mitigate risks in our investment portfolios that could negatively impact our stakeholders.

Our approach

A focus on long-term investing

In August 2013, Sun Life created Sun Life Investment Management[1], which includes the established investment operations of Sun Life Assurance Company of Canada, and Sun Life Institutional Investments in Canada and the United States. This signalled our commitment to designing and delivering investment solutions for liability-based institutional investors based on our long-standing expertise in fixed income, liability-driven investing and alternative, yield-oriented asset classes.

Sun Life Investment Management's mission builds upon Sun Life's investment history, inherent skill sets and the core strategies that Sun Life has used for over 150 years to manage its own General Account. The General Account is the foundation of Sun Life's insurance business, and is managed by over 200 investment professionals.

Today, the value of this depth and experience is recognized by our third-party institutional Clients who have trusted us with their long-term investment mandates.

Our investment approach

The longer the term of an investment, the more critical it is to engage in ongoing prudent risk analysis. Sun Life Investment Management is a large investor in public fixed income and private asset classes such as private fixed income, commercial mortgages and real estate – asset classes that have limited market liquidity. As such, we undertake an investment process[2] that contemplates potential risks and opportunities over the long term, including the impact of ESG issues on potential investments:

1. We operate under a **highly developed infrastructure** of investment processes and controls, rigorous in-house credit analysis and robust operational due diligence.

2. We adhere to systematic processes to identify potential macro changes through **top-down and bottom-up analysis** of the current market and economic environment, market forecasts, and other industry specific topics.

3. We look at potential risks that could impact the **current or future credit quality of investments** over the determined investment horizon, such as reputational risks of borrowers/counterparties, and risks related to corruption, bribery and money laundering.

4. We evaluate **companies' changing strategies** to consider whether they have adequately identified disruptions and opportunities.

[1] Sun Life Investment Management is comprised of Sun Life Institutional Investments (Canada) Inc. and Bentall Kennedy (Canada) Limited Partnership in Canada, and Sun Life Institutional Investments (U.S.) LLC, Prime Advisors Inc., Ryan Labs Asset Management and Bentall Kennedy (U.S) Limited Partnership in the United States. Sun Life Investment Management is supported by the investment division of Sun Life Assurance Company of Canada that manages assets under management for the Sun Life Financial group of companies.

[2] The investment process described refers to those processes undertaken by the investment teams of Sun Life Assurance Company of Canada who invest on behalf of the Sun Life General Account and Sun Life Institutional Investments' third party clients.

Robust risk management framework

The foundation of responsible investing is risk management. Sun Life Investment Management has a risk management framework that seeks to safeguard and preserve investor capital.

Portfolio Managers have full accountability for how investment mandates are performing and as such monitor market conditions, asset performance and outlook to assess trends and opportunities and to revise portfolio holdings as appropriate. Portfolio Managers also have investment teams with deep experience structuring investments within their asset class.

We conduct detailed analysis of every investment opportunity, both prior to making an investment and on an ongoing basis. A disciplined approval framework is applied to all of our investments within the General Account, pooled funds and our separately managed accounts.

One of our core strengths is in assessing credit risk. We perform our own credit analysis in-house with oversight on ratings provided by an independent Credit Risk Management Group that approves credit risk rating scorecard results for each asset. The credit risk rating serves as a benchmark for the credit quality as well as an input into pricing determinations for each asset.

Our overall governance framework includes four management committees that oversee our third-party asset management business.

- The **Investment Committee** reviews investment decisions taken by Portfolio Managers and monitors overall investment performance and risk management to help ensure investment controls and strategies are appropriate.
- The **Risk and Compliance Committee** oversees operations from a compliance and risk management perspective to help ensure investor limits and controls are maintained, and that we operate in accordance with regulatory requirements.
- The **Valuation Committee** approves the overall valuation framework and the underlying assumptions that contribute to the valuation process.
- The **Allocation Committee** reviews all allocations and in particular approves inputs including the target, minimum and maximum allocations by account. Sun Life Institutional Investments aims to promote fairness and mitigate potential conflicts that may relate to trade allocation should more than one Client wish to purchase the same security.

More than just doing the right thing

For Sun Life Investment Management, responsible investing is more than just "doing the right thing" - it's about aiming to do the right thing for our General Account and our institutional Clients by investing and taking action through the long-term lens of sustainability.

Sun Life was the first major Canadian life insurer to become a signatory to the United Nations-supported **Principles for Responsible Investment (PRI)** in 2014. Our adoption of PRI applies to Sun Life Institutional Investments.

Bentall Kennedy, a Sun Life Investment Management company, was an early adopter of PRI, in 2009.

MFS Investment Management, a Sun Life subsidiary serving individual and institutional investors, was among the first U.S.-based global asset managers of its size to become a signatory to PRI in 2010.

The depth of our investment resources and diversity of our asset base, coupled with the long-standing governance and risk management culture of a capital based publicly owned insurance company, provide the foundation for the long-term investment perspective that we take.

Sun Life was the **first major Canadian life insurer** to become a signatory to the Principles for Responsible Investment

Progress in 2016

Environmental sustainability in our real estate portfolio

In our real estate portfolio, we actively seek to attain LEED® or BOMA BEST® certifications on properties, including upgrading existing structures where it makes financial sense. All developments are targeted to achieve green certification, which drives building operation efficiency and cost savings. As one example of our ongoing commitment to sustainability, we hold a 30 per cent interest in our new global headquarters, One York, in Toronto, which is targeting LEED® Platinum certification.

In 2016, Sun Life built on its history of reporting GHG emissions from its corporate and investment real estate in North America. Please see page 32 for Sun Life's complete GHG emissions reporting.

An apartment property with sustainability and health-conscious tenants in mind

In 2016, Sun Life earned external recognition for its Alto rental apartment development, a 95-suite rental apartment property in Toronto designed with sustainability and health-conscious tenants in mind. Alto garnered **Canada's 2017 Clean50 Top Project Award** (www.clean50.com), in recognition of its innovation, overall impact and inspirational example it may set for others. Throughout the building, Alto has a non-smoking policy and is green power sourced through an arrangement with Bullfrog Power – both of these features are firsts for an apartment building in Toronto. Alto was recognized by the Federation of Rental-housing Providers of Ontario, with its **2016 MAC Award for Rental Development of the Year**.

SPOTLIGHT

Leading the way in sustainable real estate

We aim to further strengthen the ESG performance of our real estate and mortgage investment capabilities as a result of our 2015 acquisition of Bentall Kennedy Group, a real estate investment company that is a recognized leader in responsible property investing.

Bentall Kennedy is currently ranked as the top private firm in Canada and second in North America and globally in its category in the Global Real Estate Sustainability Benchmark (GRESB). This high ranking is consistent with the sustainability initiatives and programs undertaken across Bentall Kennedy, including the following:

- Increased coverage of green building certifications across our portfolio – over 70 per cent of Bentall Kennedy's portfolio is certified to green building standards as of December 31, 2016
- Commissioned a ground-breaking study published in the *Journal of Portfolio Management*, providing compelling evidence that office buildings with sustainable certification outperform similar non-green buildings
- Continued to offer an enhanced tenant experience in sustainability through the ForeverGreen Tenant Engagement Program

For more information, please visit http://cr.bentallkennedy.com/

Climate change and investments

In 2016, Sun Life established a team of investment professionals to assess the potential impact of climate change on our investment strategies. Due to the rapid change in external factors, we recognize the need for a strategy to address climate change risk in our investment portfolios. External factors include recent legislative movements by governments to price carbon and impose costs on heavy emitters, activity by rating agencies to include carbon risk assessment in their rating analytics, and calls by NGOs and others for climate-related financial disclosures.

The strategy will have to integrate climate change risk analysis with the practical realities of managing a complex, multi-asset class global investment portfolio, and our fiduciary responsibility to our stakeholders. This initiative complements Sun Life's commitment to reporting our global GHG footprint from real estate and employee travel, beginning in 2016 (See pages 32 and 33).

$4B+ invested in renewable and environmentally-preferable energy-related projects over 32 years

$487M in financing for eight renewable energy projects in 2016

SPOTLIGHT

A leader in clean and renewable energy financing

Sun Life has been investing in clean and renewable energy for more than 32 years by providing long-term financing solutions to developers. We have invested more than $4 billion in renewable and environmentally-preferable energy-related projects, including $487 million in financing in 2016 to eight green and renewable energy projects in the U.S. and Canada.

For example, Sun Life is among the principle lenders and facilitators of a new 75MW wind power farm constructed in eastern Quebec, developed by North America's largest independent, privately held renewable energy provider. The Roncevaux wind farm, located near L'Ascension-de-Patapédia, will generate electricity that will be sold to Hydro-Québec to help maintain the province's ranking as the second largest wind power producer among Canadian provinces.

Our commitment to the PRI

In 2016, we continued to meet our PRI commitments:

	PRINCIPLE	SUPPORTING ACTIVITY IN SUN LIFE INVESTMENT MANAGEMENT
1	We will incorporate ESG issues into investment analysis and decision-making processes.	As we continue to gain knowledge in the field of responsible investing, we plan to continually update our underwriting practices in each asset class. We have implemented analysis of ESG risk factors across asset classes. Our General Operating Guidelines for North American Investment Operations have been updated to reflect this.
2	We will be active owners and incorporate ESG issues into our ownership policies and practices.	In 2015, investment guidelines of each of our major asset classes were updated to incorporate ESG factors. Where appropriate, we encourage our investment professionals to document ESG disclosure in initial and ongoing monitoring activities.
3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	Through contact with management, we encourage disclosure of ESG issues by the entities in which we invest.
4	We will promote acceptance and implementation of the Principles within the investment industry.	We participate in industry forums to encourage other investors to integrate ESG factors into their decision making processes. We have collaborated with other signatories about methodologies and to establish best practices.
5	We will work together to enhance our effectiveness in implementing the Principles.	
6	We will each report on our activities and progress towards implementing the Principles.	In 2016, we developed our reporting in preparation for required PRI reporting in 2017.

NOTE: Consistent with our fiduciary responsibilities, we do not base our investment decisions exclusively on ESG factors.

COMMUNITY WELLNESS

We believe that by actively supporting the communities in which we live and work, we can build a healthier, brighter future for our Clients, employees, advisors and shareholders. This means:

- Activating high-impact philanthropy programs around the world, with a focus on diabetes prevention.
- Supporting our employees in their hands-on volunteer work.
- Strategically investing in infrastructure projects that foster healthy, sustainable communities.
- Advocating for public policies that strengthen healthcare, pension systems, insurance and infrastructure capacity in our society.

IN THIS SECTION

STRATEGIC PHILANTHROPY

Why it matters

Our success depends on the well-being of the communities we serve, and we believe we play a role in their development and sustainability.

Our approach

At Sun Life, we are committed to building sustainable, healthier communities for life.
Our strategy is to invest through corporate and employee giving, drawing on our resources, talent, networks and strategic partnerships with community organizations. As an **Imagine Caring Company**, a program that promotes corporate and public giving, we commit a minimum of one per cent of our pre-tax profit in Canada to community organizations annually.

Philanthropy plays an important role in fulfilling Sun Life's social responsibility and commitment to the markets we serve. The health and well-being of communities around the globe is one of our top priorities, which is why our philanthropic support focuses on health, with an emphasis on diabetes awareness, prevention, care and research initiatives through our **Team Up Against Diabetes** platform.

We feel that a large part of responsible giving is empowering our employees and advisors to help bring our community wellness programs to life through their enthusiastic volunteerism. We offer programs to support them in becoming engaged with their communities and in contributing to the causes they are most passionate about.

A Donations Committee composed of Sun Life senior leaders is responsible for reviewing requests from registered charities and qualified donees. From time to time the Committee solicits outside input on trends relating to health and arts and culture matters.

If donation requests are of a significant value, a report is prepared for approval by the Governance, Nomination & Investment Commitee (GNIC) of the Board of Directors. The Donations Committee also submits a report on annual donations, assessing performance against strategic objectives, for review by the GNIC. The Donations Committee oversees the development of the Company's regulatory filings on social responsibility, including our annual Public Accountability Statement in Canada.

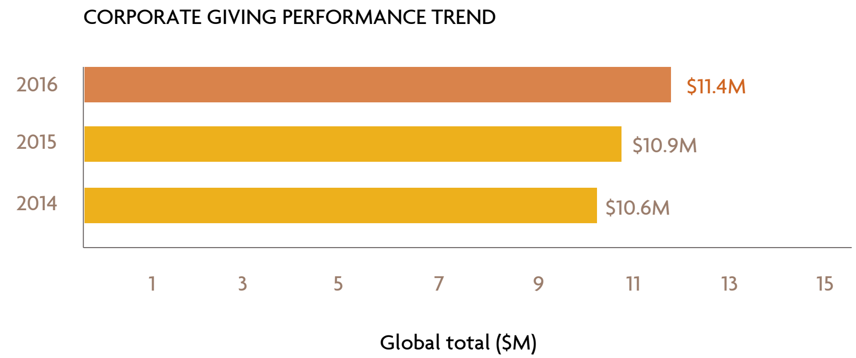
A FOCUS ON
DIABETES
SINCE 2012

1% OF ANNUAL PRE-TAX PROFITS
IN CANADA TO COMMUITY ORGANIZATIONS

REGIONAL MANAGEMENT
OF LOCAL DONATIONS AND VOLUNTEERING

Progress in 2016

In 2016, Sun Life committed more than $11.4 million in charitable donations (up from $10.9 million the previous year) to community organizations across Canada, the U.S., Asia and the UK. Approximately 40 per cent of this was directed towards fighting diabetes, our key business and community giving priority. We showcase a few examples of our support in this section, with more examples by region provided on sunlife.com.



1000+ Charitable organizations impacted in North America through Sun Life donations and employee volunteerism

$11.4M Donated globally

27,000+ Hours volunteered by Sun Life employees across our North American footprint

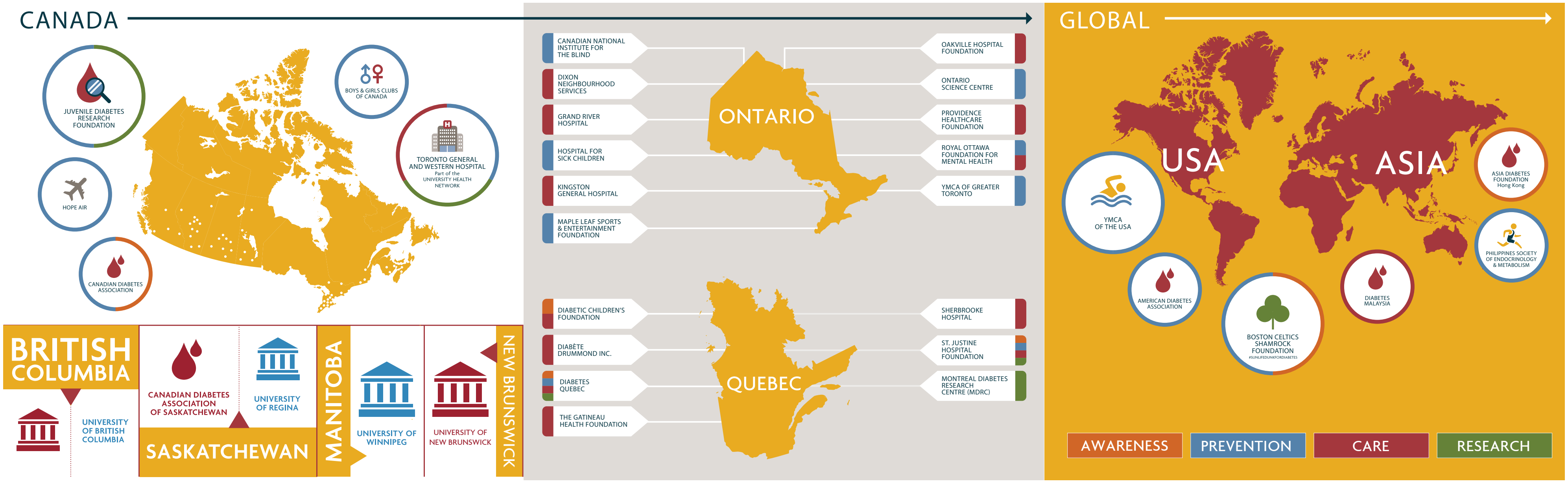
A global focus on diabetes

More than 422 million people around the world have diabetes, with rapidly rising diagnosis rates in middle- and low-income countries, prompting the World Health Organization to project it to be the 7th leading cause of death by 2030.[1]

Over
$17M
committed to
diabetes
since 2012

As a leading provider of life and health insurance, we see first-hand the physical, emotional and financial impact diabetes can have on individuals and their loved ones. With a commitment to the health and wellness of our Clients, employees and communities, we are focused on the prevention of diabetes and its related complications.

Since announcing diabetes as our global business and community giving priority in 2012, Sun Life has committed over $17 million to diabetes awareness, prevention, care and research initiatives. We engage our employees worldwide in the cause and collaborate with leading health, academic and charitable organizations to extend our reach.



[1] World Health Organization, *Diabetes fact sheet*, 2016

Promoting world-wide testing on World Diabetes Day

Almost 50 per cent of adults living with diabetes are unaware of their condition.[1] That's why understanding the importance of early testing and screening can prevent serious health consequences. With that in mind, Sun Life committed $100,000 to the International Diabetes Federation, to help fund its diabetes screening campaign in 170 countries and territories on World Diabetes Day. Through the #Test2Prevent campaign, 230 national diabetes associations hosted in-person and online screening events in November 2016, attracting over 700,000 participants. Around the world, people continue to take the online type 2 diabetes screening test at SunLifeAgainstDiabetes.com and in Canada at SunlifeAgainstDiabetes.ca.

Employees walk the world for awareness

Every year, Sun Life employees participate in various campaigns in support of finding a cure for diabetes. In 2016, Sun Life participants across the globe joined forces to raise funds and walked in numerous diabetes fundraising events. Some highlights include:

- In Jakarta, Indonesia, approximately 5,000 employees and community members took part in the 2016 Jakarta Diabetes Walk, aimed at raising awareness of the dangers of diabetes and to educate the public about the importance of living a healthy lifestyle to prevent the disease.
- In Surabaya, Indonesia, 1,200 Sun Life advisors and community members joined the Sun Life Walk for a Better Indonesia.
- In Cubao, Quezon City, Philippines, 3,000 employees and community members participated in the annual SunPiology "Sugar Wars" run.
- In cities across Canada, over 2,000 Sun Life employees, advisors and community members participated in the JDRF walk, raising $155,000. Sun Life has been a national sponsor of JDRF in Canada since 2014.

Team Up Against Diabetes grant program

Sun Life introduced the Team Up Against Diabetes regional grant program, which offers grants up to $50,000 to registered charities across North America focusing on diabetes prevention and management, as well as programs targeting wellness, nutrition and obesity prevention.

Million-dollar pledge to create global diabetes resource

We committed $1 million to establish the online Sun Life Financial Diabetes College (SLFDC). Developed in collaboration with the Toronto Rehabilitation Institute Foundation, the SLFDC is an online educational resource for anyone living with diabetes or prediabetes and can be accessed at DiabetesCollege.ca.

[1] International Diabetes Federation, *IDF Diabetes Atlas – 7th Edition*, 2015

Engaging youth in diabetes prevention

Sun Life teamed up with international pop star Nick Jonas (himself diagnosed with type 1 diabetes) and his charity BEYOND TYPE 1 to promote diabetes prevention during six Canadian stops on his 2016 world tour. In the U.S., Sun Life teamed up with the Boston Celtics in their second annual Fit to Win program, an incentive-based community program that promotes the physical fitness and wellness of local youth in Greater New England over a four-week period.

American Diabetes Association

We teamed up with the American Diabetes Association (ADA) as the exclusive national sponsor of their Wellness Lives Here℠ initiative, which urges corporations and their employees to adopt healthier habits and prevent diabetes. In addition, Sun Life Financial U.S. received a **Health Champions Designation** from the ADA in 2016. This award recognizes companies with an organizational culture of wellness, encompassing healthy eating and physical activity.

Raising awareness across Asia

Sun Life supported regional awareness campaigns as well as various national initiatives. For example, we teamed up with the Division of Metabolic Endocrinology Faculty of Medicine at the University of Indonesia to establish an integrated diabetes mellitus education polyclinic at Cipto Mangunkusumo Hospital (RSCM) Jakarta, to educate diabetes patients and their families on the disease and to help them cope with the illness and prevent complications. In 2016, more than 3,000 patients were served by the clinic.

In Malaysia, Sun Life committed $98,900 to Diabetes Malaysia and HOPE Worldwide Malaysia (HOPE) to assist low-income patients living with diabetes in managing the disease as well as to create various health programs aimed at diabetes prevention. With the funding from Sun Life Malaysia, Diabetes Malaysia provided monitoring supplies and healthy breakfasts to 240 patients nationwide and held a workshop to empower and train 25 youth living with diabetes to be a voice of prevention and to advocate for people affected by this disease.

Through HOPE, Sun Life Malaysia sponsored diabetes medications for 80 patients via HOPE Free Clinic, as well as health awareness activities such as basketball clinics, kids' fitness classes and educational field trips aimed at highlighting the importance of a healthy lifestyle to keep diabetes at bay.

SPOTLIGHT

The gift of flight for rural Canadians living with diabetes

For diabetes patients who live in smaller communities without treatment facilities, their health risk, emotional stress and financial burden are multiplied by the need to travel to distant hospitals for regular care. To overcome this barrier to treatment, Sun Life sponsors a unique program through Hope Air, a charity that offers free flights to low-income Canadians who live in rural or remote communities to receive specialized care in larger cities.

In 2016, we renewed our support of Hope Air and committed another three-year, $300,000 pledge to Hope Air's 'Diabetes Flight' program, so that people living with diabetes can access ongoing treatment. Our current, multi-year donation will fund 585 flights per year for diabetes patients across Canada, up 14 per cent from 2015, and will also enable Hope Air to perform outreach in small communities to raise awareness of their free life-saving services.

Employee giving

Across the globe, Sun Life employees and advisors give back to their community for both our corporate diabetes giving initiatives and for local causes that matter to them, their friends and their families. In 2016, our employees and advisors volunteered over 27,000 hours, and made personal donations exceeding $1.74 million to their favourite charities that were registered and corporately matched through our various employee and advisor donations programs.

We empower our employees to get engaged in their community and support them in several ways:

Matching Gifts program

We match eligible donations to registered charities dollar-for-dollar up to $500 for every employee and advisor.

Teams for Health

This program encourages employees and advisors who participate in walks, runs, rides or sports activities to raise money for health-related charities in Canada and the U.S. Sun Life pays the registration fee or minimum donation required to participate in the event. In 2016, over 4,100 employees and advisors participated.

United Way

In 2016, our employees and advisors raised over $1.4 million in support of United Way agencies across Canada and the U.S. An additional $696,000 was matched by Sun Life, for a total combined donation of $2.09 million.

For the 13th consecutive year, Sun Life in Canada received United Way's *Thanks a Million* award for generating $1million-plus in donations during the year.

Volunteer grant program

In Canada, we recognize the efforts of employees who volunteer at least 50 hours each year for a registered Canadian charity. Those who qualify receive a $500 cheque for their charity.

SPOTLIGHT

Employee volunteering in 2016

Individual strength to reach new heights

Every day, many Sun Life employees demonstrate their individual strength and passion to improve the world around them. Among them, Nicola Foley, Senior Manager, Data Solutions Development of Sun Life in Waterford, Ireland, was inspired by family and friends with diabetes and decided to enlist in a 2016 fundraising climb of Mount Kilimanjaro. An avid hill walker, Nicola quickly raised more than $13,000 for the Diabetes Federation of Ireland.

Teaming up to shelter India's homeless children

As part of the community outreach of Sun Life's Asia Service Centre (ASCI) in New Delhi, India, our employees work closely with Serving People In Need (SPIN), a non-profit organization providing shelter and education for underprivileged youth. Sun Life recently helped SPIN open a shelter for homeless girls, where our staff spent time playing with and mentoring the children.

In 2016, we also launched the SLF ASCI scholarship to help deserving children of SPIN to pursue professional and degree courses for building a brighter future.

INFRASTRUCTURE INVESTMENTS

Why it matters

Sun Life believes that it is important to promote livable communities by investing in community infrastructure, such as healthcare and supportive services, public transport and schools. In addition to generating employment, these projects can contribute to economic prosperity, social stability and the well-being of communities.

Our approach

Sun Life strategically invests in a range of infrastructure projects, through financing programs that include the provision of long-term capital to support the construction, operation and maintenance of capital-intensive projects that positively contribute to the health of the economy. For more details on our investment approach please see page 37.

$1.5 B Invested in infrastructure assets in 2016 that boost economic health and capacity

Progress in 2016

Sun Life holds global infrastructure investments of more than $12 billion, including $9 billion within our project finance portfolio. In 2016, we invested more than $1.5 billion in infrastructure assets, including eight renewable energy projects, a hospital and a light rail transit system. Highlights include:

City of Saint John Safe Clean Drinking Water Project

Sun Life provided 100 per cent of the long-term financing for a public-private partnership initiative issued by the City of Saint John, New Brunswick. The project involves the rehabilitation of certain aspects of the City's water supply system and the construction and operation of a new 75 million litre-per-day water treatment plant for the City.

University of California Merced Campus Project

Sun Life was part of a small club of international institutional investors that provided debt financing for a public-private partnership to carry out an expansion that will double the capacity of the University of California Merced campus (pictured above) by fall 2020.

Mackenzie Vaughan Hospital

Sun Life was one of three investors that provided long-term financing for the Mackenzie Vaughan Hospital project, which entails the design, build, finance and maintenance of an approximately 1.2 million square foot, 367-bed LEED® Silver® medical facility in Vaughan, Ontario. A portion will be built as shelled space to accommodate future demand for healthcare services in the region.

PUBLIC POLICY

Why it matters

In an industry that is subject to significant regulation, we believe it is important to bring our views and experience forward to ensure that policy-makers receive a balanced perspective on important issues that directly impact our business, Clients, employees and communities where we operate.

Our approach

Much of our contribution to sound public policy involves responsibly and proactively engaging with others. Through dialogue and cooperation with our industry association, the Canadian Life and Health Insurance Association, and with our other stakeholders, we engage in issues that we consider important and relevant. These issues range from retirement security and quality healthcare in Canada to supporting the development of retirement savings insurance protection.

In all jurisdictions where we operate, we are committed to being open and transparent about our public policy positions and activities and engaging responsibly with government officials. Our **Compliance Risk Management Policy** and **Prevention of Bribery and Corruption Policy**, supported by our **Code of Business Conduct**, set out clear parameters and restrictions for dealing with government officials.

Sun Life is politically non-partisan. We therefore do not make political contributions, nor do we allow our employees to make such contributions on the Company's behalf. However, our employees are free to engage in the political process as private citizens.

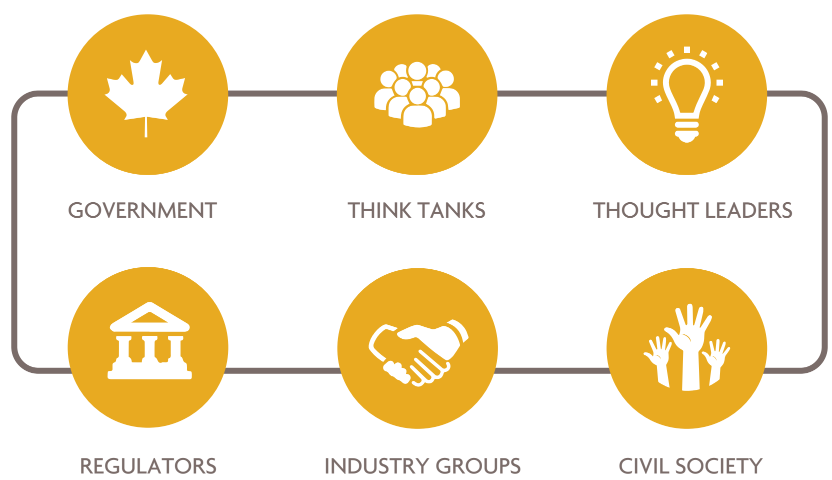
Sun Life's Public and Corporate Affairs team coordinates and actively leads discussions with government officials, regulators, think tanks, industry groups, thought leaders, civil society and other stakeholders in the jurisdictions in which we operate. The team, led by the Vice-President of Public and Corporate Affairs reports into the Executive Vice-President, Chief Legal Officer & Public Affairs.

Progress in 2016

We continued to participate in public policy conversations relating to the insurance industry and contributed to the development of public policy that supports economic growth, financial security and healthy lifestyles. For example by:

- Contributing thought leadership on issues of under-saving that exist in Canada, and potential improvements to the pension system that ensure all Canadians are empowered to achieve a secure retirement.
- Continuing to advocate measures to make the healthcare system in Canada, notably access to the pharmaceuticals people rely on, more sustainable in light of current pressures from an ageing population.

Actively leading discussions with:



GOVERNANCE AND RISK MANAGEMENT

Our success as a Company is founded on our values, our rigorous governance practices and transparency in all our business dealings.

We are committed to maintaining strong corporate governance practices and ethical behaviour throughout the organization, focusing on disciplined risk management, and following disclosure practices that are both responsive and responsible.

IN THIS SECTION

ETHICS, INTEGRITY AND CORPORATE GOVERNANCE

Why it matters

We believe that our ability to build and preserve trust with our stakeholders is based on consistently applying strong corporate governance and the highest ethical practices in all of our activities and interactions.

Our approach

We are committed to maintaining high standards of professionalism, ethics, honesty and integrity, in addition to best-in-class corporate governance processes and practices that balance the interests of Company management, the Board of Directors, shareholders, Clients and other stakeholders.

Our approach starts at the top with our Board of Directors: 11 of our 12 Board members, including the Chairman of the Board, are independent to help ensure that the long-term interests of our stakeholders are addressed and protected. The Board regularly reviews its corporate governance policies and practices to ensure compliance with applicable regulatory requirements and alignment with evolving best practices.

Across the organization our people are guided by our strong, clear corporate values and undergo annual mandatory training on key Sun Life policies and guidelines. This includes training on Sun Life's Code of Business Conduct; Business Continuity; Emergency Preparedness; Financial Crimes Awareness (which focuses on deterring fraud, combatting money laundering and terrorist financing, and rejecting corruption and bribery); Maintaining the Privacy and Security of Personal Information; Records Management; and Security Awareness.

33% Women on our Board of Directors

99% Of our employees worldwide completed Sun Life's annual Code of Business Conduct training, consistent with our historical completion rate

Top 10 in The Globe and Mail Report on Business' Board Games review of corporate governance practices

Sun Life's focus on advancing sustainability is a key strategy for the Company, with accountability embedded in our governance structure:

- Our Executive Sponsor of Sustainability, Melissa Kennedy, Executive Vice-President, Chief Legal Officer & Public Affairs, champions initiatives across the Company that help foster a sustainable business model.

- The Governance, Nomination & Investment Committee (GNIC) of the Board of Directors provides oversight of our sustainability program, while our International Sustainability Council (ISC) is responsible for advocating for sustainability across the Company and reporting on progress.

- Our sustainability team acts as a centre of knowledge and manages strategy development with the ISC, reporting, and communications, working closely with senior leaders from relevant business units.

Progress in 2016

Corporate governance practices

Throughout 2016, we continued to uphold stringent corporate governance practices. We focused on the healthy renewal of our Board, with three new members joining in early 2017. Our Board maintained its constructive engagement with shareholders to allow them to express their views on governance matters.

Reflecting a strong commitment to gender diversity on the Board, 33 per cent of our Board members were female as of December 31, 2016. This is above our internal target of 30 per cent and is well above the 25 per cent representation advocated by Catalyst[1], a non-profit organization working to create opportunities for women in business.

Again in 2016, Sun Life ranked in the top 10 in The Globe and Mail Report on Business' Board Games review of corporate governance practices of Canada's largest companies. Sun Life was also named one of 12 Canadian companies, and the only North American life insurer, in the Standard & Poor's Long-Term Value Creation Global Index, based on sustainability criteria and financial quality.

More highlights are available in our 2016 Annual Report and 2017 Management Information Circular.

Sustainability-related governance and accountability

During 2016, the ISC met six times, with one full-day meeting that included discussions with our President and CEO and presentations by external experts to learn about practices at other leading organizations. Key ISC initiatives in 2016 included:

- approval of a **Sustainability Policy** that integrates sustainability more deeply into Sun Life's governance framework and business strategy. The new policy formalizes oversight of our global sustainability strategy, including practices to encourage business units to participate and report on their activities. In 2017, ISC members/ subcommittees expect to begin work to develop a framework to operationalize the policy, measure sustainability oversight and set governance controls.
- approving the development of a global GHG emissions framework.

Responsible conduct

Our Code of Business Conduct (the Code) promotes Sun Life's strong ethical culture by reinforcing the Company's commitments to acting with integrity and professionalism, and setting out high standards of honesty and the mechanisms to do what is right.

All employees and directors of Sun Life Financial Inc. and its subsidiaries must comply with the Code. In 2016, over 99 per cent of our workforce affirmed their annual compliance with the Code by completing mandatory training and attesting to an Annual Code Acknowledgement.

The Code requires all employees and directors to report all breaches and other misconduct. Any form of retaliation against reporting concerns in good faith is prohibited, a principle which is reinforced within the Code and the annual Code training.

Sun Life operates an **Employee Ethics Hotline** that empowers our employees to play an active role in protecting the organization by identifying issues and ethical misconduct and enabling anonymity if requested. Accessible via a toll-free telephone number or a secure website, the Hotline is available seven days a week, 24 hours a day in multiple languages. Reports to the Hotline service are monitored by our global Compliance team.

Topics covered by the Code include:

- Complying with the law
- Promoting fairness and safety in the workplace
- Deterring fraud, money laundering and terrorist financing
- Avoiding conflicts of interest
- Rejecting corruption and bribery
- Respecting privacy and confidentiality
- Reporting Code breaches

[1] Catalyst, *Catalyst proposes 25% women on FP500 Boards by 2017*, 2016

RISK MANAGEMENT

Why it matters

As a large financial services organization operating in a complex industry, effective risk management is critical to the overall profitability, competitive market positioning and long-term financial viability of the Company.

Our approach

We have a **Risk Management Framework,** approved by the Board of Directors that prescribes a comprehensive set of protocols and programs for conducting our business activities. This framework seeks to ensure that risks to a business undertaking are appropriately managed to achieve the Company's business objectives over time. The Risk Management Framework, corporate strategy and business objectives are all aligned and risk management protocols and programs are embedded in every business segment.

Our **Risk Appetite Policy,** also approved by the Board of Directors, sets out specific constraints that define the aggregate level of risk that the Company is willing to accept. The Company's risk appetite seeks to balance the various needs, expectations, risk and reward perspectives and investment horizons of key stakeholders. In particular, our risk appetite supports the pursuit of shareholder value while ensuring that the Company's ability to pay claims and fulfill policyholder commitments is not compromised.

Our risk management program is embedded in the Company's culture, which encourages ownership and responsibility for risk management at all levels. A key premise is that all employees have an important role to play in managing the Company's risks.

Our Risk Management Framework sets out lines of responsibility and authority for risk-taking, governance and control. The Board of Directors is ultimately responsible for ensuring the oversight of all risks across the enterprise and has primary responsibility for taking action to ensure risk management policies, programs and practices are in place.

The Board delegates certain responsibilities to standing Board Committees, which oversee and monitor these risks:

- Risk Review Committee
- Audit & Conduct Review Committee
- Governance, Nomination & Investment Committee
- Management Resources Committee

Further information on our Risk Management approach is available on page 53 of our 2016 Annual Report.

Progress in 2016

Risk culture statement

In 2016, we updated our Risk Management Framework to explicitly include a risk culture statement and risk culture elements. Risk culture relates to how we behave and respond, in addition to the requirements we set. It enables and rewards taking the right risks in an informed manner, including an understanding of Client needs and preferences.

We continue to reinforce and embed a risk culture through employee communication, training and performance reviews and by clearly defining roles, responsibilities and expectations in our risk management policies.

"In 2016, we updated our Risk Management Framework to explicitly include a **risk culture statement** and **risk culture elements**"

Managing environmental risks

Effectively managing environmental risks, including those related to climate change, is important for the long-term sustainability of the Company, and we consider these as part of our risk management practices. Potential sources of environmental risk for Sun Life include:

- Impacts from emerging environmental laws and regulations in jurisdictions where we do business
- An environmental issue on a property owned by or affiliated with the Company which could have financial or reputational impacts
- Resource constraints
- Impacts of climate change on our business operations and investments, and the costs associated with adaptation
- Impacts of climate change on our Clients and suppliers

We maintain an environmental risk management program to help protect investment assets (primarily real estate, mortgage and certain private fixed income assets) from losses due to environmental issues and to help ensure compliance with applicable laws. An important aspect of the program is an assessment of new investment assets for existing and potential environmental risks. Additionally, all employees who are involved in underwriting and asset management investments in real estate and private debt secured by real estate complete environmental training and provide annual sign-off on compliance with the Company's environmental guidelines.

Environmental factors are incorporated into initial and ongoing reviews and assessments of public fixed income, private fixed income, real estate and commercial mortgage investments. Our cross-functional North American Investments Environmental Committee works to identify and assess environmental risks across our investment assets.

TRANSPARENCY AND DISCLOSURE

Why it matters

Our stakeholders expect us to be transparent about how we manage our business, our profitability and the impacts of our operations. The successful delivery of financial services also depends on open, trusted relationships with Clients and policyholders, business partners, shareholders and regulators.

Our approach

We are committed to providing clear, timely and factual disclosure. We have mechanisms in place to help ensure we are responsive to the disclosure needs of the investment community, regulators and our other stakeholders. Our disclosure controls and procedures are designed to provide our senior management, including the CEO, with information that allows those leaders to make appropriate and timely decisions with respect to our public disclosures.

The Board reviews and approves the content of all major disclosure documents and the GNIC conducts an annual review of our policy on public disclosure and approves changes where appropriate. Our Disclosure Committee ensures that material public disclosures are accurate, complete and prepared in accordance with the Company's disclosure policies.

Progress in 2016

A key focus for enhanced transparency and disclosure in 2016 has been on improving the content and quality of our sustainability reporting. This is in response to evolving reporting frameworks, changing stakeholder expectations, including increased investor and political interest in our corporate sustainability information, and the results of an external evaluation that assessed Sun Life's sustainability reporting against best practices.

As a result, we have set the following five improvement goals for our sustainability reporting:

REPORTING IMPROVEMENT GOALS	ACTIONS TAKEN IN THIS REPORT
1 Increase transparency for improved credibility	• Enhanced disclosures on our management approach for each priority topic • More details around Sun Life's sustainability strategy and stakeholder engagement • Enhanced performance reporting
2 Strengthen connection to core business	• More explanation of how sustainability links to Sun Life's business strategy and long-term success • Priority topics upfront in the report for higher visibility and connection to Sun Life's business strategy
3 Present more global content	• Provided more global stories and performance data
4 Strengthen alignment with needs of ESG analysts	• Improved focus through clearer link between stakeholder groups, priority topics and location of responses in report • More KPIs tied to priority topics • Year-over-year data to facilitate trend analysis
5 Enable stronger analytics	• More KPIs tied to priority topics • Year-over-year data to facilitate trend analysis

GLOBAL REPORTING INITIATIVE

TOPICS AND BOUNDARIES

Guided by the disclosure expectations of the GRI, we have prepared the following table to identify and define our priority topics for 2016, and which stakeholder group(s) identify the topic as a priority.

ORGANIZATIONAL RESILIENCE	
Priority Topics	**Boundary (whether the impact of the issues is internal or external)**
Client Focus	External (Clients) Internal (Employees)
Digital Innovation	External (Clients)
Data Security and Privacy	External (Clients, suppliers, regulators) Internal (Employees)
Talent Management	Internal (Employees) External (Clients)
Workforce Wellness	Internal (Employees) External (Clients)
Diversity and Inclusion	Internal (Employees) External (Clients, communities, suppliers)

ENVIRONMENTAL RESPONSIBILITY	
Priority Topics	**Boundary**
Operational Footprint	External (Clients, suppliers, communities) Internal (Employees)
Responsible Investing	External (Clients, shareholders, investors, regulators)

COMMUNITY WELLNESS	
Priority Topics	**Boundary**
Strategic Philanthropy	External (Clients, communities)
Infrastructure Investments	External (Clients, communities)
Public Policy	External (Clients, governments, communities)

GOVERNANCE AND RISK MANAGEMENT	
Priority Topics	**Boundary**
Ethics, Integrity and Corporate Governance	External (Clients, shareholders, investors, communities, regulators)
Risk Management	External (Clients, shareholders, investors, communities, regulators)
Transparency and Disclosure	External (Clients, shareholders, investors, communities, regulators)

GRI INDEX

This report contains Standardized Disclosures from the GRI Sustainability Reporting Guidelines. In addition, some disclosures can be found in our Annual Information Form (AIF), Management Information Circular (MIC) and Public Accountability Statement (PAS).

GRI INDICATOR[1]	INDICATOR DESCRIPTION	CROSS-REFERENCE	DIRECT ANSWER
GENERAL STANDARD DISCLOSURES			
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker of the organization	Page 5	
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization	Page 7	
G4-4	Primary brands, products, and/or services	Page 7	
G4-5	Location of headquarters	Back cover	
G4-6	Number of countries of operation and names of countries with significant operations or that are specifically relevant to the sustainability topics covered in the report	Page 7	
G4-7	Nature of ownership and legal form	AIF page 3	
G4-8	Markets served	Page 7	
G4-9	Scale of the organization	Page 7	
G4-10	Total workforce by employment type, employment contract and region	Pages 7 and 28, PAS	
G4-11	Percentage of employees covered by collective agreement		Not applicable. Sun Life employees are not represented by an independent union or covered by collective bargaining agreements.
G4-13	Significant changes during the reporting period regarding size, structure or ownership	AIF page 3	
G4-14	Precautionary approach	Pages 41 and 54	
G4-15	Externally developed principles and initiatives	Pages 12, 29, 31, 41 and 43	
G4-16	Association memberships	Pages 12 and 50	

[1] As per Global Reporting Initiative G4 Sustainability Reporting Guidelines

GRI INDEX

GRI INDICATOR	INDICATOR DESCRIPTION	CROSS-REFERENCE	DIRECT ANSWER
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities included in consolidated financial statements and those not covered	PAS, AIF page 3	
G4-18	Process for defining report content and Aspect Boundaries	Pages 4, 12 and 57	
G4-19	Material aspects	Pages 12 and 57	
G4-20	Aspect Boundaries within the organization	Page 57	
G4-21	Aspect Boundaries outside the organization	Page 57	
G4-22	Effect of any restatements of information provided in previous reports and the reasons for such restatements		No data restated
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Page 32	
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder groups	Page 11	
G4-25	Basis for identification and selection of stakeholders with whom to engage	Page 11	
G4-26	Organizational approach to stakeholder engagement	Pages 11 and 12	
G4-27	Key topics and concerns raised through stakeholder engagement and how the organization has responded to those concerns	Pages 11 and 12, Throughout Report	
REPORT PROFILE			
G4-28	Reporting period	Page 4	
G4-29	Date of most recent previous report		May 2016
G4-30	Reporting cycle		Annual
G4-31	Contact point for questions regarding the report or its contents	Back cover	
G4-32	Chosen 'in accordance' option, GRI Content Index, use of external assurance	Page 4	
G4-33	Policy and practice for seeking external assurance	Page 4	

GRI INDEX

GRI INDICATOR	INDICATOR DESCRIPTION	CROSS-REFERENCE	DIRECT ANSWER
GOVERNANCE			
G4-34	Governance structure	Pages 52 and 53 AIF pages 12-15 MIC pages 30-38	
G4-39	Report whether the chair of the highest governance body is also an executive officer	AIF page 12	
ETHICS AND INTEGRITY			
G4-56	Values, principles, standards and norms of behaviour	Pages 52 and 53	Code of Business Conduct
SPECIFIC STANDARD DISCLOSURES			
ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-EC7	Development and impact of infrastructure investments and services supported	Pages 39, 40 and 49	
G4-EC8	Significant indirect economic impacts	Pages 15-18, 36 and 43-49	
ASPECT: ENERGY			
G4-DMA	General disclosures on management approach	Page 31	
G4-EN3	Energy consumption within the organization	Page 33	
G4-EN4	Energy consumption outside of the organization	Page 33	
G4-EN5	Energy intensity	Page 33	
G4-EN6	Reduction of energy consumption	Page 33	

GRI INDEX

GRI INDICATOR	INDICATOR DESCRIPTION	CROSS-REFERENCE	DIRECT ANSWER
ASPECT: EMISSIONS			
G4-DMA	General disclosures on management approach	Page 31	
G4-EN15	Direct GHG emissions (Scope 1)	Page 32	
G4-EN16	Indirect GHG emissions (Scope 2)	Page 32	
G4-EN17	Other indirect GHG emissions (Scope 3)	Page 32	
G4-EN18	GHG emissions intensity	Page 32	
G4-EN19	Reduction of GHG emissions	Page 32	
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4-DMA	General disclosures on management approach	Pages 31 and 36	
ASPECT: EMPLOYMENT			
G4-DMA	General disclosures on management approach	Pages 20, 24 and 27	
G4-LA1	Number and rates of new employee hires and employee turnover	Page 21	
G4-LA2	Benefits provided to full-time employees	Pages 25 and 26	
ASPECT: TRAINING AND EDUCATION			
G4-DMA	General disclosures on management approach	Pages 20, 24 and 27	
G4-LA10	Programs for skills management and lifelong learning	Pages 22 and 23	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and employee category		91.8%
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	General disclosures on management approach	Page 27	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category	Page 28	
ASPECT: PUBLIC POLICY			
G4-DMA	General disclosures on management approach	Page 50	
G4-SO6	Political contributions by country and recipient	Page 50	
ASPECT: CUSTOMER PRIVACY			
G4-DMA	General disclosures on management approach	Page 19	
G4-PR8	Total number of substantiated complaints	Page 19	

2016 Sustainability Report

Building sustainable, healthier communities for life

Do you have a question about sustainability at Sun Life? Contact us at:

sustainability@sunlife.com

Worldwide Headquarters
150 King Street West
Toronto, Ontario
Canada M5H 1J9

Sun Life Financial

Life's brighter under the sun

AMENDED GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2016

STOCK CORPORATION

APR 19 2017

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. DO NOT LEAVE ANY ITEM BLANK. WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE ACTUAL DATE OF THE ANNUAL STOCKHOLDERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE CORPORATE SECRETARY OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT ONLY THE AFFECTED PAGE OF THE GIS THAT RELATES TO THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED BY THE CORPORATE SECRETARY OF THE CORPORATION. THE PAGE OF THE GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURRED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE CENTRAL RECEIVING SECTION, GROUND FLOOR, SEC BLDG., EDSA, MANDALUYONG CITY. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER WITH A STANDARD COVER PAGE. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE. CORPORATIONS SUBMITTING A COPY OF THEIR GIS ONLINE OR VIA INTERNET SHALL SUBMIT ONE (1) HARD COPY OF THE GIS, TOGETHER WITH A CERTIFICATION UNDER OATH BY ITS CORPORATE SECRETARY THAT THE COPY SUBMITTED ONLINE CONTAINS THE EXACT DATA IN THE HARD COPY.
6. ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

PLEASE PRINT LEGIBLY

CORPORATE NAME: SUN LIFE OF CANADA (PHILIPPINES), INC.		**DATE REGISTERED:** 28 July 1999
BUSINESS/TRADE NAME: SUN LIFE OF CANADA (PHILIPPINES), INC.		**FISCAL YEAR END:** December 31
SEC REGISTRATION NUMBER: A199911619		
DATE OF ANNUAL MEETING PER BY-LAWS: THIRD FRIDAY OF APRIL		**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 204-962-522-000
ACTUAL DATE OF ANNUAL MEETING: 07 June 2016		**WEBSITE/URL ADDRESS:** www.sunlife.com.ph
COMPLETE PRINCIPAL OFFICE ADDRESS: SUN LIFE CENTRE, 5TH AVENUE COR.R IZAL DRIVE, BONIFACIO GLOBAL CITY, TAGUIG CITY		**E-MAIL ADDRESS:** N.A.
COMPLETE BUSINESS ADDRESS: SUN LIFE CENTRE, 5TH AVENUE COR. RIZAL DRIVE, BONIFACIO GLOBAL CITY, TAGUIG CITY		**FAX NUMBER:** 849-9727
NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER: NAVARRO AMPER & CO./DELOITTE TOUCHE TOHMATSU / BONIFACIO F. LUMACANG, JR.	**SEC ACCREDITATION NUMBER (if applicable):** 0001-FR-4	**TELEPHONE NUMBER(S):** 555-8888
PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN: LIFE INSURANCE	**INDUSTRY CLASSIFICATION:** INSURANCE	**GEOGRAPHICAL CODE:** N.A.

INTERCOMPANY AFFILIATIONS

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
SUN LIFE OF CANADA (NETHERLANDS) B.V.	N.A.	HERENGRACHT 483 1017 BT AMSTERDAM THE NETHERLANDS
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
SUN LIFE ASSET MANAGEMENT COMPANY, INC.	199918034	SUN LIFE CENTRE 5TH AVE. COR. RIZAL DRIVE, BONIFACIO GLOBAL CITY, TAGUIG CITY
SUN LIFE FINANCIAL PLANS, INC.	A200014495	SUN LIFE CENTRE 5TH AVE. COR. RIZAL DRIVE, BONIFACIO GLOBAL CITY, TAGUIG CITY
SUN LIFE PROSPERITY DYNAMIC FUND, INC.	CS201215846	SUN LIFE CENTRE 5TH AVE. COR. RIZAL DRIVE, BONIFACIO GLOBAL CITY, TAGUIG CITY

NOTE: USE ADDITIONAL SHEET IF NECESSARY

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== **PLEASE PRINT LEGIBLY** ===============================

Corporate Name: SUN LIFE OF CANADA (PHILIPPINES), INC.

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ☒ Yes ☐ No

Please check the appropriate box:

1.

- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.

- ☑ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.

- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:

- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:

- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☐ None of the above

Describe nature of business: LIFE INSURANCE

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ☒ Yes ☐ No

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION

================================== PLEASE PRINT LEGIBLY ==================================

CORPORATE NAME:	SUN LIFE OF CANADA (PHILIPPINES), INC.

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	common	10,000,000	100.00	1,000,000,000.00
	TOTAL	10,000,000	TOTAL P	1,000,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	3	common	3		100.00	300.00	0.000%
		TOTAL	3	TOTAL	TOTAL P	300.00	

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
Dutch	1	Common	4,999,997		100.00	499,999,700.00	99.9999%
Canadian	2	Common	2		100.00	200.00	0.000%
Percentage of Foreign Equity :		TOTAL	4,999,999	TOTAL	TOTAL P	499,999,900.00	
					TOTAL SUBSCRIBED P	500,000,200.00	

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	3	common	3	100.00	300.00	0.000%
		TOTAL	3	TOTAL P	300.00	

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
Dutch	1	common	4,999,997	100.00	499,999,700.00	99.9999%
Canadian	2	common	2	100.00	200.00	0.000%
100.00 %		TOTAL	4,999,999	TOTAL P	499,999,900.00	
				TOTAL PAID-UP P	500,000,200.00	

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== PLEASE PRINT LEGIBLY ===============================

CORPORATE NAME: SUN LIFE OF CANADA (PHILIPPINES), INC.

DIRECTORS / OFFICERS

NAME AND NATIONALITY	INC'R	BOARD	SEX	STOCK HOLDER	OFFICER	EXEC. COMM.
1. **JOSE ISIDRO N. CAMACHO** Filipino	N	C, I	M	Y	Chairman	R&N/C, A/C, RPT/C & RM/M
2. **KEVIN D. STRAIN** Candian	N	M	M	Y	N	R&N/M, A/M
3. **RIZALINA G. MANTARING** Filipino	N	M	F	Y	President & CEO	N.A.
4. **FRANCISCO S.A. SANDEJAS** Filipino	N	I	M	Y	N	R&N/M, A/M, RM/M & RPT/M
5. **KARIM GILANI** Candian	N	M	M	Y	N	RM/C, RPT/M
6. **JEMILYN S. CAMANIA** Filipino	N	N	F	N	Corporate Secretary	N.A.
7. **MARIA JOSEFINA A. CASTILLO** Filipino	N	N	F	N	Treasurer & CFO	N.A.
8. **DONNA C. DUQUE-PASTORAL** Filipino	N	N	F	N	Asst. Corproate Secretary	N.A.
9. **AJEE T. CO** Filipino	N	N	F	N	Acting Compliance Officer	N.A.
10. nothing follows						
11.						
12.						
13.						
14.						
15.						

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.
FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.
FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.
FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.
FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.
FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

============================== PLEASE PRINT LEGIBLY ==============================

CORPORATE NAME:	**SUN LIFE OF CANADA (PHILIPPINES), INC.**		
TOTAL NUMBER OF STOCKHOLDERS:	6	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:**	1
TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:	Php. 196,234,523,649		

STOCKHOLDER'S INFORMATION

NAME AND NATIONALITY	SHARES SUBSCRIBED				AMOUNT PAID (PhP)
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP	
1. **SUN LIFE OF CANADA (NETHERLANDS) BV** Dutch	Common	4,999,997	499,999,700.00	99.9999%	499,999,700.00
	TOTAL	**4,999,997**	**499,999,700.00**		
2. **JOSE ISIDRO N. CAMACHO** Filipino	Common	1	100.00	0.000%	100.00
	TOTAL	**1**	**100.00**		
3. **KEVIN D. STRAIN** Canadian	Common	1	100.00	0.000%	100.00
	TOTAL	**1**	**100.00**		
4. **RIZALINA G. MANTARING** Filipino	Common	1	100.00	0.000%	100.00
	TOTAL	**1**	**100.00**		
5. **FRANCISCO S.A. SANDEJAS** Filipino	Common	1	100.00	0.000%	100.00
	TOTAL	**1**	**100.00**		
6. **KARIM GILANI** Canadian	Common	1	100.00	0.000%	100.00
	TOTAL	**1**	**100.00**		
7. nothing follows					
	TOTAL				
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			**500,000,200.00**		
TOTAL AMOUNT OF PAID-UP CAPITAL					**500,000,200.00**

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: SUN LIFE OF CANADA (PHILIPPINES), INC.

1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	3,825,250,750	N.A.
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	11,185,122,132	N.A.
1.3 LOANS/ CREDITS/ ADVANCES	N.A.	N.A.
1.4 GOVERNMENT TREASURY BILLS	N.A.	N.A.
1.5 OTHERS	81,012,695,309	N.A.

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
N.A.	N.A.	N.A.

3. TREASURY SHARES N.A.	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	N.A.	N.A.

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR: Php. 14,623,936,546

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR: Php. 2,000,000,800

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	2,000,000,800.00	12 March 2015
5.2 STOCK	N.A.	N.A.
5.3 PROPERTY	N.A.	N.A.
TOTAL	P	

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD: N.A.

DATE	NO. OF SHARES	AMOUNT

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	I C
TYPE OF LICENSE/REGN.	Sec. Reg. No. A199911619	N.A	2016/74-R
DATE ISSUED:	28-Jul-99	N.A.	8-Jan-16
DATE STARTED OPERATIONS:			1-Apr-00

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT
Php. 6,557,687	159	699	858

NOTE: USE ADDITIONAL SHEET IF NECESSARY

I, DONNA C. DUQUE-PASTORAL ASST. CORPORATE SECRETARY OF THE ABOVE-MENTIONED CORPORATION
(Name) (Position)

DECLARE UNDER THE PENALTY OF PERJURY, THAT ALL MATTERS SET FORTH IN THIS GENERAL INFORMATION SHEET WHICH CONSISTS OF SIX (6) PAGES HAVE BEEN MADE IN GOOD FAITH, DULY VERIFIED BY ME AND TO THE BEST OF MY KNOWLEDGE AND BELIEF, ARE TRUE AND CORRECT.

I HEREBY CERTIFY THAT THE PERSONS INDICATED AS MEMBERS OF THE BOARD OF DIRECTORS AND OFFICERS OF THE CORPORATION HAD CONSENTED IN WRITING TO BE NOMINATED AND ELECTED.

I UNDERSTAND THAT THE FAILURE OF THE CORPORATION TO FILE THIS GIS FOR FIVE (5) CONSECUTIVE YEARS SHALL BE CONSTRUED AS NON-OPERATION OF THE CORPORATION AND A GROUND FOR THE REVOCATION OF THE CORPORATION'S CERTIFICATE OF INCORPORATION. IN THIS EVENTUALITY, THE CORPORATION HEREBY WAIVES ITS RIGHT TO A HEARING FOR THE SAID REVOCATION.

DONE ON THE DATE AND PLACE WRITTEN BELOW.

(SIGNATURE)

SUBSCRIBED AND SWORN TO BEFORE ME IN PASAY CITY CITY/PROVINCE, PHILIPPINES ON APR 1 9 2017, AFFIANT PERSONALLY APPEARED BEFORE ME AND EXHIBITED TO ME HER COMPETENT EVIDENCE OF IDENTITY,A UNIFIED MULTIPRURPOSE ID WITH NO. CRN-0033-6204351-1.

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. 5266148-1/3/2017 PASAY CITY
IBP NO. 1052058-1/3/2017 PASAY CITY
COMPLIANCE NO.
U-0024151-10/25/2016
ROLL NO. 28761

DOC. NO.: 178
PAGE NO.: 95
BOOK NO.: IV
SERIES OF.: 2017.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

NOT FOR UPLOADING

================================ PLEASE PRINT LEGIBLY ================================

CORPORATE NAME: SUN LIFE OF CANADA (PHILIPPINES), INC.

LIST OF STOCKHOLDERS ,DIRECTORS AND OFFICERS

TAX IDENTIFICATION NO. (TIN) INFORMATION

NAME AND CURRENT RESIDENTIAL ADDRESS	NATIONALITY	POSITION	TIN
1. **SUN LIFE OF CANADA (NETHERLANDS) BV** Herengracht 483 1017 BT Amsterdam The Netherlands	Dutch	S	432-239-100
2. **JOSE ISIDRO N. CAMACHO** 14 Urdaneta Avenue, Urdaneta Village, Makati	Filipino	C / I	111-813-306
3. **KEVIN D. STRAIN** 8/F Flat B Azura 2A Seymour Road Hong Kong	Canadian	M	467-561-057
4. **RIZALINA G. MANTARING** 12 Vicente Lim Street, Ayala Heights, Tandang Sora, Quezon City	Filipino	President & CEO	108-112-169
5. **FRANCISCO S.A. SANDEJAS** 181 Guava Drive Ayala Alabang Subd. Brgy Ayala Alabang Muntinlupa City	Filipino	I	906-825-200
6. **KARIM GILANI** 46A Phase 4 Tower 1 Bel-Air on the Peak 68 Bel-Air Ave Pokfulam Hong Kong	Canadian	M	474-612-303
7. **JEMILYN S. CAMANIA** Unit 942 Tower 2 Avida Towers, San Lorenzo 2208 Chino Roces Avenue Makati City	Filipino	Corporate Secretary	918-719-776
8. **MARIA JOSEFINA A. CASTILLO** 09F2 Forbeswood Parklane Rizal Drive Fort Bonifacio Taguig City	Filipino	CFO & Treasurer	177-087-619
9. **DONNA C. DUQUE-PASTORAL** 2 Duhat St. Ceris I Subdivision, Canlubang, Laguna	Filipino	Asst. Corporate Secretary	212-658-923
10. **AJEE T. CO** Block 13 Lot 3 Victoria's Place Subd. Caniogan, Pasig City	Filipino	Acting Compliance Officer	177-089-269
11. Nothing Follows			

INSTRUCTION:

FOR POSITION COLUMN, PUT THE FOLLOWING IF APPLICABLE:

"C" for Chairman, "M" for Member, "I" for Independent Director; and/or

Indicate the Particular Position, if Officer (e.g. President, Treasurer, Corporate Secretary, etc.); and/or

"S" for Stockholder.

NOTE: USE ADDITIONAL SHEET IF NECESSARY

REPUBLIC OF THE PHILIPPINES)
) S.S.

PASAY CITY

CERTIFICATION

I, DONNA C. DUQUE-PASTORAL, Filipino, of legal age, with business address at 6th Floor, Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, Taguig City, after having been sworn to in accordance with law, hereby depose and state that:

1. I am the Assistant Corporate Secretary of Sun Life of Canada (Philippines), Inc. ;

2. I caused the preparation of the Amended General Information Sheet 2016 (" Amended GIS 2016") of the said corporation to be filed with the Securities and Exchange Commission ("SEC ");

3. SEC Memorandum Circular No. 6-2006, mandates the filing of the GIS in electronic (1 copy) and hard copies (4 copies, per SEC Memorandum Circular No. 10-2013 dated 31 May 2013);

4. In accordance with Section 4 of said SEC Memorandum Circular, I hereby certify that the electronic copy of the Amended GIS 2016 stored and saved in the diskette accompanying this certification contains the same information in the same form and format as the hard copies thereof;

5. I am executing this certification in compliance with the requirements of the abovementioned SEC Memorandum Circular.

DONNA C. DUQUE-PASTORAL
Affiant

SUBSCRIBED AND SWORN TO before me this APR 1 9 2017 2017 affiant exhibiting to me her competent evidence of identity, a unified multi-purpose ID with no. CRN-0033-6204351-1.

Doc. No. 477
Page No. 95
Book No. IV;
Series of 2017.

ATTY. JUVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. 5266148-1/3/2017 PASAY CITY
IBP NO. 1052058-1/3/2017 PASAY CITY
COMPLIANCE NO.
U-0024151-10/25/2016
ROLL NO. 28781

Ma. Junifer Maliglig
05/25/2017 03:14 PM

To: lito.camacho@credit-suisse.com, Riza Mantaring/APD/SunLife@SunLife, Kevin Strain/Executive/Corporate/SunLife@SunLife, Karim Gilani/APD/SunLife@SunLife, paco@narravc.com, JoseIsidro.N.Camacho@sunlife.com.ph
cc:
cc: linda.h.goh@credit-suisse.com, Marissa Jovellano/APD/SunLife@SunLife, Angela Yau/APD/SunLife@SunLife, Edgar S Tordesillas/APD/SunLife@SunLife, Jemilyn S Camania/APD/SunLife@SunLife, Maria Cecilia V Soria/Philippines/SunLife@SunLife, Jane P Tarayao/APD/SunLife@SunLife, Jennifer R Samodio/Philippines/SunLife@SunLife, Donna D Pastoral/Philippines/SunLife@SunLife, Annie MH Law/APD/SunLife@SunLife
Subject: Notice of the Meeting and Board Materials: Sun Life of Canada (Philippines), Inc. on 07 June 2016 at 8:30 am to 12:00 pm

Sun Life of Canada (Philippines), Inc. - Notice of Annual Stockholders ' Meeting for 2016

Maria Cecilia V Soria to: Camacho, Lito, Karim Gilani, Riza Mantaring, Paco SA Sandejas, Kevin Strain 05/24/2016 09:13 AM

Cc: Edgar S Tordesillas, Jemilyn S Camania, Jennifer R Samodio, jtara, linda.h.goh, Angela Yau, Marissa Jovellano

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NOTICE OF THE MEETING
SUN LIFE OF CANADA (PHILIPPINES), INC.
Sun Life Centre, 5th Avenue corner Rizal Drive,
Bonifacio Global City, Taguig City, Metro Manila

To the Stockholders:

Notice is hereby given that Sun Life of Canada (Philippines), Inc. will hold its Annual Stockholders' Meeting on 07 June 2016 (Tuesday) at 10:30 a.m. to 11:00 a.m. at the Board Room, 6th Floor, Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, 1634 Taguig City, Metro Manila. The meeting agenda shall be as follows:

1. Call to Order
2. Roll Call/Certification of Notice and Quorum

3. Approval of the Minutes of the Previous Meeting
4. Annual Report on Operations
5. Ratification of the Acts of the Board of Directors and Officers
6. Election of Directors
7. Appointment of External Auditor
8. Other Matters

The following items shall require a vote from the Stockholders. We recommend that a vote FOR the following items be cast:

- ***Approval of the minutes of the previous meeting.*** The Stockholders are requested to approve the minutes of the 2015 Annual Stockholders' Meeting on 04 June 2015.
- ***Ratification of the Acts of the Board of Directors and Officers.*** The Stockholders are requested to ratify and approve all the decisions and actions taken by the directors and officers for the term 2015 to 2016.
- ***Election of Directors.*** The Stockholders are requested to vote for the following nominees for director: Jose Isidro N. Camacho, Karim Gilani, Rizalina G. Mantaring, Francisco S.A. Sandejas, and Kevin D. Strain.
- ***Appointment of External Auditor.*** The Stockholders are requested to vote for the appointment of Navarro Amper & Co./Deloitte Touche Tohmatsu as the External Auditor for 2016 to 2017.

Should there be any comments, questions or concerns, kindly inform/email the Corporate Secretary, Atty. Jemilyn S. Camania at jcama@sunlife.com.

Thank you.

Maria Cecilia Soria | Counsel, Legal Department | Sun Life Financial
Landline: +632 5558888 loc. 5014
Mobile: +63999 8823315
6F Sun Life Centre Fifth Ave. cor. Rizal Drive, Bonifacio Global City, Taguig 1634