



Jeff Kozan
Vice President Total Rewards

Sun Life Financial Inc.
150 King Street West
Toronto, ON
M5H 1J9
Tel: (416) 979-6353
Fax: (416) 979-6002

June 28, 2007

SENT BY ELECTRONIC MAIL

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission - Securities Division
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Registrar of Securities, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Department of Justice, Nunavut
Department of Justice, Northwest Territories
Registrar of Securities, Yukon Territory

c/o

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8

- and -

Anne-Marie Beaudoin, Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246 22 étage
Montréal, Québec, H4Z 1G3

**RE: PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 51-102 CONTINUOUS
DISCLOSURE OBLIGATIONS, FORM 51-102F2 AND 51-102F5**

Dear Sirs:

Thank you for the opportunity to provide comments on the Canadian Securities Administrators' (CSA) proposed amendments to the executive compensation disclosure rules. Sun Life Financial Inc.

Sun Life Assurance Company of Canada
is a member of the Sun Life Financial group of companies.
www.sunlife.com

(SLF Inc.) has been a leader in executive compensation disclosure practices, and we appreciate the opportunity to provide comments to help improve disclosure in this area in Canada.

Overall, the proposed amendments are a step forward from the current rules. However, there are certain areas where we are of the opinion that the amendments will not result in the disclosure of information that is easier to understand, assess, and compare across companies. These areas are identified below in our response to the specific requests for comment. For ease of reference, the numbers indicated below correspond to those in the CSA's March 29, 2007 Notice and Request for Comment.

SPECIFIC REQUESTS FOR COMMENT

Item 1 – General Provisions

2. Criteria for Determining Named Executive Officers (NEOs) - We recommend that the determination of NEOs be based on salary and annual bonus, as under the current rules. This is an accepted and easily understood approach, and one that generally is an accurate reflection of the executive and policymaking authority within a company. Including long-term incentive values in the criteria for determining NEOs will result in increased variability in NEO designation from year to year caused by volatility in accounting values (based on the proposed valuation methodology) and infrequent or irregular grants of long-term incentive awards made by some companies. However, if the grant value (versus the accounting value) of long-term incentive awards is used, then we feel it is more acceptable to use it in the determination of NEOs.

Item 2 – Compensation Discussion and Analysis (CD&A)

5. Disclosing Performance Targets - The proposal outlines a requirement to disclose specific performance targets used in incentive plans. However, many companies, including SLF Inc., incorporate “stretch” into the targets used for their incentive plans; that is, the targets used to determine and calculate incentive plan awards can be higher than publicly disclosed near and mid-term targets for measures such as Return on Equity and Earnings per Share. For this and other reasons, many companies will be reluctant to publicly disclose internal performance targets. Indeed, many companies, including SLF Inc., do not disclose specific performance targets to most employees participating in their plans in order to protect the confidentiality of this information. It is the role of the Board of Directors and its compensation committee, as representatives of the shareholders, to ensure that performance targets are sufficiently challenging and tied to the long-term strategic goals of the organization.
6. Trend in Executive Compensation and TSR Performance - In our view, the proposal to include a comparison between the trend in share performance to the trend in total compensation to executives does not provide meaningful information. Many compensation elements, including salary and pension values, are not specifically tied to share price performance or Total Shareholder Return (TSR). In addition, other annual and medium/long-term incentive plans are typically tied to accounting based performance measures rather than share price or TSR. The role of the Board of Directors and its compensation committee is to assess and balance different elements of performance in order to make appropriate compensation decisions. Companies should provide narrative disclosure about the relationship between pay and performance over time, but mandating analysis based on one measure (e.g. TSR) would be misleading and insufficient.

Item 3 – Summary Compensation Table

7. Phased Approach to Disclosing History in the Summary Compensation Table (SCT) - In order to ease the transition to the new requirements, we recommend that new disclosure be phased in over the next three years. Under this approach, in the initial year of disclosure companies would only provide the current year's values for the SCT. Going forward, additional years would accumulate until there is a 3 year history. The phased approach is consistent with the SEC's new rules, and will significantly ease the burden of compliance by small and mid-sized issuers in calculating the value of LTI awards and pension liabilities associated with previous years.
8. Disclosure of Annual Bonus Awards – The amendment to move disclosure of the annual bonus award to the non-equity compensation column does not recognize the prominence this element of pay has in the total compensation package, especially if it is combined with other longer-term plans in the new non-equity incentive award column. If the issue is to make discretionary bonuses that are not tied to performance more visible, we suggest splitting the Bonus column into two and requiring issuers to disclose bonus awards that are tied to predetermined performance goals separately from those that are discretionary. Alternatively, the non-equity compensation column could be divided into annual awards and long-term awards.
9. Disclosure of DSUs Awarded based on Bonus Deferral – It is unclear how Deferred Share Units (DSUs) awarded in lieu of all or a portion of annual bonus payouts would be disclosed. Our understanding is that they will be disclosed in a footnote to the table indicating that a portion of the non-equity compensation award (i.e., the bonus) was taken in the form of DSUs. However, it is unclear where any subsequent change in value and dividends accumulated in future years would be disclosed. Presumably, such disclosure would be in the Other Compensation column, but clarification on this item would be useful.
10. Summary Compensation Table (SCT) Based on Accounting Expense Values – The amendments propose using financial statement expense values for long-term incentive and pension values in the SCT. In our opinion, this will result in misleading information and make it much more difficult for readers to understand compensation arrangements and make comparisons across companies. The focus of total compensation should be on the amounts approved by the Board of Directors in a given year rather than the amount of compensation recognized on the company's financial statements in that year.

This approach would be similar to the supplementary compensation tables provided by SLF Inc. and the other major Canadian financial services companies¹, and would include:

- Salary paid during the year,
- Actual bonus paid in respect of the year,
- The fair value at time of grant for long-term incentive awards made during the year, and
- Estimated increase in pension value - including payments made to defined contribution plans and/or "for defined benefit plans" the portion of the increase in the liability related to the year's service and other compensation actions, but excluding the portion related to interest and other actuarial assumptions.

Looking at total compensation from this perspective is also consistent with how information is presented in compensation surveys and communicated to executives.

¹ See page 26 of SLF Inc.'s 2007 Management Information Circular for an example of this approach.

While it may be appropriate for some companies to voluntarily disclose financial statement amounts, particularly those who wish to have some comparability with companies disclosing compensation in accordance with the SEC requirements, doing so should not be a requirement.

Fundamentally, using financial statement values will result in significant volatility related to the timing of expense recognition, share price fluctuations and valuation assumption changes. This volatility does not provide useful information on compensation practices, and may even result in negative compensation values for a given year.

Item 4 – Equity based awards

17. Outstanding Equity-based Awards Table – We suggest the CSA continue to require the disclosure of the number of securities underlying options be split between those that are exercisable and those that are not exercisable.

Item 6 – Retirement plan benefits

18. Enhanced Tabular Disclosure of Pension Values – We recommend that the defined benefit pension table be expanded to include the liability at the beginning and at the end of year, together with identification of what portion of the change relates to 1) service for the current year and changes to compensation, and 2) other factors (including interest, actuarial assumptions, etc.). If this approach is adopted, disclosure of defined contribution plans should also be included in the same tabular disclosure where the value of contributions made during the year could be disclosed in the column that relates to change in liability based on service and compensation for defined benefit plans. This more comprehensive approach would include the value from all pension plans (including those with hybrid defined benefit/defined contribution plans), and will facilitate better comparisons across companies. Under the current proposal, defined benefit and defined contribution plans will not be treated on an equal footing - the change in defined benefit liability includes an interest component, whereas defined contribution amounts only include the current year contribution and not the interest earned on prior contributions. The CSA may also want to consider disclosure of years of service accrued and projected annual pension at the normal retirement date under defined benefit plans.

Item 7 – Termination and change of control benefits

19. Standard Template for Disclosing the Value of Termination Arrangements – We recommend that a standard template for the disclosure of termination arrangements be adopted in order to ensure that meaningful and comparable information is provided. The standard template could include providing the incremental value provided to executives (above their current entitlements) in the event of 1) resignation, 2) retirement, 3) termination without cause, and 4) change of control. This proposed approach is illustrated in the following table.

Name	Current Accrued Value (\$)	Incremental Increase in Value on...			
		Resignation (\$)	Retirement (\$)	Termination Without Cause (\$)	Change-of-Control (\$)
CEO					

Given the time and complexity involved with calculating these amounts, we suggest you consider limiting the scope of this requirement to only the CEO, with narrative disclosure for the other Named Executive Officers.

Item 8 – Director Compensation

21. Director Compensation Table - Similar to our comments on the SCT, we are of the view that total compensation amounts for Directors should use the fair value at time of grant for all equity awards. Including amounts related to the change in share price for outstanding equity awards (which is what financial statement values would reflect) does not provide useful additional information for readers in assessing the level of compensation for Directors. Additionally, where DSUs are voluntarily elected by Directors (versus receiving a cash payment) they are essentially an investment decision, where additional DSUs credited as dividend equivalents represent a return on investment rather than additional compensation.

Other major issues considered

The CSA may also want to consider requiring companies to disclose current ownership levels for each NEO, including a comparison to share ownership guidelines, if applicable.

* * * * *

Thank you for the opportunity to submit our comments which we hope will help to shape the final rules. We would be pleased to discuss our comments or provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Kozan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jeff Kozan
Vice President, Total Rewards