

Sun Life Assurance Company of Canada (U.K.) Limited

The Directors' Annual Report to Plan-holders

Cannon Pension Fund Deposit Account in 2014



Sun Life Financial
of Canada

Introduction

This annual report explains how we managed the Cannon Pension Fund Deposit Account in 2014. In particular, it considers the conversion to Non-Profit status, which took effect in October.

Throughout the remainder of this report we refer to the Cannon Pension Fund Deposit Account as the 'With-Profits Fund'.

In preparing the report we have taken advice from our With-Profits Actuary. A separate statement from our With-Profits Actuary is included at the end of this report.

If you would like a copy of the PPFM referred to in this report or the Consumer Guide which provides a briefer explanation of how we managed the fund, please visit our website www.sloc.co.uk where they are available to download. Alternatively, please call us on 0845 605 2323 (or 01242 663 604 from a mobile phone) and we will send you copies of these documents.

Summary

The Directors considered the advice and reports of the With-Profits Actuary and are satisfied that for the financial year 2014:

- The With-Profits Fund was managed in line with the PPFM for the period until 31 October 2014, when the policies were converted to Non-Profit.
- The use of management discretion was consistent with the PPFM framework.
- There has been an appropriate degree of protection for all plan-holders and their rights, interests and expectations have been properly taken into account as described in the PPFM.
- Plan-holders have been treated fairly and where there are competing or conflicting interests and expectations of different groups of plan-holders, the Directors have complied with the PPFM.

Investment management

For the year 2014 up to 31 October 2014, when the policies were converted to Non-Profit, the net investment return earned by the fund (after allowing for investment expenses) was 2.50%.

Management of payouts

On 31 October 2014, when the policies were converted to Non-Profit, a final bonus of 331% was implemented.

Management of expenses and the Inherited Estate

When the policies were converted to Non-Profit, all net assets of the Fund were distributed to the in force policies at that time.

Revisions to the PPFM over 2014

As a result of the conversion to Non-Profit status, there is no longer a requirement for a PPFM.

Report of the With-Profits Actuary of the Cannon Pension Fund Deposit Account to the with-profits plan-holders

The Financial Conduct Authority Handbook of Rules requires an actuary appointed to perform the With-Profits Actuary function for a firm to report to the firm's with-profits plan-holders as to whether the annual report of the firm and the discretion exercised by the firm in respect of the period covered by the report may be regarded as having taken the interests of the with-profits plan-holders into account in a reasonable and proportionate manner.

This is my report for the ten month period ended 31 October 2014. In producing this report, I have based my opinion on the information and explanations provided to me by the Sun Life Assurance Company of Canada (U.K.) Limited ("the Company"), having regard to the Principles and Practices of Financial Management (PPFM) of the Cannon Pension Fund Deposit Account. I have also had regard to the relevant Technical Actuarial Standards issued by the Financial Reporting Council.

I am satisfied that the Company has complied with the principles and practices set out in the PPFM for the ten month period ended 31 October 2014. Moreover, I am satisfied that the Company's report and exercise of discretion over this period may be regarded as having taken the with-profits plan-holders interests into account in a reasonable and proportionate manner.

The fund was converted from with-profits to non-profit unit-linked benefits with effect from 31 October 2014 under a Companies Act Scheme of Arrangement, and from this date the fund ceased to exist. As With-Profits Actuary I reported and opined separately that the terms of this conversion were in all respects fair to the with-profits plan-holders.

John A Jenkins
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Partner KPMG LLP
With-Profits Actuary
24 March 2015