



2019 – a year of growth and progress

CEO'S MESSAGE

2019 marked another year of progress for Sun Life, with continued growth and new milestones. Underlying net income grew to over \$3 billion, and the common share dividend increased by 10%. Reported net income and value of new business both grew as well, but were short of expectations due to the decline in interest rates during the year.

For the first time in our history, we surpassed \$1 trillion of assets under management (AUM). That's a large number, but the real story is about the millions of Clients who count on us to invest for their retirement, save for their kids' education, cover health expenses, provide payment upon illness or death, or help them make a healthy return to work. In this world of low interest rates and lower returns, our Clients need us more than ever.



Surpassed **\$1 trillion** of assets
under management in 2019



Our Clients are at the heart of what we do

Our **Purpose** is to *help our Clients achieve lifetime financial security and live healthier lives*. We include health in our Purpose because it aligns directly to our health, disability and wellness products solutions, which currently make up 20% of our business. It's also a reminder that our Clients' physical and mental well-being is as important as their financial well-being – indeed the two are often interconnected. Helping Clients with their health will become an even bigger part of our future and we believe we're in a unique position to deliver. Here's an example:

Denise*, one of our advisors in Hong Kong, was meeting with Raymond*, a young, healthy Client. Denise explained the benefits of Critical Illness Insurance and what it could

provide for his young family in the event of an illness. Raymond didn't think health insurance was necessary. Denise kept in touch, and after a year, Raymond decided to buy the insurance based on her advice and trust. Several months later, Raymond was diagnosed with brain cancer. The lump sum from Sun Life helped cover his medical costs and other additional expenses, and allowed him to focus on his recovery. Raymond was deeply grateful for Denise's advice to purchase insurance. That's our Purpose in action!

Several years ago we introduced '**Client for life**', which is what we call our *obsession* about Clients. We want our Client interactions to be personal, predictive and proactive. Clients expect us to be easy to do business with, and to do

a great job fixing problems if they occur. We survey Clients every six months on these dimensions, and I'm pleased to report that our Client experience index improved again in 2019 for the third year in a row since we started tracking it.

What's driving this improvement in Client experience? In short, it's not one thing – it's every thing.

Rewriting thousands of documents in plain language, more mobile apps to make it easy to do business with Sun Life, more proactive outreach to Clients, new approaches for resolving Client problems, new ways to share Client stories, and new dashboards to track progress. As we write this letter, countries around the world are working hard to contain the spread of the COVID-19 virus, and to mitigate

as best as possible the negative financial impacts on people and businesses. At Sun Life, we are making every effort to be there for our Clients, including accelerated claims payment related to COVID-19, a steady hand on the tiller of investment solutions and advice, and timely and relevant information. One quarter of our Annual Incentive Plan award depends on improved Client experience, and our employee engagement surveys confirm that Client for life has become deeply embedded in the DNA of Sun Life.

That said, we have a lot more to do. Not enough of our Clients have a financial plan yet. We can do a better job helping members of our retirement savings plans chart the course for a financially healthy retirement. Sometimes Clients have to wait too long to get a decision on their disability claim, or to get through to one of our call centres. We need to help Clients take a longer-term view of investment performance. The obsession about Clients will never end!

The right industry, the right company, at the right time

We are in a wonderful industry, helping people with their financial needs, sometimes at the most joyous moments in their lives, and sometimes at the most difficult times. The demand for what we do is expected to grow as:

- populations age;
- governments and employers download more responsibility onto the shoulders of individuals;
- millions of people across Asia move into the middle class; and
- digital solutions make it easier for Clients to buy what our industry provides.

These are secular trends that should persist for quite some time.

Our **Four Pillar strategy** puts Sun Life in a particularly good place to take advantage of those growth trends. By simplifying and focusing our business, we have freed up our leaders and our capital to focus on growth. Each of our four Business Groups faces exciting growth opportunities that come from the big secular trends noted above. Here are a few examples, by Business Group.

In **Canada** we've created Lumino Health, a digital platform that is open to all Canadians, providing them with access to a wide range of health resources. There are now 10,000 user searches per day on Lumino Health as people tap into 14 million Client ratings on dentists, physiotherapists and other health professionals, along with key information like cost, location, and feedback based on their experience. We are encouraged by early efforts to drive new revenue from the platform and have a number of ideas to broaden Lumino Health.

In the **U.S.**, we rolled out our Sun Life + Maxwell Health benefits platform, a technology solution that makes it easy for members and HR teams to access and manage

employee benefits year-round. We now have over 10,000 families enrolled on the platform, and we're seeing nearly three times the product selections by employers, compared to our typical employee benefits Clients. We see this as a trifecta:

- for employees, it's easier to enrol and close coverage gaps;
- for employers, they get more kudos for the benefits they're providing, and sleep better knowing employees are making informed choices; and
- for Sun Life, it helps fulfill our Purpose, and drives more revenue.

In **Asset Management**, we rebranded Sun Life Investment Management to SLC Management, our alternatives asset manager. During 2019, we completed the purchase of a majority stake in BentallGreenOak, broadening our global real estate capabilities, and announced an agreement to acquire a majority stake in InfraRed Capital Partners, which will add infrastructure equity to the suite of alternatives asset solutions we can offer Clients.



Including InfraRed, SLC Management will have grown to US\$100 billion in third-party AUM in just six years.

MFS net sales improved in 2019, sparked by four consecutive quarters of positive net sales in U.S. Retail. AUM grew 23% to US\$527 billion by year end. MFS made strong progress in growing its institutional fixed income presence and sales, as well as European retail sales. But above all, MFS once again delivered outstanding investment performance for Clients. For example, out of 55 investment firms in the Barron's annual U.S. fund family rankings, MFS placed #1 for one-year performance, #2 for five-year and #4 for 10-year.

Our **Asia** business continues to grow at a rapid pace, with insurance sales up 29% in the year, reflecting the underlying demand driven by demographics, as well as an ever-stronger Sun Life presence in each of our seven markets. We increased the number of Sun Life advisors, improved quality through

our Most Respected Advisor program, and expanded bancassurance through new distribution agreements in Vietnam and Indonesia. We continue to work with strategic partners, including telcos like U Mobile in Malaysia, insurtech start-ups like Bowtie Life Insurance in Hong Kong, and digital marketplaces like Lazada in the Philippines. We see a bright future, built on a long history of doing business in Asia, including in the Philippines where we're celebrating 125 years of bringing our Purpose to life for millions of Clients.

It's also worth noting the efforts of our United Kingdom team who manage the insurance and pension promises for over 500,000 Clients in a business that is closed to new sales. They have done an excellent job improving Client service, managing risk and maintaining strong relationships with regulators.

Building a workforce for the future

None of this happens overnight or without the talent and capabilities of an incredible workforce, one that's primed for the future of work. It means having the talent and skills to lead us into the next decade of innovation and transformation. That includes diversity and inclusion, which is critically important for high performing teams. We've set commitments around gender and visible minority representation in leadership roles, and made progress in 2019. While it's a good start, we know there's more to do and this is a key area of focus for our leadership team.



Spotlight on digital and data

Our work on digital and data directly supports our Client for life strategy, and we've been at the forefront of the industry when it comes to introducing digital and mobile technology. We introduced new features in our highly rated Canadian mobile app, giving our more than one million users another way to submit health claims, check investment balances or connect with their advisors. In the U.S., we're using robotics to streamline processes, including a bot that helps calculate and pay orthodontic claims quickly and accurately. In Asia, we're meeting Clients where they hang out – on their

mobile phones – with Client apps in all seven of our local Asian markets.

We are also changing how we build and maintain technology, and have begun the shift to a more agile development process, centred around Clients, with short iterations instead of a traditional waterfall approach. It is a new way of working together, and we aim to better meet Client needs and reduce development time and cost.

Of course, with digital capabilities comes data privacy and security.

Clients trust us with their information, and it's critical we take a leadership role when it comes to protecting Client data.

That's why we've launched our **Client Data Privacy Principles**. These principles serve as guardrails to cover all aspects of data governance – from what's collected, to who's accountable, to how data is used and protected – including the commitment that Sun Life will not sell Client data.

Advancing sustainable communities

In 2019 we refreshed our global sustainability plan to better align to our strategy and our Purpose. Our new plan focuses on three key areas where we can have the most impact in creating a more sustainable future: Sustainable Investing, Financial Security, and Healthier Lives. You can see our new sustainability plan at sunlife.com/sustainability.

Last year, Sun Life became the first insurance company globally to issue a Sustainability Bond. The \$750 million in capital raised from institutional investors will support projects that contribute to the long-term health of communities, like investments in hospitals or childcare centres.

Our focus on diabetes connects directly to our Purpose, and to date, Sun Life has contributed more than \$31 million to this cause. Through our **Team Up Against Diabetes** platform, it's about awareness, prevention, care and research across the globe. Our commitment comes to life through our Dunk for Diabetes program in North America and with the thousands of people participating in the Sun Life Resolution Run events, now spanning five cities across Asia.

Leading to strong Shareholder outcomes

The execution behind the Four Pillar strategy, Client for life, Talent, and Risk contributed to strong outcomes for Shareholders in 2019, and over the past five years. During that period, Sun Life's Total Common Shareholder Return (share appreciation plus dividend yield) averaged 11.2% per annum, placing us Top Quartile among 20 global peers. We continue to perform well against our medium-term objectives:

Medium-term objective	Five-year average
Underlying EPS growth of 8-10% per annum	12% per annum
Underlying ROE of 12-14%	13.2%
Dividend payout ratio of 40-50% of earnings	41%





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Shaping our future

We aspire to be *one of the best insurance and asset management companies in the world*, and in 2019 we made good progress on this journey. While the world can be unpredictable, we know our Clients need us more than ever. They need health-care solutions, savings solutions, and investment and insurance solutions that meet their needs. Sun Life is a company with a remarkable past and even brighter future, on a path to becoming one of the best global firms in the industry.

I want to thank our Shareholders for your ongoing confidence in Sun Life. Thanks to our Board of Directors for your guidance and governance. Thanks to our Employees, Advisors and Partners, for your enthusiasm and commitment as we become even more Client-obsessed. And to our Clients, thank you for putting your trust in Sun Life, today and into the future.

Dean A. Connor

President & Chief Executive Officer