

## CEO'S MESSAGE

As 2020 began, no one predicted the incredible circumstances the world would face from the COVID-19 pandemic. We were challenged in ways we never imagined. Yet through it all, Sun Life employees and advisors around the world went the extra mile to serve and support our Clients at a time when they needed us the most.

That Client support took many forms. We expedited payments to Clients diagnosed with COVID-19 and provided options for Clients struggling to pay premiums, helping them keep their policies in-force at a critical time. We stepped up communication with special webinars for Clients and advisors to keep them informed on issues related to the pandemic. We delivered nearly \$200 million of payments to the families of Clients who succumbed to COVID-19.

Our investment and wealth teams helped Clients navigate choppy seas with a steady and opportunistic approach to investing throughout the year. We worked with tenants and borrowers whose finances were hardest hit. We donated more than \$2 million to support global COVID-19 relief efforts focused on food banks, health and elder care.

Digital tools allowed our people to stay safe yet remain connected. We increased our efforts on mental health and well-being and provided employees with more time off, support and resources. It was particularly gratifying to see how Sun Life people looked out for each other, and perhaps no surprise that our employee engagement scores reached new highs in 2020.

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**A year like no other – a year of helping Clients, communities and each other.**

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## Four pillar strategy and strong execution

Sun Life delivered solid financial results in 2020. Underlying net income grew 5% to over \$3.2 billion, and underlying return on equity (ROE) increased to 14.4%. Reported net income declined to \$2.4 billion, and reported ROE was 10.8%, reflecting market volatility.

## Assets under management (AUM) reached a milestone of **\$1.25 trillion.**

Insurance sales were on par with 2019, while wealth sales grew 39% compared to the previous year.

Underlying net income grew through the pandemic for two reasons. First, we maintained tight execution of our four pillar strategy – designed around businesses that provide balanced and diversified earnings growth, but with lighter capital needs than many competitors. Second, the extraordinary fiscal and monetary support provided by governments around the world is helping to bridge individuals and businesses across the valley of economic decline caused by the pandemic.

We continued to hit the mark on our medium-term objectives on a five-year basis. Our capital and cash positions remain healthy and, along with a low leverage ratio, provide flexibility and opportunities for future capital deployment. Sun Life's five-year Total Shareholder Return (TSR) of 9.6% compounded annually puts us in the top quartile among global industry peers.



## Building for the future

2020 was also a year of progress as we launched new capabilities, acquired companies and signed new partnerships.

### **A leader in insurance and wealth solutions in our Canadian Home Market**

In 2020 we extended access to virtual consultations with physicians and nurses to over half a million Canadians through our Lumino Health platform and Dialogue. We provided Clients with direct booking access to other health practitioners through the GOrendezvous scheduling software. SLGI Asset Management Inc. celebrated a 10-year milestone as a trusted asset management firm, growing AUM to \$33 billion. In Group Retirement Services, we launched a new tool to help Clients evaluate their investment choices through an environmental, social and governance (ESG) lens.

## A leader in U.S. group benefits

In a year when most people worked remotely, our Group Benefits Clients benefited from our suite of virtual enrollment tools, including Maxwell Health, as well as the rollout of our new state-of-the-art global claim system, a key part of our new disability and absence management offering. In our medical stop-loss business, we helped Clients save millions in health costs with our Clinical 360 tools. In 2020 we celebrated the 125<sup>th</sup> anniversary of serving Clients in the U.S., which started through our first office in Detroit, Michigan.

## A leader in Global Asset Management

SLC Management completed two key acquisitions that extend our platform of alternative investment solutions for Clients. In July, we acquired 80% of InfraRed Capital Partners, a London-based global infrastructure investment manager. In October, we announced the acquisition of a majority stake in Crescent Capital Group, a Los Angeles-based global alternative credit investment manager, which closed in early January 2021. These additions bring SLC Management's AUM to \$145 billion on a pro forma basis and provide Clients with an attractive range of alternative investment solutions in this 'low for long' interest rate environment.

It was also an exceptional year for MFS, growing AUM by 16% to US\$610 billion, including US\$13 billion of net sales. By leveraging their culture of collaboration and focusing on

long-term investing, MFS continued to deliver superior investment performance for Clients, with 97%, 95% and 94% of U.S. retail assets ranked in the top half of their Morningstar categories, based on ten-, five- and three-year performance, respectively.

## A leader in Asia through distribution excellence in higher growth markets

In Asia, we expanded our agency distribution network across the region, with more than 138,000 advisors, up 12% from 2019. In Vietnam, we began the year with a new bancassurance partnership with TPBank and finished by signing an additional bancassurance partnership with Asia Commercial Joint Stock Bank (ACB). In 2020, we celebrated our 125<sup>th</sup> anniversary in the Philippines and were named top insurance company in the country for the ninth year in a row. We also launched a new office in Singapore, our eighth Asian market, to meet the needs of high-net-worth Clients.

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In the United Kingdom, we continue to serve more than 400,000 Clients. In 2020, we achieved strong Client survey scores by going the extra mile on service engagement during the pandemic, including new digital tools.

## Digital Focus

Our digital strategy is all about supporting our obsession around Clients. As the pandemic hit in 2020, we accelerated our digital spending, including virtual health, digital solutions and new tools for advisors.

In Canada, we digitally processed 90% of retail insurance applications and 94% of group health and dental claims. AI and predictive modelling allowed us to underwrite more than 70% of retail insurance policies without lab tests. In the U.S., we enhanced our digital enrollment platform, including Maxwell Health, so we could deliver 100% of our group benefits enrollments virtually throughout the pandemic.

It's not enough to simply digitize existing processes; we are using digital, data and analytics to be more personalized, predictive and proactive with Clients.

Ella, our digital coach, connected with Canadian Clients more than 15 million times during the year, assisting them with an additional \$700 million in wealth deposits and \$1 billion of additional life insurance coverage. Our Lumino Health platform delivered millions of nudges on healthy living. In Asia, we were one of the first insurers to introduce non-face-to-face sales in Vietnam with Sun Fast, a digital tool helping advisors and Clients complete insurance applications





without having to meet in-person. We also rolled out Remote Online Medical Exams (ROME) in the Philippines, a first in the market, allowing health professionals to perform online medical examinations.

The results? Our Client experience index scores rose three points, the biggest jump we've seen since starting this measurement five years ago. Client retention improved, and we expanded the role we play with Clients. But Client expectations continue to rise, especially in this digital age, so we must continue to press forward on this journey of Client for life.

## Sun Life's Future Forward

2020 shone a bright light on the urgency to build a more sustainable and equitable world. At Sun Life, we launched a number of initiatives to drive real change.

We set new representation goals for 2025: for executives, we expect to achieve gender parity and to have 25% from underrepresented communities, with specific goals for Black, Indigenous and People of Colour. The drive for **diversity, equity and inclusion** is being supported with new forums for dialogue and awareness, new training, and new recruiting and development practices.

We continued to embed **sustainability** into our business in the areas we know best: achieving financial security, living healthier lives and making sustainable investments. We announced that we will be carbon-neutral in our operations in 2021 and made our first financial disclosures under the Task Force on Climate-related Financial Disclosures recommendations. Our plan is helping us drive positive social impact, and for 12 years running, we've made the list of the Global 100 Most Sustainable Corporations in the World.



## Leadership for the future

2021 is a year of leadership change for the company, with my retirement in August and Sun Life executive Kevin Strain set to become the next President and CEO. Kevin's capabilities, character, and experience will continue to drive the company's future success, and I know Sun Life will be in terrific hands. I look forward to working with Kevin, the Board of Directors and our Executive Team to ensure a smooth and seamless transition.



The pandemic has made life challenging for all, but we have every reason to be optimistic as vaccines begin to roll out more broadly and we cross that bridge back to normalcy.

## At Sun Life, we are bristling with excitement about this future.

We have such a compelling purpose – to help Clients achieve lifetime financial security and live healthier lives – and that purpose really shone through in 2020. We have a compelling four pillar strategy and a compelling playbook on talent, Clients, digital and sustainability that will drive execution.

To our employees, advisors and partners, thank you for everything you do for Clients and for each other. I was truly inspired by your spirit and many accomplishments in 2020. To our Directors, who were called upon more in 2020 than perhaps ever before, thank you for your unwavering commitment and sound advice during these remarkable times. To our shareholders, thank you for your support for Sun Life. And to our Clients – you are the reason we are here. Thank you for your confidence and trust in Sun Life.

#SunLifeStrong

**Dean A. Connor**  
Chief Executive Officer