

CEO'S MESSAGE



2017 – A PIVOTAL YEAR FOR SUN LIFE

2017 was a year of significant progress at Sun Life. Our financial performance was strong: underlying net earnings grew 9% to over \$2.5 billion, we increased the dividend by 8%, and we continued to deliver against our medium-term financial goals. It was also the year we saw the whole organization get behind our Client 2020 strategy, with a relentless focus on doing more for Clients. We have great momentum on our journey to become one of the best insurance and asset management companies in the world.



\$2.5 billion

UNDERLYING NET INCOME

Our **four pillar strategy** continues to generate strong business growth. In Canada, sales of insurance and wealth solutions have each nearly doubled over the last five years. This includes the expansion of Sun Life Global Investments, which reached \$20 billion in assets under management in just seven years since start-up.

In the U.S., our employee benefits business reached its target profitability range two years ahead of time, while improving our offerings to Clients through one of the broadest suites of products and services in the industry. The integration of our 2016 acquisition is on track to achieve our stated goals.

Sun Life Investment Management continues to develop as part of our Asset Management pillar, generating over \$6 billion of net inflows in 2017. MFS delivered excellent returns for Clients and in January 2018, MFS AUM crested US\$500 billion for the first time, buoyed by strong fund performance and market returns.

On the other side of the globe, underlying earnings from Sun Life Asia more than tripled in the past five years, reaching \$330 million in 2017. Asia continues to represent a multi-decade growth opportunity, given its trajectory of demographic and economic potential.

Our risk culture and actions to de-risk the Company over the past years have placed us in a strong financial position. As the industry shifts to Life Insurance Capital Adequacy Testing (LICAT), a more risk-sensitive measurement of regulatory capital, we expect that capital will remain a key strength for Sun Life. We're well positioned to invest in growth and innovation in a way that will define Sun Life in the decades to come.

RALLYING AROUND OUR PURPOSE



Helping **Clients** achieve lifetime financial security and live healthier lives



I regularly receive emails and letters from Clients that speak to the critical role we play in their lives, and why we are in business. That's why in 2017 we broadened our Purpose to go beyond helping our Clients achieve lifetime financial security to also highlight the role we play when it comes to health and wellness. Health and wellness-related offerings now represent more than 20% of our business worldwide, with opportunities for further growth.

Here's a great example of our Purpose in action. Our Canadian Digital Health Solutions team emailed 10,000 Clients who were using an older type of glucose meter for their diabetes.



On behalf of the glucometer manufacturer, we offered them a free Bluetooth-enabled upgrade that makes it easier to monitor blood sugar. About 1,800 Clients signed up for the offer, an exceptional response rate, and we received very positive feedback. As one Client said: “I think focusing on proactive versus reactive health is really important and love that you did this.”

CLIENTS AT THE CENTRE

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As part of living our Purpose, we’re obsessing about making it **easier to do business** with us and being more **proactive and personalized** for Clients. We’re also improving our **problem resolution** when we make a mistake.

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Sometimes that means changing on the fly. For hurricanes Harvey and Irma in the southern U.S., we made special accommodations for affected Clients, including extra time to make payments, proactive calls to those receiving disability income cheques in affected areas, and an easy way to submit temporary addresses so those cheques arrived uninterrupted. One Client, who said he was never compelled to provide feedback in his life, wrote to say his experience with Sun Life showed “exceptional professionalism and heartfelt caring.”

Across the organization, we can see and feel the passion to create better experiences for our Clients. In Canada, we’ve improved how we handle call centre inquiries if our first line responders need to escalate more complex issues. Our sales processes in Asia are being digitized to be simpler and faster for Clients, while in the U.S. we’ve reduced the time it takes for newly hired employees to join their benefits program through a better enrollment platform. Our U.K. team continues to make it easier for Clients to do business with us by updating digital processes for annuitants and using plain language across all Client materials.

We’re offering more product choices for Clients, with additions to our Islamic insurance offerings in Asia and the acquisition of Excel Funds by Sun Life Global Investments, bringing more emerging markets funds to our Clients in Canada. This includes the Excel India Fund, which had the highest return of any mutual fund in Canada over the past 15 years. In the U.S., we’ve added a new plan to our Vision offering and launched our Sun Life Dental Network®, the country’s largest preferred provider dental network.

Our Sun Life Investment Management companies are teaming up to provide innovative new investment solutions for Clients and in the U.S. added a leveraged finance team and a private client capability. One of those companies, Sun Life Institutional Investments, was named the fastest growing asset money manager in Canada by Benefits Canada in the \$1-\$10 billion AUM category.



We get regular feedback from Clients through our Client experience research. The numbers tell us we're on the right path, particularly the increase in proactive and personal contact with Clients, and growing digital adoption.



EASY ACCESS FOR CLIENTS

We're making it easier for Clients to access Sun Life by enhancing our distribution channels and touchpoints to reach us, buy our products and receive service – how and when they want – whether it's online, on the phone or in person.

Sun Life GO launched in Canada and offers an easy way to buy life insurance online, including far fewer underwriting questions. In Malaysia, we joined forces with U Mobile to offer life insurance to the firm's large subscriber base entirely through their mobile devices. Our telco partnerships in Asia connect our insurance knowhow with the Client and data capabilities of these firms. While these initiatives are in the early stages, we believe they have strong promise and will provide important insights as we build our digital business.

We also continue to invest in our advisor distribution forces, including our Career Sales Force in Canada and our Most Respected Advisor program in Asia. Sun Life advisors, including our joint ventures in Asia, grew 13% to finish the year at more than 112,000. Alongside this foundation, we continue to build out our third-party, broker and direct channels in Canada and Asia, as well as our Asia bancassurance and telco distribution.



DIGITAL TRANSFORMATION AND NEW BUSINESS MODELS

Our mobile apps are growing in popularity and features. In the Philippines, we have the first insurance and mutual fund mobile app with account management capabilities and it's one of the top-rated financial apps in the country. We also enhanced our U.S. dental and vision mobile app, allowing plan members to add their dental ID card to their Apple wallet.

Canadian Clients can submit health claims in real-time, check investment balances, make contributions, and connect with their advisor on their mobile. They can even rate providers of paramedical services, with a remarkable three million ratings to date. Our Clients have made my Sun Life Canada the highest rated Canadian financial services app in the App Store.

We're using data to be more personal and proactive with our Clients. In Canada, we now have more than 100 kinds of *nudges* for Clients depending on their specific circumstances. Data is also behind *Ella*, our interactive digital coach that can help Clients make the most of their benefits and pension plans. In the U.S., we have a powerful analytic tool that generates custom group plan benchmarks for brokers and Clients in under a minute, which is a real differentiator for Clients and their advisors.



We continue to invest in Digital Health Solutions, launching several pilots in 2017 to increase our connections with Clients. We're helping them learn more about their health conditions, innovative health and wellness solutions, and making it easier to find top-rated paramedical, dental and other health resources nearby. Clients are responding favourably, viewing Sun Life as a trusted partner that can help them live healthier lives.

Another exciting initiative under our digital business strategy is our relationship with Collective Health, a Silicon Valley healthtech company offering alternatives to traditional health plans for the large self-funded employer market in the U.S. Our aim is to combine their innovative health benefits technology platform with our deep product and market knowledge to create an improved benefits experience for self-funded employers and their employees.



CHAMPIONING A CLIENT FOCUSED CULTURE

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To create a truly magnetic **Client** experience, we don't have to change just one thing; we need to change nearly **every** thing.

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We're investing in top talent to execute on our strategy, including new people and roles to advance our innovation, digital, data and Client experience capabilities. Client focus is now embedded throughout our employee programs, including 25% of our annual incentive plan for all employees tied to improvements for Clients. Employees are also contributing through The Brighter Way program, our version of Lean Six Sigma. We've implemented thousands of ideas from employees to improve how we do things at Sun Life. These changes – large and small – are collectively making a big difference.

We've changed many of our offices into “BrightWork” environments, which are vibrant and collaborative spaces that give employees and teams the flexibility to choose how and where they work. This creates a terrific energy, improves how we work together and is a real draw to attract top talent. Our new global headquarters, which opened this year at One York Street in Toronto, is one example. It's home to 2,000 employees in our Corporate Office and Canadian businesses and hosts our innovation lab, Sun Life's Ignite Studio, where teams come together to invent, test and bring new ideas to life.



A SUSTAINABLE ORGANIZATION

Sustainability is at the centre of our business strategy – after all, we make promises to Clients that span generations, and we commit to Shareholders to deliver long-term sustainable value. This includes our commitment to building brighter, healthier communities where we live and work. On our environmental footprint, we’ve set ambitious new targets to reduce our greenhouse gas emissions – by 20% by 2020 and 30% by 2030.

Bentall Kennedy, in our Sun Life Investment Management group, continues to be ranked among the top firms in the Global Real Estate Sustainability Benchmark for its sustainable investing and property management. Through Sun Life Investment Management, we have \$11 billion invested globally in infrastructure projects supporting community health and sustainability – including healthcare facilities, renewable and affordable energy sources and sustainable transit infrastructure.

We’re expanding our activities on the prevention and treatment of diabetes, a disease that continues to rise at alarming rates and affects many of our Clients around the world. Partnerships with the Toronto Raptors and Boston Celtics basketball teams provide new ways to raise awareness about diabetes, with a specific focus on encouraging youth to be active and eat a balanced diet. In Asia, we launched a Diabetes Awareness Study in five markets to gauge public understanding of diabetes as a first step to creating more dialogue. We have pledged more than \$22 million to this cause since 2012, the largest community wellness initiative in our history.

A BRIGHT FUTURE



There is a palpable ‘buzz’ in Sun Life today, a sense of innovation and opportunity, and tremendous alignment around our **Purpose** and strategy.



Youth from Boys and Girls Clubs of Canada at a healthy snack demonstration. Part of an event recognizing their nutrition and physical activity achievements in the Sun Life Dunk for Diabetes program.

In our Client 2020 journey we have taken many significant and bold steps, but there’s a lot more to be done. I’m excited to see the pace of this work continue and I’m confident that the actions we’re taking today will appear in the capabilities and performance of the company for decades to come.

Thank you to our Shareholders and Clients for your support and confidence as we pursue this strategy. Thanks to our Board of Directors, for their guidance and oversight and their ongoing contributions to our strategy. And thank you to our employees and advisors, who bring this strategy to life with every single Client interaction across Sun Life. I’m pleased with our accomplishments so far, and am excited for what is coming next.

Dean A. Connor
President & Chief Executive Officer