



# Our balanced and diversified mix of businesses led the way in **2018**

2018 was another year of positive results for Sun Life. We grew underlying net income by 16% to over \$2.9 billion, generated an underlying return on equity of 14.2% and increased the common share dividend by 9%. The value of new business, which is the present value of future income from sales in the current year, rose 19% over the prior year on strong sales, pricing and product mix actions. Our capital position is strong, allowing us to invest in organic growth, pursue M&A opportunities that fit our strategy, and manage a share repurchase program. Assets under management finished the year at \$951 billion.

VALUE OF  
NEW BUSINESS



## Up 19% in 2018

Of our four business pillars, **Canada** is our largest and most established, with leading market positions in group pensions, group benefits and individual insurance. In 2018, we continued to leverage our technology advantage with new Client-friendly features in our mobile and online apps. Our retail wealth business continued to invest in new capabilities, including the acquisition of Excel Funds, bringing new emerging market funds to our Canadian Clients. Canada's future growth will come from doing more for Clients, growing our distribution capabilities, building more scale in our retail wealth business, broadening and innovating within Digital Health Solutions, and continued productivity gains.

In **U.S. Group Benefits**, we generated significant margin improvement as we substantially completed the integration of the Assurant Employee Benefits acquisition, and drove strong results in our leading medical stop-loss insurance business. In 2018 we acquired Maxwell Health, a digital platform that makes it easy for plan members to make good benefit plan enrolment decisions, along with administration tools for employers and brokers. Future U.S. growth will come from continued sales success, continued productivity gains, and from leveraging the Maxwell Health platform to help plan members make great personal choices, including closing the insurance coverage gap.

**Asia** continues to be our fastest growing pillar, driven by a rapidly growing middle class. Underlying net income from our seven Asian markets have more than tripled over the past five years. We resegmented our International high net worth insurance business from the U.S. to Asia in 2018, and Asia's underlying net income grew to over \$500 million for the first time. Future growth in Asia will come from continued growth in the number and quality of Sun Life advisors, increasing bank distribution, increasing high net worth Clients and health product sales, and from innovations like opening new distribution channels and our telco partnerships in Southeast Asia.

Turning to **Asset Management**, MFS Investment Management is our premier investment management firm, with US\$428 billion of assets under management at December 31, 2018. Like other active managers, MFS saw net outflows due to Clients shifting assets to alternative investments, annuitization, and passive management. MFS continued to post strong investment performance results; it continued to invest in expanding institutional fixed income capabilities; and notwithstanding slow downward fee movement, margins were stable through business mix and careful management of expenses.



We also continue to invest in Sun Life Investment Management, our \$66 billion alternative investments business. In 2018, we announced an agreement to merge our real estate investment manager, Bentall Kennedy, with GreenOak Real Estate, a firm with multi-region capabilities in a broad range of investment solutions, including the value-add sector.

**WE'RE  
CREATING  
PROACTIVE,  
PERSONAL  
AND RELEVANT  
CLIENT  
EXPERIENCES**

I'm particularly pleased with the progress in our Client strategy, called Client for life. This is a "movement" within the Company, an obsession that touches every corner of our business, from Manila to Montreal, from investments to insurance, from call centres to claims, and everything in between.

By making it easier to do business with us, by being more personalized and proactive with Clients, and by resolving their problems better, we believe Clients will do more business with us, stay longer and refer more family and friends.

**Clients can now access Sun Life through more convenient touchpoints: mobile, online, by phone, or in person.**

For example, through our #1 Client-rated app in Canadian financial services, Clients can submit health claims in real-time, check investment balances, make contributions, and connect with their advisor on their mobile. They can even find, book, and rate their dentist and other health professionals. At Sun Life, we believe there is tremendous value in financial advice from a trusted advisor.



We continue to invest in growing and training our more than 112,000 advisors around the world, including more tools to help them connect and be proactive with Clients. For example, Sun Life advisors in Canada can now conduct meetings by video if that makes it easier for Clients.

In most of our Asian countries, the financial needs analysis, product illustration, application and fulfillment is now a digital end-to-end process that makes for an easier and more consistent Client experience. In Hong Kong, Clients can have claims paid within 24 hours and view their entire family coverage and assets in one place. In the Philippines, we collaborate with Lazada, the leading e-commerce platform in Southeast Asia, where three million Filipinos can now access affordable Sun Life insurance at their fingertips.



### We're using data to be more personal and proactive with our Clients.

Data is behind *Ella*, our interactive digital coach for benefits and pension plans. Imagine your child is turning 21 and you forgot she's about to drop off your benefits coverage at work. *Ella's* got your back, proactively nudging you to ensure you have the family coverage you need. In 2018, we presented more than 10 million digital nudges to plan members. As one outcome, Clients increased their additional in-plan deposits by 24% to over \$900 million. Clients who were nudged by *Ella* show much higher Client experience scores.

Not all the changes are digital. We are systematically rewriting every piece of Client communication in plain language. In the United Kingdom, we redesigned our Client communication materials and received very positive feedback from Clients on their improved readability.



**10 million**  
DIGITAL NUDGES

### WE'RE BRINGING OUR DIGITAL STRATEGY TO LIFE WITH INNOVATIVE PARTNERS

An exciting part of our digital strategy is the relationships we're building with technology and innovation partners.

In the U.S., we launched our first product with **Collective Health** – a Silicon Valley healthtech partner that is producing some amazing results as they manage employer health plans. Together, we're fully integrating stop-loss protection with an advanced workforce health management platform for self-funded employers. Employers benefit from financial protection from high-dollar medical claims, along with seamless claim reimbursement.

In 2018, we launched **Lumino Health**, Canada's premier online network of health resources, free for all Canadians.

Leveraging the data we have on health providers like dentists and physiotherapists, their relative costs, and quality ratings provided by Sun Life plan members (seven million ratings at last count), Lumino provides health tips, valuable offers, health provider ratings and price comparisons to help Canadians make better health-care decisions. Between Lumino and our group benefits app, we've seen over 3.5 million searches so far for health-care providers. We're excited about the potential new revenue streams Lumino Health can create, by providing a frictionless platform to connect consumers and health providers.

In Hong Kong, we invested in **Bowtie Life Insurance Company**. It's the first virtual insurer approved under the Fast Track pilot plan, launched by the Insurance Authority of Hong Kong to fast track applications for insurers operating purely online.

WE'RE ON  
A JOURNEY  
TO BECOME  
ONE OF  
THE BEST

Our ambition is to be viewed as one of the best insurance and asset management companies in the world, and we measure that in five ways:

**Cultivating top talent, wrapped in a unique and inclusive culture.** During 2018, we continued to invest in talent through training, accelerated development programs, disciplined recruiting and new programs focused on diversity and inclusion. Our culture is one reason people are attracted to Sun Life: it's uniquely collaborative, inclusive, focused on external competition, and high performing. Our 2018 engagement survey score was 85%, above the norm for global financial services firms.

**Why has Sun Life been successful? We have a great four pillar strategy, but the execution is all about the people and culture. They are pulling the oars hard, and they are pulling the oars together.**

**Client scores in the top quartile of our industry.** We measure Client experience scores for ourselves and key competitors in each market where we compete, and in 2018 our scores increased again for the third year in a row. Our 2018 Client experience scores were top quartile in seven of 11 key markets. We're working hard on the other four markets.

**Each of our four pillars is viewed as a leader in its respective area.** Sun Life is viewed as a leader in Canada; MFS and Bentall Kennedy (and soon to include GreenOak Real Estate) are viewed as premier competitors in their respective sectors; our U.S. business is viewed as a leader in stop-loss, with increasing scale and momentum in Group Benefits; and Sun Life is one of the fastest growing competitors among multinationals operating in Asia.

**We deliver on our Purpose.** Our Purpose is to help Clients achieve lifetime financial security and live healthier lives. We're doing well, but much work remains. We need to continue to improve the quality of advice from Sun Life advisors and retain them longer. We need to make it even simpler to buy life and health insurance. And we need to close the gaps in coverage that we know exist.

**Top quartile Total Shareholder Return.** Over the past five years, Sun Life's Total Shareholder Return has averaged 7.7% per annum – top quartile performance among 20 global competitors, and #1 among 11 North American competitors. This reflects strong growth in underlying net income, averaging 13% per annum over the last five years, an attractive dividend yield, and strong ROE, which reached 14.2% in 2018.

WE'RE  
SHAPING  
COMMUNITIES  
FOR  
TOMORROW

Underpinning our strategy is an enduring commitment to sustainability. We've been named one of the Global 100 Most Sustainable Corporations in the World for ten years in a row, and we're included on the Dow Jones Sustainability Index (North America). Our sustainability strategy is making a difference where we live and work.



We have set goals for reducing greenhouse gas emissions by 2020 and 2030, and throughout our operations, we're managing paper use and beefing up technology like video and web conferencing, which means less resources spent on travel.

We've made substantial investments in renewable energy, including hydro, solar and wind farms, and incorporate climate change considerations into our investments in critical public infrastructure. We've also increased our holdings in green bonds in North America and Asia to more than \$480 million. An example is our purchase of International Finance Corp's Green Bonds, the first of its kind in the Philippines.

Proceeds go to renewable energy, energy efficiency and other climate-smart projects.

Diabetes research and prevention continues to be at the heart of how we support healthy communities. To date, we've pledged \$25 million to fight diabetes, including our *Sun Life Dunk for Diabetes* promotion with the Toronto Raptors and Boston Celtics basketball teams, and our January *Sun Life Resolution Runs* across Asia that support local diabetes charities.



WE'RE  
BUILDING  
UPON OUR  
TRUSTED  
BRAND

**Sun Life has been a trusted brand for more than 153 years. Around the world, our brand symbolizes trust, optimism, security and a commitment to Clients.**



Over generations, our business has grown and evolved, and now it's changing once again. Looking ahead, you'll notice that our logo is bigger and bolder, and we will be known as Sun Life, dropping the word "Financial". This reflects that health, and helping Clients live healthier lives, is now a key element of our Purpose.

WE'RE  
EXCITED  
ABOUT THE  
JOURNEY  
AHEAD

When Sun Life's founders huddled around a meeting table in Montreal in March 1865, they aspired to create a life insurance company whose North Star was all about providing financial protection to ordinary people. Over 150 years later, after two World Wars, a Great Depression, a Great Recession and countless other world events, that North Star is shining brighter than ever. I think our founders would be proud of what Sun Life has become, and would be thrilled to see what lies ahead.

My sincere thanks to our shareholders for your confidence in Sun Life. Thanks to our Board of Directors for your wise counsel and unwavering commitment to the Company's success. Thanks to our employees, advisors and partners, for your enthusiasm and laser-like focus on our Client strategy. And to our Clients, thank you for the privilege of serving you, and we look forward to being there for you in the moments that matter most.

DEAN A. CONNOR  
President & Chief Executive Officer