

Remarks by:

Dean A. Connor

PRESIDENT & CHIEF EXECUTIVE OFFICER

Annual Meeting of Sun Life Financial Inc.

Annual Meeting of Sun Life Assurance Company of Canada

TORONTO / THURSDAY, MAY 9, 2019



2019 Annual Meeting – May 9, 2019

Remarks by Dean A. Connor, President & Chief Executive Officer

Thank you Bill.

Let me add my sincere welcome to our shareholders, Clients and guests here today, and on the webcast. *Bonjour et bienvenue à tous.*

2018 was another strong year at Sun Life. We delivered underlying net income of \$2.9 billion, up 16% over prior year, or 11% excluding the one-time benefit from income on Par Seed capital. Reported net income, which reflects market impacts including equities and interest rates, as well as assumption changes, was \$2.5 billion. Underlying return on equity was 14.2% and we increased the common share dividend by 9%. Our value of new business (or VNB), which is the present value of future profits from sales in the current year, rose 19% in 2018.

Yesterday we reported first quarter results: Underlying net income was \$717 million, up 9% over prior year excluding the one-time impact of interest on Par Seed Capital that benefited net income in the previous year. Reported net income was \$623 million.

Underlying ROE was 13.3%, and VNB grew 14% over prior year. We were pleased to announce a dividend increase of 2.5 cents per common share, bringing the quarterly dividend to 52.5 cents.

For the first time in our history, we've reached \$1 trillion of assets under management. It took us 147 years to reach the first \$500 billion of AUM, and just 7 years to add the next \$500 billion. This reflects in part our strategy to favour businesses that enjoy natural revenue growth from stock market appreciation, healthcare cost trend and

demographic growth in Asia. It also reflects the benefit of compounding returns over what has been a strong bull market, and value added performance by our investment professionals – all of which has directly benefited our Clients.

Our four pillar strategy, combined with solid execution, has generated a total shareholder return of 10% per annum compounded for the five years to March 31, placing your company in the top quartile among the top 20 publicly traded life insurers globally.

We've struck a good balance and discipline between allocating capital to fund organic growth, share buybacks, and acquisitions that meet our financial criteria and further our strategy. We've also struck a good balance between managing expenses with discipline, and investing in the many growth and innovation opportunities we see across our Four Pillars.

We made good progress in each pillar in 2018.

In **Canada**, we exceeded \$1 billion in underlying net income. Looking forward, we see very good growth opportunities. In pensions and benefits delivered through the workplace, we have a lead in technology, and we will continue to invest heavily in that while complementing digital solutions with knowledgeable people who can answer Client questions. In Retail Insurance and Wealth, we will continue to grow the solutions and advice delivered by financial advisors, led by the jewel in our crown – our Sun Life advisors – but with more digital assistance and more choices for how Clients can access help. High touch and high tech combined.

In the U.S. our **Group Benefits** margin increased again, and sales reached a new record at \$1 billion U.S. There is an enormous insurance coverage gap in the U.S. – estimated

at more than \$12 trillion dollars for life insurance alone. Too many people are uninsured, or under-insured for the benefits they need to protect themselves and their families. We are helping to close that gap for our Clients, and to do that we're fortunate to have Maxwell Health, the fintech business we acquired last year that makes it easy for employees to sign up for the benefits coverage they need.

Asia continues to be our fastest growing pillar, with underlying net income climbing above \$500 million last year for the first time, more than double what we earned just five years ago. The potential for growth in Asia is nothing short of incredible. For example, it's predicted that of the next one billion people who enter the middle class globally, almost 90% will be in Asia. We will continue to grow by increasing the number and quality of Sun Life advisors, investing in our bank distribution relationships and forming new partnerships with telcos and other digital platforms.

Turning to our **Asset Management pillar**, we ended 2018 with \$650 billion AUM, down from the prior year. MFS, our premier investment management firm, continued to deliver strong relative investment results, however outflows exceeded inflows as Clients continued to shift preferences to passive investing, derisked their pension plans or moved to alternatives.

Although these are challenging times in the active management space, we believe there will continue to be a large pool of alpha-believing, and alpha-seeking assets. And as those assets consolidate into the hands of fewer investment managers, we have high conviction that MFS's distinctive approach, characterized by with longer term investment horizons and a globally collaborative culture, will make them one of the winners from consolidation.

In December, we announced an agreement to merge our real estate investment manager, Bentall Kennedy, and GreenOak Real Estate, with Sun Life Investment Management retaining a majority interest. We are impressed with the GreenOak team, and together we will be able to provide Clients with real estate solutions that have a wider range of returns and risk, and extend our reach beyond North America to include Europe and Asia.

Sun Life Investment Management has gone from zero to \$80 billion of AUM, including GreenOak, in just five years, and we expect it to continue on that path.

In the United Kingdom, we continue to do a first-rate job for Clients. I was particularly pleased with one UK winner of this year's CEO's Award of Excellence: Nicola Burch, who found a new way to track down thousands of policyholders who had gone missing, which may not sound like a lot in a company with 40 million Clients, but for each of those policyholders it was a big deal.

The opportunities across our four pillars and execution in 2018 moved us another step closer to realizing our ambition – to be one of *the* best insurance and asset management companies in the world.

To do that, we need to deliver on our Purpose – Helping our Clients achieve lifetime financial security and live healthier lives. It's the galvanizing force, our North Star that connects every one of our 37,000 employees and more than 112,000 Sun Life advisors.

Here's a story, straight from one of our U.S. Clients that brings our Purpose to life.

[video]

How we work with Clients like Doreen is all part of our Client For life strategy.

We are obsessed with how to make it easier for Clients to do business with us, how to be more personalized, predictive and proactive, and how to improve problem resolution. By making sure we're delivering the right advice and the right solutions, Clients will get the outcomes they need – whether that's getting to retirement with the right lifetime income; protecting their families; saving for their child's education; or improving their health. And when we do these things right, Clients will do more business with us, stay longer and refer more family and friends.

In ease of doing business, Clients can now access Sun Life where they want, when they want, and how they want. For example, we have the #1 rated app in Canadian financial services in the App store, Clients can submit health claims in real-time, check investment balances, make contributions, and get access to health consultations with a nurse or physician. Our retail Clients can now meet their Sun Life advisor online through a video chat.

In most of our Asian markets, we've digitized the end-to-end insurance process to make it an easier and more consistent Client experience. In Hong Kong, Clients can now have claims paid within 24 hours and view their entire family coverage and assets in one place.

To be personal, predictive and proactive, you need data, and data is behind *Ella*, our interactive digital coach in Canada, proactively nudging you to ensure you have the coverage you need. Last year more than 10 million digital nudges were delivered to plan members. And we're seeing real outcomes. For example, nudging people on the proper use of a particular type of long-lasting insulin. Nudging people to get their 21 year-old covered for out-of-country medical when they're about to drop off their

health coverage at work. As another example, we nudged Clients to take full advantage of their company retirement and savings plans, to make sure they benefited from any company match, and those nudges resulted in an additional \$900 million of deposits last year.

In the Philippines, we collaborated with Lazada, the leading e-commerce platform in Southeast Asia. Three million Filipinos can now access affordable Sun Life insurance through this online shopping site.

So we are using data more and more to be personal, predictive and proactive for Clients. Data has become the lifeblood of society and innovation but with that comes an obligation to collect, secure and use Client data in transparent and responsible ways. To this end, we are finalizing a set of data principles that will serve as our guideposts and will be shared with Clients. As one example, we will not sell a Client's personal data. This will be a continuing dialogue with our Clients, and within society, and Sun Life is taking it seriously.

We've made a lot of progress on Client for life, but we still have a lot of work to do across all dimensions. We are not always easy to do business with; we have far too many Clients who don't hear from us regularly; and we don't always get problems resolved as fast as we should. The whole company is galvanized around improving our performance, and 25% of everyone's Annual Incentive Plan award depends on it.

Digital transformation is an enabler of our Client strategy, and is becoming intrinsic in everything we do. I mentioned Maxwell Health in the U.S.; let me tell you about Lumino Health, which we launched last year.

As the number one group benefits insurer in Canada, we have taken the data we have on health providers, like dentists and physiotherapists, their costs and ratings – and made that available to all Canadians, not just Sun Life Clients. Let me show you what Lumino is all about. [video]

Carrying on the digital theme, in Hong Kong, we invested in **Bowtie Life Insurance Company**. It's the first virtual insurer approved under the government's Fast Track pilot, and Bowtie launched last month, now selling Voluntary Health Insurance coverage to Hong Kong citizens.

None of our progress would be possible without having top talent, wrapped in a culture that's uniquely collaborative, inclusive, and high performing. Our 2018 employee engagement survey score was 85%, above the norm for global financial services firms.

We know that diversity of thought is critically important for high-performing teams, and this comes in part by having people around the table from diverse backgrounds. We are committed to increasing the percentage of women and visible minorities in our leadership roles, and are holding our leaders accountable for this.

We also care deeply about the communities where we live and work, and our approach to sustainability is making a difference – from sustainable investing, to financial security, to promoting healthier lives.

We've invested billions of dollars in renewable energy, including hydro, solar and wind farms, and incorporated climate change considerations into our investments in critical public infrastructure. We have committed to reducing our greenhouse gas emissions by 20% by 2020 and 30% by 2030.

We've pledged over \$25 million to fight diabetes, including our *Sun Life Dunk for Diabetes* promotion with the Toronto Raptors and Boston Celtics basketball teams, and our *Sun Life Resolution Runs* across Asia.

All of this has contributed to our being part the Dow Jones Sustainability Index, and to being named one of the Global 100 Most Sustainable Corporations, now ten years in a row. Sustainability is part of our strategy, and part of our brand.

Sun Life has been a trusted brand for over 150 years, symbolizing integrity, optimism, caring and a commitment to Clients. As you know, in the past few years we broadened our Purpose to include 'helping Clients live healthier lives,' reflecting all the work we do in health plans, helping-Clients like Doreen, and newer, preventative offerings like Lumino Health. So to better reflect the health portion of our Purpose, and recognizing that health goes hand in hand with financial security, we're simplifying our brand identity to now be known as Sun Life, dropping the word "Financial". We're excited by our new look – it's bigger and bolder.

Sun Life has a very bright future. A strong balance sheet, ample debt capacity and a diversified business model – taken together, it gives us both a strong offense and strong defense, and we're doing it around Clients and our people, with our Purpose as the North Star.

My thanks to you, our shareholders and policyholders, 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 laser-like focus on our Clients. And to our Clients, thank you for your business; thank you for your loyalty. It's a privilege to serve you, and we look forward to being there for you in the moments that matter the most.

Thank you.