

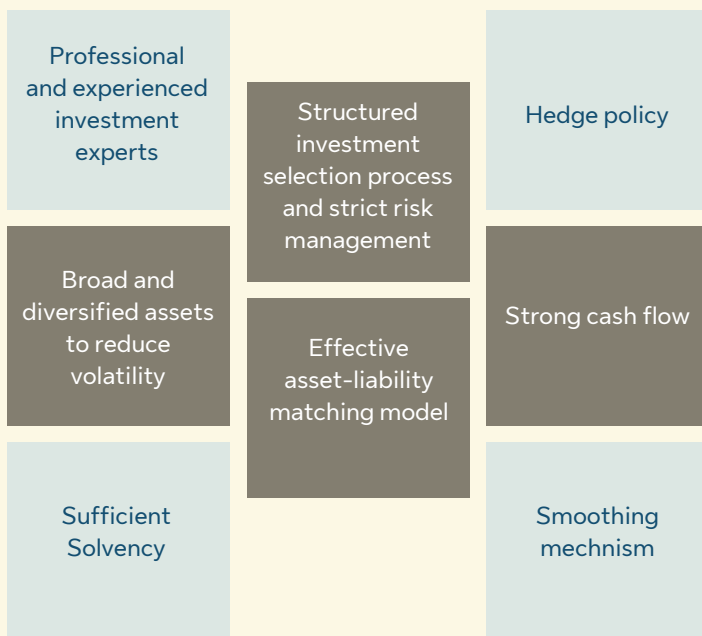
# Sun Life Financial Inc. ("Sun Life")

## A strong foundation and solid strength.

Established in Canada in 1865, Sun Life became the first insurance company in the world that offered unconditional policies in 1880<sup>#</sup>. Sun Life Hong Kong Limited ("Sun Life Hong Kong") is the first multinational life insurance company in Hong Kong and has laid a solid foundation in Hong Kong for over 131 years, through all important times from the Qing dynasty, the British colonial era to the post-handover period.

- Sun Life occupied #1 position in Canadian group retirement market<sup>1</sup>
- Sun Life has earned a spot on the Corporate Knights' 2023 Global 100 Most Sustainable Corporations in the World for 14 consecutive years (#1 position in global insurance companies)<sup>2</sup>
- Sun Life awarded 'AAA' MSCI ESG Ratings<sup>3</sup>
- Sun Life earned top credit AA<sup>4</sup> financial strength rating
- Sun Life's scale of asset management reaches up to HKD8 trillion<sup>5</sup>

### 1 Risk Governance of Sun Life



### How does Sun Life Hong Kong properly manage participating accounts to meet policyholders' expectations?

#### 1. Strict regulatory

The projected figures of dividends/bonuses on illustration of each product have been gone through strict and meticulous calculations by forecasting the economic environment and investment returns in the next few decades. Under strict regulatory, Hong Kong insurance companies have strong business integrity and credit, and pay more attention to non-guaranteed dividends/bonuses.

#### External regulatory – Insurance Authority's Guideline 16

Sun Life Hong Kong complies with Article 2.6 under Guideline 16 issued by Insurance Authority. The Board, on the advice of the Appointed Actuary, is ultimately responsible for interpretation of the policyholders' reasonable expectation, and deciding the dividends/bonuses declaration, taking into account the principle of fair treatment of customers, and the issue of equity between shareholders and policyholders.

#### Internal regulatory

Sun Life Hong Kong reviews its dividend/bonus and accumulation interest rate of the policy at least once a year in accordance with the company's dividend/bonus philosophy. Sun Life Hong Kong also follows the AGN9 guidelines of the Hong Kong Actuarial Society and appoints actuaries to determine best estimate assumptions with reference to past experience to determine dividends/bonuses in illustration.

#### 2. Investment capabilities and risk management

Most participating products will invest in stocks, bonds, etc. in mature markets, and will change the investment asset allocation according to market conditions. Plans with higher guaranteed returns have a lower proportion of high-risk, high-yield assets; plans with lower guaranteed returns and higher expected returns have a higher proportion of high-risk, high-yield assets. At the same time, we will use derivatives to manage risks and add some alternative investment varieties to make the investment portfolio balanced and diversified.

#### 3. Smoothing mechanism

Smoothing mechanism is applied to prevent dividend/bonuses would completely follow the rise and drop of investment performance in the same degree. In order to provide more stable bonuses to policyholders, the investment returns during good market conditions are actively retained as a buffer for future dividend/bonuses when the investment performance is poor, and unfavorable experience may be smoothed out over time. For products with a terminal/special bonus feature, adjustments to terminal/special bonus scales pass through experience normally with less smoothing applied.

# 1988 Rating Analysis, Sunlife 1880 "unconditional insurance".

1. Fraser Pension Universe Report (based on year-end December 2020).

2. As of December 31, 2022. According to 2022 Annual Report of Sun Life.

3. MSCI ESG Research as of July 31, 2023.

4. Ratings are for Sun Life Assurance Company of Canada.

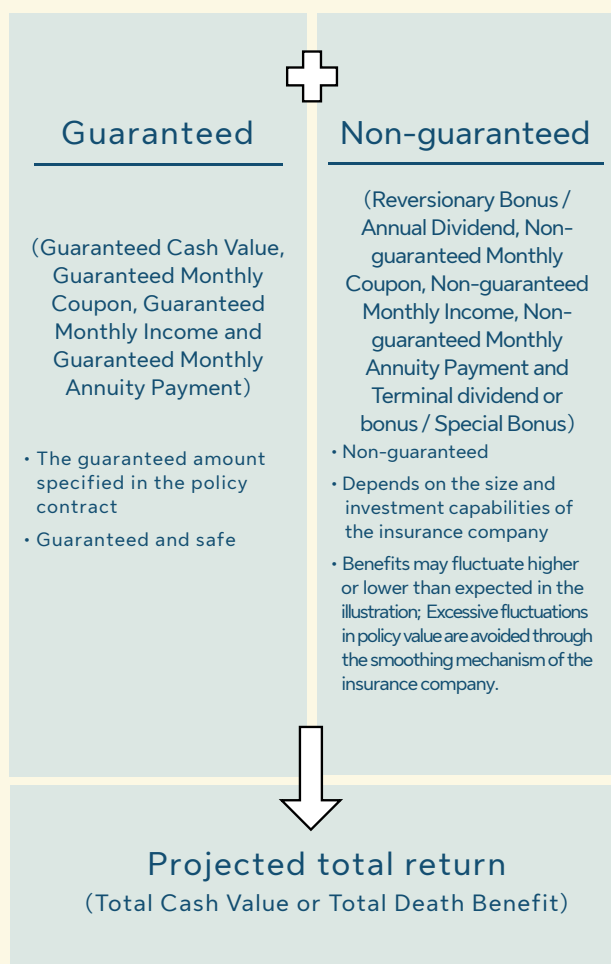
5. As of March 31, 2023, rounded to the nearest trillion. Represents a non-IFRS financial measure. These measures should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS.

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## 2 Understand more about participating products

Sun Life has a long history of participating products. We have rich experience in managing participating accounts. Our investment experts and strong financial capabilities, together with a balanced and diversified investment portfolio, and adhere to the customer centric philosophy enable us to optimize the long-term returns for policyholders and maintain the risks at an appropriate level. On top of the guaranteed benefits, the non-guaranteed benefits would provide competitive and stable medium to long term returns:



Dividends/Bonuses will typically vary based on the performance of a number of factors, with the investment return, including the impact of asset defaults and investment expenses, normally being the main determinant of bonus performance. Other factors include, but are not limited to, claims experience, taxes, expenses and policyholder persistency experience.

## 3 How to review the performance of participating products

When you purchased participating product, how to measure whether an insurance company is delivering on the projected returns on the illustration at the time of sale?

You could review below two important indicators for the performance of the product you purchased:

1. You could review the overall performance by comparing the ratio of Total Cash Value in anniversary statement versus the projected Total Cash Value upon policy inception ("TCV ratio")
2. You could review fulfillment ratio to understand the overview of the historical distributed non-guaranteed amount versus the projected non-guaranteed amount at the point of sale

Important notes when reviewing the TCV ratio and fulfillment ratios:

- Savings insurance products focus on performance of long-term return. The TCV ratios and fulfillment ratios are intended for reference purpose only and should not be taken as an indicator of future performance of the participating products.
- The guaranteed and non-guaranteed ratios as well as the underlying investment strategies vary from plan to plan, and hence different plans have different investment returns. Therefore, the fulfillment ratios of plans are not directly comparable with each other, and it is recommended that financial advisors and clients should also refer to the total cash value ratio for multiple references.
- The proportion of non-guaranteed amounts distributed to premiums paid or guaranteed cash value at the beginning of the policy period is relatively low for participating products. As the proportion of non-guaranteed amounts will gradually increase over the medium- to long-term of the policy, the fulfillment ratio will then serve as an indicator for comparing the distributed amount of past dividends/bonuses with the amount in the sales illustration.
- Dividend/bonus history is not an indicator of future performance of the participating products. Thus, the fulfillment ratio can reflect only the non-guaranteed benefits declaration result for a certain past period of the policies issued; it cannot represent any future declaration plan and strategy.

Learn More

- 1) The type of non-guaranteed dividend/bonus;
- 2) Fulfillment ratios for Sun Life Hong Kong's participating products,

Please scan the QR code for more information:



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The following are examples of the total cash value ratio of Sun Life Hong Kong's participating products (assuming no cash value is withdrawn from the policies):

### Example 1 WARMTH Retirement 65 (Closed product)

Age 35, female, non-smoker,  
 sum assured: USD 100,000, premium payment term: to age 65  
 Policy issue date: January 2013

Year	End of Policy Year	Historical Total Cash Value Declared (USD) (a)	Projected Total Cash Value at policy inception (USD) (b)	Total Cash Value Ratio (USD) (a) / (b)
2014	1	41	41	101%
2015	2	100	99	101%
2016	3	759	748	101%
2017	4	2,024	1,986	102%
2018	5	3,371	3,287	103%
2019	6	4,783	4,632	103%
2020	7	6,252	6,013	104%
2021	8	7,741	7,428	104%
2022	9	9,263	8,879	104%
2023	10	10,832	10,363	105%

### Example 2 LIFE Super Plus (Closed product)

Age 34, male, non-smoker,  
 sum assured: HKD 800,000, premium payment term: 20 years  
 Policy issue date: January 2013

Year	End of Policy Year	Historical Total Cash Value Declared (USD) (a)	Projected Total Cash Value at policy inception (USD) (b)	Total Cash Value Ratio (USD) (a) / (b)
2014	1	137.28	137.28	100%
2015	2	323.71	319.15	101%
2016	3	582.25	554.40	105%
2017	4	1,436.40	1,360.71	106%
2018	5	2,273.71	2,119.42	107%
2019	6	4,261.49	3,981.50	107%
2020	7	6,053.08	5,573.07	109%
2021	8	8,322.57	7,539.34	110%
2022	9	11,086.14	9,928.97	112%
2023	10	14,101.04	12,498.21	113%

### Example 3 Victory

Age 53, female, non-smoker,  
 notional amount: USD 20,000, premium payment term: 5 years  
 Policy issue date: July 2020

Year	End of Policy Year	Historical Total Cash Value Declared (USD) (a)	Projected Total Cash Value at policy inception (USD) (b)	Total Cash Value Ratio (USD) (a) / (b)
2021	1	-	-	N/A
2022	2	-	-	N/A
2023	3	866.40	866	100%

### Example 4 LIFE Brilliance 10

Age 4, female, non-smoker,  
 sum assured: USD 110,000, premium payment term: 10 years  
 Policy issue date: April 2017

Year	End of Policy Year	Historical Total Cash Value Declared (USD) (a)	Projected Total Cash Value at policy inception (USD) (b)	Total Cash Value Ratio (USD) (a) / (b)
2018	1	-	-	N/A
2019	2	22.00	22.00	100%
2020	3	492.70	492.70	100%
2021	4	1,514.45	1,519.43	100%
2022	5	2,930.05	2,944.08	100%
2023	6	4,259.39	4,287.12	99%

### Example 5 Vision

Age 40, female, non-smoker,  
 guaranteed saving amount: USD 20,000, premium payment term: 5 years  
 Policy issue date: May 2020

Year	End of Policy Year	Historical Total Cash Value Declared (USD) (a)	Projected Total Cash Value at policy inception (USD) (b)	Total Cash Value Ratio (USD) (a) / (b)
2021	1	-	-	N/A
2022	2	758	758	100%
2023	3	1,651	1,651	100%

### Example 6 Generations 100 (Closed product)

Age 39, male, non-smoker,  
 sum assured: USD 1,000,000, premium payment term: single pay, underwriting class:  
 Preferred Select, residency class: A, policy issue date: June 2018

Year	End of Policy Year	Historical Total Cash Value Declared (USD) (a)	Projected Total Cash Value at policy inception (USD) (b)	Total Cash Value Ratio (USD) (a) / (b)
2019	1	160,177	160,177	100%
2020	2	161,766	161,766	100%
2021	3	163,333	163,494	100%
2022	4	165,034	165,371	100%
2023	5	166,877	167,408	100%

### Example 7 Venus (Closed product)

Age 35, female, non-smoker,  
 notional amount: USD 350,000, premium payment term: single pay  
 Policy issue date: March 2020

Year	End of Policy Year	Historical Total Cash Value Declared (USD) (a)	Projected Total Cash Value at policy inception (USD) (b)	Total Cash Value Ratio (USD) (a) / (b)
2021	1	298,566	298,566	100%
2022	2	300,757	300,757	100%
2023	3	303,778	303,778	100%

### Example 8 Sun Diamond Income Plan 6/6 (Closed product)

Age 60, male, non-smoker,  
 guaranteed monthly income: USD 2,000, premium payment term: single pay  
 Policy issue date: March 2016

Year	End of Policy Year	Historical Total Cash Value Declared (USD) (a)	Projected Total Cash Value at policy inception (USD) (b)	Total Cash Value Ratio (USD) (a) / (b)
2017	1	72,683	72,683	100%
2018	2	95,649	96,976	99%
2019	3	119,947	122,672	98%
2020	4	138,526	142,755	97%
2021	5	146,749	152,976	96%
2022	6	157,491	165,835	95%
2023	7	159,508	169,748	94%

Note: The fulfillment ratios of respective participating products of Sun Life Hong Kong have been uploaded to the website of Sun Life Hong Kong. The above illustrations are for reference only. The rates shown may vary from different policy (e.g., policy issue year, issue age of the insured, gender and smoking habit of the insured, etc.). The projected non-guaranteed benefits are based on the Company's bonus scales determined under a number of assumptions, including, but not limited to, current assumed investment returns (which have also incorporated the Company's expectation of future investment returns), claims and policy terminations, and are not guaranteed. The actual amount payable may change from time to time with the values being higher or lower than those illustrated.

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