

Sun Life Assurance Company of Canada (U.K.) Limited

Section 172(1) statement

The company ceased selling new individual life and pensions business in 2001. Its principal activity is to provide services to individual life, pensions, and annuity customers through its outsource service providers (OSPs) which provide policy administration, investment administration and actuarial services as well as certain fund managers who manage customers' and ultimate shareholder's funds.

The company's strategy is to manage the existing book of life and pension business in a controlled and prudent manner focusing on customer outcomes, financial discipline, employee talent and culture, and digital data and analytics.

The Board has identified that, in addition to the company's ultimate shareholder, its key stakeholders are its customers, employees, key suppliers, regulators, the environment and the local community. Table A below describes why each of these stakeholders is important to the company and how the company engages with them.

The Board has reviewed how it has considered Section 172(1) of the 2006 Companies Act requirements in pursuit of the success of the company when making decisions during 2022. The Board recognises that the success of the company is dependent on considering the interests of those stakeholders. Table B describes the key decisions made during 2022 and how these decisions affected or took account of the interests of those stakeholders. Where their interests were not aligned, the table describes how decisions were made to balance those interests appropriately.

On 4 August 2022, Sun Life Financial Inc. announced it had entered into an agreement to sell SLF of Canada UK Limited and its subsidiaries, including the company, (SLF UKH Group) to Phoenix Group Holdings plc (Phoenix Group), subject to regulatory approval. The Board has remained actively involved throughout the sale process and has ensured that, while recognising the responsibility of protecting and enhancing shareholder value, sufficient consideration has been given to the interests of stakeholders.

The Board returned to in-person meetings throughout 2022, but the ability to attend meetings virtually by video conference remains.

Table A: Our Stakeholders – why they are important and how we engage with them

Customers	
Why they matter to the company	How the company is engaging
<p>Customers are the driving force in the company and their service is its principal activity.</p> <p>Good service, value for money and good outcomes from their contracts matter to the company's customers. The delivery of these good customer outcomes is embedded in the company's culture and central to the company's strategy.</p> <p>Certain of our customers have been identified as "vulnerable". For these customers, the arrangements, and procedures we have put in place to administer their policies may require some adjustment to ensure they too receive good outcomes.</p>	<p>Whilst management and the Board are responsible for delivering good customer outcomes, the role of the company's Customer Advocate is key.</p> <p>The Customer Advocate, whose role is to champion the customer, oversees and challenges management and the OSPs to take account of customers in their decision making and to be proactive on behalf of the customer.</p> <p>The Customer Advocate has direct access to the Board and the With-Profits Committee and reports to both quarterly.</p> <p>The company engages with all its customers to keep them informed about their policies and options to enable them to make informed decisions and provide a customer-focused service and deliver good customer outcomes.</p> <p>Customers are invited to provide feedback through different channels, including completing biannual engagement surveys and taking part in customer focus groups. During the survey period, customers who contact our call centre are also invited to provide feedback at the end of their call.</p> <p>Examples of the company's engagement with its customers in 2022 are:</p> <ul style="list-style-type: none"> • Applying some of the financial easements used during the Covid-19 pandemic, where customers are facing difficulties in paying premiums due to financial hardship during the current cost of living crisis; • Developing a new digital portal to enable customers to view current information about their policies online and to perform certain detail changes electronically; • During a period of service recovery, following the migration to a new administration system, regularly updating our call centre messages to inform customers of the reason why there may be a longer wait for their calls to be answered and how long it may be; and • Enhancing the claim process where a death of a policyholder has occurred, to make payments more quickly and with less documentation needing to be provided. <p>Following the policy administration system migrations in 2021, our customers experienced a deterioration in service. This resulted in extended wait times in our call centre, delays in making payments and responding to customer queries or correspondence. This inevitably resulted in an increase in service complaints.</p> <p>The company has therefore implemented a recovery plan in conjunction with its Life & Pensions OSP.</p> <p>Several processes were considered and enhanced with the aim of improving customer outcomes during this difficult time. The company continued to focus on our vulnerable customers and those who required additional support during the cost-of-living crisis.</p> <p>In continuing to reinforce understanding across all areas of the company of the different categories and circumstances that cause customers to be vulnerable, all employees completed a training module on this subject.</p> <p>This has assisted all areas of the company when making decisions, to consider the range of temporary and permanent vulnerabilities which might require different processes and approach to the rest of the customer population.</p>

Employees of the company and of the OSPs (the OSP teams)	
Why they matter to the company	How the company is engaging
<p>The company considers the engagement and retention of employees and the OSP team imperative to its success. Talent and culture are fundamental assets of the business.</p> <p>Employees and the OSP teams provide management and administration services for the day-to-day running of the company and the implementation of strategic initiatives including direct customer contact through the call centres.</p>	<p>The welfare of employees and the OSP teams has been paramount coming out of the Covid-19 pandemic and into permanent hybrid working, during the outsourcer consolidation project and following the announcement of the intended sale of the business.</p> <p>The UK Leadership Team (UKLT) has engaged with employees through:</p> <ul style="list-style-type: none"> • A communication plan has been designed to keep employees well informed about progress against the company's objectives as well as encouraging employees to meet face to face through all company community days held in the office; • A culture of open and honest communication is maintained to ensure employees are regularly kept apprised of the company's strategy and how it is likely to affect them; • In August 2022, management announced the intention for the SLF UKH Group to be sold to Phoenix Group. It was essential to UK management that this announcement took place over Zoom instead of via email despite the early hour, followed up by face to face communication later that day. Since the announcement employees have been supported with regular communications, one to one career coaching sessions, change management workshops, regular engagement with the employee forum, access to external confidential support through the employee assistance programme and support from HR and their managers; • Employees were invited to attend a meeting with the company's Chief Executive Officer (CEO), the CEO of the company's ultimate shareholder, and the CEO and HR Director of Phoenix Group at which they could ask questions; • Employee pulse surveys are carried out quarterly across the Sun Life Financial Inc. Group, employee engagement has fallen slightly to 89% but this remains a high score; • The UKLT set out a vision of hybrid working following the pandemic and employees were able to gradually phase into this during 2022. Employees have been surveyed about the new working arrangements, and although some would prefer further flexibility, in the main employees feel it strikes the right balance and they are able to benefit from some concentrated work time at home and also collaborate in the office; and • Management has continued to develop its approach to diversity, equity and inclusion during 2022 and rolled out a company-wide training programme, Kaleidoscope. The ultimate shareholder and employees alike benefit from a more diverse and inclusive workforce and an environment which embraces diversity and inclusion. For example, most meetings are held via video conferencing for those in the office, at home or elsewhere, so everyone feels included regardless of their working location. <p>The annual incentive plan set for employees ensures that their objectives are consistent with the company's strategy set out in the opening paragraphs of this statement.</p> <p>There is continued focus on mental health and wellbeing to build an awareness and understanding of the things that can affect mental health at work and to make sure that employees know how and where to access mental health and wellbeing support. In 2022, a number of workshops were available to employees ranging from building resilience to recognising and dealing with employee stress. The mental health and wellbeing resources are regularly signposted and a new wellbeing page on the employee intranet was developed in 2022, containing all the information.</p> <p>To support employees through the turbulent economic times a Financial Wellbeing workshop was run and employees below a certain grade were paid a one-off payment to help to counteract the rising costs in the UK.</p> <p>The Board receives regular reports on talent management and culture.</p>

Suppliers	
Why they matter to the company	How the company is engaging
<p>The company has a number of suppliers, including its OSPs, fund managers, fund administration, custody and actuarial services as well as some services which are provided by the ultimate shareholder.</p> <p>Suppliers are key to the implementation of the company's strategy and to the quality of service provided to customers.</p> <p>Collaborative engagement and a fair and balanced contractual relationship are important for the company's suppliers and assist management to ensure that all parties' interests are considered.</p>	<p>Supplier engagement is continuous throughout the business relationship. The company has comprehensive contractual arrangements in place with its key suppliers but prefers to take a collaborative approach to managing relationships through governance forums. These forums monitor the services provided and measure the health of the business relationships.</p> <p>Governance meetings are used to reinforce our culture and expectations of the service delivery provided to us by our OSPs. Our OSPs understand that our standards and culture are high, and customer focused, and work to meet these standards and deliver on our culture.</p> <p>We regularly consider the Conduct & Culture Framework of our OSPs, aligned with our own, and this is evidenced in the Annual Review of Services and within quarterly Continuous Improvement reports.</p> <p>Management conducts annual fund manager evaluations which incorporate both a systematic quantitative review of performance, along with identifying qualitative factors that may affect future performance or provide an unacceptable risk to the company and its stakeholders. The evaluations conducted in 2022 identified that two fund managers require additional monitoring to ensure customers continue to receive good outcomes.</p> <p>We have worked collaboratively with our external fund administrator to ensure service levels are consistently achieved.</p>

Regulators	
Why they matter to the company	How the company is engaging
<p>The company's key regulators in the UK are the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The company is authorised by the PRA and regulated by both the PRA and the FCA.</p> <p>The regulators aim to meet their statutory objectives by ensuring the company maintains ongoing compliance with regulatory threshold conditions, fundamental rules and conditions governing business.</p>	<p>The company engages with its regulators in an open, transparent and cooperative way, disclosing matters to them where they would reasonably expect to be notified. The company achieves this through three key mechanisms:</p> <ol style="list-style-type: none"> 1. The timely submission of regular reports and returns as specified by the regulators; 2. Tailored updates to regulators on matters where they would reasonably expect to be notified; and 3. Management and, where requested, non-executive directors, meet the PRA on a biennial basis to discuss the strategy, risks and performance. <p>Examples of the company's engagement with its regulators in 2022 are:</p> <ul style="list-style-type: none"> • Participation with the PRA's biennial risk assessment, including providing a response to its findings; • Correspondence with the FCA concerning a regulatory breach on the application of direct debit mandates with some customers; • Continued regular updates to both regulators on the Life & Pensions OSP consolidation project and the impact on customer service as a result of this work; • Interaction with both regulators during the due diligence phase of Phoenix Group's proposed acquisition of the SLF UKH Group; • Correspondence with the FCA concerning the Appointed Representative permissions held by the company for its services company; and • Application to the PRA for the renewal of a range of Solvency II waivers.

Environment	
Why it matters to the company	How the company is engaging
<p>Environmental sustainability is becoming more prominent in the company's culture.</p> <p>The company is focused on ensuring it is resilient and sustainable for the long term, allowing it to continue to meet the needs of all its stakeholders.</p>	<p>The Sustainability Steering Group was established to assist the CEO in the development of sustainable investments and operations, including managing the impact of climate change risk on investments and operations. A range of workstreams have been established, covering operations, investments, climate change risk management and disclosures.</p> <p>The Steering Group receives reports to better understand how to manage, measure and reduce the company's impact on the environment.</p> <p>Climate change risk has been incorporated into the risk management system and the company has evolved its climate related risk disclosures within the 2022 financial statements.</p> <p>The company has identified environmental champions who continue to increase awareness of sustainability within their functions.</p> <p>The company has a set of responsible investing principles (RIPs) that outline the company's approach to responsible investing and our aim to deliver sustainable returns for customers, our shareholder and reinsurers and supports the move to a low-carbon, sustainable economy.</p> <p>The flexible working model currently in place continues with various improvements we have seen whilst fully working from home such as less waste, a reduction in the use of paper, minimal corporate travel, and a large reduction in fuel usage by employees no longer travelling to the office by car as frequently.</p> <p>Management is monitoring the activity reminding everyone of the importance of continuing with the improvements we have seen during the work from home model, for example, by maintaining low levels of internal printing.</p>

Community	
Why it matters to the company	How the company is engaging
<p>The company believes that by actively supporting the communities in Hampshire, it can help build both a positive working environment and a positive reputation for the company.</p> <p>Management continued to provide budget and support for the Brighter Life community programme (BLCP) in 2022.</p>	<p>The company operates a BLCP. The programme supports individual employees' own fundraising efforts and those of the company by matching the money raised.</p> <p>In 2022, the charitable giving budget was set at £152,000, with an additional £15,000 for Ukraine related donations. £151,000 has been donated to local charities and through matching employee fundraising and payroll giving, and £15,000 has been donated to Ukraine related causes.</p> <p>The company was awarded a silver award by Charitable Giving for having over 5% of employees taking part in payroll giving.</p> <p>In 2022, a new partnership was formed with a charitable organisation Community Matters Partnership Project (CMPP), which will enable more group volunteering opportunities. This year a group of employees went on a beach clean-up with CMPP, and others have sought individual opportunities to provide their skills to charities. The CMPP also have a Speakers for Schools Programme. Through this programme, one employee has already recorded an interview about their education and career path, which will be shared with local schools with the aim of inspiring children for their future education and career journeys.</p>

Ultimate shareholder	
Why it matters to the company	How the company is engaging
<p>Decisions made by the Board must support and enhance the investment made by the ultimate shareholder in the company, subject to and balanced with the interests of the other stakeholders.</p> <p>The company shares in group IT security as well as other group functions such as HR.</p>	<ul style="list-style-type: none"> • The ultimate shareholder representatives attend Board and committee meetings. • The Group Chief Risk Officer shares the group risk management framework with the Board annually. • Many senior managers have either a direct or dotted reporting line to ultimate shareholder management. • The ultimate shareholder CEO attends the Board annually and reports on the ultimate shareholder results and strategy. • Sharing of management information and collaboration at many levels ensures that there is a close and symbiotic relationship between company and ultimate shareholder management for the benefit of both organisations. • The company has been supporting the ultimate shareholder on its decision to sell the SLF UKH Group to Phoenix Group. The ultimate shareholder has been providing the Board with regular updates on the progress of the sale through attendance at ad hoc and quarterly Board meetings and via email. • The ultimate shareholder provides services to the SLF UKH Group thus engaging on a daily basis to reduce the risk of operational disruption to the company and / or its customers.

Table B: Key decisions taken in 2022 and how they have affected our Stakeholders

Key decisions in 2022	Effect on Stakeholders
<p>In conjunction with the decision by Sun Life Assurance Company of Canada, the company's ultimate parent undertaking (Seller) to sell SLF UKH Group to Phoenix Group, the Board approved:</p> <ul style="list-style-type: none"> (i) the execution, amendment or termination of various material contracts; and (ii) the treatment of employee remuneration, <p>effective on the closing of the sale and purchase agreement between the Seller and Phoenix Group, which is expected to close in 2023 subject to regulatory approval. Some of the changes to material contracts have a material capital impact.</p>	<p>In relation to decisions with a material capital impact:</p> <p>Customers In taking its decisions the Board ensured that the capital impacts of these decisions did not adversely affect the future capital position of the company and therefore ultimately its ability to withstand economic shocks which might prevent it paying out under its contracts with customers.</p> <p>Ultimate Shareholder Bearing in mind the position of the Shareholder as the Seller, the Board also ensured that the future capital impacts would be mitigated appropriately and proportionately.</p> <p>Regulator The Board challenged the proposals to ensure compliance with regulatory capital requirements would continue post close.</p> <p>In relation to other material decisions:</p> <p>Customers Ensuring that the decisions did not adversely affect the company's ability to continue to pay out to its annuity policyholders and ensure that the investment mandates by which customers' monies are invested are maintained on at least the same or better terms.</p> <p>Also, to ensure that, on closing, all services provided to the company will continue to be provided for a suitable period of time to allow for an orderly transition to Phoenix Group's systems and processes thus ensuring no customer detriment.</p> <p>Ultimate Shareholder The entry into a Transitional Services Agreement which will allow the ultimate shareholder and the company to transition services which have hitherto been provided at a reasonable cost and for a reasonable timeframe.</p> <p>In relation to the treatment of employee remuneration:</p> <p>Employees In taking its decision the Board ensured that in principle employees' remuneration remains "whole" post close.</p>
<p>Board approval of additional top-up payments to with-profits endowment maturities and whole of life claims from 1 January 2022 to 31 March 2022.</p> <p>Due to the increase in interest rates and therefore future investment returns expected to remain higher than previously assumed, it was decided that an additional top-up payment be made to endowment and whole of life payments crystallising from 1 January 2022 to 31 March 2022.</p>	<p>Customers The top-up payments resulted in increased benefit payments to customers. Consideration was given to the fairness of those customers remaining in the With-Profits Fund (Fund) and the financial impact to the Fund for the additional work required by the Life & Pensions OSP to pay the top-up payments.</p> <p>Suppliers Consideration was also given to the impact these additional top-up payments would have on the Life & Pensions OSP during the period of customer service recovery.</p> <p>Ultimate Shareholder The impact for the ultimate shareholder is an increased risk that the ultimate shareholder will have to support the Fund at some point in the future. This is mitigated by the current financial strength of the Fund.</p> <p>Regulator The payment of top-ups is permitted within the principles and practices of financial management, and it is not necessary to seek approval from the regulators.</p>

Key decisions in 2022	Effect on Stakeholders
Board approval of the amendments to the RIPs	<p>Customers It is the company's belief that responsible investing produces better financial results and returns over the long term, and therefore makes the company more sustainable. The company believes that many of its customers also support the RIPs the company has adopted.</p> <p>Annually reviewing and amending the RIPs as necessary ensures that the company is continually meeting its aim in providing strong returns for its customers, and their expectations.</p> <p>Suppliers Our existing investment managers did not have to make substantial changes to be aligned with the company's RIPs.</p> <p>Ultimate Shareholder The RIPs are consistent with the ultimate shareholder's own sustainability strategy.</p> <p>Community The RIPs have been amended to invest in high quality companies that have a positive social impact through what they do and how they do it.</p> <p>Environment The RIPs have been expanded to all funds being net zero emissions by 2050 in line with the UK Government's commitment.</p> <p>Employees Responsible investing is important to many employees. Employees continue to appreciate the efforts which the company is making in this area, which reflect the company's culture.</p>
Board approval of a dividend of £48 million in line with the capital management policy, risk appetite statements and Long Term Business Plan.	<p>Customers The amount of the dividend was determined by the company's excess capital over and above the Board approved risk appetite threshold of 140% solvency ratio, which maintains financial strength in order for the company to meet its obligations to customers as they fall due.</p> <p>Ultimate Shareholder Strong performance within risk appetite and a good return on equity.</p> <p>Regulator The regulator was kept informed and offered no objection.</p>
Board approval of the amendments to the Third Party Risk Management (TPRM) Policy to align the policy with the new regulatory requirements in respect of third party risk management.	<p>Customers The amendments to the TPRM Policy improve the company's processes and procedures for effectively managing, monitoring and assessing the risks posed by third party service providers, thus reducing the risk of operational disruption or harm to customers.</p> <p>Suppliers There may be some new and additional requirements that third party service providers might need to fulfil to ensure that the company remains compliant. These have yet to be determined.</p> <p>Ultimate Shareholder The company's TPRM Policy is essential to the success of the business, its reputation and ultimately shareholder value.</p> <p>Regulators The company has complied with its regulatory requirements by making the necessary amendments to the TPRM Policy.</p>

Key decisions in 2022	Effect on Stakeholders
<p>Board approval of Operational Resilience Self-Assessment Report and Compendium of Important Business Services to meet the new operational resilience framework requirements introduced by the FCA and PRA.</p>	<p>Customer The implementation of the new operational resilience framework requirements will help strengthen the company's response to operational incidents and disruptions, thus ensuring customers do not experience disruption that leads to inconvenience, harm, or intolerable harm.</p> <p>Supplier Some suppliers have been identified as providing important business services. The company will continue to obtain assurances, and any additional information as necessary, from these suppliers to ensure that their operational resilience framework is robust in ensuring that customers do not experience disruption that leads to inconvenience, harm, or intolerable harm.</p> <p>Ultimate Shareholder The company's compliance with the operational resilience rules is essential to the success of the business, its reputation and ultimately shareholder value.</p> <p>Regulators The company has complied with its regulatory requirements through the implementation of the new operational resilience framework.</p>