

INTEGRATED ANNUAL REPORT 2019 | SOFTLOGIC LIFE INSURANCE PLC

LIONHEARTED





LIONHEARTED

Softlogic Life has recorded yet another powerful performance in the year under review, proving its mettle as a truly Sri Lankan corporate. We pride ourselves on being fiercely original, fearless and determined as we evolve and expand to grow and transform to reach our true potential. From our position as one of Sri Lanka's leading insurers, we inspire change by truly resonating with the hearts and minds of Sri Lankans across the island.

Fuelled by a bold, courageous spirit and a lionhearted attitude, we are geared to leap into the future with confidence - exemplifying the inherent strength and passion of our nation and its people to deliver excellence on all fronts. We're moving forward as one, positioned for unparalleled growth and transformation, both now and into the future.

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ONLINE REFERENCES:

You can find more detailed information regarding Softlogic Life's performance from our online Annual Report. Providing our reports online allows us to reduce the paper we print and distribute.

Visit at : <http://www.softlogiclife.lk/>

VISION

To revolutionise insurance in Sri Lanka through world-class innovations and deliver extraordinary stakeholder value.

MISSION

We exist to nurture your wellbeing, so you can enjoy life today.

VALUES

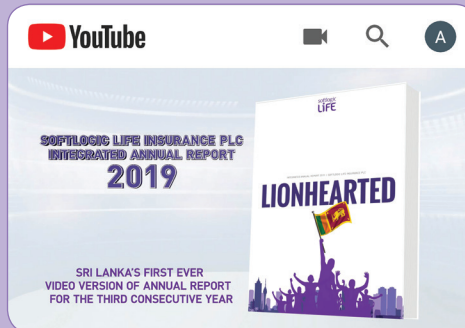
- **Caring** for you every step of the way as a partner for life.
- Never leaving space to compromise on our **Authenticity**.
- Being **Courageous** to challenge the status quo to give customers the best solution.
- Nurturing the spirit of **Innovation** to upgrade customer life styles.
- We bring together world-class solutions to **Simplify** the customer's life.



1st

TIME IN SRI LANKA

WE ARE PROUD TO PRESENT OUR VIDEO VERSION OF ANNUAL REPORT FOR THE THIRD CONSECUTIVE YEAR.



Scan the code to view Sri Lanka's first ever annual report in a video format.

<https://youtu.be/QBuxzeMX5bE>

Scan below QR codes for our previous video versions of Annual Report.....



2018



2017



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ABOUT OUR INTEGRATED REPORT

This Integrated Annual Report provides a comprehensive but concise account of how the Company has created value for its stakeholders in 2019 and its 20th year of operations.

WELCOME TO OUR 07TH INTEGRATED ANNUAL REPORT

Guided by integrated thinking, in 2013 we began our integrated reporting journey issuing Integrated Annual Reports in line with International Integrated Reporting Council (IIRC) framework, combining non-financial information with our regular financial reporting. The report is themed around our chosen key stakeholder partnerships that maximize our ability to generate competitive sustainable value. Softlogic Life acknowledges its dependency on the availability of capital resources and sustainable utilization thereof in the conduct of its plans. The Board considers financial, human, intellectual as well as social and relationship capitals as the most significant to its value creation process. Softlogic Life is not a significant consumer of natural resources. However, it is committed through its investment criteria to promote responsible natural resource utilization.

The Report draws upon the perspective of various stakeholders to describe Softlogic Life's vision to leverage its ingenuity to create new business models and generate value for societies in order to further achieve sustainable growth. We look forward to sharing our journey with you through this integrated report.

OUR INTEGRATED THINKING

Integrated thinking is important to identify how we manage our business in collaboration with all functions of the business, allocation of resources and effectiveness of Company's strategies which develop to create value in short,

Our journey of integrated reporting



medium to long run. Our strategy development process included a review of SLI's business model, our interaction and our interdependency with the external societal context. The resulting strategic priorities, goal and targets have been developed to ensure that we manage the resources and relationships needed to create value over time. A considered assessment of the six capitals informed both our strategy and the internal materiality process used to determine the content and structure of this report.

STRATEGIC ORIENTATION

This annual report provides the Company's current and future strategies which are aimed at its sustainable growth and gives insights to its stakeholders.

NON-FINANCIAL INFORMATION

Creating a wider understanding of a company's position, performance and strategy and enhancing the transparency, this report discloses non-financial information where relevant and appropriate.

COMPARATIVE INFORMATION

This report presents comparative information where necessary for the period covering 12 months ended 2018 for better presentation and complies with GRI Standards.

BOUNDARY AND SCOPE

This Integrated Annual Report covers the performance of Softlogic Life for the 12-month period ended 31st December 2019 and material events up to the approval of the report by the Company's Board of Directors on 28 February 2020.

During the period under review, there were no significant changes in the organization type, structure, ownership or business model and no changes on reporting financial or non-financial information other than disclosures made on page 25.

QUALITY ASSURANCE

We have taken every effort to provide credible information by ensuring quality aspects such as completeness, accuracy, comparability, consistency, clarity, reliability and balance information and present the report with visual elements of graphs, tables and figures where necessary.

ICON NAVIGATION	
	Financial Capital
	Human Capital
	Social and Relationship Capital
	Intellectual Capital
	Natural Capital
	Manufactured Capital
	Investors
	Customers
	Employees
	Environment
	Government
	Suppliers/ Business Partners
	Communities
	Commentary
	Key Challenges
	Strategies executed
	Key Value Drivers
	Critical Success Factors

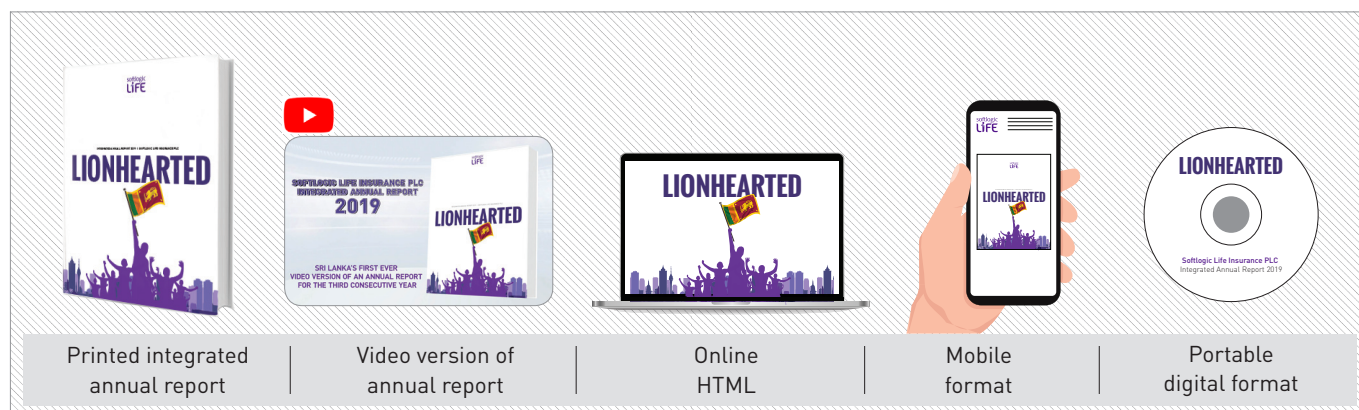
REPORTING FRAMEWORK

In the preparation of this report, we have referred to the following frameworks:

Mandatory Reporting Frameworks and Guidelines	Voluntary Reporting Frameworks and Guidelines
Financial Reporting <ul style="list-style-type: none"> Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka. Regulations and Directions issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL). Statement of Recommended Practice (SoRP). The Regulation of Insurance Industry Act No. 43 of 2000 and amendments thereto; Companies Act No. 07 of 2007. 	Integrated Reporting <ul style="list-style-type: none"> International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework (www.theiirc.org). A supplement to Preparer's Guide to Integrated Reporting by The Institute of Chartered Accountants of Sri Lanka. The guidelines for presentation of Annual Reports 2017 by the Institute of Chartered Accountants of Sri Lanka. Hand book on Integrated Corporate reporting issued by the Institute of Chartered Accountants of Sri Lanka.
Corporate Governance Reporting <ul style="list-style-type: none"> Listing Rules of the Colombo Stock Exchange Laws and Regulations of the Companies Act No. 7 of 2007 Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended). Corporate Governance framework for insurers issued under section 96A of the Regulation of Insurance Industry Act, No. 43 of 2000 by IRCSL. 	Corporate Governance Reporting <ul style="list-style-type: none"> Code of best practices on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka.
Assurance <ul style="list-style-type: none"> Sri Lanka Auditing Standards (SLAuSs) Sri Lanka Standard on Assurance Engagements SLSAE 3000; Assurance Engagements other than Audits or Review of Historical Financial Information, issued by CA Sri Lanka. 	Sustainability Reporting <ul style="list-style-type: none"> GRI Standards published by the Global Reporting Initiative, 'In accordance' - Core guidelines (www.globalreporting.org). Guidance on ESG Reporting by the Colombo Stock Exchange. Sustainable development goals (SDGs) and UNGC Principals of United Nations. Disclosure on Gender Parity Reporting Issued by The Institute of Chartered Accountants of Sri Lanka.

COMMITMENT TO NATURAL RESOURCES

As part of our ongoing commitment to conserve our sustainability practices, we printed limited copies of this report which are available on request. However, all shareholders will receive this report in the form of a CD ROM. Further, our report can be accessed in the following formats.



IMPROVEMENTS TO THE 2019 ANNUAL REPORT

Every year, we seek to improve the relevance, readability, ease of use of the financial information and meaningfulness of our annual report while ensuring that we comply with the latest global and local development in corporate reporting. This year's report features several key improvements such as:

Content of the Report

- ▶ Redefined the business model to showcase internal business scenario, capital priority and statement of capital.
- ▶ Statement of capital included in the Business Model to provide more clarity and codified view our business.
- ▶ SLI commitment towards UNSDG within its operation as well as in strategy setting is clearly demarcated.
- ▶ Strategy and resource allocation of the Company is extended to showcase short, medium and long term strategy of the Company.
- ▶ Improved the linkage between reports to provide a more integrated view of the Company.
- ▶ Capital reports were strengthened by introducing short, medium and long term strategy of the company as well as related risk and challenges.
- ▶ The Company's future outlook was strengthened by introducing economic and industry outlook and breaking company's outlook in to short, medium and long term.
- ▶ Corporate Governance activities planned for the future period of 2020 – 2022 are disclosed with specific time plans and disclose the expected future challenges.
- ▶ A separate section is disclosed to mention that how the Company has executed the governance practices effectively with the expected objectives and execution methods used to achieve such expected objectives.
- ▶ Financial Capital report systematically structured to discuss key challenges, strategies and value drivers.

User Friendliness

- ▶ Launch video version of 2019 annual report for the third consecutive years to improve user friendliness and simplicity.
- ▶ Readability was improved by introducing icon navigation.
- ▶ Online Information is provided through QR codes for electronic browsing of the additional content.
- ▶ Provided Mobile version for smart users.

MATERIALITY

In determining the content to be included in this report, the Company has considered matters which are deemed to be material to the business and its stakeholders and the impact in short, medium and long term on the Company's ability to create value. This Materiality Determination process is described on page 58 of this annual report.

AWARDS AND RECOGNITION FOR THE 2018 ANNUAL REPORT

Each year, we have been consistently raising the bar with regard to the quality of our reports. We humbly acknowledge that these awards and accolades were granted to us due to our unwavering commitment on presenting a report which ensures the Completeness, Comparability, Accuracy, Consistency, Clarity, Balance, Credibility and Reliability continuously.

Our most recent report received many awards and accolades including 6 awards at the Chartered Accountants Annual Report Awards 2019, comprise South Asian Federation of Accountants (SAFA) awarded two awards including the Gold for best Annual Report in South Asia under the Insurance sector, and four awards at the 55th Annual Report Awards organized by CA Sri Lanka and also Only Insurer to clinch the highest number of

awards at the ceremony. More information is provided on pages 136 to 137 of this annual report.

EXTERNAL ASSURANCE

The Financial Statement and Non-Financial Information Sections included in this report have been audited by Messrs. KPMG who have expressed an opinion on the true and fair view of the annual financial statements as shown on pages 265 and 269, reasonable assurance on the financial highlights on pages 149 and 150 and limited assurance on the performance summary on page 149.

STATEMENT ON FUTURE ACTIONS

This report may contain forward-looking statements with respect to the Company’s future performance and prospects. Based on the Company’s estimation on operating environment it is important to remain mindful that many risk and uncertainties will negatively impact on our future strategies.

FEEDBACK

Your comments or questions on this report are welcome and we invite you to communicate your feedback. A Feedback form is attached with this report as Annexure 2. You may direct your feedback to the designated person below.



Nuwan Withanage
Chief Financial Officer
Softlogic Life Insurance PLC
Level 16, One Galle Face Tower,
Colombo 2, Sri Lanka.



Email: nuwan.withange@softlogiclife.lk

RESPONSIBILITY FOR SUSTAINABILITY PRACTICES

The Board of Directors of the Company are responsible for sustainability practices and disclosures made in this Report and acknowledges its responsibility to ensure the integrity of this report. The Board of Directors do not have any relationship with KPMG, apart from above engagement as the Independent External Auditor of the Company.

Sgd.
Nuwan Withanage
Chief Financial Officer

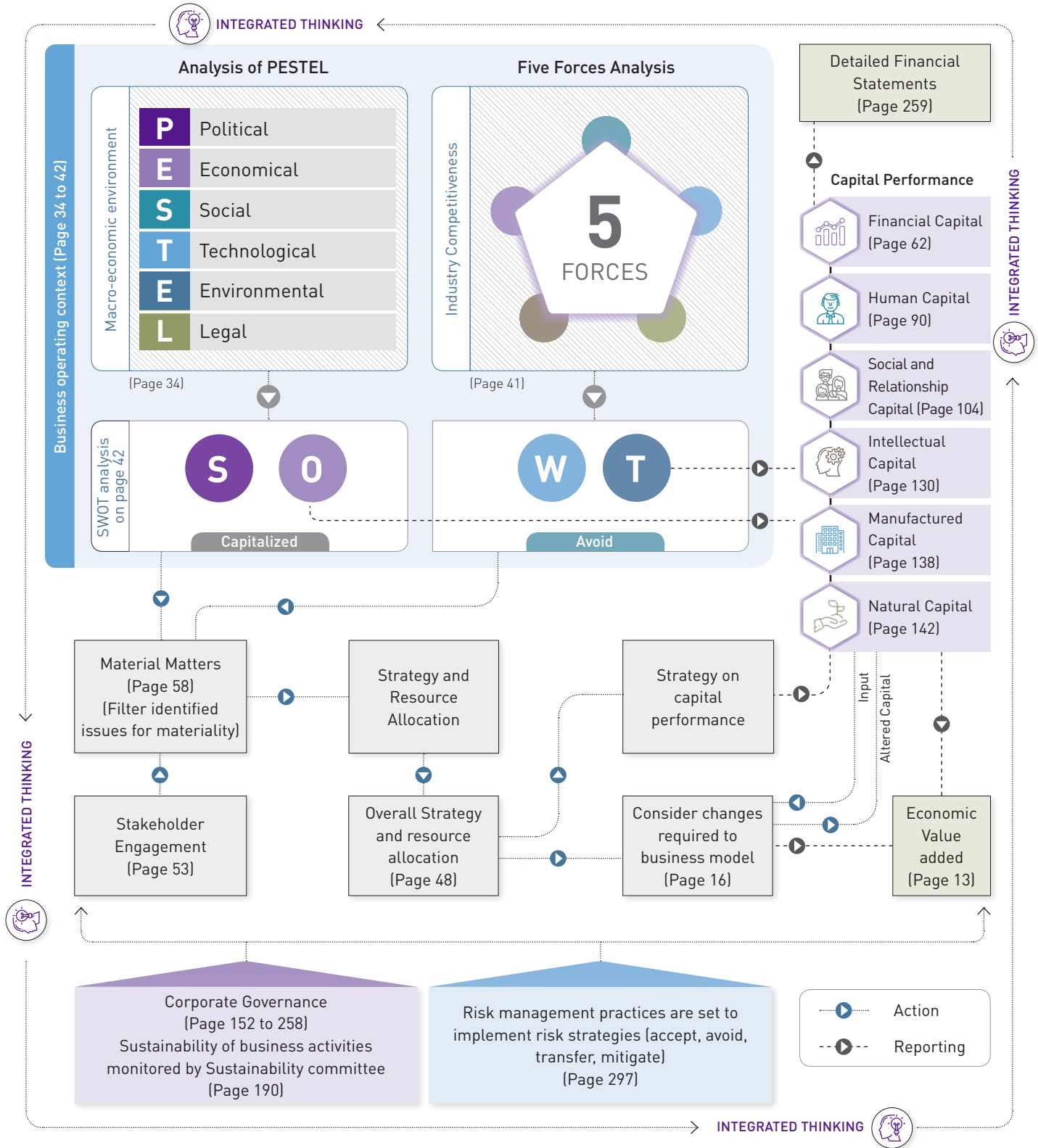
Sgd.
Iftikar Ahamed
Managing Director

Sgd.
Ashok Pathirige
Chairman

(On behalf of the Board of Directors)

ABOUT OUR INTEGRATED REPORT

SOFTLOGIC LIFE'S INTEGRATED THINKING AND HOW WE OPERATIONALIZED TO OUR BUSINESS PRACTICES.



ABOUT US

“SOFTLOGIC LIFE HAS INTRODUCED A NEW ETHOS TO THE MARKET. IT HAS GROWN RAPIDLY TO BECOME A FORCE TO BE RECKONED WITH IN THE INSURANCE INDUSTRY. THE COMPANY IS ALSO CONSIDERED TO BE THE FASTEST-GROWING INSURANCE COMPANY IN THE COUNTRY.”

WHO WE ARE

FASTEST-GROWING LIFE INSURER

Softlogic Life Insurance PLC (SLI), a respected Life insurance solutions provider, has grown rapidly to become a force to be reckoned with in the insurance industry. The Company is also considered to be the fastest-growing insurance company in the country and fastest to reach a revenue of Rs. 12.5 Billion.

Its meteoric rise within a short period of 20 years of life business operations has been nothing short of awe-inspiring. In 2019, Softlogic Life made it to the Forbes Asia's 'Best Under A Billion 2019' list, a business ranking which spotlights Asia's 200 top-performing listed companies with less than

US\$ 1 billion in revenue with consistent top-and bottom-line growth. Softlogic Life is the only company in Sri Lanka and one of the two insurance companies in the Asian region to achieve this momentous feat.

In the last five years, the Company has doubled its share of the market to reach 14.1% and maintained revenue growth of above 25% - a benchmark in comparison to industry average growth of 10.5% in 2019. The Company recorded 32% compound Annual Growth (CAGR) over the last five years, against industry average growth of 13% which reflects the efficacy of its systems and processes along with effectiveness of sustainability practices.

MARKET POSITIONING

Softlogic Life positioned as the fourth-largest entity in the life insurance industry by the end of 2019.

INFUSING A NEW ETHOS INTO THE INDUSTRY

Softlogic Life has introduced a new ethos to the market. More commonly, life insurance is associated with death and other unfortunate circumstances, but Softlogic Life gave a new face to the business of life insurance on its Wellness, Fitness and Nutrition platform, which benefits the customer in the 'here and now', so that they live with a greater purpose, enjoy life and are carefree. The Company has embraced creativity and disruptive innovation such as One-day claims settlement and a worldwide cashless hospital settlement product, integrating most of the local

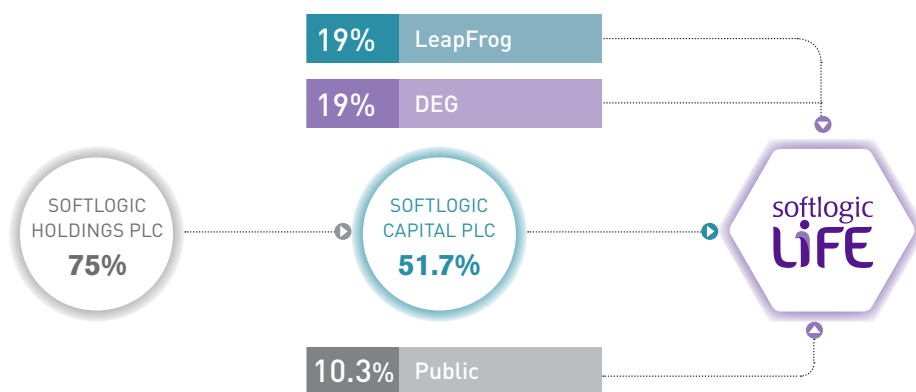
hospitals, offering Life Insurance via mobile through a partnership with Dialog Axiata and a bundle of digital-first initiatives to elevate the standards of Sri Lanka by bringing together world-class solutions that enhance quality of life of customers while becoming the most preferred proactive life insurance provider.

OWNERSHIP

Softlogic Life is a part of the Softlogic Group which owns 51.7% of the Company. It is recognised as one of Sri Lanka's most diversified conglomerates with interests in retail, healthcare, IT, leisure, financial services and automotive industries. Group synergies have given rise to immense opportunities for Softlogic Life, especially in the healthcare sector, as the Asiri Group of Hospitals is the market leader of the total private healthcare market in the country.

DEG (Deutsche Investitions Und Entwicklungsgesellschaft mbH) of Germany, LeapFrog Investments (Dalvik Inclusion Private Limited of Mauritius) and Global Macro portfolio together with Global Macro Capital Opportunities Portfolio hold a 44.37% stake in Softlogic Life, which reflects the significance and viability of the insurer to high profile overseas investors. Miford Ceylon Pvt Ltd purchased the 19% stake of Softlogic Life held by DEG on the CSE trading floor on 16th January 2020. This signifies a greater partnership and increased confidence in Softlogic Life's growth trajectory and future prospects and we are eagerly looking forward to the exciting future that we can create together.

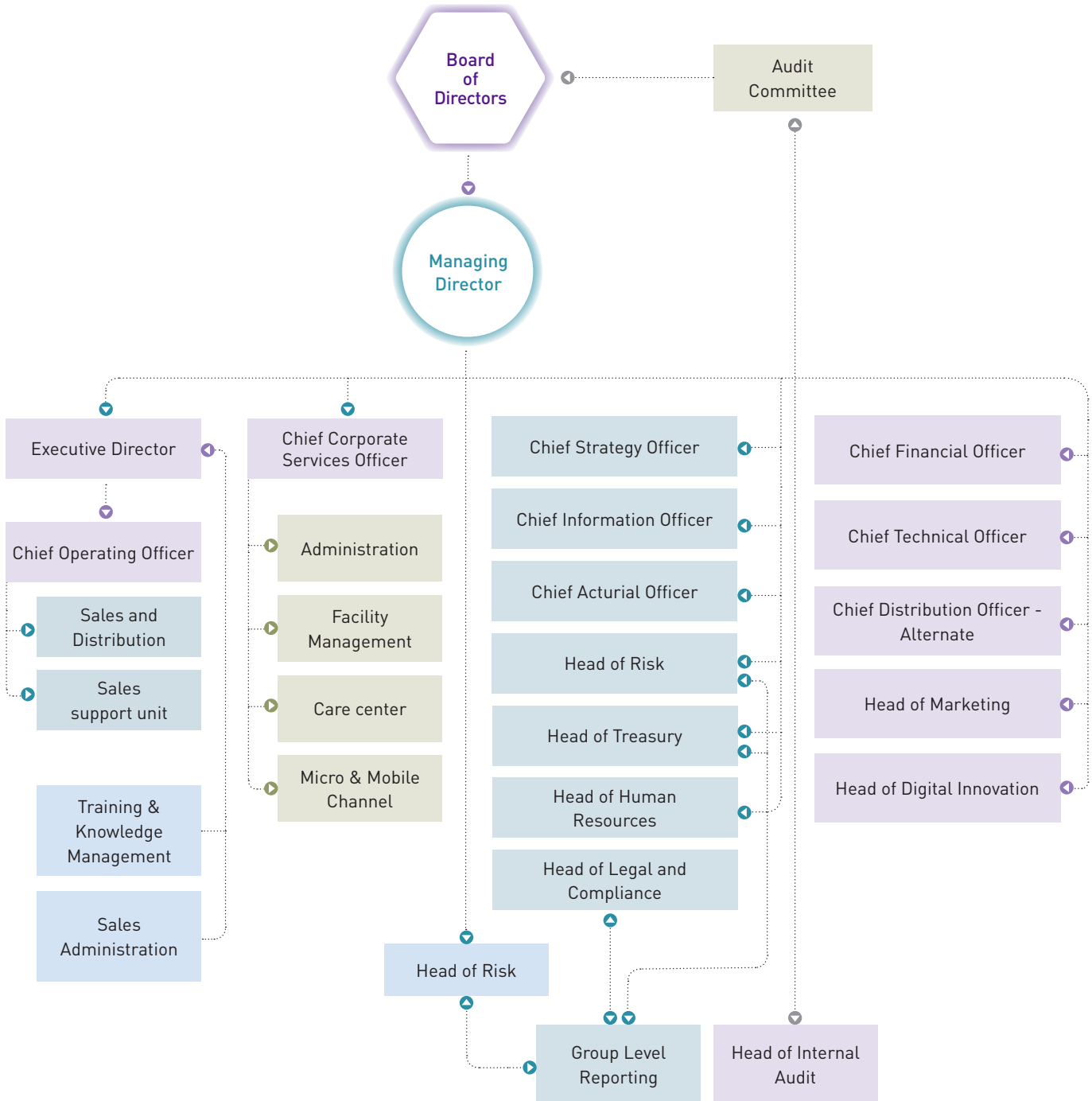
OWNERSHIP STRUCTURE



OUR UNIQUE VALUE PROPOSITIONS

The Company has uniquely positioned in the market as follows.

- ▶ Sri Lanka's best health insurer
- ▶ Sri Lanka's fastest growing insurer
- ▶ Industry leader in terms of single premium business
- ▶ Most innovative insurer in the Sri Lanka
- ▶ Sri Lanka's first micro insurance provider in life segment



ECONOMIC VALUE ADDED STATEMENT

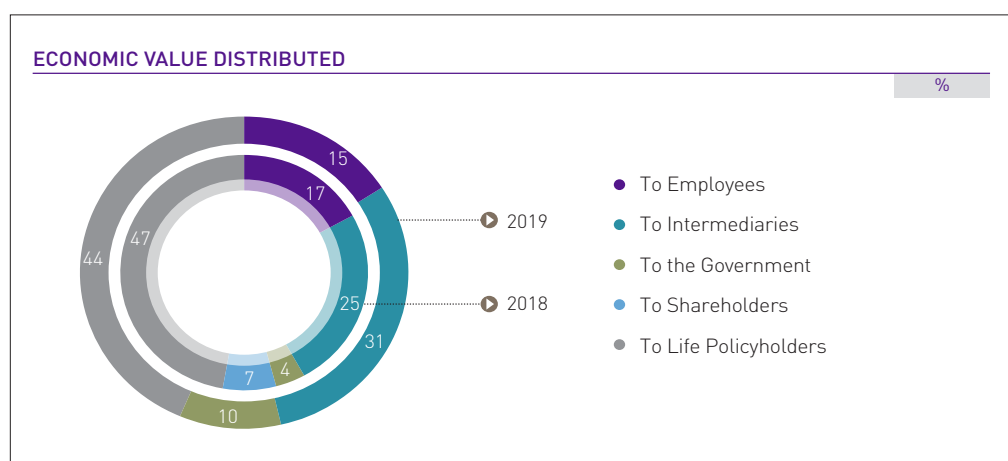
The Company's approach to value creation is reinforced with strategies focusing on operational excellence and sustainability. This approach is not short-term but looks to long-term value creation by incorporating triple bottom line, sustainable business practices.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED TO NATIONAL ECONOMY (ECONOMIC VALUE ADDED STATEMENT)

The Company's value creation process is directly linked with the national economy as we are one of the key contributors to the Sri Lankan economy. We contribute to the national economic development while managing the interests of our stakeholders.

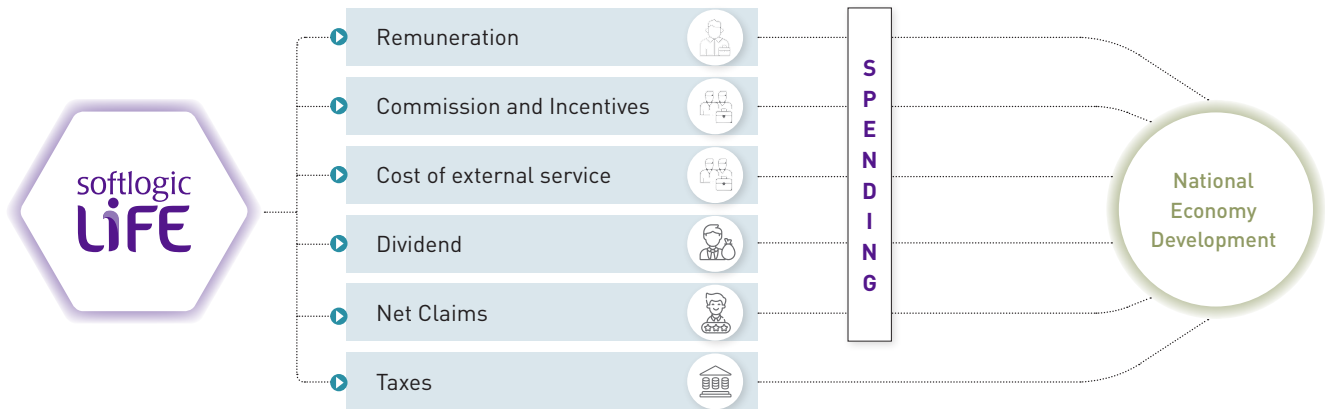
Sources of Income Rs. million	Stakeholder	2019	2018	2017	2016	2015
Revenue (Net Earned Premiums)		11,540	9,279	6,728	5,003	3,590
Investment and Other Income		1,584	953	1,069	753	868
Cost of External Services		(817)	(1,479)	(1,330)	(1,001)	(564)
Total Economic Value Added		12,307	8,753	6,467	4,755	3,894
Economic Value Distributed						
To Employees as Salaries and Other Benefits		1,504	1,347	868	745	450
To Intermediaries as Acquisition cost		2,969	2,044	1,831	1,580	993
To the Government as Taxes		922	313	26	21	-
To Shareholders as Dividends		-	544	810	180	-
To Life Policyholders as benefits and Claims		4,166	3,839	2,537	1,360	1,400
To Community as social responsibility Projects		8	6	7	5	4
Total Economic Value Distributed		9,569	8,093	6,079	3,891	2,847
Economic Value Retained within the Business						
as depreciations		142	115	98	82	59
in reserves		2,596	545	290	782	988
Total Economic Value Retained with the Business		2,738	660	388	864	1,047

The creation of positive economic value is a prerequisite for the sustainability of our business. It's not only measures the effectiveness of our operations, but also serve as an indicator of our contribution towards the national economy.



ECONOMIC VALUE ADDED STATEMENT

The Company's contribution to economy through our stakeholders is graphically presented below. Accordingly, we analyse how our economic value distribution will contribute to national economy development.



ECONOMIC CONTRIBUTION THROUGH EMPLOYEES

The Company has spent Rs 1,504 Mn on our employees. Further, following key performance indicators also show how Softlogic Life contributes to the national economy.

New Recruitments

153 2019 / **225** 2018

Employees

805 2019 / **821** 2018

Outsourced Staff

146 2019 / **151** 2018

ECONOMIC CONTRIBUTION THROUGH BUSINESS PARTNERS

During our value creation process we engage with a numerous amount of external parties to get their services as sub value chain activities. The cost of obtaining these goods and services indirectly contribute to the national economy to a great extent.

Sales Advisors

2,772 2019

Registered Suppliers

257 2019

Reinsurers

6 2019

However, we have identified our reinsurance payment paid to foreign reinsurers creating net outflow from the economy. This was mainly due to non-availability of reinsurers within Sri Lanka. Accordingly, the Company continuously improves the reinsurance ratio and tries to shrink reinsurance profit through better engagement with reinsurers while benefiting the economy at large.

ECONOMIC CONTRIBUTION THROUGH INVESTORS

The Company pays attractive dividends to investors which flow to Sri Lanka's economy. In addition, the outstanding performance of the Company attracted

LeapFrog Investments

19 % Shareholding



DEG

19 % Shareholding

DEG

Total no. of Shareholders

1,342

foreign investors into Sri Lanka. 45% of the Company's shareholding belongs to foreign shareholders as laid out below, thereby increasing Sri Lanka's foreign reserves.

The Company's economic value addition to investors quantified through Economic Value Added statement (EVA) and Market Value Added (MVA). details are provide on page 15.

ECONOMIC VALUE ADDED STATEMENT (EVA)

EVA is the incremental change in the rate of return over a company's cost of capital. Essentially, it is used to measure the value the Company generates from funds invested. A positive EVA denotes the Company is generating value.

Economic Value Added	2019	2018	2017
Invested equity			
Shareholders' funds (Rs. million)	8,219	6,671	3,886
Earnings			
Profit after tax (Rs. million)	2,173	3,336	2,325
Cost of equity (based on 12 months weighted average) %	8.55	12.78	10.72
Cost of average equity (Rs. million)	703	852	417
Economic value added (Rs. million)	1,470	2,484	1,908
Economic value added (Rs. million) – Adjusted for Deferred Tax Income	1,205	77	1,488

MARKET VALUE ADDED (MVA)

MVA is the difference between the market value of the Company and capital contributed by investors; in other words, it is the sum of all Company capital claims held against the market value of debt and equity.

A high MVA indicates, substantial wealth creation for the shareholders and vice versa. A negative MVA means that the value of management's actions and investment have not been succeeded in achieving the desired growth objectives.

Description – Rs. millions	2019	2018	2017
Market Capitalization			
Market value of equity	14,063	16,800	7,875
Less: Equity owners' funds			
Shareholders' funds - book value	8,219	6,671	3,886
Market value added	5,844	10,129	3,989

ECONOMIC CONTRIBUTION THROUGH CUSTOMERS

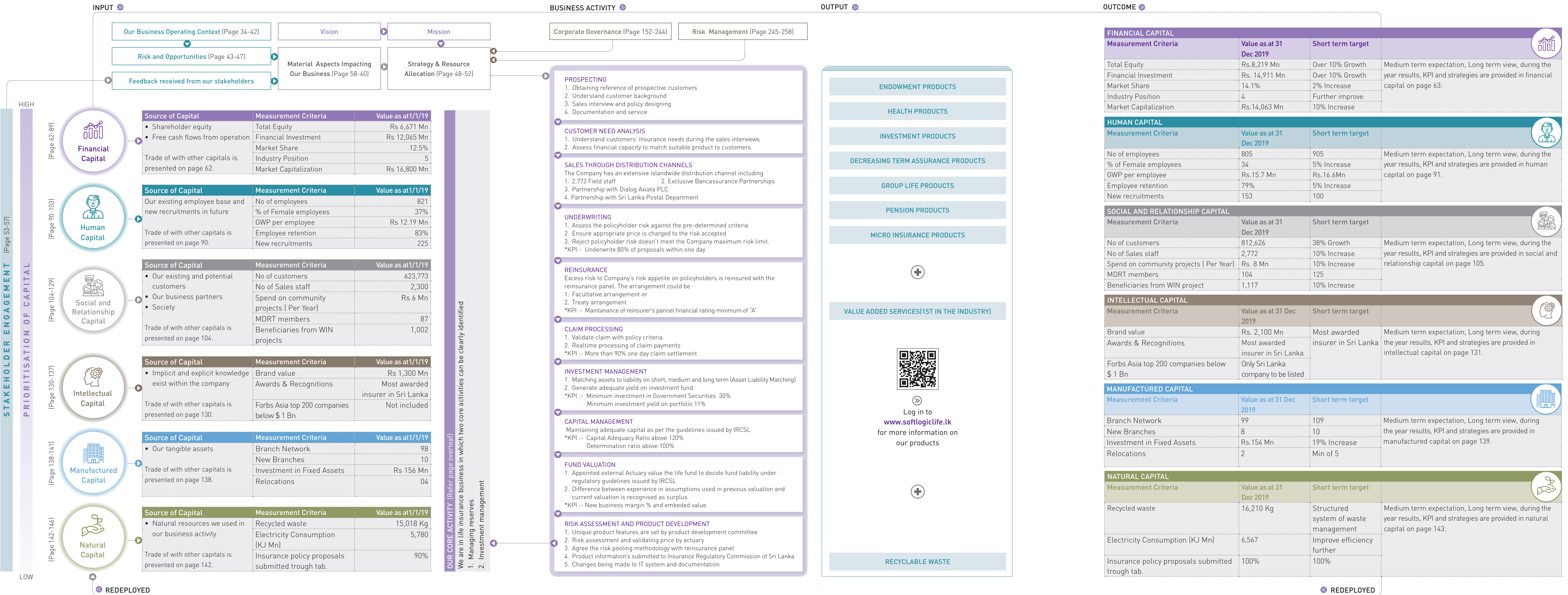
Details are summarized below:

Description	2019	2018	2017
Total Benefits paid to customers – Rs. millions	3,632	2,786	1,736
Value of the insurance Protection cover – Rs. millions	1,407,195	919,309	419,364
Total number of customers	812,626	623,773	212,645
New business insurance protection cover – Rs. millions	272,632	222,628	137,819
Number of New Policies issued	251,700	202,583	75,966

ECONOMIC CONTRIBUTION THROUGH GOVERNMENT

The Company has directly contributed to the economic development of Sri Lanka by paying the following taxes during the year under review:

Description – Rs. millions	2019	2018	G%
Total Investment in Government Securities	4,483	3,583	25
Taxes paid (Income Tax, VAT, NBT, CESS, Crop Insurance)	922	313	195



SOFTLOGIC LIFE BUSINESS MODEL

Insuring and managing risk is central to what we do. Understanding, measuring and modeling risks helps us to price risk fairly and offer competitive premiums to customers who also look to us to provide expertise aimed at mitigating their risk. This involves two primary activities call "Manage Reserves" and "Investment Management" which elaborated below.

MANAGE RESERVES

Our company wide policy with well-defined and prudent standards, is the basis for how we calculate insurance liabilities. Our reserving process is supported by strong governance (Refer page 152) including extensive internal and external reviews. (Refer page 149 / 265 for independence actuaries report)

INVESTMENT MANAGEMENT

The funds we collect from our customers we invest in various sources strategizing for maximum yield. Accordingly, investment management is a key activity in our business which ensure short, medium and long term liquidity of the company. (Refer financial note no 31 on page 345 for detailed analysis and page 296 on risk management policies and practices). The investment income will be used to give attractive return to our customers by way of higher maturity, policyholder bonus and dividends and also to provide attractive return to our shareholders.

OUR BUSINESS ACTIVITY

Our unique business activity showed in the diagram allows us to make our self-differentiated in the insurance industry as fastest growing company with diversified business channels. Prospecting and customer need analysis ranked in top of the list allow us to provide most relevant product suit to customer. Then we sell our product through our multi distribution channels. Our underwriting philosophy filter the risks we accept to company's risk appetite and match our price to the risk we accept. Our reinsurance guideline ensure that we will not be insolvent in

catastrophic event and provide comfort for the claims we settle for our customers. The fund collected from customers are invested to earn high yield and capital management framework ensure adequate liquidity at any given time. The life fund (Policyholder liability) is valued by independent actuary and assure existing assets are adequate to settle future liabilities. The experience gain through above explained our business process is used to develop new products which are relent to current market requirement.

Above business process is mixed with our main six capitals which we call "inputs" and our "output" is range of innovative products, value added services being majority of those are industry first innovations. Outcomes of the process is altered capital in the form of improved or converted to other type of capital which we again redeployed as input to the process.

The strategy for short, medium and long term are decided based on the many analytics carried out internally like environmental analysis, risk and opportunities, industry forecast, economic forecast etc. company's risk management framework ensure our risk is within risk appetite and governance framework focus on strong internal control system and transparent business process.

INNOVATION AND ADAPTABILITY

We have created innovation driven culture within our organization and was able to introduced many industry first innovations as listed in page 108-109 of this report. We always alert on changes in the market we operate and our customer needs. As we have structured internal processes and best practices in place we are able to do quick turnaround to the business process when it required.

DEVELOPING OUR PEOPLE

In light of above innovation driven culture and rapid changes we do within our business process to set new benchmark in the industry the management has acknowledge the fact that we should develop our people regularly and keep

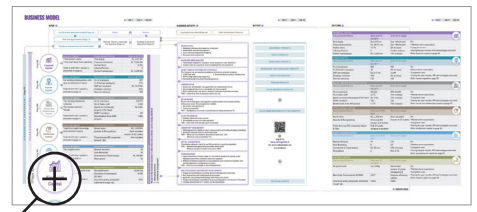
them ready to accept new challenge tomorrow. Our effort on people development is discussed in detailed under Human Capital on page 90.

ENGAGE WITH OUR STAKEHOLDERS

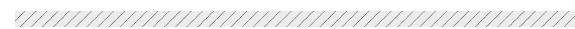
We are aware that our action will directly affect our stakeholders in many ways. There for we have established structured process to regularly engage with our stakeholders which is describe in detail on page 53 of this report.

OUR STRATEGIC VALUE PROPOSITION

Our unique business model gave us separate identity in the insurance industry in Sri Lanka generating strategic value propositions which provide competitive edge. Our key value propositions are given on page 11.



Log in to
www.softlogiclife.lk
for more information
on our Business Model



FINANCIAL HIGHLIGHTS

Financial Performance and ratios	Measurement	2019	2018	(%)
Gross Written Premium	Rs.million	12,531	10,006	25
Net Earned Premium	Rs.million	11,540	9,279	24
Underwriting results (Operating profit)	Rs.million	5,575	4,896	14
Earnings before interest, tax, depreciation & amortization (EBITDA)	Rs.million	2,866	1,281	124
Profit Before Taxation (PBT)	Rs.million	2,604	1,095	138
Income Tax Expense/ (Income)	Rs.million	431	(2,241)	(119)
Profit After Taxation (PAT)	Rs.million	2,173	3,336	(35)
Gross Dividends	Rs.million	-	544	(100)
Retained Profits	Rs.million	2,173	2,792	(22)
Financial Position as at the year end				
Financial Investments	Rs.million	14,911	12,065	24
Total Debt	Rs.million	Nil	Nil	Nil
Total Assets	Rs.million	20,683	17,333	19
Equity and Reserves	Rs.million	8,219	6,671	23
Insurance Contract Liabilities	Rs.million	10,377	9,022	15
Total Liability	Rs.million	12,464	10,662	17
Share Information				
Market value per share				
- Highest value recorded during the year	Rs.	50.4	45.1	12
- Lowest value recorded during the year	Rs.	30	20.5	46
- Value as at end of the year	Rs.	37.5	44.8	(16)
No of shares in issue	million	375	375	-
Market Capitalisation	Rs. million	14,063	16,800	(16)
Profitability Ratios				
Underwriting Margin / Gross Profit / Operating profit Margin	%	44.49	48.93	(4.44)
Return on Total Assets *	%	11.91	6.30	5.61
Return on Capital *	%	54.94	31.44	23.5
Investment Yield	%	11.5	8.5	3
Liquidity Ratios				
Current Ratio	Times	4.90	4.54	0.36
Quick Assets Ratio	%	4.84	4.51	0.33
Equity Ratios				
Net Assets value per share	Rs.	21.92	17.79	23.20
Basic Earnings per share (EPS) / Diluted Earning Per Share	Rs.	5.79	8.90	(34.92)
Dividend per share (DPS)	Rs.	-	1.45	100.00
Effective Dividend rate (Dividend Yield)	%	-	3.24	(3.24)
Dividend Payout Ratio	%	-	16.30	(16.30)
Dividend cover	Times	N/A	6.14	100.00
Price Earnings Ratio	Times	6.48	5.04	28.62
Return on Equity / ROCE *	%	39.7	22.74	16.98

* Adjusted for Deferred Tax

Financial Performance and ratios	Measurement	2019	2018	(%)
Efficiency Ratios				
Total Asset Turnover ratio*	Times	0.76	0.75	1.00
Fixed Asset Turnover Ratio	Times	19.4	16.72	15.78
Debt Ratios				
Debt to Equity Ratio	%	100% Equity Funded	100% Equity Funded	-
Interest cover	Times	N/A	N/A	-
Equity Assets Ratio	%	40	38	2
Industry specific ratios				
Capital Adequacy Ratio (Minimum requirement 120%)	%	173	199	(26)
Determination Ratio (Minimum requirement 100%)	%	109	105	4
Investment in Government Securities (Minimum 30%)	%	42	39	3
Net Claims Ratio (with maturities and surrenders)	%	26.0	25.2	0.8
Net Claims Ratio (with Group life and DTAP)	%	18.3	13.5	4.8
Net Claims Ratio Endowment (without Group life and DTA)	%	10.8	9.7	1.1
Total Expense ratio	%	53.9	54.3	(0.4)
Combined ratio	%	79.9	79.5	0.4
Operational expense Ratio	%	26.08	31.86	(5.78)
Reinsurance Expense Ratio	%	7.9	7.3	0.6
Key Value Drivers				
Annualised New Business Premium	Rs.million	3,967	3,325	19.31
Average Premium Per Policy (Endowment)	Rs.	137,032	128,887	6.32
Premium Persistency Ratio Year 1	%	85	84	1
Premium Persistency Ratio Year 2	%	64	63	1
Premium Persistency Ratio Year 3	%	52	55	(3)

FINANCIAL GOALS AND ACHIEVEMENTS

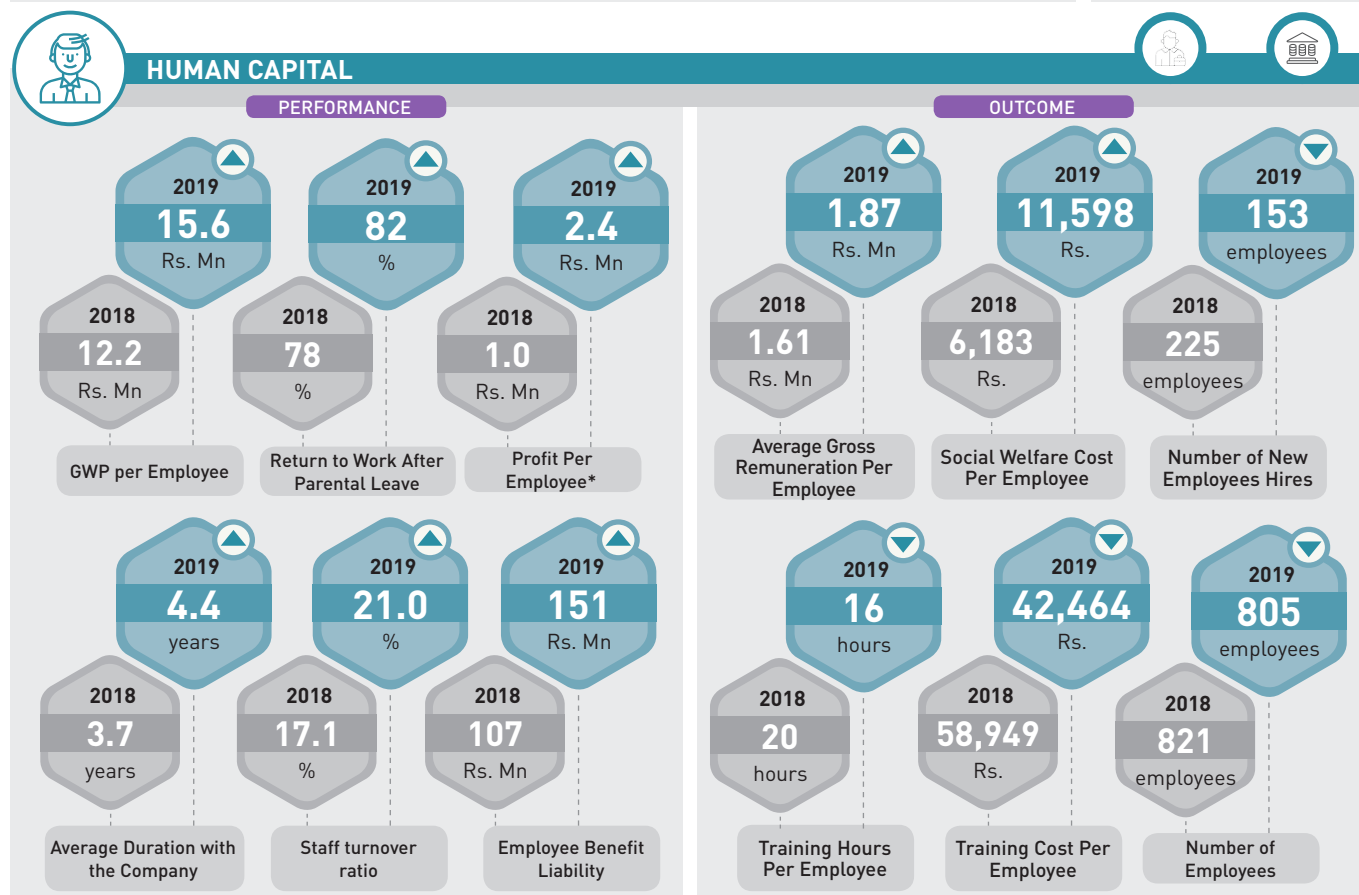
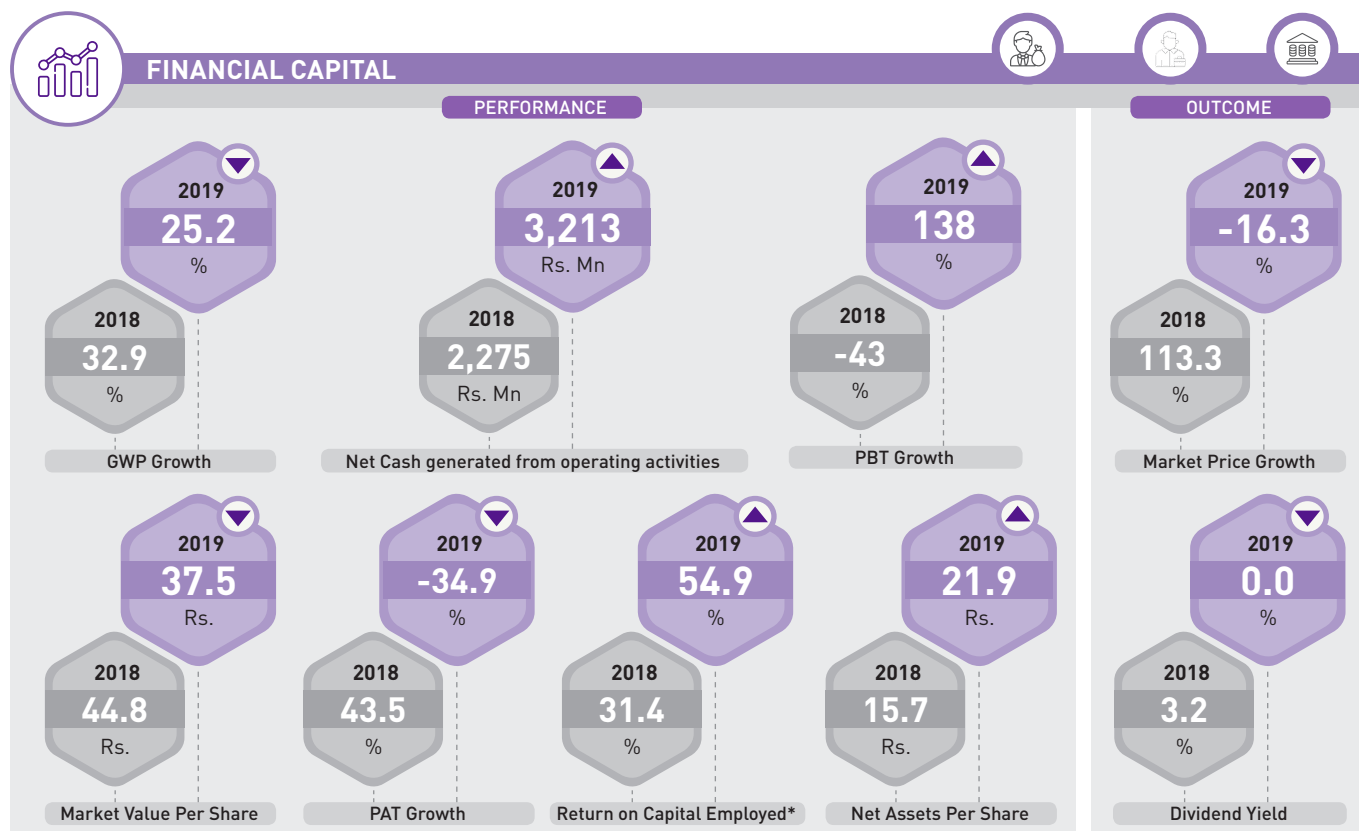
Indicator (%)	Goal	Achievement	
		2019	2018
Gross Written Premium Growth	Over 20%	25	33
ANBP Growth	Over 25%	19	23
Profit Before Tax growth	Over 30%	138	(43)
Return On Equity	Over 20%	40	23

* Adjusted for Deferred Tax

PERFORMANCE HIGHLIGHTS

(STATEMENT OF VALUE CREATION)

103 | 102-7



* Adjusted for Deferred Tax



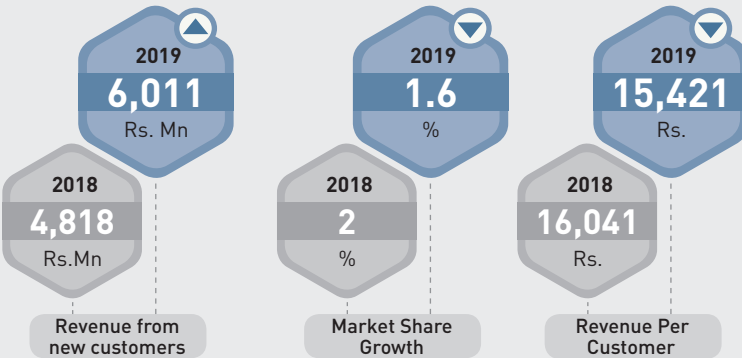
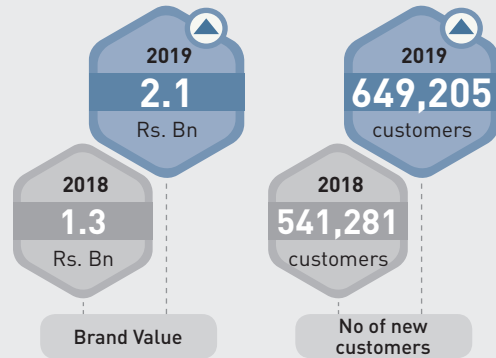
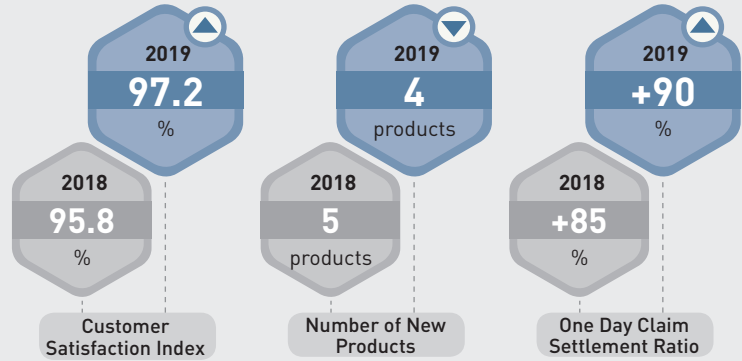
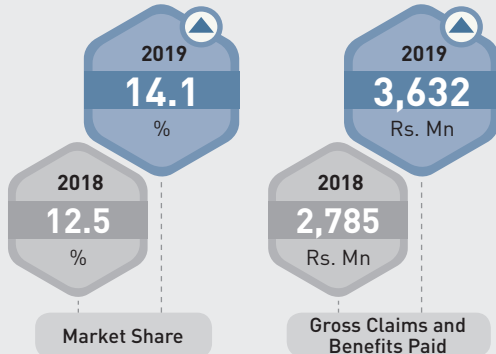
SOCIAL CAPITAL



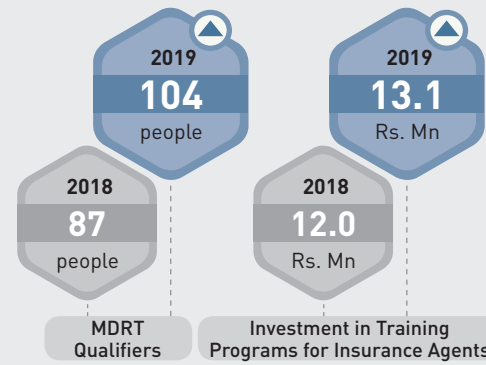
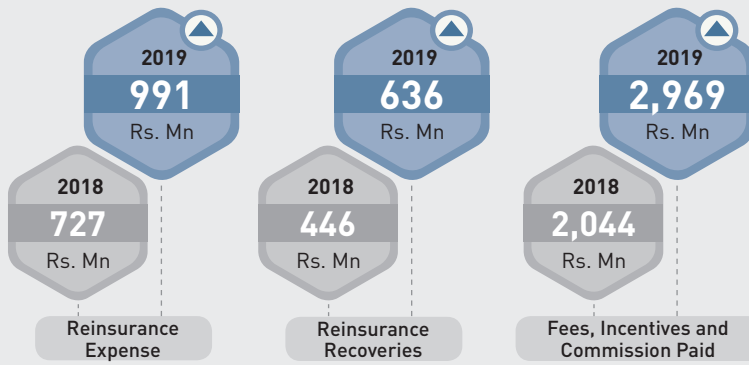
PERFORMANCE

OUTCOME

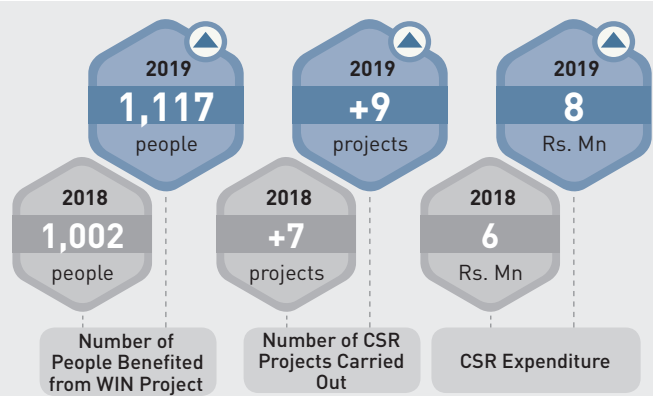
CUSTOMERS



BUSINESS PARTNERS

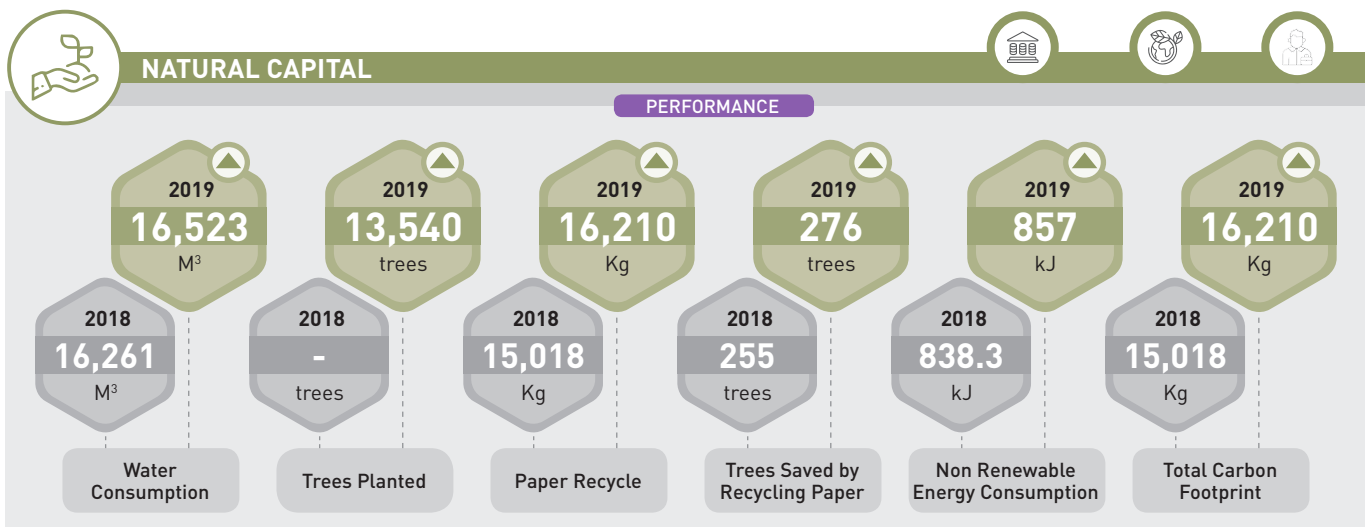
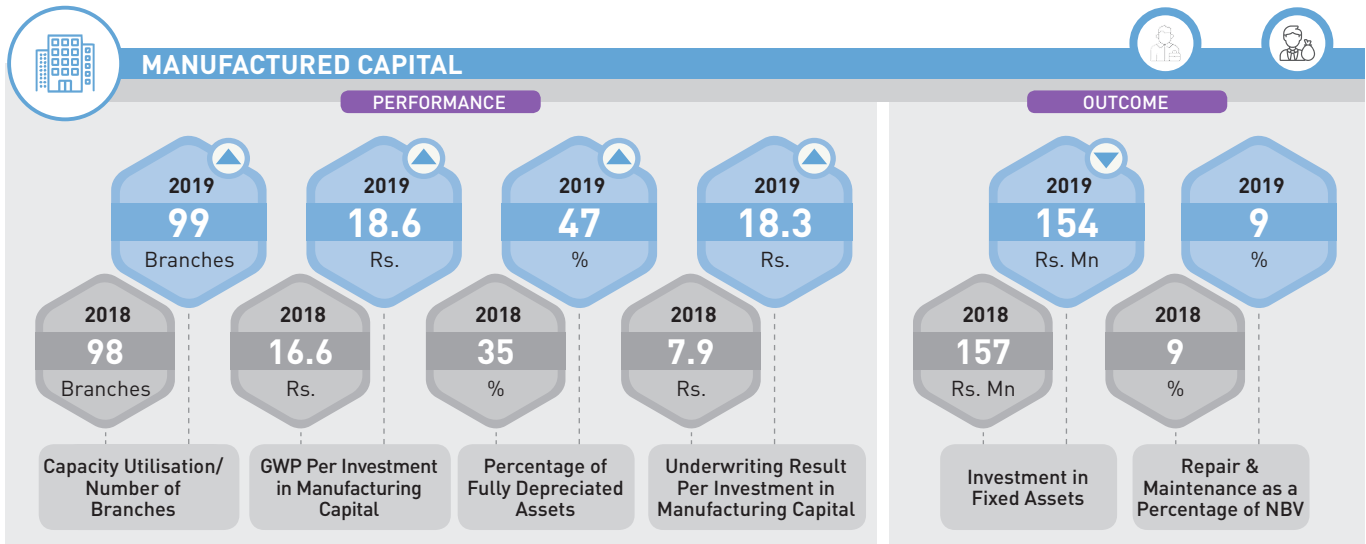
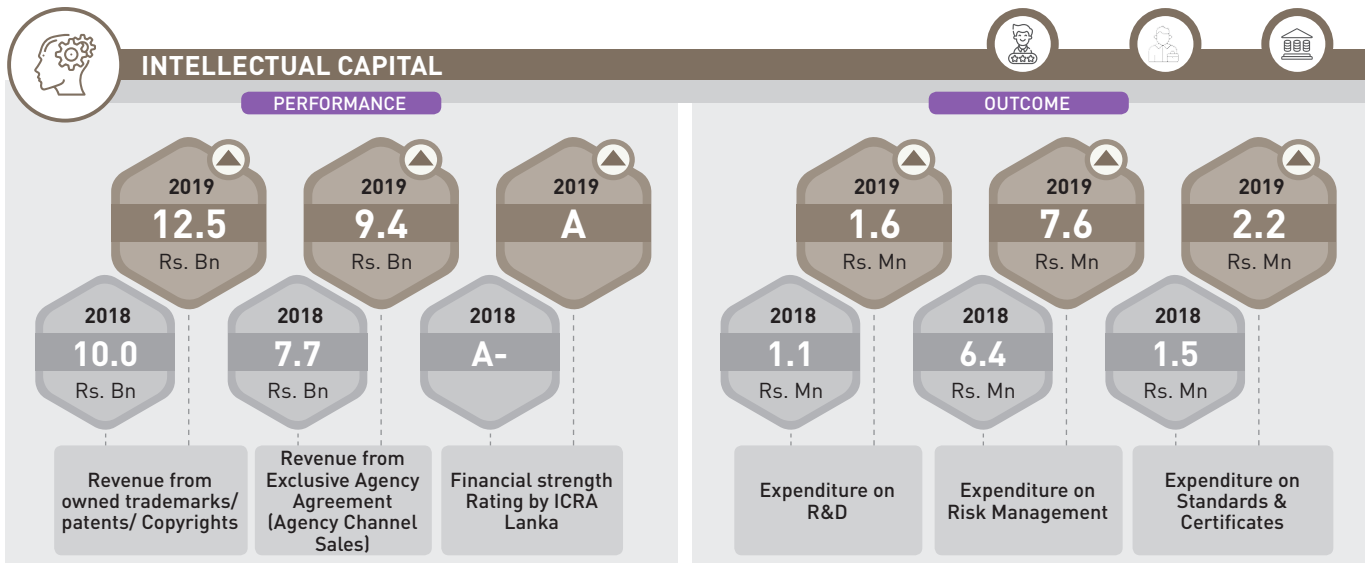


COMMUNITY



PERFORMANCE HIGHLIGHTS

(STATEMENT OF VALUE CREATION)



kJ - Killo Joules M³ - Cubic Meters

ALIGNING OUR BUSINESS ACTIVITIES TO THE UNITED NATIONS SUSTAINABILITY GOALS (UNSDG)

The Sustainable Development Goals (SDGs), set in 2015 by the United Nations and Intended to be achieved by the year 2030. SDG's are a collection of 17 global goals designed to be a "blueprint to achieve a better and more sustainable future for all". SDG's are truly integrated in to our business processes through linking SDGs in strategy setting and we believe this is to be well equipped to tackle future challenges and embrace possibilities in a rapidly changing world. Softlogic Life contributions to UNSDGs are summarized below.



SLI is a member of "Business Call to Action", a sure confirmation of your company's leadership in and commitment to inclusive and sustainable initiatives at the base of the economic pyramid.

Theme :- Enhance quality of lives of Sri Lankans by providing them with relevant, innovative and affordable life insurance solutions and livelihood opportunities.

Objectives:-

- ▶ By 2024, SLI will provide access to life insurance policy to 2.4 million low-income people in Sri Lanka.
- ▶ By 2024, SLI will provide livelihood opportunities to extra 3,000 low-income people as distributors of insurance policies in Sri Lanka.

Action:- Introduction of Postal Insurance product (Refer page 10)

UN SDG	Impact created	Reference to capital report
	We create job opportunities in underdeveloped districts. During the year the Company provided 1,248 new job opportunities in sales and non-sales areas.	Refer Page 119 and 99
	We ensure our employees get annual salary increments above the inflation level of Sri Lanka. SLI provide the highest income package in the industry which is linked to the performance of Sales staff	Refer Page 97 and 120
	The Company's core CSR project "WIN" is aimed at developing soft skills of students who faced the A/L exam. One of our key focus is to increase employability of the younger generation.	Refer Page 125
	The Company provide health insurance guaranteeing affordability for health care services. During the year the Company paid Rs 2.9 Mn as claims to customers.	Refer Pages 110 to 113
	SLI introduced micro insurance products the premium being low as Rs 5 per day to provide financial support when they need it. By end of 2019 we have covered 353,413 of people's lives with micro insurance.	Refer Page 110
	The Company actively promotes healthy life style through all its mass communications	Refer Page 133
	One of the drawbacks we see in our secondary education is lack of soft skill development. The WIN CSR program is developed to enhance soft skills of youth, aiming to bridge the skill gap.	Refer Page 125
	The Company provide scholarship for students at the Kelaniya University	Refer Page 126
 	The Company has established a non-discrimination policy which ensures we do not discriminate people on gender or any other grounds. Company maintains a fair level of gender equality at overall level having 277 females with a total cadre of 805.	Refer Page 102
 	The Company recorded revenue growth 32% last five years CAGR compared to 13% CAGR at industry. Accordingly, the Company has contributed it best to development of economy as well as income growth of our employees.	Refer Page 66
	In line with our growth momentum we create new job opportunities every year. The company employed 153 new staff during the year 2019.	Refer Page 119
	The Company maintain a high level of innovation within the company by introducing innovative products and services every year.	Refer Pages 108 to 109

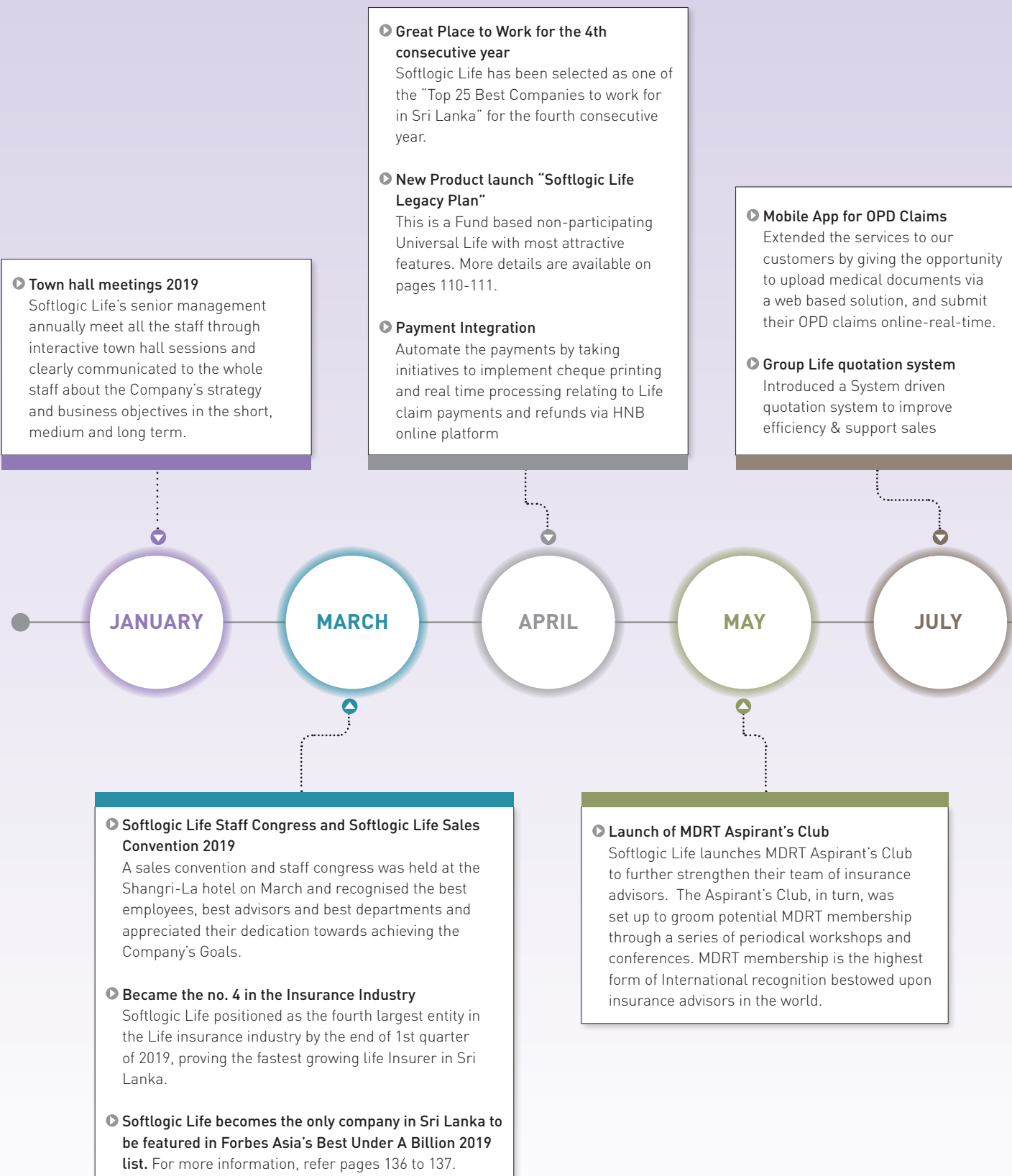
Apart from direct involvement of the above goals we comply with the following within our sustainable business process.



SDG IN STRATEGY SETTING

At SLI we consider our impact on Macro and Micro environment within which we operate according to the UNSDG goals. Impact to UNSDG from our future strategy is mapped in Strategy and resource allocation on page 48.

YEAR AT A GLANCE



Brand of the Year

Softlogic Life made history by becoming the youngest brand ever to win "The Brand of the Year" at Effie awards. More details are available on pages 137.

Signs an MOU with the University of Kelaniya

Softlogic Life in partnership with the University of Kelaniya launches the first-ever diploma in Financial services exclusively for Softlogic Life Advisors. More details are available on page 126.

New Product launch "Softlogic Life Online Plan"

This product is exclusively carved out to cater to the Middle Income population of the age group 30 – 45 years and mainly focused on the customers who are frequently using online transaction methods. More details are available on page 111.

2020 Budget Planning and Strategy meeting in Manila

The senior management gathered in Manila for an extensive two-day program to set the Company's short, medium and long term objectives and strategies.

New Products launched "Asiri Life Plan"

More information on these two products are available on pages 110 and 111.

Implemented Robotic Process on Bank Reconciliation process.

More details are discussed on page 39

Highest ever top line and operational profitability

The Company recorded its highest ever top line of Rs. 12.5Bn and Profit Before tax of Rs. 2.6 Bn

Awards and Accolades

Won many awards including 2 awards at South Asian Federation of Accountants (SAFA) Annual Report Awards; and 4 awards each from CMA and CA Sri Lanka. More details are provided on pages 136 and 137

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

Softlogic Life Sales Advisors Emerge Victorious at the National Forum for Life Insurance Advisors 2019 (NAFLIA)

Our outstanding advisors emerged victorious at NAFLIA 2019 showcasing their professionalism, persistence and best in class client servicing standards.

Introduction of New Postal Product

Ensuring every Sri Lankan's right to health and life insurance, Softlogic Life has introduced Postal Life Insurance Policies and made entry into the previously untapped micro-insurance market in partnership with department of postal Sri Lanka. More details are available on page 111 in this report

Softlogic Life opens state-of-the-art new head office at One Galle Face

Marking a new era of unprecedented growth and top-of-the-line service ethos, we moved our corporate office to One Galle Face Tower, an international-grade business tower in the heart of Colombo.

Significant change in the business process

What we did - Introduction of postal insurance

Value Creation - The Company step into provide micro insurance through postal department focusing mass market at bottom of the social pyramid. (refer page 111 for product details)

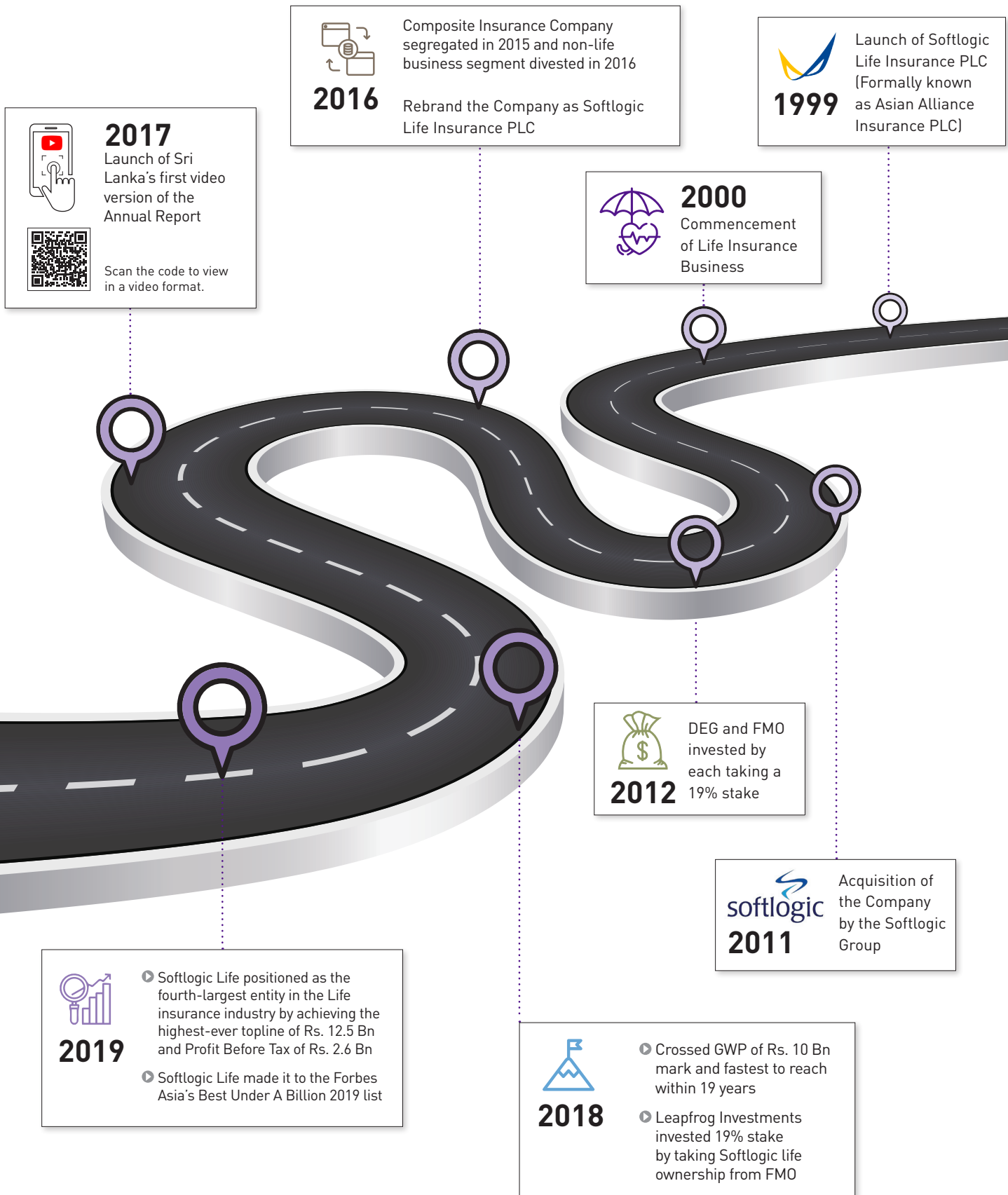
Value creation to Company

- Reduce concentration risk on business channels
- New revenue streams

Value Creation to customers

Affordability of cost of health care services at a low cost of Rs. 150/- per month

OUR HISTORY





EXECUTIVE STATEMENTS

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Ashok Pathirage
Chairman

“ SOFTLOGIC LIFE HAS ACHIEVED A REMARKABLE MILESTONE IN ITS HISTORY BY BECOMING THE 4TH LARGEST LIFE INSURER IN THE YEAR UNDER REVIEW, CLIMBING ONE KEY POSITION UP IN THE INSURANCE LEAGUE TABLE DURING 2019

”

Dear Stakeholders,

Softlogic Life has achieved a remarkable milestone in its history by becoming the 4th largest life insurer in the year under review, climbing one key position up in the insurance league table during 2019 to No. 4 while gaining the distinction as the only company in Sri Lanka to be featured in Forbes Asia's 'Best Under A Billion 2019' list.

Bestowed with such exceptional accomplishments, I feel a sense of immense pride on the occasion of the 21st Annual General Meeting of the Company as I place before you the Annual Report and Audited Financial Statements for 2019.

EXCEPTIONAL COMPANY PERFORMANCE DESPITE POOR ECONOMIC AND INDUSTRY PERFORMANCE

2019 was a challenging year for Sri Lanka, resulting in real GDP growth limited to 2.7% with Easter Sunday attacks, contractionary fiscal policies and political uncertainty. The Sri Lankan insurance industry also had a challenging year 2019, which ended up with only 10% growth compared to the previous year.

Softlogic Life recorded 25% growth in GWP of Rs. 12.5 Bn during the year, from Rs. 10 Bn reported in the previous year while market share expanded from 12.5% in 2018 to 14.1%. The Company grew at twice the rate of the industry, refusing to

be disheartened by prevailing economic challenges and stagnant Life Insurance Industry performance. I am delighted to share that the Company recorded a CAGR over last five years of 32% GWP growth against industry average growth of 13% which proves that the trajectory of growth is being maintained in an effective and sustainable manner.

VALUE CREATION TO THE SHAREHOLDERS

The Company reported the highest-ever Profit Before Tax (PBT) of Rs. 2.6 Bn in 2019 compared to Rs. 1.1 Bn in 2018, which marks 138% growth. A 24% growth in net earned premium and 65% growth in investment income was a substantial achievement. Profit After Tax (PAT) is reported as Rs. 2.2 Bn in 2019 whereas it was Rs. 3.3 Bn in 2018. The drop in PAT compared to the previous year is due to the recognition of one-off deferred tax asset of Rs. 2.5 Bn during 2018. The Company's total assets increased by 19% to Rs. 20.7 Bn in 2019 compared to Rs. 17.3 Bn in the preceding year. Growth in financial investment of Rs. 2.8 Bn was the main contributing factor for the increase in total assets.

The Company's Net Assets per Share was reported at Rs. 21.92 as at 31st December 2019 compared to Rs. 17.79 as at 31 December 2018. Return on capital was reported as 54.9% in 2019 compared to 31.4% in the previous year adjusted to one off deferred tax income in all key areas of business activity, the Company posted appreciably high performance whilst continuously outpacing industry benchmarks.

FUTURE OUTLOOK AND THE STRATEGIC DIRECTION FOR THE COMPANY

The Company is more energized about the economy's future outlook and industry's future prospects. With the government articulating its goals to achieve GDP growth of 3.5% and US\$4,250 per capita income in 2020, prospects for the life insurance sector seem bright - as a trend of rising per capita income will accelerate penetration in the life insurance sector.

The insurance industry will have an immense opportunity to succeed in the long run with the country's positive economic outlook. As a company with the fastest growth momentum in the industry, we are best positioned to take advantage of Sri Lanka's future financial services and insurance needs.

The digital technologies such as big data and predictive analytics, robotic process automation and artificial intelligence have become a vital element in business operations and these technologies will make exponential advancement in delivering convenience and simplicity to the customer in the long run. The Company has launched trademark technologies in the Life Insurance business with applications such as LifeUp Mobile Application, E-Advisor, IME and many other such technologies that have facilitated the modern customer experience a shift towards the digital space. The Company continues exploring these new opportunities unfolding in the digital space.

Our future strategies will align to these emerging technological developments to facilitate the modern customer experience shift towards the digital space and we will be at the forefront of introducing digital customer experience to the Sri Lankan insurance industry.

The Company has concluded its corporate plan 2020 -2022, which defines our short to medium term strategy which plans to use innovative means to reverse market under-penetration that exists in the Life Insurance market which is 0.5%. The Company will continue with its profitable growth strategy which counts a growth rate of over 20% to capture the insurance market rapidly. In terms of profitability, it was decided to achieve sales growth via profitable product portfolio and the management brought important initiatives to the table to reduce the year on year operating expense ratio which will spur profit growth over the planning period. In our long term strategy, we will focus on operational excellence

Last Five Year CAGR

32%

Market Share

14.1%

Market Capitalisation

Rs.14 Bn

blending with technology to provide exceptional customer experience in our journey towards delivering extraordinary stakeholder value while focusing on risk management.

SUSTAINABLE STRATEGY AND ROBUST CORPORATE GOVERNANCE FRAMEWORK

At Softlogic Life, sustainability is everything in the journey to the top and it is evident from its impressive growth that the Company has continually maintained new channel innovations and expansions, deriving growth from across the economy while diversifying the risk component significantly. Meanwhile, the robust corporate governance framework that is in place to ensure the Company builds value for its shareholders on a consistent basis is a key aspect in driving sustainability. The Company takes into account the developments in the regulatory, business and internal environments alike in driving improvements towards achieving the highest standards of governance enabling the Company to ensure that it carries out its business in a responsible manner leading to long term sustainability of the organization. Comprehensive details on Corporate Governance and Integrated Risk Management is provided on page 152 to 258.

Softlogic Life has also achieved numerous awards in recognition for its excellence in Corporate Governance at the CA Sri Lanka

Annual Report Awards recently. In 2019, Softlogic Life was the only Sri Lankan Company to achieve the bronze award at the SAARC Anniversary Awards for Corporate Governance at the SAFA best presented Annual Report awards.

VALUABLE CONTRIBUTIONS

As a result of changes in the Company shareholding, we said goodbye to Mr Rudiger Will, nominee of DEG, and welcomed Mrs. Fernanda Lima and Mr. Raimund Snyders as Leapfrog nominees to the Softlogic Board. We are also pleased to welcome Mr Vish Govindsamy, with his vast and diverse experience, to the Board as an Independent Director and look to maximize his contribution. Mr Paul Ratnayake stepped down on turning 70 as per regulations after almost two decades of serving the Company through its early stages. We are grateful for his guidance, contribution and help to achieve fast-paced growth over the years. Softlogic Life achieves success by leveraging on its vast pool of talent and experience and for that we are ever grateful.

ACKNOWLEDGEMENTS

As I have reiterated on numerous occasions, our business is all about people. The Management and staff of the Company have done a fantastic job yet again and set the stage for an exciting and prosperous future of the Company. I greatly appreciate my fellow Directors for their support and guidance and to maintain dialogue with the industry and interact with Regulator to better the life insurance industry. The Regulator needs to be commended for maintaining a steady hand in guiding the insurance industry amid a challenging external environment. I have the fullest confidence that we will sustain our lionhearted spirit well into the future.

Sgd.
Ashok Pathirage
Chairman

Colombo, Sri Lanka.
28 February 2020

MANAGING DIRECTOR'S REVIEW



“ SOFTLOGIC LIFE IS SYSTEMATICALLY EXPANDING THE LIFE INSURANCE INDUSTRY BY DEVELOPING NEW SEGMENTS TO SPEARHEAD INSURANCE TO DIFFERENT SEGMENTS OF SOCIETY. ”

Softlogic Life clearly left its mark on the past decade with exceptional topline growth, revolutionary operational profit, and product and channel innovations, as well as top of the line customer service. Softlogic Life imprinted another successful financial year as an accelerator of innovation - recording both, highest-ever Gross Written Premium and Profit Before Tax in the Company's history.

A PERFORMING CULTURE

In the year under review, Softlogic Life disrupted the top five positions in the life insurance industry which have been cemented for the past 25 years, by replacing a 30-year old competitor to stake claim to the fourth place in the industry ranking. The current market share of the Company is 14.1% as compared to 12.5% share in 2018.

Softlogic Life is systematically expanding the life insurance industry by developing new segments to spearhead insurance to different segments of society. The Company recorded Rs. 12.5Bn GWP in 2019 (2018: Rs. 10 Bn) recording a 25% increase which clearly demonstrates that the Company is sustaining its growth momentum.

The Company's success during the year can be attributed to the three-pronged channel strategy adopted currently, which includes the Agency, Alternate and Micro channels. While the Agency channel grew by 21% in 2019 and the expected key value drivers were in line with the actual performance by achieving Annualised New Business Premium (ANBP) of Rs. 4 Bn, Average policy value was Rs. 137,032 maintaining 1st year persistency of 85%.

Targeting the middle and upper segments of the market is the key differentiation factor of the Agency channel.

The Alternate channel recorded 37% growth in 2019 whose main strategy is achieving the topline via partnerships and collaboration. Alternate channel entered into several partnerships during the year to achieve this performance. The Company launched the Micro Insurance channel in partnership with leading mobile service provider achieved 82% growth for the year under review.

The Company achieved Profit Before Tax of Rs. 2.6 Bn in 2019 compared to Rs. 1.1 Bn in 2018 which is 138% growth. Profit After Tax was recorded as Rs. 2.2Bn in 2019 whereas Rs. 3.3 Bn was reported in 2018 which is due to recognition of one-off deferred tax of Rs. 2.5 Bn in 2018.

REVIEW OF 2019 STRATEGY AND ACTUAL PERFORMANCE AGAINST OBJECTIVES

The Company has delivered an exceptional performance despite challenging conditions in the country and slower growth momentum in the industry. The Company artfully evolves its value proposition and creates a differentiated experience to widen its customer base, recording revenues double industry growth while growing at almost 10 times the pace of the nation's economy.

OUR SUCCESS FORMULA

Our success formula comprises of several aspects. The products we design delight customers, while our innovative culture, distribution strategy and people are key to our success. The Company introduced 4 products during 2019 with unique benefits to cater to precise needs of each target group.

Continuous innovation inspires our customers and adds greater value propositions, such as maintaining One-Day claim settlement at a rate of more than 90%, 100% digital proposal Submission, Tele Underwriting, 100% paperless credit life policy issuance, Mobile app platform for OPD claim settlement.

Eventually, the success of the Company is due to our people and at Softlogic Life we have the industry's best team as we have demonstrated time and again. Each of our Departments and their operations is best-in-class and has gained recognition which in turn has given a huge boost in terms of performance and positioning. We are continuing our successful journey which is endorsed by the numerous awards we received during the year that have been disclosed on pages 136 to 137. Employee development remains a strategic priority and our 'disruptive' culture has helped pioneer innovation across the enterprise. The future is "digital" and we will be empowering our staff to be fully prepared with the latest digital trends to be poised at the top of the curve with new digital thinking and strategies.

OUR MEDIUM TERM STRATEGY

The Company has concluded its strategic planning sessions on a positive note and expects a 30% growth in the short term and 20%-25% growth in the medium to long term. The full details of short, medium and long term strategies and the respective resource allocation are provided in the strategy and resource allocation report on pages 48 to 52.

Going forward, we have adopted five themes to meet our ambitions and we will place emphasis on these five areas. The first is "phenomenal sales" and the second is to become the "most caring life insurer" in the market, Thirdly, we want to be the "kings of data" and use big data analytics to improve our processes, followed by "smart IT digitalisation" and finally, to become "lean and fast", which makes processes more efficient and productive.

As we prepare to deliver yet another exceptional financial performance in the year 2020, we remain cautious and mindful of the possible risks both internal and external that could impact our business. The only external risks we see to the business would be any adverse impact on the economy and a cash flow squeeze. Internally, how we manage our

Reinsurers programme will be critical to future sustainability. In this regard we are backed by the world's best panel of Reinsurers. We systematically allocate resources in achieving our business goals ensuring our future business strategy will not be affected by resource constrains.

Our Audit and Risk Board Committees are instrumental in managing the Company's risk appetite and risk management practices, which are executed by Board sub-committees. We believe strong leadership and a collaborative work culture which are in the Company's DNA, will take us to the ultimate goal in medium to long term.

LOOKING AHEAD

In our efforts to continuously challenge and reward our professional work force, we moved into our plush office at One Galle Face in 2019 which was a decision to inspire our people to be at their best and to provide an aspirational and inspirational workplace. Working in a world-class location also helps to show the team what the future of insurance could be and to attract industry talent. The move to the new office comes from Softlogic Chairman's vision for the Group and the Company to think big and bold.

Softlogic Life is fuelled by optimism for a more robust national economy notwithstanding Sri Lanka's weak economic performance in 2019. The uptick in economic activity and positive forecasts by the Central Bank of Sri Lanka and the International Monetary Fund for the economy beyond 2020 boosts confidence in the nation's economic prospects. Of particular significance to our operations is the government's move to offer stimulus packages by way of reduction in taxes at both personal and corporate levels, which indicates cash in hand and higher disposable incomes, which is significantly insurance positive. Considering the business-friendly measures being taken by the government, market conditions will improve and favour companies that already have a strong growth momentum, so that they can be first off the starting

blocks when the economy expands. As the most rapidly growing insurance company, Softlogic Life is ideally positioned to lead industry growth beyond 2020.

As we navigate the future, we remain focused on delivering on the goals and aspirations of our stakeholders – from customers and employees to the communities. We will continue to explore unique product propositions, backed by our investments in talent and technology on our journey towards sustainable growth.

APPRECIATION

I would like to express my gratitude to the Chairman and Board of Directors for their strategic guidance and support in taking the Company to new heights in the financial year just concluded. The Chairman, Director General and senior staff of IRCSL have been extremely supportive of our efforts and we thank them profusely. Our excellent performance can be attributed to the commendable hard work put in by the senior management team and staff year after year. Our other stakeholders such as insurance brokers, Reinsurers and other vital partners continue to place unstinted faith in us. Buoyed by the lionhearted performance by each and every one, we look forward to an even more masterful year ahead.

Sgd.
Iftikar Ahamed
Managing Director

Colombo, Sri Lanka.
28 February 2020

EXECUTIVE DIRECTOR'S REVIEW



Chula Hettiarachchi
Executive Director

Sustaining the highest growth in the industry, year after year for the last six years, has been the hallmark of the Company's success. The 2019 financial year proved to be no different as Softlogic Life yet again recorded 25% growth in GWP, while achieving all the Key Performance Indicators (KPIs) including bottom line. This strident growth is outstanding by any measure; it takes on even greater significance against the backdrop of the nation's weak GDP growth rate of 2.7% for 2019.

CHANNEL MIX AND PRODUCT INNOVATIONS

One of the strategic pillars of our success has been the Company's unique channel mix. The Alternate channel introduced in 2017 contributed about 24% of total volume growth in the year under review. This channel is focused on garnering business from corporates and banks and grew their revenue to Rs. 3 Bn in 2019, reaching the top position in the industry in these market segments. We are proud of the fact that within three years since the Alternate channel was launched, we have surpassed competitors who have been dominating these segments for three decades.

Continuing on the path of product innovation, the newest channel introduced in the year under consideration, the Micro Insurance channel, showed strong growth in a short span of time. Focused on the low income bracket, it has placed insurance

within the reach of the less-privileged and extended basic insurance for those who hitherto found it unaffordable. This channel has not only helped expand insurance distribution amongst masses but has also fulfilled the Company's social stewardship goals by bringing about inclusivity through digital means.

DEPLOYING DIGITALIZATION

Another pillar of success has been the high productivity and efficiency levels achieved during the year under review through a number of initiatives driven by IT-enabled processes. The Company now provides 100% digitalized platform in a paperless environment for sales teams to operate. The underwriting function too is totally backed by advanced IT tools and covers 70% of auto underwriting, making the process simple. Our claims are handled through seamless processes, facilitating 90% of the claim settlements within one day, thereby building the confidence of policy holders and sales teams while facilitating our rapid market expansion.

CONSOLIDATING CORE STRENGTHS

Softlogic Life maintains its rapid growth pace by leveraging on its business model and precision processes which design, implement and monitor two aspects - structural capability and employee development. The Company's key structural capability includes employees' income, career development and recognition structures, product structure,

support service structures and finally the training and development structure. We believe we should always maintain our supremacy in all these specific areas above the industry to continue to dominate the market by retaining our best performers and absorbing the best talent from the industry and outside.

LOOKING AHEAD WITH CONFIDENCE

Looking at 2020 and beyond, we are determined to continue our growth momentum, further strengthening our structural capacity swiftly responding to the rapid changes in the market environment with a clear focus on our human resource development initiatives. Further, we will continue to strengthen our multi-channel approach to reach new market segments strategically, sustaining the fine balance of the total distribution structure. We believe that the optimum use of the IT and digital innovations are the key to effective and efficient business operations, and the Company has its clear plans for continued upgrading of the operational systems and processes.

Our communication and CSR platform that has already created positive relationship-based awareness with prospective clients precisely positioning the company as a socially responsible entity, will be continued for supporting the business process effectiveness

APPRECIATION

I would like to thank the Chairman, managing director and the Board of Directors, for the strategic guidance extended and to the management and the staff for their continued support and commitment in taking the Company to greater heights. This year's performance is nothing short of heroic amidst uncertain macro conditions which reflects the strong people and processes reposed within the Company, which will help us sustain growth momentum well into the future.

Sgd.

Chula Hettiarachchi
Executive Director

28 February 2020
Colombo



MANAGEMENT DISCUSSION & ANALYSIS

OPERATING CONTEXT	
Our Business Operating Context	34
Risks and Opportunities	43
Strategy and Resource Allocation	48
Stakeholder Engagement	53
Material Aspects Impacting Business	58

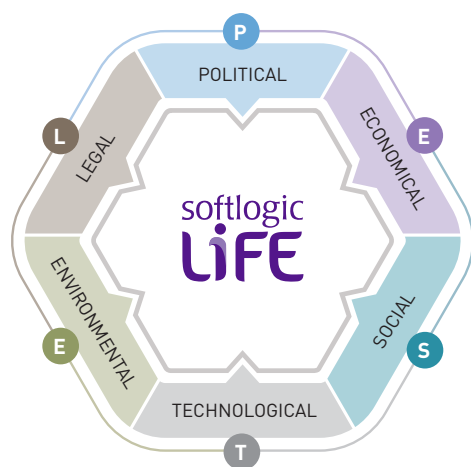
OUR BUSINESS OPERATING CONTEXT

REVIEW OF EXTERNAL ENVIRONMENT

102-29 102-31

Our business operating context is analysed using PESTEL analysis by identifying the forces that are driving the industry and how these factors will influence the Life Insurance businesses.

Following PESTEL analysis shows the important factors that are affecting the insurance industry as well as Softlogic Life. This analysis helps to identify the expectations of the Company / industry in the short, medium to long term. PESTEL is an acronym for political, economic, social and technological, Environmental and Legal Environment analysis.



P REVIEW OF POLITICAL AND LEGAL ENVIRONMENT

Political factors include rules and regulations imposed by government, tax policies, existing and anticipated fiscal and monetary policies, trade restrictions and tariffs etc.

The Legal factors relate to laws and regulations imposed by the IRCSL, laws relating to the employment, consumer protection, tax policies and other relevant regulations.

The regulatory environment consists of the relevant laws, regulations and best practices that enable the Company to

operate within a sound corporate governance framework. The Company ensures strict compliance with applicable rules and regulations. In addition to the regulations applicable to listed companies, insurance companies are regulated by the Insurance Regulatory Commission of Sri Lanka ("IRCSL") through the Regulation of Insurance Industry Act No. 43 of 2000, coupled with the subordinate regulations issued.

The 'IRCSL' safeguards policyholders through supervisory control of insurance companies. Therefore, adapting to regulatory and environmental changes is one of the Company's principal strategies. Our strategy has been formulated in the context of the rapidly-changing regulatory environment. Key regulatory highlights, covering all regulations affecting the company have been summarised in the table 1 below;

TABLE 1: KEY STATUTORY AND REGULATORY REQUIREMENTS ISSUED DURING THE YEAR AND UP TO REPORTING DATE

REGULATORY REQUIREMENT	ACTION TAKEN	IMPACT
Direction No. 02 (Amended and Combination) - Supply of Policy Documents to deliver a policy document to the life assured in instances where the life assured is not the policyholder of an insurance policy.	Policy documents are issued and delivered by registered post to the life assured of DTAP products.	●
Direction No. 17 (Amended) - Corporate Governance Framework for Insurers: Consideration the immediate application of the Direction and its impact to the industry and as such extended the effective date till 1st July 2019.	Compliance - Ongoing	●
Direction No.18 - Unclaimed Benefits of Long Term Insurance Business this prohibits from transferring any unclaimed benefits to Shareholders with effect from Financial year ended 31st December 2018; and to record same as a liability in the Long Term Insurance Fund Balance Sheet as "unclaimed benefits".	The necessary disclosures have been provided for in the Financial Statements for the year ended 31st December 2018.	●
Circular No. 40 - Health Insurance covers underwritten by Long Term Insurance Business this circular was issued with the intention of giving clarity and authority as regards the distinction of health insurance businesses that can be carried on by Long Term Insurers and General Insurers	Compliance - Ongoing	●
Circular No. 41 - Procedure for Taking Enforcement Actions against Insurer & Brokers IRCSL has reissued its procedure for taking enforcement actions by way of a Circular. The change was primarily based on shifting the responsibilities to the Principal Officer.	Proactive measures are implemented to ensure compliance	●

REGULATORY REQUIREMENT	ACTION TAKEN	IMPACT
Customer Due Diligence Rules, No. 1 of 2019 The Financial Intelligence Unit has issued a specific set of rules for Long Term Insurers on Customer Due Diligence.	The SLI AML Policy is based on the FIU Rules for Financial Institutions and other legislations governing the framework on money laundering and counter terrorist financing.	●

Impact to the Life Insurance Industry ● Medium ● Positive

UPDATE ON ACCOUNTING STANDARDS

The accounting standards that are implemented during the year 2019 and issued but not yet effective standards are discussed on pages 295 to 296.

OTHER REGULATIONS INTRODUCED DURING THE YEAR

As instructed by the Ministry of Finance on 31st January 2020, the following changes as presented in table 2 have been proposed to the Inland Revenue Act No. 24 of 2017 (IRA), pending formal amendments being made to the Act:

Table 2: Proposed tax changes

Proposed amendment	Description	Impact to the Industry
Removal of withholding tax (WHT) including PAYE on the payments for resident persons by any withholding Agent (WHA).	WHA is not required to deduct WHT on the specified payments and taxpayers are required to declare the income from above sources also in their income tax return and make the income tax payment in quarterly instalment basis subject to the provisions of the IRA	●
Revision of Income Tax Rates (For Companies)	Income Tax Rate has been reduced to 24% from 28% on income of a Company	●
Revision of Income Tax Rates (For Individuals)	Tax free allowances has been increased up to Rs. 3 million per year and tax rates have been reduced maximum up to 18%.	●
New reliefs for resident individuals	A total sum of Rs. 1.2 million has been granted as a new relief for health, educational expenses, interest, contribution to an approved pension fund & purchase of equality.	●

Impact to the Life Insurance Industry ● Medium ● Positive

The details of compliances are discussed on page 163.

E REVIEW OF ECONOMIC ENVIRONMENT

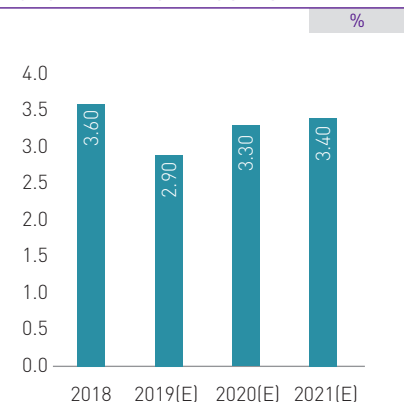
The economic factors relate to changes in the wider economy such as economic growth, interest rates, exchange rates, inflation rate, disposable income and unemployment.

Global Economic Environment Outlook

The world economy continues to perform well, with strong growth and trade, rising but still muted inflation, and accommodative financial conditions, notwithstanding some increased financial market volatility in early 2019.

Global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021. Rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation more generally, taking a toll on business confidence, investment decisions and global trade. Trade policy uncertainty, geopolitical tensions and idiosyncratic stress in key emerging market economies continued to weigh on global economic activity especially manufacturing and trade in the second half of 2019.

G1-GROWTH IN WORLD OUTPUT



OUR BUSINESS OPERATING CONTEXT

Table 3: World Economic Outlook

Output	2021 (E)	2020 (E)	2019 (E)	2018
World Output	3.4%	3.3%	2.9%	3.6%
Advanced Economies	1.6%	1.6%	1.7%	2.2%
Emerging Markets & Developing Economies	4.6%	4.4%	3.7%	4.5%
Emerging Markets & Developing Asia	5.9%	5.8%	5.6%	6.4%
China	5.8%	6.0%	6.1%	6.6%
India	6.5%	5.8%	4.8%	6.8%

Source: International Monetary Fund (IMF)

EMERGING MARKETS AND DEVELOPING ASIA OUTLOOK

Growth in emerging and developing Asia is forecast to inch up slightly from 5.6 percent in 2019 to 5.8 percent in 2020 and 5.9 percent in 2021. However, unresolved disputes on broader US-China economic relations as well as needed domestic financial regulatory strengthening are expected to continue weighing on activity. After slowing to 4.7 percent in 2019, growth in ASEAN-5 countries (Indonesia, Malaysia, Philippines, Singapore and Thailand) is projected to remain stable in 2020 before picking up in 2021. The growth profile also relies on relatively healthy emerging market economies maintaining their robust performance even as advanced economies and China continue to slow gradually toward their potential growth rates.

SRI LANKAN ECONOMY OUTLOOK

Sri Lanka has shown steady growth over the last decade although key macroeconomic challenges persist. The economy is transitioning from a predominantly rural-based economy towards a more urbanized economy oriented around manufacturing and services. Social indicators rank among the highest in South Asia and compare favourably with those in middle-income countries.

A summary of key economic indicators are mentioned in the following table:

Table 4: Key Economic Highlights

Indicator	2020 (E)	2019 (E)	2018	2017
Real GDP Growth	3.5%	2.7%	3.2%	3.4%
Inflation	4.8%	4.4%	4.3%	6.6%
Interest Rates (1 Year T Bill)	7.0%	8.5%	11.2%	8.9%
Total Debt as % of GDP	72.0%	82.9%	82.9%	76.9%
Exchange Rates (USD/ LKR)	LKR 195.5	LKR 181.5	LKR 182.7	LKR 153.2
Per Capita Income (USD)	4,250	3,947	4,102	4,065

Source: IMF, World Bank & Central Bank of Sri Lanka

● Medium ● Positive

REAL GDP GROWTH

The Sri Lankan economy is gradually recovering from the terrorist attacks in April 2019. Real GDP growth is estimated at 2.7% in 2019. The recovery is supported by a solid performance of the manufacturing sector and a rebound in tourism and related services in the second half of the year. High frequency indicators continue to improve and growth is projected to rebound to 3.5 % in 2020, on the back of the recovery in tourism, and assuming that the Novel Coronavirus will have only limited negative effect on tourism arrivals and other economic activities.

IMPACT TO LIFE INSURANCE BUSINESS

As GDP increases, both prospective and existing life insurance customer base will expand due to positive relationship between life insurance penetration and growth of per capita.

OUR STRATEGY

Product Diversification, Focus on niche markets (More details are discussed on Pages 111 to 113)

INFLATION

Inflation is projected to remain around 4.4% in 2019, in line with the Central Bank of Sri Lanka (CBSL) target. After a sharp import contraction in 2019, the current account deficit is expected to widen to nearly 3.5% of GDP in 2019. Approval of the new Central Bank Law in line with international best practices is a critical step to further strengthen the independence and governance of CBSL and support the adoption of flexible inflation targeting.

IMPACT TO LIFE INSURANCE BUSINESS

Lower inflation provides positive sentiment to life insurance due to increase in real disposable income

OUR STRATEGY

Introduce products with inflation coverage (More details are discussed on Pages 112 to 113)

INTEREST RATES

CBSL slashed its benchmark interest rate by 50 bps to 6.5% in January 2020. The first cut rates in May 2019 following the Easter bomb attacks that triggered a slump in investments and tourism. Caps on lending rates and the loan repayment moratorium for small and medium enterprises should be temporary, to avoid unintended distortions and inefficiencies in financial intermediation.

IMPACT TO LIFE INSURANCE BUSINESS

The low interest rates increase the present value of liabilities against the positive fair value against could be expected from interest sensitive assets and equity instruments. However, due to Asset and liability mismatch there will be negative net impact on the bottom line.

OUR STRATEGY

Strengthen asset liability framework and increase interest sensitive investment portfolio.

EXCHANGE RATE (USD/LKR)

The Exchange rate was highly volatile and the Rupee depreciated rapidly during 2019. In the aftermath of the Easter attacks, tourist numbers dropped. Net International Reserves fell short of the end-December 2019 target under the EFF (Extended Fund Facility) supported program in 2019 by about US\$100 million amid market pressures after the Presidential elections and announced tax cuts. However, conditions have since stabilized. Renewed efforts are needed to rebuild reserve buffers to safeguard resilience to shocks, under a flexible exchange rate

IMPACT TO LIFE INSURANCE BUSINESS

Exchange rate movements could adversely impact payments to reinsurers and claims paid out in foreign currency. There is no impact from reinsurance as all the agreements are entered in local currency.

S REVIEW OF SOCIAL ENVIRONMENT

Social factors often look at the cultural aspects and include health consciousness, population growth rate, age distribution, income level, labour force, unemployment rate of the population. These factors play a great role in how Sri Lankan Life Insurance Companies will understand the customers of a given market and how they design the marketing message for Life Insurance industry customers.

Population & Age Distribution

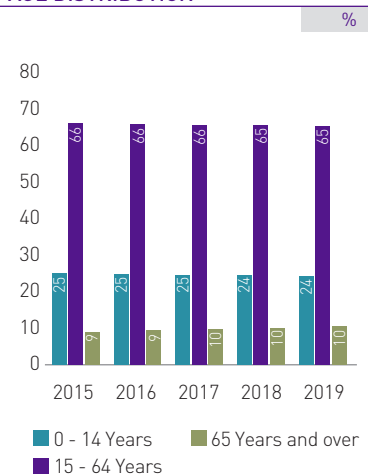
Impact to SLI

Sri Lanka being a lower-middle income country with a population of 20.8 million

people, a new era of progress has emerged in Sri Lanka, with its economy growing at an average of 6.4 percent per year between 2010 and 2019.

Elderly population of Sri Lanka is increasing year by year due to the free and advanced medical facilities, support from government for the Sri Lankan health services and a dip in births. Further expectation of life at birth is high in Sri Lanka among other Asian countries. The growing trend in elderly population has built a burden on the working population as they support an increasing number of dependents. These changes create demand for health, pension and retirement products.

G2-AGE DISTRIBUTION



OUR BUSINESS OPERATING CONTEXT

Safety and Health Consciousness

Impact to SLI ●

The average life expectancy of people in the Sri Lanka is 75 years old and is rising. This is because of how health-conscious the country has become, and also due to improvements in technology and healthcare. People are beginning to make health-conscious incremental changes to their lifestyles while they are young, in order to lead healthy lifestyles in the future.

One of the main factors accounted for in the Life Insurance underwriting process is health. There are a lot of factors taken into consideration when determining someone's overall health. Life insurance companies typically take these main factors into account when determining risk. Therefore, increase in healthier population in fact it is an advantage for the life insurance industry.

Per Capita Income

Impact to SLI ●

Sri Lanka's Nominal GDP Per Capita is forecasted to be 3,947 USD in Dec 2019 as reported by the International Monetary Fund. It records a decrease from the Per Capita Income of 4,102 USD recorded in Dec 2018. Looking ahead, Sri Lanka's Nominal GDP Per Capita is projected to stand at 5,318.716 USD in Dec 2024.

Labour Force

Impact to SLI ●

The labour force increased by 3.1% to 8.603 million in the first half of 2019 from 8.343 million in the corresponding period of the previous year. This increase in labour force was mainly driven by the rural sector which contributed to 83% of this total increase, while urban and estate sectors also increased during the reference period.

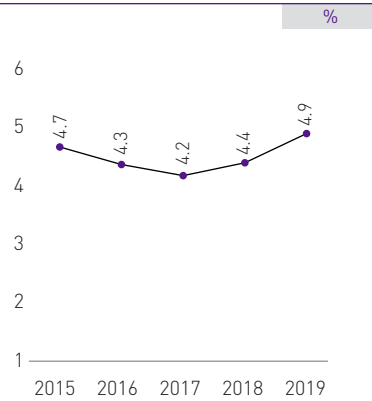
These changes create demand for health, pension and retirement products which is a favourable impact to the life insurance industry.

Unemployment Rate

Impact to SLI ●

The unemployed population increased by 33,023 by the second half of 2019. The total number of unemployed increased by 8.8 % and recorded at 410,007 during the first half of 2019 compared to 376,984 in the corresponding period of the previous year. Accordingly, the unemployment rate increased to 4.9 % in 2019 compared to 2018.

G3-UNEMPLOYMENT RATE



The summary of impact of social factors to the life insurance industry is tabulated as follows.

Social Factor	Impact to Life Insurance Industry
Increase in aging population	●
Increase in health consciousness	●
Increase in Per Capita Income	●
Increase in labour force	●
Increase in unemployment rate	●

- Favourable
- Medium impact

REVIEW OF ENVIRONMENTAL FACTORS

The Company carefully evaluated the environmental standards that are required to operate in the market we represent. Some of the environmental factors that a service provider should consider beforehand are:

- Recycling
- Waste Management
- Attitudes towards "Green" and "Ecological" concepts when doing the promotional campaign
- Support for renewable energy

The efforts of Softlogic Life for the environment protection and sustainability development of the country during the year are discussed in the Natural Capital section on pages 142 to 146.

REVIEW OF TECHNOLOGY ENVIRONMENT

Technology is considered to be one of the key competitive advantages globally. The insurance industry is yet to identify Information Technology (IT) as the center of value creation and innovation. We believe, the IT departments of insurance companies need to let go of legacy systems and adapt to increasingly complex IT supply chains. To add value into the insurance business, the IT function should be transparent and needs to integrate with operations to ensure service delivery and quality. Implementation of SLFRS 17 will force this change on the sector.

The combination of social media and innovative technology has disrupted many industries across the globe. Technology is the enabler of such disruption and the InsureMe app is a prime example in the insurance industry of Sri Lanka. The app is expected to create a new mode of distribution that would help to drive higher penetration levels in the industry. Similar innovations will significantly increase market penetration and transform the industry in the near future.

Despite the fierce competition in the market, Sri Lanka's insurance industry has largely remained conventional in its business operations for decades. Today's insurance customers expect the same capabilities and experiences they have when interacting with other service providers. They want to receive service anytime, anywhere, through any channel and on any device they choose.

The digital economy will make usage-based, on-demand and 'all-in-one' insurance lifestyle products more relevant. Customers will prefer personalized insurance covers instead of the one-size-fits-all products currently available. Flexible coverage options, micro insurance and peer-to-peer insurance will become viable options in the long run. Reinsurers will provide risk capital directly to digital brands, and regulatory frameworks will accommodate shorter value chains.

The following Table shows the latest digital technology in the global insurance industry and benefits of having them in the insurance business:

Table 5: The latest digital trends that have been introduced to the industry

Digital Trend	Application to Insurance Industry	Benefits of having this Application	Impact to SLI
<ul style="list-style-type: none"> • Robotic Process Automation (RPA) <p>This refers to software that can be easily programmed to do basic tasks across applications just as human workers do.</p>	<ul style="list-style-type: none"> • RPA automates the ordinary routine tasks of the insurance industry - Automation of Bank reconciliation - Automation of Claims Settlement 	<ul style="list-style-type: none"> • Reduces the workload and cost of operations • Saves time • Improves customer satisfaction 	<p>SLI is the first insurer to introduce RPA in Sri Lanka on its underwriting and bank reconciliation process.</p> <p style="text-align: center;">●</p>
<ul style="list-style-type: none"> • Big data and Predictive Analytics <p>Big data and advanced analytics help to manage, analyse and understand data and make forecasts</p>	<ul style="list-style-type: none"> • To make data-driven decisions to drive profitability of the business 	<ul style="list-style-type: none"> • Simplifies the data management processes • Improve underwriting process by correctly predicting the risk we accept. 	<p>Capacity is being built to grab the opportunity</p> <p style="text-align: center;">●</p>
<ul style="list-style-type: none"> • Machine Learning (ML) <p>This is an application of artificial intelligence (AI) that provides systems the ability to automatically learn and improve from experience without being explicitly programmed.</p>	<ul style="list-style-type: none"> • Underwriting Process • Payment and Claim process 	<ul style="list-style-type: none"> • Identifying lapsed policies • Reduce fraud in claims data and malicious activities in payment systems • Make personalized offers 	<p>Capacity is being built to grab the opportunity</p> <p style="text-align: center;">●</p>
<ul style="list-style-type: none"> • Augmented Reality / Virtual Reality (AR/ VR) <p>AR adds digital elements to a live view often by using the camera on a smartphone.</p> <p>VR implies a complete immersive experience that shuts out the physical world.</p>	<ul style="list-style-type: none"> • Applies in remote claims handling process • Insurance Policy Education 	<ul style="list-style-type: none"> • Reduce the claim processing time • A superior experience to customers to improve customer knowledge of insurance products 	<p>SLI's business strategy will link this concept to provide a better customer experience.</p> <p style="text-align: center;">●</p>

● Low ● Medium

OUR BUSINESS OPERATING CONTEXT

INSURANCE INDUSTRY OVERVIEW AND ATTRACTIVENESS

Global Insurance Industry Overview

In 2018, total premiums written in the global primary insurance markets surpassed the USD 5 trillion mark (USD 5193 billion) for the first time ever. Global life insurance premiums grew by just 0.2% in real terms to USD 2,820 billion in 2018.

This will be mostly driven by emerging markets, in particular a bounce back in China. China was expected to be the main driver of life sector growth in 2019/20. With low interest rates, traditional saving business will continue to struggle.

The outlook is more promising and global life premiums are expected to grow by around 3% annually over the next two years. Most of the improvement will come from emerging markets, in particular China, where we expect a recovery in demand for savings products. In advanced markets, growth will remain low but positive.

OVERVIEW OF THE LIFE INSURANCE INDUSTRY IN SRI LANKA

Overall, the insurance industry remains focused on growth in revenue and profitability regardless of the challenges faced with regulatory demand, advance technology and higher customer expectations.

The demand for insurance in Sri Lanka is dependent upon the level of disposable income of the consumers. Therefore, the low level of disposable income, coupled with the lack of awareness on the importance of insurance and availability of government sponsored social security schemes have been the deterrent factors in moving the insurance penetration level up.

Insurance companies have been engaged in aggressive marketing practices, coupled with the deployment of new and innovative products and pricing policies. However, despite the growth reported in total GWP, the Life insurance penetration

in Sri Lanka, which reflects the GWP as a percentage of Gross Domestic Product (GDP), is considerably low (0.56% in 2018 and 0.55% in 2019) compared to other countries in the Asian region. The insurance industry in Sri Lanka recorded positive growth both in terms of premium and assets.

The number of life insurance policies as a percentage of the total population is 14.84% in 2018, which reflects that the majority of the Sri Lankan population is without a life policy. Therefore, the Sri Lankan insurance industry has much room to grow.

There were certain trends, opportunities and regulatory changes in relation to Sri Lankan insurance industry which is discussed on pages 34 to 35 in this annual report. Further, a detailed analysis of financial performance of Sri Lankan Life Insurance Industry is discussed on page 72 in this annual report.

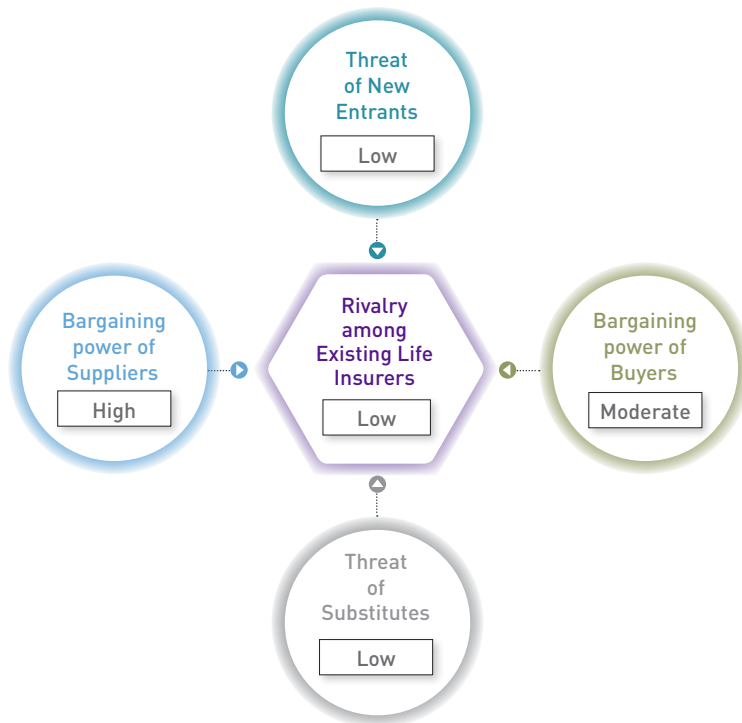
Regional Review 2018 & Outlook

Performance	Outlook
Emerging Markets (Asia -Pacific)	Favourable outlook after recent weakness
Life premiums in emerging markets fell by 2% in 2018 against growth of 13% in 2017. The sharp turnaround was mainly driven by China, with premiums contracting by 5.4% due to a tightening of regulatory supervision on the distribution of savings policies.	It is expected to build up an ever-increasing share of global direct insurance premiums written, rising from an estimated 21% in 2018 to 34% in 2029. Asia-Pacific, which includes China, other emerging and also advanced markets in the region, will account for 42% of global insurance premiums by 2029.
Latin America and Caribbean	Slow recovery ahead
In 2018, life premiums in Latin American and the Caribbean contracted by 4.2% after a 0.1% decline in 2017 due to weak demand for savings-related products in Brazil and Colombia.	It is expected that demand for mortality-related products will remain strong in 2019/20 as economies in the region continue to improve. Growth in savings type-products will be hindered by historically low-interest rates in some countries, but will be supported in certain pockets by specific fiscal policy changes.
Emerging Europe and Central Asia	A Positive Outlook
Life premium growth in Emerging Europe and Central Asia slowed to 3.4% in 2018, after a strong expansion of 13% in the previous year. The slowdown was due to disappointing performance in the European Union member countries of Central and Eastern Europe (EU-CEE).	The outlook for the region looks promising. Expect life premium growth over next five years to be many times higher than that seen over last 10 years. A rebound in Poland will be the main driver. The introduction of a voluntary retirement savings scheme, the Employee Capital Plan, will offer new business opportunities in the coming years for cross selling life insurance products.
Emerging Middle East and Africa	Struggling to Gain Traction
Premium growth in the Middle East and Africa (MEA) remained weak in 2018, amid still challenging economic conditions and a competitive environment. Even so, the 1.5% growth was an improvement from the stagnation of the previous two years. In the Middle East, weak economic growth and a shrinking expat population led to slower premium growth in the UAE (4.3%).	With a weak economic environment in the Middle East and in South Africa, the outlook for insurance markets looks clouded. Expect life premium growth in 2019/20 to improve slightly from 2018.

(Source: No. 3/2019 Sigma Report by Swiss Re institute)

INDUSTRY ATTRACTIVENESS AND COMPETITIVENESS

Life insurance industry is analysed using the “Five Forces Analysis” that can assist in determining the competitive intensity and potential attractiveness of the insurance industry in Sri Lanka. In doing so, the Life insurance industry is considered as the most attractive industry.



COMPETITIVE LANDSCAPE

Market Share Performance

The Company’s market share increased by 1.6% during the year, which is the highest market share growth reported in the industry during 2019 for the third consecutive year. More details on share performance are discussed on page 71 under Financial Capital

Market Growth

During the year 2019, 649,205 of new customers were attracted and customer base has increased by 188,853 which is 30% growth from 623,773 (2018) to 812,626 (2019).

SUBSTITUTE PRODUCTS

There is no direct substitute for Life Insurance products, However, investment, pension and savings plan can be viewed as alternatives for Insurance.

MARKET SEGMENTATION

Market segments can be identified to align with disposable income and the age distribution. More details are discussed on pages 112 under customer capital.

Five forces Analysis for Life insurance industry

Threat of New Entrants	Threat of Substitutes	Bargaining power of Suppliers	Bargaining power of Buyers	Rivalry among Existing Life Insurers
<ul style="list-style-type: none"> Difficult to enter due to minimum capital requirement of Rs. 500 Mn and high regular requirement Natural barriers like technical expertise and difficulty in recruiting and retaining a strong sales force Massive efforts to attract new customers 	<ul style="list-style-type: none"> There is no direct substitute and but investment, pension and savings plan can be viewed as alternatives for Insurance. 	<ul style="list-style-type: none"> The expertise in the Insurance field e.g.. Reinsurers, Actuarial valuers, sales force are the most important suppliers and demand as the market is competitive. 	<ul style="list-style-type: none"> Massive efforts to attract new customers and their bargaining power is significant. Switching cost is higher due to low surrender value of initial stage of the policy. 	<ul style="list-style-type: none"> Low Insurance penetration and hence room for growth , but difficulty in selling Insurance Products. Introduce fairly differentiated products and competitive customer services and high price competition.
Overall Insurance Industry competitive position is assessed as attractive				
Impact to SLI Business Model (Refer pages 118-123)	Impact to SLI Business Model (Refer pages 106-117)	Impact to SLI Business Model (Refer pages 118-123)	Impact to SLI Business Model (Refer pages 106-117)	Impact to SLI Business Model (Refer pages 118-123)

OUR BUSINESS OPERATING CONTEXT

MARKET COMPOSITION

Out of 27 insurance companies in operation, 13 are engaged in Life Insurance Business, 12 companies are carrying out only General Insurance Business and 02 are composite companies dealing in both Long Term and General Insurance Businesses.



LIFE INSURANCE INDUSTRY FUTURE OUTLOOK

Insurers have taken up a range of new investments and initiatives. The top priorities include cost reduction, especially in light of rising compliance costs and increased regulatory focus, digitization of the sales force and more effective use of technology generally. Technology is critical to success on both the bottom and top lines; that is, automating processes can help reduce expenses, while better customer experiences and more productive agents can lead to more revenue. Technology alone is not enough. New skills and expertise are also high on the strategic agenda for life and non-life insurers alike. The combination of the right talent and powerful technology will enable Asia-Pacific insurers to seize huge growth opportunities on the horizon and successfully navigate new and existing risks.

SWOT ANALYSIS

The Company is analysing the company's strengths, weaknesses, opportunities

and threats annually, to strengthen our business strategy. Using this analysis, the Company can identify the strengths which makes Softlogic Life distinguishes from its peers, the weakness which should avoid / reduce in order to minimize the disadvantages. The Company minimized the disadvantages from weaknesses by analysing the processes, procedures and current practices relating to employees, systems and other resources. Further, the Company grabbed the opportunities and will be able to avoid the threats using this SWOT analysis.

The outcome of the SWOT analysis is considered in SLI strategy setting which is described on pages 48 to 52.



OUR STRENGTHS

- ▶ Skilled, far-sighted and experienced Senior Management who always willing to accept the challenges
- ▶ Strong Financial position
- ▶ Dedicated, loyal and Passionate young team
- ▶ Strong and well-known brand among the society and higher social media presence
- ▶ Stable Agency Channel, fast growing alternate and Micro channel
- ▶ Strong reinsurance panel
- ▶ Solid branch network which spread island wide

WEAKNESSES

- ▶ Significant manual intervention on some business processes – Currently undergoing for technical advancements
- ▶ Need of a competent second layer for some key departments
- ▶ Lack of expertise to develop emerging trends like big data
- ▶ High attrition among sales force

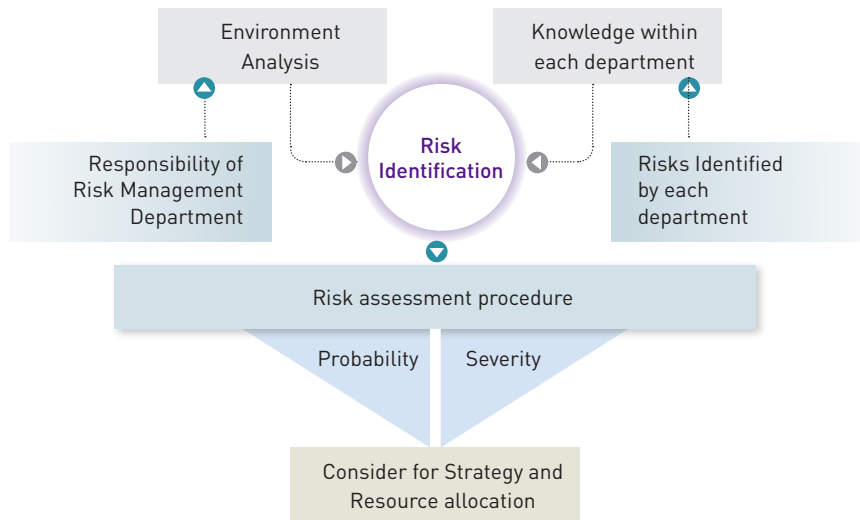
The analysis of Opportunities and the threats is discussed on page 43 to 49.

RISK AND OPPORTUNITIES

RISKS AND CHALLENGES

Risk identification and mitigation an integral part of our business which is also a key factor in the consistency of the Company's long-term success. Our company is affected by a number of External and Internal factors.

Our risk identification process is presented below:



The process helps to identify risks and opportunities within our operating environment which could materially affect our value creation process. During the year under review, the company concentrated on following risks that are internal to organization as well as exist in the external environment.

EXTERNAL RISK

Our external risks consist of interest rate, inflation, technological developments and exchange rate etc. which arise from PESTEL factors of our operating environment. Table 6 summarizes our external risks and responses.

INTERNAL RISKS

Internal risks are identified within our business operation that might interrupt the smooth function and negatively affect our strategy execution.

Table 6: - Summary of internal and external risks and SLI response

Risk	Risk, assessment and SLI response
External Risks <ul style="list-style-type: none"> Economic and political risk Competitor action risk Increased regulatory /compliance requirements Compliance with statutory requirements and laws and regulations Interest rate and equity market risk Risk arising from technological developments due to deterioration of market competitiveness Increasing Cyber security threats 	Refer Integrated Risk Management on page 245 for a detailed description Refer Page 188 for IT Governance and controls
Internal Risk <ul style="list-style-type: none"> Lack of Co-operation and awareness from employees for company's strategic direction Maintaining minimum Capital Adequacy Ratio Ensuring business continuity Ensuring business continuity of critical systems Risk of occupational health and safety of employees Breach of internal controls High staff turnover Reputational Risk Unproductive staff Morbidity risk Mortality risk Investment concentration risk Assets quality 	Refer Integrated Risk Management on page 245 for a detailed description

REALISING OPPORTUNITIES

“The insurance industry as a whole could become more globalised as countries harmonize regulations, standardize practices and distribute products across borders.”

Insurance industry in Sri Lanka still remains at early stages of the life-cycle despite promising growth performances in recent years where market still remains under-penetrated. However, we expect the Life Insurance sector to proliferate rapidly in terms of GWP growth and Market Penetration in the medium term due to favourable economic projections.

GDP expected to grow continuously from 2020 onwards	Impact on SLI future strategy HIGH ●												
<p>Growth is estimated to gain by 0.8% next year by a projected recovery in tourist arrivals partly due to lower VAT rates on tourism until the end of March 2020 and eased tourist visa requirements. Moreover, this year’s election outcome should support business sentiment by eliminating policy uncertainty. The positive economic outlook creates positive business sentiments and growth potential for companies. (Refer page 36 for further details)</p>	<p>G4-FORECASTED GDP GROWTH</p> <table border="1"> <caption>G4-FORECASTED GDP GROWTH (%)</caption> <thead> <tr> <th>Year</th> <th>GDP Growth (%)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>3.5</td> </tr> <tr> <td>2021</td> <td>4.3</td> </tr> <tr> <td>2022</td> <td>4.5</td> </tr> <tr> <td>2023</td> <td>4.6</td> </tr> <tr> <td>2024</td> <td>4.8</td> </tr> </tbody> </table> <p>Source: IMF</p>	Year	GDP Growth (%)	2020	3.5	2021	4.3	2022	4.5	2023	4.6	2024	4.8
Year	GDP Growth (%)												
2020	3.5												
2021	4.3												
2022	4.5												
2023	4.6												
2024	4.8												
<p>Softlogic Life Response</p> <p>Softlogic life is planning to execute different strategies in order to grab the potential opportunities that will appear in the Sri Lankan market.</p> <ul style="list-style-type: none"> ▶ Product Diversification (Refer SLI product development strategy on page 110) ▶ Focus on niche markets (e.g. Introducing Postal product) 													

Low Insurance Penetration	Impact on SLI future strategy HIGH ●																
<p>The persistently low level of insurance penetration % to GDP in the local market continues to prevail as compared to the other Asian countries. This could be a result of untapped market segments and disposable income groups in the industry, as well as the lower level of unawareness / misconstrued perception of the Insurance Industry in rural areas and unavailability of relevant product propositions.</p>	<p>G5-LOW INSURANCE PENETRATION</p> <table border="1"> <caption>G5-LOW INSURANCE PENETRATION (%)</caption> <thead> <tr> <th>Country</th> <th>Insurance Penetration (%)</th> </tr> </thead> <tbody> <tr> <td>Sri Lanka</td> <td>0.5</td> </tr> <tr> <td>India</td> <td>2.7</td> </tr> <tr> <td>Malaysia</td> <td>3.3</td> </tr> <tr> <td>Thailand</td> <td>3.6</td> </tr> <tr> <td>Indonesia</td> <td>1.5</td> </tr> <tr> <td>Philippines</td> <td>1.3</td> </tr> <tr> <td>Vietnam</td> <td>1.6</td> </tr> </tbody> </table> <p>Source: Swiss Re Institute Sigma No 3/2019</p>	Country	Insurance Penetration (%)	Sri Lanka	0.5	India	2.7	Malaysia	3.3	Thailand	3.6	Indonesia	1.5	Philippines	1.3	Vietnam	1.6
Country	Insurance Penetration (%)																
Sri Lanka	0.5																
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Thailand	3.6																
Indonesia	1.5																
Philippines	1.3																
Vietnam	1.6																
<p>Softlogic Life Response</p> <ul style="list-style-type: none"> ▶ We reassess our capabilities and develop appropriate insurances products that are tailor-made to cater to each income level. (for example, introduction of micro life insurance to Sri Lankan insurance industry. Refer page 110 for more details) ▶ We increased our focus on new distribution channels to capture potential market opportunity. The Company has built three distribution channels to execute business strategies 																	

Positive outlook for Urbanisation

Impact on SLI future strategy **MEDIUM** ●

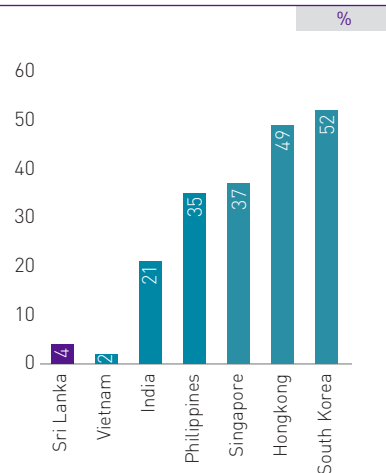
Sri Lanka shows a relatively low level of urbanisation when compared with the region. As most of the country’s development projects like Port City revolve around the main city of Sri Lanka, more people are expected to resettle in the metropolis area of the country with new jobs being created.

Urbanisation is also widely considered as an indicator of economic development, high living standards as well as sophistication of the consumers. This creates a risk-free and high-yielding customer base. Hence, a higher demand for Life insurance can be expected with the boost in urbanisation.

Softlogic Life Response

- ▶ Amended company’s product development strategy to cater to different level of income and the need analysis based on lifestyle of future customers (Refer market segmentation strategy on page 114)

G9-BANCASSURANCE CHANNEL



Source: World Bank- World urbanization prospects 2018 revision

Growing ageing population

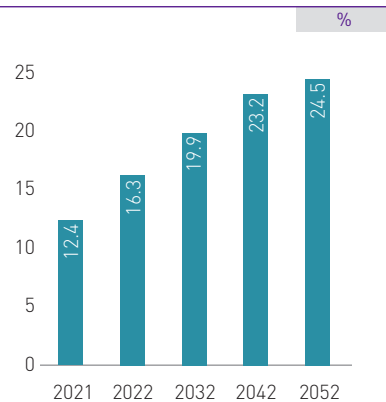
Impact on SLI future strategy **HIGH** ●

Life expectancy has increased to 77 years while birth rate has reduced to 15 per 1000, thus the ageing population increase in Sri Lanka leads to higher demand for health-related products. Ageing population (Years 60 and above) between 1981 and 2012 has increased from 6.6% to 12.4% and it is expected to further grow by 23% by the year 2042, thereby increasing the wealth portion that will be set aside for health risk. This will be further boosted by the drop in the number of persons available for support of the elderly (1981:7 persons for 1 elderly, 2012:4 persons for 1 elderly.)

Softlogic Life Response

- ▶ The Company added pension products to its products portfolio and introduced variety of health covers that are suited to complex customer requirements. The Company is positioned in the market as “Best health insurance provider in the market” through its marketing campaign focusing on the growing health insurance market.

G7-AGEING POPULATION OF SRI LANKA



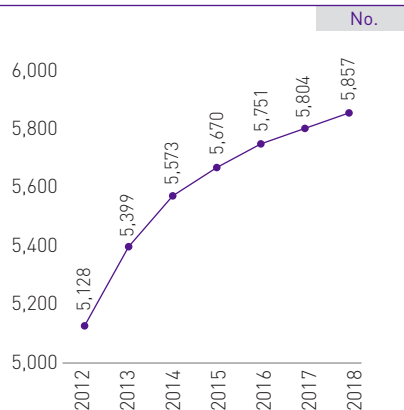
Source: Aging population of Sri Lanka report by UNFPA

Low Bancassurance market exposure

Impact on SLI future strategy **MEDIUM**

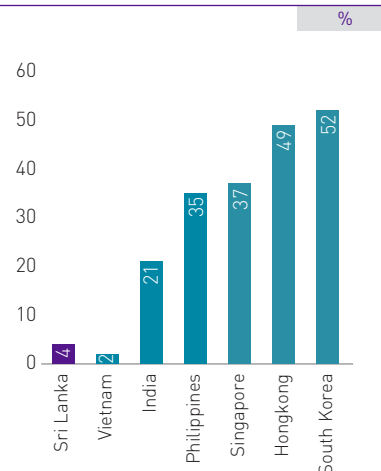
Bancassurance channel in Sri Lanka is underutilized as the industry runs on an agent based model. With over 5,857 licensed commercial bank branches in 2018 island wide, we could optimize existing channels to boost premiums and reduce acquisition expenses. Accessing customers will be much easier when we work together with reputed banks.

G8-TOTAL BANK BRANCHES



Source: Central Bank of Sri Lanka

G9-BANCASSURANCE CHANNEL



Source: FALIA Bancassurance Survey

Softlogic Life Response

- The company strategically partnered with many leading banks of Sri Lanka to expand bancassurance channel. We expect further increased contribution to topline from Bancassurance channel in 2020. Our partnership with banks has been further explained under Social and Relationship Capital on pages 118 to 123.

Digital trends in the Insurance Industry

Impact on SLI future strategy **HIGH**

The global insurance market is experiencing a transformation to 'digital-first' business models that can unlock new value additions. With an increasing focus on personalized premiums and usage-based coverage, insurers are leveraging Internet of Things, advanced analytics and machine learning to develop more granular individual risk profiles.

New digital developments in the Insurance Market means that we must laser focus to innovate products and services, more actively reach to customers, improve process efficiencies and develop critical technological capabilities to combat market forces.

Robotic Process Automation

Robotic process automation automates ordinary repetitive tasks and thus reduces the non-value adding workload and cost of operations while saving time, money and improving customer satisfaction.

Softlogic Life Response

- The Company has already implemented the RPA in its policy underwriting resulting in achievement of 70% auto underwrite ratio. Refer page 39 for further details. In addition, we have introduced RPA solutions for bank reconciliation process

Augmented Reality & Virtual Reality

This provides a superior experience to customers in learning about insurance products and services. The usage of AR / VR technologies can be applied in remote claims handling process, insurance policy education, advisor training and many more.

Softlogic Life Response

- The Company has identified this as a future trend and has mapped it in its digital journey. The Company will capitalize on this opportunity when the time is correct.

Big data and Predictive Analytics

Big data and advanced analytics help to manage, analyse, and understand data in order to forecast accurately. This helps Insurance companies to make data-driven decisions to drive profitability to their business.

Softlogic Life Response

- ▶ The Company has taken the first step by identifying few capable internal staff as business analysts. The company will harness the full potential of big data analysis in future

Machine Learning

This is an application of artificial intelligence (AI) that provides systems the ability to automatically learn and improve from experience without being explicitly programmed.

Softlogic Life Response

- ▶ Softlogic Life has identified this in its future digital journey and it will be a key item in our growth agenda.

Growing Mobile & Internet penetration

Impact on SLI future strategy **HIGH** ●

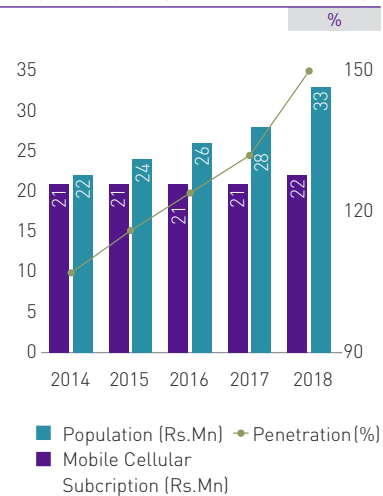
Mobile penetration in Sri Lanka is around 150%, which provides a distribution channel for Insurance products since most of the advanced features are now available on mobile phones.

Social Media marketing can present as a form of internet marketing, which implements many Social Media networks to achieve the marketing communication and branding targets. Social Media Marketing primarily covers activities involving content sharing for marketing purposes. With the rise in Social Media and its role in the insurance industry, the industry is evolving way beyond conventional marketing strategies and clever advertisements.

Softlogic Life Response

- ▶ The Company capitalized on this opportunity by introducing a "Per day" micro insurance product partnering with "Dialog Axiata" for the first time in Life insurance industry in Sri Lanka. The product can be purchased through mobile platform at customer convenience. Within a short period of 18 months we have covered 534,153 lives islandwide Sri Lanka.
- ▶ Focus on social media marketing

G10-GROWING MOBILE & INTERNET PENETRATION



Source: TRCSL

Recent Tax Changes

Impact on SLI future strategy **HIGH** ●

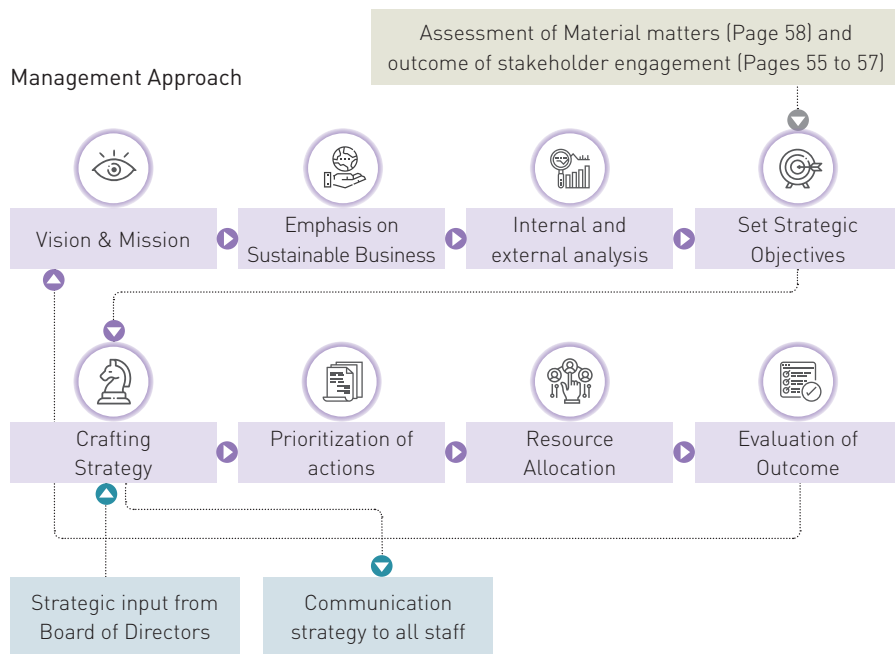
The government provided many tax reliefs during early 2020 with a view to increasing economic activities. These changes were directly aimed to increase disposable income of Sri Lankans. Following are the key highlights of tax changes:

- Reduction of VAT rate
- Increase in PAYE threshold and maximum rate of 18%
- Removal of WHT

Softlogic Life Response

- ▶ The Company expanded/ strengthened its distribution channels to capitalize on emerging opportunities. The company's short term strategy is set to harness full benefit of the tax reductions.

STRATEGY AND RESOURCE ALLOCATION



BUDGETING PROCESS

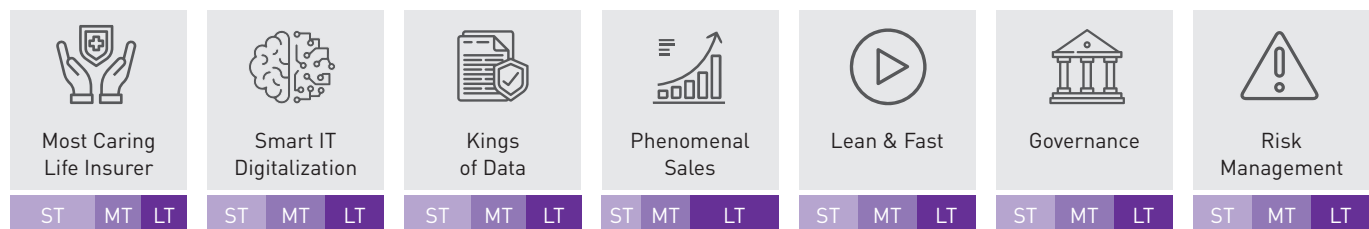
Budgeting process is a key activity of the Company where the management team collectively evaluates and agrees on short, medium and long term strategies of the Company. During this process the management appraise the Company's external and internal environment to identify opportunities, threats, strengths and weaknesses. Based on the outcome of this analysis the management recrafts the strategy for short, medium and long term and converts it to a three-year budget in which detailed KPIs and action items are identified. During the process Chairman provided his strategic direction to align future actions to the vision of the Company. Finally, draft budget is presented to the board for their strategic inputs and with those strategic actions budget is approved by the board. During 2019 budgeting process the management agreed on five themes and other strategic imperatives to align its strategy which are describe below and management focus on short, medium and long term also clearly identified.

OVERVIEW

Softlogic Life's strategy is depend on one key pillar i.e "Sustainable Business". The Company evaluation its strategy on a yearly basis and makes alterations that are required by its rapidly changing operating environment. This process ensures our strategic objectives and strategies are attainable, relevant and drive business to success.

Resource allocation is done based on the priority of strategies emphasizing the maximum utilization of the limited resources we have.

Our Strategic Objectives and priorities



Graphical presentation - weightage on company's strategy







Our thinking behind strategic objective prioritization









Strategic objective	Basis of prioritization
1 Most Caring Life Insurer	Life insurance is being a service which purely depend on the trust the customer place on us, it is of paramount importance that we build a strong bond with our customers. Accordingly, the management will focus more on customer care in short to medium term and believe once the internal culture and process is built the required long term focus will be low as it is and keep on upgrading culture and process to cope up with internal and external environmental changes.

Strategic objective	Basis of prioritization
2 Smart IT Digitization	Digitalization is key disruptor for every business which has multiple impacts on insurance landscape. The Company's' digital journey is key aspect when we reach to new generations such as millennials. Keeping this in mind the management will put equal effort in short, medium and long term on company's digital strategy.
3 King of Data	Even though in the international context data analytic is business as usual it is an emerging trend in the insurance sector in Sri Lanka as all top players in the industry has gathered sufficient amount of data internally to analyse by now. The management will embark onto it immediately identifying the future value that can be added to the business. The management think data analytic is all time important covering short, medium and long term.
4 Phenomenal Sales	Once we implemented our strategy to achieve the strategic objective mentioned above (1-3) we believe that will strengthen our revenue growth effortlessly. However, we are keen about competitor action which will directly impact our revenue growth. Considering the time competitors will take to react the management gave low priority in short term and push their power towards medium to long term.
5 Lean and Fast	To cope up with the rapid phase the world is changing we understand that our processes be quick as much as possible. Further in executing our strategy we use our resources which are limited. Therefore lean management will be key forever. Accordingly, the management think it is equally important in short, medium and long term to be lean and fast
6 Governance	Our contracts with customers is naturally in the long term nature. Therefore strong governance is paramount importance as we manage our customer's wealth. On this basis the management thinks it is similarly important at all times to have best governance within the organization.
7 Risk Management	The environment we operate in changing fast while creating many risk in terms of our strategy execution. Accordingly, the management prioritize it similarly in short, medium and long term.

Our short term strategy

Strategic Objective	Strategy	Resource Allocation	KPI 2020	Achievement in 2019	SDG/GRI
Most Caring Life Insurer	<ul style="list-style-type: none"> Awareness / development program for all staff of the Company emphasizing the importance of positive engagement at every customer touch point with personalized touch. Further digitalize customer relationship management platform to ensure better interaction with customers. Introduction of new products which serve the customer needs of emerging value propositions of difference market segments Further increase the customer touch points. Improve service levels of all key customer engagement activities 	<ul style="list-style-type: none"> Provide training including on the job training facility to all staff. Required capital expenses approved by Board of Directors Product development committee is formed to introduce minimum of two new products per year Capital expenses is approved by BOD for branch network expansion Process revamp to improve one-day claim settlement process Process revamp to further reduce time taken to discharge a customer from hospital. 	<ul style="list-style-type: none"> Monitor customer satisfaction regularly Improve second year retention level to 65% Increase Auto underwriting to 80%. No of new products Branch network increase by 10% 95% of one-day claim settlement Customers discharged within one hour is 95% 	<ul style="list-style-type: none"> Improvement of customer satisfaction 95.8% from 97.2% refer page 113 under Customer care improvements for details). Improvement of first year retention from 84% to 85% 100% achievement of tab proposal submission and Auto underwriting 70%. 4 new products introduced (refer page 111 for product details). Further Expand Micro segment life insurance proposition through department of Post Master General (refer page 110). 8 new branches (refer page 114 for branch network). 90% of one-day claim settlements Customers discharged within one hour is 88% 	   

STRATEGY AND RESOURCE ALLOCATION

Strategic Objective	Strategy	Resource Allocation	KPI 2020	Achievement in 2019	SDG/GRI
Smart IT Digitization	Identify internal process / external trends that can add value to the Company by introducing digitization. The key parameters of evaluating options will be enhancing customer service, increase productivity of employees, lean management etc.	Allocated dedicated team and capital budgets	<ul style="list-style-type: none"> Introduction of digitalization within the business processes 	<ul style="list-style-type: none"> Digitization of policy allocation to Policy Conservation unit. Introduction of Artificial Intelligence (AI) for business underwriting and Robotic Process Automation (RPA) technologies for Finance processes. 	 
King of Data	Introduce data analysis to key business processes.	<ul style="list-style-type: none"> Dedicated team to handle data analysis 	<ul style="list-style-type: none"> No of new initiatives introduced 	-	
Phenomenal Sales	Focus on strengthening distribution channels	<ul style="list-style-type: none"> Increase head count of sales staff and productivity by developing training culture 	<ul style="list-style-type: none"> GWP growth above 25% New business ANBP growth over 30% 	<ul style="list-style-type: none"> GWP growth 25% New business ANBP of Rs. 3.9 Bn 	
Lean and Fast	<ul style="list-style-type: none"> Developing staff to be more productive and capacity building to build future leaders 	<ul style="list-style-type: none"> Empowered HR division with required financial resources to identify and strength staff 	<ul style="list-style-type: none"> Expense ratio of 51% GWP per employee improved by 10% Introduction of real time settlement of claims (CEFT) system 	<ul style="list-style-type: none"> Expense ratio of 54% GWP per employee improved by 31% 	 
Governance	Ensure strong corporate governance practices within the Company by fulfilling all regulatory requirements	Strengthened governance body	<ul style="list-style-type: none"> No non compliances 	<ul style="list-style-type: none"> No non compliances refer page 164 under Governance section for key Governance related initiatives for details). 	
Risk Management	Being proactive to the emerging risk internal and external.	Dedicated risk department who are alert on emerging risks	<ul style="list-style-type: none"> Updated risk heat map presented to risk committee of the Company 	<ul style="list-style-type: none"> Risk committee were gathered 4 times in 2019 to discuss the risk grid of the Company 	

OUR MEDIUM TERM STRATEGY 2021-2022

Strategic Objective	Strategy	Resource Allocation
Most Caring Life Insurer	Regularly review our customer's satisfaction and align our services towards their expectation	Management have evaluated resources required for medium term i.e beyond 2020 and comfortable that adequate financial and other resources are available within the Company to fulfill future requirements.
Smart IT Digitization	Digitization of key business processes to eliminate non value addition activities and improve the turnaround time	
King of Data	Data analytics will be decentralized to critical departments	
Phenomenal Sales	The Company will focus on new distribution channels and new market segments.	
Lean and Fast	There will be a key focus under this pillar i.e people development and process digitalization.	
Governance	Maintaining strong governance practices	
Risk Management	Maintaining proactive risk management approach.	

OUR LONG TERM VIEW - BEYOND 2022

Our long term strategy is focus on “enhancing entity value through a sustainable journey”. This objective is cascade down to determine strategic objectives as determine in the table 7 below. Our sustainability in future will be assured with entity’s evolving business model with embedded sustainability and strengthened governance structure. The wide scope of entity value creation will align our all future strategies towards common direction and allow us to set KPIs for individuals who will take part in our sustainable journey.

Table 7: Future strategic objectives

Strategic Objective	Our View
Most Caring Life Insurer	Enhance our customer care activities to cover the life cycle of the customers through customer journey mapping. Further we will become the benchmark for the insurance industry in Sri Lanka as well as globally through linking customer care in to company’s value generating process.
Smart IT Digitization	The Company will be shifted to digital transformation journey making every activity within the organization is influenced by digitalization. We will be on par with the rapid the global digital transformation. This will create value to the Company in terms of market development and market penetration strategy, be lean and fast in our operations and resource optimization.
King of Data	Data analytics will be the driving factor of our business in future where we will be providing more customized products and services that customers exactly needed. Also data will be the base on which we will manage our business sustainable manner.
Phenomenal Sales	Our growth momentum will continue to future as a result of all our future strategies explained and will be the core source that generate entity’s value.
Lean and Fast	Lean and fast will be embedded in our culture by shaping all our future strategic decisions linking to value creation.
Governance	Governance practices will be evolving within the organization to maintain sustainable business practices.
Risk Management	Risk management policies and practices will be strengthened in future to face developing risks and challenges for entities value creation. Proactive risk management mechanism will be adopted ensure sustainable value creation.

Above summary of strategy contains our future actions that were planned based on the current information we have and our forecast on the future. However, changes in external environment will affect our ability of executing strategy as determined. Accordingly, we will be reviewing our strategy on an annual basis and align it to developments in the environment as required.

COMPETITIVE STRATEGY

The Company continues to operate as the “Best Value Provider”, to stake out middle ground between pursuing a differentiation advantage and low cost advantage by appealing to a broad market as a niche offering. Further, we seek to serve mass value conscious buyers for a ‘good to great’ service at an economical price by

synergising Softlogic Group advantage and personalising customer engagement at a reasonable price (by maximising customer perceived value) utilising our team as well as innovative technological solutions in all our activities.



STRATEGY ON CAPITAL MANAGEMENT

The Company’s strategic objectives and strategies for short, medium and long term future is explained under each capital as presented below.

Capital	Page
Financial Capital	62-89
Human Capital	90-103
Social and Relationship Capital	104-129
Intellectual Capital	130-137
Manufactured Capital	138-141
Natural Capital	142-143

STRATEGY AND RESOURCE ALLOCATION

MANAGEMENT OF STRATEGIC RISK

Our most recent top strategic risks have been listed below and those will have an impact on our strategy execution.

Risk	Actions
Optimal leveraging of the businesses due to inefficient business processes and inappropriate IT architecture.	Investments in IT-enabled multi-channel and customer flexibility solutions. Risk management processes and robust business continuity plan. Strengthen IT governance processes.
Ability to sustain innovative and cost effective product development and distribution capabilities.	Continue to focus on innovative product and service design – significant investment in design capability. The Softlogic Group is able to draw insights that directly benefit our customers through improved data management.
Ability to retain and attract staff in critical leadership and technical positions.	Various initiatives taken to be the employer of choice for the scarce talent. Succession planning is a specific requirement of the Management Committee.
Meeting of investment return objectives.	Performance governance structure in place to monitor performance and take corrective action as necessary
Ability to adopt innovative techniques and to pursue new ideas.	Various initiatives are planned, some of which are referred to in our 2018 strategic objectives.
Appropriately responding to regulatory and environmental changes.	Strategy has been formulated to ensure the alignment to the changing regulatory environment. Regulatory compliance is monitored by the Board and Management Committee of the Company.
Realisation of growth initiatives and supporting business plans.	Focuses on growth supported by a new operating model which is designed to increase focus and improve alignment of opportunities to be leveraged.

BUDGET MONITORING

The Company will closely track the actual results against the budget and report to the board on monthly basis. Deviations will be analysed in depth during the year and correction actions will be taken promptly to ensure that the Company will reach its short term targets.

PERFORMANCE GOVERNANCE

Refer page 190 for more details on board level engagement in performance governance practices

STRATEGY COMMUNICATION

At the start of the year the Company communicates its strategy to all staff of the Company through townhall meetings conducted covering all SLI staff. This is an interactive session where the MD and senior management team communicate next years detailed plans and medium to long term vision of the Company and expectation from every department / job roll. This helps to align individual staff contributions to achieve the ultimate goal of the Company.

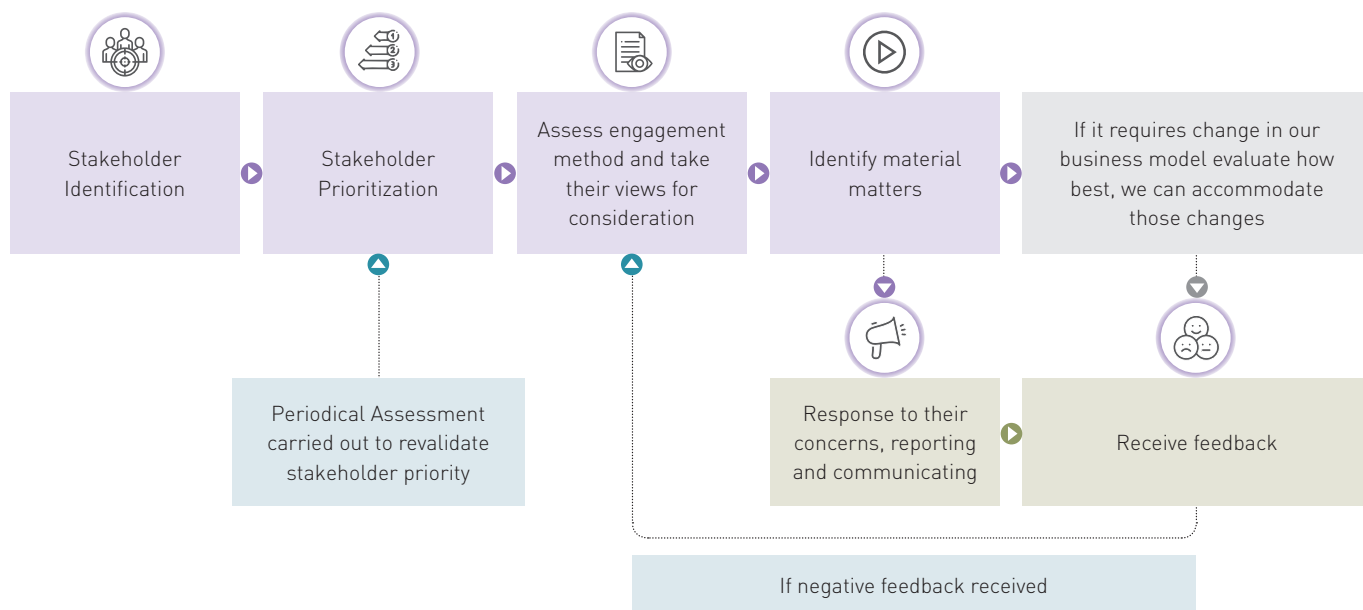


Townhall Meetings 2019

OVERVIEW

Our stakeholders are individuals or organizations that can reasonably be expected to be significantly affected by Softlogic Life’s business activities, output or outcome, or whose actions can reasonably be expected to significantly affect the ability of Softlogic Life to create value over time.

Our stakeholder engagement process is graphically presented below.



IDENTIFICATION OF STAKEHOLDERS

The first step in our Stakeholder Analysis is to brainstorm who our stakeholders are. Details of determinants are provided in the table below table;

Table 8:- Stakeholder identification

Parties	Key Questions
We considered all the parties; <ul style="list-style-type: none"> • Who are affected by our activities? • Who has influence or power over us? • Who has an interest in our successful and or unsuccessful conclusion? 	What financial or emotional interest do they have in the outcome of our work? Is it positive or negative? <ul style="list-style-type: none"> • What are the motivational factors? • What information do they want from us? • How do they want to receive information from us? What is the best way of communicating our message to them? • What is their current opinion of our work? Is it based on good information? • Who influences their opinions generally, and who influences their opinion of us? Do some of these influencers therefore become important stakeholders in their own right? • If they are not likely to be positive, what will win them around to support our project? • Who else might be influenced by their opinions? Do these people become stakeholders in their own right?

STAKEHOLDER ENGAGEMENT

Softlogic Life has identified key stakeholder groups with whom Softlogic Life needs to constantly be in dialogue and engage with;



“ AT SOFTLOGIC LIFE, ENGAGEMENT WITH STAKEHOLDERS IS INTRINSIC TO THE WAY WE USE OUR CAPITALS TO BUILD VALUE. WE BELIEVE OUR RELATIONSHIPS WITH ALL OUR STAKEHOLDERS IMPACT DIRECTLY AND INDIRECTLY ON OUR BUSINESS ACTIVITIES AND REPUTATION. ”

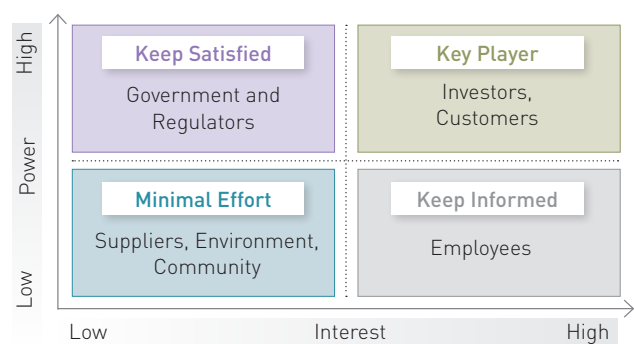
REPORTING AND COMMUNICATION

We have set up multiple channels of communication to solicit feedback on our performance, including our performance on external reporting. The tables on pages 55 to 57 broadly sets out issues raised by our stakeholders, and how we have responded.

STAKEHOLDER PRIORITIZATION AND RECOGNITION OF KEY PLAYERS

Based on the assessment carried out using the Mendelow Matrix given below, we identified our key stakeholders that materially contribute to our value drivers. Softlogic Life's business strategy and corporate responsibility priorities are influenced by our stakeholders who include employees, customers, investors, suppliers, community members, regulators, and others who have an interesting or interact with our Company. We preferentially engage with the stakeholders who have the greatest potential impact on our operations or that could be significantly affected by our business activities.

Figure 1: Mendelow Matrix for Prioritising of Stakeholders





INVESTORS					
Key Expectations/ Impact on Value Creation	Our Response	Response Strategies	Method of Engagement	Level of Engagement	Frequency
Sustainable Increase in Return on Investment.	Our performance (Refer page 62 for financial review)	Investors have been identified as Key players in our prioritization matrix. Accordingly, we take every effort to attend to their material matters and to manage them closely	Shareholder Meetings/Annual General Meetings	Consult	Annual
Protect and facilitate the rights of stakeholders and ensure fairness and transparency.	Strong corporate governance practices (Refer page 161)		Annual Report	Inform	Annual
Complying with all statutory and regulatory requirements.	Our risk management framework (Refer page 297)		Interim financial statements	Inform	Quarterly
Risk Management			Announcements to CSE	Inform	As necessary
Ensuring adequate and timely communication			Refer financial calendar on page 259	Press conference and media releases	Remain passive
	One-to-one meetings			Consult	As necessary
		Corporate Website			

Future strategy, risk and opportunities identified with regards to engagement with investors have been discussed in detail under financial capital on pages 118-123 of this report. The engagement strategy and methodology will be realigned according to the outcome of future strategy.



CUSTOMERS					
Key Expectations/ Impact on Value Creation	Our Response	Response Strategies	Method of Engagement	Level of Engagement	Frequency
Enhancing accessibility of our services to all segments in society in all districts and provinces.	Expansion of our distribution channels and branch network (Refer pages 145-115)	Customers have been identified as key players in our prioritization matrix. Accordingly, we take every effort to attend to their material matters and to manage them closely	Customer satisfaction survey	Consult	As necessary
			Regular interactions at customer centers	Involve	On a regular basis
			One-on-one meetings	Consult	As necessary
Easiness of buying insurance product	Available methods to buy our products (Refer page 113)		Direct customer feedback	Consult	On a regular basis
Satisfaction (service Quality of every engagement).	Customer satisfaction survey (Refer page 134)		Media campaigns/ advertisements	Remain passive	On a regular basis
New products to meet the evolving need.	New products introduced (Refer page 111)		Corporate Website information	Remain passive	On a regular basis
Grievances Handling mechanism.	Grievance handling process (Refer page 116)	Life Up App	Involve	On a regular basis	

Future strategy, risk and opportunities identified with regards to engagement with customers have been discussed in detail under Social and Relationship Capital on page 107 of this report. The engagement strategy and methodology will be realigned according to the outcome of future strategy.

STAKEHOLDER ENGAGEMENT



EMPLOYEES					
Key Expectations/ Impact on Value Creation	Our Response	Response Strategies	Method of Engagement	Level of Engagement	Frequency
Job security and a rewarding career.	HR governance and career development (Refer page 95)	We care about our employees at the forefront of our success. We keep them informed on every step the Company takes on its journey.	Town hall meeting	Collaborate	Annually
			HR Portal	Involve	On regular basis
			Regular E-mail updates	Inform	On regular basis
Enhancement of skills and knowledge.	Training and professional development (Refer page 95)		Softlogic Life employee Facebook group / WhatsApp, Viber	Involve	On regular basis
			Competitive remuneration	Fair pay and other benefits (Refer page 96)	
Ensure a healthy work life balance.	Employee Engagement activities (Refer page 100)		Employee direct meetings	Consult	On regular basis
Diverse and inclusive.	Gender parity (Refer page 98)	Employee Survey	Consult	Annually	
Build ownership by engaging employees in our business strategies.	Employee Engagement activities (Refer page 100)	Company social events	Collaborate	Annual/Ad hoc	

Future strategy, risk and opportunities identified with regards to engagement with employees have been discussed in detail under human capital on page 90-103 of this report. The engagement strategy and methodology will be realigned according to the outcome of future strategy.



GOVERNMENT AND REGULATORY AUTHORITY					
Key Expectations/ Impact on Value Creation	Our Response	Response Strategies	Method of Engagement	Level of Engagement	Frequency
Compliance with industry relevant legal provisions and directives	Statutory and regulatory environment (Refer page 34)	By closely monitoring and complying with all regulatory requirements, we ensure the satisfaction of the government and regulators.	Directives and circulars	Consult	As necessary
			On-site review by IRCSL	Consult	Annual
			Press releases	Remain passive	As necessary
Timely tax payment	Complied with all tax requirements (Refer page 330 for details of income tax)		Submission of returns and status reports	Inform	Periodic deadlines
Good corporate governance and business ethics.	Strong governance practices within the Company. (Refer page 161)		Training and workshops organized by regulators	Consult	As necessary
Support for government policy.	As a responsible corporate, we look forward to take part in the journey of developing Sri Lanka		Meeting / discussion with government and regulators	Consult	As necessary

Future strategy, risk and opportunities identified with regards to engagement with Government and Regulatory Authority have been discussed in detail under social and relationship capital on pages 104-129 of this report. The engagement strategy and methodology will be realigned according to the outcome of future strategy.



SUPPLIERS AND BUSINESS PARTNERS					
Key Expectations/ Impact on Value Creation	Our Response	Response Strategies	Method of Engagement	Level of Engagement	Frequency
On-time settlement of invoices (in line with agreed terms) for services provided / rendered.	We ensure timely settlement of dues through well-defined internal control mechanism. (Refer Pages 18-123)	We respond to business partners fairly on their concerns. However, we give closer attention to our field staff and bancassurance partners since the growth of both parties goes hand-in-hand	Supplier meetings	Consult	As necessary
			Field staff / Bancassurance partner meetings	Consult	As necessary
			Letters /E-mails/ Telephone conversations	Involve	As necessary
Implementation of a procurement procedure with internal controls and decision making based on market information in a transparent and fair manner for all qualified and registered suppliers.	We have set up supplier evaluation committee to annually review registered suppliers and new onboard to ensure fair and transparent consideration of all suppliers		One-on-one meetings	Consult	As necessary
Companies growth potential	Our growth		Periodic visits	Involve	As necessary

Future strategy, risk and opportunities identified with regards to engagement with Suppliers and business partners have been discussed in detail under Social and Relationship Capital on pages 18-123 of this report. The engagement strategy and methodology will be realigned according to the outcome of future strategy.



COMMUNITY					
Key Expectations/ Impact on Value Creation	Our Response	Response Strategies	Method of Engagement	Level of Engagement	Frequency
Employment Opportunity	We recruited 156 staff during the year, covering many districts in Sri Lanka (Refer page 94)	We assume it is our duty to develop our community.	Community projects	Collaborate	As necessary
			Call center conversations	Consult	As necessary
			Interact through branch network	Collaborate	As necessary
Willingness to help under-developed communities in Sri Lanka	Our community development programs are discussed in detail on pages 124-129 of this report.		Social media & Corporate Website	Remain passive	As necessary

Future strategy, risk and opportunities identified with regards to engagement with community have been discussed in detail under Social and Relationship Capital on pages 124-129 of this report. The engagement strategy and methodology will be realigned according to the outcome of future strategy.



ENVIRONMENT					
Key Expectations/ Impact on Value Creation	Our Response	Response Strategies	Method of Engagement	Level of Engagement	Frequency
Reducing adverse impact on society and environment.	*Recycling of paper. *Eco-friendly practices (Refer page 144 for natural capital management)	Consider environmental impact within our business process	Environmental Projects	Collaborate	As necessary
			Energy Saving	Collaborate	On a regular basis

Future strategy, on environment have been discussed in detail under Natural Capital on pages 142-146 of this report. The engagement strategy and methodology will be realigned according to the outcome of future strategy.

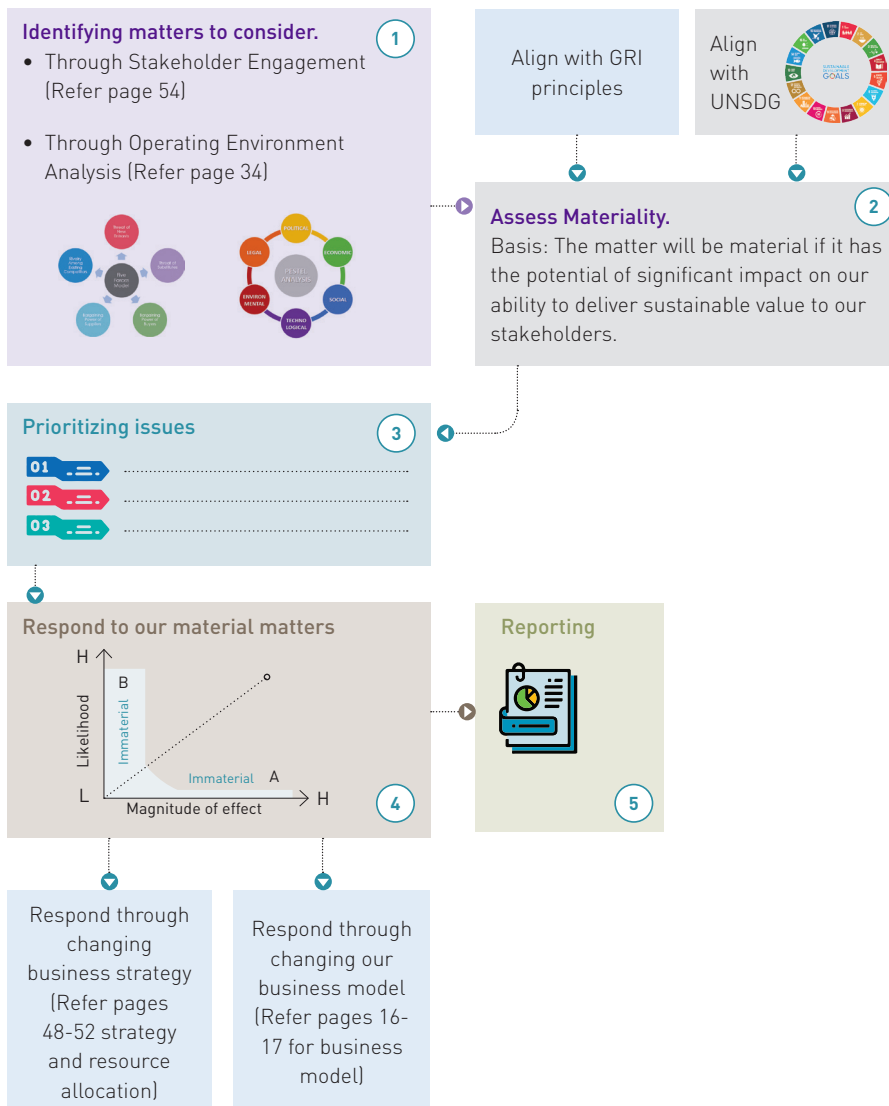
MATERIAL ASPECTS IMPACTING OUR BUSINESS



THE MATERIAL MATTERS SUPPORT OUR THOUGHT AND REPORTING PROCESSES, GOVERNANCE AND STRATEGY DEVELOPMENT. EACH FOCUS AREA IMPACTS THE COMPANY'S ABILITY TO CREATE VALUE IN THE SHORT, MEDIUM AND LONG TERM. WE BELIEVE THAT EFFECTIVELY MANAGING OUR MATERIAL ISSUES ARE CRITICAL TO ACHIEVING OUR STRATEGIC OBJECTIVES AND MEETING STAKEHOLDER'S EXPECTATION.



Our materiality determination process is illustrated below.



IDENTIFYING MATTERS TO CONSIDER. (STEP 01)

Our sustainability framework defines the sustainability vision, policies and strategies or management approach towards priority issues as discussed under the 'Stewardship' section. The framework assisted the committee to develop a methodology to focus on the issues that matter most to us and to our stakeholders. We engage with our stakeholders regularly to incorporate their views, requirements and priorities in our materiality determination process. This brings many benefits such as:

- Enabling the Company to elicit the opinions of our most powerful stakeholders to shape our activities at an early stage. Not only does this make it more likely that they will support us, their input can also improve the quality of our business.
- Gaining support from powerful stakeholders can help us to gain more resources and be successful in the business.
- Understanding our stakeholder expectation allows us to be more relevant in what we are doing and setting our business strategies and business model.

Changes in our operating environment also brings opportunities and challenges which significantly affect our value creation process. Such changes include technological development, changes in market conditions etc. We regularly review our business operating context to identify these developments and respond accordingly.

ASSESS MATERIALITY (STEP 02)

The materiality of the matters above (Step 01) is assessed in the context of the significant impact on our ability to generate sustainable value over the period. Accordingly, materiality assessment will be linked with financial performance, statement of financial position, and values and impact on the stakeholders' interest.

SUSTAINABILITY CONTENT

We consider GRI and UNSDG as guiding principles for assessment and response to our material matters.

PRIORITIZING ISSUES (STEP 03)

The outcome of the above engagement process enabled us to prioritize the issues that are most material to our business and to our stakeholders at present. The matrix outlines our material issues against the magnitude of the effect over the Company’s value creation and likelihood of occurrence. It also indicates where the primary impacts of the issues occur in terms of our stakeholders, and whether they are internal or external to our business. Figure 2 provides a summary view of prioritization of our material matters.

RESPOND TO OUR MATERIAL MATTERS AND OPERATIONALIZATION (STEP 04)

Respond to our material matters

The management of SLI discusses material matters on a regular basis at the monthly management meeting and strategy and board meeting held every quarter. The management expertise is used to resolve any issues arising from

material matters and they take informed decision on future action at the board level. These responses can be primarily separated into two main categories such as:

- Changes in business strategy
- Changes in business model

Based on the outcome of management evaluation of the material matters, the management can choose to either alter the existing business strategy or alter its business model and ensure the Company’s sustainability.

How we operationalize material issues

The Company manages its material topics through its strategic planning process by allocating the responsibility of each assessment to head of divisions and allocating necessary resources by evaluating the significance of each material topic. Goals and targets are embedded in the Key Performance Indicators (KPIs) of each departmental head to ensure the organization achieves its objectives.

For the list of KPI topics and other relevant details thereon, please refer pages 48 to 52 (Strategy and Resource Allocation).

APPROVAL OF BOARD OF DIRECTORS

The board level engagement on material matters determination and response strategies have been discussed under the Performance Governance report on page 161.

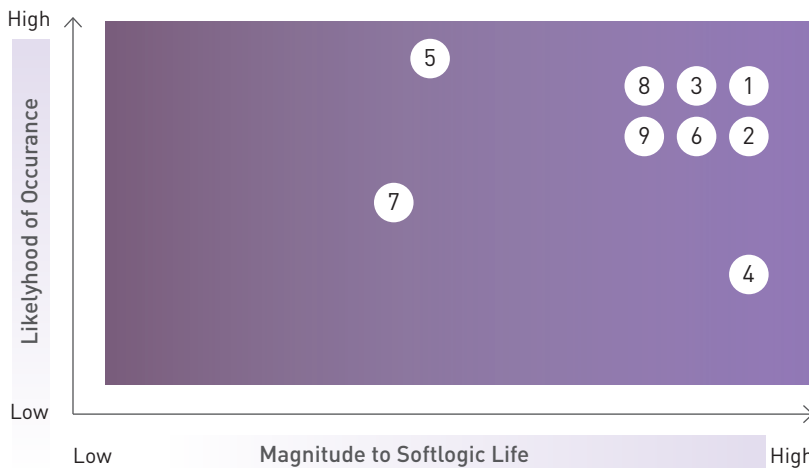
REPORTING (STEP 05)

The reporting could happen in two ways: internal or external. Internal reporting includes the minutes of management discussion and board discussion which ensure an informed and responsible decision-making process. External reporting includes discussion in the annual report which was aligned to requirement of GRI standards and UNSDG requirements. Our material matters discussed in this annual report is summarized in table 9.

RESTATEMENTS AND SIGNIFICANT CHANGES

There are no restatements or significant changes in scope and aspect boundaries and materiality determination process compared to the previous year, other than those specifically required by the GRI standards.

Figure 2: Priority issue matrix - Materiality matrix

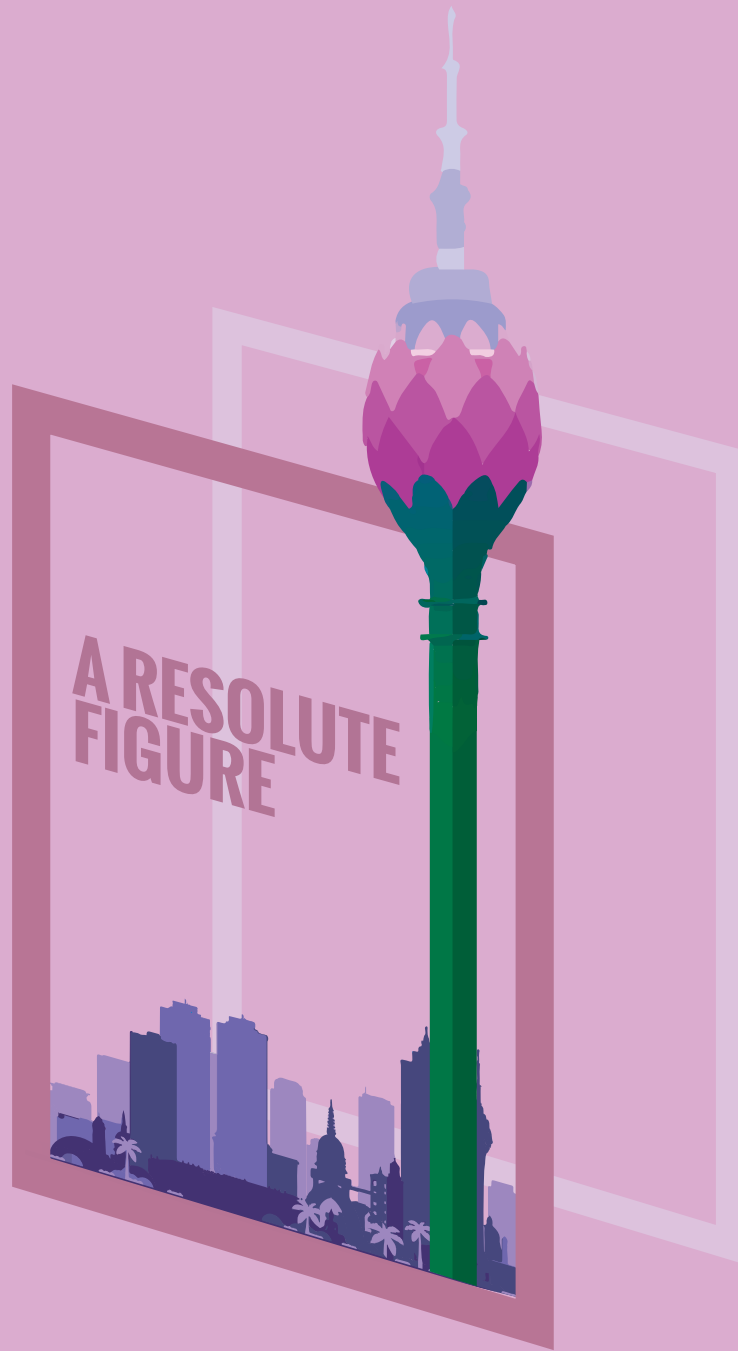


MATERIAL ASPECTS IMPACTING OUR BUSINESS

Table 9 :- Our material matters

Material Matter	Source of identification (Stakeholder)	Our response	Guiding principle GRI	UNSDG	Change in materiality of the topic	
1	Deliver sustainable financial results	Investor	Our sustainable and efficient management of finance is discussed under Financial capital on pages 62 to 69.	201-1	8 DECENT WORK AND ECONOMIC GROWTH	▲
2	Protect and facilitate the rights of stakeholders and ensure fairness and transparency.	Investor	Strong corporate governance practices refer page 161	102-40/ 102-44		▲
3	Excellent customer service	Customer	Our best-in-class service and innovative product portfolio is provided in Social and Relationship Capital on pages 110 to 111.	418-1	9 INDUSTRY INNOVATION AND INFRASTRUCTURE	▬
4	Innovative products	Customer		102-6/ 102-2/ 418-1/ 102-4/ 206-1/ 417-2/ 417-3		▲
5	Job security, career development and equal opportunity	Employee	Employee governance, training and development, gender parity etc: have been discussed in Human Capital on pages 91-103	102-8/ 201-3/ 205-2/ 205-3/ 401-1/401-2 /401-3/404-1/ 404-2/ 404-3/ 405-1/ 406-1/ 205-1/ 408-1/ 412-1/ 412-2/ 412-3	1 NO POVERTY, 3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY	▬
6	Compliance with legal provisions and being a responsible corporate	Government and Regulatory Authority	Compliance with applicable laws and regulation have been discussed under Corporate Governance on page 163.	102-18 / 415-1	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY INNOVATION AND INFRASTRUCTURE	▬
7	Fair and equitable engagement with business partners	Business partners / community	Our engagement process with business partners and community is described on pages 118 -129	413-1/ 413-2/ 415-1	4 QUALITY EDUCATION, 10 REDUCED INEQUALITIES	▬
8	Technological developments	Environment analysis	Our customer and business partner focused technological advancement has been summarized on pages 108-109.	102-6	9 INDUSTRY INNOVATION AND INFRASTRUCTURE	▲
9	Risk management	Environment analysis	Our Integrated Risk Management practices have been discussed on page 245	102-30	8 DECENT WORK AND ECONOMIC GROWTH	▲

▲ Increase ▬ No Change



MANAGEMENT DISCUSSION & ANALYSIS

OUR PERFORMANCE

Financial Capital	62	Intellectual Capital	130
Human Capital	90	Awards	136
Social and Relationship Capital	104	Manufactured Capital	138
- Customers	106	Natural Capital	142
- Business Partners	118	Future Outlook	147
- Community	124	Independent Assurance Report	149

FINANCIAL CAPITAL

KEY INDICATORS OF VALUE GENERATED IN 2019

GWP (Revenue)

25% [▲]

2019	12.5Bn
2018	10Bn

Life Fund

15% [▲]

2019	10.4Bn
2018	9Bn

PBT

138% [▲]

2019	2.6Bn
2018	1.1Bn

Economic Value Added

41% [▲]

2019	12.3Bn
2018	8.8Bn

Market Share

1.6% [▲]

2019	14.1%
2018	12.5%

Total Assets

19% [▲]

2019	21Bn
2018	17Bn

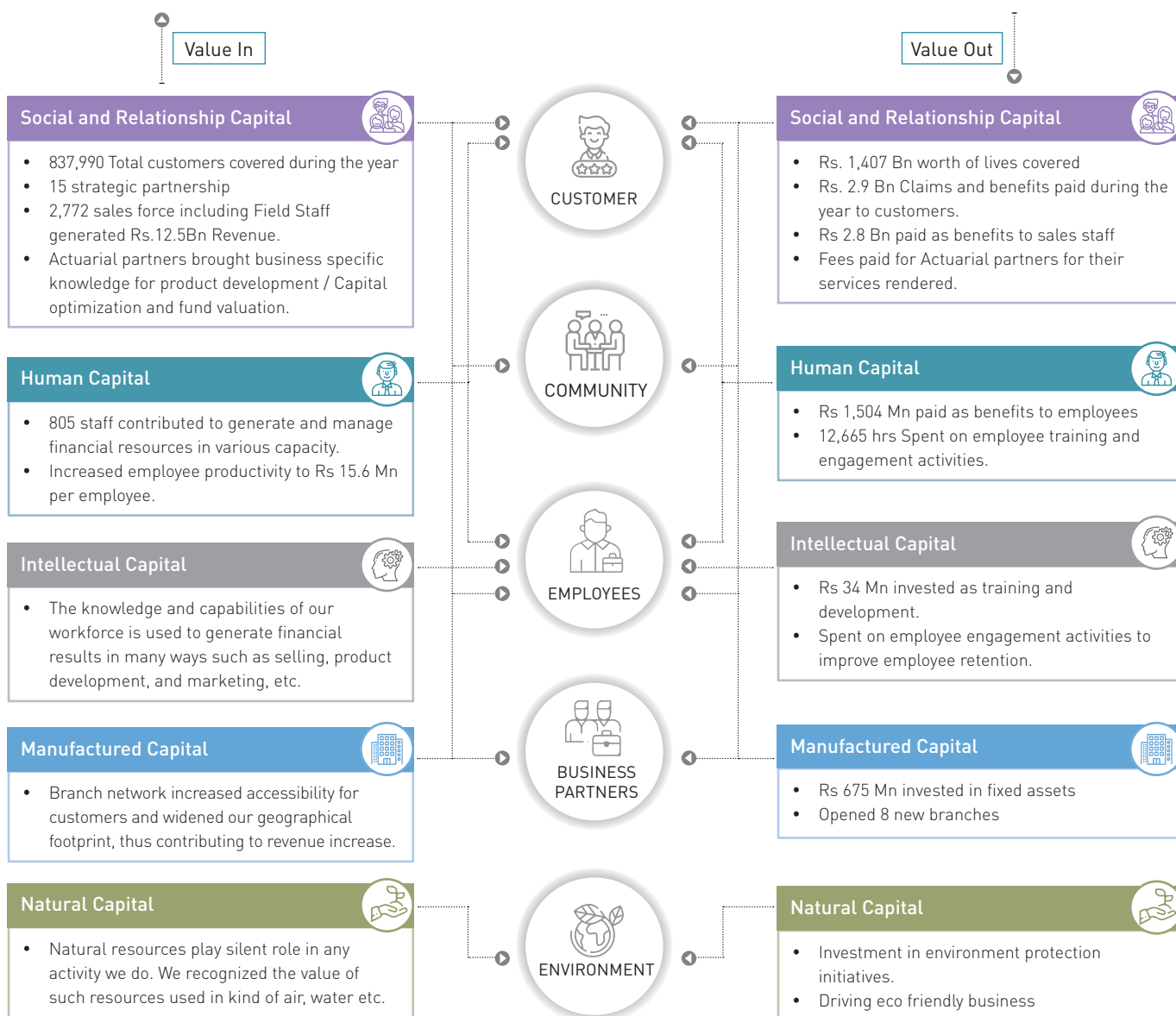
Financial Investments

24% [▲]




2019	14.9Bn
2018	12.0Bn


Regulatory Ratios

CAR **173%**
Inv. Gvt. Sec **42%**
Determination **109%**



* The Diagram provides an overview of the trade-off between Financial Capital with other capitals as well as its impact to stakeholders.

SHORT TERM TARGET 	MEDIUM TERM VIEW 	LONG TERM VISION 
<ul style="list-style-type: none"> ▶ Above 25% topline growth and Operational profit growth above 25% ▶ Minimum 2% improvement in expense ratios through efficiency improvements. ▶ Maintaining ROE above 20% ▶ Manage capital adequacy ratio above 120% (Regulated ratio) and above 100% approved asset level. ▶ Strong liquidity position through maturity mapping of assets and liabilities. 	<ul style="list-style-type: none"> ▶ Above 30% topline growth and Operational profit growth above 25%. ▶ Maintaining ROE above 22% ▶ Improve our liquidity position and solvency position. ▶ Ensure compliance with newly introduced SLFRS 17. 	<ul style="list-style-type: none"> ▶ The company will be at the forefront of innovation in the Sri Lankan insurance industry - by growing exponentially and becoming a well-managed, transparent financial institution, resulting in contribution to higher penetration.



OUR STRATEGY

Following strategies will be executed in order to achieve our short term targets, medium term view and long term vision

- ▶ Further strengthening existing distribution channels while stepping into new market segments, new distribution partnerships etc, ensuring the company's extraordinary growth momentum.
- ▶ Operational excellence through lean management and lowering expense ratios
- ▶ Ensure we are in compliance with all regulatory requirements
- ▶ Continue to be innovative in everything we do
- ▶ Focus on changes in our operating environment to identify and be proactive on new developments which affect our value creation process. Such changes may include technological developments, changes in regulation, market condition changes and etc.

RISK /CHALLENGES AND OUR ACTIONS

We identified below risks and challenges which will have material impact on our future strategy.

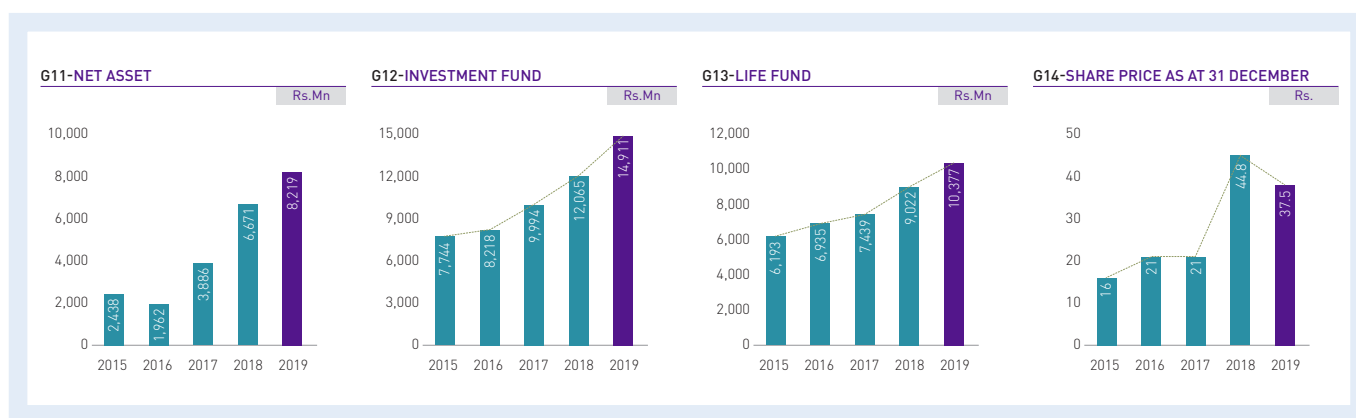
Risk and Challenges	Our Response
<p>1 Intense competition and competitor actions brought additional pressure to achieve company's revenue targets</p>	<ul style="list-style-type: none"> • Introduction of unmatched superior products to cater competition (04 new products launched) • Unique customer centric service (i.e one-day death claim settlement) with personalized customer service • Training and developments to strength our selling process • Unique marketing campaign (i.e: Highlights of Life Insurance as propositions other than death benefits) to position brand in the market
<p>2 Unhealthy price war shrink product margin on corporate business and negatively affect profitability of the company</p>	<ul style="list-style-type: none"> • Introduction of product / service differentiation • Optimization of Reinsurance expense by better negotiation with reinsurers
<p>3 Managing premium persistency (retention) at expected level</p>	<ul style="list-style-type: none"> • Continuous improvement of average premium value per policy as there is positive correlation between policy value and retention of policy • Revamp Policy Conservation Unit – PCU (unique center whose only focus is to collect the premiums from customers by personally visiting them) • Revamp sales incentive structure to improve retention level • Introduction of new KPI's to sales distribution management
<p>4 Continuous declining equity market brought investment losses to income statement</p>	<ul style="list-style-type: none"> • Detailed analysis of investment portfolio and exit strategy to stop further loss • Channel new funds to non-equity investments opportunities with high yields
<p>5 Managing expenses while supporting growth momentum of the company.</p>	<ul style="list-style-type: none"> • Introduction of technical solutions (i.e. Digitalization of underwriting/ Claims / servicing and collection process) to absorb additional volume without increase of additional cost to improve expense ratios • Business expansion decisions such as new branch openings are done after detailed evaluation • Proper monitoring of branch performance and taking action accordingly

FINANCIAL CAPITAL

Impact to business model					
1	2	3	4	5	6
Entities control over capital					

WHAT OUR FINANCIAL CAPITAL INCLUDES...

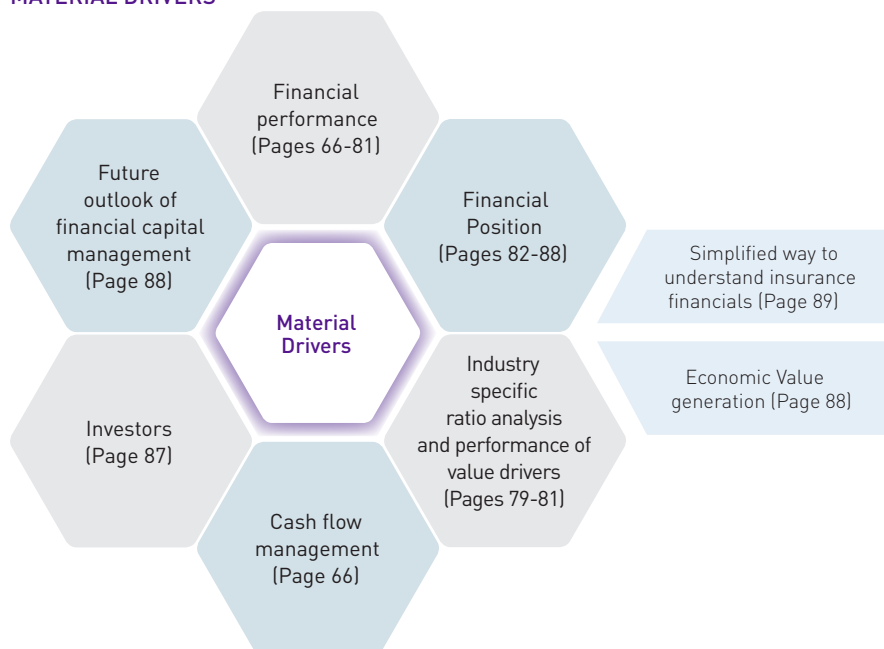
Our financial capital includes our monetary resources, which have been contributed by our investors and are being enhanced through our business activities, which is embedded in our business model. Our key financial capital includes equity funds which consist of share capital, retained earnings and other reserves. However, as we are in the business of life insurance, we have to manage large liability of 'Insurance contract liability' of Rs 10.3 bn (2018- Rs. 9 bn) representing our contractual obligation to settle expected future claims and maturities of our policyholders. In order to manage future liquidity of the Company, we also maintain an investment portfolio of Rs. 14.9 bn (2018 – Rs. 12 bn) along with maintaining adequate capital adequacy ratios. Management of the above was possible because of our operating cash flow and profit generated from the business. Therefore, we place equal effort on managing our operating cash flow and profitability.



HOW VALUE IS ADDED






Value created by our business enhances our financial capital, which in turn is used to repay our investors with dividend payments and the rest retained to aid business operations and growth through enhancing other capitals.

MATERIAL DRIVERS



PERFORMANCE REVIEW

In our performance review, we use the following icons for easy navigation through the report which has meaning as specified below.

-  Commentary
-  Key Challenges
-  Strategies executed
-  Key Value Drivers
-  Critical Success Factors



“We are proud to be the only Sri Lankan company listed under Forbes ‘Asia’s best 200 companies under one billion dollars’ for 2019 due to consistent top and bottom line growth. This showcases utmost commitment and passion that helped Softlogic Life deliver sustainable results which are recognized at a global level. We manage our financials in the best interests of all our stakeholders in a prudent and transparent manner. Our strong corporate governance framework shapes our financing strategy and drive towards responsible financial management and we will continue to execute innovative strategies to create greater value to our stakeholders.”

Nuwan Withanage
Chief Financial Officer

OUR ACTION 2019

Market Share Growth

1.6% The highest growth recorded in the industry

Industry Rank

4 Became 4th largest insurer in Sri Lanka

Five year CAGR

32% Only insurer to record continuous epic growth

Market Share Growth

LMD1 Ranked at No. 1 in LMD 100 under Shareholder fund growth category

Monthly financial reports are prepared in accordance with financial reporting frameworks adopted, as described in the ‘Reporting Frameworks’ on page 7 and circulated to senior management and the Board of Directors.

We strongly believe real sustainability should be visible in the form of business results, i.e financial and operational. Our sustainability journey has strong meaning to us because we throw out better and better results every year providing example to sustainability.

OUR MANAGEMENT APPROACH

In the formation of our strategy, financial capital requirements are forecasted and an accompanying financial capital plan is formulated. Assuming no significant unforeseen events occur, we are comfortable that our strategy will not be constrained by lack of available financial capital.

In managing our financial capital, we closely monitor our inflows and outflows on a monthly basis and use budgeting as a controlling mechanism. The performance indicators are tabled at regular management meetings and board meetings. Future action plans are debated and agreed upon, aligning those to the short /medium term strategy of the Company.

HOW WE MANAGE OUR FINANCIAL CAPITAL

Management of our financial capital is discussed under three separate subsections as presented in below table 10.

Table 10: Subcategories of financial capital

Subcategory	Management approach and strategy	Reflection in financial statements
Operational cash flows and profitability management	Income statement based analysis is provided on pages 66 to 81	Income statement and related notes on pages 270 to 342
Insurance contract liability management	Liability management strategy is provided on page 365.	External assurance on liability valuation is provided on page 262. Computation methodology, assumptions and detailed financial breakups provided on pages 365-372
Investment portfolio management	Investment portfolio management strategy is provided on page 345.	Detail analysis on our investment portfolio is provided on pages 345-357 of this report.

FINANCIAL CAPITAL

MANAGING OPERATIONAL CASH FLOW AND PROFITABILITY

We manage our operational cash flow and profitability through the income statement approach. We closely monitor each line item of the income statement against the budget, which is our final output of strategy and resource allocation process as explained on page 52 of this report. Risks and challenges, strategies and KPI's for each line item is provided under each caption explained below:

OVERVIEW

The Company's overall performance was exceptional during the year 2019 despite the persistent volatility in the macroeconomic environment. The management continued to focus on the factors within our control, which included driving operational improvements, stringent cost controls and increasing margins. This, combined with the all-encompassing changes we have introduced to ensure greater efficiency, effectiveness and competitiveness, underpinned our excellent performance. The Company consistently improved its turnover, surpassing industry average

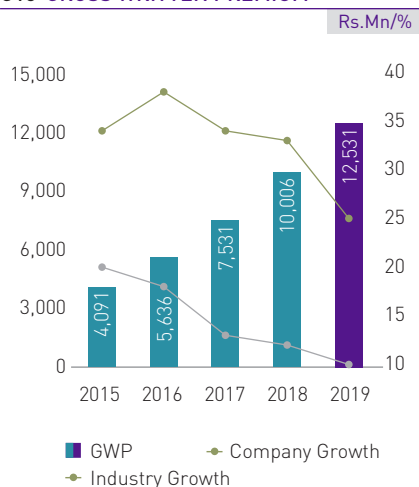
growth rates during the last five years - 32% against the industry average growth of 14% - and demonstrated a consistently exceptional sustainable performance.

STRATEGIC ANALYSIS OF INCOME STATEMENT

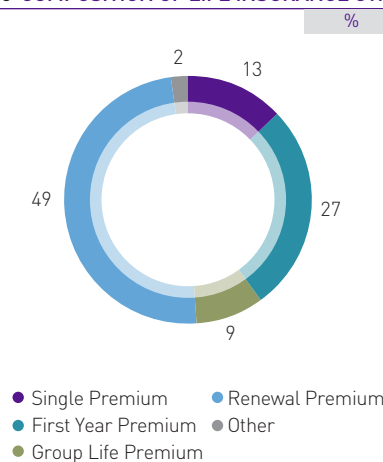
The following table shows our sustainable value generation over the last three years:

Description - Rs. Mn	2019	2018	2017	Growth % 2019 vs 2018
Gross Written Premium	12,531	10,006	7,531	25%
Reinsurance Expenses	(991)	(727)	(802)	36%
Net Earned Premium	11,540	9,279	6,729	24%
Investments Income and Other Operating Income	1,584	954	1,069	66%
Net Benefits and Claims	(2,996)	(2,339)	(1,223)	28%
Change in Insurance Contract Liability	(1,170)	(1,501)	(1,315)	-22%
Change in Contract Liability due to transfer of one off surplus	-	-	798	-
Underwriting and Net Acquisition Cost	(2,968)	(2,044)	(1,831)	45%
Other Operating, administration and finance expenses	(3,386)	(3,254)	(2,322)	3%
Profit Before Tax	2,604	1,095	1,905	138%
Profit After Tax Reported	2,173	3,336	2,325	[35%]

G15-GROSS WRITTEN PREMIUM



G16-COMPOSITION OF LIFE INSURANCE GWP



COMMENTARY

Softlogic Life being the market force that drives the growth momentum of the insurance industry recorded another historical growth of 25% compared to industry average growth of 10%. Recording growth over two times of industry average growth was possible only because the Company understands the customer better and provides insurance solutions they need - combining it with incomparable customer service innovations.

The Company achieved a mammoth GWP of Rs. 12.5 Bn – re-emphasizing sustainability of our business strategy which is represented in numbers by way of a five year GAGR of 32% against industry average of 14%. Refer note 10 on page 322 and financial evaluation and risk management is provided on pages 297-307.

We rose one step above in the industry ranking – becoming the 4th largest insurance company in Sri Lanka while sustaining market leadership position in the single premium market

COMPOSITION OF GWP

The Company's GWP can be categorized to First-Year Premium (FYP), Renewal Premium (RP), Single Premium and Group Life representing the premium charge to underwrite the risk associated with those products. The Company became a market leader for the third consecutive year on absolute GWP growth - recording GWP of Rs. 2,526 Mn, while the next closest competitor only recorded growth of GWP Rs. 1,614 Mn. FYP GWP represents the Premium received from new business (policies underwrite within one year) which recorded a growth of 29%, which is more than three times of the industry average growth of 8%. Renewal premium income also grew by 20% (Against industry average of 11%) which contributed 49% of the total GWP. Single and group life premiums contributed 25% of GWP.

The Company holds a market leader position in Single premium segment. This success was recorded within a very short period of three years since we first stepped into the single premium market in 2016.

CHANNEL-WISE PERFORMANCE AND MIX

The Company operates mainly three channels: Agency channel (agency model), Alternate channel (which mainly focus on Bancassurance/ corporate life insurance solutions) and the Micro and Mobile which predominantly focuses on the Micro insurance segment of the industry. According to the table 11 below, dependency on the agency channel dropped from 77% to 75% during the year while all the channels recorded significant growth, resulting in reducing the concentration risk of the Company's revenue generating from one stream of agency channel. Alternate channel, formed three years ago, recorded Rs. 3 Bn GWP, which is a standalone distribution channel of Softlogic Life - now bigger than 7 life insurance companies in Sri Lanka.

Table 11 :- Channel Mix

Channel	2019 Rs. million	2018 Rs. million	Growth	Mix 2019	Mix 2018
Agency	9,354	7,710	21%	75%	77%
Alternate	3,011	2,203	37%	24%	22%
Micro/ Mobile	167	92	82%	1%	1%
Total	12,532	10,005	25%	100%	100%

SEGMENTAL GWP ANALYSIS AND CLASS WISE PERFORMANCE

During the year 2019, Endowment products made the highest contribution to overall GWP, amounting to 76% (2018 - 77%), whereas Non-endowment products, which

include Decreasing Term Assurance, Corporate Group Life, Investments and Micro products contributed 24% (2018 - 23%) to the GWP. Details of product mix are provided in graph 17 below.

GWP from Decreasing Term Assurance Policy (DTAP) base marked exciting growth of 35% over the previous year to become the second-highest single premium business generator in the industry as shown in table 12 'Market positions of Single Premium and Group Life market'. DTAP revenue contributed 12% to the total GWP during the year 2019, against 11% recorded in 2018. The Group Life premium achieved 9% contribution to total GWP against 7% in 2018. The Company is market leader for Group life in terms of market position as shown in table overleaf. Presently, the Company has market share from single premium GWP and Group life amounting to 22% and 26% respectively.

Total contribution from Investment life products reduced to 1% from total GWP which is a drop from 3% reported in 2018 due to the strategic decision taken by the Company to optimize the product mix to improve the profitability of the Company. The newly-introduced Micro and Mobile channel also generated Rs. 166 Mn contributing 1% to the total revenue. Pension product brought the smallest revenue stream to the Company at Rs.16 Mn which is a newly-introduced product during the year. Details of segment contributions from each class of products are provided in the graphs 17 below.

G17-GWP CLASS WISE COMPOSITION 2019 VS 2018

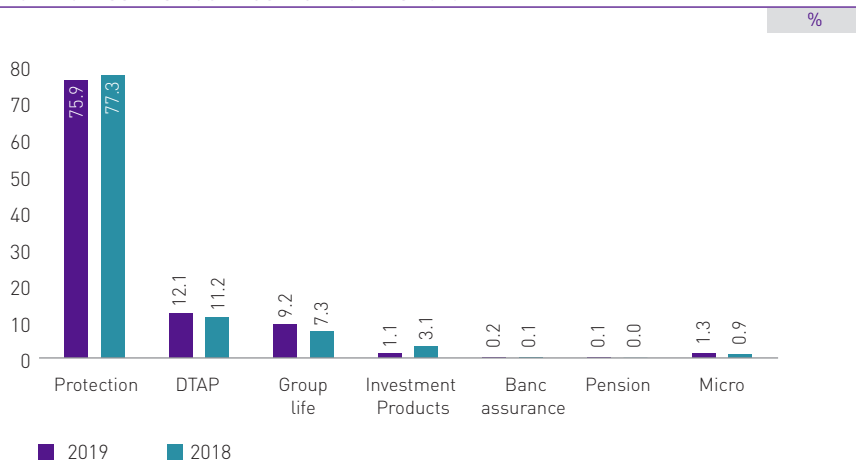
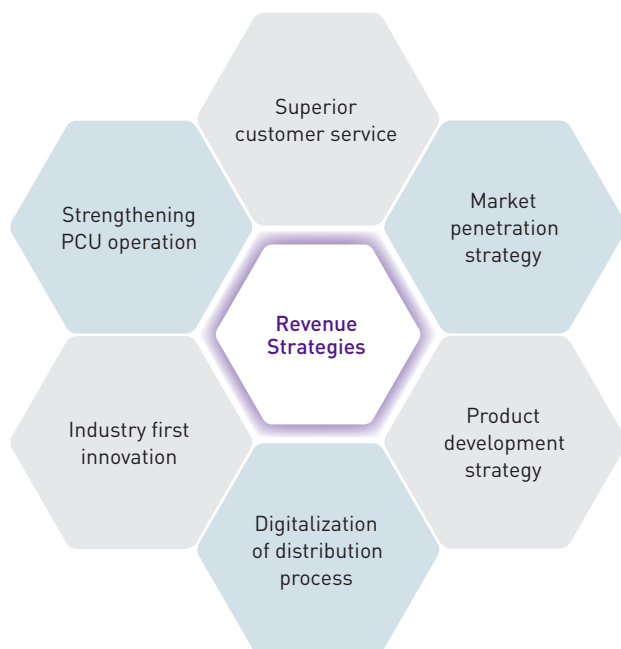


Table 12: - Market position of single and group life markets

Name of the competitor	GWP Mn	Rank	Market share%
Softlogic Life	2,075	1	24.0%
Competitor A	2,063	2	23.9%
Competitor B	1,767	3	20.5%
Competitor C	829	4	9.6%
Competitor D	708	5	8.2%
Total from other players	1,195		13.8%
Total	8,638		100%

Figure 3: - Revenue Generating Strategies



KEY CHALLENGES IN 2019

- Sri Lankan economy was badly affected due to the Easter attack and prevailing political unrest which caused economy to achieve minimum growth of 2.7%. In turn, the insurance industry also reported slow growth of 10% which takes us 5% away from the budgeted revenue.
- The competition was intense, especially in group business, as all players in the market fight for slow growing market and placed additional pressure on us to reach our targets
- Bancassurance performance was below expectations for the second consecutive year as building partnership on long term basis was hard. However, we closed the year by securing a successful partnership with Sri Lanka's leading bank, expecting a revenue boost in 2020.
- We experienced higher policy lapse rate for the 2nd year and above policies due to unfavourable economic conditions.



STRATEGIES EXECUTED

- * **Superior customer service**
(Our innovation leads the way insurance industry thinks of customer service)
We continuously improve our customer services at every touch point to create strong lifelong partnerships with our customer which will not be affected by any externalities. Our customer service could be further denoted into world class product offerings and fair and speedy claim settlement which brought us a competitive edge. This secret formula provided

sustainable growth momentum to the Company despite of the market conditions. Accordingly, we introduced 4 new products, introduced many digital innovations, expanded branch network by 8 etc. which is explained in detail under 'Social and relationship capital – Customers' on pages 110-111.

*** Market penetration strategy**

(Market leader in terms of number of customers insured)

Our strong growth momentum over last six years was mainly supported by our market penetration strategy. Accordingly, we expanded our branch network to cater to wide customer base, increasing accessibility to customer and convenience. During the year under review, we opened 8 new branches under agency channel in strategic locations while reaching a total branch network of 99. Alternate distribution channel also contributed to market penetration strategy by onboarding 9 new partners to our DTAP partnership portfolio, allowing us to cover 226,947 lives as at 31st December 2019. Also, we expanded our group life product, bringing in 613 corporates to our customer portfolio. We increased the benefits of mobile insurance product available with the partnership of Dialog to attract new customers and we closed the year with 353,413 active customer base.

*** Product development strategy**

(Our well-diversified product portfolio bench mark us with global insurance market)

Our product development strategy is one of the main pillars in our untiring effort to deliver excellent customer service. Our close engagement with customers allows us to understand exactly what customers need and we diversify our product portfolio to suit the requirements. Over the period we have expanded our conventional endowment products to investment, health, DTAP, group life products etc. During the year under review, we introduced 4 new products, aligning our products further to cater emerging customer needs and revamp one product to improve marketability. Refer pages 110-111 for our product portfolio

*** Market development strategy**

(We are the only insurer in Sri Lanka to go the extra mile on insuring our low income population and secure their future)

During the year under consideration, we introduced another micro insurance product which is distributed through the Postal Department of Sri Lanka. The premium for the product is as low as Rs 150/- per month, focusing on rural population who have low income levels. While we are expecting growth in this channel, the focus is more on giving a helping hand to low income earners to care for themselves in case of unforeseen events.

*** Strengthening PCU operation**

(We have a well-retained force to care for our customers for their lifetime)

Softlogic Life's unique business model of premium follow-up from the second year of the policy by our specialized unit of PCU (Policy Conservative Unit) aids the effective follow-up renewal Premium. PCU enabled us to record and maintain premium persistency consistently well above the industry average level as provided in the table 13. This is also one of the critical success factors of the Company to maintain robust growth over last 5 years. During the year under review, the Company revamped policy allocation methodology by introducing digital platform to easily transfer policies among the PCU officers. This helped

to improve serviceability of our officers as they can manage a customer portfolio of particular geographical locations convenient to visit.

*** Industry-first innovation**

(We were the 1st to introduce innovation to insurance industry at global standards and raise the bar higher)

Industry-first innovations help us lead in superior customer service which is instrumental for enhancing our competitive position and to achieve revenue growth. (Refer pages 108-109 for our innovative solutions). Over the years, we have introduced many innovations linking our strategy with our vision and mission. The careful evaluation and implementation of innovation strategy maintained our strong position amid industry competition. This was also a part of our excellent customer care strategy.

*** Digitalization of distribution process**

(Our sales staff is equipped with world-class tools that make customer onboarding lean, fast and enjoyable)

Digitalization of distribution process was one of the critical priorities we had during the year which resulted in an increase in digital underwriting to 70% (2018 – 64%) as well as introduction of underwriting platform used by strategic partners resulting in big time saving at the underwriting process as well as greater convenience to the customer that ensured speedy and accurate receipt of the cover. This is the key differentiator which resulted in improving the convenience of purchasing DTA policies from banks.



KEY VALUE DRIVERS TO ASSESS GWP PERFORMANCE

In the life insurance business, GWP achievement mainly depends on the performance of key value drivers. The key value drivers have maintained sustainable growth that surpasses the industry over the last nine years due to our focus on improving key value drivers. Details of key value drivers for the last five years are provided in the table below, comparing historical years as well as industry average:

Table 13: Performance of Key value drivers 2015-2019

Description	2019	2018	2017	2016	2015	Change % 2019-18	Industry Average
Annualized New Business Premium (ANBP) Rs. million	3,967	3,325	2,706	2,182	1,725	19%	N/A
Average Premium Per Policy (Rs)	137,032	128,887	113,375	99,573	86,667	6%	Rs. 38,000/ **48,000
Persistency Ratio Year 1 (%)	85	84	84	83	82	1%	*60%
Persistency Ratio Year 2 (%)	64	63	64	66	63	1%	N/A
Persistency Ratio Year 3 (%)	52	55	59	57	52	-3%	N/A
Average Annual ANBP per Agent Rs. million	1.4	1.4	1.5	1.4	1.3	-	N/A

** Extracted from the Industry Lapse Study 2017 * Endowment products

COMMENTARY ON KEY VALUE DRIVERS

- Annualized New Business Premium (ANBP)**
 ANBP is considered as the quantum of new business generated for a period of 12 months. The Company has recorded 23% growth of ANBP over last five years. This showcases our ability to generate new business, which is a key value driver of our future growth.
- Average Premium Per Policy/ Average Policy Value**
 Average policy value increased to Rs. 137,302 in 2019 from Rs. 128,887 recorded in 2018 in the Endowment business, which is significantly above the industry average of Rs. 48,000 - 58,000. This demonstrates the quality of the business we underwrite, as studies show that policies with higher value tend to have higher premium persistency / higher retention). Last five years, average policy value increased to Rs. 137,302 from Rs. 86,667 (2015) as a result of continuous training of field agents and strong focus on market segments.
- Premium Persistency/ Retention Ratio (Year 1 - 3)**
 In the Life Insurance industry, premium persistency means the payment of premium over the policy period without any overdue. The Company was able to improve premium persistency ratio consistently to 85% from 82% (Year 2015) over the last five years, whereas industry average is around 50% - 60%. The Company maintained 64% and 52% persistency levels for year 2 and 3 respectively, which is considered significantly higher than industry average mainly due to the unique premium collection follow-up done by the PCU from year 2 onwards of the policy (where agents are not responsible for premium collections after one year of the policy). However, during the year, we noted that there is drop of 3% of retentions for year 3 polices compared to 2018 mainly due to unstable political and economic conditions of the country during the year under review. As part of continuous

improvement of the process, during the year under review, the Company revamped the policy allocation methodology of the PCU operation in order to improve persistency levels.

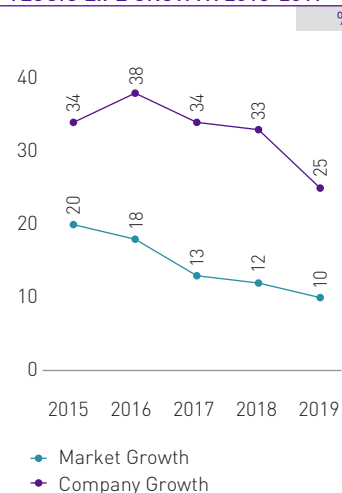
* Average ANBP per Agent and capacity

Productivity of the Agency channel is a vital value driver to the Company. During the year, ANBP per Agent increased to Rs. 1.5 Mn from Rs.1.4 Mn. Also as part of capacity development field staff increased to 2,772 from 2,300 in 2018.

PERFORMANCE OF GWP IN RELATION TO INDUSTRY - OVERALL

The Company recorded an impressive growth of 25% in the year 2019, which is well above the industry growth of 10%. Softlogic Life was able to deliver results well above the industry average growth during the last five years as shown in graph 18 below. Accordingly, the Company was able to deliver a five-year compound growth of 32%, while industry average was 13% for the same period. Further to this, the Company recorded the highest absolute growth in GWP and became the market leader in GWP growth in year 2019 by recording Rs. 2,526 Mn for the third successive year.

G18-INDUSTRY AVERAGE GROWTH VS SOFTLOGIC LIFE GROWTH 2015-2019



Performance of GWP in relation to industry - Class wise

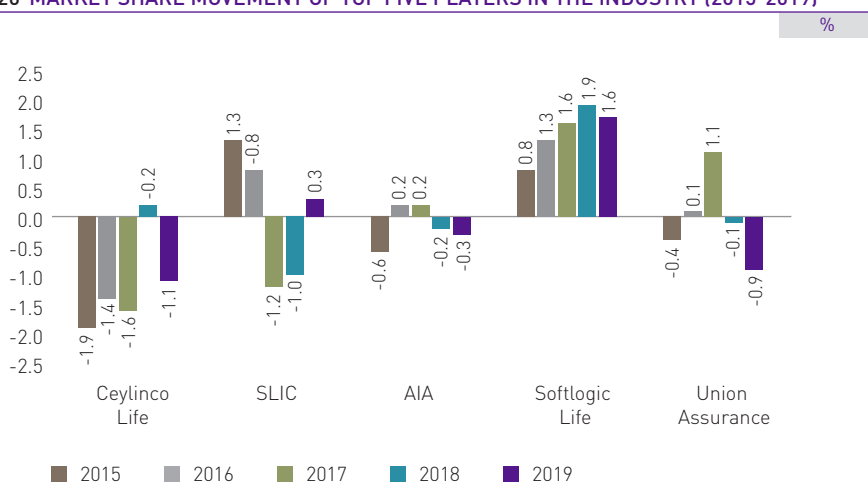
Description Rs. million	Softlogic Life				Industry			
	2019	2018	Growth %	Mix 2019	2019	2018	Growth %	Mix 2019
First Year Premium	3,224	2,563	26%	26	20,826	19,795	5%	23
Renewal Premium	6,218	5,188	20%	50	54,616	48,637	12%	62
Single Premium	1,602	1,404	14%	13	7,445	7,511	-1%	8
Group Life Premium	1,488	852	75%	12	5,822	4,333	34%	7
Total	12,531	10,006	25%	100	88,709	80,276	10.5%	100

* Source: Industry GWP data circulated by IASL 2019

MARKET SHARE

The Company increased its market share by 1.6%, which is the highest market share growth reported in the industry during 2019 for the third consecutive year. Details of last five years' market share movement of the Company are provided in graph 19 below which shows that the Company was able to consistently increase market share year on year and accumulated over 7% market share last year, when all other players in the market were losing their market share. According to this, the Company doubled its market share within a short period of five years. Also, Softlogic Life is the only company with continuously increasing market share in the past years as per graph 20 below.

G20-MARKET SHARE MOVEMENT OF TOP FIVE PLAYERS IN THE INDUSTRY (2015-2019)



G19-MARKET SHARE

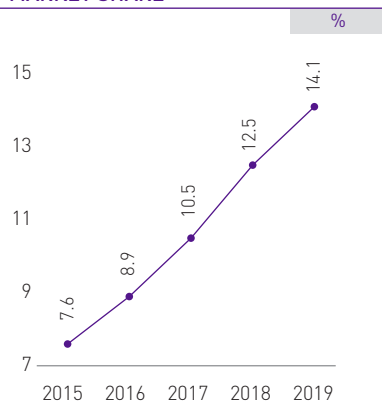


Table 14: - Market share of key players in the market 2019 vs 2018

Description	Total GWP Rs. million			Growth %	Market Share		Market share change %
	2019	2018	Change		2019	2018	
Ceylinco Life	18,719	17,848	871	5%	21.10%	22.23%	-1.1%
Sri Lanka Insurance Corporation	14,820	13,206	1,614	12%	16.71%	16.45%	0.3%
AIA Insurance	13,848	12,739	1,109	9%	15.61%	15.87%	-0.3%
Softlogic Life	12,531	10,006	2,526	25%	14.13%	12.46%	1.6%
Union Assurance PLC	11,586	11,244	342	3%	13.06%	14.01%	-0.9%
HNB Assurance PLC	5,175	4,419	756	17%	5.83%	5.51%	0.3%
All other Players	12,030	10,813	1,217	11%	13.56%	13.47%	0.1%
Total	88,709	80,276	8,434	11%	100%	100%	

Source: Industry GWP Circulated by IASL 2019

FINANCIAL CAPITAL

PERFORMANCE OF GWP IN RELATION TO INDUSTRY - CHANNEL CONTRIBUTION

Agency channel contributed 75% (2018 – 77%) to GWP of the Company, becoming the largest channel of the Company. However, direct channels of the Company too have grown rapidly during the year, increasing their contribution by 2%, contributing to 25% of the revenue mainly due to strategic partnerships between Bancassurance partners and other strategic affinity groups as well as product diversification. This demonstrates the efficacy of the Company’s strategy to reduce concentration risk of one channel by diversifying its revenue streams.

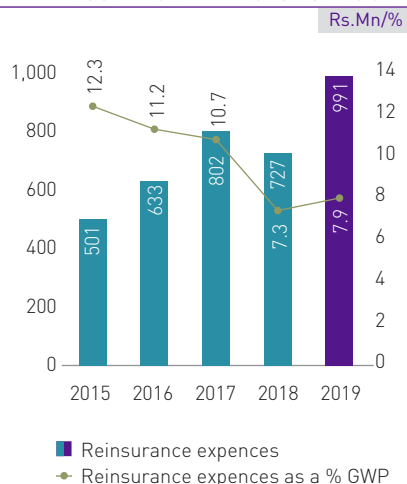
Table 15: Channel contribution Softlogic Life vs Industry

	Softlogic Life Mix %		Industry Mix %	
	2019	2018	2019	2018
Agency Channel	75	77	85	85
Direct Channels	25	23	15	15
Total	100	100	100	100

REINSURANCE EXPENSES

Insurance companies often transfer some component of the risk they accept from customers to reinsurance companies according to the risk management policy of the Company. In return for accepting this risk by the reinsurers, they are paid a part of the premium received from customers. Hence, this expense is referred as Reinsurance expense.

G21-REINSURANCE EXPENSES AS A % GWP



COMMENTARY

The Company paid Rs. 991 Mn as RI expenses during the year, accounting for 7.9% of the GWP.

The ratio is slightly higher than the ratio of 7.3% recorded in 2018. This was mainly due to the change in the business mix. Our reinsurance panel consists of the world’s largest multinational reinsurers such as Munich Re, RGA, TOA Re, SCoR and Assicurazioni Generali SpA.

Refer note 11 on page 323 for Financial Evaluation and Risk Management on pages 297 and 307

- The Company has on board the world’s largest reinsurance panel with diverse experience and capacity. Since the insurance market in Sri Lanka is not significant enough for them, we were disadvantaged in discussing terms of arrangement, but the Company was able to prove the future prospects for the Company based on the proven track record.



STRATEGIES EXECUTED

The Company’s Reinsurance panel represents the world’s largest reinsurers and their expertise was well received by our dynamic portfolio of customers. The Company continues to analyse and evaluate reinsurance outgo on the existing products by leveraging on the expertise of the reinsurance broker. Accordingly, the Company assessed the portion of risk covered by reinsurers against the premium they charged and was able to discuss better financial arrangements where both parties are benefited using the expertise of the reinsurance broker. The Company has transferred its health portfolio to world-leading Reinsurers, namely, SCOR and Toa Re, as a strategic initiative in order to capitalize on their expertise and enhance its own competitive edge, which will ultimately benefit customers. These Reinsurers are rated A+ and A respectively by rating agency A.M Best.

The Company firmly believes in offering an industry-best Reinsurance panel in terms of strength and diversity that will add great value to our customers as well as to the Company.



KEY CHALLENGES IN 2019

- During the year under review and in the recent past, the Company introduced many new innovative products to cater to new customer requirements in every angle. Since the Sri Lankan life insurance market is traditional, it is challenging to convince reinsurers to prove the requirement in the market at the initial stage, hence they tend to offer features with higher prices until they get used to it.
- The Inland Revenue department introduced a withholding tax for reinsurers which resulted in an increase in the cost of reinsurance unless both countries have double tax agreements. However, this was removed under recent tax amendments in the latter part of the year.



KEY VALUE DRIVERS TO ASSESS PERFORMANCE OF THE REINSURANCE

The Company monitors the Reinsurance expense as a % to GWP, as a key value driver at participative and non-participative fund level as well as product class level, while accurately managing our portfolio risk through reinsurance arrangements and optimizing our portfolio. Details of reinsurance experience is a key driver of the annual reinsurance negotiations. In addition to that company conduct annual reinsurance study before renewing reinsurance agreements.



CRITICAL SUCCESS FACTOR

The Company maintains a trustworthy and transparent relationship with its reinsurers, which in turn provides comfort to the Company to implement its business strategies smoothly and improves the confidence level of customers as their future benefits are backed by the world's largest multinational reinsurers in addition to the local company. Further, we have a mutual understanding with our reinsurers to monitor profit margin of reinsurers to diversify these benefits to our customers where possible without harming our sustainable relationship.

NET EARNED PREMIUM

Premium received from customers less the amount paid to reinsurers is referred to as Net Earned Premium (NEP).



COMMENTARY

In the year 2019, the Company's NEP reached Rs. 11.5 Bn, recording a notable growth of 24% from Rs. 9.2 Bn in 2018. The steady increase in NEP was predominantly due to the robust performance in GWP.

Investment and other operating revenue.

Details of Investment and other Operating Revenue is provided below;

Description - Rs. Mn	2019	2018	Growth
Finance Income	1,219	954	28%
Net Realized Gains	124	96	29%
Net Fair value (Losses) / Gains	232	(98)	336%
Total Investment income	1,575	952	65%
Other Operating Income	10	1	803%
Total Investment and Other Operating Revenue	1,584	953	66%



COMMENTARY

This represents the income generated from the investment portfolio that the Company manages in order to match the liabilities of the Company. The Company has marked an excellent performance of achieving 66% growth over 2018. Despite the continuously shrinking market yield on investment during the year, our strategy works well to produce this result. Finance income grew by 28% which represents fixed income securities. The main contributor of 29% growth in net realized gain is our strategic move towards unit trust investment. Fair value gains were generated by the fixed income securities valued at market interest rate favourably impacted from low interest rate market.



KEY CHALLENGES IN 2019

During the first nine months, the overall equity market did not perform well in Sri Lanka and an overall drop of 7% in the All Share Price Index generated continuous losses in the trading portfolio as well as overall yield which dropped by average of 50 basis point. However, it picked up in the last quarter due to the post-presidential election environment. Due to efficient management of investment portfolio, selective investment of equity and alternate method of investments, the Company was able to close the year on a high note in respect of investment and other income.



STRATEGIES EXECUTED

The Company strategised its investment management by converting its loss making trading investment portfolio into fixed income securities where possible. This resulted in reducing trading equity portfolio by more than 50%. Further, the Company closely monitored the market to capitalize on emerging opportunities and matched future cash flow requirements in the short, medium and long term. During the year under review, the Company moved to high yielding corporate debts within the stipulated guidelines by the regulator to secure mammoth growth of 66% over the previous year.



KEY VALUE DRIVERS

The Company monitored expected yields of the investment before embarking on new investments along with the Cash Flow Matching (CFM) and ensured expected yield did not fall below the yield's long term expectation. Maturity matching is the basis to decide the tenure of investment. Also, in order to achieve the expected profitability, overall investment strategy is designed to fund level separately for the Participating and Non-participating fund.

NET INSURANCE BENEFITS AND CLAIMS

In the Life insurance business, the main expense is claim expense. Insurance claim expense includes claims due to death, disability or hospitalization, which are categorized as pure claims. Further, Life insurance policyholders are entitled to maturity proceeds and interim payments (i.e. payments made before the expiry of the policy) and so on. In addition, policyholders may request to surrender (cancel) their policies before the maturity period of the policy. The Company recovers part of their claim expense from their reinsurance partners according to the reinsurance arrangement.

Details of claims and benefits are categorized based on their nature as follows:

Description - Rs. Mn	2019	2018
Net claims		
Death, Disability and other riders including hospitalization benefits - Endowment products	956	698
Death and other riders - Group Life	835	423
Death - Decreasing Term Assurance (DTA)	316	132
Total	2,107	1,253
Net benefits		
Maturities / Surrenders - Investment products	223	474
Maturities - Endowment products	333	340
Policy Surrenders - Endowment products	333	272
Total net benefits	889	1,086
Total net benefits and claims	2,996	2,339



COMMENTARY

Net benefits and claims expenses are the main costs of the insurance business, which includes gross benefits and claims expenses adjusted to reinsurance recovery received for the period according to the reinsurance arrangements.

The net claims stood at Rs. 2,996 Mn in 2019, which is 28% growth compared 2018. This is mainly resulted from two factors, namely, changing business mix and extraordinary growth momentum of the Company. Individual lines of above table are explained below:

*Death, Disability and other riders including Hospitalization - Endowment products

This claim category increased by Rs 258 Mn compared to 2018. However, corresponding revenue has increased by Rs 1,742 Mn, emphasizing the fact that the

increase mainly is derived from the business growth. Further increase of health claims resulted in seasonal trends we commonly experience in Sri Lanka such as Dengue. Mortality rate of these products continued to increase.

*Death and other riders - Group Life & Death - Decreasing Term Assurance (DTA)

The Company is focused on growing Group life & DTAP as its strategic business channel which achieved 53% and 35% growth during the year respectively. The positive correlation in top line growth and the claims has resulted in increase in claims.

Net benefits consist of Maturities and surrenders of the insurance policies. During the year 2019 the maturity and surrenders from investment product has been dropping, resulting in the strategic decision of the Company to change business mix.



KEY CHALLENGES IN 2019

Overall claims reported 28% growth over 2018. Following challenges impacted our performance in 2019:

*Increasing trend of Non-Communicable Disease (NCD) resulted in higher claims

*Medical inflation is affected full utilization of claim limits of the policies

*Seasonal effects of some diseases such as Dengue, viral flu etc.



STRATEGIES EXECUTED

At Softlogic Life we believe one of the key success factors towards customers is speedy claim settlement as well as paying fairly while eliminating bogus claims through our robust claim process. As the most innovative insurance company in Sri Lanka, we embarked on novel initiatives to fast-track claims as well as improve the transparency of the claims settlement process while attending to every single point of the process of claims. Some of the initiatives we launched are industry firsts and currently treated as industry benchmarks, such as one-day health claim settlement, one-day death claims (industry first) settlements and extended cashless claim settlement hospital network and worldwide etc.

The Company settles over 90% of claims within one day and is the only insurer in the market to show real time claims settlement statistics on the Company's website.

The Company continued to focus to improve the claim process by going the extra mile such as collecting claim documents (if any vital document is missing) from the customer's doorstep, assisting to get some of the claims documents from relevant authorities such as death certificate and assisting customers discharge quickly from the hospital through a dedicated assistant unit etc. and simplified claims document process in a customer friendly manner was carried out to provide more customer focused service, because we believe providing financial assistance instantly when customers need it is the best service we could provide to make them happy. The Company strengthened the underwriting process to ensure risks are underwritten at a correct price.



COMMENTARY

The cost of underwriting and net acquisition cost reached to Rs. 2,969 Mn which is 23.7% to GWP against ratio of 20.4% recorded in last year. Acquisition cost to GWP ratio has increased by 3% against the previous year mainly due to higher growth in new business. However, this has resulted in 85% in the first-year retention which is the highest achievement in the Company's history.

In Life insurance business, acquisition cost is one of the main expenses and in the first year new business (specially endowment business) is paid higher incentives compared to the other years of the policy. Details of analysis of the last 5 years' acquisition cost is provided in graph 22" net acquisition cost". Please refer page 79 for detail analysis for Acquisition cost ratios.



KEY VALUE DRIVERS

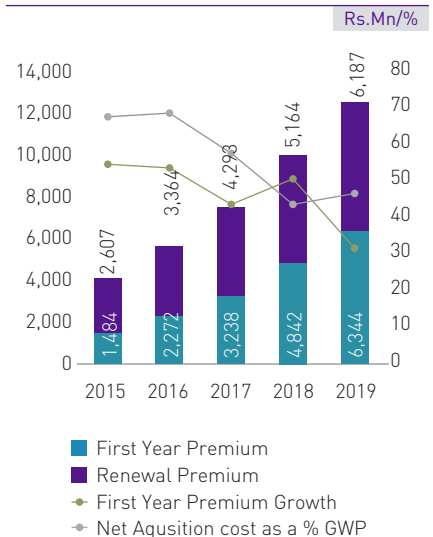
The Company monitors claim settlement status and service levels on a regular basis in order to ensure we settle our claims within a day. Further, we monitor claim ratios under each product / rider category level to identify areas where re insurance efficiency improvement is required.



CRITICAL SUCCESS FACTOR

Key success factors of our business is speed and transparency in the claims settlement process which is widely recognized by the insurance industry and further proved by recent accolades. Accordingly, our human capital, internal process and technological infrastructure played a critical role in creating this competitive edge in claims processing, which is considered a revolutionary improvement in the life insurance market in Sri Lanka. In the past, the general perception in the market was that life insurers tend to reject or find reasons to avoid claims payments.

G22-NET ACQUISITION COST



UNDERWRITING AND NET ACQUISITION COST

Underwriting and policy acquisition costs (including reinsurance commission income) represents the amount of commission and incentives incurred by insurance companies on intermediaries to acquire a business less any commission income due from reinsurers for placing business with them. The acquisition costs include commissions and other variable costs directly connected with acquiring new business as well as renewal of insurance policies.

FINANCIAL CAPITAL



STRATEGIES EXECUTED

We pay competitive rates of commission and incentives to attract and retain quality business producers and continuously benchmark the industry in deciding the package for our intermediaries. We use commission and incentive structure as strategic tools to drive our business towards the correct direction. During the year 2019, we aligned the incentive structure to the objective of persistency improvement.



KEY VALUE DRIVERS

Details of Acquisition cost % to GWP and business mix are monitored regularly against the budgets and previous year's actuals.

OPERATING, ADMINISTRATION, FINANCE AND OTHER EXPENSES

Details of expenses are provided in the following table.

Description – Rs. million	2019	2018	Mix 2019	Mix 2018	Growth %
Staff related expenses	1,537	1,347	46%	39%	14
Administration and Establishment Expenses	390	491	12%	14%	-5
Selling Expenses	1,196	1,230	35%	36%	-3
Depreciation / Amortization	144	120	4%	4%	20
Finance cost	118	67	4%	2%	78
	3,385	3,255	-	-	6
Write off / provisions for receivables	(16)	165	0%	5%	-110
Grand Total	3,369	3,420	100%	100%	1

contributing factor to improving our expense efficiencies. Our digital initiatives have been discussed under 'Social and relationship capital' and 'Intellectual Capital'.

We are very keen to attract, develop and retain highly skilled employees and remunerate them in line with the market, thus, a significant component of staff costs is linked with the performances as detailed in the 'Human Capital Report'. We spent 46% of our total expenses base on our talented employee base. Our expansion during the year 2019 attracted 153 new employees which also contributed to employee cost.

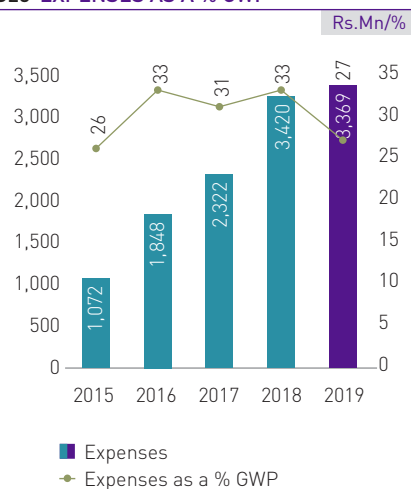
The second-highest contributor was selling expense of Rs. 1,196 Mn, a contribution of 35% of the total expense base. This category includes brand development expenses and distribution related expenses.

Administration and establishment expenses recorded 11% contribution being the third-highest cost base.

The Company continued to implement initiatives to optimize expenses through streamlining of processes to enhance productivity, change the existing operating model and business practices by digitalization of processes as well as by leveraging on strategic partnerships. Innovation is the key pillar to support cost optimization. These activities are summarized in the Social and Relationship Capital, Intellectual Capital and Manufactured Capital reports.

This recorded Rs. 297 Mn increase in expenses which represents our geographical expansion related cost, increase in general upkeep activities and the cost of new corporate office etc. These initiatives have been discussed under 'Manufactured Capital'.

G23-EXPENSES AS A % GWP



COMMENTARY

The Company incurred Rs 3,369 Mn as Operating, Administration and Finance Expenses (adjusted for write off), resulting in a decline of 1% compared to previous year expense of Rs. 3,420 Mn.

Expenses to GWP ratio improved to 27% in comparison with 34% recorded last year. Our philosophy is to improve deficiency of our expense base - not to manage it. Accordingly, we consciously evaluated the corresponding benefit the Company gets on expenses we incur. Our digital strategy is the main

KEY CHALLENGES IN 2019

To improve expense ratios while not compromising the growth momentum or capacity to growth was a key challenge for the management. The Company is focusing on clearly defined key performance efficiencies to balance these challenges.



STRATEGIES EXECUTED

Diversified distribution channel which has lower expense base

- Continuously monitoring production of sales team
- Digitalization of business process
- Encourage performance base culture



KEY VALUE DRIVERS

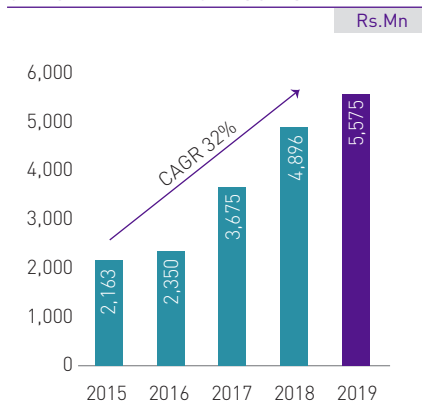
The Company's philosophy is to optimize its expenses, concentrating on value for money. Accordingly, the Company incurred expenses where necessary but consciously monitored the outcome of the same against set objectives.



UNDERWRITING RESULTS

Underwriting results show the new inflow generated from the business before the investment income and Expenses, but after paying the claims to policyholders and direct acquisition cost to intermediaries. In the Life insurance business, this is a critical factor and key value driver which contributes to the profitability. Details are provided in the graph 24:

G24-UNDERWRITING RESULTS



COMMENTARY

The Company consistently increased underwriting results over the last five years, resulting in CAGR of last 5 years of 32%, which provides greater support to manage the positive operating results without depending on investment income of the business. Thus, the Company witnessed Rs. 5,575 million in underwriting results which reflect a marginal increase of 14% compared to Rs. 4,896 million in the previous year.



STRATEGIES EXECUTED

The Company consistently focused on improving premium persistency level through its unique renewal premium follow-up process of the Policy Conservation Unit (PCU). Further, attention has been paid to improve other key parameters such as Average Policy Value etc. Expansion of Alternate distribution channels with lower cost base is a further strategy the management executed to generate the current set of operational results.



INSURANCE CONTRACT LIABILITY

Life insurance companies are subject to value its policyholder liabilities according to Solvency Margin (Risk Based Capital) rules stipulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL). In case of changes in the insurance contract liability, any excess of funds could be taken as profit (surplus) as recommended by the appointed actuary to the shareholder as at reporting date. Details of change in insurance contract liability for the last five years are provided in the table 16 below.

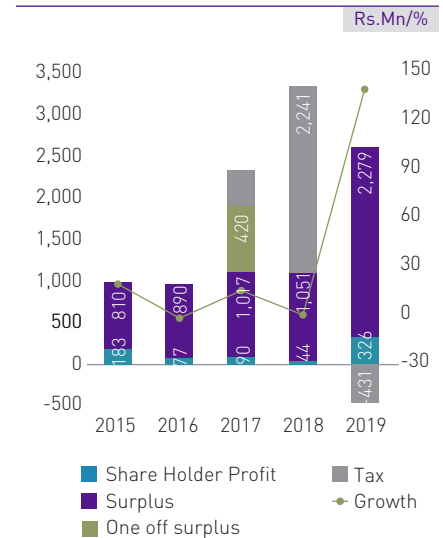
Table 16: Insurance Contract Liability

Description -Rs. million	2019	2018	2017
Operating surplus	3,773	2,552	2,332
Surplus transfer as recommended by Appointed Actuary	2,279	1,051	1,017
Transfer to life insurance fund after valuation	1,170	1,501	1,315

PROFIT AFTER TAX (PAT)

The profit of the Life Insurance Company is mainly determined based on the actuarial valuation made by the Appointed Actuary which is called "Surplus". In addition to the surplus, the profit of the Company consists of investment income of the shareholder funds less related expenses and income tax. Total profit and its composition over last 5 years are provided in the graph 25 below:

G25-PROFIT AFTER TAXATION





COMMENTARY

Profit After Tax of the Company has been normalized below for comparison purpose.

Rs Mn	2019	2018	G%
Reported profit after tax	2,173	3,336	(35%)
Removal of differed tax assets recognition	(205)	(2,497)	
Normalized profit after tax	1,968	839	134%

Profit after tax (normalized) surged to Rs 1,968 million for the year 2019, which is a 134% growth compared to PAT of Rs. 839 million in 2018, which is the historically highest profitability of the Company.

During the year under review, the appointed Actuary recommended a surplus of Rs. 2,279 million based on the valuation performed according to the Solvency Margin Guidelines (Gross Premium Valuation) compared to Rs. 1,051 million reported in 2018. In addition to the above, shareholder funds generated operational profit of Rs. 326 million net investment income (including for the provisions for the receivable from sale of general insurance company amounted to Rs. 30 million). This resulted in operational PBT of Rs. 2,604 compared to Rs. 1,094 million reported in 2018.

The Company recognized deferred income amounted to Rs. 2,497 million (adjusted for income tax expenses resulting net Rs. 2,241 million) in 2018 due to materialization of unrecognised deferred tax asset as a result of change in the taxable position of the Company w.e.f 1st April 2018. Increase in PAT helped the Company to record an improved Return on Assets (ROA) of 11.9%, significantly higher than 6.3% reported in 2018.

Economic value analysis is provided on pages 13-15.

PROFITABILITY AND INVESTOR ATTRACTIVENESS - INDUSTRY PEER COMPARISON.

The table below analyses the Softlogic Life share of profitability in comparison to listed insurance companies.

Rs. million	2018	2019
Profit after tax of the Company	2,173	3,336
Total profit from listed companies	11,410	16,519
SLI share of profit as a % of total profit from listed companies	19%	20%

It shows that the Company reported a significant percentage of (19%) profit out of total profit of listed insurance companies for the year 2019.

OTHER COMPREHENSIVE INCOME

Other comprehensive income comprised gains and losses arising from valuing financial assets and liabilities classified as Available for Sale (AFS) to their market values with related tax, Re-measurement of Defined Benefit Liability and Revaluation of land and building. During the year under review, the Company recorded a negative result of Rs. 73 Mn in OCI compared to Rs 551 Mn recorded in last year. The net loss of Rs. 73 Mn comprised of Rs. 201 Mn fair value gain recorded by debt instruments classified as

FVOCI and this was partly offset by fair value losses of Rs. 324 Mn generated by equity instruments classified as FVOCI (Equity instruments classified as FVOCI at the implementation of SLFRS 9) due to continuous declining of equity market.

LIFE INSURANCE INDUSTRY SPECIFIC RATIOS AND ITS DISCUSSION - INCOME STATEMENT.

Industry specific ratio analysis provided against previous years

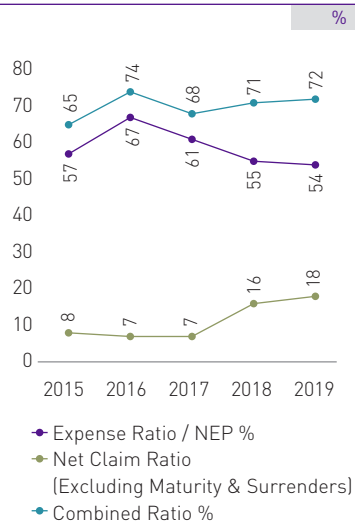
Description	Movement	2019	2018	2017	2016	2015	Growth 2019 %	For more details, refer Page
Key Operating Ratios								
First Year / Renewal GWP Mix %	N/A	33/67	33/67	32/68	34/66	35/65	-	71
Net Claims Ratio								
Net Claims Ratio (with maturities and surrenders)	●	26.0	25.2	18.2	10.0	8.0	1	74/80
Net Claims Ratio (with Group life and DTA)	●	18.3	13.5	6.6	N/A	N/A	5	74/80
Net Claims Ratio Endowment (without Group life and DTA)	●	10.8	9.7	5.7	21.0	12.0	1	74/80
Expense Ratios								
Reinsurance Expense Ratio %	●	8	7	11	11	12	1	72
Net Acquisition Cost Ratio % GWP	●	24	20	24	28	24	3	75
Operational expenses as a % of GWP	●	26	31	31	32	26	(16)	76
Total Expense Ratio % GWP*	●	50	51	55	60	50	(1)	76
Total Expense Ratio % NEP*	●	54	54	61	67	57	(0)	76
Combined Ratio								
Combined Ratio % NEP - without maturities and surrenders	●	65	64	67	88	69	1	81
Combined Ratio % NEP - with maturities and surrenders	●	80	79	79	77	65	1	81
Regulatory Ratios								
CAR Ratio (Min 120%)	●	173	199	208	195	N/A	(26)	81
Determination Ratio % (Min 100%)	●	109	105	112	105	111	4	81
Investment in Government Securities % Life fund (Min of 30%)	●	42	39	46	66	64	3	81
Key Value Drivers								
Premium persistency – Year 1	●	85	84	84	83	82	1	70
Premium persistency – Year 2	●	64	63	64	66	63	1	70
Premium persistency – Year 3	●	52	55	59	57	52	(3)	70
Average Premium per policy (Rs.)	●	137,032	128,887	113,375	99,573	86,667	6%	70
Annualized New Business Premium Rs. million	●	3,967	3,325	2,706	2,182	1,725	19%	70
Annualized new Business per Agent Rs. million	●	1.4	1.4	1.46	1.4	1.3	-1%	70
No of New policies	●	247,775	203,094	70,859	23,756	20,601	22%	-
Life fund Rs. million	●	10,377	9,022	7,439	6,935	6,569	15%	328
Surplus Rs. million (without one off surplus)	●	2,279	1,051	1,017	890	810	117%	367

● Positive variance ● Variance up to 5% ● Negative variance

FINANCIAL CAPITAL

Movement in expense, claims and combined ratios are provided below:

G26-INDUSTRY SPECIFIC RATIO ANALYSIS



NET CLAIMS RATIO (GROUP LIFE AND DTA)

Volume of Group Life grew to Rs. 390 million in 2019, posting 53% which saw a significant increase in the number of beneficiaries / members covered that increased from 339,058 in 2018 to 398,118 in 2019. The claims commensurate with the volume increase and business mix. Further, there was a significant increase in the business volume from Decreasing Term Assurance business whereas in 2019, the Company recorded GWP of Rs. 1,517 million from this product compared to 2018 GWP of Rs. 1,123 million which is a 35% growth. The claims commensurate with the business increase.

Claim Ratio

Claim Ratio in insurance industry refers to net claims (Gross claims deducted for reinsurance recovery) as a percentage of Net Earned Premiums. It is more appropriate to measure claims ratio without maturities and surrenders, as it does not have material impact on the profitability of the Company.

Table 17: Net Claim Ratio

Description - %	2018	2017
Net Claims Ratio Endowment (without Group life and DTA)	10.1	9.7
Net Claims Ratio (with Group life and DTA)	18.3	16.2
Net Claims Ratio (with maturities and surrenders)	26.0	25.2

Net Claims Ratio - Endowment products (without Group life and DTA)

The overall claim ratio was maintained during the year with marginal increase of 0.8%. Net Claims ratio of the Endowment business (without group life and DTA) show slide increased to 10.1% (To 9.7% in 2018) due to the reinsurance strategy adopted to increase the retention level of the claims in order to increase the profitability. However, the Company manages its claim ratio without much volatility due to better risk management policies adopted, especially underwriting / selling quality and risk based profile mechanism.

Expense Ratio

In the Life Insurance business, expense ratio consists of Net Acquisition costs which represents net expenses (Commission / incentives) incurred for the acquisition of the business and other operating expenses which was re incurred for the maintenance (Management Expenses) of the business. Details of ratios are presented in the following table:

Table 18: Expense Ratio

Description	2019	2018
Net Acquisition Ratio %	24	20
Operating Expense Ratio % GWP (Excluding Write-off)	26	31
Overall Expense Ratio % GWP (Excluding Write-off)	50	51

Commentary

During the year under review, net acquisition ratio has increased by 3% compared to the previous year due to a strategic decision taken by management to revamp the commission and incentive structure with a view of improving persistency level of the Company and increase in new business growth which involves higher incentives. We experienced industry highest first year retention as a result of this change and expect to significantly improve 2nd and 3rd year retention during 2020 and bring down this ratio significantly as renewal premium incur low commission and incentive cost.

Operating expenses (excluding the acquisition cost) as a percentage of GWP recorded 26% with a reduction of 5% compared to the previous year, showing the efficient management of financial resources to achieve extraordinary results.

Accordingly, overall expense ratio dropped to 50%, recording 1% year-on-year drop.



Combined Ratio

Life Insurance industry combined ratio is defined as the combination of expenses ratio and claims ratio. Details are shown in the following table for the years 2019 and 2018:

Description Rs. million	2019	2018
Combined Ratio % (with maturities and surrenders)	80	80
Combined Ratio % (without maturities and surrenders)	72	71

Increase in Combined ratio (without maturities and surrenders) by 1% mainly impacted by the increase in claim ratios explained above.

REGULATORY RATIOS

Key regulatory Ratios are provided below:

Description (Rs. million)	2019	2018
Risk Based Capital Adequacy Ratio (Min 120%)	173	199
Determination Ratio % (Min 100%)	109	105
Investment in Government Securities % Life fund (Min of 30%)	42	39
Regulatory restricted reserve - Assets to one off surplus (requirement is Rs. 798 million)	829	824



COMMENTARY

Risk Based Capital Adequacy Ratio

Risk Based Capital (RBC) regime was introduced by the Insurance Regulatory Commission of Sri Lanka with effect from 1st January 2016, replacing the capital requirement approach called 'Solvency Margin Rules 2002', which was available until 31st December 2016. According to current regulations, the Company is required to maintain at least 120% capital adequacy ratio. As at 31st December 2019, the Company maintained 173%, which is well above the minimum requirement of 120%.

Determination Ratio

The Company maintains Determination Ratio which is above the required level as at 31st December 2019 as shown in the table 'Regulatory ratios'.

Investment in Government Securities % Life fund

The Company is required to invest in Government Securities to a minimum 30% of the long- term fund. As at 31st December 2019, the Company was above the minimum requirement as a result of the Company's better management of risk and yields, both benefits to policyholders.

Regulatory restricted reserve - Assets to one off surplus

The Company is required to invest in government securities and deposits for minimum of Rs. 798 Mn as required by Direction 16 - Direction for identification and treatment of One-off Surplus and as at 31st December 2019, the Company maintains assets of Rs. 829 million.

SEGMENTAL INFORMATION

The Company monitors its performance under two operating segments namely 'Policyholder fund' and 'Shareholder fund'. Description

Description (Rs. million)	Policyholder fund		Shareholder fund	
	2019	2018	2019	2018
Net Revenue	12,812	10,038	312	195
Profit Before Tax	2,279	1,051	324	44
Total Assets	13,224	10,971	7,459	6,362

Refer page 375 for more information

FINANCIAL CAPITAL

PERFORMANCE OF CAPITAL AND LIQUIDITY MANAGEMENT

Financial Position Analysis

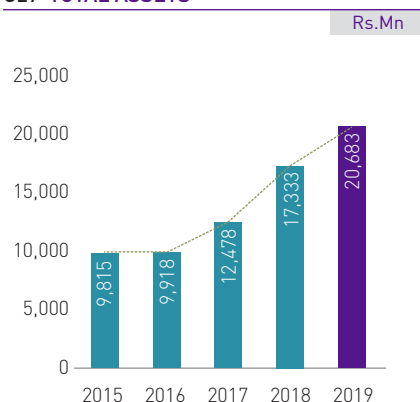
Snapshot of the total asset portfolio and composition is as follows:

Description Rs. million	2019	2018	Growth %	Composition %
Assets				
Intangible Assets, Property, Plant and Equipment	676	621	9%	3%
Right of Use Asset	408	-	100%	2%
Financial Investments	14,911	12,065	24%	72%
Loans to Life Policyholders	225	161	40%	1%
Reinsurance Receivables	188	155	22%	1%
Premium Receivables	744	507	47%	4%
Other Assets	924	691	34%	4%
Deferred Tax Assets	2,231	2,751	-19%	11%
Cash and Cash Equivalents	377	381	-1%	2%
Total Assets	20,683	17,333	19%	100%
Equity & Liabilities				
Total Equity	8,219	6,671	23%	40%
Insurance Contract Liabilities	10,377	9,022	15%	50%
Reinsurance Payable	429	321	34%	2%
Other Liabilities	1,658	1,320	26%	8%
Total Liabilities	12,464	10,662	17%	60%
Total Equity and Liabilities	20,683	17,333	19%	100%

TOTAL ASSETS

Last five years' total assets movement is provided in the graph 27 below:

G27-TOTAL ASSETS



COMMENTARY

The Year 2019 ended with Rs 20.7 Bn, recording 19% growth compared to Rs. 17.3 billion in 2018 in total assets which signifies a two-fold increase over the past five years. The growth was supported by the Company's highest GWP achievement of Rs. 12.5 billion

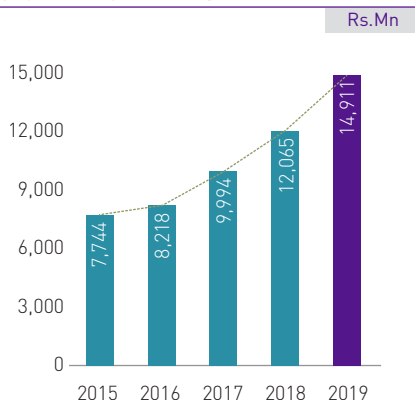
FINANCIAL INVESTMENT

Total financial investments are summarized below:

Description Rs. million	2019	2018	Growth
Financial Investments	14,911	12,065	24
Loans to Life Policyholders	225	161	40
Total	15,136	12,226	24

Financial investment growth over last five years provided in graph 28 below.

G28-FINANCIAL INVESTMENT

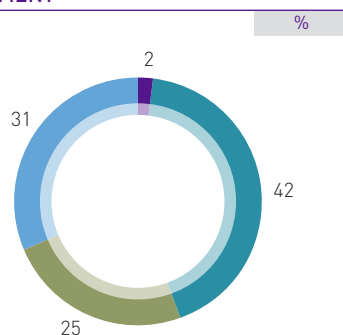


Lanka Accounting Standards (SLFRS / LKASs), the Company implemented SLFRS 9 w.e.f 1 January 2019. Accordingly, financial assets are recorded in financial statements under three main categories namely Fair Value through P & L (FVTPL), fair value through other comprehensive income (FVOCI) and assets measured at amortized cost.

COMMENTARY

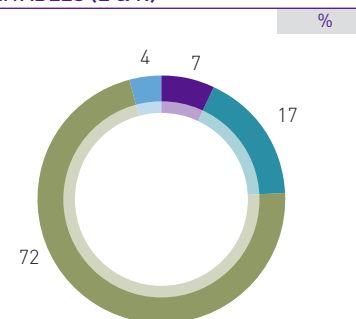
Financial Investments categorized as FVOCI are those that are not classified in any of the other categories. This type of security is reported at fair value. Accordingly, change in fair value is recorded in other comprehensive income until the securities are sold. Refer detail note on page 651

G29-COMPOSITION OF FINANCIAL INVESTMENT



- Amortised Cost (AC)/ Held to Maturity (HTM)
- Amortised Cost (AC)/ Loans and Receivables (L & R)
- Fair Value through Other Comprehensive Income (FVOCI)/ Available - for - Sale (AFS)
- Fair Value Through Profit or Loss (FVTPL)

G30-COMPOSITION OF INVESTMENTS AT AMORTIZED COST (AC) / LOANS AND RECEIVABLES (L & R)



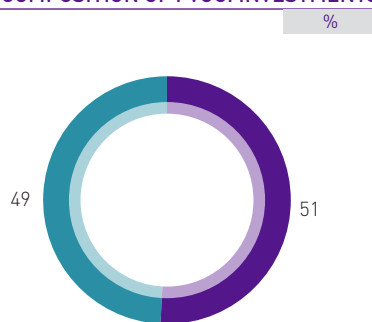
- Bank Deposits
- Commercial Papers
- Overnight Reverse Repo
- Debentures

COMMENTARY

Continuing its growth momentum, total financial investments reached the Rs. 15 billion mark in the year 2019, recording a 24% growth over the assets base of Rs. 12 billion achieved in 2018. The financial investments portfolio represents 72% of the total assets of the Company. The investment portfolio comprises of investments in Government Securities, Bank Deposits, Corporate Debt Securities and Equity Securities. During the year under review, investment related asset portfolio recorded 24% growth compared to 2018. The Company invested 42% of its investment portfolio in Government securities and Bank deposits and a further 30% in corporate debt securities. A majority of the policyholder funds were invested in Government securities (42%) and other fixed income securities according to the guidelines issued by Insurance Regulatory Commission of Sri Lanka (IRCSL).

Investment on Policy loans, which are loans granted to active Life Insurance policyholders, represent 1% of total assets. In line with the Sri

G31-COMPOSITION OF FVOCI INVESTMENTS



- Equity Securities
- Treasury Bonds

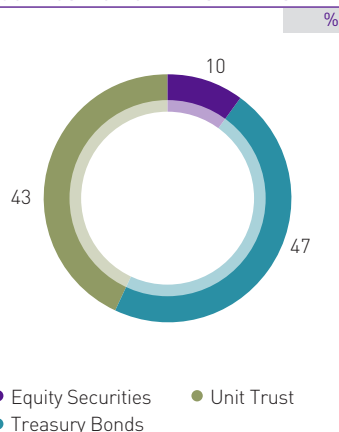
COMMENTARY

Loans and receivables are financial assets with fixed or determinable payments that are not traded in an active market. The Company's loans and receivables comprised of Debentures of 71%, Bank deposits of 7%, Government securities of 4% and 17% of commercial papers. These investments are recorded at the amortized cost.

Refer detailed note of L & R on page 346 of this report.

FINANCIAL CAPITAL

G32-COMPOSITION OF INVESTMENTS AT FVTPL



COMMENTARY

Financial instruments classified at FVTPL include financial assets held for trading and those designated as at FVTPL on initial recognition. The Company's FVTPL financial assets consist of 43% of unit trusts, 10% of quoted equity shares and 47% of government securities.

Refer detailed note of FVTPL on page 353 of this report.

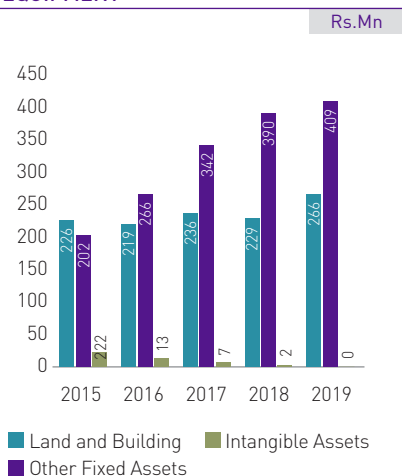
COMPOSITION OF INVESTMENTS AT AMORTIZED COST (AC) / HELD TO MATURITY (HTM)

COMMENTARY

Financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company intends to hold it to maturity. HTM financial instruments consist of 100% of investment government securities.

Refer detailed note of HTM on page 308 of this report.

G33-INTANGIBLES, PROPERTY PLANT & EQUIPMENT

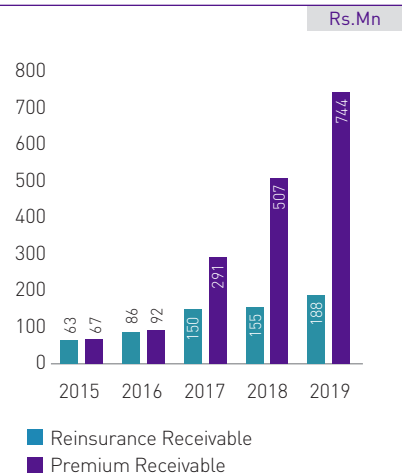


COMMENTARY

The Company holds only 3% of its total assets in intangible assets, property, plant and equipment, amounting to Rs. 676 million (2018: Rs. 621 million), out of which 39% represents land and building, whereas other fixed assets represent 61% of total investments in PPE. Except the land and building, all other intangibles and PPE are recorded at cost. The intangibles assets are amortized over the estimated useful time period and the PPE is depreciated using the straight line method as per the estimated useful life of each asset.

Refer detailed note of Intangibles, Property Plant and Equipment on page 333 of this report.

G34-PREMIUM AND REINSURANCE RECEIVABLE



COMMENTARY

The premium and reinsurance receivables accounts for 5% of total assets and amounted to Rs. 932 million (2018: Rs. 662 million). Reinsurance receivables increased by 21% to reach Rs. 188 million. This is due to extended credit arrangement with Reinsurance partners which also impacted on 34% growth in reinsurance payable.

Total Equity and Reserves / Shareholder Funds

Description	Rs. million	2019	2018
Stated Capital		1,063	1,063
Revenue Reserves		7,764	6,275
Restricted Regulatory Reserve		798	798
Available for Sale Reserve		(1,499)	(1,513)
Revaluation Reserve		93	48
Total Equity and Reserves		8,219	6,671



COMMENTARY

The total equity reached Rs. 8.2 billion, which is a 23% increase compared to Rs. 6.7 billion reported in year 2018. This is mainly due to the exceptional growth in profitability which amounted to Rs. 2.1 billion, however, negative impact was felt in fair value movement of investments classified as FVOCI negative performance of the equity market.

Entire shareholders' fund falls under Tier 1 capital under Risk Based Capital (RBC) framework, which is an indicator of the quality of the equity of the Company. The growth in equity strengthened Capital Adequacy Ratio (CAR) of the Company.

The restricted regulatory reserve represents one-off surplus transfer done in year 2017, relating to Non-participating fund as per Direction 16 issued by IRCSL.

Actuarial Valuation of Insurance Contract liability

According to the regulatory requirement, insurance contract liabilities are required to be valued by the actuary at least bi-annually according to the provisions of the Solvency Margin (Risk Based Capital) Rules 2015, with effect from 1st January 2016. The report on the valuation of the Life Fund was conducted by the appointed independent Consultant Actuary Mr. M. Kunj Behari Maheshwari from Towers Watson India Private Limited, a Willis Towers Watson entity. Details of the actuarial report appears on page 262 to this annual report. As recommended / Approved by the Consultant Actuary, adequate provisions, including those for bonuses and dividends to policyholders and solvency margins have been made.

Surplus Created due to Change in Valuation method from NPV to GPV - Participating fund

As per the directions 16 issued by Insurance Regulatory Commission of Sri Lanka (IRC SL), the surplus created due to change in valuation method from NPV to GPV in the participating fund is retained as separate reserve under insurance contract liabilities.

Liability Adequacy Test (LAT) Valuation

LAT was conducted for the Life Insurance Reserves as required by SLFRS 4 - Insurance Contracts, to identify whether the recorded reserves are adequate to meet future liabilities. The LAT was performed by Towers Watson India Private Limited, an independent Consultant Actuary, who concluded that there is no requirement to provide additional reserve as reserve available is sufficient to meet future policyholders' liabilities.

G35-INSURANCE CONTRACT LIABILITY

Rs.Mn

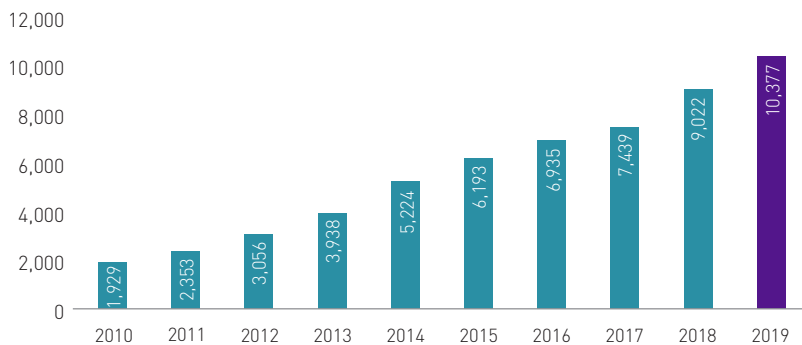


Table 19: Insurance Contract Liabilities

Description (Rs. million)	2019	2018	Growth %
Insurance Contract Liabilities	8,683	7,556	15
Surplus Created due to, change in valuation method from NPV to GPV - Participating fund	1,057	1,057	-
Claims Payable	638	409	56
Total	10,377	9,022	15



COMMENTARY

The Life Insurance contract liabilities refers to the reserves built to meet the future claims and maturities of Life Insurance policyholders. Life Insurance contract liabilities of the Company crossed Rs. 10 billion in 2019, with a significant increase of 15% compared to 2018 and represents 83% of the total liabilities of the Company.

FINANCIAL CAPITAL

LIQUIDITY POSITION OF THE COMPANY – SOLVENCY MARGIN AND APPROVED ASSETS.

Insurers need to maintain their asset liability mix, adhering to the Solvency Margin Rules (2015) as per the guidelines issued by the IRCSL, requiring to comply with Risk based Capital requirement w.e.f from 1st January 2016 in addition to Approved asset and Determination requirement, which could be a good indication of the liquidity level of the Company. Further, it is also believed that the Solvency Margin also determines the quality of an insurer's financial position. Details are as follows:

Table 20: Capital adequacy ratio

Description	2019	2018
Total Available Capital (TAC) (Rs. million)	7,783	7,828
Risk Based Capital requirement(RCR) (Rs. million)	4,490	3,935
Risk Based Capital Adequacy Ratio (CAR) %	173	199
Required Based Capital Adequacy Ratio (CAR) Ratio %	120	120

The Statement of Solvency is prepared in accordance with Solvency Margin (Life Insurance) Rules 2015 and amendments thereto. The Company maintained healthy Solvency Margins throughout the year, well above the stipulated solvency margin requirement, adding a greater degree of confidence to the security of policyholders' liability.

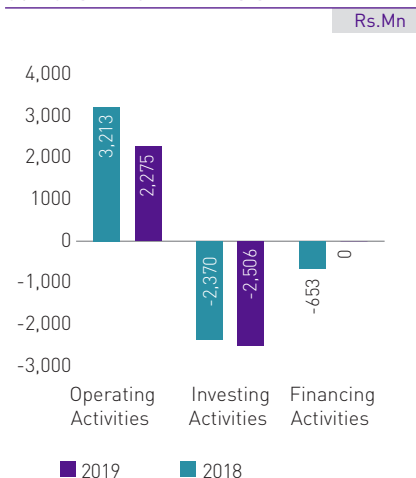
Table 21: Statement of Approved Assets

Description (Rs. million)	2019	2018
Approved assets maintained in business	10,661	9,075
Insurance fund	9,739	8,613
Approved assets in excess of the insurance fund	922	462
Approved assets as a % of insurance fund	109	105
Required ratio %	100	100

COMMENTARY

Above numbers were calculated as per section 25 (1) of the regulation of Insurance Industry Act No.43 of 2000 and the determination made by the IRCSL in terms of the said Act. It is observed that the Company comfortably met the approved asset criteria throughout the year.

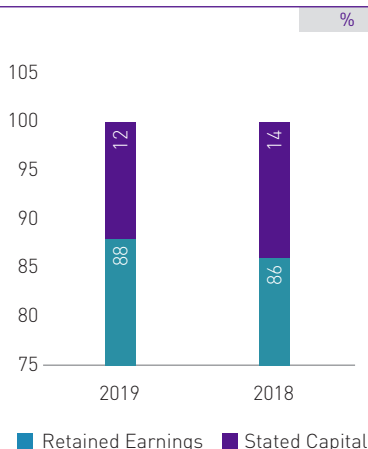
G37-CASH FLOW ANALYSIS



COMMENTARY

During the period under review, the Company generated healthy operational cash flow of Rs. 3,639 million (2018 – 2,275 million) after incurring operational expenses related to major business expansion. The majority of these funds were channelled into investing activities. As a result, the overall investment portfolio grew to Rs. 14.9 billion from Rs. 12 billion as at end 2019.

G36-LEVERAGE AND CAPITAL STRUCTURE



COMMENTARY

The Company is fully equity funded (as shown in the graph 36), which mainly consists of stated capital of Rs. 1,063 million and Retained Earnings of Rs. 7,764 million as at 31st December 2019 compared to Rs. 6,275 million in the year 2018.

Performance dash board 2019 and target for 2020

Financial Performance	2019 Actual	2019 Target	Achievement	2020 Target
Return on Equity	35	30	●	30
Market Capitalization	14,063	18,000	●	19,000
GWP Performance - Overall	12,531	11,500	●	15,000
Profit After Tax	2,173	2,100	●	1,750
Annualised New Business Premium (ANBP)	3,967	3,900	●	4,900
Average Premium Per Policy	137,032	131,000	●	152,900
Persistency (Year 1)	85	85	●	85
Persistency (Year 2)	64	65	●	65
Persistency (Year 3)	52	57	●	52
Market Share %	14.1	13.5	●	15.4
Claims Ratio %	11	13	●	18
Expense ratio %	54	49	●	45
Combined ratio %	80	62	●	62.10
ANBP per Advisor	1.4	2	●	1.6
No of Advisors	2,772	2,800	●	3,000

● Fully Achieved ● Partly Achieved ● Not Achieved

IMPACT OF CHANGES IN SRI LANKA ACCOUNTING AND FINANCIAL REPORTING STANDARDS.

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued the following new Sri Lanka Accounting Standard with effective from 1st January 2019. The Company successfully implemented these standards to ensure full compliance with the requirements.

- SLFRS 9 - Financial Instruments
- SLFRS 16 - Leases
- IFRIC 23 - Uncertainty over Income Tax Treatment

Additional details are provided in financial on page 281.

CREATING VALUE FOR INVESTORS

We are the stewards of our investors' financial capital and we value their trust and confidence. Consistent and effective engagement with investors, with the objective of aligning their expectations with our strategy and targets, helps ensure that our share price fairly reflects our value creation opportunity.

Our investors and potential investors require regular interaction and information to assist in achieving their

investment goals. We deliver this interaction and information through dedicated investor relations services, a well-directed and comprehensive plan complemented by accessible channels of enquiry and timely responses. The business of an insurer is often perceived as complicated with its own sub-culture of jargon and metrics. Therefore, it is imperative that we efficiently communicate the insurance business model, overlaid with SLI's uniqueness, by explaining our differentiated capabilities and strategy. Refer the Strategy and Resource Allocation section on pages 48 to 52 for more details.

Due to the lack of a completed IFRS Standard on the measurement of insurance liabilities, the provision of detailed analysis of our financial results is critical to aid investors and analysts to compare us with our competitors on a like for like basis. Refer to 'Understanding our Financials' section on page 89 for more details. As our investors are the providers of financial capital, we consider them as our ultimate stakeholders. Thus, we consider it our duty to create and deliver sustainable value through our business model by responding to the social and environmental issues inherent in our business. Details of our sustainable business model are provided on pages 16 to 17 of this report:

Financial Performance details are provided below

Description - Rs. millions	2019	2018
Gross written premium		
Total amount we receive from customers as payments for their insurance policies (GWP) (Rs. million)	12,531	10,006
Net earned premium (Rs. million)	11,540	9,279
Net profit		
Profit after tax attributable to our ordinary shareholders	2,173	3,336
Return on net assets (%)	54.9	31.4
Net profit attributable to our ordinary shareholders as a percentage of net assets (Excluding AFS Reserves) as at year end (%)	23	41

FINANCIAL CAPITAL

The details of the Company's financial performance are provided in Financial Performance Review Section on page 66-81 of this report.

ECONOMIC VALUE ADDED AND KEY PERFORMANCE INDICATORS

This is a measure of profitability based on the cost of total invested equity. EVA provides an indication of the term economic value created for stakeholders as opposed to accounting profits

Economic Value Added increased to Rs. 9,310 million compared to value added of Rs. 6,415 million in the year 2018 which amounts to 45% growth. This demonstrates our exceptional performance to our valued stakeholders.

Key Performance Indicators	2019	2018
Net Asset per Share (Rs.)	21.9	17.8
Basic Earnings per Share / Diluted (Rs.)	5.8	8.9
Share Price at the year-end (Rs.)	37.5	44.8
Market Capitalization (Rs. millions)	14,063	16,800
Price Earnings Ratio (times)	6.48	5.04
Dividend per share (Rs.)	-	1.45

Refer Investor relation on page 391 for performance of SLI share during 2019 and for other share information

FUTURE OUTLOOK

Sustainable Performance

The Company has implemented the following initiatives in line with our strategic objective of delivering sustainable profitable growth in the medium to long-term.

Corporate Governance

The Company's strong corporate governance framework, philosophy and practices ensure we manage our financial capital in a transparent manner with the ultimate objective of entity value creation. The management is confident that our future strategy which will be filtered through the governance body of the Company generate outstanding performance in future. Our Corporate Governance practices have been provided on page 161 of this report.

Risk Management

The Company's robust risk management framework laid out on page 245 of this report will protect our financial capital being diminished due to internal and external events that could disturb the value creation process of the Company. We will further improve our risk management framework to capture all significant risks around us.

Business continuity plan

The Company has successfully established a Business Continuity Plan (BCP) and tested the same during the year under review. BCP is an outcome of our risk management framework. We will continue to test and improve further our BCP in order to ensure our value creation will not be affected by external or internal events, thereby protecting our financial capital.

Strategic planning and performance management

This is one of the key activities as far as future financial capital value generation is concerned. The management carefully screens through the environment it operates in and sets business strategy that brings value addition in every aspect of the operation. Our Environment Analysis is provided on pages 34-42 and Strategy and Resource Allocation process is set out on pages 48-52 of this report.

Engagement with stakeholders

In our future value creation activities, we will regularly engage with all our stakeholders who are the determining factor of the Company's ability for future value creation. Our existing and future engagement with stakeholders is provided on pages 53-57.

Impact of SLFRS 17

SLFRS 17 will be effective w.e.f 1st January 2022 which requires significant changes in our existing operations, IT systems etc. Most importantly, this will change the way we measure our performance in a logical manner. However, the Company has evaluated the risk of changing SLFRS 4 to SLFRS 17 and has taken key initiatives such as educating its stakeholders at early stage.



Scan this QR for video on impact of IFRS17

SIMPLIFIED INSURANCE FINANCIALS

Insurance Accounting is different from the accounting for a manufacturing or trading organisation, due to the uniqueness of the business and terminology associated with the transactions.

Summary of the extract of Income Statement is as follows:

Income Statement	2019 Rs. '000	Note
Gross Written Premium	12,531	1
Less: Premium ceded to reinsurers	(991)	2
Net earned premium	11,540	3
Net insurance benefits and claims	(2,886)	4
Net acquisition cost	(2,969)	5
Increase in Life fund	1,356	6

Note: Only the insurance specific part of the Income Statement is extracted above.

Note 01- Gross Written Premium

Gross Written Premium (GWP) represents the price charged by insurance companies in order to pay claims or benefits applicable under the Life Insurance policy. GWP is comparable with the 'turnover' of a trading or manufacturing organisation. However, GWP is accounted on an accrual basis.

Note 02- Premium ceded to reinsurers

Reinsurance is the process whereby part of the risk/s undertaken by the Insurance Company is transferred to another entity called the reinsurance company, for which the Insurance Company pays a premium known as the 'Reinsurance Premium'.

Note 03- Net earned premium

This is the portion of premium which is applicable for the financial year and earned by the insurer. This represents the amount of GWP less reinsurance outgo that is relevant to the accounting period.

Note 04- Net insurance benefits and claims

If the incident against which the insurance cover was obtained occurs, the Insurance Company indemnifies the insured with an agreed sum, which is known as a claim.

If the customer survives till the policy expiration date, the maturity proceed will be paid. If customer requests proceeds before the maturity date, accumulated fund is paid which is called Surrenders.

Part of the claim payment is reimbursed by the reinsurance company to the

Insurance Company based on the proportion of risk/s transferred. This is known as the Reinsurance Recoveries.

The benefits and claims net of reinsurance recoveries are treated as net benefits and claims.

Note 05- Net acquisition cost

This consists of commission, franchise fee, deferred acquisition expenses net of Reinsurance commission.

Note 06- Increase in Life fund

For the purpose of meeting the policyholders' future liabilities, the insurer is required to maintain a separate fund with sufficient assets to cover an actuarially determined provision which is known as the Long Term Insurance Fund. The amount added to the fund during the current year will appear in the Statement of income as change in Insurance Contract liability - Life Fund.

Summary of the extract of Statement of Financial Position is as follows:

Liabilities	2019 Rs. '000	Note
Life Insurance Fund	8,683	7
Surplus created due to change in valuation method from NPV to GPV	1,057	8
Claim Payable	638	
Life Insurance Contract Liabilities	10,378	

Note 07- Life Insurance Fund

In Long Term insurance business, due to the longer duration of the policy period, insurance companies are required to maintain a separate fund to meet future policyholders' obligations. This is known as the 'Long Term Policy Liability'. The size of the fund that needs to be maintained is determined by the actuarial valuation.

This process estimates the excess of the assets over the policyholder's liabilities of the fund after distribution of dividends to the policyholders as at the year-end. The excess is generally known as the Life Surplus and referred to as Transfer to Shareholders Funds in the Financial Statements.

Note 08- Surplus created due to change in valuation method from NPV to GPV

This represents a change in the valuation method from Net Premium Valuation (NPV) to Gross Premium

Valuation (GPV). As directed by the Insurance Regulatory Commission of Sri Lanka, these reserves are maintained under Life Fund until 2016.

However, as at 31st December 2019, Life fund only includes one of surplus relating to the participating fund.

KEY INDICATORS OF VALUE GENERATED IN 2019



GREAT PLACE TO WORK®

“SOFTLOGIC LIFE IS AWARDED AS A GREAT PLACE TO WORK IN SRI LANKA FOR THE 4TH CONSECUTIVE YEAR”

NEW JOB OPPORTUNITIES



38



115



PROMOTIONS

156



EMPLOYEE RETENTION




79%


Value In

Value Out



* The Diagram provides an overview of the trade-off between Human Capital with other capitals as well as its impact to stakeholders.

SHORT TERM TARGET 	MEDIUM TERM VIEW 	LONG TERM VISION 
<ul style="list-style-type: none"> ▶ Further improve employee retention level ▶ Maintaining strong HR governance practices ▶ Improve work-life balance of employees ▶ Focus on gender parity and take steps to improve further ▶ Launch key management succession planning ▶ Focus on improvement areas highlighted by Great Place to Work survey. ▶ Introduce upfront training calendar and ensure all staff has equal opportunity for regular training and development activities. ▶ Encourage employees to engage in voluntary community activities. ▶ Recruit new staff to support various expansion activities of the Company. 	<ul style="list-style-type: none"> ▶ Be recognized as Great Place to Work with inculcated value stream within the Company. ▶ The Company is rich with second level leaders who will be the future of our organization. 	<ul style="list-style-type: none"> ▶ Be the most sought-after employer in Sri Lanka



OUR STRATEGY

Following strategies will be executed in order to achieve our short term targets, medium view and long term vision

- ▶ Widening our engagement with employees (formal and informal) to better understand their concerns and get to know the matters as soon as possible.
- ▶ Maintaining strong recruitment process to ensure we recruit highly talented people who can significantly contribute to our integrated value creation process.
- ▶ Maintain robust performance management system with a view of linking remuneration to performance, identifying areas to develop on individual employees and recognize second-level management for succession planning.













RISK /CHALLENGES AND OUR ACTIONS

We identified below risks and challenges which will have a material impact on our future strategy.

Risk and Challenges	Our Response
<p>1 Retaining talented staff</p>	<p>Retain people through the loyalty to the Company. Our employee engagement activities are aimed to increase the loyalty to Company which are explained on page 100</p>
<p>2 High cost of recruiting talented employees and lack of people with insurance industry specific knowledge.</p>	<p>Promote innovation and knowledge-driven culture to develop internal employees to industry experts. This concept brings us many positives such as employee loyalty, higher retention etc.</p>
<p>3 No guarantee of return on investment in training and development of staff as company has no control over their decision on leaving the Company.</p>	<p>Many initiatives have been taken including promoting culture of care, mechanism of sharing knowledge within the departments, succession planning etc</p>

Impact to business model					
1	2	3	4	5	6
Entities control over capital					

Our action – 2019

<p>JANUARY Conducted town hall meeting</p>  <p>Set KPI for 2019</p> 	<p>MARCH Evaluate KPI for 2018 Staff Congress</p>   <p>Awarded as Great Place to Work</p> 	<p>APRIL Introduction of HR online portal</p> 	<p>JULY Mid-year performance review</p> 	
<p>AUGUST All staff annual trip to Bangkok, Thailand</p> 	<p>OCTOBER Surprise gift for all departments</p> 	<p>DECEMBER Dinner dance</p> 	<p>MAY TO OCTOBER HR roadshow Assessment Center</p> 	<p>STAFF TRAINING Regular and ad-hoc training programs were conducted throughout the year.</p> 

MANAGEMENT APPROACH

At Softlogic Life, we firmly believe that it is the 'People' factor that makes the difference as a critical driver of our business success in delivering a superior client experience, while sustaining the happiness and wellness of our employees. Our vision and values guide our efforts in creating a supportive work environment in order to "LIVE OUR EMPLOYEE LIFE TO THE FULLEST". Being a service-oriented company, we believe that if our Human Capital feels happy, they in turn will make our customers happy as - the way our employees feel is the way our customers will feel!



"In achieving our vision and to grow our business we require high-performing, innovative and diverse people with the right skills and experience. Our people define our success. Over the years, their passion, dedication and commitment have empowered us to reach new heights, propelling us to become the leading Insurance Company in the country."

Indika Bamunusinghe
Head of Human Resource Management

OUR HUMAN CAPITAL VALUE CREATION MODEL

Softlogic Life's Human Capital Value Creation Model (Employee Engagement Model) has been developed with the long-

term ultimate objective of creating a productive and innovative workforce by caring for their wellness and the concept of "live employee life to the fullest". The Company's value creation model with regard to human capital is provided in figure 4 below.

Figure 4 :- Human Capital value creation model



We identify material concerns of our employees through various engagement procedures built within the organization (Refer page 100) and structured communication mechanism (Refer page 101) of the Company. The identified issues are evaluated under three main pillars: HR governance, HR policies and Organization culture which are the method of responses. Accordingly, the Company required amendments to these pillars to improve employee satisfaction.




HUMAN RESOURCE POLICIES AND PRACTICES

Our human resource policies and practices have been crafted to respond to the matters our employees care most about. Accordingly, our policies evolved over the years around the concept of 'Growth potential within the organization'. The individual policies and procedures include:

- (i) Talent management practices
- (ii) Training and professional development
- (iii) Career Development
- (iv) Performance management
- (v) Rewards and recognition
- (vi) Fair pay and other benefits
- (vii) Employee diversity
- (viii) Succession planning

CONCERNS OF OUR EMPLOYEES AND OUR RESPONSE

Following diagram summarizes concerns of our employees and our responses.

 What our employees think	 Our response	 Reference to Value Creation Model
Do I have opportunity to grow within the organization?	<ul style="list-style-type: none"> • Talent management practices (Page 94) • Training and professional development (Page 95) • Career Development (Page 101) • Performance management (Page 96) • Rewards and recognition (Page 96) 	Human resource policies and practices
Am I getting a competitive remuneration package?	Fair pay and other benefits (Page 96)	
How will the organization manage diversity?	Employee diversity at SLI (Page 97)	
What does the Company's culture look like?	Our culture / Engagement with people (Page 100)	Embedded culture within the organization
Do I have Job security ?	HR Governance (Page 101)	HR governance
Does my company care about my health and well-being?		
Will I get equal opportunity within the organization?		
Can I raise my grievances and get a fair solution?		

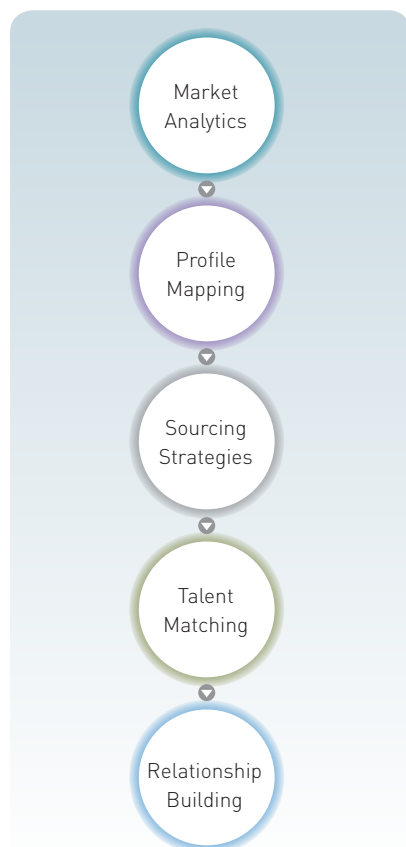
Key extracts/summaries are provided below:

(i) Talent Management

Growing our employee capabilities and ensuring they are aligned with current and future business needs is a long-term initiative, but it also leads to short-term benefits such as increased loyalty, higher engagement and improved performance. We invest in young people in areas of specialized skills, providing the stepping stones to gain meaningful employment and move up the pay scale by gaining valuable knowledge, training and experience, for those who have the potential to become future leaders.

Talent Acquisition

We have a strong recruitment process which tends to focus on recruit the most talented and dedicated employees. We first look internally to fill vacancies and then, if required, advertise externally. The talent acquisition process for the better fit with the needs of the company is presented below.



Induction and Familiarization of the company ensures how new recruits understand the culture of the company, the organizational structure and the framework within which the company operates.

Talent Retention

The company is constantly looking for ways to retain the right talent of human capital to achieve sustainable growth. Continuous dialogue with our employees is bringing us many insights which we critically evaluate and take proactive action on to improve retention ratio. In addition, the Company introduced a corporate pension scheme as a unique talent retention strategy and securing employees' retirement.

The Company's total and new hire attrition rates were 21% and 18% respectively for the year. However, there was an insignificant turnover in staff who were identified as talented and on whom senior management has placed extra emphasis in ongoing talent engagement and developing and nurturing one to one. The Company continuously monitors its employee retention and as indicated in the table 22 below, 94% of employees return to work after their parental leave period.

Table 22: Details of Return to Work and Retention after Parental Leave

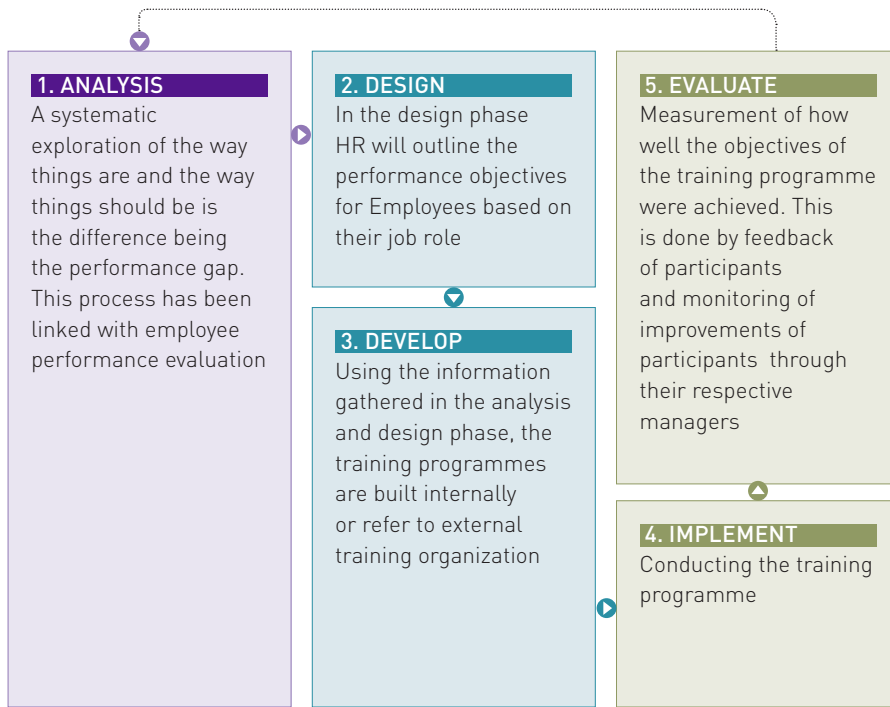
	2019		2018	
	Male	Female	Male	Female
Total No. of employees that were entitled to parental leave by gender.	N/A	277	N/A	300
Employees that took parental leave, by gender.	N/A	15	N/A	15
Employees who returned to work after parental leave ended, by gender.	N/A	16	N/A	7
Employees who returned to work after parental leave ended and who were still employed 12 months after their return to work, by gender.	N/A	7	N/A	10
Employees who took parent leave but leave period not ended as of 31st December.	N/A	5	N/A	6
Return to Work Rate of employees that took parental leave, by gender	N/A	94%	N/A	78%
Retention rate of employees that took parental leave, by gender	N/A	78%	N/A	59%

(ii) Training and professional development

We aim to create a culture of continuous development to enable our employees to grow and succeed throughout their careers. Our ongoing training evaluation model is very appealing and looks to enhance employees' job skills, professional development and leadership skills to keep their skills relevant in a rapidly changing world.

The company uses the following model presented in figure 5 in order to train and develop people:

Figure 5: Softlogic Life Training and Development model

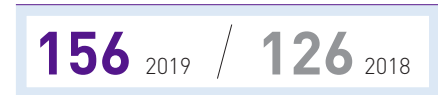


(iii) Career Development

We lead by examples within the company, having many people who started their career at very junior levels but have reached senior management level. We seek to provide this career progress to all staff on the basis of ability, qualifications and suitability of work. Besides providing 'on the job' training specific to individual roles and career paths, we encourage employees to pursue tertiary education through a bursary programme that supports qualifications in fields relevant to the company.

During the year under review, the Company promoted 156 staff to the next level, showing our transparent career development mechanism inbuilt in the process.

Staff Promotions



During the year under review, the Company invested Rs. 34 million in training and development initiatives and generated a total of 12,665 training hours ranging from technical, functional, soft skills, information technology and general management.

Average Training Hours Per Employee



Hrs	2019	2018	2017
Male	12	21	10
Female	22	20	12
Total	16	20	11

The table 23 below provides the detailed list of programmes for skill management and life-long learning that supported the continued employability of our employees:

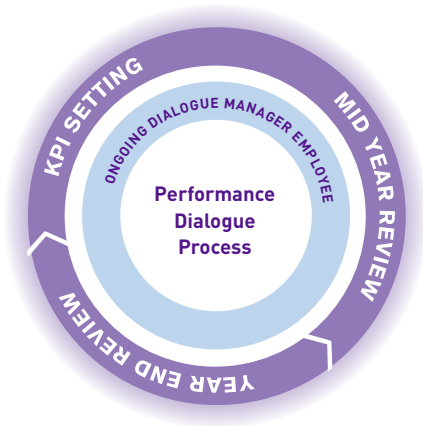
Table 23: Employees' Training Summary for the Year 2019

Training Programme	Scope
Leadership Management	Overall
Big Data & Analytics for Insurance	Overall
Enhancing Information Technology Knowledge	Operational
Fraud Risks and Anti-Fraud Strategies	Overall
Effective Business Writing skills	Overall
Life Technical Process	Operational
Corporate Planning and Business Intelligence	Overall
Soft Skills development programme	Overall
Technical Programme in Life Insurance	Overall
Practical aspects of creating Great Place to Work	Overall
Risk Management	Overall
Sales Excellence	Operational
Human Resource Management	Overall
Introduction to New Acts and Regulations	Overall
Administration and Logistics Management	Overall
Accountant Standards	Operational

(iv) Performance management

The Company fosters a strong performance-driven culture by making the talent pool scale up in their career progression as well as ensures that all employees undergo regular appraisals.

The Company follows Key Performance Indicator (KPI) setting process to sharply align expectations from individual job role to company overall strategy. Accordingly, the Board of Directors decides short term strategy for the Company and expectations from individual job roles to achieve company goals which are cascaded from top to bottom. The performance evaluation process is provided as follows.



Staff participated in performance appraisal process in 2019

692 2019 / **688** 2018

The performance evaluation cycle starts at the beginning of the year by setting KPIs and six months' progress is evaluated and corrective actions are communicated to all employees by immediate seniors. At the year-end evaluation, the supervisor and employee discuss the performance for the year and mutually agree on appropriate rating showing the transparency of the process.

KPI set should be SMART which stands for S=Specific, M= Measurable, A = Attainable, R = Relevant, T = Time-bound

EMPLOYEE PRODUCTIVITY

We regularly monitor productivity of our employees. employee productivity has been improved during 2019 as presented below

Revenue per employee

Rs. 15.6 Mn 2019 / **Rs. 12.1** Mn 2018

(v) Rewards and recognition

Employees who go the extra mile to contribute directly towards value creation are acknowledged and rewarded in multiple ways. Accordingly, the Company identifies their extraordinary performance through a performance evaluation process with respect to their job scope. We expect to encourage our employees further by rewarding them along various parameters outlined in the HR practices.



STAFF CONGRESS - 2019

One of the foremost events at Softlogic Life is to recognize outstanding performance of staff in support functions of the Company



SALES CONVENTION - 2019

The event recognizes all the high-flyers in our sales team at a grand ceremony.



SPOT RECOGNITION

The Company introduced a staff recognition mechanism where employee performance is rewarded instantly by providing a Purple Card which is embedded with financial value.

(vi) Fair pay and other benefits

Our key focus is to attract and retain a highly qualified and experienced workforce that works to meet the Company's objectives while acknowledging the societal context and recognizing the interests of the Company's stakeholders as provided in the Remuneration Committee Report. The key remuneration policy principles are as follows:

- Total remuneration is set at a level that can attract, motivate and retain high quality talent.
- Remuneration is commensurate with each employee's level of expertise and contribution and is aligned with the Company's performance.
- Executive remuneration is set such that a significant portion is linked to performance. The performance related element of remuneration is designed and tailored to align the employees' and main stakeholder's interests
- Remuneration levels are based on industry and market surveys.

The Company decides the initial compensation and benefits are based on individual knowledge, skills, competencies and remuneration policies.

Paid as employee benefits during the year 2019

Rs. 1,504 Mn

OTHER BENEFITS TO EMPLOYEES

We, as a company, offer various other benefits to our employees based on the category and the job responsibilities than regulated benefits. Adhering to the Company’s equal opportunity policy, it does not discriminate employee benefits including remuneration, based on diversity including gender, age, race etc.

The table 24 below summarizes the employee benefits available at Softlogic Life:

Further, all our permanent employees who have completed five years of service are entitled to gratuity as per the Payment of Gratuity Act No. 12 of 1983. The gratuity liability of the Company is valued annually by the Consultant Actuary, Mr. M. Poopalanathan, AIA, of Messrs. Actuarial & Management Consultant (Pvt) Limited, using the Projected Unit Credit (PUC) method and the Company has settled gratuity liability in full when and where it occurred.

Presented below are the contributions made to defined contribution plans and defined benefit plan during the year.

Defined contribution Rs.million	2019	2018
EPF	84	74
ETF	21	18
Defined benefit Plan	33	27

(viii) Employee diversity

“The diversity of our people brings richness in perspective, skills and experience that we leverage as an advantage in serving an equally diverse client base.”

Equalization is key in our company and as an equal opportunity employer the Company encourages workplace diversity, regardless of gender, ethnicity or age. We embrace diversity and will not tolerate discrimination or harassment against any person, on any grounds. Our HR policy on Equal Opportunity and Non-Discrimination recently enhanced its scope, so that there would be no discrimination based on race, religion, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation or opinion.

Being a life insurance company, our Human Capital consists of employees, outsourced personnel and field staff. The workforce composition as at 31st December 2019 is provided in the table 25 overleaf.

Table 24: Financial and Non-financial benefits available at Softlogic Life:

 Financial Benefits		Competitive remuneration
		Employee welfare
		Reimbursement of selected professional memberships/ subscription payments
		Professional education assistance
 Non-Financial Benefits	Health and safety focus	Life and Disability Insurance
		Safe and Healthy workplace
		Maternity Leave
		Staff medical and critical illness insurance
	Self-Actualization	Personal and career development provides space to realize individual targets of our employees.
		Personal Security
	Financial Security	Ensuring job security based on the performance of the employees
		Corporate pension scheme will ensure financial security at retirement of our employee
Civil status	Softlogic Life’s working environment promotes contact and friendship with fellow workers, social activities and opportunities.	
Dignity	Softlogic Life being a responsible corporate is making a positive contribution to ensure employees work with a sense of self-esteem	

Table 25: Composition of Workforce

Description	2019			2018		
	Male	Female	Total	Male	Female	Total
Employees	528	277	805	521	300	821
Field Staff	2,048	724	2,772	1,697	603	2,300
Outsourced Staff	18	128	146	31	120	151
Total Workforce	2,594	1,129	3,723	2,249	1,023	3,272

The Company monitors the diversity of its workforce based on age, gender, type of employment and by region of employment as illustrated in table below.

Gender Parity Disclosure	2019					2018				
	M	F	T	M%	F%	M	F	T	M%	F%
WORKFORCE BY TYPE OF EMPLOYMENT										
Employee	528	277	805	66%	34%	521	300	821	63%	37%
Field Staff	2,048	724	2,772	74%	26%	1,697	603	2,300	74%	26%
Supervised workers	18	128	146	12%	88%	31	120	151	21%	79%
Total Workforce	2,594	1,129	3,723	70%	30%	2,249	1,023	3,272	69%	31%
EMPLOYEES BY REGION										
Central	46	18	64	72%	28%	31	18	49	63%	37%
Eastern	9	7	16	56%	44%	10	7	17	59%	41%
North Central	14	5	19	74%	26%	9	7	16	56%	44%
North Western	41	14	55	75%	25%	49	21	70	70%	30%
Northern	18	5	23	78%	22%	6	5	11	55%	45%
Sabaragamuwa	12	12	24	50%	50%	20	12	32	63%	38%
Southern	42	20	62	68%	32%	43	21	64	67%	33%
Uva	14	8	22	64%	36%	13	12	25	52%	48%
Western	332	188	520	64%	36%	340	197	537	63%	37%
Total No of Employees	528	277	805	66%	34%	521	300	821	63%	37%
COMPOSITION OF GOVERNANCE BODY										
41 - 50 years old	-	1	1	0%	100%	-	1	1	0%	100%
51 - 60 years old	6	-	6	100%	0%	6	-	6	100%	0%
61 - 69 years old	1	-	1	100%	0%	2	-	2	100%	0%
Total no of Directors	7	1	8	88%	13%	8	1	9	89%	11%
EMPLOYEES BY EMPLOYMENT CONTRACT										
Permanent Employment	431	261	692	62%	38%	425	263	688	62%	38%
Probation Employment	84	15	99	85%	15%	83	36	119	70%	30%
Contract Employment	13	1	14	93%	7%	13	1	14	93%	7%
Total No of Employees	528	277	805	66%	34%	521	300	821	63%	37%

Gender Parity Disclosure	2019					2018				
	M	F	T	M%	F%	M	F	T	M%	F%
EMPLOYEES BASED ON EMPLOYMENT CATEGORY AND GENDER										
AGM and above	31	3	34	91%	9%	25	-	25	100%	0%
Asst Manager and above	234	46	280	84%	16%	213	52	265	80%	20%
Executive	201	165	366	55%	45%	214	150	364	59%	41%
Non - Executives	62	63	125	50%	50%	69	98	167	41%	59%
Total No of Employees	528	277	805	66%	34%	521	300	821	63%	37%
EMPLOYEES BASED ON AGE										
under 30 years old	112	167	279	40%	60%	121	192	313	39%	61%
30-50 years old	364	108	472	77%	23%	356	106	462	77%	23%
over 50 years old	52	2	54	96%	4%	44	2	46	96%	4%
Total No of Employees	528	277	805	66%	34%	521	300	821	63%	37%
PERMANENT EMPLOYEES BY EMPLOYMENT TYPE										
AGM and above	27	3	30	90%	10%	20	-	20	100%	0%
Asst Manager and Above	192	46	238	81%	19%	179	47	226	79%	21%
Executive	153	152	305	50%	50%	161	133	294	55%	45%
Non - Executives	59	60	119	50%	50%	65	83	148	44%	56%
Total No of Permanent Employees	431	261	692	62%	38%	425	263	688	62%	38%
NEW EMPLOYEE RECRUITS BY AGE										
under 30 years old	37	31	68	54%	46%	48	56	104	46%	54%
30-50 years old	74	7	81	91%	9%	104	10	114	91%	9%
over 50 years old	4	-	4	100%	0%	7	-	7	100%	0%
Total no of New recruits	115	38	153	75%	25%	159	66	225	71%	29%
NEW EMPLOYEE RECRUITS BY REGION										
Central	11	2	13	85%	15%	14	7	21	67%	33%
Eastern	3	1	4	75%	25%	6	2	8	75%	25%
North Central	7	1	8	88%	13%	4	4	8	50%	50%
North Western	18	3	21	86%	14%	24	11	35	69%	31%
Northern	10	-	10	100%	0%	2	1	3	67%	33%
Sabaragamuwa	-	-	-	0%	0%	5	2	7	71%	29%
Southern	10	4	14	71%	29%	17	4	21	81%	19%
Uva	4	-	4	100%	0%	3	4	7	43%	57%
Western	52	27	79	66%	34%	84	31	115	73%	27%
Total no of New recruits	115	38	153	75%	25%	159	66	225	71%	29%
TOTAL NO HOURS OF EMPLOYEE TRAINING BASED ON GENDER										
Total No Hours of Employee Training Based on Gender	6,586	6,080	12,665	52%	48%	10,934	5,888	16,822	65%	35%

M - Male

F - Female

M% - Composition of Male

F% - Composition of Female

Table 26: The table given below analyses our employee diversity based on the tenure of the service:

	No of Employees 2019	%	No of Employees 2018	%
0 =< 2 Years	200	25	282	34
2 =< 4 Years	274	34	239	29
4 =< 6 Years	102	13	99	12
6 =< 8 Years	75	9	71	9
Above 8 Years	154	19	130	16
Total	805	100	821	100

EMPLOYEE LOYALTY

Our employee loyalty is moving positive as a result of our HR policies and practices which is witnessed by achieving “Great Place to Work” award for the fourth consecutive year.

OUR EFFORTS TO IMPROVE GENDER PARITY

We have taken many initiatives to improve gender balance within the organization. Our HR governance framework ensures we do not discriminate amongst employees based on gender and act as safeguards for employees. Following significant policies have been introduced to treat our female staff fairly within the Company.

- Flexible working hours
We allow employees flexi working hours which mostly benefited female staff who manage their work-life balance well.
- Extended maternity leave
We allow our female staff extended maternity leave other than the legal provisions in Sri Lanka, allowing them to settle their life and continue as our employee.
- Female representation on whistle-blower committee
We have nominated a female representative to our whistleblower committee to ensure our female staff can directly report any personal issue such as sexual harassment directly

with a female representative at the higher corporate management level.

In relation to other workers, a substantial portion of the organization’s work is not performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. By nature, the Company doesn’t expose itself to significant variations in employment numbers due to seasonal or irregular events.

(viii) Succession planning

The Company is in the process of establishing a company wide strong succession plan. The management will identify suitable second level management on the basis of experience, qualification and competencies during 2020. If there are no suitable candidates within the organization, 2020 prioritization will be given to recruit them from outside. The identified staff will be trained, developed over the period for future leadership position within the organization.

OUR CULTURE

The Company has implemented a friendly work culture that creates a strong bond amongst employees. The management encourages an open door concept to build strong relationships with employees. The Company carries out many employee engagement activities that bring all staff together. During the year under review, the Company held many such activities, some of which are listed below:



Department annual trip



Company annual trip



Year-end party



Annual Cricket Carnival

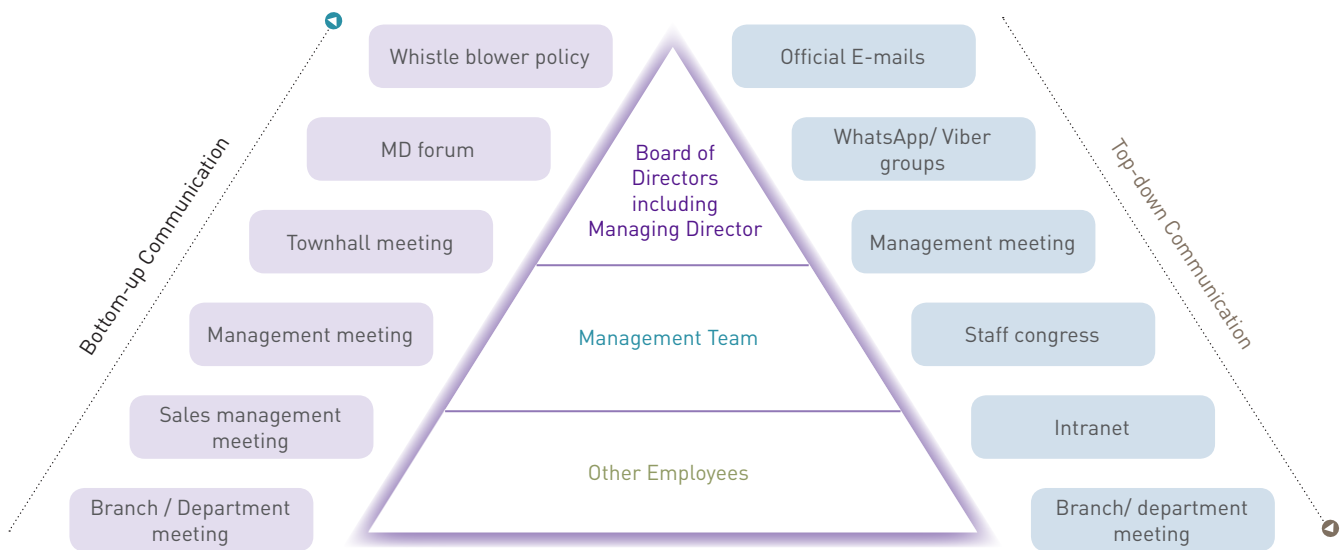
Further nurturing an open culture, the Company has established a strong two-way communication model as illustrated in figure 6 below. The Company promotes and creates a workplace where employees are well-informed of the Company's decisions and pays due consideration to their views during the decision-making process.



CASE STUDY

Thusitha Pathirana, a software developer of our internal IT department, introduced a robotic process which automatically processes receipts to bank deposits. This significantly improved the efficiency of the finance staff of the Company. In return, he was awarded as 'Employer of the Year 2018' at the Employee Congress held in 2019.

Figure 6: - Employee Communication Model



INNOVATION WITHIN THE ORGANIZATION

At SLI, we embrace innovation. The innovation arm of the Company also leads by example which holds the Company as the most innovative insurer in the industry. We introduced many industry-first innovations to the insurance industry of Sri Lanka which are explained on pages 108-109 as well as innovative products which are listed on page 113 of this report. These showcase our culture of innovation and priority for innovation within our business process.

HR GOVERNANCE

HR governance structure ensures that we balance Corporate Governance, the interests of our employees with the interests of all other stakeholders. The Board is ultimately responsible for our 'People Strategy'. The Human Resources Department is in charge of implementing the people strategy and reports to the Managing Director and the Board on its activities regularly. Subsection of our HR governance is further elaborated below.

Zero tolerance on corruption

All employees are informed of mandatory internally developed policies which they

are expected to comply with such as:

- Code of Ethics
- Whistle-Blowing Policy
- IT Security Policy
- Procurement Policy and Procedure

The staff handbook acts as a guide for employees, while other policies are in place to mitigate the risk of corruption. These policies are described and explained initially at the induction of new recruits and are reminded at the review trainings or via email. We maintain maximum adherence to all

laws applicable within the jurisdiction of Sri Lanka. Our Senior Management, along with the Human Resource Division and Risk and Compliance Departments, maintain strict vigilance in this regard. No fines or monetary sanctions were levied on the Company for non-compliance with laws and regulations during 2019.

Ensuring a Safe and Healthy Workplace

Ensuring the safety and health of those who work for us remains our top priority. Therefore, we strive to provide a safe and healthy work environment for all those working for, and on behalf of the Company. We develop and implement health and safety management programmes designed to promote a safe and healthy work environment, avoid unsafe situations, maintain legal compliance and respond to incidents and medical emergencies.

Non Discrimination/ Equal Opportunity

The Company believes that the working environment should at all times be supportive of the dignity and respect of individuals. If a complaint or harassment is brought to the attention of the management, it will be investigated promptly and appropriate action will be taken. All employees have access to HR policy on non-discrimination through the Company intranet. However, there were no incidents reported during the year 2019.

Respecting Human Rights and Protecting Labour Rights

Softlogic Life has an organizational culture which supports local and internationally recognized human rights and avoids any involvement in the abuse of human rights. Our human rights policy is aimed at promoting equality of opportunity and combating discrimination. We are committed to continually improving our compliance with international best practices and we are therefore implementing a plan for continuous improvement. Further, we are compliant with all applicable legislation.

Child Labour & Forced and Compulsory Labour

As expressed in our human rights policy, we are committed to the labour rights principles in Sri Lanka, including the right to freedom of association, the eradication of child and forced labour, and non-discrimination. We have clear policies and processes in place in order to ensure that we do not employ any under age, forced labour or are not associated with third parties identified as having significant risk for incident of child or forced labour. During the period under consideration, there were no incidents reported on employment of child labour.

Compliance With Regulations

During the year under review, there were no incidents of employing under-age or forced labour and there were no incidents

of discrimination or grievances regarding labour practices.

Listening to Employee Grievances

We believe in a 'Great Place to Work', where all employees have an opportunity to give feedback, suggestions and voice any grievances. The grievance policy ensures employees are heard and given a fair resolution to their grievances.

We encourage all employees to directly reach out to the members of the Grievances Committee and the Company takes the responsibility to handle those concerns according to the Grievance Matrix. Further, employees are encouraged to use the established whistleblower mechanism. The Company's employee grievance handling process is provided below figure 7.

Figure 7: Employee grievances handling process



Whistle blower policy

The Company has a strong whistle blower policy where they can raise the voice directly to our governance bodies. This ensures our employees are always treated fairly and zero level violation of our employees' rights.



LOOKING AHEAD

With greater growth prospects for the Company in the coming years, we foresee the talents that would be needed in our employees. The environment we operate is changing rapidly and our operating landscape is challenged by many factors such as technological developments, changing customer needs etc. We expect our employees to also cope with these changes to achieve our goals as a company.

Focus on gender parity

The Company will focus on improving gender balance in all level of the organization. Bringing in this balance is not possible overnight as we have to consider it carefully when we bring in new recruits based on the job criteria and availability of suitable candidates. The board level balance will be considering in long run at the voluntary or mandatory retirement of existing directors.

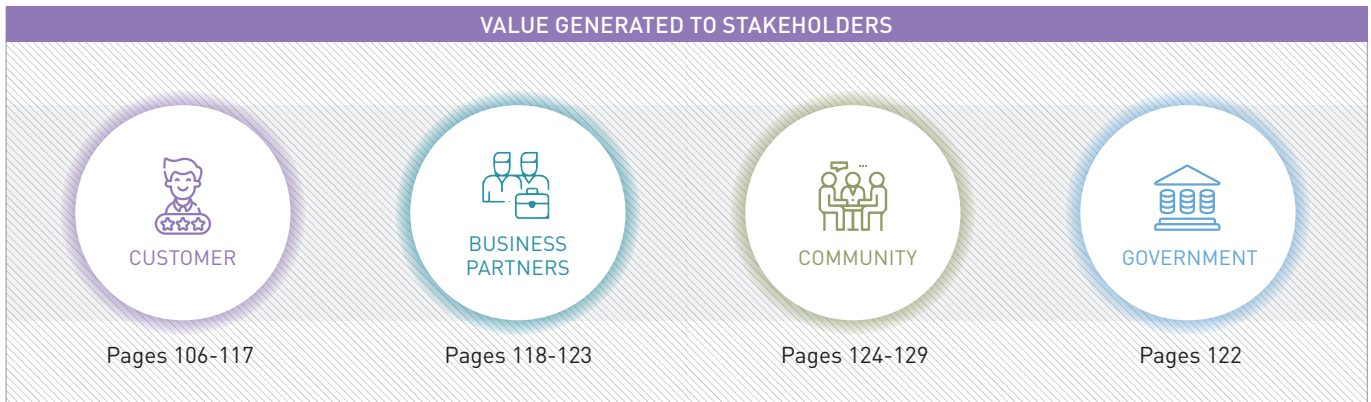
Employee development

In the long run we will align our people development strategy to the ever-changing vibrant environment by way of introducing more digitally enabled training and development platforms and focus on transforming our existing staff towards a digitally enabled working environment. Going ahead, we will develop Artificial Intelligent capabilities of our staff.

Cultural transformation

We expect change in culture when we move ahead in future as there will be more gen Y and Z people in our workforce in the years to come. We will be taking more effort in future to maintain our unique innovation-driven culture by adopting changes required by new generations in a harmonious manner.

SOCIAL AND RELATIONSHIP CAPITAL



* The Diagram provides an overview of the trade-off between Social and Relationship Capital with other capitals as well as its impact to stakeholders.

SHORT TERM TARGET	MEDIUM TERM VIEW	LONG TERM VISION
<ul style="list-style-type: none"> ▶ Improve our renewal business persistency level by 3%. ▶ Introduce new products to cater to changing need of customers (minimum 03 products per year) ▶ Introduction of customer charter to standardize service received by customers at every customer touch point ▶ Total customer interaction platform through digitization with access to all relevant parties throughout the customer's lifetime. 	<ul style="list-style-type: none"> ▶ Digital transformation of our services to cater to trend of increasing customer digital engagement. The company will be focusing on onboarding customers 	<ul style="list-style-type: none"> ▶ Be recognized as "Most caring life insurer in Sri Lanka" - making sure our every engagement with existing and potential customers is memorable.

Provided insurance cover minimum % from economically active labor force	13%	22%	34%
Provide total insured cover worth of Rs. Billions	2,100	4,749	10,600
Number of Insured People's lives	1,163,000	2,000,000	3,000,000

OUR STRATEGY

- ▶ Building delightful engagement with customers to understand them and forecast their expectations.
- ▶ Allocate adequate funding for research and development of new products
- ▶ Stay focused on rapidly changing environment; remain alert on events that significantly affect our customers' needs, life pattern etc., and modify life insurance product offering.
- ▶ Continuous improvements of internal processes to enhance efficiency that ultimately increase customer satisfaction.

RISK /CHALLENGES AND OUR ACTIONS

We identified below risks and challenges which will have material impact on our future strategy:

Risk and Challenges	Our Response
<p>1 Rapid change in customer needs require more flexibility in everything we do</p>	<p>Customer Segmentation The Company identified key customer segments within the customer portfolio and built distribution channels / product strategy to cater to specific requirements of each segment without focusing as a whole i.e. micro channel to cater to low value customer proposition via digitally enabled distribution network etc.</p>
<p>2 Allocation of financial and other resources to correct initiatives which drive our key focus</p>	<p>The company has established a methodical way of resource allocation (Refer page 48-52 for more details) taking into consideration the value (financial or non-financial) generated through future initiatives.</p>
<p>3 Intense competition in the market shrinks the product margin as a result of unhealthy price war.</p>	<p>The Company uses innovation as key differentiator to outperform Competition and embed innovation in every part of the business model - from underwriting, claims settlement, product development, customer service to all stakeholder dealings. We compete in the market on the basis of innovative products and excellent service levels, and without compromising on pricing.</p>

Impact to business model					
1	2	3	4	5	6
Entities control over capital					

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

MANAGEMENT APPROACH

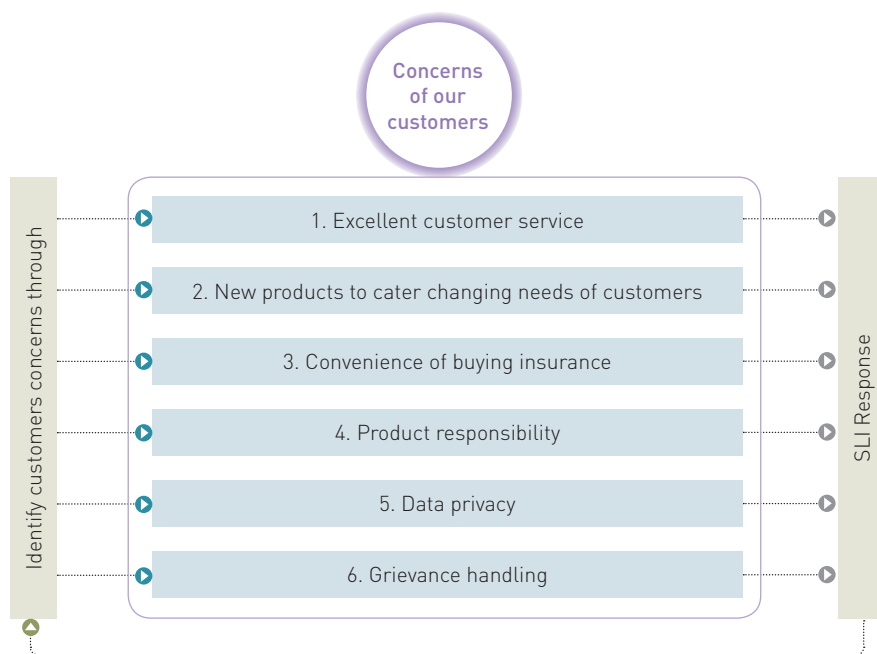
Provide innovative life insurance solutions to maximize wellness and health of customers, while accurately addressing inherent risks through the promotion of 'LIVE OUR VALUED CUSTOMERS' LIFE TO THE FULLEST'. We are trail-blazing a wave of innovation and technology that will deliver widespread convenience and succeed in the creation of new business avenues.

“ AT SOFTLOGIC LIFE, WE BELIEVE ONE EXCEPTIONAL CUSTOMER EXPERIENCE CAN TURN INTO A LIFELONG AND LOYAL BRAND ADVOCATE. ”

CUSTOMER VALUE CREATION MODEL

The Company's value creation model (provided in figure 8) is developed based on the facts we received through the Stakeholder Engagement process. We developed the model by responding to the issues raised by our customers, making it interactive process that brings true value to customers as well as the Company.

Figure 8: Customer value creation model.



Our engagement with customers has been detailed under Stakeholder Engagement on pages 53-57. SLI responses on concerns identified through above process is discussed in detail below:



BEST SERVICE PROVIDER IN THE REGION

Softlogic Life was recognized as the best service provider at the Emerging Asia Insurance Awards 2019, giving us comfort that we are undoubtedly the best service provider not only in Sri Lanka but also in the emerging Asian Region



Excellent customer service is key to client satisfaction and loyalty. Although the market is often saturated with product offerings that are similar in nature, service standards are unique to each provider – making it a point of difference among competing companies. Products, prices and promotions can be copied, but great customer service cannot be copied as it is rooted to the culture of the organization and its people. This makes it a key deciding factor, especially in an industry such as ours.

Thilanka Kiriporuwa
Chief Corporate Service Officer

1. EXCELLENT CUSTOMER SERVICE

At Softlogic Life, we have consistently improved the quality of our customer service and we strive to benchmark the industry by leveraging on innovation and technology. We firmly believe that price is not a long term differentiator. The consumers will look to partner with an insurance company which offers them convenience, transparency and provides greater value to them in every engagement.

The management went a step further in servicing customers and proving our dedication to provide superior customer service, by declaring a 'Customer Service Month', with many activities carried out to internalize a customer-first philosophy for all our employees. These activities were helpful to further strengthen self-discipline of our staff who naturally act with a customer focused mindset. Accordingly, following key activities were carried out to extend a 'wow' experience to our customers



CAPACITY DEVELOPMENT FOR BETTER SERVICE

Softlogic Life identified that each interaction between employee and customer does not affect the number of customers retained, but employees with effective customer service skills will feel a greater sense of engagement and commitment to their job. Our training provides advanced customer service tips to learn about customer service skills, building customer loyalty, creating effective first impressions, managing customer expectations and more.



FIRST CONTACT RESOLUTION

Implemented first contact resolution for customers with a view of providing 'WOW' experience. Accordingly, the Company analysed past data to identify the reasons why customers contact the Company. Internal processes were revamped to provide solutions to customer in the first contact point for regular matters identified. This was facilitated through the "Life up" app. Further, the Company enhanced the authority level of the customer care staff to take decisions within the Company's charter in order to provide speedy services to customer.



CUSTOMER JOURNEY MAPPING

In order to enhance our customer satisfaction, the Company introduced customer journey mapping concept. Our customer care staff identified customer touch points and assessed their satisfaction level. Accordingly, any factors causing dissatisfaction or where customers think there is room for improvement is immediately take into management consideration and required changes made



SENIOR MANAGEMENT AT CUSTOMER'S DOOR STEP

Our Senior Management Team went to customers' doorstep to have friendly discussions and gain an understanding of pros and cons of our service. This brought many positive insights on which management is working on to provide superlative service to our customers.



'WOW CHAMPIONS' - CUSTOMER VISIT BY MANAGERS

Managers of the Company visited our customers. The concept was highly successful as this strengthened customer engagement and allowed the second line of management to get a real-world experience in providing customer service.



INTRODUCTION OF PURPLE LINE

A dedicated contact point was enabled for Senior Management of the Company to directly contact the customer care unit without any delay to resolve any issues our customers face.

OMNI CHANNEL CUSTOMER CARE

The Company has built cross-channel content strategy to improve customer experience and drive better relationships with customers across points of contact..



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<https://web.facebook.com/softlogiclife/>

KEY OPERATIONAL INNOVATION AND PERFORMANCE

We have revolutionized innovation and technology that is delivering widespread convenience to our customers and creating new business avenues for us. Company's innovation listed below also contributed to provide a 'WOW' customer experience.

OUR
INDUSTRY
1st

TECHNOLOGICAL
AND PROCESS
IMPROVEMENT



ONE DAY CLAIMS SETTLEMENT

The Company introduced the One-day claims settlement process for the first time in Sri Lanka which is considered as a game-changer in the life insurance industry. The claims settlement process has set the internal performance indicator of settling above 80% of claims within one day, without compromising the quality of the process and value to the customer. The innovative solution brought industry benchmarks to a high level that competitors have yet to reach. The concept also resulted in increasing customer satisfaction.

The concept was repeatedly awarded under "Best in Claims Settlements in Sri Lanka" tag line at the insurance industry awards

IMPROVEMENT IN 2019

One-day claims settlement ratio was improved to **90%** compared to 80% in 2018.



AUTO UNDERWRITING WITH ENHANCED CAPABILITY

Auto underwriting is supporting function of Express Digital Policy Issuance concept. The rate of Auto underwriting percentage was increased to 64% by introducing simulation process, where underwriting criteria are automatically cross-checked with worldwide accepted standards.

IMPROVEMENT IN 2019

The Company achieved success rate of **70%** during the year through auto underwriting



EXPRESS DIGITAL POLICY ISSUANCE

This aims to ease the purchasing of life insurance, eventually assisting customers to get their insurance cover immediately and sales staff to eliminate the need for traditional paper-based application processes. A physical customized policy document that is significantly low on paper usage is also delivered to the customer subsequently, keeping in line with current regulations.



'LIFEUP' APPLICATION

The 'LifeUp' smart phone application is a great value-added tool to ease the life of all Softlogic Life policyholders. Customers can get quick access to their policy details through the app and make minor changes to the policy on their own. This will enable the policyholder to pay premiums, get intimation of claims, upload claim documents, view payment history, rate services received, process special letter requests such as surrender value Certificates, Embassy letters, premium summary reports etc.

IMPROVEMENT IN 2019

Additional services were built in to the system by automating recurrent customer requests.



CASHLESS CLAIMS SETTLEMENT

Cashless claims settlement process, which was initiated with the Asiri Group of Hospitals as first in the industry, is now extended to over 60 hospitals island-wide, and to Apollo Hospitals India and Parkway Group of Hospitals Singapore which include Mount Elizabeth Hospital in order to provide a superior service to our customers, as they are not required to pay their claims out of their own pockets. Softlogic Life settles the claim directly to the hospital on behalf of the customer.



CUSTOMISED POLICY DOCUMENT

The Company took a new initiative to issue customized policy documents to our policy holders with the intention of increasing customer convenience, and the process became the first-ever a Sri Lankan insurance company has done so. This initiative is aimed at providing our policy holders with the ease of referring their policy document to identify the applicable policy benefits, thereby eliminating the cumbersome INCOMPLETE SENTENCE process of going through the entire policy document in search of relevant areas.



APP BASE UNDERWRITING

Each messaging app is used effectively, to enable the digitalized underwriting to render a supreme service to our customers and to stay connected with our customers. It has given the ability to increase personalization through direct interaction and tailored customer communications and to efficiently address ad hoc/personalized customer service demands in terms of underwriting.



ONLINE PAYMENT SCHEDULING

The Company upgraded its online payment gateway - allowing customers to schedule insurance premiums. The advancement is aimed at relaxing customers about frequent premium payment. Accordingly, insurance premiums will be debited to customers' debit or credit cards on the premium due date and ensures that customers are always under the Company's protection.



TELE UNDERWRITING

A novel concept introduced to insurance industry, where a specially trained telephone interviewer completes the Life Insured's statement required for the life insurance application. Tele-underwriting allows our customers to choose the time and place most convenient for them – in the comfort of their own home, at their workplace or wherever they have their phone.

OTHER INNOVATIVE SOLUTIONS

Value Added Service



MEDICINE DELIVERY TO CUSTOMERS' DOORSTEP

The Company delivers medicines to customer's doorstep in an emergency. The customer can send the medical prescription via 'LiFEUP App', Viber or WhatsApp. The service is available 24/7 for greater convenience.



AMBULANCE AT CUSTOMERS' DOORSTEP

In a medical emergency, an Ambulance will be rushed to the requested location which facilitates medical investigations/ test at customer's residence for greater convenience and value addition to customers. Further, if required, the ambulance will facilitate transport of patient for emergency treatment.



DOCTORS' VISIT TO CUSTOMERS' DOORSTEP

The Company launched another innovation that offers a Doctor's facility at customers' doorstep in order to examine a medical condition of the customer or a member of the family.



DTAP SYSTEM

'iME' is a fully automated web-based system introduced to our alternate business channel which supports the operation of Group Life, Decreasing Term Assurance (DTAP) etc. The system enables the confirmation, medical letters - even Re Insurance Synopsis submission instantly. This provides greater convenience to customers, as the system has reduced the duration of the policy issuance cycle.



CUSTOMER DISCHARGE WITHIN ONE HOUR

A dedicated unit is available in the Company to keep in touch with our customers from the point of admission till discharge from the hospital, keeping their minds free from financial burden. Our staff makes sure all paper work and settlements are cleared within one hour. The hassle-free discharge is always valued by our customers as they feel the greater convenience the Company offers.

Customer Satisfaction

While improving our service standards focusing on customers, the management is also keen to assess customer satisfaction, which provides objective evidence of what customers feel about our customer service. Accordingly, the customer care center has maintained 95% customer satisfaction rate during the year.



“Digitization is taking place across the entire value chain, including underwriting, distribution and claims. The digitization journey is also critical for SLI longer-term transformation plans, to drive innovation and to form and participate in industry eco-systems. Our untiring effort over past years to run our operation in line with market dynamics resulted in introducing countless industry first innovations.”

Pranama Perera
Chief Technical Officer

BRAND IMAGE AND REPUTATION

Our excellent customer services discussed above has enhanced our brand image over the period. Our brand value has been discussed under intellectual capital on page 133

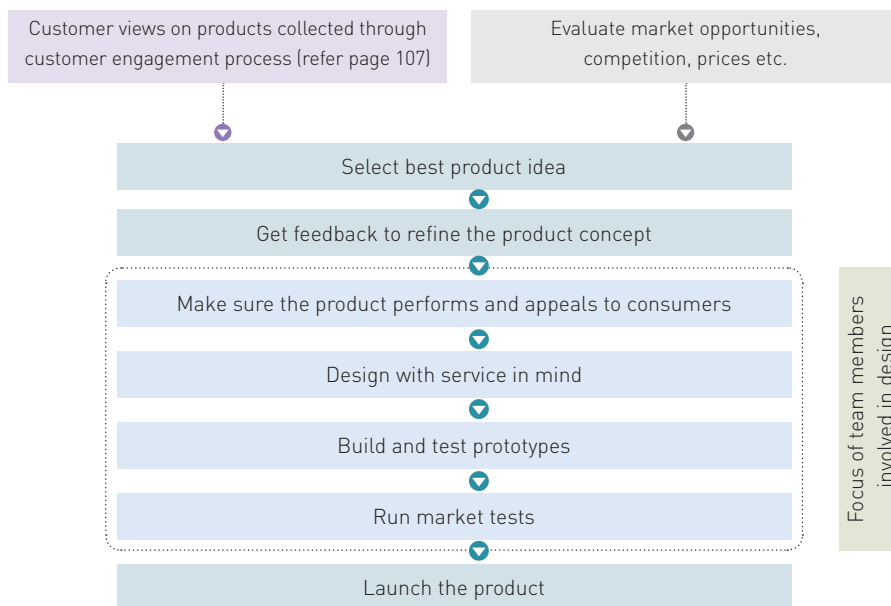
2. NEW PRODUCTS TO CATER TO CHANGING REQUIREMENT OF CUSTOMERS

Our product philosophy is to create more relevant products which customers feel is a value addition over the premium they pay and maintain portfolio of products accurately address to insurance requirement throughout the customer’s lifecycle. The Company offered a wide range of insurance solutions for both individual and corporate customers.

These products strengthen the Company’s competitive edge as well as guarantee customer satisfaction due to its unique features and the embedded operational simplicity. Anyone can easily understand the desired product or service and if further assistance is needed, our customers do not have to look very far.

PRODUCT DEVELOPMENT PROCESS

Our product development process is constantly evolving. We continue to review our process while seeking to provide a relevant product that supports socially beneficial features. The Company strictly follows its formalized product introduction process which requires approval from a product development forum before launching new products for customers. The product development process is provided below:



New products




The year 2019 was yet another historical year in terms of new products as company introduced 4 new products while revising features of one product to meet demand of the customer. New products introduced are described below:

Postal Life Insurance Plan


Recording another milestone in Sri Lanka’s history of insurance, Softlogic Life launched the ‘Postal Life Insurance Product’, targeting the low income population of Sri Lanka. The Company is courageous to tap new markets through its innovative products and services even though these concepts may not be familiar in the Sri Lankan context. This showcases our commitment towards the growth of insurance penetration in Sri Lanka.

The main objective of developing this product is to reach individuals living in rural areas with a need for insurance and those who visit post offices regularly in their village or cities to perform certain transactions. The product will be very affordable to the target segment while providing life cover and hospital cash benefits. A customer subscribing to the ‘Postal Life Insurance Plan’ will be required to pay the applicable premium through a premium reload card which will be distributed either by the Post Office or Postman.



Logo	Product	Product features
	Softlogic Life Legacy Plan	This is a Fund Based Whole of Life Product (With coverage available up to age 100) with its most attractive features, which shall have its own flexibilities to cater to protection need of a person to match with different level of coverage required for different stages of their lives. Further to the above, we shall provide a return on their investments (savings) based on actual return on investments of the Company. This product combines some of the desirable features of whole of life plan which is more popular in many countries, which can be tailor-made to suit various insurance needs. Providing life contingency benefits on death, total permanent disablement or survival of the policyholder with benefits linked to the accumulated investment account value.
	Softlogic Life Online Plan	This product exclusively caters to Middle Income population of age 30 – 45 years who are seeking simple and affordable Insurance Coverage through a hassle-free process. This product is mainly focused on customers who are frequently using online transaction methods. This is an Individual Life Product which offers Life Cover and Hospitalization per day benefit for an affordable premium range
	Asiri Life Plan	This is a Group Life Product targeting the patrons of Asiri Group of Hospitals. This has been designed for Provide Cashless Hospital Bill Settlement Cover with a Significant Life Cover. Fixed Life Cover will be paid at the unfortunate event of death of a Policyholder.

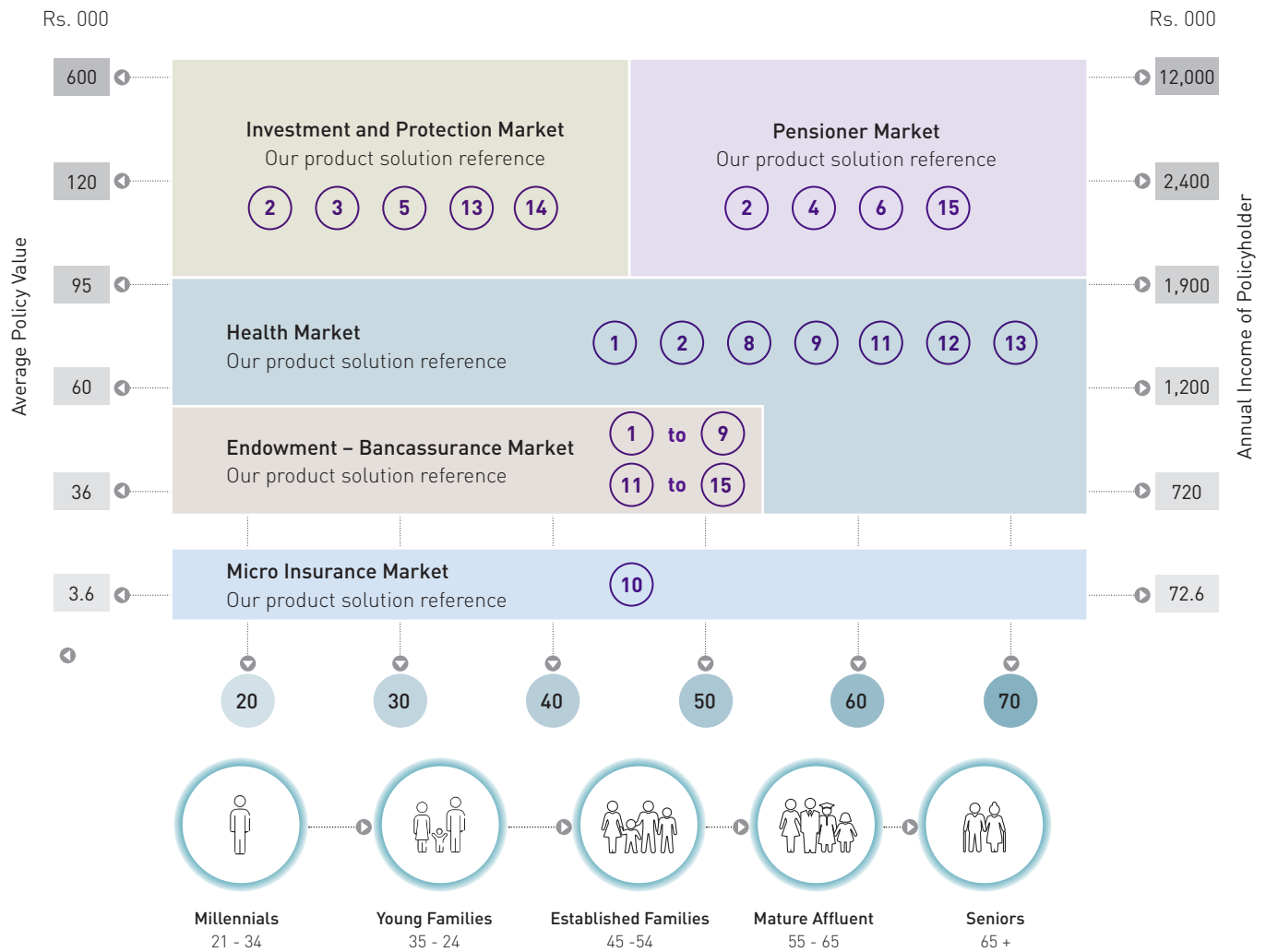
The features of the following product were redesigned to cater to customer requirements. Accordingly, the Company relaunched the product this year after combining attractive benefits to customers as described below:

Logo	Product	Product features
	Softlogic Life Protected Investment Plan	This Product is a short-term endowment product which is targeted at high net worth individuals. The Policy is issued for a term of 2 or 3 years for a single premium. The policyholder will receive the sum assured on survival to the end of the policy term and in case of death of the policy holder - within the policy period; the sum assured will be payable as per the policy conditions. The guaranteed dividend rate at the maturity will be reviewed based on market conditions.

OUR PRODUCT PORTFOLIO TO CATER THROUGHOUT THE CUSTOMERS LIFE CYCLE

The figure 9 below analyses our product portfolio and the target customer segments we serve in terms of age group and income level of the customers.

Figure 9: Product mix evaluation against customer segments



Note: Average Policy Value = Disposable income of policyholder computed as 5% of the annual income.
The figure 9 represent broad distribution of our products among the various customer segments.

Company’s base product portfolio is listed below.

Product Category	Reference No	Product Name / Logo
TERM PRODUCTS WITH TOTAL REFUND OF PREMIUMS	1	SOFTLOGIC LIFE HEALTHCARE PLAN
	2	SOFTLOGIC LIFE PREMIUM RELIEF PLAN
DIVIDEND BASED INVESTMENT PRODUCTS	3	SOFTLOGIC LIFE PROTECTED SAVINGS PLAN
	4	RETIRE WITH PRIDE – SOFTLOGIC LIFE RETIREMENT PLAN
	5	SOFTLOGIC LIFE PROTECTED INVESTMENT PLAN
	17	SOFTLOGIC LIFE ONLINE PLAN

Product Category	Reference No	Product Name / Logo
TERM COVER PRODUCTS	6	SOFTLOGIC LIFE LEVEL TERM PLAN
	7	DECREASING TERM ASSURANCE PLAN (DTAP)
	8	SOFTLOGIC LIFE GLOBAL PLAN
	9	SOFTLOGIC LIFE GROUP LIFE PLAN
	10	DIALOG PER DAY COVER
	11	PREMIER HEALTH BENEFIT
	12	SOFTLOGIC LIFE GOOD HEALTH SERIES
	18	ASIRI LIFE PLAN
	19	POSTAL LIFE INSURANCE PLAN
	UNIVERSAL LIFE PRODUCTS	13
14		SOFTLOGIC LIFE UNIVERSAL SAVINGS PLUS
15		SOFTLOGIC LIFE CORPORATE PENSION PLAN
16		SOFTLOGIC LIFE LEGACY PLAN

Company's rider portfolio is listed below.

These are additional Life Benefit - Option to increase the life cover provided on certain base products:

Family Healthcare Benefit
Family Healthcare Super Benefit
Family Healthcare Benefit + Overseas Treatment
100 Years PLUS Life Cover
Accidental Death Benefit
Total Permanent Disability Benefit
Partial Permanent Disability Benefit
Premium Protector Benefit
Spouse Cover Benefit
Hospitalization Benefit
Funeral Expenses Benefit
Family Income Benefit
Critical Illness Super Benefit
Premier Health Benefit



Scan QR code to get full details of products and riders listed above.

3. CONVENIENCE OF BUYING INSURANCE

In order to improve the convenience of buying insurance, the Company uses three strategies i.e. Innovation, Expansion of distribution channels and Specially trained sales staff which is explained below:



ON THE SPOT POLICY ISSUANCE

The Company's digital journey which evolved rapidly in past years has brought 'On the spot policy issuance' concept to the life insurance industry of Sri Lanka. The policy proposal is key on an online platform and underwriting is supported by auto underwriting. Soft copy of the policy is emailed to customer's mail immediately.

This concept is highly praised by our customer as it is hassle-free exercise to quickly obtain an insurance policy.



ONLINE PAYMENT GATEWAY

Online gateway allows customers to pay insurance premiums at their own convenience. This provide the facility to schedule the payment, so that the customer does not have to bother about insurance payment while ensuring our customers are always protected.



TELE UNDERWRITING

Our tele underwriting team helps customers to provide information required for underwriting around the clock at their convenience. This concept is explained in detail on page 109.



'LIFE UP' APP

Our novel concept of 'Life Up' has the facility to upload scanned medical bills for reimbursement which suits customers with busy lifestyles. The positive feedback on the usage of 'Life up' is truly encouraging further investment in add-on functionality.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

DISTRIBUTION CHANNELS

The Company has established three strategic distribution channels focusing on various market segments with the insurable population. The distinction of distribution channels is based on the characteristics of each market segment customer group, ensuring customer focus is not diluted due to the customer mix. All three distribution channels have performed exceptionally well over the past years and financial evaluation of each channel is provided under Financial Capital on page 72.

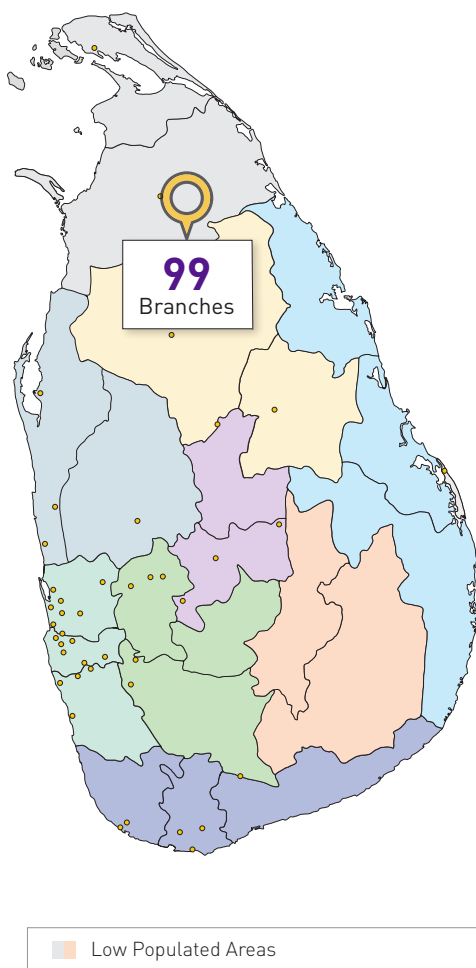
- **Agency distribution channel.**
This channel is focused on middle to high net worth customers seeking protection. Accordingly, well-trained

2,772 sales staff are ready to reach our customers to correctly evaluate the protection needs of the customer and match the correct insurance solution. In order to provide a convenient service to our customers, we maintained an island-wide branch network of 99 branches as presented on pages 114-115 (Our operational footprint). With a view of service improvement, we have opened 8 new branches during the year.

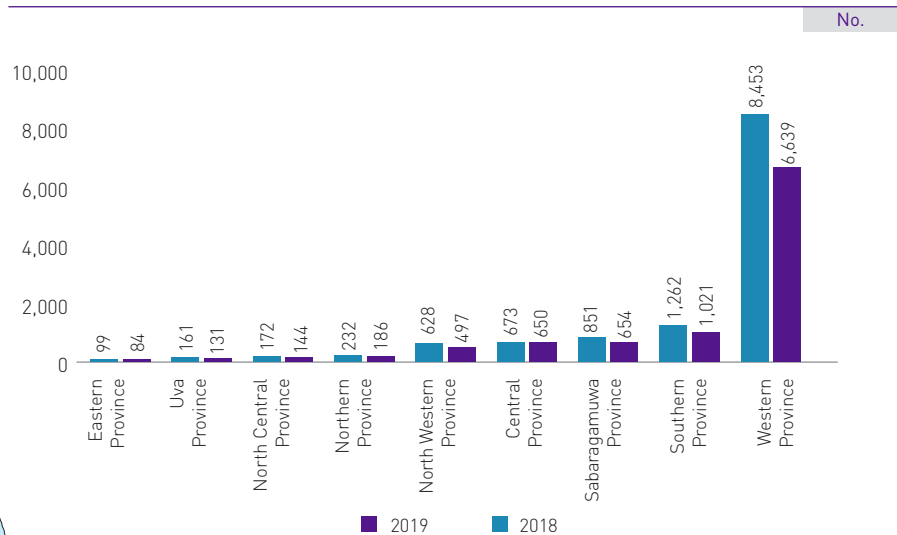
- **Alternate distribution channel**
The channel is mainly focused on corporate clients and Bancassurance partnerships. Refer Financial Capital on page 67 for financial evaluation of alternate channel.

- **Micro and mobile channel**
Low income population is insured through this channel where the products are designed in a very simple manner at affordable prices and distributed via the technology platform. These insurance solutions are provided on a mobile platform so that anyone having a basic mobile phone can obtain an insurance policy. The rate of growth the channel has marked last year clearly shows how easy it is for customers to buy this policy and their acceptance of the novel concept.

Refer Financial Capital on page 67 for financial evaluation of Micro and mobile channels.



G38-GROSS WRITTEN PREMIUM BY MARKETS SERVED -2019



No	Branch
1	Dambulla
2	Gampola
3	Geliyoa (Peradiniya)
4	Hatton
5	Ibbagamuwa
6	Kandy
7	Kandy Wes
8	Matale
9	Matale - Central
10	Nawalapitiya

No	Branch
11	Nuwara Eliya
12	Peradeniya
13	Pilinathalawa
14	Anuradhapura
15	Anuradhapura - 2
16	Anuradhapura 3
17	Polonnaruwa
18	Matara
19	Galle East
20	Tissamaharama

No	Branch	
21	Ambalanthota	●
22	Weligama	●
23	Akuressa	●
24	Matara - Central	●
25	Akuressa - RDO	●
26	Matale - Metro	●
27	Tangalle	●
28	Kamburupitiya	●
29	Matara Metro	●
30	Ambalangoda	●
31	Galle	●
32	Mahiyanganaya	●
33	Badulla	●
34	Monaragala	●
35	Bandarawela	●
36	Mahiyanganaya 2	●
37	Bandarawela Metro	●
38	Jaffna	●
39	Jaffna Metro	●
40	Kilinochchi	●
41	Ampara	●
42	Batticaloa	●
43	Trincomalee Metro	●
44	Embilipitiya	●
45	Embilipitiya - RDO 2	●
46	Kegalle	●
47	Mawanella	●
48	Rathnapura	●
49	Chilaw	●
50	Anamaduwa	●
51	Kuliyapitiya Central	●
52	Chilaw - Metro	●
53	Kuliyapitiya	●
54	Kurunegala	●
55	Kurunegala Metro	●
56	Kurunegala Western	●
57	Puttalam	●
58	Puttalam City	●
59	Vavuniya	●
60	Wennappuwa	●

No	Branch	
61	Battaramulla	●
62	Gampaha	●
63	Horana	●
64	Ja-Ela	●
65	Kaduwela	●
66	Kaluthara	●
67	Kiribathgoda	●
68	Kottawa	●
69	Minuwangoda	●
70	Moratuwa	●
71	Negombo	●
72	Nugegoda	●
73	Panadura	●
74	Piliyandala	●
75	Ward Place	●
76	St.Micheals	●
77	Awissawella	●
78	Ragama	●
79	Makola	●
80	Malabe	●
81	Negombo - North	●
82	Mahabage (Wattala)	●
83	Kirulapana	●
84	Negombo - Province	●
85	Homagama	●
86	Horana West	●
87	Wellisara	●
88	Seeduwa	●
89	Kiribathgoda - City	●
90	Kadawatha- Metro	●
91	Colombo Central- CB	●
92	Kelaniya	●
93	Koswatte	●
94	Kalutara -Metro	●
95	Maharagama	●
96	Nugegoda Metro	●
97	Hanwella - Pahathgama	●
98	Hanwella - RDO	●
99	Mt Lavinia	●

4. PRODUCT RESPONSIBILITY

Softlogic Life promotes responsible customer relations through clear and transparent communication in the marketing of our products and by managing claims responsibly. The Company offers protection and investment products and services that also encourage and reward environmentally responsible behaviors as well as help reduce social exclusion. Our product designs are governed by a Board Approved Environment and Social Management Policy (ESMS policy). The ESMS policy has a standard exclusion list

which governs the ethical dimensions of services offered by Softlogic Life. On the regulatory perspective, our products and services are directly monitored by the Insurance Regulation Commission of Sri Lanka (IRCSL). The boundaries and regulatory requirements set out by IRCSL require all insurance companies to obtain prior approval for new products in the Life insurance business. Furthermore, Softlogic Life is bound to comply with the provisions of Sri Lanka Consumer Affairs Authorities Act, No. 9 of 2003 and amendments thereto.

The compliance with the ESMS policy and the regulator’s requirements are monitored by the compliance officer and the extent of compliance is reported to the Audit Committee during its meetings.

The product development forum of Softlogic Life evaluates the product before it is exposed to the public. At the time of the product launch, a separate press conference is held and a Q&A session is conducted for each new product, which prevents instances such as selling products banned in certain markets or the subject of stakeholder questions or public debate.

5. DATA PRIVACY

With the dawn of the digital age, it is an absolute prerequisite to protect and secure our customers’ information. In the line of our business, we collect large amounts of sensitive information from customers and Softlogic Life has taken many initiatives to ensure that it is in safe hands.

- Developed comprehensive data privacy policy designed to protect the customer information that we collect.
- The IT department continuously monitors and evaluates the risks affecting customer data privacy. According to the IT threat assessment review, Softlogic Life had no reported instances on breach of data integrity.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

- Internally, we hold mandatory privacy training for employees and additional specialized training for our frontline teams such as sales teams, underwriting teams, claim handlers etc., given their access to sensitive customer records. We also regularly communicate with employees about privacy through a variety of internal channels, including company-wide communications.

In order to verify adherence to our high standards in this area, we are working with the internal audit team on reviewing the operating effectiveness of the procedures implemented to adhere to the data privacy policy. The audit is conducted once a year and the results are reported to the management and the audit committee for decision-making purposes and rectification procedures when required.

There were no substantiated complaints received concerning breaches of customer privacy from outside parties and substantiated by the organization or complaints from regulatory bodies which is due to leaks, thefts, or loss of customer data. Softlogic Life has a formal process in terms of substantiating customer complaints on breach of sensitive information. There were no complaints received by the Company on breaching sensitive information by customers or outside parties.

6. GRIEVANCE HANDLING PROCESS

One of the main aspects of driving customer-centricity is to ensure that customer complaints are handled with empathy and fairness. A complaint mapping exercise was completed, which enabled the individual arrangements business to define training models and improvement opportunities to drive the customer-centric culture across the business.

The figure 10, Complaint Management Process, displays our customer complaint management process and established service level agreements within the customer care unit.

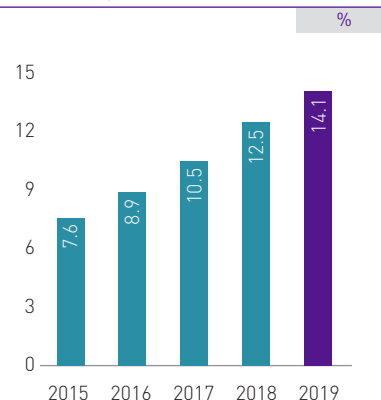
Successful complaint resolution is a key part of delivering our brand promise. We have a customer complaint committee to resolve complaints promptly and fairly. This means offering first point complaint resolutions wherever possible and resolving the majority of complaints within five business days. While complaints can be made over the phone, online or in person, many of our customers are now choosing to raise complaints via social media channels. Statistics on customer complains received during the year are given below.

Out of 171 complaints received during the year 2019, 170 were resolved in-house by the Company.

Reflection of customer strategy in statistics

Our customer value creation process has added value to our customers which is reflected in the statistics provided below. This provides confidence that our strategy on customers drive in the correct direction.

G39-MARKET SHARE



G40-PERSISTENCY - (CUSTOMER RETENTION)

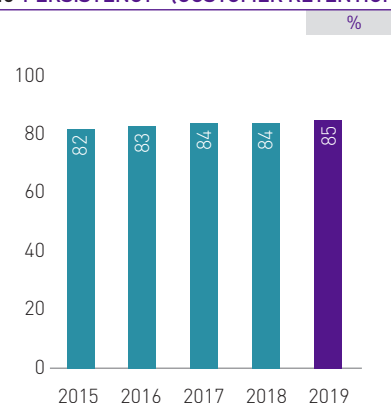
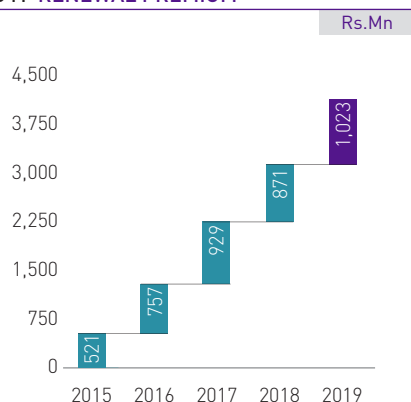


Figure 10: - Complaint Management Process



RENEWAL PREMIUM (REPEATING CUSTOMERS)

G41-RENEWAL PREMIUM



The wide acceptance of our products and services among the large customer base also boosted our brand image. This has been detailed under Intellectual Capital on page 133.

Outlook

Customer support is currently standing at the crossroads: one path leads to exciting automated technologies, and the other to the 'human touch'. Recent technological advancements range from Artificial Intelligence (AI) and related automated tools like virtual assistants, chatbots, etc to real-time messaging, simulation, self-service and cryptocurrency.

Softlogic Life, being the most innovative insurer in Sri Lanka, will be the first to incorporate many such technological enhancements where it benefits our customers. These will be our long-term aspirations where we see a clear shift in customer attitude towards using advanced technology.

The fast moving digital era will bring many opportunities to life insurance in terms of

need of the service, quality and efficiency of the product and service we provide. This also create numerous threats that may severely affects the sustainability of the business ranging customer data privacy, shift in customer attitude by obsoleting our products and changing the meaning of customer service which will be more skewed towards the digital engagement etc. In facing these risks and challenges the Company will be investing in advanced technology to primarily protect our customers' sensitive data and upgrade the customer service platform of the Company.

Our employees, who are key in providing excellent client experience, will be empowered with required knowledge on technological aspects to perform their job roles with relevance to the changing environment.

Our products and services also will have a new face in the future which will cater to changing customer needs. For example, the current trend of buying insurance via digital platforms. We will embed customer requirements as necessary to maintain a more attractive product portfolio within the Company.




Distribution channels will be mostly through the digital channel compared to the present human intervention based distribution strategy.


The Company will take every measure to comply with ever-stringent regulatory environment that will be complex in nature to align future changes.

Our ultimate objective is to continue to thrive as a Superior Customer Service Provider in the market and set new benchmarks for the rest of the industry.

SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNERS

SHORT TERM TARGET 	MEDIUM TERM VIEW 	LONG TERM VISION 
<ul style="list-style-type: none"> ▶ Field staff - <ul style="list-style-type: none"> • Produced 104 MDRT members • Revamp incentive structure linking business performance as well as quality of the business. ▶ Reinsurers - Analyse the portion of risk to be transferred to reinsurers and optimize the reinsurance arrangements ▶ Competitors - Keep focus on actions of competitors to be proactive in competitive strategy ▶ Regulators - Compliance with all legal and regulatory requirements ▶ Suppliers - Ensure continuous source of supply to smooth functioning of the business and pay dues on time. 	<ul style="list-style-type: none"> ▶ The Company will be managing all our business partners towards the Company's growth, safeguarding their growth potential that ultimately drives to harmonize business partnership. 	<ul style="list-style-type: none"> ▶ Our engagement with business partners will be influenced by digital and technological innovations. However, we will continue to maintain levels of engagement as they exist now, where both parties are equally benefited.



OUR STRATEGY

- ▶ Our engagement with business partners will vary based on their importance to the Company.
- ▶ The Company always maintains fair, equitable and transparent relationships with business partners to ensure a strong bond with them.
- ▶ The Company taken onboard only reputed business partners with clear track records to provide excellent customer service and to safeguard our brand.
- ▶ We maintain regular communication with our business partners and disputes are resolved promptly.
- ▶ We have effective grievance handling process to ensure friendly relationships with business partners.

RISK /CHALLENGES AND OUR ACTIONS

We identified below risks and challenges which will have material impact on our future strategy:

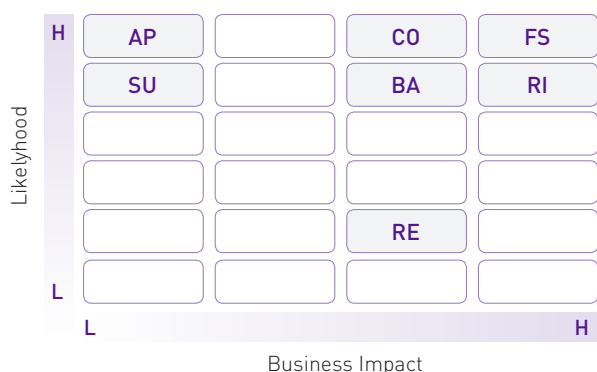
Risk and Challenges	Our Response
<p>1 Long term agreement with business partners might bring unfavourable results due to changes in the market conditions</p>	<p>We do extensive forecasting before the agreement of terms and conditions. In addition, we discuss with our business partners for equitable level based on our long-lasting relationship with business partners.</p>
<p>2 Retaining competent field staff who are key to our revenue generation</p>	<p>We provide competitive incentives schemes, clear career growth and recognition to retain our field staff.</p>
<p>3 Changing regulatory landscape bring complexities</p>	<p>We have employed dedicated legal and compliance team who take responsibility for compliance. However, the Company maintains professional relationships with regulators to discuss practical issues in complying with new regulations.</p>

MANAGEMENT APPROACH

At Softlogic Life, we deem the role of Business Partners to be very important. We always strive to build trust and strong ties with business partners, such as reinsurers, actuaries, field staff, suppliers, banks and other financial institutions. We communicate with them to share our goals and challenges, and always seek to partner with those who are trustworthy, have strong safety records, high labour standards and minimal environmental impact.

All these parties play a vital role in the success story of Softlogic Life. The Company has established a process to ensure that we engage with all the business partners in a fair and transparent manner.

Our engagement with business partners ranges from routine to ad hoc and also the level of dependency can vary significantly as some categories are critical to our core operations. We have categorized our business partners according to the business impact below.

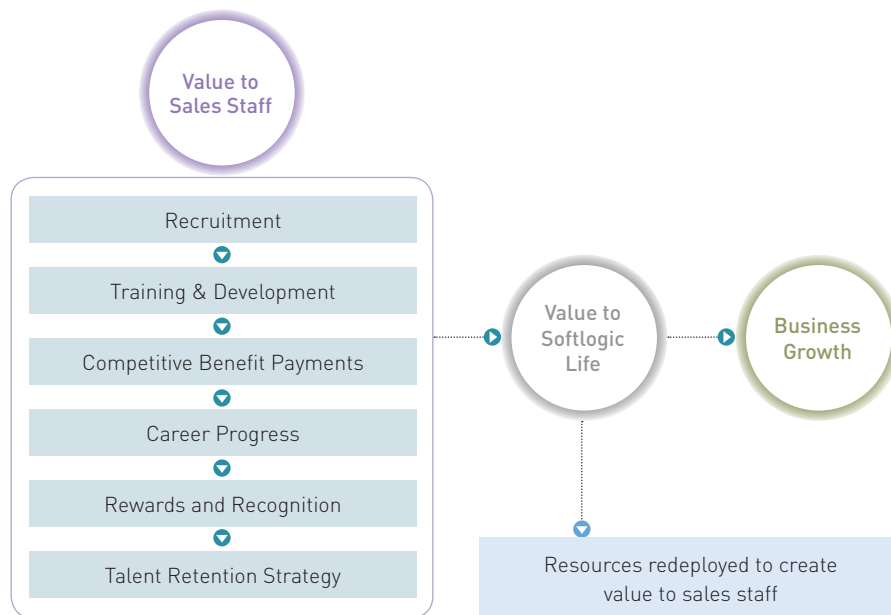


Reference	Business Partner	Level of engagement
FS	Field staff	Critical
RI	Re-insurers	Critical
CO	Competitors	Analyse
RE	Regulators	Consult
SU	Suppliers	Engage
BA	Bank assurance partners	Critical
AP	Actuarial partners	Consult

SALES / FIELD STAFF

Our Sales staff is on the front line and conveys the first impression of the Company's image to our customers. Therefore, we invest heavily in training, developing and retention of our field staff. We provide them with adequate training and development opportunities and structured sales tools and techniques that enhance their productivity and professionalism. There were 2,772 sales staff at the end of 2019. The figure 11 shows the value creation process of field staff in which both field staff as well as the Company are benefited. Individual value creation activities are discussed in detail below:

Figure 11: Sales staff value creation process.



RECRUITMENT

We recruit sales staff who are fresh to the industry as well as those who have a good track record in the industry. The quality of the sales staff in terms of honesty, integrity is measured as far as possible before a recruitment decision is made. We treat recruitment with utmost importance, as any misjudgement in recruiting sales staff might have a negative impact on our brand. Keeping this fact in mind, we take extra effort to select the right candidates to join the best sales team in the country.

New Recruitments

1,095

SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNERS

TRAINING AND DEVELOPMENT

Training and development is a vital factor of the sales staff development process. Accordingly, the Company has set up a separate 'Knowledge and Talent Management Unit', headed by a Deputy General Manager – Training and Knowledge Management. In addition, the Company maintains a Three-Knowledge Management center with lodging facility to support training for our island-wide sales force.

All new employees have to undergo a set of structured training programmes which ensure sales staff is familiar with the Company's unique selling process and customer-centric culture. In addition, we support staff to get professional qualifications such as Chartered Insurer etc. During the year under review, we invested Rs 34 million in training and development of our sales staff, including 12,665 training hours for 748 staff.

Invested in Training and Development

Rs. **34** Mn

Training Hours

12,665

Staff trained during the year

748

IMPACT OF SALES STAFF DEVELOPMENT

The Million Dollar Round Table (MDRT), the Premier Association of Financial Professionals, is a global, independent association of more than 66,000 of the world's leading life insurance and financial services professionals from more than 500 companies in 72 nations and territories. MDRT members demonstrate exceptional professional knowledge, strict ethical conduct and outstanding

client service. MDRT membership is recognized internationally as the standard of excellence in the life insurance and financial services business

Highest MDRT qualifiers in the industry

104



Our continuous effort towards professional development of sales staff further enriches our brand. We became the industry leader by maintaining highest ratio of MDRT qualifiers to total sales staff by developing 104 MDRT qualifiers. MDRT qualifiers include 2 Top of the Table (TOT) participant, 9 Court of the Table (COT) and 93 other qualifiers.

COMPETITIVE BENEFITS PAYMENT

At Softlogic Life, we value the contribution received from our sales staff to record sustainable higher growth rate. Accordingly, the Company pays competitive benefits to sales staff which is sufficient to motivate and retain them. However, these payments schemes are structured in a way that emphasizes the policy portfolio quality, supporting sustainable development of the Company as well as sales staff.

CAREER PROGRESSION

It is imperative to have a career progression path for sales staff to enhance themselves step by step. At Softlogic Life, the career path we have introduced to our sales staff is achievable based on their performance. We objectively evaluate the performance of our sales staff and make sure they are provided responsibilities and

designations they merit. Among the many real life examples within the Company is the extraordinary achievement of Mr. Chula Hettiarachchi, who joined as Head of Sales and now serves as an Executive Director of the Company.

During the year under review, sales staff promotions were celebrated at a grand ceremony, giving prominence and recognition to the promotions they received.



REWARDS AND RECOGNITION

The Company is willing to reward the outstanding performance of its sales personnel while motivating them to achieve more and boost the morale of others to reach the winning mark. Accordingly, the Company held its Sales Convention 2019 to reward best performers.



TALENT RETENTION

Our sales staff are valuable assets who always ensure Softlogic Life shines brighter than others. Therefore, the Company has taken proactive steps to retain these valuable assets within the Company. We believe financial benefit is not the only motivating factor to retain people within the organization, but what is needed is a combination of many factors






that are within the control of the Company that ensure higher retention of people. Accordingly, the Company carries out many staff bonding activities with specific focus on sales staff. Some of the activities are shown below.



REINSURANCE PARTNERS

Reinsurers are strategically important stakeholders for our business and thus the Company takes effort to take onboard the world's best reinsurers to its reinsurance panel. The Company follows a comprehensive process prior to partnering with reinsurers, such as assessing their track records, credit ratings, financial strength etc. The Company's reinsurance panel represents six of the world's largest reinsurers. The evaluation of individual reinsurer is provided in the table below.

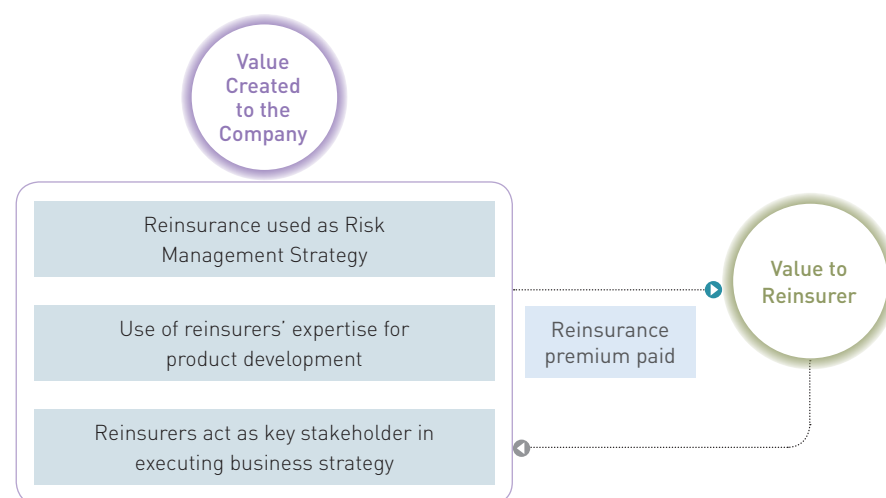
Table 27: Evaluation of Reinsurance panel

Reinsurer	Logo	Credit rating	Other Information
Munich Re		AA- (S&P Global)	138 Year in business Total assets 31/12/2017 – Euro 267 million
SCOR		A- (Moody's)	SCOR is the 5th largest reinsurer in the world. Operating in more than 160 countries Total assets 31/12/2017 – Euro 43.2 billion
Toa Reinsurance Company, Limited (Toa Re)		A+ (A.M.Best)	80 years in business with total assets 31/03/2019 – ¥505,486 million
Assicurazioni Generali SpA		A- (A.M.Best)	200 Years in business, operating in more than 60 Countries; Generali ranks #59 on the 2017 Fortune 500 list; Total assets 31/12/2017 – Euro 542 billion
Reinsurance Group of America (RGA)		A+ (A.M.Best)	RGA ranks #234 on the 2018 Fortune 500 list; Total assets 31/12/2018 – \$ 64.5 billion; Awarded as 'Life Reinsurer of the Year' at 2018 Asia Insurance Industry Awards

The results above show the quality of our reinsurer panel, with some of them having 100+ years of industry expertise. All our reinsurers maintained a credit rating of "A" or above, reflecting our emphasis on the financial strength of the reinsurers. We are focused on increasing our goodwill with healthy reinsurance relationships. In some cases, through our good quality relationships, we have benefited our policyholders by paying the claims with a gesture of goodwill (ex-gratia), so that even the reinsurer does not appear as liable.

The value creation process is graphically presented in the figure 12 and discussed in detail.

Figure 12: Reinsurers' value creation process



Reinsurers as Risk Management Strategy

By nature, Life Insurance is accepting an unforeseen risk of one individual and pooling that risk with the rest of the customer portfolio of the Company. Accordingly, the Company is vulnerable to many risks. Taking into account this fact, we use reinsurers strategically, as a mechanism of risk mitigation. We transfer a portion of risk we have accepted to reinsurers at a premium and manage our liquidity operational risk within our risk appetite.

Use of Reinsurers' Expertise for Product Development

Identifying and responding to rapidly changing customer needs is one of the key success factors for Softlogic Life. Accordingly, we always try to introduce new products on par with today's customer requirement. Product development is a key item on our agenda.

The vast knowledge of our reinsurance panel, representing global giants operating in many territories around the world, is used to innovative product development of the Company.

Reinsurers act as Key Stakeholder in Executing Business Strategy

We share a significant portion of our revenue with our reinsurers for the risk they accept on behalf of Softlogic Life. Accordingly, mutually benefiting business partnership should exist to drive our business strategies. These relationships resulted in refund of the premium they collected from us in excess of the risk they experienced during the year, ensuring the Company incurs optimal level of reinsurance expense compared to the benefit the Company accrues. Therefore, reinsurers are recognized as key stakeholders of the Company's business strategy.

Value to Reinsurer

The Company pays reinsurance premiums for the valuable services they render to us and this is discussed in detail under Financial Capital on page 72.

COMPETITORS

Sri Lanka's insurance industry is highly competitive due to a handful of companies fighting to increase respective market share in the slow growing market. Insurance penetration is at a very low level 0.5% compared to the region. Low level of product variation has increased the competition further by limiting competitive edge of companies on customer service and innovative solution.

ETHICAL COMPETITION

The Company has found a unique formula for industry competition which is built on the pillars of extraordinary customer service, diverse product portfolio, innovation to achieve operational excellence and distribution strategy. The Company is competing with others in an ethical manner by continuously improving internal variables rather than controlling external factors.

ETHICAL MARKETING

Our ethical marketing practices have been discussed on page 122 of this report.

Association Memberships

In order to maintain a better relationship with our competitors as well as other corporates, we have obtained membership of many associations as listed below. We face external emerging challenges together through these associations which impact the industry as a whole. (for example, introduction of taxes to life insurance, implementation of SLFRS 17 etc.)

- The National Chamber of Commerce Sri Lanka
- Institute of Chartered Accountants of Sri Lanka
- Insurance Regulatory Commission of Sri Lanka (IRCCL)
- Insurance Association of Sri Lanka (IASL)
- Sri Lanka Insurance Institute (SLII)
- Colombo Stock Exchange (CSE)
- Financial Intelligence Unit of Central Bank of Sri Lanka (CBSL)

ACTUARIAL PARTNERS

Actuaries play a vital role in our business, as they review our business critically and give inputs on improvements. Their contribution is pivotal in all our key business activities - from product development to liability management. Hence, having quality actuaries' partnering us is key to operate a smooth business that is profitable in the long run.

At Softlogic Life, our actuarial consultation is performed by Messrs. Willis Towers Watson India Private Limited which is part of Willis Towers Watson global advisory company. The global expertise together with an in-house actuarial department contributes to ascertain the Company's liability, profitability, and other key measures accurately and provides valuable insights to develop the Company's strategies in short, medium and long term.

Some of the actions undertaken by our actuarial partners are listed below:

- Sharing their expertise on product pricing as well as product development
- Carrying out Actuarial liability valuation on a quarterly basis and giving a detailed picture of the performance in life fund and conducting Liability Adequacy test
- Review of the components of an actuarial Appraisal value as at 31st December 2018
- Reinsurance study

SUPPLIERS

Our procurement decisions are made with suppliers fairly, transparently, honestly, and communicated clearly, thereby becoming mutually beneficial relationships. At a minimum, we require that our suppliers comply with local regulations and we seek to ensure that they are maintaining our expected level of standards. Our suppliers include mainly service providers to run our daily operations such as stationery suppliers, cleaning and maintenance, Ceylon Electricity Board, National Water Supply and Drainage Board etc. We treat our suppliers fairly by settling dues on time.

OTHER BUSINESS PARTNERS

Building trusted relationships with banks, asset management firms and other financial institutions over a period provides us with a sound platform on which to implement quick decision-making. The process of Asset and Liability Management (ALM) is pivotal for our businesses. Therefore, mutual trust, understanding and reliance are very important for successful growth.

GROUP SYNERGY

Our critical success factors count the group synergies on which we capitalize our market opportunities. The Softlogic Group is a giant in the Sri Lankan market, having diversified experience and capabilities through its successful journey.

Continuity of Supply

All our business partners discussed above provide various goods and services that are essential to our business operation. The strategies discussed above and future strategies discussed under the section of 'Looking Ahead' will ensure continuous inflow of these product and services, ensuring uninterrupted operation of SLI.

Fair and equitable treatment

We declare that, in accordance with Softlogic Life's internal policy on fair and equitable transaction and pursuant to all relevant laws, regulations and established policies, we will open up our doors globally and conduct fair, impartial transactions with our Business Partners.

LOOKING AHEAD

Our future engagement with individual business partners is listed below:

Filed Staff

Our vision is to have best talented high income earning sales staff in the country. In pursuing this vision the Company will regularly review compensation of sales staff compared to business performance and amend accordingly. Our future training and development will be focused to generate the highest number of MDRT winners who showcase the quality of the salesforce. Career progression will be ensured within the Company for capable individuals.

In addition, expected changes in our operating environment in terms of digitalization and customer behavioural changes will be key challenges in future and the Company is gradually preparing to face those changes through training and development strategy of the Company.

Reinsurers

The Company will take every effort to maintain a close relationship with reinsurers which benefit both parties equally. Based on the multinational exposure the reinsurers have - their views and advice on capital management and liability management, will be embedded in our business. We further expect

our reinsurance panel to provide their expertise for future innovative product development that will be developed to cater to the changing needs of customers.

Competitors

The Company will continue to compete ethically with competitors in terms of product, distribution and customer service strategies. SLI will keep a close eye on its competitors to identify their actions that affect sustainability of the Company and act proactively.

Regulatory Compliance




We expect a more complex legal and compliance landscape of Sri Lanka impacting from rapid environmental changes and implementation of SLFRS 17: Insurance Contracts by w.e.f 1st Jan 2022. The Company is already in the process of preparing for these changes in the future, ensuring our compliance in every aspect of the business.


Suppliers

We treat all our suppliers who ensure business continuity of SLI in an equitable manner.

SOCIAL AND RELATIONSHIP CAPITAL

COMMUNITY

SHORT TERM TARGET 	MEDIUM TERM VIEW 	LONG TERM VISION 
<ul style="list-style-type: none"> ▶ Value of Rs. 2,100 billion worth of lives covered island-wide ▶ Empowering youth to reach their dreams so that they may stand on their own feet. ▶ Continue WIN project to nurture our valuable youth around us, harnessing their full potential for the development of our motherland. ▶ Integrate company's product development strategy with sustainability goals, so that we will provide protection for our community within our core business of life insurance. 	<ul style="list-style-type: none"> ▶ Value of Rs. 4,749 billion worth of lives covered island-wide ▶ Further integrate our sustainability strategy with business - aligning them to UNSDG. 	<ul style="list-style-type: none"> ▶ Value of Rs. 10,600 billion worth of lives covered island-wide ▶ Enhance our contribution to the development of the Sri Lankan economy as a responsible corporate citizen. We aim to achieve UNSDG in future through our core business of life insurance as well as the Company's sustainability journey.



OUR STRATEGY

- ▶ Provide insurance coverage island-wide to protect from unexpected risks associated with life so that they can be independent
- ▶ Use of technological solutions to provide insurance convenience and affordable pricing to low income level segments of the population
- ▶ Provide employment opportunities for people around us as part of sustainable growth potential supported by business expansion.
- ▶ Devote our resources to develop the community we regularly engage with, while achieving business goals.
- ▶ Continue to feed our formula to community development through youth empowerment.

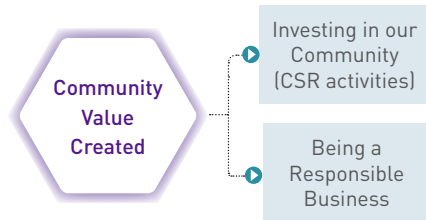
RISK /CHALLENGES AND OUR ACTIONS

We identified the risks and challenges listed below which will have a material impact on our future strategy:

Risk and Challenges	Our Response
<p>1 Managing limited re-sources between CSR and business strategies.</p>	<p>Resource allocation The Company has a well-defined resource allocation mechanism which is explained in detail on pages 48-52 of this report - allowing us to clearly demarcate resource utilization between CSR and business strategies.</p>
<p>2 Inspiring employee contribution to CSR while managing their work life balance</p>	<p>Dedicated staff to fuel CSR strategy The Company has identified dedicated staff within the organization who lead the CSR strategy and keep up enthusiasm amongst other employees towards CSR activities.</p> <p>Corporate culture Corporate culture has been set in a way employees are free to engage with CSR activities while business focus is not diluted.</p>

VALUE CREATION PROCESS

Softlogic Life’s value creation model acknowledges the importance of being a responsible business and generates value to our community as follows:



Management Approach

At Softlogic Life, our purpose is to make a difference in people’s lives by easing their financial worries through education and by improving the wellness of the citizens of our country.

Softlogic Life has taken a step forward to bridge the gap and provide a safety net to those disadvantaged communities and underserved who are not supported by formal social support services. By sharing this sense of purpose with stakeholders, we motivate and connect with our employees, business partners and customers.

Our CSR strategy focuses on a progressive model which enables us to contribute to the society through three core verticals: Community development, Empowering the future generation and Environmental Protection. Accordingly, we invest in education, focusing on helping youth prepare for future employment and to contribute to their educational needs at school level.

Further, our business concept of ‘Choose Your Life’ itself promotes health and well-being of all, and as a company, we invest in wellness programmes for the benefit of the community. Our employees are also encouraged to take an active part in these development initiatives and are passionate about volunteering their time and resources in these programmes.

The Company’s CSR activities and effort on achieving UNSDG is described below:

YOUTH EMPOWERMENT AND EDUCATION



WIN is a career guidance programme where we aim to build the confidence and presentation skills of school leavers in the rural areas. Our continuous efforts are focused on mentoring youth to meet the challenges of the corporate world.

Identifying Income Gap - Need Analysis

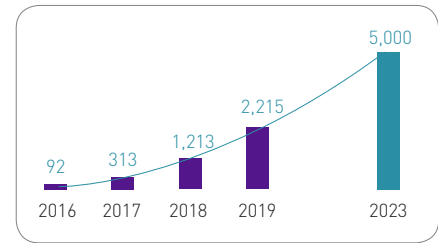
Our project began with a key insight which was highlighted at the need identification stage of our CSR strategy. We identified an income gap of Rs. 12,095 between urban and rural households and the root cause appeared to be gaps in attitude, confidence, knowledge and available opportunities for rural students.

Softlogic Life has been working with youth in rural communities by conducting career guidance and development programmes to ensure that they enhance employability by giving youth confidence and strength of character to successfully face interviews and gain entry into competitive jobs. The target group for the WIN programme is A/L qualified students, as this programme offers internship opportunities for students who successfully complete this programme.

Project Goal – By 2023

This programme is expected to empower more than 5,000 underprivileged but outstanding youth. By elevating their employability, we are enabling a contribution of an additional income of Rs. 1 Bn to the rural economy by 2023 (which is 72 times the total invested on this project).

The graph below shows our progress over past years to reach our 2023 goal.



Win Projects 2019

During the year, 10 projects were held covering 06 provinces. Details are provided in the table below:

Table 28: Provincial distribution of WIN programme

Province	School Name	No. of Students
Central	Nildandahinna Sri Sumangala MMV	122
Central	Udawela Maha Vidyalaya	55
Central	Weerasekara MV	52
Eastern	Panama MMV	85
North Central	Bakamuna Mahasen MMV	150
Northern	Vavuniya Tamil MV	190
Northern	Jaffna Central College	134
Uva	Mahanama MMV	148
Uva	Dombagahawela MV	80
Western	Hindu College	101

The Company aims to cover all provinces of the country, ensuring all youth are benefited as well as to promote equal opportunity without considering race, ethnic group, religion etc. We are partnering with our stakeholders to provide temporary job opportunities to talented students identified through the programme, which give them insights into corporate culture and shape their future aspirations. We also provide one-month training within our company while building their dreams and simultaneously bringing in new talent to the insurance industry.



2. UNIVERSITY SCHOLARSHIP PROGRAMME

As the Company engages in insurance, we understand the importance of encouraging insurance studies at the Bachelors level and to expand it as a specialised area in the finance stream. We sponsor the best undergraduate student in the insurance stream in partnership with the Department of Finance of University of Kelaniya. The winner was awarded a gold medal with a sponsorship at the convocation to continue his/her studies.



3. EDUCATIONAL INSTITUTES CERTIFICATE PROJECT

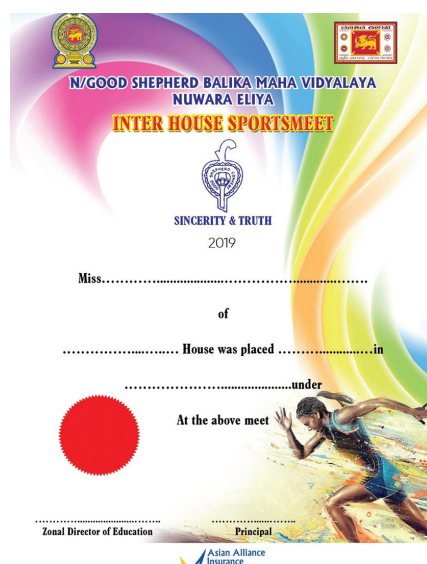
At Softlogic Life, we believe that Sri Lanka's state education sector faces many challenges in its pursuit of ensuring that youth have access to free education. The Company partners with Educational institutes around the country to encourage and reward excellence and continue the project for the fourth consecutive year. In fact, the Company places a steadfast and abiding value on nurturing and developing the potential of the next generation and plays an active role in assisting educational institutes to present accolades to deserving, high achieving students, thereby honouring their achievements.

Project Goal

The aim of the project is to mold young professionals through recognition and by encouraging their talent. The Company identified that the cost of designing, printing and production of certificates proved too costly for educational

institutes, which resulted in demoralizing children who should rightfully be recipients of some formal recognition at some economically underprivileged educational institutes. We stepped in to bear the entire cost of these educational institutes certificates of excellence, putting smiles on the faces of children who are high achievers despite all odds. Over time, we have strengthened our collaboration with the educational institutes and on realizing the positive impact our initiative is having on motivating students further; we have sustained our commitment to this project.

	2019	2018	2017	2016	2015
No of Certificates Printed	166,309	161,307	109,395	97,823	73,055
No of Educational Institutes Benefitted	154	148	91	97	73



Impact we created to society
Historically, eye donation pledges were 300 enrolments per month but after the app it has gone up to 835 per month - an average of 178.3% increase in registrations per month. We are extremely happy that our simple approach will make a big difference in our society.



Scan this QR to Donate

OTHER CSR ACTIVITIES

1. Eye Donation

Sri Lanka is the largest eye donor in the world and this is one of the most positive things the country is known for globally. Although most Sri Lankans are interested in donating their eyes, very few actually end up donating them. This is mainly on a result of the long, manual process of registering and a lackadaisical attitude. We developed an app with the Sri Lanka Eye Donation Society which has only few simple steps to register and it went to people's Facebook timeline, urging them to 'Just Click to Donate'. The platform opened a door via the digital space for everyone who is above 18 years to register and pledge to donate their eyes.

2. Affordable Insurance for low income earning segment in the population

The Company's objective is to provide financial support to every citizen in Sri Lanka who faces unfortunate events in their life. Keeping this in mind, we have introduced micro insurance products at affordable prices to low income earners. Accordingly, the following products were launched:



Direct contribution of SLI

Per day insurance

The Company launched a 'per day' insurance cover partnering with Dialog Axiata, a large telecommunication company in Sri Lanka, with a view of providing insurance cover for every citizen in Sri Lanka. The policy can be obtained by any person through the mobile phone.

Postal insurance

The product is distributed through post offices and postmen to reach the rural community in Sri Lanka. The product is priced at very low premium of Rs 5/- per day.

As at 31 December 2019, 654,931 customers have enrolled for above insurance products.

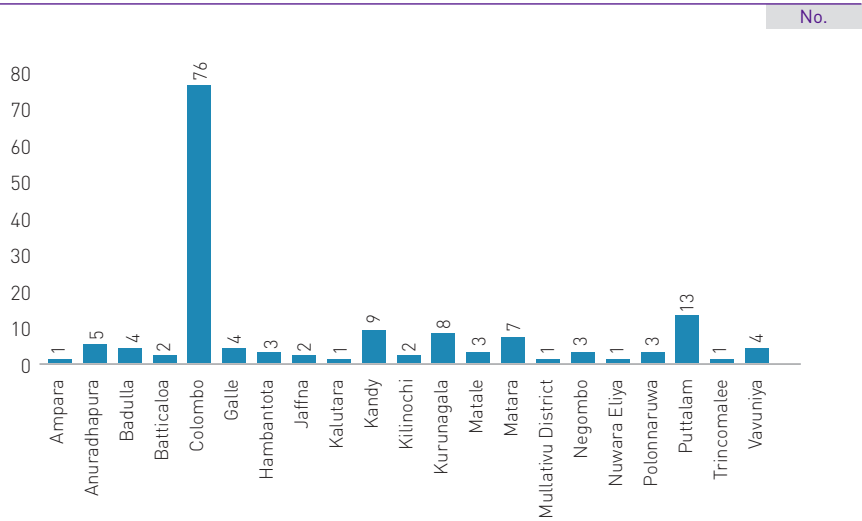
As a responsible corporate in the country, we always look for opportunities to extend our support to individuals and groups of people who need a helping hand to build their dreams. Our actions on such identified opportunities are listed below:

New job opportunities



Softlogic Life is the fastest-growing insurance company in Sri Lanka. It is vital for us to recruit new staff to cater to ever-increasing volumes. However, we always give priority to the local community around our branches from amongst whom we select suitable candidates for job opportunities within our organization. Accordingly, we have recruited 153 new staff during the year under review of which 94 recruits from the local community are in managerial positions.

G42-NEW RECRUITMENT -2019



FULFILLING OUR RESPONSIBILITIES

Apart from investing in our community, as a responsible business, we adhere to the procedures of anti-corruption safeguards, compliance, non-discrimination, business ethics and our Environmental and Social Risk Policy and other rules and regulatory governance in Sri Lanka.

ANTI-CORRUPTION SAFE GUARDS

The wave of enforcement actions and investigation emphasize the importance of effective compliance programmes. While the goal of any anti-corruption compliance programme is to prevent and detect misconduct, there are more immediate benefits in the event that a potential violation arises. Effective compliance programmes can also have an impact on the scope of potential penalties

that companies may face. Ultimately, an effective compliance programme can positively impact a company's bottom line by reducing the amount of a government or court imposed penalty.

Our Internal audit unit handles all internal anti-corruption activities, whereas our compliance officer handles all external anti-corruption activities and compliance. The Human Resource team reviews and discusses internal discrimination and corruption further.

In order to keep employees' knowledge up to-date, during the year under review, the Company provided anti-corruption training. The table 29 below summarizes incidents reported during the year:

Table 29: Confirmed incidents of corruption and actions taken:

Type	Category	No. of cases Received	No. of cases settled	Proved as Fraud
Customer Complaints	Misappropriations	18	17	8
	Misconducts / Misleading	53	51	10
Total		71	68	18
Internal Investigations	Advisor Inquiries	32	32	6

ANTI-CORRUPTION INCIDENTS – BUSINESS PARTNERS

During the year under consideration, no incidents took place where contracts with business partners were terminated or not renewed due to violations related to corruption or public legal cases regarding corruption brought against the organization or its employees.

At the same time, the Company does not hire anyone below 18 years of age and also does not engage in any form of child labour or related activities as a company policy. According to our environmental and social policy, we do not accept business which involves child labour. To identify this, we have included a questionnaire in all our insurance agreements to ensure that we are not involved neither do we participate in any kind of child labour activities by insuring any activity, production, use of, trade in, distribution of or involving such a practice.

We report the status of child labour at every Risk Committee meeting and discuss whether there are any matters arising in this regard each year.

OUR ENVIRONMENTAL AND SOCIAL RISK POLICY (ESMS) Our Environmental and Social Risk Policy (ESMS)

This policy aims to develop an understanding of Softlogic Life clients' approach to Environmental and Social Risk Management. Softlogic Life integrates the assessment of Environmental and Social Risks into its existing business-decision making and risk management procedures. We assess and review potential Environmental and Social Risks associated with all transactions to which the ESMS applies.

The policy includes an exclusion list that details harmful industries that we do not conduct any business with and also includes a list of industries that we can conduct business with but are deemed

as high risk. Further, we do not make contributions directly or indirectly to any kind of political activities for any reason.

Compliance

With regard to complying with regulations, our compliance officer monitors all the statutory payments and other regulatory requirements and reports monthly to the Board members. Therefore, there are no instances of significant fines on compliance matters since it is monitored accordingly.

Non-Discrimination

Since the Company has a formal policy on discrimination, there were no incidents reported for discrimination and corrective actions taken with regard to them.

Ethical and Socially Responsible Marketing

Softlogic Life has embraced an ethical and socially responsible marketing strategy that gains the respect and the trust of the customers and offers long-term benefits all around. By balancing our self-interest with social responsibility, we believe our approach encourages a positive impact on all our company's stakeholders, including employees, community, customers, shareholders, business partners and regulators. At Softlogic Life, we take care to hone the following practices to imbue our business with a strong social conscience:

Responsibility, Accountability, Transparency and Fairness

We take responsibility for our products and services and are honest and fair in our dealings with all our stakeholders. Our product forum evaluates each and every product before it is exposed to the general public. At the point of launching a new product, a press conference is held which is chaired by the product forum.

We are against advertising that scares customers into purchasing insurance policies by showing worst case scenarios. Instead, we invest in educating and

familiarizing potential customers about how insurance can benefit their lives.

Respecting Customer Rights and Privacy

We protect customer rights including the rights of redress, the right to information and the right to privacy. The details are discussed under 'Customer segment' in this Social and Relationship Capital report.

Ethics in Advertising

Advertising acts as a communicating bridge between buyer and seller. With globalization and expansion of market access, importance of advertising is steadily on the increase in modern society. Hence, we believe the ethical aspect of our advertisement is extremely important for restoration of our culture, norms and the creation of value for all stakeholders by incorporating social and environmental considerations in our product promotions. All our advertising is legal, decent, honest and truthful and to prepare with a due sense of social responsibility and conforms to the principles of fair competition, as generally accepted in business.

We do not use advertisements to abuse the trust of our consumers or impair public confidence.

Contribution to Society

We fulfill all legal, economic, philanthropic and societal responsibilities to all stakeholders; give back to the community and protect the ecological environment; maintain a positive and constructive engagement with the regulators by duly paying all the taxes to the government; full compliance with all the regulatory requirements; and appropriate participation in industry forums.

Claim and Law Suit

There were no claims and law suits during the year 2019

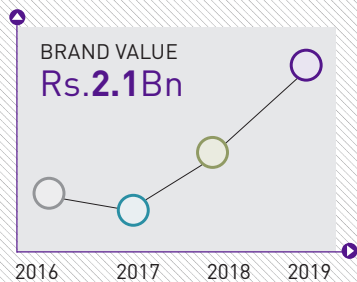
LOOKING AHEAD

The community we are dealing with is an important aspect of our journey towards success as we firmly believe the community will provide our future customers as well as our critical success factor of employees. Accordingly, community development is a priority in our all strategic decision-making. The Company will continue to focus on its community development strategy on developing youth of Sri Lanka on the platform of education, skill development and enhancing employability. Sustaining development of youth is key for us but we also look to develop other groups in the community. Further, we will be making an effort to direct our community towards Wellness, Fitness and Nutrition platforms allowing them to 'Live their lives today'.

Our responsible business practices described above will be converted/updated to stringent compliances by shaping those with future changes in the environment we operate. Our business practices will also be monitored by strong corporate governance practices within the Company, ensuring we are compliant with all laws and regulations at all times.

INTELLECTUAL CAPITAL

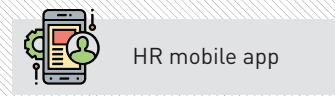
KEY INDICATORS OF VALUE GENERATED IN 2019



1.6% MARKET SHARE GROWTH
Highest market share gainer in the industry

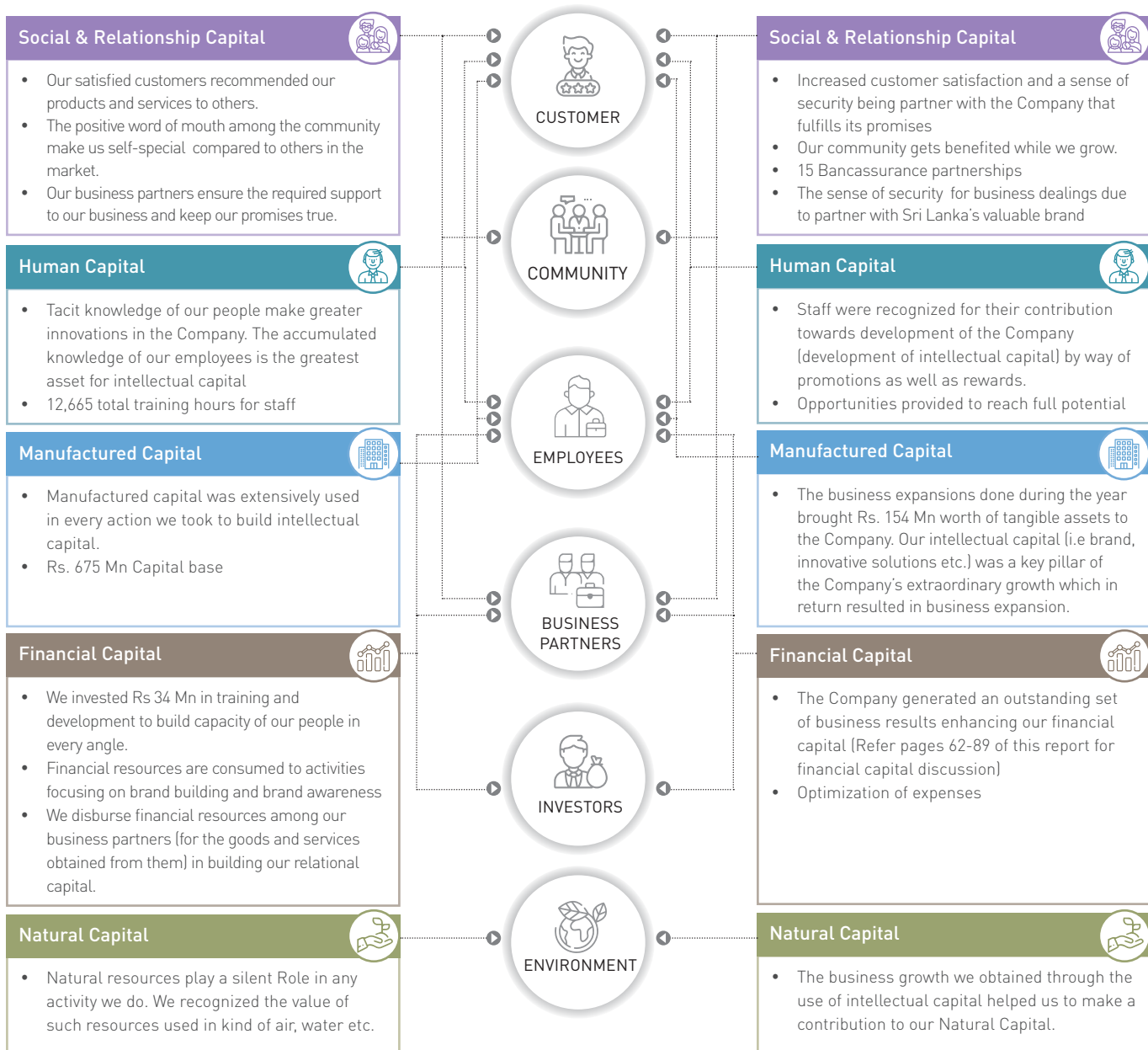
4 NEW PRODUCTS INTRODUCED DURING THE YEAR

NEW SYSTEM DEVELOPMENTS







Value In

Value Out



* The Diagram provides an overview of the trade-off between Intellectual Capital with other capitals as well as its impact to stakeholders.

SHORT TERM TARGET 	MEDIUM TERM VIEW 	LONG TERM VISION 
<ul style="list-style-type: none"> ▶ Development of Human capital will be a key pillar of increasing Intellectual capital ▶ Development of field staff and relationship with other business partners ▶ Maintain and improve governance framework ▶ Migrate / modify policy administrative systems that improves our work processes for greater productivity ▶ Implementation of programs to improve employees' innovativeness ▶ Enhance our brand value ▶ Introduce system automations for business efficiency 	<ul style="list-style-type: none"> ▶ Enhancing and preserving our employees and organizational knowledge which gives a value addition to our business model 	<ul style="list-style-type: none"> ▶ Step into digitalize systems and big data analytics ▶ Implement artificial intelligence technology to day to day operations



OUR STRATEGY

Following strategies will be executed in order to achieve our short term targets, medium view and long term vision

- ▶ The knowledge and capabilities of our workforce are used to generate financial results in many ways such as selling, product development, and marketing, etc.
- ▶ Further improve existing internally developed core operational system and other sub systems supported our staff to perform their duties better in a rapidly changing environment.
- ▶ The social awareness of our brand 'Softlogic Life' increased employee self-esteem.

RISK /CHALLENGES AND OUR ACTIONS

We identified the risks and challenges below which will have material impact on our future strategy:

Risk and Challenges	Our Response
<p>1</p> <ul style="list-style-type: none"> • Rapid changes in technology • Competitiveness in the industry can impact our brand value] 	<p>Periodical review of IT governance framework of the Company ensures existing systems are updated with required features in the Company's operation. Additional expenses incurred on such update is justified with business impact.</p> <p>Always monitor four strategic areas: Product, Price, Place and Promotion, to be sure that all decisions related to your brand are consistent with your brand position, promise and image.</p>



INTELLECTUAL CAPITAL

MANAGEMENT APPROACH

We define our intellectual capital as a combination of a well-positioned brand, our talented human capital, strong governance framework and the relationship with our stakeholders, which drives excellence in business. Another important aspect of our intellectual capital is Softlogic Group synergy, enabling us to stay up to-date with disruptive change and remain competitive.

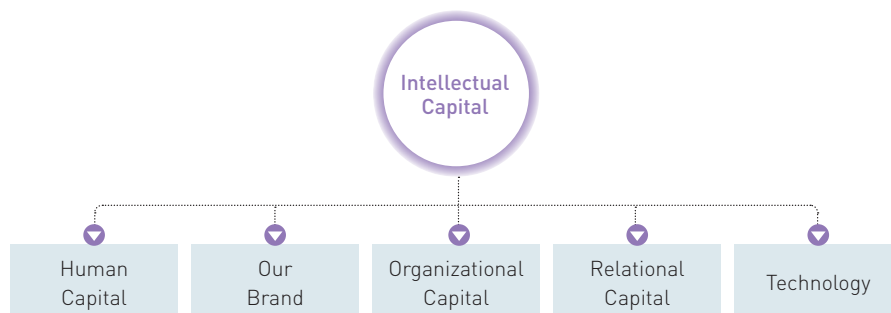
Our Intellectual Capital differentiates our service offering and provides us with a significant competitive edge. Awards and accolades bear testimony to exceptional growth of our intellectual capital, thereby enhancing our brand capital further.

- Diversified knowledge and experienced Board of Directors
- Well-established brand worth of Rs. 2.1 bn
- Accumulated professional knowledge and experienced employees
- Highly-qualified field staff
- Industry-first innovations (Refer page 108 for more details)
- Numerous awards we received throughout our journey (Refer pages 136-137)
- A culture driven by innovation

These factors make our intellectual capital strong.

The Company is aware that pursuing GWP growth well above the industry average and its sustainable competitive advantage is not driven only by investing in physical assets, but by investing in and managing intellectual capital. Therefore, measuring intellectual capital is important, so that the Company knows what it owns and the process required to transform it into business results. Intellectual capital is the end result of knowledge that is transformed into tangible results.

The Company's Intellectual Capital value creation model is provided below:



01) HUMAN CAPITAL

The principal sub components of the Company's Human Capital (including employees and field staff) are its workforce's set of skills and depth of expertise, hence Human Capital plays a critical part in the value creation process of Intellectual Capital

The contribution of Human Capital to build customer relationships is examined under three main categories:

• Employee know-how

The Company recognised the importance of employee know-how to drive customer centric competitive service and has taken many measures to retain such knowledge by reducing employee turnover and converting tacit knowledge to explicit knowledge within the Company. Talent retention ratios are provided on page 94 under Human Capital. In order to retain the tacit knowledge within the Company, several initiatives have been implemented such as succession planning, training on specific knowledge components to develop second level of staff, special recognition and academic and professional qualification on relevant field.

Our Board of Directors comprise individuals with diverse experience and accumulated industry experience of over 30 years, which shows an appropriate mix of knowledge and experience at the top of the Company to take Softlogic Life higher. The senior management consists of well-qualified experts who have been working in the corporate industry for

many years. Our senior management profiles can be found on pages 156 to 159 of this report. The Company has taken all possible measures to retain and maintain tacit knowledge of employees especially in technical areas such as Actuarial, Finance, Information Technology, Underwriting etc.

• Educational and vocational qualification

We believe that education and vocational qualifications of employees are a critical measure of the success of their individual job role, hence the Company has set its Human Resource strategy in a way that hires the best resources. Our effort to develop professional qualifications of our staff is discussed in detail under Human Capital report on page 120.

• Work related knowledge and competencies

Softlogic Life provides continuous training opportunities to its employees to bridge the identified knowledge gap components which provide information about in the Human Capital report on page 95. Also, we have taken several initiatives in employee welfare to create value for Intellectual Capital by retaining the right people which is outlined on page 100.

A high staff turnover would mean that a firm is losing these important elements of Intellectual Capital, therefore, the Company takes all these factors into consideration when managing its Intellectual Capital. The Company's focus on employees is discussed under Human Capital on pages 90-103.

2. OUR BRAND

We came into the limelight at the Effie awards by winning 'Brand of the Year 2019'.



Reiterating its dominance in the insurance industry, Softlogic Life Insurance PLC became the youngest Sri Lankan brand and the only insurance brand in Sri Lanka to walk away with the coveted 'Brand of the Year' award at the recently concluded Effie Awards 2019.

Softlogic Life Insurance (SLI) was launched in 1999 as a Sri Lankan brand providing 'tailor-made insurance' solutions. SLI brand was positioned as being in the business of protection. Today, after 20 years, the Company is engaged in providing genuine protection to its customers and is widely respected by stakeholders and peers alike. The Softlogic Life Insurance brand is currently positioned on the platform of 'Innovation' - with the ultimate objective of providing greater convenience to all our customers, as we truly understand their lifestyles and their priorities.

After the brand changed in 2016, the Company has increased brand positioning from 48 to 44 in the index of Most Valuable Brands in Sri Lanka, which is a significant achievement in its history.

Brand Value

During the year 2019, the Company has increased its brand value to Rs. 2.1 Bn, marking 62% growth compared to the previous year.

(Source: Brand Finance, the world's leading independent business valuation and strategy consultancy firm.)

Softlogic Life branding story is as follows:

- **Choose Life with Softlogic**

As a company, our priority has always been to help customers to achieve the best in life. We want them to have ultimate control in their life, so they can live life to the fullest. This is precisely why the Softlogic Life brand is built on values of Authenticity, Simplicity, Innovation, Care and Courage.

Throughout this journey, we have been continuously taking steps to enhance the quality of life of Sri Lankans. Being part of the Softlogic Group, we have strengthened our capacity, supported by health infrastructure and innovative technology to deliver our brand purpose with world-class solutions. Therefore, as a company and as a brand custodian, our aim is to take care of our customers to enhance the quality of life for Sri Lankans in terms of mind, body and soul, so that they can live healthily and surrounded by happiness. With the mission of becoming the market leader in the near future, Softlogic Life is driven by a vision with a greater purpose: 'Drive Sri Lanka rewards life with better quality'.

- **Brand Equity through our brand positioning platform**

In order to indicate the importance of our brand to our customers, we redefined category norms and took brand positioning on a unique path which differentiates Softlogic Life from others.

Positioning – Promote proactive health management/healthy lifestyle behaviour

by promoting three concepts: Wellness, Fitness and Nutrition for insurance that works and benefits you now and while you live.

As a company, we use the following table in 30 as a roadmap to build our potential value.

Brand communication

We are able to place our new brand prominently within a short period due to an effective brand communication strategy to reach our customer segment.

Mass Media



Digital Channel



Outdoor Visibility



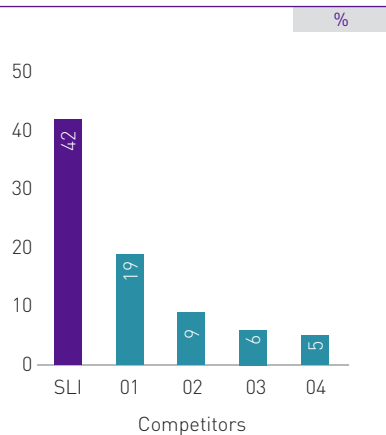
Table 30: Marketing roadmap

Positioning	Our Response
Loyalty	Make Insurance an enabler of confidence, freedom and to give you control to enjoy life so that you can aspire to be the "best you".
Awareness	Broaden the scope of our products to entail nutrition, health and fitness aspects by tailoring it to meet the growing health concerns of the new age consumer to foster Proactive Healthy Living.
Perceived Quality	Make basic protection more relevant through revolutionary service code driven by transparency, simplicity and digitization.

INTELLECTUAL CAPITAL

We focus more on digital channels as Sri Lanka's penetration towards digital media is high. Our performance on digital media against the top five insurance companies in the market is analysed in graph 43 below.

G43-HIGHEST DIGITALLY ENGAGED INSURANCE BRAND



Our Achievement

While we appreciate unsolicited feedback from customers, we also objectively measure clients' satisfaction through internal research. Results given by the Customer Satisfaction survey clearly emphasize that the service rendered by the Softlogic Life throughout the year has converted to higher satisfaction by the customers. The results of the research are provided on page 110 under Social and Relationship Capital.

Further, the Company grew by 25% during the year, reflecting that customers are increasingly trusting our brand and selecting Softlogic Life as their life care partner. This demonstrates our success and the acceptance of brand value by our customers.

Ethical Marketing

The Company's marketing and communications always assess against ethical marketing criteria and present to managing director before launching of any marketing communication.



Scan this QR for our latest commercial

03) ORGANIZATIONAL CAPITAL

Organizational capital is our knowledge that stays within Softlogic Life through its organizational culture, processors and routines and intellectual property.

Our culture encompasses values and behaviour that contribute to the unique social and psychological environment of our business where we carry out many engagement activities to build an employee friendly workplace.

Intellectual Property

It is our responsibility to realize the value of intellectual property we own and control such as patents, copyrights, trademarks, software, rights and licenses. It helps to realize by working in conjunction with a legal and technical advisor to evaluate strength and enforceability we have in

our Intellectual Property. By codifying Intellectual Property, we can protect our brand value and competitiveness.

Corporate governance framework ensures the highest standards of business integrity, ethical values, and professionalism. Corporate governance best practices are discussed in detail in the Corporate Governance Report on page 161.

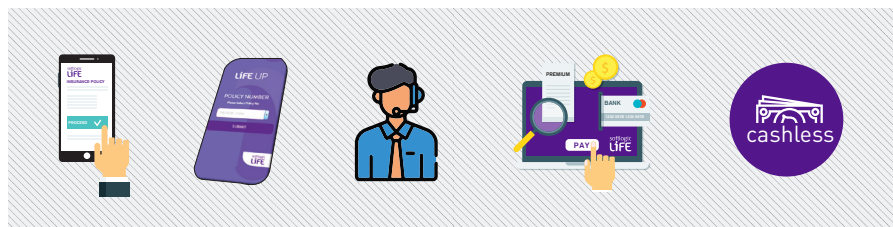
04) RELATIONAL CAPITAL

Our Relational Capital consists of elements of relationships that exist between the Company and its stakeholders. The value of the relationships we maintain with our stakeholders are referred as our goodwill which we can evaluate as follows:

Table 31: Relational Capital of Softlogic Life

Our Stakeholders	How we build our relationship
Customers / Policyholders	Customers / Policyholders being a top most line of the Company, strong relations with them create customer loyalty. The Company fulfils its promises made to customers and caters to all socio economic and geographic segments from the outset, which is a pre-requisite for sustainable growth and customer confidence. We take pride in helping to upgrade and improve the quality of lives of our customers. This is further discussed in the 'Customer Section' of this report on pages 106-117.
Intermediaries	We makes prompt settlement payments for our field agents (sales agents) and brokers to build motivation and loyalty towards the Company. Our initiatives to build strong relationships with our field staff is discussed in detail on pages 118-123 under 'Business Partners'.
Employees	Detailed discussion on this is included in the Human Capital Report on pages 90-103.
Investors	We respond to our shareholders' faith and confidence in the Company to ensure that the Company strikes the perfect balance as it is driven by the loyalty and trust placed in us. Leapfrog Investments (Dalvik Inclusion Private Limited of Mauritius), Milford Ceylon (Pvt) Limited and Global Macro portfolio together with Global Macro Capital Opportunities Portfolio hold a 45.5% stake in Softlogic Life, which reflects the significance and viability of the insurer to high profile overseas investors
Business Partnering	Our parent and the joint synergy (business partner) is Softlogic Holdings PLC, an unwavering giant in the corporate industry who has given rise to immense opportunities to us from different market sectors (i.e. Private Healthcare Sector: Asiri Group of Companies). We are leveraging strategically on these and other emerging opportunities to consolidate our position as a leading insurer in the country, by crossing many milestones in this exciting journey.

05) TECHNOLOGY



Information Technology (IT) plays a critical role in the rapidly changing economic and business sector and paves the way for various innovations. Our IT operations are handled by a team who are experts in the IT sector and consistently undertake and implement the latest developments and upgrade the Company's day to day systems. The ultimate responsibility of safeguarding the entire company's information system also lies with them. We have in place necessary systems and processes to strengthen and create a secure environment to maintain sensitive business or customer data and information.

IT Systems and Automation

The industry-first technological innovations that our internal IT department has introduced over the past years have been described on pages 108-109.

The Company's long-term view is to digitalize and automate systems which enable the Company to enhance the efficiency and support to take decisions to reach customer satisfaction.

Research & Development

We consider research and development as part of a company's operations that seeks knowledge to develop, design, and enhance its products, services, technologies, or processes which contributed to the extraordinary growth of Softlogic Life. Along with creating new products and adding features to old ones, investing in R&D connects various parts of a company's strategy and business plan. Few recent developments have been

listed below, all of which demonstrate the proven track record of excellence of Softlogic Life's intellectual capital.

- The inventor of Medical products to the industry.
- First in the Industry to launch micro insurance solution.
- Introducing value added services to the industry.
- Introducing on the spot policy issuance
- First-ever company to implement tele underwriting, application base underwriting
- First Sri Lankan company to introduce a video version of the annual report.

In addition to the above, details of recently introduced innovative solutions are listed on page 113 of the Social and Relationship Capital.

LOOKING AHEAD

Our future focus to build Intellectual Capital in the Company relies on our main components:

Human Capital - We will emphasize more on development of our Human Capital as it is key to our success and we discuss more details on 90 to 103 pages.

Brand - Our main three pillars 'Wellness, Fitness, Nutrition' of the brand is a unique key feature and it is expected that the initiatives set into motion as part of the brand positioning will enhance the value and power of the Softlogic Life brand in future years.

Organizational Capital - We tend to improve organization's capability going forward by leveraging organization philosophy and systems.

Relational Capital - We focus to create perception and value in the minds of stakeholders to build and protect relationships with them which help us to grow in the industry.

Information Technology - We pursue IT advances to launch new products and system automations across our business while focusing on development of Intellectual Capital. We have identified digitalization as a key pillar on which our future success depends. We will adopt emerging digital trends such as Big Data, Artificial Intelligence, Machine learning etc.

AWARDS

Forbes Asia 2019 BEST UNDER A BILLION

ASIA'S 200 BEST UNDER A BILLION 2019 BY FORBES

Softlogic Life as made it to the Forbes Asia's 'Best Under a Billion 2019' list, a business ranking which spotlights Asia's 200 top-performing listed companies with less than US\$ 1 billion in revenue with consistent top- and bottom-line growth. Softlogic Life is the only company in Sri Lanka and one of the only two insurance companies in the Asian region to achieve this momentous feat. Forbes shortlisted Softlogic Life from amongst 1,400 finalists based on a universe of 19,000 candidates for passing their criteria for profitability, growth and modest indebtedness.



SOUTH ASIAN FEDERATION OF ACCOUNTANTS (SAFA) BEST PRESENTED ACCOUNTS AWARDS 2019

The Softlogic Life Annual Report 2018 won the Best Presented Annual report award in the Sri Lankan Insurance Industry and was selected as the 2nd Runner up from Sri Lanka for the SAARC Anniversary Award for Corporate Governance. Softlogic life became the only Sri Lankan company to be recognized in the Corporate Governance category.



55TH ANNUAL REPORT AWARDS 2019 CA SRI LANKA

"Only insurer to Win Four Awards at the Annual Report Awards 2019"

Softlogic Life Insurance PLC won the silver award in the Insurance Category for Excellence in annual financial reporting. Further, Softlogic Life Annual Report won three bronze awards for overall excellence in:

- Corporate Governance Disclosure
- Integrated reporting
- Integrated reporting – Best disclosure on Stakeholder Engagement



GREAT PLACE TO WORK

For the 4th consecutive year, Softlogic Life has been chosen as one of the top 25 great places to work in Sri Lanka by the Great Place to Work Institute.

This year, Softlogic Life went further and for the first time receiving the bronze award for 'Best in Large Sized Enterprise Category', surpassing many large organizations from different industries.



EMERGING ASIA INSURANCE CONCLAVE & AWARDS 2019

Emerging Asia insurance Awards & Conclave 2019 organized by the Indian Chamber of Commerce at Bangkok, Thailand, has anointed Softlogic Life Insurance as 'Best Life Insurance Company of the Year' and 'Best Strategies for Insurance Spreading for the year'.

Forbes' annual 'Best Under a Billion' list spotlights 200 small and mid-sized publicly listed enterprises in the Asia-Pacific region with sales under US\$1 billion and a track record of strong earnings growth and posted more than 50% average growth in annual net profit and sales in their latest financial year, to a combined US\$10 billion and US\$54 billion, respectively.



CMA EXCELLENCE IN INTEGRATED REPORTING AWARDS

Softlogic Life Insurance PLC garnered top recognition at the CMA Excellence in Integrated Reporting Awards 2019, becoming the most awarded insurance company in Sri Lanka at this year's edition.

- Gold Award for Insurance Sector
- Ranked amongst Top three best Integrated Reports in Sri Lanka (Overall 2nd Runner up - Bronze Trophy)
- Winner of the 'Top Ten Integrated Reports in Sri Lanka' award for the fifth consecutive year
- Only one award is granted for integrated thinking as 'Merit for Integrated thinking'



BRAND OF THE YEAR (EFFIE AWARDS)

Softlogic Life Insurance PLC became the youngest Sri Lankan brand and the only insurance brand in Sri Lanka to walk away with the coveted 'Brand of the Year' award at Effie Awards 2019.

The awards won by Softlogic Life at Effies 2019:

- Gold awards in 'Insurance' and 'David vs. Goliath' category
- Silver award in the 'Use of Influencers' category
- Finalists awards in the 'Corporate Reputation' and 'media Partnership' category

SLIM BRAND AWARDS

Softlogic Life honoured to have been awarded the Gold Award for Service Brand of the year and Bronze award for Local Brand of the year at the Sri Lanka Institute of Marketing (SLIM) Brand Excellence Awards 2019.

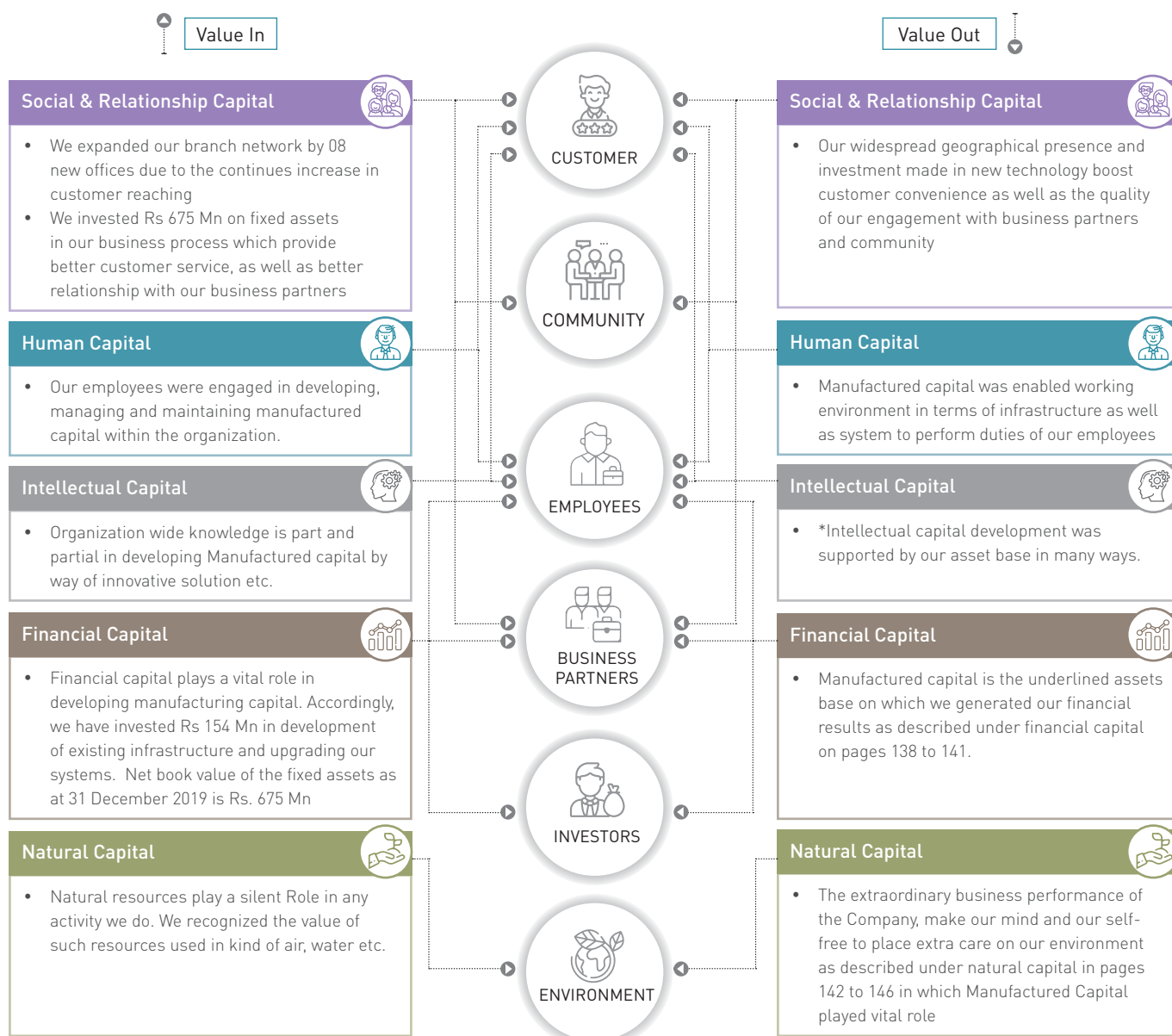
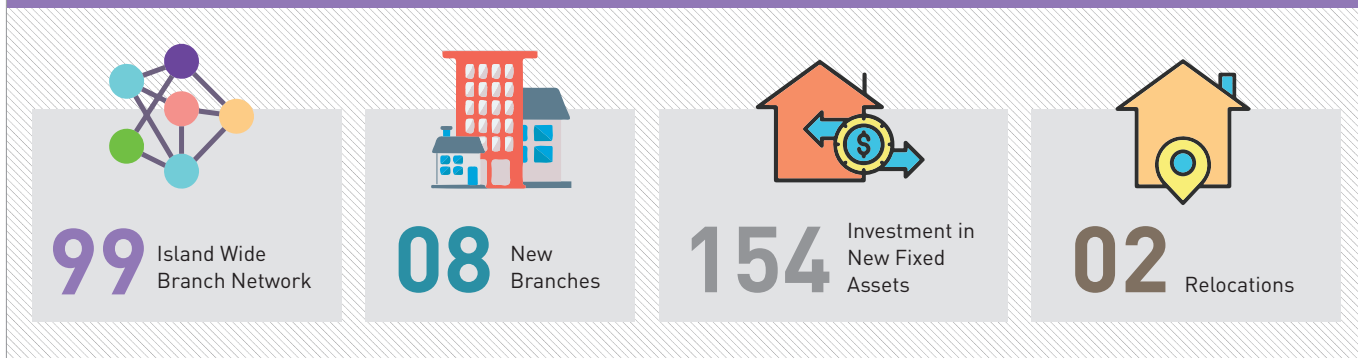


2018 VISION AWARDS ANNUAL REPORT COMPETITION BY LACP




- **Gold Award** - Online Report Competition
- **Silver Award** - Annual Report Competition
For excellence within its industry on the development of the organization's online report for the past fiscal year.
- **One of the top 50** reports (Asia-Pacific Region - Ranking at #42 among all reports reviewed for the past fiscal year) in both competition, Online report completion and Annual Report competition.
- **Technical achievement Award** for the overall excellence in the art and method of online report communication for the past fiscal year in both competition, Online report completion and Annual Report competition.


MANUFACTURED CAPITAL

KEY INDICATORS OF VALUE GENERATED IN 2019



* The Diagram provides an overview of the trade-off between Manufactured Capital with other capital as well as its impact to stakeholders.

SHORT TERM TARGET 	MEDIUM TERM VIEW 	LONG TERM VISION 
<ul style="list-style-type: none"> ▶ Continue to invest in product innovation, distribution channels and technical infrastructure and strengthening our synergistic ties with all our branches ▶ Increase efficiency and effectiveness of work process of branches to gain customer satisfaction ▶ Strategise development of the Company's manufactured capital in line with its growth potential. 	<ul style="list-style-type: none"> ▶ The growth potential the Company expects, will enhance our investment in Manufactured Capital. 	<ul style="list-style-type: none"> ▶ Be aligned to the speed of digitalization which is impacting to the business processes, as our future investments will be skewed to intangible assets and that will be key to business sustainability.



OUR STRATEGY

Following strategies will be executed in order to achieve our short term targets, medium view and long term vision:

- ▶ Continuously monitored and conducting cost benefit analysis is a pre requisite for any capital expenditure of the Company. This has been forecasted in the Company's budgeting process.
- ▶ Enhance overall operational efficiency throughout the business.
- ▶ Embracing technological advancement that we will capitalize on to gain a competitive edge.

RISK /CHALLENGES AND OUR ACTIONS

We have identified the risks and challenges which will have a material impact on our future strategy:

Risk and Challenges	Our Response
<p>1</p> <ul style="list-style-type: none"> • Ensuring infrastructure sufficiency supports growth ambitions • Balance cost and benefits of the investments 	<ul style="list-style-type: none"> • Management prepares a detailed action plan which is cascaded down from short term strategy and assesses capital assets requirements accordingly. This process ensures company is rich with resources to support its growth potential where necessary. • Our future investment will be skewed to intangible assets aligning our business to rapidly changing digital environment. We ensure sustainability of the business by adopting latest technology

Impact to business model					
1	2	3	4	5	6
Entities control over capital					

MANUFACTURED CAPITAL

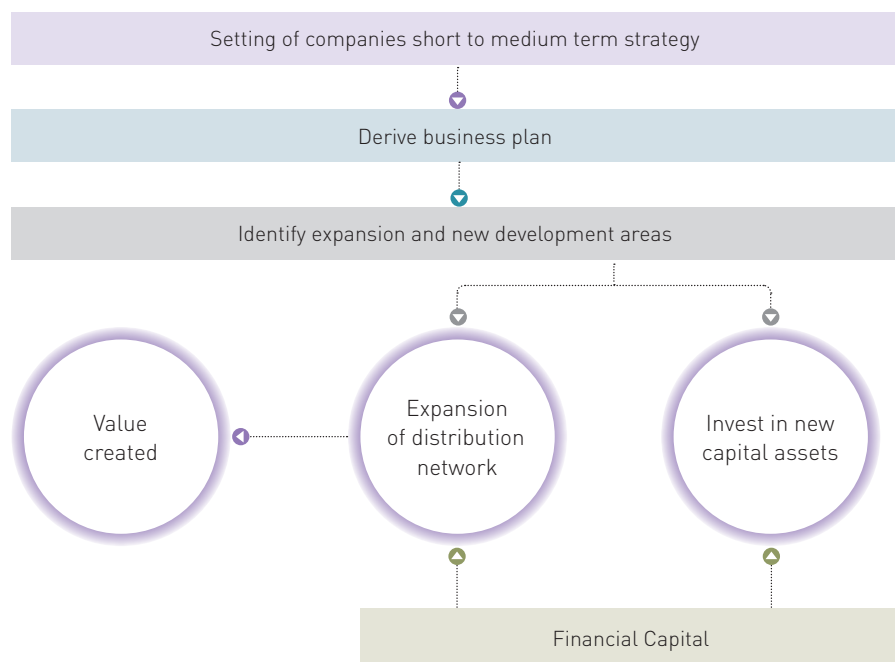
MANAGEMENT APPROACH

In line with our customer-centric culture, we build and manage our manufactured capital in an efficient way to blend with innovation to provide superior customer service.

The components of the Company's Manufactured Capital are a collection of physical, material and technological objects which include both 'hard' and 'soft' elements. Manufactured Capital of Softlogic Life is a mix of its Building, Property Plan and Equipment, Branch network, IT equipment etc. Even though it is not a cardinal aspect of the revenue generation process of the Company, it is an integral part of the Company's value creation process.

The Company used these assets to provide quality customer experience and analyses information to make strategic decisions which gives it a competitive edge over other companies.

The Company's Manufactured Capital's building process is illustrated in figure as below:



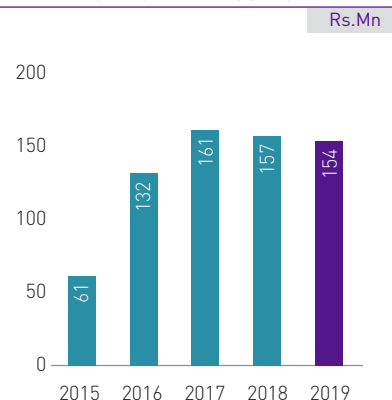
BUILDING MANUFACTURED CAPITAL

During the year under review, we invested Rs. 154 million in capital assets including Rs. 20.60 Mn for computer equipment, Rs. 40.3 million on office furniture, Rs. 61 million on fixtures and fittings and equipment and Rs. 32 million on furniture and fittings. The Company measures expected return on these investments and manages them cautiously to generate maximum possible benefits out of the investments made. Accordingly, the Company monitors assets turnover ratio as a key indicator among the other measures such as new business premium per branch and Gross Written Premium per branch etc.

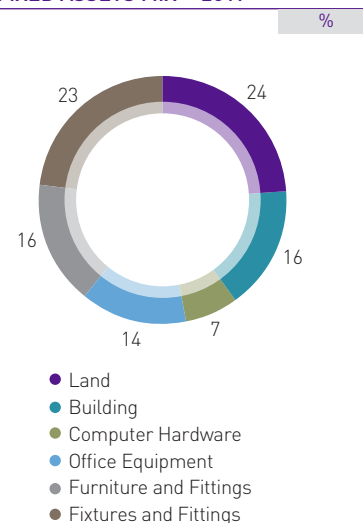
The graph 44 indicates our investment in capital assets over the last five years

As a service provider, our approach to Manufactured Capital simply plays an intermediary role. Our investments are mainly focus on the outreach of business expansion to increase market value and digitalizing our work processes with IT related infrastructure.

G44-ADDITION TO FIXED ASSETS



G45-FIXED ASSETS MIX - 2019



OPERATIONAL AND TECHNOLOGICAL IMPROVEMENTS

Technology is a key aspect to enhance the effectiveness of our Manufactured Capital. By automating, digitalizing and simplifying processes such as tele underwriting, digital proposal etc., the Company achieved major improvements in the systems. Those improvements enhanced our efficiency and achieved ultimate goal of customer convenience. Our technological improvements have been described in detail on pages 108-109.

Further, by improving our internal processes and technical infrastructure, we have launched 'on the spot' policy issuance, e-receipting, online customer payment scheduling gateway etc. During the year under review, a total of Rs.20.60 million was invested in developing the technological infrastructure of the Company.

MAINTENANCE AND CERTIFICATION

The Company's passion to instill an innovation driven culture has unveiled many new concepts, new products and new working standards to the life insurance industry in Sri Lanka. Hence, our strategic goal is to continuously provide required maintenance, upgrades and certifications to the physical assets that enable each of the diverse businesses to create value for our respective stakeholders. The Company has the following certification in place:

Fixed Assets Turnover Ratio

19 2019 / **17** 2018

GWP per branch (Rs Bn)

127 2019 / **102** 2018

USAGE OF INFRASTRUCTURE

The Company uses basic infrastructure provided by government such as roads, water, waste management etc. in executing its business model. In return, the Company plays a role of responsible corporate citizen by paying applicable taxes to the government and contributing to our community as described on pages 124-129 under Social and Relationship Capital.

communities by offering new employment opportunities and giving them a helping hand to develop their lives. The Company will also continue to promote an innovative culture as a key strategy which will bring new products and new operational improvements to our industry.

Our management approach for future Manufactured Capital will further shift from investing physical assets to intangibles as we expect our future growth and business strategy to be impacted from digitalization. The future of products, distribution channels and customer services will be impacted by digitalization where we will introduce more products that could be purchased online. The distribution channel will mostly be an interactive website and customer engagement will be on mobile phone and digital platform.



Internet Service Provider

Internet Service Provider
We obtained ISP service from reputed, trusted external parties who comply with international standards such as ISO. We obtain these services from SLT and Dialog.



User collaboration and communication system

User collaboration and communication system
The Company is a "Enterprise user" of Microsoft who provide user collaboration and communication software's to SLI



ERP system

ERP system
The Company uses Oracle E business as its ERP system. The system is used for financial accounting, payment processing, reporting, MIS etc. within the Company.

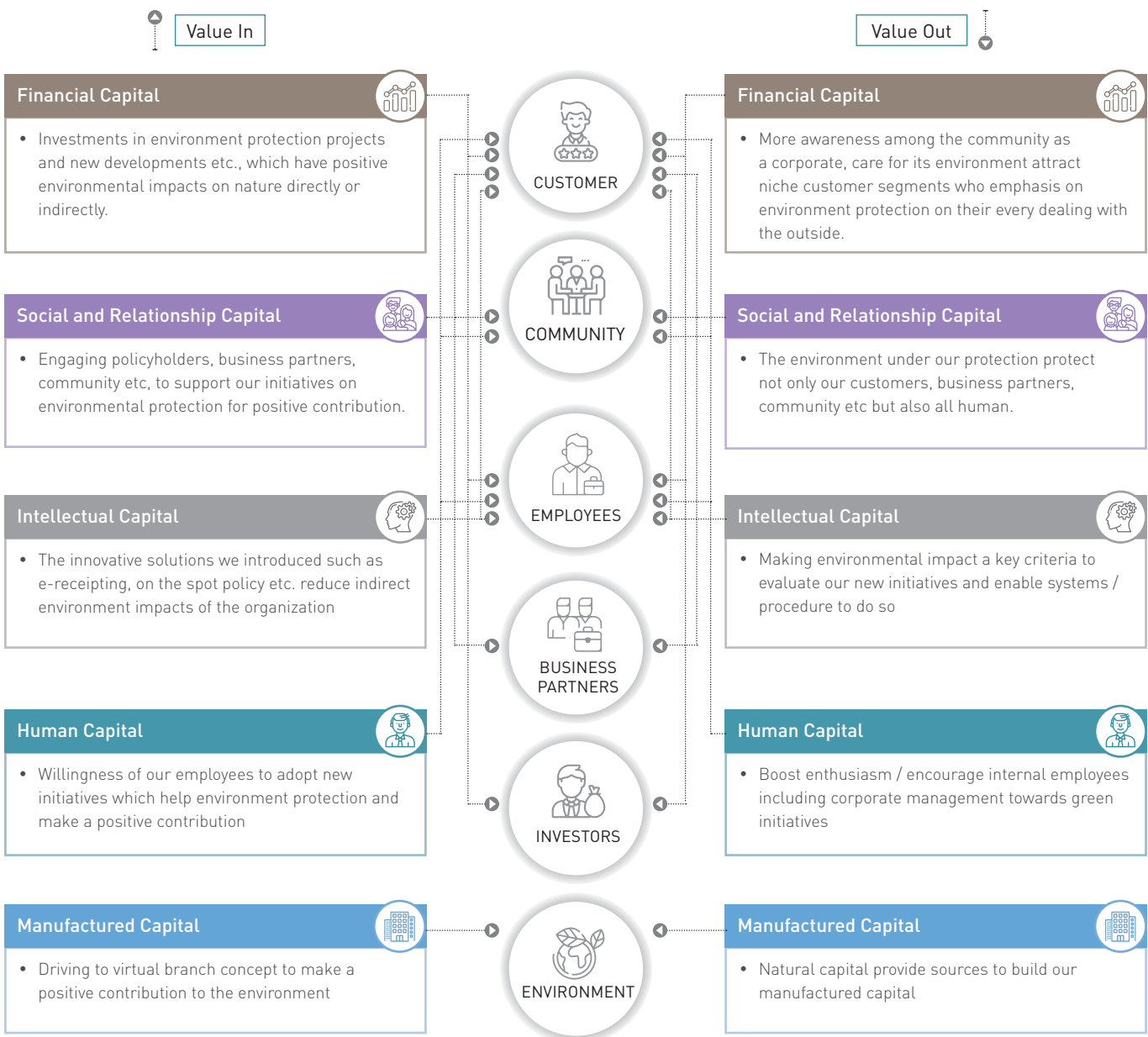
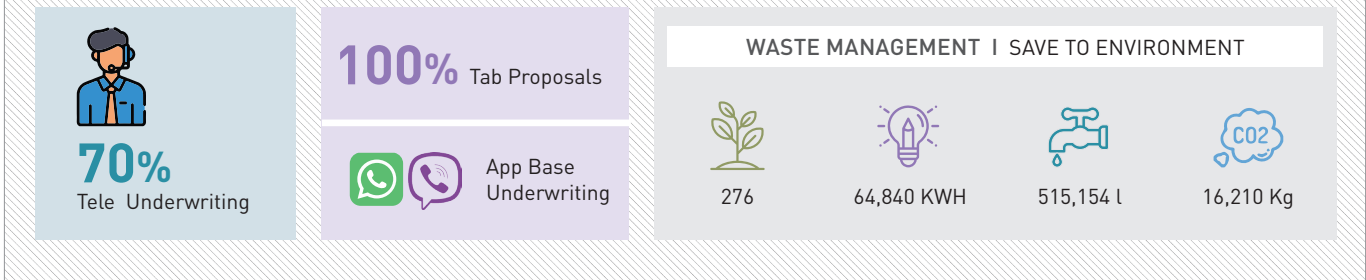
MEASUREMENT OF EFFICIENCY

The Company continuously improves its efficiency on capital expenditure. With this view, the Company carefully analyses its new capital expenditure against the expected future benefits during company's strategy setting process. Following KPIs are regularly monitored to assess the efficiency.




LOOKING AHEAD


As an emerging insurance company, in the future we will continue to rely on our Manufacturing Capital by expanding, repositioning and upgrading our branch network strategically through which we not only expect to enhance customers' convenience, but also to link with our local

KEY INDICATORS OF VALUE GENERATED IN 2019



* The Diagram provides an overview of the trade-off between Natural Capital with other capitals as well as its impact to stakeholders.

SHORT TERM TARGET 	MEDIUM TERM VIEW 	LONG TERM VISION 
<ul style="list-style-type: none"> ▶ 'Api turu mituru' programme to instill the habit of planting trees for reducing carbon. ▶ Increase the usage of daylight and use solar power systems for alternatives uses. ▶ Investment in environment protection initiatives. ▶ Comply with all applicable environmental regulations and use best practices for environmental management ▶ Further digitalize business process to reduce / eliminate paper usage 	<ul style="list-style-type: none"> ▶ Organize awareness campaigns to increase employee commitment to achieve environmental protection strategies. 	<ul style="list-style-type: none"> ▶ Becoming a responsible corporate citizen who protects the environment and actively participates in creating a world where environment protection is not a dire need.



▶ We have integrated environment protection within our business strategy setting process, ensuring environmental impact of our every business decision is evaluated before it is approved by the Board of Directors/Management. At strategy setting, the Board of Directors revisits the sustainability practices of the Company that look after Natural Capital.

RISK /CHALLENGES AND OUR ACTIONS

We identified below risks and challenges which will have a material impact on our future strategy:

Risk and Challenges	Our Response
<p>1 Changing behaviour of people in order to implement paperless operation, to be in stringent regulatory and legal compliance.</p>	<p>The Company strategised to go paperless step by step. Accordingly, we first digitalized granular level operations and thereafter rolled it out across the operation. It takes time to convert into a totally paperless operation but we make sure no operational inefficiencies occur as a result. In our journey to a paperless operation we have achieved many milestones such as digital policy proposals, auto underwriting, e-receipting etc.</p>



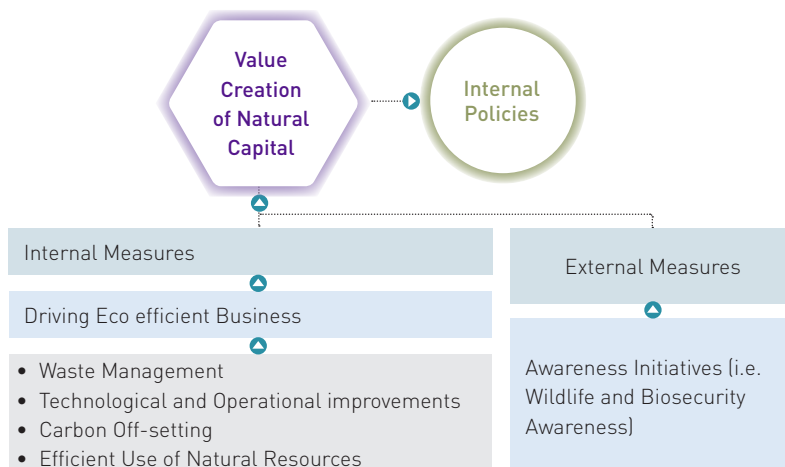
OUR FOCUS

As an emerging life insurance company, we always comply with environment protection laws and regulations while protecting our environment.

Further, we look forward to investing our renewal and non-renewable environment resources to be utilized in the value creation process to protect nature and make a positive contribution, because we believe that the existence of Mother Nature today decides our existence tomorrow.

We have created value drivers to improve our positive contribution towards the environment and to reduce the impact as presented in the figure 13 below.

Figure 13 – Value creation of Natural Capital
















At Softlogic Life, we mainly rely on internal measures within the workplace, encourage eco efficient business following our initiatives which covers the '3R' concept -reuse, reduce and recycle. Alternatively, we concentrate on external initiatives, including bio diversity and green policy, to make people aware about environmental protection and change their mindsets in order to build sustainability.

INTERNAL MEASURES

Driving Eco efficient Business

Our approach to drive an eco-efficient business is constantly being applied in everything we do, focusing mainly on technological and operational improvements, waste management, carbon off-setting and efficient usage of natural resource. Key initiatives are presented in the below table:

Table: - Key initiatives for Driving Eco-friendly Business

Solid Waste Management					
As an insurance service provider, our main form of waste generated tends to be paper where we have already set up mechanisms to create a 'paperless' work environment.					
We rely on technology to give us more comprehensive solutions to manage our paper waste and support our endeavour to minimize our environmental footprint. The Company boosted savings of greenhouse gas emissions by partnering with Neptune Recycles Private Ltd.					
Our paper waste managing partner, Neptune Recycles, shreds our waste papers in an environmentally friendly manner, which not only saves natural resources, but also assists our Company in securely disposing our company's confidential documents.					
Result of successful recycle process provided below.					
					
276 Grown Tree	28,449 l Oil	64,840 Kwh Electricity	515,154 l Water	49 m3 Land Fill	16,210 Kg GHGS reduced
Management of E-waste					
Well aware of the environmental hazards, we are careful and conscious of disposing e-waste responsibly. The Company continued to move into a rental agreement for all the photocopy machines used within the Company and under the agreement the vendor will refill the printer cartridge and use to maximum possible duration indirectly. Thereby we are indirectly reducing the e-waste					
Technological and Operational improvements					
					
E-receipting for an efficient customer service	On the spot policy	Introducing Life UP App for Claims processing activities	Conducting Digital Payment Registration Process		
					
SMS reminders instead of Written Papers	Tele Underwriting Process	App based Under Writing (via Whatsapp, Viber apps etc.)			

Energy Consumption and Carbon Offsetting

In energy consumption - we mainly focus on direct electricity for our premises and indirect energy consumption such as fuel usage. Whilst Carbon offsetting is the way to use carbon credits to enable companies to compensate for unavoidable emissions, we are committed to meeting carbon reduction goals and supporting the move to a low carbon economy.

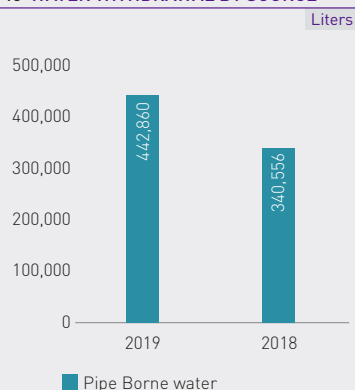
With the objective of reducing dependence on energy and carbon emissions, we have continued to drive the use of renewable energy. Further, our day-to-day business operations depend on electricity and we comprehend the magnitude of the need to consume this resource in a responsible manner.

For the purpose of measuring the Company's renewable and non-renewable energy consumption into joules, we have used two separate websites converters for Kwh and Liters from www.convertunits.com and www.rapidtable.com respectively.

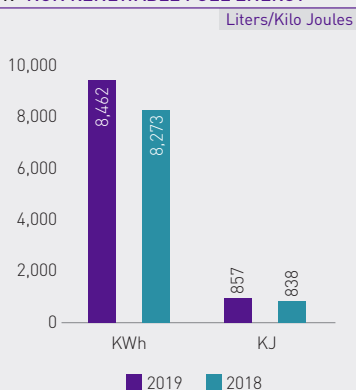
Table 32: Renewable and Non-renewable energy consumption

Energy	2019	2018
Non Renewable Sources		
Non Renewable fuel consumption(Units in Kilo joules)	857	838
Electricity Consumption (Units in Kilo joules Mn.)	6,567	5,780
Electricity Sold	N/A	N/A
Total Energy (units in kilo Joules Mn.)	6,567	5,780

G46-WATER WITHDRAWAL BY SOURCE



G47-NON RENEWABLE FUEL ENERGY



G48-ELECTRICITY



Efficient use of natural resources

Water Usage

At Softlogic Life we mainly focus on three aspects when we consider the water resource.

01. Usage of water resource
02. Disposal of effluent water
03. Recycling Water

Our facilities management teams are continuously working to monitor and measure efficiency in water consumption from all sources which include ground water and pipe borne water from the National Water Supply and Drainage Board.

The Company withdrew a total of 16,513.24 m3 units of water during the year 2019. Further, Softlogic Life supplies mineral water to employees through a third party supplier. In 2019, the Company consumed 16,513 (cubic meters) units of water for drinking purposes.

Resource Utilization

As a commitment towards environmental protection we have taken initiatives to improve efficiency of the resources we are using under the sustainability practices of the Company.

- Switching to energy efficient appliances.
- 'Power Saving' – Softlogic Life Sustainability Programme.
- Using split air conditioners.
- Continue and promote to be a paperless company.
- Using LED lights to reduce electricity consumption.
- Increasing employee participation on utility saving projects.

EXTERNAL MEASURES - AWARENESS INITIATIVES

'Api thuru mithuru' - Plant a tree

A great environment is imperative for a great quality life. As a brand that is constantly committed towards driving a great quality of life to people by inspiring Sri Lanka to live the best life they want for themselves, we want to create a world where the environment is nurtured so well that it is not under threat anymore.

We believe that as a company we have a greater responsibility towards this country that goes beyond just profits, our customers and our products. That is why we have embarked on a tree planting project where we make anyone who comes across Softlogic Life (customers, employees, partners etc) plant a tree.

Softlogic Life hopes to inspire everyone to plant at least one tree and thereby choose to contribute in our own way to help the planet we live in.

Projects
13,525 saplings among 03 schools and DSWDOA - National Cadet Corps
1,526 seed tags for staff members as a pilot project
15 Sandalwood plants at Kataragama Pooja Bhumiya



Scan the QR for company sponsored video to promote tree planting broadcast in mass medias as well as social media.

Mannar Unbound: A journey through History and Nature

Sri Lanka is globally recognised for being a bio diversity hotspot. Yet, in the hustle and bustle of our daily lives it is easy to forget that we share this island with a plethora of other incredible beings, both flora and fauna alike, surroundings and appreciate our rich Sri Lankan heritage. Identifying the reality, Softlogic Life has now taken steps to change the reality and focus on the need to inspire and encourage Sri Lankans to follow their passion that truly supports to enhance quality of our natural resources.

Building up momentum the Company has proactively come forward to support four Sri Lankan professionals— Dr. Thilak Jayaratne, Dr. Janaka Gallangoda, Tamara Fernando and Nadika Hapuarachchi— whose passion is for wildlife photography and conserving Lanka's flora and fauna. After five years of exploration, these four Sri Lankans have authored and with partnership of our Company, launched their creation, 'Mannar Unbound'—a photographic documentation and presentation of the biodiversity and natural landscape of Mannar.

We are fiercely proud to be part a of this project as a company who always adopts innovative processes of encouraging customers to enthusiastically follow their passion and to live life to the fullest.

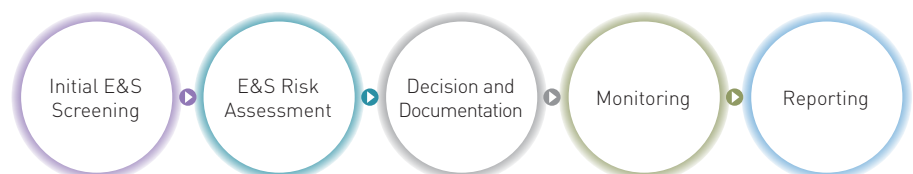
As a committed Sri Lankan corporate with a dedication towards conserving natural resources, we have further strengthened our sustainability efforts by not only inspiring these authors to launch 'Mannar Unbound' - but also re-emphasize the commitment towards conserving what is rare and beautiful for our future generations.

Internal Policy on preserving bio diversity

In order to protect our environment, Softlogic Life follows a set of comprehensive environmental and social management principles, which assess and reviews potential environment and social risks associated with all transactions.

The Company's environment and social management system procedures comprise of five main activities for the management of Environment and Social (E & S) Risk Assessment as follows:

Figure 14: Environmental and Social Risk Assessment model



Mannar Unbound – a photographic documentation

Operating as an insurance entity we understand that our business activities, may be limited in some cases in our ability to influence the environmental performance or behaviour of our clients.

Through our environmental and social initiatives, our principles are not just a set of words on a piece of paper but a concept in practice integrated to core business activities that pave the way towards a more sustainable way of doing business.

Looking ahead

The way forward is our objective to pursue growth opportunities to enhance and provide protection and security for long term sustainability. The desire to extend the platform of protection to include our natural resources is born out of our commitment to the environment.

We are on a mission of recognizing the importance of conserving our environment for future generations as well as business sustainability. The Company makes a conscious and collective effort to protect and promote environmental biodiversity.

Hence, we are dedicated to sustain and indeed strengthen this commitment to have a greater impact on preserving the rich biodiversity that Sri Lanka has been blessed with and to escalate it through the world.

FUTURE OUTLOOK

ECONOMIC OUTLOOK

The year began with high GDP growth expectations of 4.5% which was severely hampered by the Easter Sunday terrorist attack. Thus began the economic downturn of the country, downgrading GDP growth expectations to 2.5%. The negative political outlook created within the country due to the event, cascading down to the domestic markets via negative investor sentiment and business confidence contributed to this outcome. Several corrective measures were taken across the economic landscape of the country, primarily within the Tourism and Financial services sectors. The notable decisions taken to improve the economy was via tax relief and reduction interest rate policy rate etc.

S ●	M ●	L ●
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TRANSFORMING SRI LANKA'S ECONOMY IN THE FOURTH INDUSTRIAL REVOLUTION (4IR)

The fourth industrial revolution (4IR) – Artificial Intelligence (AI), robotics, the Internet of Things (IoT), 5G, 3D printing and so on – presages rapid changes to the way people work, live and interact with each other. It will determine who forges ahead and who falls behind. For Sri Lanka, the demographics suggest that an assessment of the technological advancements of the 4IR, and what it means for the country's productivity growth, cannot be put off. The challenges need to be understood and opportunities grasped in the many areas of the economy where 4IR technologies will come into play as defining features of the country's future economic progress.

S ●	M ●	L ●
-----	-----	-----

The following table summarizes the other factors in our PESTEL analysis (Environmental analysis) and impact of those on the Company's ability for value creation in future. Overall future strategies are provided on pages 147-148 and Strategies on Performance are provided in each individual capitals, assessed against the outcomes of environment analysis as well as industry analysis.

Factor	Analysis	S	M	T
Political	Positive political outlook (Refer page 34-35 for detailed analysis)	●	●	●
Social	Social moves are positive for insurance industry (Refer page 37-38 for detailed analysis)	●	●	●
Legal	Legal and regulatory changes will bring complexities to existing business models.	●	●	●
Environmental	No impact	●	●	●

Growth should accelerate this year, thanks to a recovery in tourism, favourable credit conditions and a significantly more expansionary fiscal stance. Moreover, the IMF support program and political stability should support business sentiment. Economy is expected to grow by 3.5% in 2020 along with higher per capita income.

FUTURE OF INSURANCE INDUSTRY IN SRI LANKA

Insurance industry has great potential for growth supported by many factors such as expectation of GDP growth, Per capita income growth etc. which we have discussed in detailed on page 38. The industry characteristics will be impacted by emerging trends developed over global insurance industry landscape as discussed below in order to achieve higher penetration level.

Manage persistent regulatory focus

Increasing regulations are profoundly influencing insurance markets across the Asia-Pacific region. The coordination among regulatory bodies is also playing a role and leading to a waterfall effect of best practices. SLFRS 17 remains a key focus area as the implementation date approaches. It is straining resources in markets already facing major regulatory changes around capital adequacy and customer protection. Another impact related to SLFRS 17: insurers will need to define new key performance indicators (KPIs) and other reporting metrics, requiring them to articulate for investors new storylines and explanations of performance

Win the war for talent and skills

Insurance companies will have focused on finding scarce digital and data science talent, as well as functional experts in underwriting and other areas. Looking ahead, more insurers in the region will look to invest in developing their own talent bases, given that foreign and expatriate resources are more expensive.

Achieve cost efficiency

Life insurers have been trying to reduce their costs for much of the last decade. But lower costs alone won't sustain long-term profitability. The key is to ensure cost efficiency measures do not stifle innovation or compromise investments that are necessary for future growth.

Digitize the sales force

Insurers have made progress in digitizing the workforce in recent years, largely by providing tools for agents to maximize their productivity. New digital tools are key to improving productivity, not only for agents, but also within Bancassurance, one of the fastest growing channels in the region

FUTURE OF SOFTLOGIC LIFE

The company has set its future strategy with strong confidence that the environment we operate in will largely support growth whereas there will be areas of challenges that the company has to respond accordingly. We set our strategy by deeply analysing future operating environment to make sure we deliver what is expect of us. Resources that are required to execute our strategies

FUTURE OUTLOOK

were also planned to ensure proper execution of our strategies. Our detailed strategy and resource allocation is provided on pages 48-52.

The company will be pursuing its vision to “Revolutionize insurance in Sri Lanka through world-class innovation and deliver extraordinary stakeholder value” through industry-first innovation and products. The company will sustain growth momentum through distribution channel expansion and market penetration strategy of penetrating untapped markets which is a long term ambitious target to serve 23% of economically active workforce while targeting profitable growth.

Explained above is our overall future view to further break down to individual capital level on which our performance is based. Future outlook on performance of individual capitals are provided on capital performance reviews as provided in the table below.

Capital Report	Page
Financial Capital	88
Human Capital	103
Social and Relationship Capital	129
Intellectual Capital	135
Manufactured Capital	141
Natural Capital	146

Our sustainability of strategy has been proven in terms of business results with clear track record. Our future strategies also have been set in a sustainable manner linking those to our internal sustainability performance metrics and sustainability practices proposed by external authorities such as UNSDG and GRI standards.

As we navigate the future, we will remain focus on key performance indicators set out for 2020 and beyond. Our strategy will have fueled by favourable economic conditions of Sri Lanka, which directly

impact to boom the insurance industry. The management is confident on the carefully crafted strategy and its future prospects that lift Softlogic Life to greater heights.

S = Short term impact on SLI

M = Medium term impact on SLI

L = Long term impact on SLI

● Favourable

● Challenging – Moderate level

INDEPENDENT ASSURANCE REPORT



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Internet : www.kpmg.com/lk

We have been engaged by the directors of Softlogic Life Insurance PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 December 2019. The Sustainability Indicators are included in the Softlogic Life Insurance PLC's Integrated Annual Report for the year ended 31 December 2019 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	18-19

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Financial Highlights (Statement of value creation)	20-22
Information provided on following capitals	
Financial	62-89
Human	90-103
Social and Relationship	104-129
Intellectual	130-137
Natural	138-141
Manufactured	142-146

OUR CONCLUSIONS

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2019 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2019, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

OUR RESPONSIBILITY

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA



We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and

non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or

material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

PURPOSE OF OUR REPORT

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

RESTRICTION OF USE OF OUR REPORT

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS
Colombo

28 February 2020



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BOARD OF DIRECTORS



1. MR. ASHOK PATHIRAGE

Chairman

Skills & Experience

Mr. Ashok Pathirage, recognised as a visionary leader of Sri Lanka's corporate world, is the founding member of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision providing employment to more than 10,000 employees. Pathirage gives strategic direction to the Group which has a leading market presence in four vertical sectors – Retail & Telecommunications, Healthcare Services, Financial Services and IT, Leisure & Automotive. The Asiri Hospital chain is the country's leading private healthcare provider with one of the best healthcare facilities in Sri Lanka's private healthcare.

Other Current Appointments

He is the Chairman / Managing Director of Softlogic Holdings PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC. He also serves as the Chairman of Softlogic Capital PLC in addition to the other companies of the Group. He is also the chairman of Sri Lankan Airlines Limited.

Previous Appointments

He was the Deputy Chairman of National Development Bank PLC and the Chairman of NDB Capital Holdings Limited.

2. MR. SUJEEWA RAJAPAKSE

Deputy Chairman

Skills & Experience

Mr. Sujeewa Rajapakse is a Managing Partner of BDO Partners which is the local representative of BDO - the fifth largest accounting network in the world. A Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of Institute of Chartered Management Accountants of Sri Lanka (FCMA), Mr. Rajapakse holds a Master of Business Administration (MBA) from Post-graduate Institute of Management (PIM), University of Sri Jayewardenepura.

His expertise includes all accounting and auditing standards and practices, government regulations related to financial disciplines and ethics, human resource management and overall management practices and principles in both private and public sectors.

Other Current Appointments

At present he serves as the Chairman of People's Bank, an Independent Non-Executive Director of Haycarb PLC, Dipped Product PLC, Hayleys Agriculture Holdings Ltd, Uni Dil Packaging Ltd and Uni Dil Packaging and Solutions Ltd. Mr. Rajapakse is a Council member of the University of Sri Jayewardenepura.

Previous Appointments

During his professional career that spanned nearly four decades, he held the honorary positions of President, Vice President and Council Member (elect) of the Institute of Chartered Accountants of Sri Lanka (ICASL), Former Chairman of Auditing Standards Committee of ICASL, President of Practicing Accountants Forum of Sri Lanka, Treasurer of Sri Lanka Cricket, Treasurer for Cricket World Cup 2011, Board Member and Technical Advisor to South Asian Federation of Accountants (SAFA), Technical Advisor to Confederation of Asia Pacific Accountants (CAPA). He has also served in the directorates of National Development Bank PLC, NDB Capital Ltd – Bangladesh and The Finance Company PLC.

3. MR. IFTIKAR AHAMED

Managing Director

Skills and Experience

Mr. Ahamed holds over three decades of experience in a wide range of positions within the financial services industry and has extensive banking experience both in Sri Lanka and overseas. He holds a MBA from the University of Wales, UK.

Other Current Appointments

Mr. Iftikar Ahamed was appointed as Managing Director of Softlogic Life Insurance PLC in January 2014. He is the Head of the Financial Services Sector

of the Softlogic Group, and serves as Managing Director of Softlogic Capital PLC, which is the holding company of the Financial Services Sector. He also serves as a Director of Softlogic Stockbrokers (Pvt) Limited, Softlogic Corporate Services (Pvt) Limited and Softlogic Asset Management (Pvt) Limited

Previous Appointments

He has previously held senior management positions of Deputy Chief Executive Officer at Nations Trust Bank PLC, and Senior Associate Director at Deutsche Bank AG.

4. MR. RAY ABEYWARDENA

Director

Skills & Experience

He has been associated with Sri Lanka's capital markets for over 32 years, primarily as a Stockbroker and since 2009 as an Investment Banker, is a member of the Chartered Institute of Marketing (UK) and holds a master's degree in business administration from the University of Wales.

Other Current appointments

Mr. Ray Abeywardena is the Managing Director of Acuity Partners (Pvt) Ltd. Mr. Abeywardena is the Chairman of Acuity Stockbrokers (Pvt) Ltd, Acuity Securities Ltd, Guardian Acuity Asset Management Ltd, the Colombo Stock Exchange and the Central Depository Systems (Pvt) Ltd, and is a Director of Lanka Ventures PLC, LVL Energy Fund PLC, The Associated Newspapers of Ceylon Ltd, Lake House Property Development (Pvt) Ltd, Observer Jobs (Pvt) Ltd and Lake House Connect (Pvt) Ltd.

Previous Appointments

He has served as the Managing Director/ CEO of Acuity Stockbrokers (Pvt) Ltd from 2001 to end 2008. Mr. Abeywardena is a past Chairman of the Colombo Stockbrokers Association

BOARD OF DIRECTORS

5. MR. HARESH KAIMAL

Director

Skills & Experience

Mr. Hareesh Kaimal is a co-founder of Softlogic Group and a Director since its inception. He has over 30 years of experience in IT and Operations and has been instrumental in driving advancements in Information Technology and Enterprise Resource Management within Softlogic.

Other Current Appointment

He currently heads the IT sector of the Softlogic Group. He is also a Director of Odel PLC and Softlogic BPO Services (Pvt) Ltd.

6. MR. RÜDIGER WILL

Director

Skills & Experience

Mr. Rüdiger Will counts over 25 years of experience in the insurance field both in Germany and internationally. For many years he has held senior executive management positions as Chief Financial Officer or Chief Operating Officer at a number of life insurance companies in Germany and other European countries. He also garnered international experience as business consultant and member of the supervisory boards of investment and insurance companies alike. Mr. Rüdiger Will has studied business administration as well as law at the Westfälische Wilhelms-University of Münster, Germany. He is licensed as an Attorney at Law in Germany and for many years he was also licensed as a CPA (Certified Public Accountant) in the United States of America.

7. MS. FERNANDA LIMA

Director

Skills & Experience

Ms. Fernanda Lima has over 20 years of experience in financial services and investing in emerging markets. She has hands-on experience in growing inclusive financial institutions across Asia and has held a number of Board and senior roles in Investee companies. She holds a Master of Science in Environment and Development from the London School of Economics and a Master in Business Administration from the University of London and Imperial College. She was a British Chevening Scholar and speaks fluent Portuguese and Spanish.

Other Current Appointments

She is currently Director of Investments for Leapfrog Investments based out of Singapore. Ms. Lima joined LeapFrog after 9 years as Managing Director Developing World Markets. She has extensive portfolio management expertise including portfolio investments in Sri Lanka, Cambodia, China, India and Indonesia.

Previous Appointments

Earlier, Ms Lima was Vice President for AIG Global Investment Group in London and with venture capital firm AFLA/CVC in Sao Paulo, Brazil having started her career with Brazil-based Unibanco/ITAU.

8. MR. CHULA HETTIARACHCHI

Executive Director

Skills & Experience

He holds B.Com. and M.Com degrees from the University of Kelaniya and also holds a Postgraduate Diploma in Finance and Business Management from the Institute of Chartered Accountants of Sri Lanka. He has received extensive overseas training with Allied Dunbar UK, FALIA Japan, and OLIS Japan, as well as the Indian Insurance Institute, Pune, and Munich Re in Germany. His career spans a period of 37 years, 24 of which is in the life insurance field. He spearheads the Life distribution operations in an astute and professional manner.

9. MR. V. GOVINDASAMY

Director

Skills & Experience

He holds a Bachelor of Science in Electrical Engineering and an MBA from the University of Hartford, USA. He is a Fellow Member of the Institute of Certified Professional Managers of Sri Lanka.

His international experience coupled with his innate managerial capability and innovative qualities enabled him to transform the plantation business, achieving perceptible improvement in quality, production standards and penetration into new markets.

In recognition of his achievements, the TATA Group invited Mr. V. Govindasamy to sit on several key committees in the House of TATA – a truly rare honour for a person in the corporate sector globally.

Other Current Appointment

Mr. V. Govindasamy is the Group Managing Director of Sunshine Holdings PLC and pioneered the Group's diversification into newer but key economic sectors such as renewable energy, telecommunications and FMCG.

10. RAIMUND SNYDERS

Director

Skills & Experience

Mr. Raimund Snyders holds a Bachelor of Commerce, Bachelor of Laws from Stellenbosch University, as well as Executive Leadership qualifications from the Graduate School of Business, University of Cape Town, and Harvard Business School.

Raimund is one of the most seasoned insurance leaders in the industry. His experience in the insurance industry is both vast and deep. Over his career, Raimund has led organic and inorganic expansion, sales, marketing, product development, distribution, bancassurance, investment and wealth management – with responsibilities across retail, institutional and enterprise functions cultivated over 27 years of career with Old Mutual.

Other Current Appointments

Currently, he sits on the Board of Directors of miLife Insurance Limited and AIICO Limited, both Africa-based insurers.

Previous Appointments

He served as the CEO of Mutual & Federal, the 185 year old insurer in the Old Mutual Group, and he led a turnaround of the Company as part of the Old Mutual Group's strategy to establish itself as a leading financial services group across the African continent. Under his leadership, Mutual & Federal was rebranded to become Old Mutual Insure.

Prior to this, Mr. Snyders served in executive leadership positions in the Old Mutual Group, leading large multi-disciplinary teams in areas of business such as distribution, bancassurance, investments and wealth management. Key positions included: COO and Head of Distribution for Old Mutual's African operations; Executive General Manager, Old Mutual Life Assurance Co (South Africa); CEO, Old Mutual Life Assurance Co (Namibia); and Managing Director, Old Mutual Investment Services.

THE SENIOR MANAGEMENT

CORPORATE MANAGEMENT TEAM



1. IFTIKAR AHAMED

Managing Director

Please refer Profiles of the Board of Directors on page number 153.

2. CHULA HETTIARACHCHI

Executive Director

Please refer Profiles of the Board of Directors on page number 154.

3. THILANKA KIRIPORUWA

Chief Corporate Services Officer

Master's in Business Studies (UOC), CIM (UK), Diploma in Human Resources and a Diploma in Information Technology.

19 years' experience in Human Resources, Customer Service, Logistics, Administration, Facilities Management, Retail, General Operations & Micro Insurance.

4. DILAN CHRISTOSTOM

Chief Strategy Officer

ACCA

18 years of experience across Insurance, Auditing Strategy, Corporate Finance, Accounting, Actuarial, Compliance and ERP Implementation both locally and overseas.

5. INDU ATTYGALA

Chief Operating Officer

MBA-University of Northampton, UK

27 years of experience in Insurance.

6. AMAL DHARMAPRIYA

Chief Information Officer

B.Sc. (Applied science), M.Sc. (Computer Science), MBA, CISM (ISACA),

20 years of experience in IT industry, Specialized in Insurance Business Process Automation.

7. SURANGA WADUGE

Chief Actuarial Officer

BSc (Hons), MSc (Mathematics & Statistics), MSc (Actuarial Management).

15 years of experience in Actuarial and Life Insurance.

8. PRANAMA PERERA

Chief Technical Officer

ACII Chartered Insurer, MBA Manipal University India

24 years of experience in Insurance.

9. NUWAN WITHANAGE

Chief Financial Officer

Master of Business Administration (MBA) Post Graduate Institute of Management (PIM - University of Sri Jayewardenepura), a Fellow member (FCA) of the Institute of Chartered Accountants of Sri Lanka, Bachelor of Business Management Finance Special Degree, ACMA.

15 years of experience in fields of Insurance, Finance, Strategy, Audit, Compliance and General Management.

He is the Chairman of the Finance Technical Committee of the Insurance Association of Sri Lanka (IASL). Member of SLFRS 17: Insurance contracts implementation task force at the Institute of Chartered Accountant of Sri Lanka and Finance and Administration Committee. Private sector advisor to the Departments of Accountancy and Finance at University of Kelaniya.

10. PIYUMAL WICKRAMASINGHE

Chief Distribution Officer - Alternate Channel

B.A (Hons) in Business Management - Middlesex University, London MBA - Cardiff Metropolitan University, Cardiff.

15 years of experience in Insurance.

11. DAYAN RANASINGHE

Head of Treasury

BA, ACMA, CGMA

Accumulated two decades of experience in the corporate sector with 15 years specialist experience in Treasury and Portfolio Management.

12. INDIKA BAMUNUSINGHE

Head of Human Resources

B.Bus (Management & HRM) - La Trobe University, Australia

15 years of experience in Human Resource Management in Insurance and Retail Sectors in Sri Lanka, Australia and Hong Kong.

13. RUWANTHA ARUKWATTA

Head of Internal Audit

ACA, IIA

13 years of experience in public Accounting Practices and Internal Audit.

14. SARANGA WIJAYARATHNE

Head of Digital Innovation

MBCS, PgISM University of Colombo.

15 years of experience in Information Technology Specialized in Insurance.

15. ROSHENI WICKRAMARATNE

Head of Legal & Compliance

LL.M (Masters in Law), Attorney-at Law, Dip Banking Insurance & Finance Law.

13 years of experience in Legal, Regulatory Compliance, Capital Market Regulation and Company Secretarial Practice including 8 years in Insurance.

16. RUSHIKA BEMUNUGE

Head of Risk

Master's in financial economics, University of Colombo. BSc. Economics, London School of Economics.

12 Years of Experience in Risk Management with specialist focus on Market Risk Management in Banking and Insurance.

17. KAVI RAJAPAKSHA

Head of Marketing

MBA Cardiff Metropolitan University, BSc Chemistry Special (First Class Hons) University of Colombo, BSc Chemistry Special (First Class Hons) College of Chemical Sciences.

9 Years of experience in Marketing management in the fields of FMCG and Life Insurance.

THE SENIOR MANAGEMENT

SALES MANAGEMENT TEAM



1. KAPILA SURIYARACHCHI

Senior General Manager - National Distribution

Marketing Diploma – National Institute of Business Management.

31 years of experience in Insurance Industry.

2. SANDAMAL HETTIARACHCHI

Senior General Manager - National Distribution

Diploma in Aviation Maintenance, Diploma in Marketing, Diploma in HR, Higher Diploma in Sales Management.

32 Years of Experience in Insurance Industry and 5 years in aeronautical engineering.

3. SUSANTHA ABEYTUNGE

General Manager

CIAM, LUTCF (Chartered Insurance Agency Manager (CIAM) status by LIMRA International USA.) Financial Adviser's International Qualification awarded by CII UK.

30 years of experience in the Insurance Industry.

4. SOMA HETTIARACHCHI

General Manager

BA (University of Colombo)

28 years of experience in Life Insurance Industry

5. PRIYASHANTHA SIRIWARDENA

General Manager

MBA from Buckinghamshire New University UK, Chartered Insurance Agency Manager Degree from CIAM - LIMRA, Post Graduate Diploma in Service Marketing from Netherlands - Business school of Maastricht, Diploma in Marketing – Sri Lanka Institute of Marketing, Diploma in Business Management – Institute of Management Specialist (UK). 27 years of experience in Insurance Industry.

6. SUSIL ATAPATTU

Deputy General Manager

Doctor of Humanities (American National Business University), Bachelor of Business Administration / BBA (Central American Business University), Master Management Consultant/ MMC (American Academy of Project Management).

25 Years of experience in Life Insurance Industry.

7. HIRAN GUNAWARDENA

Deputy General Manager - Training & Knowledge Management

BA (Defence Studies) from Kothalawala Defence University, CIAM (USA), LUTCF (USA), Dip in Life Insurance Marketing (USA), Certified NLP Business Practitioner (India)

10 years of experience in Defence services and 17 years in Insurance Industry.

8. LAL HETTIGE

Deputy General Manager - Customer Relationship Development

Diploma in Computer Programming

Over 30 years of experience in Administration and Insurance

9. CHAMINDA WEERAKKODY

Assistant General Manager

BSc (Sp) Hons University of Peradeniya, Post graduate Dip. in Business Administration - University of Peradeniya, Dip. in Insurance - SLII Sri Lanka Insurance Institute, MBA - London Metropolitan University (UK), CPM (Asia).

Over than 6 years of experience in Investment Banking, Financial Services and 17 years in Insurance Industry.

10. VIRANGA GUNATHILAKA

Assistant General Manager

BA University of Ruhuna,

25 years of experience in Insurance Industry.

11. SUMITH JAYAWEEERAGE

Assistant General Manager

28 years of experience in Insurance Industry.

12. RAMAYARATHNA WIJESEKARA

Assistant General Manager

28 years in life Insurance Industry

13. UPUL JAYASEKARA

Assistant General Manager

Bsc (Physical Science) at University of Colombo, Diploma in Business Management at NIBM.

20 years of experience in Insurance Industry

14. NISHANTHA BANDARA

Assistant General Manager

30 years in Insurance Industry

CORPORATE GOVERNANCE



“ WE PROMISE OUR STAKEHOLDERS THAT WE WILL CONTINUOUSLY DEVELOP AND MAINTAIN OUR FOCUS ON IMPROVING THE EFFECTIVENESS OF OUR GOVERNANCE PRACTICES ”

CHAIRMAN'S MESSAGE

Governance at Softlogic Life is shaped by the continuous commitment and the drive for attaining the highest standards in Corporate Governance. The developments in the regulatory, industry and the internal environment are continuously monitored to stay up-to-date while maintaining a prudent governance approach, positioning the Board, Management and the employees of the company to operate with accountability, ensuring long-term sustainability of the company. Our framework on Corporate Governance is not limited to mere compliance, but is more reflective of a comprehensive and dynamic approach.

A TESTAMENT TO EFFECTIVE GOVERNANCE

The accolades we received in 2019 further cement the trust the Company gained by maintaining high Corporate Governance standards as well as reaching new heights in Corporate Governance reporting.

Softlogic Life is the only Sri Lankan company to win the SAARC Anniversary Award for Corporate Governance at the SAFA Best Presented Annual Report Awards, organized by the South Asian Federation of Accountants (SAFA). Further, the Company was bestowed with a bronze award for Corporate Governance at CA Sri Lanka's Annual Report Awards 2019.

In recognition of good governance and future potential of the company, despite the adverse economic conditions in 2019, Milford Ceylon Private Limited (also a

fund managed by LeapFrog) purchased a 19% stake in the Company on 16th January 2020. This further highlights the transparency, compliance and high standard of corporate governance maintained at Softlogic Life which, in turn, ensures sustainable growth and value for the Company.

OUR PHILOSOPHY

Good governance is the guiding principles that promotes and maintains transparency, accountability, responsibility, reliability and impartiality, creating an effective and sustainable governance culture within the organization.

TONE FROM THE TOP

The Board maintained an independent and diverse composition during the year which is critical for impartial and efficient decision-making process. The Board fully supports the Management, to whom they have delegated the responsibility of day-to-day operations, while monitoring their performance to ensure that the Company is in line with the set strategy.

WAY FORWARD

The Company continuously analyses the developments in the macro environment and takes a pro-active stance on maintaining good governance to facilitate the Company's sustainable journey.

Furthermore, the Board has been keeping up with the changes in the accounting standard for Insurance Contracts - SLFRS 17, which is globally introduced for the insurance industry and to be effective from 1st January 2021. The current progression

and the expected future plans of the governance framework for SLFRS 17 is provided on pages 166.

OUR PROMISE

We promise our stakeholders that we will continuously develop and maintain our focus on improving the effectiveness of our governance practices, complying with latest regulatory and statutory developments.

DECLARATION

The Company has complied with all the statutory, regulatory requirements and details of the statutes of compliance are provided in page 163, under Statement of Compliance. The company has gone a step ahead to comply with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka, which is a voluntary governance benchmark.

In addition, I wish to state that to the best of my knowledge and available information, I am not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by the directors on the Board.

ASHOK PATHIRAGE
Chairman

28th February 2020

ANNUAL CORPORATE GOVERNANCE REPORT

Our Approach to Governance

Softlogic Life Insurance PLC is built on a strong and comprehensive structure of governance that envelops the Company and its stakeholders within the values and discipline of the Integrated Corporate Governance framework of the Company.

Softlogic Life follows an Integrated Corporate Governance framework making sure that the Company is maintaining the best interests of all stakeholders. All decisions of the Company maintain a holistic view of the ethical perspective, innovative, future-focused and well-regulated governance approach engaging all the stakeholders affected.

Corporate Governance can be described as the process and practices which ensures balancing and aligning the interests of the stakeholders of the Company and the management of the company.

With such a comprehensive outlook Softlogic Life presents **The Annual Corporate Governance Report**.

The Core Principles of Corporate Governance Framework

Leadership and Remuneration

Leadership and Remuneration of the Company are headed by the Board of Directors. The board is responsible for the overall strategic direction of the Company which they delegate to the executive management of the Company for execution and evaluates their performance. Remuneration describes the procedures of the Company applicable for the determination and evaluation of the remuneration of the Board as well as the remuneration policy applicable to the Corporate Management of the Company.

Effective Governance Execution

Governance Execution ensures the operational effectiveness of governance practices. The Board of Directors provides overall direction of the Company and proper execution assures the completeness of governance practice.

Accountability and Audit covers the wide aspects of proper presentation of the Company's financial details, performance, business model, governance structure, internal controls and impacts of the environment to the business.

Relationships with Shareholders is a critical aspect of the Governance framework, where the Company encourages effective participation and maintains proper communication with the shareholders of the Company.

How Governance Benchmarks are reflected in the use of Capitals by the Company

The Corporate Governance Framework along with the Governance Benchmarks, Code of Conduct and Ethics have promoted a culture and values that have been embedded to the foundation of the main Capitals of the Company.

All Capitals of the organization are affected by External Governance Benchmarks, while the Internal Governance Benchmarks and their connection to the Capitals can be described as below.

Internal Governance Component	Capitals Connected
Company policies on Finance such as the Manual of Financial Authority (MoFA), Treasury, Reinsurance and Sales Governance Policy.	<ul style="list-style-type: none"> Financial Capital – More Details in pages 62-89.
Remuneration Policy, Business Continuity plan, Code of Conduct, Whistleblower Policy, Risk Management Policy, Internal Control Policy, Anti-Money Laundering & Suppression of Terrorist Financing Policy and Fraud Risk Management Policies. The Company policies on IT, HR and Procurement.	<ul style="list-style-type: none"> Human Capital – More Details in pages 90-103. Intellectual policy – More Details in pages 130-137. Manufactured Capital – More Details in pages 138-141. Social and Relationship Capital - More Details in pages 104-129.
Sustainable Governance Policy	<ul style="list-style-type: none"> Natural Capital – More Details in pages 142-146.

How the Company Maintains a Balance Between Governance Framework and Innovation

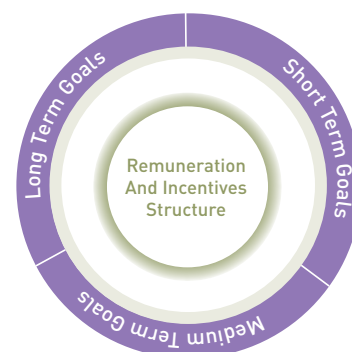
The Board of Directors are engaged in the process of maintaining good governance within the organization, while assuring that governance process will not hinder the innovation process of the Company. The governance execution and principles in technological, operational and performance governance areas are structured in a manner to promote innovation while managing the risks faced through the governance framework.

How the Company Maintains Governance in Remuneration to Establish Value Creation

The Company makes sure that the remuneration and incentives are well-aligned with the value creation process

of the Company for the short, medium and long term. A core component present in the remuneration policy is that remuneration and incentives are not excessive in nature and will be instrumental to the improvement of their performance in achieving their short, medium and long term targets.

Figure: Remuneration and Value Creation



CORPORATE GOVERNANCE

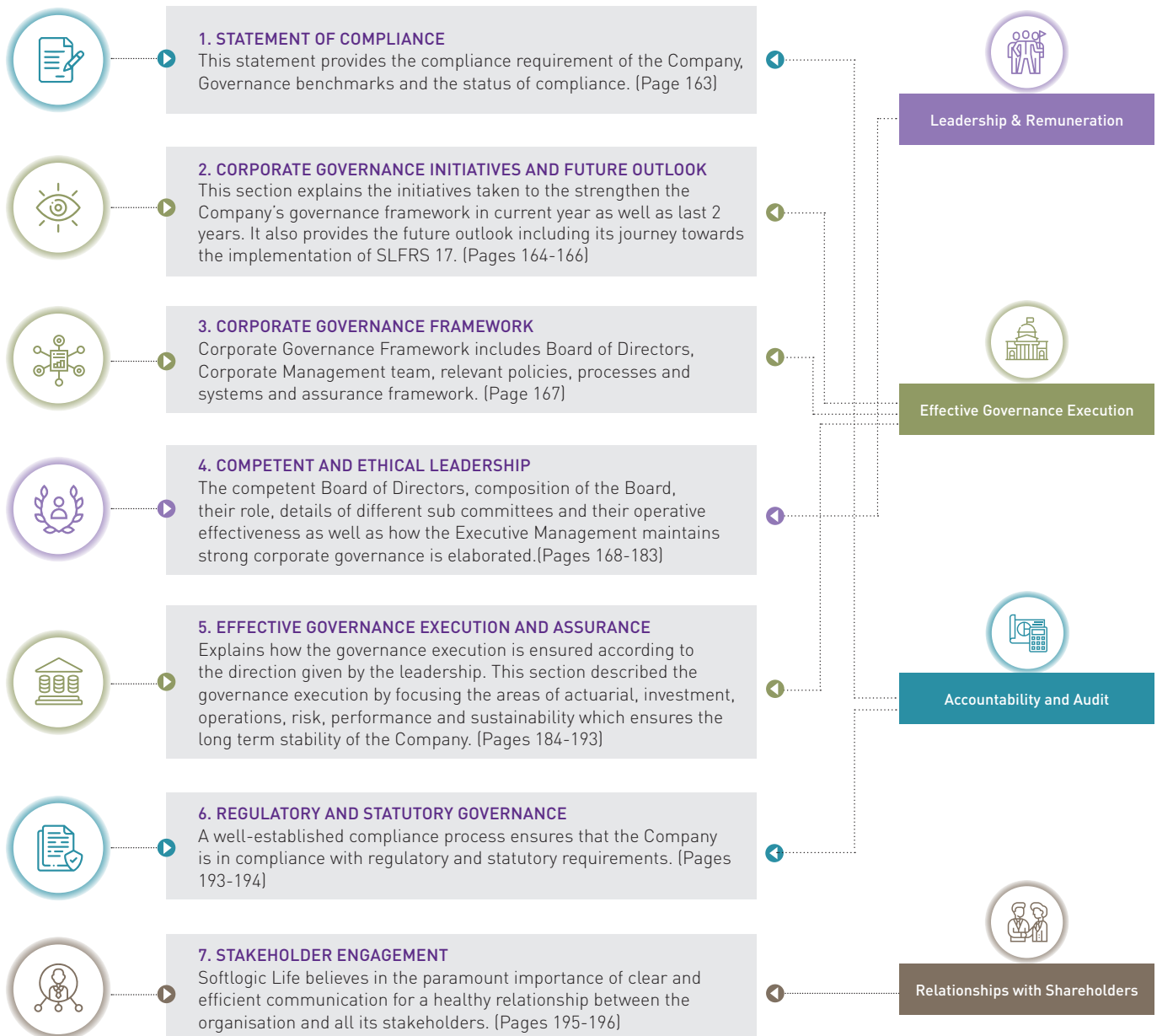
STRUCTURE OF ANNUAL CORPORATE GOVERNANCE REPORT

Our annual Corporate Governance Report consists of several components to explain the status of Compliance, including the Governance Benchmarks adopted by the Company and the Governance Framework, the initiatives taken to strengthen

corporate governance, setting up long-term objectives on governance practices, guidance from competent and ethical leadership, effective control framework of the Company and its assurance, regulatory and statutory governance and the relationship maintained with Stakeholders of the Company. Each of

these components have been derived from the four core principles of the Corporate Governance Framework of the Company. In the below visualization, we are presenting the inter-connectivity between the Core principles and the components of the Corporate Governance Framework of the Company.

Figure: Structure of the Annual Corporate Governance Report and interlink to the Core Principles



1. STATEMENT OF COMPLIANCE

Compliance Benchmark

The Company operates within the internal governance benchmarks while complying with both external mandatory and voluntary governance requirements. A visualization of Internal Governance Benchmarks as well as both mandatory and voluntary external governance benchmarks are shown below. The Company operates within a robust Corporate Governance framework which ensures long term sustainability and it is disclosed in page 167.

Statements of Compliance

We believe that in order to foster an organizational culture of complying with strong values and the high standards maintained by Corporate Governance, the involvement of the Board and Management is vital. We believe that the maintenance of high standards of compliance will earn the trust of our stakeholders and lead to sustainable value appreciation of the Company.

The Board of Directors of the Company wishes to confirm that the Company has been compliant, during the year under review with the Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto issued and Direction 17 on Corporate Governance by the Insurance Regulatory Commission of Sri Lanka ("IRCSL"), and the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

In addition, we have achieved the status of 'Fully Compliant' with the applicable sections of the Listing Rules on Corporate Governance issued by The Colombo Stock Exchange (CSE). For details refer pages 228-230.

The Board of Directors also wishes to confirm that, to its best of knowledge and belief, Softlogic Life is compliant with all the requirements under the Companies Act No.7 of 2007 and has satisfied all its statutory payment obligations to the

Government and other regulatory bodies. For details refer page 202.

The Chairman's declaration of complying to the Code of business conduct and ethics for directors and compliance with related regulations have been disclosed in page 160.

The Annual Report of the Board of Directors as at 31st December 2019 is depicted in pages 197 to 205. Directors' statement of internal control is disclosed in pages 212 to 213.

The level of compliance in preparing the Financial Statements has been declared by the Board of Directors on pages 206-207, in the Statement of Directors' Responsibility.

The declaration of independence given by all directors, in compliance with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka, can be found on page 175.

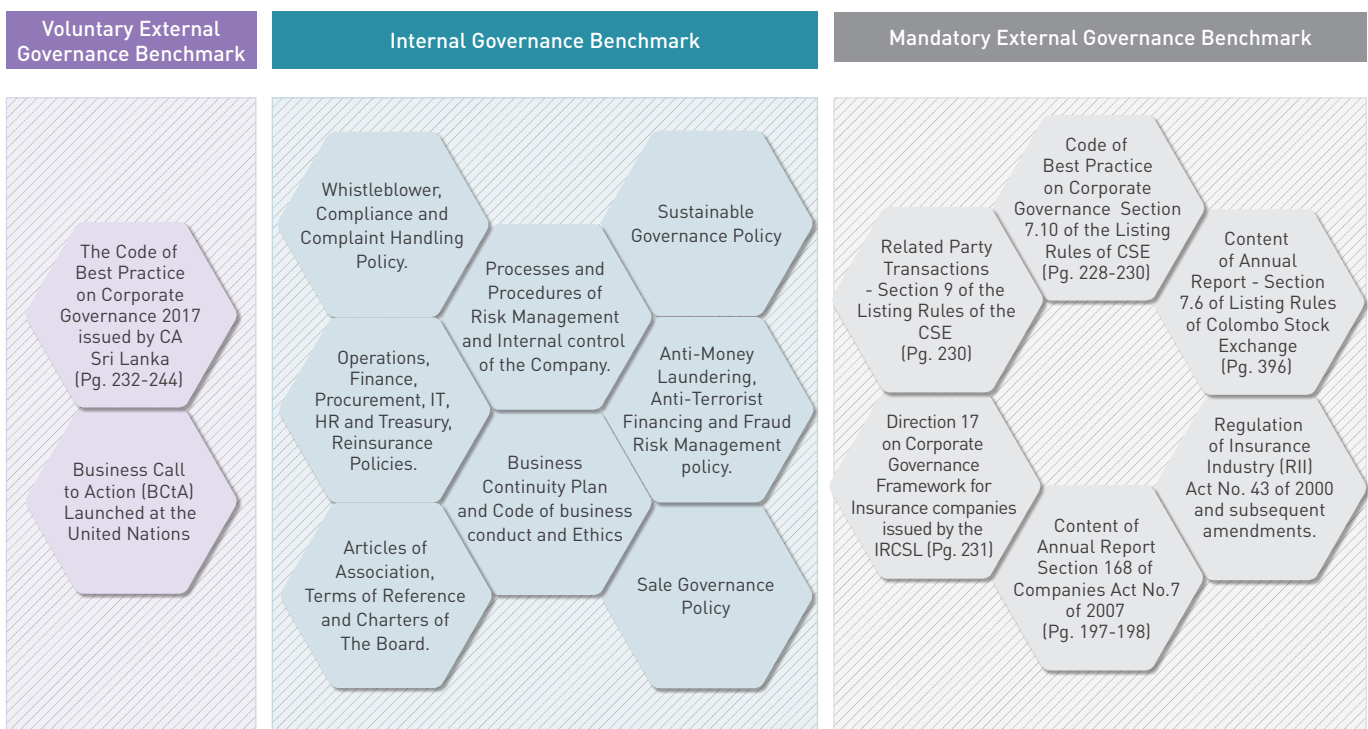
Code of Best Practice
(CA Sri Lanka) ✓

Directive on Corporate
Governance (IRCSL) ✓

Rule No.7.10 and 9 of
Listing Rules of CSE ✓

Section 168 [Companies
Act No. 07 of 2007] ✓

Figure: Governance Benchmarks of the company



CORPORATE GOVERNANCE

2. CORPORATE GOVERNANCE INITIATIVES AND FUTURE OUTLOOK



2017
Initiatives

Segregation of Funds by implementing fund level accounting in Oracle

The Company has implemented the new Oracle accounting system with effect from 01st January 2017. The new system is designed to keep separate ledgers for the Participating policyholder segment, Non-Participating policyholder segment and Shareholder segment.

This initiative significantly improves transparency to the policyholders and provides clear segregation of the assets and liabilities respective fund which proves that the Company has executed the best governance practices.

Ring-Fencing of Investment Assets

Investment Assets have been physically ring-fenced at each fund level during 2017. The Company started separate custodian accounts in order to maintain the physical separation of the financial investments.

This initiative has further strengthened transparency of investment activities such as computation of fund wise investment performance and allocation of precise benefits to policyholders based on performance of the fund.

Assets Share Analysis

The Company has developed initial asset share for participating business by engaging the Towers Watson India Private Limited which is a globally recognised actuarial firm. This exercise enables the Company to declare an accurate bonus.

The study proves that the Company is allocating the bonuses to the participating policy holders on a fair basis and it further proves the Company is on the right track to maximize the policyholders' value with this initiative.

Expense Study

The Company engaged Towers Watson India Private Limited to assist in developing an expense allocation framework to enable appropriate expense attribution and assumption setting for various actuarial applications. The Company identified most appropriate allocation basis for each type of expense and concluded the Expense Study.

The expense allocation policy assures treating policyholders in a transparent manner.



2018
Initiatives

Universal Life Segment Implementation in Oracle System for Fund Level Accounting

The Company has introduced a new universal life product and implemented Universal Life segment in Oracle accounting system in 2018. This is a continuation of the initiative – "Segregation of Funds by implementing fund level accounting in Oracle" which was introduced in 2017.

Ring-Fencing of Investment Assets in Universal Life Segment

The Company always believes the effective corporate governance practice as a journey and effectively implemented the universal life segment in to oracle system as a separate fund which proves the commitment towards correct governance practices.

Surplus Analysis

The Company ring fenced the investment assets of universal life fund in order to maintain the physical separation of the financial investments. The Company successfully continues with its corporate governance journey which

is an extension to the ring fencing of investment assets to par fund, non-par fund and shareholder fund which was completed in 2017.

The Company has taken initiatives to analyse the different components contributing to the surplus/profit with actuarial analysis. This process is reviewed by Messrs. Towers Watson India Private Limited.

This process provides a value addition to the shareholders by maximising the return and at the same time enhances the quality of products that we offer to the customers by charging fair premiums.

Publication of Quarterly Audited Financial Statements

The Company has published audited Interim Financial Statements at the Colombo Stock Exchange for all four quarters.

The Company wishes to bring greater transparency to its Financial Reporting process and this initiative will result a positive impact on the long term corporate governance aspect.



2019 Initiatives

Capital Projection Model

The Company has built a capital projection model during the year and this can be considered as a key corporate governance initiative. The capital projection model is a comprehensive model to analyse the capital position of the Company. The expert inputs have been taken by the Company on this significant initiative from Willis Towers Watson India Private Limited.

This model has the capability to incorporate different stress scenarios and sensitivity analysis and has also been embedded to bring more value on the decisions. The management is able to predict different scenarios and they will know the expected results in advance. This will be a critical success factor in the long term governance practices of the Company.

The management of the Company proactively implements such measures along with the corporate governance journey which brings positive governance practices to the Company.

Reinsurance Study

Softlogic Life has several reinsurance arrangements that covers various products sold by the Company such as individual life business, credit life products, group life products etc. The objective of this study is to assess whether any revisions, new arrangements are required to optimize the cost of reinsurance to the Company. Willis Towers Watson India Private Limited has reviewed the reinsurance study and provide necessary input to improve the quality of the Reinsurance Study.

The study has focused on key indicators such as profitability, volatility of cash flows, capital requirement and return of capital. The study will bring greater value addition to the shareholders and it improves the value of the Company.

The Management is keen on such initiatives which play a significant role in ensuring the long term sustainability of the Company and it proves the management is actively implementing the corporate governance journey within the company.

Softlogic Life's Initiative for Business Call to Action (BCTA)

Softlogic Life's membership to Business Call to Action, a sure confirmation of company's leadership in and commitment to inclusive and sustainable business initiatives at the base of the pyramid (BoP).

Launched at the United Nations in 2008, Business Call to Action (BCTA) aims to accelerate progress towards the Sustainable Development Goals (SDGs) by challenging companies to develop inclusive business models that engage people at the base of the economic pyramid (BoP) – people with less than US\$8 per day in purchasing power – as consumers, producers, suppliers, distributors of goods and services and employees.

The Company promotes the fair treatment to policyholders by engaging Business Call to Action (BCTA).

Embedded Value (EV) and Appraisal Value (AV)

Review of Embedded Value (EV) and Appraisal Value (AV) for the year ended 31st December 2018 by Willis Towers Watson India Private Limited.

2020 Initiatives

Future Outlook on Governance Framework

With an analytical view on the future, the company constantly analyses the current developments in the Insurance industry, using the historical information as a platform and attempts to anticipate the short-to-medium term future developments in the regulatory, statutory and in the industry. Once such developments are identified they are embedded into the Corporate Governance Framework.

When looking at the journey of the company it is evident that the company has identified critical developments and taken action to comply with the requirements demonstrating a proactive approach to Governance. The Company has implemented a process to identify new regulations and execute relevant actions via Compliance Officer of the Company. The detailed process is provided in page 193.

Future Governance Activities

2020

The Company has a process to identify new regulations and execute relevant action via Compliance Officer of the Company. This process will ensure the compliance with future regulations.

2022

SLFRS 17: Insurance Contracts, the new accounting standard relating to the insurance industry which needs to be applied across globally will come into effect from 01st January 2021. However, the IASB has differed the implementation date to 01st January 2022. This standard will have a material impact on operational aspects of data, systems and processes. Please refer page 314-315 for the full review of SLFRS 17.

CORPORATE GOVERNANCE

Update on the Governance Framework of SLFRS 17: Insurance Contract

Introduction

SLFRS 17 set to replace the interim SLFRS 4; was published by the International Accounting Standard Board in May 2017. It is a very important accounting standard for the whole insurance industry across the globe. It will have on operational aspects of data, systems and processes.

The Company believes an appropriate governance approach from the outset of the implementation process of SLFRS 17 will assure the long term success of the project while adding value to the governance framework of the Company.

SLFRS 17 Implementation of Governance Structure

SLFRS 17 will require competent human resources, technologically driven systems and process and support of an external consultant. In order to manage the project effectively and cost efficiently the Company has formed an implementation governance structure for SLFRS 17 which is detailed below.

SLFRS 17 Implementation Project Plan

The Company has a clear plan for implementation of SLFRS 17 and this is governed by a steering committee of the Company. Which is headed by the Chief Financial Officer of the Company. The implementation plan has 3 main phases with specific timeframes.

Scope of assessing the change: Identify gaps between current and future practice, identifying initial impacts, building the initial work plan and budget.

Scope of design and implementation: design of accounting policies and solutions to achieve data, system and process requirements of the project and mobilize the business to execute the implementation plan including parallel runs.

Scope to sustain new practice: execute the dry run considering business as usual and compliance with the new requirements and executing on-going system improvements.

Figure: Governance Structure of SLFRS 17 Implementation

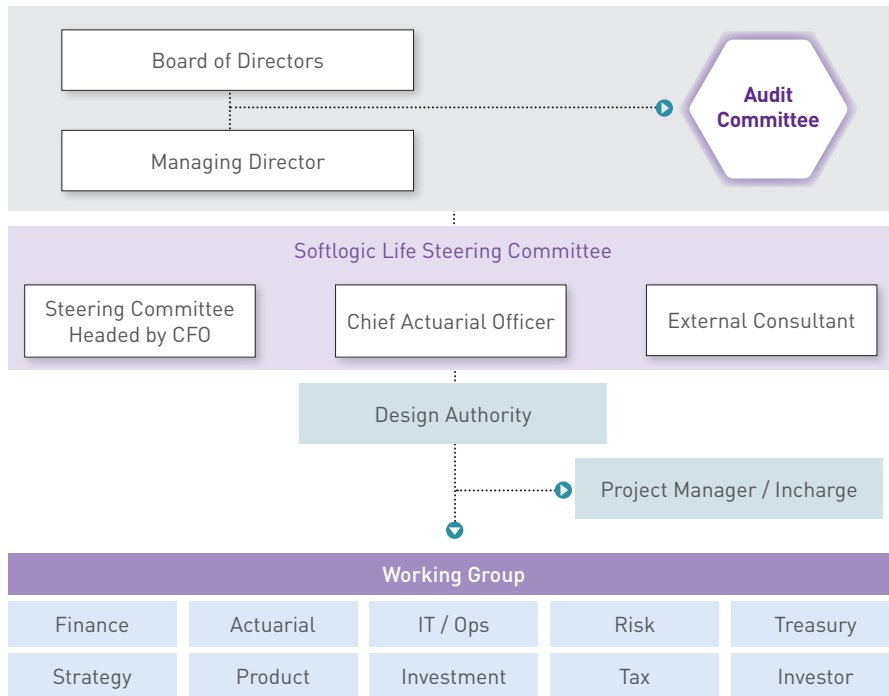



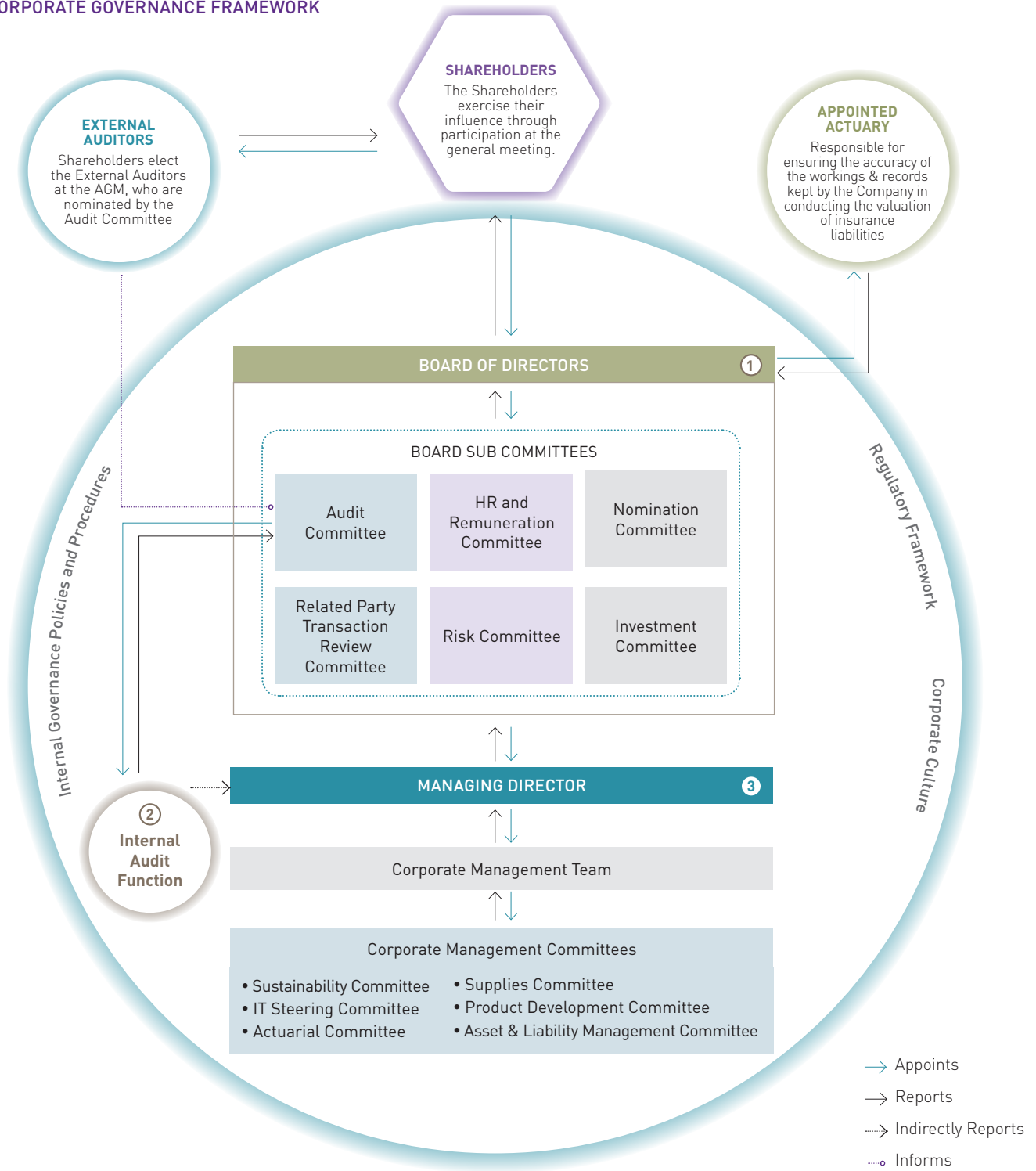
Figure: SLFRF 17 Implementation Project Plan



Expected Future Challenges on SLFRS 17 Implementation Project

Challenge	Softlogic Life Response
Changes in regulatory, statutory and Inland Revenue guidelines due to SLFRS 17 standard	The Company will review new guidelines and either comply with them or discuss with governing bodies if the business impact is significant.
Change management on SLFRS 17 implementation	The Company is planning to have a series of training and focus group discussion to share knowledge and keep the coordination between inter departments
New system implementation	The Company intends to modify the IT governance framework to comply with SLFRS 17 requirements
Educating Shareholders	The Company is planning to have series of workshops to educate shareholders on SLFRS 17. The company published video to educate shareholders in 2017. You can access the video from this QR code. 

3. CORPORATE GOVERNANCE FRAMEWORK



- ① The Nominations Committee nominates suitable candidates to appoint to the Board. Shareholders elect the Board of Directors at the AGM. The Board has an overarching responsibility for managing Softlogic Life’s affairs in the interests of the Company and shareholders.
- ② Internal Audit Function reports directly to the Board Audit Committee while also indirectly reporting to the MD.
- ③ Managing Director is responsible for execution of the Board Strategy within the external rules and regulations.

4. COMPETENT AND ETHICAL LEADERSHIP

4.1 THE BOARD OF DIRECTORS

A. Board Dynamics

A.1 Main Function of the Board

The Board of Directors are the representatives of the shareholders of the Company and their core function is to provide the leadership while maintaining the Company strategy within a prudent and effective control framework. This framework enables them to assess and manage risks within the Company risk appetite. The Corporate Management Team, led by the Managing Director, is responsible for executing the strategies within the Company's risk appetite, whereas the Board takes a supervisory role in overseeing the management and its performance. The Board evaluates the performance regularly, in order to make sure that the Company is performing at

an optimal level, in an ethical manner, complying with the regulatory boundaries with the best interests of all the stakeholders towards sustainable value generation.

A.2 The Composition of the Board

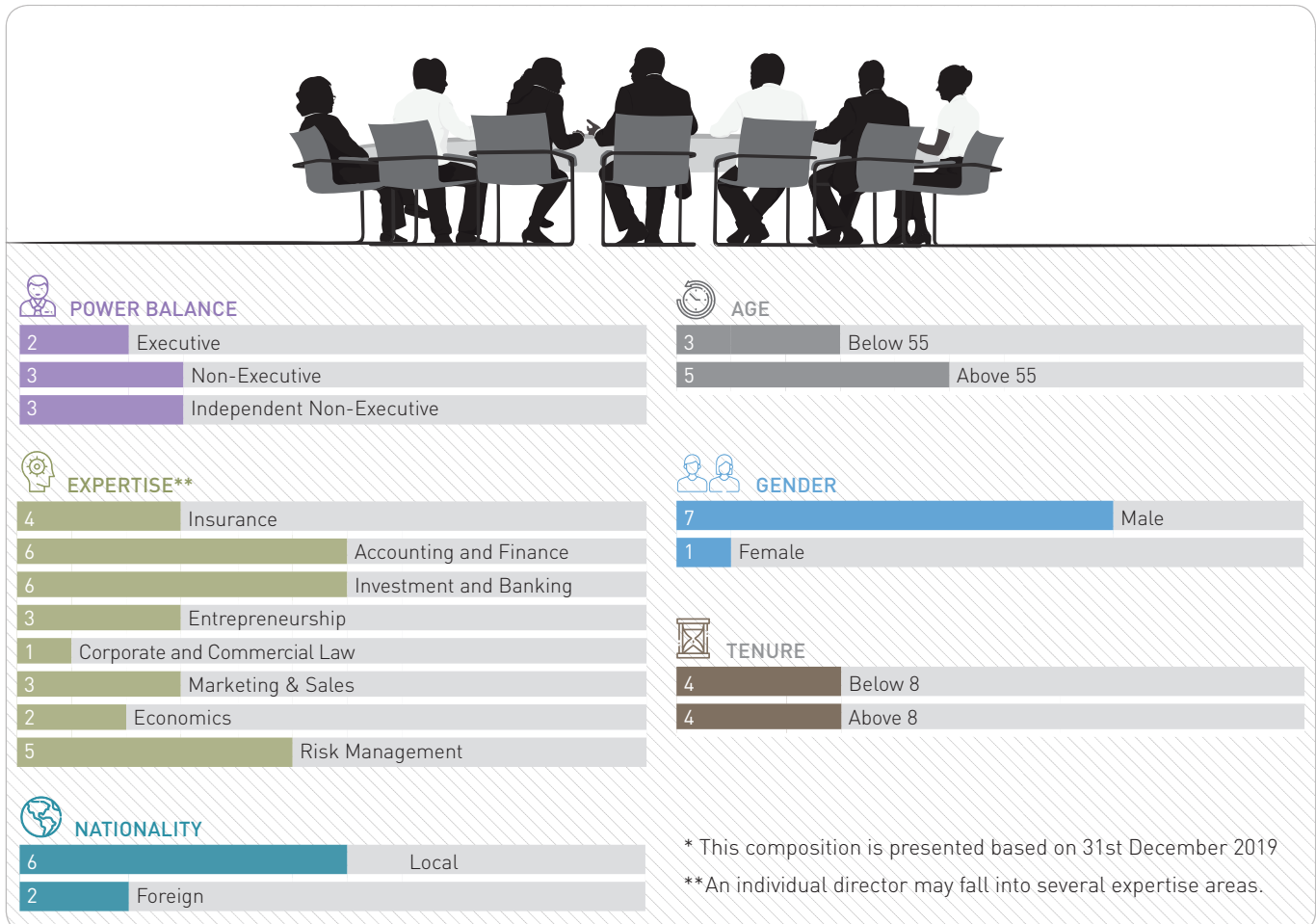
The Board of Softlogic Life is well balanced with Executive and Non-Executive Directors, therefore making sure that the Board would not be dominated by any individual or a group of members in the decision making process.

The Board consists of 8 Directors as at 31st December 2019. There were 9 Directors at the beginning of the year and Mr. Paul Ratnayake the Deputy Chairman and Senior Independent Director, resigned during the year. As at 31st December 2019, the majority of the Board members

(6/8) are Non-Executive Directors including the Chairman, while 3 of the Non-Executive Directors are Independent Non – Executive Directors. The Board is maintaining a majority of Non-Executive Directors and the Company appointed Senior Independent Director from one of the independent Non – Executive Directors. Mr. Sujeewa Rajapakse, who was a past president of CA Sri Lanka was appointed as the new Deputy Chairman and the Senior Independent Director to the Board during the year.

The judgement of Independent Non – Executive Directors are not influenced by any element of the Company and therefore represents an independent view and opinion in the Board.

Figure: The Board Composition *



The Managing Director and the Executive Director, utilize their business experience, skills and knowledge to enable the successful operation of the Company.

Having such a level of independence, the Board of Directors are geared towards enabling the Board to contribute with an unbiased view, objective criticism, complemented by their prominent experiences in their respective fields and diverse perspectives, to challenge the management in a constructive manner.

The enhanced composition of the Board coupled with the strong leadership provided by the Chairman further eliminates room for a single individual or a small group to dominate the decisions of the Board.

A.3 Skills and Experience of the Board

The Board members display a wide, rich array of skills, experience, expertise and knowledge including sufficient financial acumen, that ensures insightful and constructive debates at Board Meetings. The qualifications each of these directors possess, their exposure in various industries as well as fields, and differing scopes at various levels bear evidence to the skills and expertise they possess. The strength of the Board in terms of diverse viewpoints allow it to explore matters from Insurance, entrepreneurial, investor and regulatory perspectives to facilitate long-term value creation.

More details of the expertise, experience and qualifications of the Board are mentioned in their respective profiles on pages 152-155.

A.4 Roles and Responsibilities of the Board

The Company has given significant power to the Board to enable them to effectively direct the Company within the roles, duties and responsibilities which are set out by the Articles of Association of the Company and the Companies Act No. 7 of 2007.

Roles of the Board

The Board of Directors have multiple roles to execute in order to achieve the targeted performance of the Company and to bring out their valuable input to the decision-making process of the Company. The Board is expected to act in good faith and exercise its powers independently, in the best interests of policyholders and shareholders of the Company. They are also required to lead and guide the Management of the Company to meet their Strategic Goals, while maintaining their independent judgement. The Board is expected to maintain and oversee the compliance with requirements of the governing bodies such as the IRCSL as well as internal risk frameworks and act in accordance within the laws of the country. The Board is expected to allocate

time and discharge their duties and responsibilities to the best of their abilities for the Company.

Powers of the Board

In order to perform these roles, the Board is given significant yet appropriate levels of power, so that they can maintain their effectiveness while balancing the power and shareholder interests. Furthermore, the Board has also been empowered with the ability to make decisions with regard to major financial asset investments and capital expenditure, appointment of the Board Secretary and Actuaries for the Company as well as to review operational matters which require Board-level approval, including publishing of Financial Statements.

The Board appoints Sub-Committees of the main Board to assist the main Board in fulfilling its stewardship function.

The Board has also been allowed to seek and utilize expert opinions from external parties where required, while the Company will reimburse the professional service fee. All the Board members have access to the Company Secretary and holds the power to assign or remove the Company Secretary. The Company has obtained a suitable Insurance Cover for the Board, Directors and the Key Management Personnel (KMP) as well.

Table: Responsibilities of the Board and fulfilment of such responsibilities in 2019

Responsibilities of the Board	2019 Update
Strategic Direction	
Setting strategic targets and implementation of new initiatives for the Company.	The Board discharged their duties in Setting, reviewing, directing, approving and monitoring the corporate strategies and new initiatives. Strategic targets are detailed under each capital can be found in pages 48-52. Details of new initiatives can be found in pages 108-109.
Determining the Company's risk appetite and Risk Governance Framework.	The Board revived the Company Risk Management Policy, including the Treasury Middle Office, Fraud Risk policy and adopted the amendments presented. More Details of Risk Management and Governance can be found in pages 245-258.
Discharging duties through various sub committees of the main Board.	The Board Sub Committee Meetings were held and discharged their duties during 2019. A detailed description of Board sub-committee activities can be found in pages 214-227.

CORPORATE GOVERNANCE

Responsibilities of the Board	2019 Update
Being responsive to the needs of society.	The Board reviewed and approved various CSR and sustainability initiatives which are detailed in pages 190-192.
Execution and Operating Governance	
Providing guidance to Director/MD and senior management and ensuring they possess the relevant skills, experience and knowledge to implement the strategies.	The Board provides guidance to MD and Senior Management to prepare the Corporate Plan 2020 to 2022 and evaluate the strategies implemented by the Senior Management.
Effective succession planning for MD and Key Management Personnel (KMPs).	The HR and Remuneration committee has performed their responsibility in setting proper succession planning of which details can be found on pages 221-222.
Reviewing the Company's values and standards that are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.	This Company's values and standards were discussed by the Board including the adaptation of new accounting standards. Further details can be found in pages 215-216.
Selecting, appointing, and evaluating the performance of the Chief Executive Officer/ MD.	The board set a wide range of targets for the CEO/MD and perform a rigorous evaluation process. Further details are available on page 182.
Appointing and overseeing the External Auditors' Responsibilities.	The Board re-appointed Messrs. KPMG, Chartered Accountants as Auditors of the Company for the year 2019 and determined their remuneration at the 20th AGM. Refer pages 216-217 for the Audit Committee report for further details on Board actions related to External Auditors.
Approval of budgets and major capital expenditure.	The Board reviewed various major capital expenditure and budgets through various resolutions passed through the year 2019.
Ensuring all stakeholder interests are considered in corporate decisions.	The input of all stakeholders were considered when executing the decisions by the Board. Further details can be found on pages 53-57.
Continuous Monitoring	
Monitoring how strategy is executed on a periodic basis and how the related risks unfold.	The Board evaluated and monitored the execution of the Company strategy and related risks via Board and sub-committee meetings held throughout the year 2019.
Monitoring performance against budgets on a regular basis via monthly review of financial performance reports.	Financial performance, KPI and budget achievements were regularly reviewed at Board meetings during the year 2019.
Assess effectiveness of the Board through self-evaluation.	The Board carried out self-evaluations in 2019. Refer page 180 for more details.
Reporting and Compliance	
Compliance with laws, regulation (IRCSL) and statutory payments via review of compliance reports.	A compliance and Legal review were monitored and summaries of regulatory body reviews were discussed through Board Meetings. Refer Audit committee report for more details on pages 214-218.
Reporting to shareholders on their stewardship.	The Corporate Governance section on pages 195-196 will provide a more detailed approach of the Board in their stewardship activities including the requirements and suggestions made under the corporate governance code 2017 issued by CA Sri Lanka.
Ensuring the integrity of financial information, internal controls, risk management and financial statements.	The Board reviewed the integrity and effectiveness of internal controls, risk management and financial information, including statements provided. Further information can be found in respective areas in pages 214-218.
Reviewing & approving interim and annual financial statements for publication.	Declarations of the Annual Report and Financial Statements can be found on pages 214-218.

Separation of The Roles of Chairman and CEO (Managing Director)

The Company has vested the powers of the Chairman and Chief Executive Officer (Managing Director) separately with clear separation of accountability and responsibility, in order to ensure the balance of power and authority in decision making.

This is in compliance with the best practice of Corporate Governance, where the separation of the roles of Chairman and CEO is recommended to avoid an individual director having unfettered powers in decision making.

Key Roles of the Board

The Role of Chairman

The Chairman of the Board

Mr. Ashok Pathirage

- ▶ Provides firm and objective leadership to the board.
- ▶ Facilitating the effective discharge of the duties pertaining to the board.
- ▶ Maintains order and smooth functioning of the board.
- ▶ Presiding over Directors' and Shareholders' Meetings to ensure Director participation and proper execution of board proceedings.
- ▶ Initiate self-assessment of the board to further improve the effectiveness of the board.
- ▶ Promote and carry out responsibilities in the best interest of good governance.

A profile of the Chairman is available on page 153.

The Role of Independent Non – Executive Directors

- ▶ Act as the element of independence and unbiased opinions in the board.
- ▶ Provides an unbiased opinion in matters where conflict of interest may arise.
- ▶ Provide valuable input in shaping company strategy, with their years of diverse experience and knowledge.
- ▶ Challenge and constructively support the management in evaluating their performance.

The Role of Senior Independent Director

The Deputy Chairman and Senior Independent Director

Mr. Sujeewa Rajapakse

- ▶ Acts as an intermediary for the Chairman and other directors.
- ▶ Available for discussions with other directors with regard to concerns and confidential matters.
- ▶ To participate in the meetings with shareholders and have access to the concerns of all levels of shareholders, through the Company Secretary .

A profile of the Deputy Chairman is available on page 153.

The Role of CEO/Managing Director

The Managing Director

Mr. Iftikar Ahamed

- ▶ Taking leadership in the execution of the Strategy outlined by the Board of Directors.
- ▶ Managing the Executive Management in day-to-day operations.
- ▶ Review and overseeing the implementation of key initiatives to meet the objectives of the Company.
- ▶ Leading the Executive Management in achieving the corporate objectives set by the board and included in the corporate plan of the Company.

A profile of the Managing Director is available on page 153.

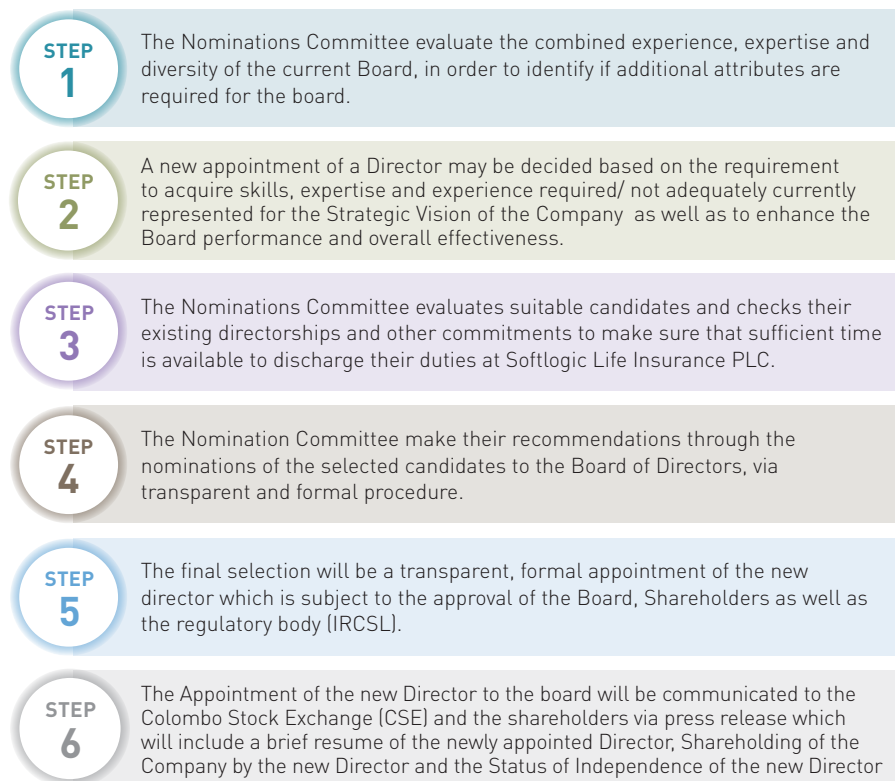
The Role of the Company Secretary

- ▶ Support the Board by ensuring a proper flow of information.
- ▶ Ensure that the Meetings are conducted in accordance with the Articles of Association, the Board Charter, and relevant legislations.
- ▶ Formulate meeting agendas with the Chairman, MD and the other directors.
- ▶ Coordinate with the management on Board papers, memoranda or presentations for the meetings.
- ▶ Ensure that all proceedings of the meetings are duly recorded in the minutes.
- ▶ Maintain statutory registers and filing statutory returns.
- ▶ Prompt communication with regulators & shareholders facilitating a healthy relationship with the Company.
- ▶ Facilitate access to legal advice in consultation with the Board, where necessary.

CORPORATE GOVERNANCE

A.5 Appointment and Re-election of Directors

Figure: Process of Director Appointment



New Board appointments are governed by the Articles of Association and the Company policy, that is reviewed annually. Appointments are formal, transparent and subject to Board and shareholder approval as well as regulatory approval. Recommendations are made by the Nominations Committee.

Reasoning behind new Board appointments:

- Skills, expertise and experience necessary to meet the strategic vision for the business.
- Means for enhancing Board performance.
- Skills, expertise and experience not adequately represented at the Board.
- Process necessary to ensure the selection of a candidate who possesses the required qualities.

Re-election of Directors

The re-election of Directors is governed by the Articles of Association and performed at the Annual General Meeting (AGM) of the Company.

Longest serving Non-Executive Director will offer himself/herself for re-election by the Shareholders, where period of service will be considered from the last re-election or appointment. This proposed re-election will also be subjected to board approval.

Newly appointed Directors will resign at the first AGM, following their appointment and be available for re-election by shareholders in the same AGM.

For details of the Directors coming up for re-election at the AGM to be held on the 31st March 2020, please refer the Notice of the Meeting on page 403.

A.6 Resignation

If a Director is terminating their directorship prior to the completion of the appointed term, they should submit a written communication to the Board confirming the resignation and the reason of resignation.

The following director resigned during the year 2019.

Director Name	Position Served	Board Membership	Date of Resignation	Number of Shares Held
Mr. Paul Ratnayake	Deputy Chairman/ Senior Independent Director	Independent Non-Executive Director	25th October 2019	Zero (0)

A.7 Board Induction and Development

On appointment, each Director undertakes a comprehensive induction program which introduces the new Director to Softlogic Life. The Company Secretary is responsible for facilitating a comprehensive Induction program for newly appointed Directors of the Company.

The Induction Program

- The newly-appointed Director is introduced to the Softlogic Life's business and Senior Management team.

- The new Director will be apprised of the Company value, culture and the Code of Conduct of the Company.
- Introduction to the regulatory directions of the IRCSL and the governance framework including the Articles of Association, Charters, Policies and procedures will also be communicated to the new Director.
- The responsibilities the Director will be undertaking in the prevailing legislative environment will also be informed.
- Familiarity in the operations of the Company including the Company strategy, risk appetite and internal controls will be provided to the Director.

Apart from the comprehensive knowledge of the Company derived from the induction program, the newly appointed Director will be a participant at the Company strategy meetings where the management will present information on Actuarial, Sales Distribution, Finance, Life Operations and other critical areas of the Company, which will enhance the familiarity of the Company to the new Director and make it more comfortable to share their valuable insights for the improvement of the Company.

Professional Development of the Directors

On access to information and professional development, it is essential that the Directors are up-to-date with key business developments to maintain and enhance their effectiveness.

The Directors have access to:

- Information such as financial plans, including budgets and forecasts and periodic performance reports necessary to carry out duties and responsibilities effectively and efficiently.
- Regular presentations carried out by the Corporate Management and external experts on the business environment of the Company.

- Company secretaries, Senior management, External and internal auditors, Experts and other external professional service providers.
- Updates on regulations, best practices as relevant to the business and other matters which warrant Board attention.
- Seek independent professional advice at the Company's expense, if considered appropriate and necessary at any time.

A.8 Training of New and Existing Directors

The Board has acknowledged and regularly reviews the requirement of continuous development and expanding the knowledge as well as the expertise they maintain. The Company therefore have sponsored training and Knowledge sharing opportunities in the areas of:

- General aspects of Directorship
- Insurance Industry specific matters
- Technical and Company related matters
- Latest trends and issues faced by the industry and Company

Key Training and Knowledge enhancement sessions held in 2019;

- SLFRS 17 Training & Knowledge Enhancement Session

The board participated in a full-day training event covering a range of areas with regard to the changes in the SLFRS 17 including a presentation in the gap analysis of the current situation (as-is) and the future requirements (to-be). The board was also presented a demonstration with a selection of insurance products with different characteristics and their impact after the implementation of SLFRS 17. Further the Board was presented with the design implementation process and the actions to be executed for successful implementation.

- SLFRS 9 and SLFRS 16 Training & Knowledge Enhancement

The Board was also trained and briefed on the overview of the requirements of the updated SLFRS 9 and SLFRS 16 accounting standards. Methods of classification and valuation techniques were also discussed in detail and concluded with a presentation on the impact on the Company Financial statements deriving from the adaptation of the updated SLFRS 9 and SLFRS 16.

B. Maintaining the Independence of Directors

B.1 Independence of the Director

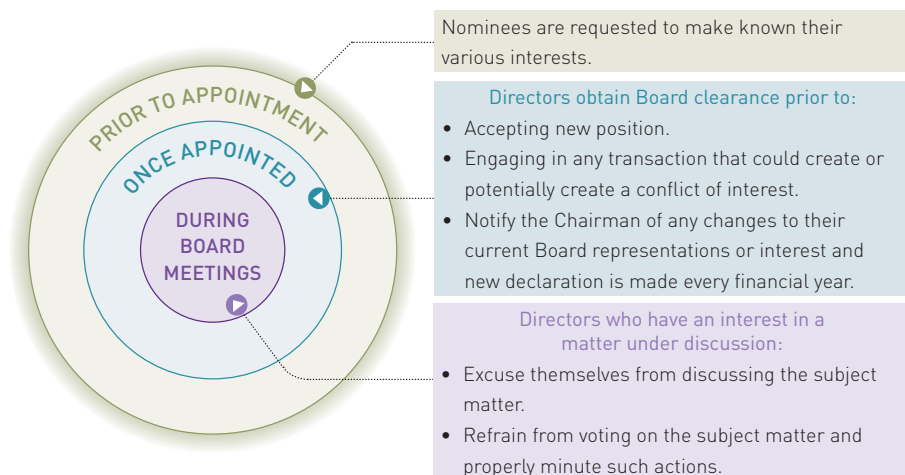
Assessment - The responsibility of assessment for potential/ actual conflict of interest arising from external associations, interest in material matters, personal relationships which may impair the unbiased judgment of Directors have been delegated to Directors for Self-Assessment.

Review - The Board of Directors have been given the responsibility of reviewing each case of conflict of interest and to determine the independence of character and judgement of each Director concerned.

Availability of Information - The shareholders have been given the power to request and inspect details of companies where Board Members hold Board Positions or hold Board Committee Positions, which are maintained as records by the Company. Details of companies in which Board members hold Board positions or Board Committee positions are available with the Company for inspection by shareholders on request.

Furthermore, the Company has taken steps to implement a Three-way approach to deter Directors independence from Conflicts of Interest. To avoid potential conflicts or bias, Directors adhere to a process where review takes place prior to appointment, once appointed, and during Board meetings.

Figure: Three-way approach to eliminate conflict of interest



“ TO AVOID POTENTIAL CONFLICTS OR BIAS, DIRECTORS ADHERE TO A PROCESS WHERE REVIEW TAKES PLACE PRIOR TO APPOINTMENT, ONCE APPOINTED, AND DURING BOARD MEETINGS. ”

Table: Independence of Directors as at 31st December 2019

	Employment by the Company	Material business relationship	Close family member is a KMP	Significant shareholding	Service of nine or more years	Business Relationship	Director in another entity	Shareholder in another company
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Mr. Ashok Pathirage	✓	✓	✓	✓	✓	✓	✗	✓
Mr. Sujeewa Rajapakse	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Iftikar Ahamed	✗	✓	✓	✓	✓	✓	✓	✓
Mr. Paul Ratnayeke*	✓	✓	✓	✓	✗	✓	✓	✓
Mr. Ray Abeywardena	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Hareesh Kaimal	✓	✓	✓	✓	✓	✓	✗	✓
Mr. Rüdiger Will	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Fernanda Lima	✓	✓	✓	✓	✓	✓	✗	✓
Mr. Chula Hettiarachchi	✗	✓	✓	✓	✓	✓	✓	✓

*The board noted that Mr. Paul Ratnayeke does not satisfy the criteria for 'Independence' in that he has continuously been a director of the Company exceeding nine years from the date of his first appointment. However the board taking into account all of the circumstances in that Mr. Paul Ratnayeke being a professional and has considerable experience in the commercial sphere, the board is satisfied that his judgement will be exercised in the same manner as a qualified independent director. Mr. Paul Ratnayeke has resigned from the Board with effect from 25th October 2019.

Criteria in determining the Independence of the Board of Directors

- Has not been employed by the Company during the period of two years immediately preceding appointment as Director.
- Currently has no material business relationship with the Company directly or indirectly, nor had any during the period of two years.
- Does not have any close family member/s who is a Director or CEO or key management personnel in the Company.
- Does not have a significant shareholding in the Company nor associated directly with, a significant shareholder of the Company.
- Has not served on the Board of the Company continuously for a period exceeding nine years from the date of the first appointment.
- Self or close family member is not a Director or employee of another company or a trustee which is materially connected to the Company in terms of shareholding or business relationship.
- Not a Director of another Company in which majority of the other directors are employed / directors or have any significant shareholding.
- Does not have any material business relationship or significant shareholding in another company in which majority of the other directors are employed / directors or have any significant shareholding.

The independence of the Non-Executive Directors was reviewed on the basis of the detailed criteria mentioned above.

B.2 Submission of Independence Declaration

The formal declaration of independence which is made annually has been submitted by all Directors in 2019. The Board evaluates these annual declarations along with the other information at its disposal to ensure compliance with the criteria for determining independence in line with the requirements of the applicable regulations and the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

C. Board Meetings

Convening of the Board of Directors through Board Meetings facilitates them to discuss the topics of discussion in detail with the input of the directors themselves with their diverse knowledge and experience. Responsibilities of the board and their execution is given in pages 169 to 170. The Board meets quarterly and additional meetings will be held as required and the Chairman makes sure that the directors are briefed properly on the issues to be discussed at the Board Meetings.

C.1 Information for the Board

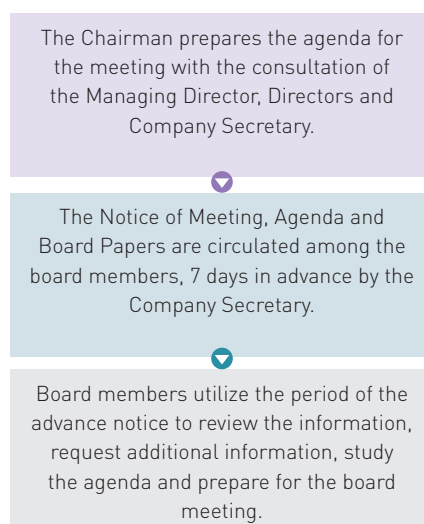
Information provided to the Board are of required quality and substance that will enable them to adequately discharge their duties. Directors are also provided information with regard to inquiries made by the directors and periodic information is provided to the Board through Board packs and papers in a timely manner.

In addition to the above all the board information are uploaded to the "Board App" on a monthly basis, for their comments and feedback.

C.2 The Board Meeting Preparation Process

The Company maintains an efficient and effective process in preparing the Board members for the Board meetings of the Company. All Board Meetings are informed to the Board at the beginning of each year while all the Directors are given an opportunity to include matters of corporate concern on the agenda.

Figure: Board Meeting Preparation Process



All Board and Board Sub-Committee meetings are scheduled in consultation with the directors. The board meetings are held in order to discuss matters related to different areas such as strategy, compliance, performance, risk management and resource allocation.

All Directors have independent access to the Company Secretary and the discretion to obtain external advice.

In certain situations, where additional board meetings are required for the discussion of specific issues or topics for urgent matters. These papers are submitted at short notice as an exception for the ordinary board meeting process.

C.3 During the Board Meeting

The Chairman:

- Facilitates constructive dialogue between all directors at Board meetings while maintaining a balance of power between executive and non-executive directors.
- Ensures effective participation and contribution from all the directors within their respective capabilities.

The Directors:

- Have access to Key Management Personnel who regularly present to

the Board and are also called in by the Board to explain matters relating to their respective areas.

- Board Sub-Committee Chairpersons provide updates on matters discussed at the committee meetings.
- Who has a conflict of interest in a matter to be considered, abstains from voting and is also not counted in the quorum.
- Views on issues under consideration are determined and recorded in the minutes.
- Can also participate by telephone or video conference.

The Managing Director:

- Gives a complete and comprehensive update on the operations and financial performance of the Company as well as on industry trends and development.

The Company Secretary:

- Attends Board Meetings and ensures that applicable rules and regulations are complied with.

Please refer page 176 for a summary of Participation in Board Meetings.

C.4 After the Board Meeting

The Board follows up and demands information on issues that were brought up at the Board Meetings. The information is shared through the Company Secretary by the KMPs of the relevant areas as well as the directors will be familiarized in any areas of the business operation if the requirement arises.

C.5 Board Attendance during 2019

The Board met four (4) times during the year. The Board is aware of other commitments of its Directors and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities at Softlogic Life effectively. Any absentee for a meeting would be briefed on the meeting proceeds via circulation of the Board meetings which is done 2 weeks after the Board meeting took place.

CORPORATE GOVERNANCE

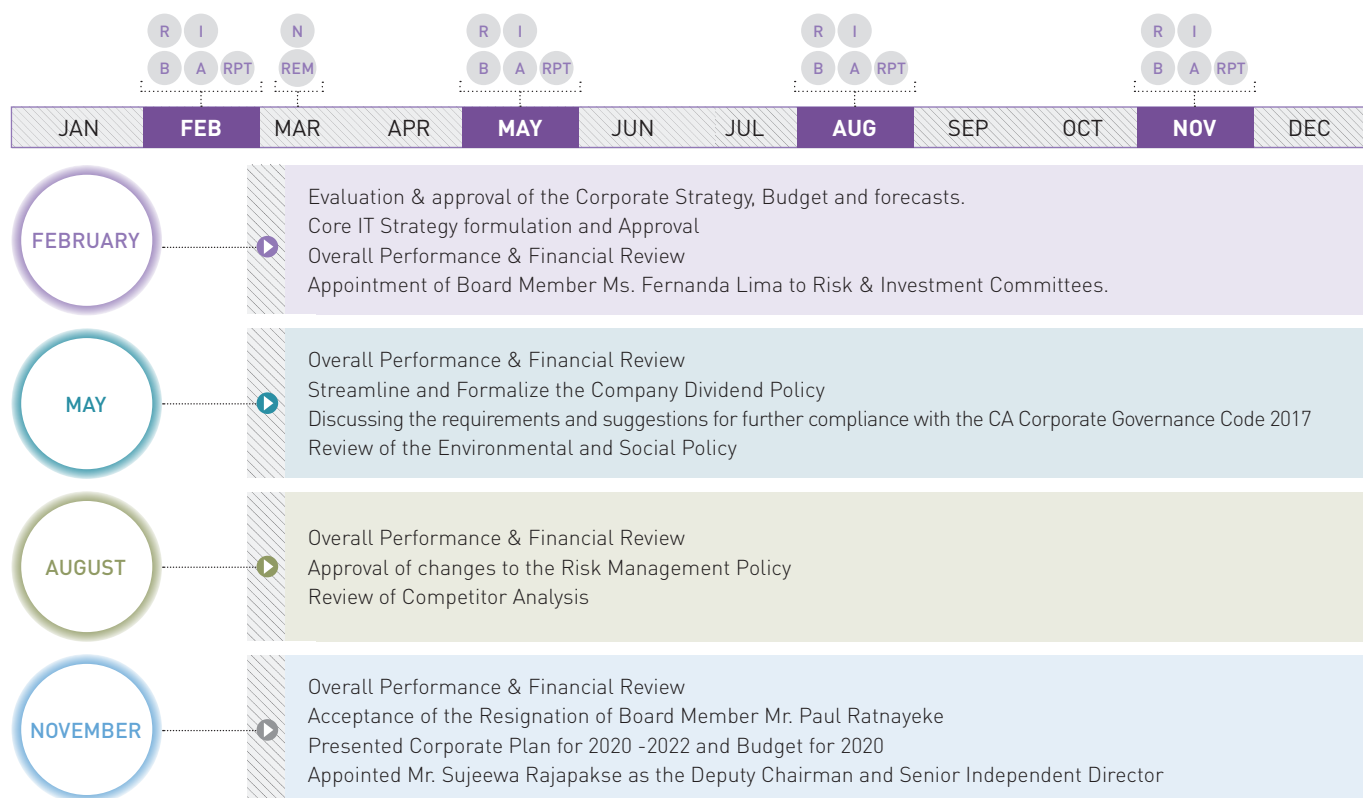
Table : Summary of Director Participation in Board Meetings

Category	Members	Participation in Eligible Meetings	Name of the Director	Age	Membership			Date of Appointment	Meetings Attended /Meetings Eligible	
					Position	Executive/ Non-Executive	Independent/ Non-Independent			
Membership	Executive	2	100%	Mr. Ashok Pathirage	55	Chairman	NE	NI	07-Sep-11	4/4
	Non-Executive	3	92%	Mr. Sujeewa Rajapakse	58	Deputy Chairman	NE	I	07-Sep-11	4/4
	Independent Non-Executive	4	93%	Mr. Iftikar Ahamed	57	Managing Director	E	NI	07-Sep-11	4/4
Gender	Male	8	94%	Mr. Paul Ratnayake*	70	Director	NE	I	03-Dec-02	2/3
	Female	1	100%	Mr. Ray Abeywardena	52	Director	NE	I	28-Sep-11	4/4
Age	Below 55	3	92%	Mr. Haresh Kaimal	54	Director	NE	NI	03-Jul-18	3/4
	Above 55	6	96%	Mr. Rüdiger Will	62	Director	NE	I	03-Jul-18	4/4
Nationality	Local	7	93%	Ms. Fernanda Lima	47	Director	NE	NI	21-Dec-18	4/4
	Foreign	2	100%	Mr. Chula Hettiarachchi	60	Director	E	NI	25-Jan-19	4/4

* Mr. Paul Ratnayake, former Deputy Chairman, resigned w.e.f. 25th October 2019. Mr. V. Govindasamy and Mr. Raimund Synders were appointed to the Board w.e.f. 16th January 2020 and 5th February 2020 respectively, subject to IRCSL approval. Therefore, these two Board members have not attended for any of the Board meetings or Board Committee meetings during the year.

NE - Non-Executive, E - Executive, NI - Non- Independent, I - Independent

C.6 Key Activities of the Board during 2019



B-Board Meeting

A-Audit Committee Meeting

R-Risk Committee Meeting

I-Investment Committee Meeting

N-Nominations Committee Meeting

REM-HR & Remuneration Committee Meeting

RPT-Related Party Transactions Review

Committee Meeting

D. Board Sub Committees

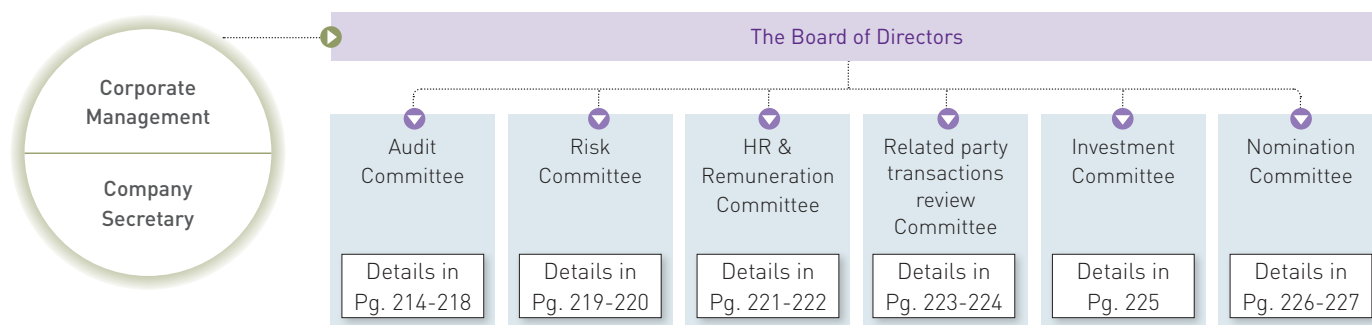
While the entire Board remains accountable for the performance and affairs of the Company, it delegates certain functions and authority to sub committees and the management to assist it in discharging its duties. This allows

- The Board to deal more effectively with complex or specialized issues while strengthening the governance aspect.

- More thorough research consideration of information of the issues analysed by the committees.
- Frees up more time at Board meetings for regular business.
- Better Dialogue between committee members and staff as well as community members on specific topics.

The Company maintains six Sub-Committees which consist of delegated functions, responsibilities and powers of the Board. The Sub-Committee Chairpersons are accountable for effective functioning of the respective Sub-Committees and report to the Board on the Sub-Committee activities, highlighting matters for the Board attention. The Board Secretary acts as the Secretary to each of the Sub- Committees.

Figure : Board Sub-Committee Structure



The Composition is categorised by Power Balance Age and Tenure

Audit Committee

Provide assistance to the Board in overseeing the Governance, Financial Reporting, Internal Audit, External Audit, Accounting Policies and Internal Control aspects of the company.

100%

Overall Attendance

100%

Committee Independence

4

4

Meetings Held/
Meeting Scheduled

Director	Membership	Position	Attendance	Composition	
Mr. Sujeewa Rajapakse	INED	Chairman	4/4	Executive	0
Mr. Ray Abeywardena	INED	Member	4/4	Non-Executive	3
Mr. Rüdiger Will ⁽¹⁾	INED	Member	4/4	Below 55	1
				Above 55	2
				Less than 8 years	1
				More than 8 years	2

Meeting Frequency- Quarterly | Agenda and Paper Circulation- One week in advance
 Invitees - MD, CFO, Head of Internal Audit, The Members of Management, Compliance Officer and the External Auditors, attended meetings as and when required

CORPORATE GOVERNANCE

Risk Committee

Design and Implementation of an effective Risk Management Framework, Risk measurement, monitoring and management, Compliance with regulatory and internal prudential requirements



100%

Overall Attendance

50%

Committee Independence

4

4

Meetings Held/ Meeting Scheduled

Director	Membership	Position	Attendance	Composition	
Mr. Rüdiger Will ⁽¹⁾	INED	Chairman	4/4	Executive	1
Mr. Iftikar Ahamed	ED	Member	4/4	Non-Executive	3
Mr. Ray Abeywardena	INED	Member	4/4	Below 55	2
Ms. Fernanda Lima ⁽²⁾	NED	Member	3/3	Above 55	2
				Less than 8 years	2
				More than 8 years	2

Meeting Frequency- Quarterly Agenda and Paper Circulation- Two weeks in advance

Invitees - CSO, CAO, CIO, CFO, Head of Risk, Head of Internal Audit, Head of Legal and Compliance

HR and Remuneration Committee

Organization values and code of conduct, Compliance with labour laws, Organizational Structure, HR policies on recruitment, remuneration, benefits and talent management of the Company's employees



100%

Overall Attendance

75%

Committee Independence

1

1

Meetings Held/ Meeting Scheduled

Director	Membership	Position	Attendance	Composition	
Mr. Sujeewa Rajapakse	INED	Chairman	1/1	Executive	-
Mr. Ashok Pathirige	NED	Member	1/1	Non-Executive	4
Mr. Paul Ratnayake ⁽³⁾	INED	Member	1/1	Below 55	1
Mr. Ray Abeywardena	INED	Member	1/1	Above 55	3
				Less than 8 years	-
				More than 8 years	4

Meeting Frequency - Annually Agenda and Paper Circulation - One week in advance Invitees - Managing Director

Related Party Transaction Review Committee

Ensure that all related party transactions of the Company and its group are consistent with the regulatory provisions laid out under LKAS 24, the Corporate Governance Directions and Listing Rules issued by the Colombo Stock Exchange



100%

Overall Attendance

100%

Committee Independence

4

4

Meetings Held/ Meeting Scheduled

Director	Membership	Position	Attendance	Composition	
Mr. Sujeewa Rajapakse	INED	Chairman	4/4	Executive	-
Mr. Rüdiger Will ⁽¹⁾	INED	Member	4/4	Non-Executive	3
Mr. Ray Abeywardena	INED	Member	4/4	Below 55	1
				Above 55	2
				Less than 8 years	1
				More than 8 years	2

Meeting Frequency- Quarterly Agenda and Paper Circulation- One week in advance Invitees - MD, ED, CFO, Head of Legal & Compliance

Investment Committee



Design an appropriate Investment strategy, monitor investment performance and ensure compliance with investment regulations.



Overall Attendance



Committee Independence



Meetings Held/ Meeting Scheduled

Director	Membership	Position	Attendance	Composition		
Mr. Ashok Pathirage	NED	Chairman	4/4		Executive	1
Mr. Sujeewa Rajapakse	INED	Member	4/4		Non-Executive	5
Mr. Iftikar Ahamed	ED	Member	4/4		Below 55	2
Mr. Ray Abeywardena ⁽⁴⁾	INED	Member	2/2		Above 55	4
Mr. Rüdiger Will ⁽¹⁾	INED	Member	4/4		Less than 8 years	2
Ms. Fernanda Lima ⁽²⁾	NED	Member	3/3		More than 8 years	4

Meeting Frequency - Quarterly Agenda and Paper Circulation - One week in advance

Invitees - Head of Treasury, Head of Investments- Softlogic Holdings Limited, CFO, Head of Risk

Nomination Committee



Selection and appointment of Directors and KMPs, Expertise gaps, succession planning



Overall Attendance



Committee Independence



Meetings Held/ Meeting Scheduled

Director	Membership	Position	Attendance	Composition		
Mr. Ashok Pathirage	NED	Chairman	1/1		Executive	-
Mr. Sujeewa Rajapakse ⁽⁵⁾	INED	Member	0/0		Non-Executive	4
Mr. Ray Abeywardena	INED	Member	1/1		Below 55	1
Mr. Paul Ratnayake ⁽²⁾	INED	Member	1/1		Above 55	3
					Less than 8 years	-
					More than 8 years	4

Meeting Frequency- When required Agenda and Paper Circulation- One week in advance

(1) Mr. Rüdiger Will has resigned from the Board w.e.f 16th January 2020

(2) Ms. Fernanda Lima was appointed to the Risk and Investment Committees w.e.f 15th February 2019

(3) Mr. Paul Ratnayake has resigned from the Board w.e.f 25th October 2019

(4) Mr. Ray Abeywardena has been appointed to the Investment Committee w.e.f 15th May 2019

(5) Mr. Sujeewa Rajapakse was appointed to the Nominations Committee w.e.f 22nd November 2019

INED- Independent Non-Executive Director

NED - Non-Executive Director

MD - Managing Director

ED - Executive Director

CSO - Chief Strategy Officer

CFO - Chief Financial Officer

CAO - Chief Actuarial Officer

CIO - Chief Information Officer

E. Board Competency Review and Rewards

E.1 Board and Board Sub - Committee evaluations

The role played by the Board and its Sub-Committees collectively in providing a strong strategic direction as well as prudent risk management is critical for the realization of the long-term vision of the Company while generating sustainable value for all its stakeholders. This means that it is important that the Board should periodically appraise its own performance in order to ensure that it adequately meets its responsibilities as set out in the Board Charter as well as facilitates continuous improvement individually and collectively in the performance of the Board.

The assessment of the Board is carried out as a Self-Assessment by the Board of Directors. The Board and its committees periodically appraise their own effectiveness in executing their duties and meeting its responsibilities as set out in the Board Charter. The Nominations Committee has been given the responsibility of evaluation of the self-appraisals of the directors and provide their recommendation to the board.

Figure : Board Evaluation Process



The figure above describes the formal and rigorous process adopted at Softlogic Life in the annual self-evaluation carried out by the directors with respect to the Board and its Sub-Committee performance.

During the year 2019, the Board conducted a self-evaluation of its performance, using a checklist which covered a range of areas including, but not limited to, the composition of the Board, skills and experience of the members, adequacy of Sub-committees, proceedings of meetings and quality of reports and materials submitted

E.2 Board Sub-Committee Evaluations

The Audit Committee also continued its self-assessment process from the previous years to ensure it functions effectively and efficiently and discharges all its responsibilities as outlined in the Charter of the Audit Committee. In addition, the management also assessed the performance of the Audit Committee using a checklist, which was prepared so as to cover the responsibilities of the Committee, derived from its Charter. The results of both the self-assessment and the Management’s assessment of the Audit Committee were tabled at the Board and are expected to be used to further enhance the effectiveness of the Audit Committee. The Company continued this process of evaluating the Audit Committee to a 360-degree appraisal in 2019, involving both Internal and External Auditors as well. More details are produced on pages 214-218.

The Human Resources and Remuneration Committee was evaluated with the Self - Assessment process in 2019, participated by the Committee members, including the Chairman. More information is available on pages 221-222.

The Investment Committee was evaluated with an independent evaluation process carried out for the year of 2019 by the other members of the Board. More information is available on page 225.

E.3 Board Compensation Remuneration Procedure

The Company has established a formal and transparent procedure on remuneration for individual Directors. Accordingly, the HR & Remuneration Committee consisting exclusively of three (03) Non- Executive Directors. 2/3 of the members are an Independent Non – Executive Directors, who has been set up to make recommendations to the Board within agreed terms of reference, on the remuneration of Executive directors and the Non-Executive Directors. The Remuneration Committee is chaired by an Independent Non-Executive Director and consults the Chairman & MD regarding the same and seeks professional advice as and when deemed necessary with respect to setting the Executive Directors’ remuneration. However, the remuneration of the members of the Remuneration Committee are determined by the other members of the Board, thereby eliminating any potential for conflict of interest to arise. These processes ensure that no Director is involved in deciding his/ her own remuneration.

Level and structure of remuneration

Due care is taken to ensure that the remuneration paid to Board members is commensurate with their skills, knowledge and involvement in Board activities and in reference to remuneration paid to Directors of comparable companies. The Remuneration Committee should also ensure that the remuneration paid is sufficient to attract high calibre professionals to the Board as well as retain them.

The Remuneration Committee seeks the assistance of professionals in structuring the remuneration and benchmarking with the market on a regular basis to ensure this whilst maintaining stakeholder interests are balanced. The committee makes sure that the level of remuneration impacts corresponding levels in their performance and to avoid rewarding poor performance.

The performance-related components of remuneration provided to Executive Directors are compiled in a transparent and rigorous manner that it inspires them to continuously improve their performance. Remuneration of Non – Executive directors are designed in a manner that it will reflect their commitment and responsibilities held in the Board, as well as components to protect their independent decision making, The Company does not offer remuneration, retirement benefits, personal loans and share options to the Non-Executive Directors.

The committee has proper provisions and policies in place for situations if a Director resigns prior to completing their appointed term as well as compensation commitments.

Disclosure of remuneration

The breakdown of remuneration paid to Non-Executive Directors is disclosed among the other disclosures regarding remuneration on page 330 in the Annual Report.

F. A Brief Introduction of the Code of Conduct and Ethics of the Company

The Company introduced a Code of Business Conduct and Ethics for Directors. Further, the Company has in place a Code of Business Conduct and Ethics for all its employees and has mandated that it should be followed without exception.

Avoidance of Conflict of Interest

Conflict situations can arise when one’s private interests interfere or appear to interfere, in any way, with the interests of the Company.

Directors are prohibited from taking for themselves or their own companies or other companies with which they have a fiduciary relationship, any opportunities arising as a result of the Director holding a directorship in the Company, unless such opportunities are fully disclosed by such directors.

Compliance with Laws and Regulations and Fair Dealing

Directors are expected to carry out their responsibilities in compliance with all laws, rules and regulations applicable to the Company and with the highest standards of business ethics.

Confidentiality

Directors must maintain the confidentiality of non-public proprietary information entrusted to them by the Company or its customers or other parties with whom the Company does business, except when such disclosure is authorized or legally required. This principle applies to all communications, whether oral, written or electronic.

Encouraging and reporting any illegal or unethical behaviour

Directors are expected to promote ethical behaviour and create a culture of compliance with all applicable laws, rules and regulations.

Dealings with third parties

The persons named in the code solely are authorized to deal with third parties on behalf of the Company.

Protection and proper use of the Company assets

All Directors must protect the Company’s assets and ensure efficient use.

Enforcement

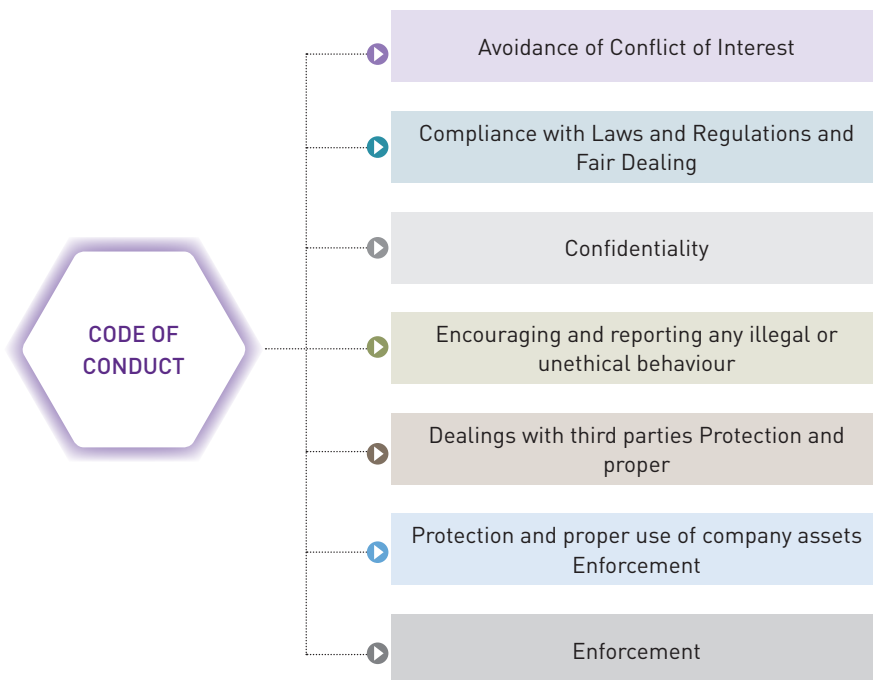
The Board will review and investigate any allegation of a breach of this policy by a Director, with or without the participation of any Director who may be the subject of such report.

4.2 EXECUTIVE MANAGEMENT COMPETENCY REVIEW AND REWARDS

A. The Managing Director/CEO Role of The Managing Director

The Board has delegated responsibility for the delivery of the strategy and the day-to- day running of the business to the Managing Director, who in turn has delegated authority to the Corporate Management Team. Further details of the Managing Director can be found on page 153 in Key roles of the Board.

Figure : The Company’s Code of Business Conduct and Ethics



CORPORATE GOVERNANCE

Setting Annual Targets for the Managing Director

The Board, with the consultation of the MD/ CEO, determines the annual targets that are given to the MD/CEO.

These targets include financial as well as non-financial targets to be achieved during the year, which are in line with the short, medium as well as long term objectives of the Corporate Strategy.

Main Focus areas of 2019 Corporate Plan were:

- Market Share
- Gross Written Premium
- Underwriting results
- Profitability
- Premium Persistency
- Dividend payout
- Remuneration of employees
- Sustainability
- Capital Adequacy Ratio

Performance Evaluation

The performance of the MD/CEO is evaluated by the Board as a whole at the end of each year, based on the agreed objectives described above. In assessing the performance of the MD/CEO, the Board of Directors also takes in to account the operating environment. The Chairman discusses the evaluation with the MD/ CEO and responses received are given due consideration.

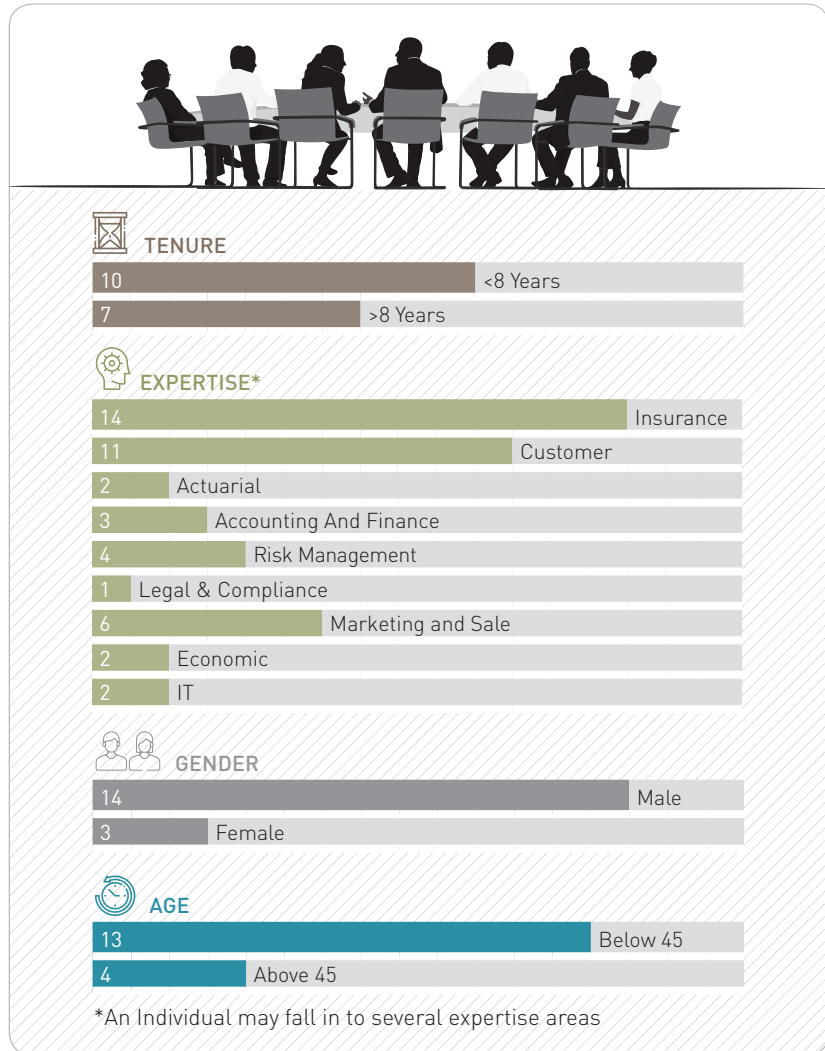
Remuneration

Remuneration for the MD/CEO is determined based on the achievement of these set targets and the remuneration of the MD/CEO consists of fixed component as well as a variable component. The Board is supported by the Remuneration Committee in this process.

B. Corporate Management Team Corporate Management Composition

The composition of the Corporate Management Team at Softlogic Life is diverse in every aspect ranging from the expertise, age, tenure, and gender as well. This diversity plays a key role in enabling the Company to embark on a sustainable growth journey.

Figure : Management Committee Composition



Remuneration of the Executive Management

The Remuneration Committee recommends and monitors the level and structure of remuneration for the Executive Management. Remuneration and benefits of the KMPs are determined in accordance with the Strategy – Driven remuneration policies of the Company. The Key elements of which are described in the below table..

Table: Strategy-Driven Remuneration Policies of the Company

Pay Positioning	Pay Parity	Pay Approach
In comparison to the external environment.	The stance taken among internal equity.	Compensation matching definition.
The levels of remuneration are benchmarked with market regularly.	Remuneration paid is fair, balanced and sufficient to attract high calibre professionals to the Board as well as retain them.	Remuneration paid is commensurate with their skills, knowledge and experience.

For further details regarding the Remuneration policy and other aspects of remuneration, please refer to the HR and Remuneration Committee Report on pages 221-222.

C. Management Committee

In order to achieve the strategic objectives, the Company has formed various management committees to maintain and enhance the performance governance under the leadership of the Managing Director. Summary of key objectives, members and frequency of the meetings are detailed below.

<p>IT Steering Committee</p> <p>Continuously monitor the progress and productivity of IT and MIS of the Company and designing IT policies with a view to making recommendations to the Board on IT capital expenditure.</p> <table border="1"> <thead> <tr> <th>Membership</th> <th>Meeting Frequency</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> - Managing Director - Chief Operating Officer - Chief Information Officer - Chief Strategy Officer - Chief Financial Officer </td> <td> <p>Quarterly</p> <p>Meetings Held/Planned</p> <p>4 / 4</p> </td> </tr> </tbody> </table>	Membership	Meeting Frequency	<ul style="list-style-type: none"> - Managing Director - Chief Operating Officer - Chief Information Officer - Chief Strategy Officer - Chief Financial Officer 	<p>Quarterly</p> <p>Meetings Held/Planned</p> <p>4 / 4</p>	<p>Supplies Committee</p> <p>Selecting the right supplier considering the quality, price and delivery date.</p> <table border="1"> <thead> <tr> <th>Membership</th> <th>Meeting Frequency</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> - Executive Director - Chief Strategy Officer - Chief Corporate Services Officer - Chief Financial Officer </td> <td> <p>Bi-Annually</p> <p>Meetings Held/Planned</p> <p>2 / 2</p> </td> </tr> </tbody> </table>	Membership	Meeting Frequency	<ul style="list-style-type: none"> - Executive Director - Chief Strategy Officer - Chief Corporate Services Officer - Chief Financial Officer 	<p>Bi-Annually</p> <p>Meetings Held/Planned</p> <p>2 / 2</p>
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Membership	Meeting Frequency								
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<p>Actuarial Committee</p> <p>Continuously monitor performance of life fund, product portfolio, and valuation of life fund, expense allocation and regulatory requirements.</p> <table border="1"> <thead> <tr> <th>Membership</th> <th>Meeting Frequency</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> - Managing Director - Consultant Actuary - Chief Technical Officer - Executive Director - Chief Strategy Officer - Chief Actuarial Officer - Chief Financial Officer </td> <td> <p>Bi-Annually</p> <p>Meetings Held/Planned</p> <p>2 / 2</p> </td> </tr> </tbody> </table>	Membership	Meeting Frequency	<ul style="list-style-type: none"> - Managing Director - Consultant Actuary - Chief Technical Officer - Executive Director - Chief Strategy Officer - Chief Actuarial Officer - Chief Financial Officer 	<p>Bi-Annually</p> <p>Meetings Held/Planned</p> <p>2 / 2</p>	<p>Product Development Committee</p> <p>Focus on revamping SLI's existing products in order to compete with industry's prominent products. Suggestions made will be taken up for new product development, thereby acting as a medium to convey information from sales.</p> <table border="1"> <thead> <tr> <th>Membership</th> <th>Meeting Frequency</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> - Executive Director - Chief Actuarial Officer - Chief Technical Officer - Chief Strategy Officer - Chief Financial Officer - Head of Human Resources - Head of Marketing - Head of Legal & Compliance Officer </td> <td> <p>Quarterly</p> <p>Meetings Held/Planned</p> <p>4 / 4</p> </td> </tr> </tbody> </table>	Membership	Meeting Frequency	<ul style="list-style-type: none"> - Executive Director - Chief Actuarial Officer - Chief Technical Officer - Chief Strategy Officer - Chief Financial Officer - Head of Human Resources - Head of Marketing - Head of Legal & Compliance Officer 	<p>Quarterly</p> <p>Meetings Held/Planned</p> <p>4 / 4</p>
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<p>Sustainability Committee</p> <p>Communicate the responsibility to the stakeholders in respect of the policies and practices that relate to the sustainable growth of the Company on a universal basis.</p> <table border="1"> <thead> <tr> <th>Membership</th> <th>Meeting Frequency</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> - Managing Director - Executive Director - Chief Financial Officer - Head of Human Resources - Chief Technical Officer - Head of Marketing </td> <td> <p>Quarterly</p> <p>Meetings Held/Planned</p> <p>4 / 4</p> </td> </tr> </tbody> </table>	Membership	Meeting Frequency	<ul style="list-style-type: none"> - Managing Director - Executive Director - Chief Financial Officer - Head of Human Resources - Chief Technical Officer - Head of Marketing 	<p>Quarterly</p> <p>Meetings Held/Planned</p> <p>4 / 4</p>	<p>Asset and Liability Management Committee</p> <p>To align the Company's Investment Strategy with its Business and Financial Objectives. It also defines the methodologies to assess, monitor and mitigate; Interest Rate Risk, Reinvestment Risk, Maturity, Mismatch Risk, Cashflow Risk and Liquidity Risk.</p> <table border="1"> <thead> <tr> <th>Membership</th> <th>Meeting Frequency</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> - Managing Director - Executive Director - Chief Technical Officer - Chief Actuarial Officer - Chief Strategy Officer - Chief Financial Officer - Head of Treasury - Head of Risk </td> <td> <p>Quarterly</p> <p>Meetings Held/Planned</p> <p>4 / 4</p> </td> </tr> </tbody> </table>	Membership	Meeting Frequency	<ul style="list-style-type: none"> - Managing Director - Executive Director - Chief Technical Officer - Chief Actuarial Officer - Chief Strategy Officer - Chief Financial Officer - Head of Treasury - Head of Risk 	<p>Quarterly</p> <p>Meetings Held/Planned</p> <p>4 / 4</p>
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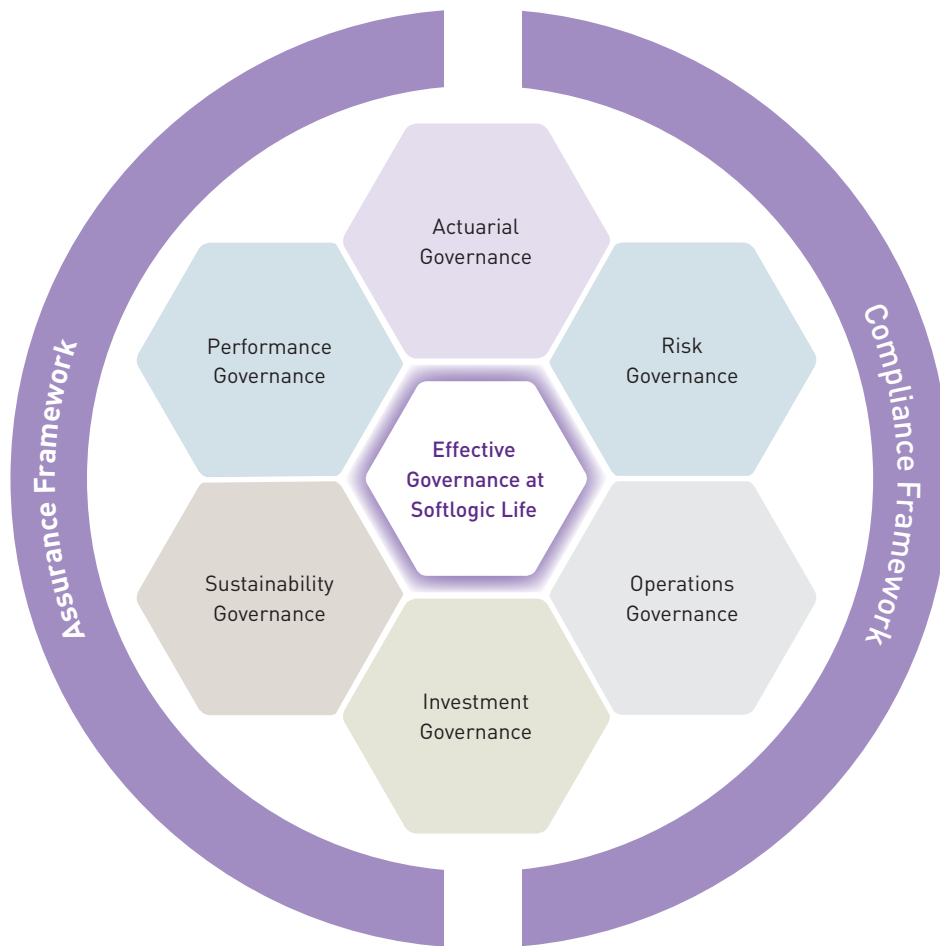
CORPORATE GOVERNANCE

5. EFFECTIVE CORPORATE GOVERNANCE EXECUTION AND ASSURANCE

Why Effective Execution and Assurance Framework is Important to Softlogic Life

The effective implementation of Corporate Governance within the Company plays a vital role in maintaining sustainable business practices. These practices uphold the Company's best interest in the long run while minimizing the risk of failure. Simultaneously, the Assurance framework and the compliance framework of the Company intensified the execution of Corporate Governance.

Figure: Effective Corporate Governance Execution, Assurance and Compliance



Stakeholders Benefited by Effective Corporate Governance Execution

Objective of our governance execution framework is to bring significant value addition to different stakeholders. The following illustration shows different stakeholders who benefited from the governance execution framework.

Actuarial Governance <ul style="list-style-type: none"> • 812,626 customers • Investors with "market cap" of Rs. 1.4 Bn 	Risk Governance <ul style="list-style-type: none"> • 812,626 customers • Investors with "market cap" of Rs. 1.4 Bn • 805 Employees 	Operations Governance <ul style="list-style-type: none"> • 812,626 customers • 805 Employees • 2,772 Sales Force • Reinsurance Partners
Investment Governance <ul style="list-style-type: none"> • 812,626 customers • Investors with "market cap" of Rs. 1.4 Bn 	Sustainability Governance <ul style="list-style-type: none"> • 812,626 customers • Investors with "market cap" of Rs. 1.4 Bn • Other stakeholders such as suppliers, banca partners, government 	Performance Governance <ul style="list-style-type: none"> • 805 Employees • 2,772 Sales Force

Effective governance execution and the expected objectives at Softlogic Life

The Company's governance execution is implemented by focusing on six main areas and the Company wishes to achieve specific objectives from each execution area. In order to achieve these objectives different execution methods are followed by the Company.

The following figure shows how the Company operates effective corporate governance execution, the objectives expected to achieve and the methods that are used for the governance execution.

Figure: Summary of Effective corporate Governance

Approach	Objective	Method of Execution
Actuarial Governance	<ul style="list-style-type: none"> - Protection of policy holders' funds - Treating policyholders transparently - Value creation to the Company 	<ul style="list-style-type: none"> - Valuation of Insurance contract liabilities - Safeguard the policy holder by understanding the long term view of the Company's solvency position - Precise bonus allocation to policyholders - Proper expense allocation using expense allocation framework - Profitability Analysis - Assets Liability Management Framework
Investment Governance	<ul style="list-style-type: none"> - Balance between value creation and risk management 	<ul style="list-style-type: none"> - Operational level investment governance by the Asset and Liability Management Committee - Board Investment Committee approval process for investment decision - Risk management guidelines on investment are controlled through the risk unit and Board Risk Management Committee
Operations Governance	<ul style="list-style-type: none"> - Protecting customer and add value to customer - Fair Treatment to all employees and sales force - Promoting ethical behaviour within organization - Stakeholder value creation, ensure trustworthiness of data and protecting privacy of data and by sustainable information technology governance 	<ul style="list-style-type: none"> - Sales and Operational policies such as underwriting policies, claims and servicing policies, reinsurance administration policies - Whistle blowing process of the Company - IT policies and procedures over business operation and Financial reporting process
Risk Governance	<ul style="list-style-type: none"> - Mitigating negative impacts for stakeholders whilst ensuring opportunities are maximised 	<ul style="list-style-type: none"> - Risk management framework established by the Board Risk Committee - Risk governance parameters implemented at the business operations and continuous review
Performance Governance	<ul style="list-style-type: none"> - Value creation to the Company, employees and sales force by improving the transparency 	<ul style="list-style-type: none"> - Performance evaluation process of employees - Performance driven culture exists among sales force.
Sustainability Governance	<ul style="list-style-type: none"> - Long term value creation by establishing proper structure on sustainability governance - Establish long term stability via sustainability as a precautionary approach - Fair opportunities to all stakeholders to provide feedback 	<ul style="list-style-type: none"> - Sustainability and CSR Committee - Sustainability Champions - Sustainability Reporting

5.1 Effective Corporate Governance Execution

A. Actuarial Governance

Actuarial governance at Softlogic Life is considered as a critical activity and Insurance Contract Liabilities represent 83% of the total liabilities in the Balance Sheet. Actuarial governance primarily focuses on **protection of policyholders' funds, treating policyholders transparently and value creation to the Company.** This report describes how Softlogic Life effectively executed Actuarial governance during 2019.

Protection of Policy Holders' Funds Valuation of Insurance contract liabilities:

This is a critical action on protection of policy holders' liability. The actuarial valuation provides the total amount to be kept to meet future benefits to be paid to policyholders. Softlogic Life performed actuarial valuation on a quarterly basis which was carried out by the actuarial division and reviewed and certified by the Appointed Actuary, Messrs. Willis Towers Watson India Private Limited. Softlogic Life is the only Sri Lankan insurance Company that performs a quarterly actuarial valuation and receives an appointed actuary's certification.

Table: Actuarial valuation certification dates

Quarter	Certified Date
Q1	13th May 2019
Q2	06th August 2019
Q3	05th November 2019
Q4	12th February 2020

Valuation report and Report on Liability Adequacy Test "LAT" is disclosed on pages 262 and 263 respectively.

Safeguard the policy holder by understanding the long term view of the Company's solvency position: A capital projection framework has been developed to project long term Capital Adequacy Ratio ("CAR") with scenario testing and stress testing. The model is concluded with appointed actuary, Messrs. Willis Towers Watson India Private Limited.

This allows the management to go ahead with insightful decision making which protects policyholders' interest.

Treating Policyholders Transparently

The Company focuses on improved transparency to its policyholders through actuarial governance and several key measures are implemented to achieve the objective.

Precise bonus allocation to policyholders:

The Company has implemented proper guidelines on allocating bonuses for participating policy holders and relevant protocols have been placed to ensure the participating policyholders are receive maximum benefit on their policies.

The transparency of this process has been improved by development of an initial asset share for participating business by engaging with appointed actuary, Messrs. Towers Watson India Private Limited. This study proves that the Company is allocating bonuses to participating policy holders on a fair basis.

Proper expense allocation using expense allocation framework certified by appointed actuary:

Expense allocation framework has been developed and certified by appointed actuary, Messrs. Willis Towers Watson India Private Limited. Objective of this framework is to maintain consistency on the allocation of expense between different funds within the insurance contract liabilities.

This process ensures the policyholders benefit allocation to different insurance funds in the long run. Simultaneously, transparency of calculating insurance contract liabilities has been improved with this process.

Value Creation to the Company

Profitability Analysis: Analysing profitability of different insurance products has been set out as a core functions under actuarial governance. These inputs are used to make management decisions on product strategy and profitability of market segments.

The Company has made use of such information to develop new products referred in pages 108-109 during 2019.

Asset Liability Management Framework:

Objective of this framework is to manage overall risk tolerance, risk and return requirements, and solvency position and liquidity requirements. Hence it provides a balance between shareholder profitability and strengthening the long term solvency position of the Company.

B. Investment Governance

Long term policyholder benefits are backed by investment portfolio. Hence, investment governance is a vital element under governance execution. The primary objective under investment governance is **balance between value creation and risk management which ensures the best interest of policyholders while creating value to shareholders.**

Balance Between Value Creation and Risk Management

A comprehensive three-way approach is followed to ensure balance between value creation and risk management under investment governance.



The above explained three-way approach ensures balance between Value Creation and Risk Management. During the year, investment income increased by 28% compared to 2018 and measures related to risk management with the quantification is provided on pages 252-255.

The Board Investment Committee is headed by Mr. Ashok Pathirage – Non-Executive Chairman of the Company. Investment Committee Report on page 225 describes the insight on how the Committee is operated, the actions taken during the year and committee evaluation.

C. Operations Governance

Operations governance at Softlogic Life focuses on a significant responsibility towards maintaining transparency for the pool of customers that is under its protection. It covers human resource governance, sales and IT governance which are critical to create value for the Company and benefit stakeholders such as shareholders, customers, employees and the sales force.

The objectives of operations governance are **protecting the customer and add value to the customer, fair treatment to all employees and sales force, promoting ethical behaviour within the organization and stakeholder value creation by sustainable information technology governance.**

Protecting the Customer and Add Value to the Customer

The Company has adopted various sales and operational policies, reinsurance administration policies, fraud risk management policies and complaint handling policies focusing on sales, underwriting, claims, servicing and reinsurance to execute the customer protection and fair treatment to customers.

The Company has followed the internal policies appropriately and complied with applicable provisions relating to customer protection under Regulation of Insurance Industry Act No.43 of 2000, rules, regulations, determinations, directions issued by Insurance Regulatory Commission of Sri Lanka.

It provides the value addition to the customer with industry 1st innovative solution and enhanced customer service approach such as 90% of one-day claim

settlement. These initiative / service are described on pages 108-109 under Social and Relationship Capital.

Fair Treatment to All Employees and Sales Force

The Company has taken many steps to ensure the equal treatment to both employees and sales force as it believes fair treatment will make a concrete foundation to attract, motivate and retain people of the right calibre.

Fair treatment to employees: The Company has set up appropriate policies for clear recruitment process, training and development, clear communication and reporting structure, performance evaluation, fair opportunities for career progression and talent management and succession planning. The Company was awarded with great place to work in Sri Lanka for the 4th consecutive year during 2019 which proves the appropriateness of human resource governance framework adopted by the Company.

Human capital report analysis provides how above processes have been carried out with relevant data relates to 2019 in pages 90-103.

Fair treatment to sales force: The sales force of Softlogic Life comprises of 3 channels namely agency, alternate and micro. All these channels are governed with performance driven incentive structures and career development has also decided based on performance. The Company implemented various guidelines on recruiting quality sales advisors, training and knowledge management, sales driven compensation and investigation procedures and complaint handling.

The performance driven culture and the proper governance framework proves the success of the sales force by a recording number of 104 MDRT qualifiers during 2019. A detailed analysis on the above factors is provided on pages 118-120.

Promoting Ethical Behaviour Within Organisation

Whistle Blowing: The aim of the policy is to enable the Stakeholders of Softlogic Life to feel confident and comfortable to voice their concerns or raise questions whilst providing reassurance that they will be protected from possible reprisals or victimization.

The whistle-blower could bring up their concerns to the Chairman of the Board Audit Committee, group Director-human capital & taxation, corporate management team, head of internal audit or compliance officer.

Head of Internal audit assumes the ownership of the Whistle blowing policy whilst ensuring appropriate means are available for the stakeholders of the Company to blow the whistle discreetly and confidentially.

All the complaints received by those assigned in this policy, apart from complaints received by the Board Audit Committee Chairman, are examined, evaluated and investigated independently by the Head of Internal audit and the final report on such investigation will be submitted to the Corporate Management Committee to decide the action which needs to be taken. If an investigation leads to conclude that an improper or unethical act has been committed, the Management Committee takes disciplinary or corrective action in line with the disciplinary policy of the Company.

A dedicated whistle blower channel is available allowing any member of the Company or an interested party to raise a concern via a telephone call, SMS, WhatsApp and Viber. The whistle-blower could bring up their complaints or concerns through the Whistleblower hotline as well which is managed by the Internal Audit Function independently.

The following initiatives were taken by the management to improve awareness of stakeholders of the Company in 2019.



A monthly poster was circulated to all staff members explaining various aspects of fraud and other misconduct and ways to detect the same.

16
Branch Visits

The internal audit team visited 16 branches during the year and briefed the employees on the importance of whistle blowing and detecting misappropriations.

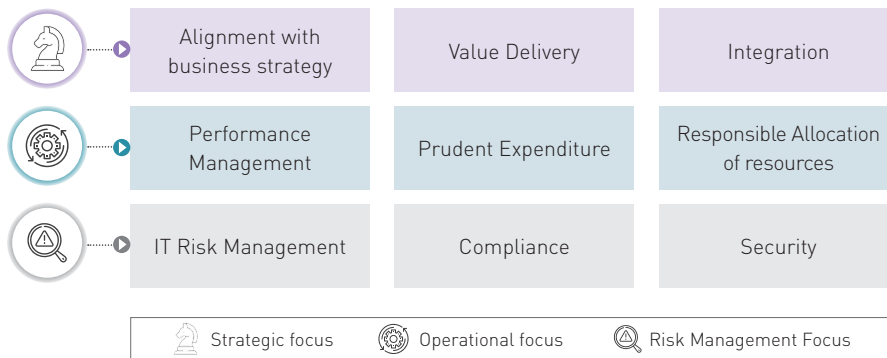
There were 03 instances of whistle blowing incidents reported during the year 2019. These instances were resolved and appropriate actions were taken.

Stakeholder Value Creation, Ensure Trustworthiness of Data and Protecting Privacy of Data and by Sustainable Information Technology Governance

IT governance plays a vital role in operations governance execution. Information Technology is changing rapidly day by day and the Company understand the importance of Information Technology to in assuring the confidentiality, integrity, connectivity and the continuity of information management.

The key principles of IT Governance process in the Company and its execution is mentioned below. These governance principles are focused on 3 main areas.

Figure: Key Principles of IT Governance Process



Strategic focus principles and its execution:

The Company's IT strategy aligns with business strategy. A detailed assessment is done at each planning cycle to validate the IT strategy. Applicable IT policies and procedures are in place to achieve the corporate objectives which provides the value delivery. The Company ensures a well-controlled flow of information across departments that allows a smooth running of the business which assures integration between different stakeholders.



Operational focus principles and its execution:

Strategies agreed by the corporate management is continuously monitored and service standards and deadlines are maintained to enhance quality which ensures the appropriate performance management. A Project Management Office ("PMO") is set up by the IT department to allocate the resources responsibly. "PMO" ensures the prioritisation of IT requirements of the Company and meeting deadlines effectively. The prudent expenditure is achieved by monitoring the budgeted IT operating expenses and IT capital expenditure.



Risk Management focus principles and its execution:

IT Risk Management involves understanding IT related risks and quantifying the risks so that the risks could be put in a risk grid and action could be taken accordingly. All the IT risks are discussed and appropriate actions are agreed at Risk Committee. Regulatory requirements where system controls can be embedded to the system are communicated to the IT department by the Risk, Legal and Audit departments so that they can be embedded in the system. "Security in Mind" concept is adhered to in all the IT operations with required security reviews being performed by the IT Department as and when necessary. A separate IT Security function is also in place at Softlogic Life.

The Company has taken 2 approaches to strengthen the reliability of information and protect privacy of stakeholders. They are;

1. Reliable information for all stakeholders with IT governance practices.
2. Protect confidential data of all stakeholders by effectively managing cyber security threat.

Reliable Information for all Stakeholders with IT Governance Practices

The Company has implemented operational governance practices as well as IT controls over financial reporting process in order to provide reliable information for all stakeholders. The following actions have been executed during the year in order to provide reliable information to stakeholders.

- All the IT Policies, Standards, Procedures and Guidelines are developed as per the ISO 27001:2013 standard.
- All IT Policies are reviewed and signed off by the IT Steering Committee and Audit Committee depending on the relevance to each committee.
- Group IT Risk independently involves in evaluating applicable security threats and possible mitigating strategies periodically
- The IT steering committee is delegated with the authority to ensure the implementation of the IT governance framework.
- Risk department, Group IT risk and the internal IT department are assigned with the design, implementation and execution of the IT governance framework.
- Head of ICT provides regular updates to the Risk Committee and the Board on the status of material IT projects, as well as other governance-related matters.
- Risk Committee in turn ensures that risk monitoring and assurance procedures are able to address the risks adequately

Protect Confidential Data of All Stakeholders by Effectively Managing Cyber Security Threat

Life insurance companies generally deal with vast amounts of confidential data belonging to policy holders such

as their health-related information, financial information and many more. At Softlogic Life, the board and the corporate management recognize the importance of ensuring the security of policyholder information as well as other information.

The leadership in the Company has therefore embedded controls in the processes to ensure the privacy of information and also have been able to embed such values in the corporate culture of the organization creating an overall awareness across the Company with regard to cyber security. The Company, therefore, has taken this aspect very seriously and has initiated numerous initiatives to counter such threats that could not only harm the competitive position of the Company but also the lives of policyholders.

The following key features are performed by the Company to ensure cyber security governance.

- Three third party independent consultancy firms perform information security assessments for Softlogic Life on an annual basis. All these parties provide consultancy reports to the IT Department and remedial actions are taken by the IT Security and Technical units accordingly. The progress of these remedial actions are evaluated by a post implementation review by the third party consultancy firms which are then presented to the Management.
- In the event a cyber-security risk emerges, the IT security division of the Company takes necessary preventive actions to send a special communication across the Company wide employee base to enhance awareness as well as to inform the precautionary actions that are needed to be followed by each individual to safeguard the integrity of data and the continuity of operations. Parallel to that, necessary IT security technical

mitigation actions are exercised by the IT Security unit in coordination with the IT technical teams.

- A Core Firewall is in place at the Group Data Center which can detect who can access the internet and who can access our network from outside.
- Server and system security scans are being performed by the IT at regular intervals and anti-virus software's have been used to reduce the threat to cyber security. Simultaneously access to external devices is very limited and relevant policies and procedures has been communicated

D. Risk Governance

Softlogic Life adopts an Enterprise Risk Management (ERM) approach based on ISO 31000:2018 International Standard. Risk landscape of the Company covers insurance risk, market risk, operational risk, regulatory risk, strategic risk and reputation risk. Objective of Risk Management is **mitigating negative impacts for stakeholders whilst ensuring opportunities are maximised**.

Mitigating Negative Impacts for Stakeholders Whilst Ensuring Opportunities Are Maximised

The key objective of risk governance is proactively identifying particular events or circumstances relevant to the organization's objectives (risks and opportunities), assess them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring its progress, so that it may protect and create value for the Company's stakeholders, including owners, employees, customers, regulators, and society.

The risk management report described risk strategy, risk governance structure, risk management policy, risk landscape, risk disclosures, mitigation strategies etc. in detail and please refer pages 245-258 for the Risk Management report for 2019.

E. Performance Governance

The Company believes performance governance is a critical activity to assure the long term sustainability of the Company. The performance governance culture is embedded to both employees of the Company and the sales force of the Company. The objective of the performance governance is value creation to the Company, employees and sales force by improving transparency.

Value Creation to The Company, Employees and Sales Force by Improving Transparency

Board of Directors' involvement to ensure the performance governance: The human resource and remuneration committee empowered with determining the compensation and benefits of members of the Board of Directors, the Key Management Persons (KMP) based on the target achievement. The variable bonus is also approved by the human resource and remuneration committee. Therefore, the Company's performance governance culture is established at Board level.

Performance governance framework is established for employees and sales force by continuing the governance framework established at Board level.

Performance evaluation process of employees:

This starts with the strategic planning process. Strategic planning is a bottom up process, involving staff at all levels, creating ownership and commitment, as well as harnessing their creative potential. The process commences with the Board setting broad objectives for the year from the top line and profitability perspective. Based on these requirements, the Management Committee reviews the Company's vision, mission and values and analyses the market position, competitive and macro environment, competitor positioning to arrive with the corporate objective.

Once corporate objectives are finalized, the goal setting process for each employee is performed then it is assessed

at the middle of the year which is called mid-year review and final performance evaluation is done at the year end to evaluate whether the set goals have been achieved or not. The salary increase and annual bonus is decided by such rating received at the year end.

Performance driven culture exist among sales force:

The sales incentives are purely based on the structured incentive schemes which are designed to achieve agreed corporate objectives at the beginning of the year. This mechanism promotes to retain quality sales force while adding value to the Company.

F. Sustainability Governance

Sustainability is everyone's responsibility; from the boardroom, to its subcommittees, to our employees, sales force, customers and suppliers. We look at sustainability holistically and recognize that sustainability expertise is to be found across the whole organization and also in the nature of the products and services we provide.

The objective of the sustainable governance extends to long term value creation by establishing proper structure

on sustainability governance, establish long term stability via sustainability as a precautionary approach and fair opportunities to all stakeholders to provide feedback.

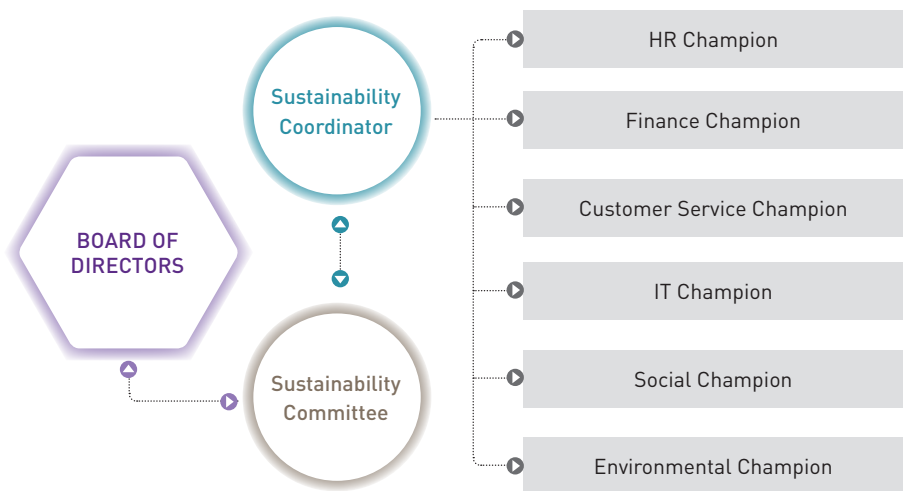
Long Term Value Creation by Establishing Proper Structure on Sustainability Governance

The Sustainability and CSR Committee: is formed to integrate corporate responsibility into our everyday business operations. The key focus areas of the committee are as follows:

- Establish an appropriate governance structure for managing corporate responsibility priorities.
- Guiding and educating the employees to be held accountable for performance on Softlogic Life's corporate responsibility priorities.
- Integration with key business objectives with corporate responsibility priorities.

The Structure of CSR and Sustainability Committee is shown below.

Figure: Structure of CSR and Sustainability Committee



Softlogic Life's Sustainability Champions:

These young people care deeply about the fate of the planet, its people, and their future. Given the opportunity, youth have great power to influence positive change in their communities. The ultimate goal of having a network is for the champions to build relationships with each other. Therefore, the Company is continuing with sustainability champions representing each department. These members monitor the social, environmental and economic performance of each area and report on a quarterly basis to the sustainability coordinator.

Our sustainability activities are led and coordinated by the sustainability coordinator and there are several sustainability champions to assist him/her in the matters of reporting and coordination. The sustainability committee consists of the Management Committee of the Company and being a direct extension of the Board of Directors, assists the committee to carry out its duties with more diligence.

Sustainability Incorporation at Softlogic

Life: Sustainability framework of the Company defines the sustainability vision, policies and strategies or management approach towards priority issues. The framework assisted the committee to develop a methodology to focus on the

issues that matter most to us and to our stakeholders. The pillars of sustainability were based on the key priorities of SLI which was identified through the stakeholder engagement framework.

Sustainability Reporting: Sustainability reporting is a scheme of corporate or organizational reporting, that conveys sustainability-related information in a way that is comparable with financial reporting, and provides reporting on a fresh platform where the ultimate motive of a business is not solely profits, but also safeguarding the environment which it operates in.

Global Reporting Initiatives (GRI) in accordance with core guidelines is used by Softlogic Life for sustainability reporting. Refer pages 397 to 399 for the GRI content index which provides page references of this report which fulfills the disclosures required by GRI standards. In addition to above the Company obtains external assurance report from Messrs. KPMG for sustainability reporting.

Establish Long Term Stability via Sustainability as a Precautionary Approach

We believe sustainability management is an important precautionary approach to economic, social and environmental risk management. The Company applies the

precautionary principles mainly from the following angles.

- Operational policies and procedures are developed by taking a long term view and Company expect less volatility in the long run as a result of such action.
- The Company obliged to take anticipatory action to prevent harm of any kind as a responsible corporate citizen which highlights the responsibility towards society
- The Company follows a principle of "open, informed, and democratic" and "must include affected parties" for all the decisions taken by the Company which highlight the importance of precautionary approach under sustainability governance.

Fair Opportunities to All Stakeholders to Provide Feedback

In keeping with the standards of a democratically operated and transparent organization, the Board of Softlogic Life placed many mechanisms for the Company's stakeholders to submit ideas or provide feedback to the Board of Directors. It includes; meetings of shareholders and policyholder, quarterly management meeting, regional committee meetings, annual or extraordinary general meetings.

Softlogic Life Sustainability Champions



The Board of Directors sets an excellent tone at the top, being accountable to the stakeholders of the Company whilst overseeing all significant business issues of the Company such as strategy and long-term business plans, product issues, corporate responsibility, legal and ethical compliance, executive selection and compensation and board conduct.

5.2 ASSURANCE FRAMEWORK

Assurance is conducted by an independent third party to evaluate whether the policies and procedures implemented by the management of the Company is being carried out effectively. The Company uses 2 types of assurance namely internal assurance (internal audit) and external assurance (external audit) and the details of such function are provided below.

A. Internal Assurance (Internal Audit) Strategic Objective and Reporting Structure

Strategic Objective

The internal audit function of Softlogic Life Insurance PLC operates with several objectives such as align the audit scope with the strategy by providing adequate audit coverage to risk areas, Understand the fraud risk factors associated in each function and report to responsible parties with mitigating plans, make cost efficient SMART recommendations to the management and audit committee, promote continuous professional education and career development of audit staff, improve the quality of reports by enhancing the accuracy, completeness and timeliness of audit reports and Improve the whistleblowing and fraud prevention awareness within the Company.

Reporting Structure

Internal Audit Function’s responsibilities are carried out independently under the oversight of the Audit Committee and employees of Internal Audit Function report to the head of Internal Audit and do not have reporting lines to front-line units or senior management. The internal audit function provides the Audit Committee with independent and objective assurance over the appropriateness,

effectiveness and sustainability of the Company’s system of internal controls to mitigate risks. It acts as the third line of defence by independently reviewing the activities based on a risk-based audit plan and methodology approved by the Audit Committee.

Internal Auditing Framework

Internal audit function of SLI has a risk based audit approach in line with the Internal Auditing Framework of the Institute of Internal Auditors (IIA). The risk-based internal auditing provides assurance to the Audit Committee that the risk management processes are designed and implemented whilst operating effectively. In the procedures adapted by the internal audit function, the element of surprise is key.

Internal Audit Operating Methodology and Services

Operating Model Methodology

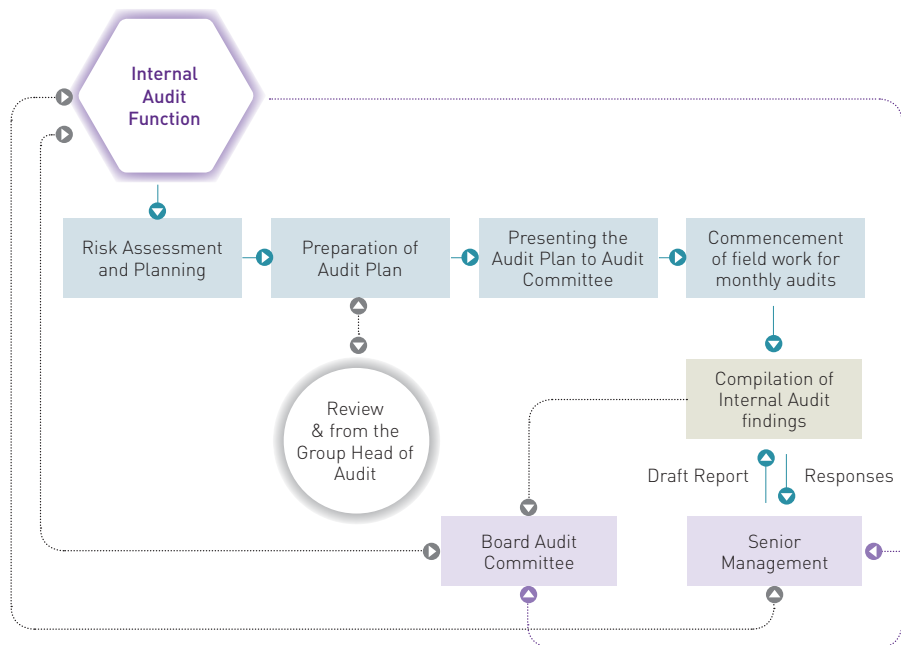
The Internal Audit Function of Softlogic Life operates as two primary units namely “Audit and Assurance Unit” and “Fraud and Forensic Unit”. Audit and Assurance

Unit primarily carries out planned reviews with the objective of assessing the appropriateness and effectiveness of the internal controls environment of the Company, reliability of financial reporting and compliance with applicable laws and regulations.

Fraud Forensic Unit focuses more on spot /surprise reviews in order to assist the management to detect and deter potential frauds and misappropriations. Speciality of the Fraud and Forensic Unit is that most of the reviews carried out are based on Computer Aided Auditing Techniques or commonly known as CAATs and the team is equipped with specialist software and a dedicated IT audit specialist. In addition to the above the Internal Audit function has a separate branch audit plan each year to review the operating effectiveness of branch level controls.

During 2019, the Internal Audit function has completed 23 Audit and Assurance Reviews and 90 Fraud and Forensic Reviews.

Figure: Internal Audit Process



Legend: Communication between relevant parties are shown from the following connectors
 -○-○- Special purpose assignments and investigations
 -●-●- Follow up Audit(s)
 -●- Monthly regular audit performance

A key function within the primary objective of the Internal Audit Function is to ensure that all recommendations given by internal audit, external audit or by any other auditor (i.e. external experts contracted to review the IT systems) are implemented by the respective departments/functions within the agreed time frame. Currently the Company maintains a ratio between 90% to 95% in implementing audit recommendations per quarter.

Value Addition Created by Internal Audit Services

Internal Audit function carries out several value added services to the Company such as internal controls Advisory, Data Analytics, Multi-location reviews and Whistle Blowing and Fraud Awareness.

B. External Assurance (External Audit) Appointment of Auditors and Their Responsibilities

The Company's External Audit function is carried out by Messrs KPMG, firm of Chartered Accountants. The Audit Committee recommends to the Board of Directors on the appointment of the External Auditors and their remuneration subject to the approval of the shareholders.

The External Auditors are responsible for reporting to the Board Audit Committee on whether the financial statements prepared by the management are fairly presented in conformity with SLFRs and LKAs as well as prescribe any corrective measures that need to be taken by the Company based on the audit findings.

Evaluation of Independence of External Auditors

The Board Audit Committee also carries out an annual evaluation with respect to the independence and the objectivity of its External Auditor which is a crucial aspect for the manifestation of the true purpose of external audit. The Audit Committee sets the principles for recommending the use of the external auditors for non-audit services.

Quarterly External Audit Assurance Performed by the Company

The Company has published audited Interim Financial Statements in the Colombo Stock Exchange for all four quarters in 2019. Messrs KPMG has performed audit in all 4 quarters. Softlogic Life is the only insurance Company to perform a quarterly audit.

The Company wishes to bring greater transparency to its Financial Reporting process by doing quarterly audits and expects a positive impact on best governance practices at long run.

6. REGULATORY AND STATUTORY GOVERNANCE

Softlogic Life engages the services of an in-house Compliance Officer in relation to regulatory and statutory governance. The Compliance Officer has a direct reporting to the Managing Director and dotted line reporting to the Group Head of Compliance. This process also fulfills the requirements of Financial Transaction Reporting Act No. 6 of 2006.

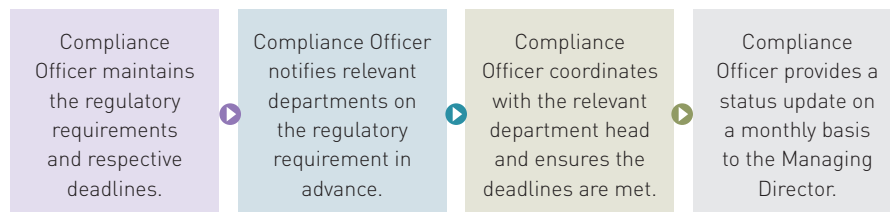
Compliance Process at Softlogic Life

Compliance process of the Company consist of 2 main processes. One is to analyse new statutory/ regulatory requirements and assess the impact of such regulations to the Company. Other is to monitor the statutory/ regulatory deadlines are properly achieved.

Figure: Process for new regulation



Figure: Process for monitor compliance status



Compliance Certification

A quarterly certification is done by the Chief Executive Officer, Chief Financial Officer, Principal Officer and Compliance Officer to the Insurance Regulatory Commission of Sri Lanka ("IRCSL") in accordance with the determinations issued by "IRC".

Compliance Certification A Certifies that Company has;

- Complied with all provisions in the regulation of Insurance Industry Act No.43 of 2000, rules, regulations, determinations, directions issues by "IRC"
- Complied with all orders made by the Ministry of Finance and Planning under the regulation of Insurance Industry Act, No. 43 of 2000,

CORPORATE GOVERNANCE

- Complied with terms and conditions pertaining to reinsurance placements issued by IRCSL in terms of section 31(1) of the Regulation of Insurance Industry Act, No. 43 of 2000,
- Complied with conditions pertaining to co-insurance issued by IRCSL and
- Complied with all applicable circulars issued by IRCSL.
- Complied with rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act No. 6 of 2006,
- Complied with guidelines on Anti Money Laundering Program for Insurers issued by IRCSL

Summary of Compliance Requirements and Compliance Status of the Company

Compliance relates to

- IN** Compliance related to Investment Governance
- PH** Compliance related to meet Policyholder Obligation
- RM** Compliance related to meet Risk assessment requirements
- RI** Compliance with Rules on Treatment of One-off Surplus
- OS** Compliance related to Reinsurance Arrangements

Compliance Certification B

Certifies that Company has;

- Complied with all provisions in the Financial Transactions Reporting Act, No. 6 of 2006,

Table: Summary of Status of Compliance

Compliance Category	Compliance requirement	Status Update by Softlogic Life	Status of Compliance
IN	Investment in Government Securities should be a minimum of 30% of the Long Term Insurance Fund.	42% invested in government securities	<input checked="" type="checkbox"/>
IN	Regulatory Determination ratio should be a minimum of 100%	109%	<input checked="" type="checkbox"/>
PH	Maintain a Capital Adequacy Ratio ("CAR") of a minimum of 120%.	173%	<input checked="" type="checkbox"/>
PH	Life Insurance liabilities should have been validated by an independent external actuary in accordance with the Regulation of Insurance Industry Act	The Actuary's report is available on page 262.	<input checked="" type="checkbox"/>
RM	Risk Assessment Report should be submitted on or before 30th April each year to the Insurance Regulatory Commission of Sri Lanka	Submitted before 30th April 2019	<input checked="" type="checkbox"/>
RI	Insurance companies must enter into reinsurance arrangements with companies which at a minimum have a rating of BBB.	100% of reinsurance placements are above BBB	<input checked="" type="checkbox"/>
OS	<p>Restricted Regulatory Reserve" must be matched with specified class of assets (at market value) equal to the said reserved amount on a continuing basis.</p> <p>What is One-off Surplus "One-off Surplus" is created due to changes in the regulatory solvency regime from Net Premium Valuation to a Risk-Based Gross Premium Valuation regime.</p> <p>The transferred One-off Surplus is recorded as the "Restricted Regulatory Reserve" in the Balance-sheet and must be maintained without making any distribution unless approved by IRCSL</p>	<p>Restricted Regulatory Reserve of the Company is Rs. 798 Mn and Corresponding Assets are Rs. 829 Mn</p>	<input checked="" type="checkbox"/>

7. STAKEHOLDER ENGAGEMENT

7.1 Shareholders

The Board and the Senior Management acknowledges their responsibility to represent the interests of all shareholders and to maximize shareholder value of the Company. The main objective in this regard is representing, formulating and realizing the interests and expectations of the shareholders. To achieve this the company has established the following objectives.

- Provide a reasonable return to shareholders maintaining a satisfactory Return on Equity.
- Provide a satisfactory distribution of dividends out of the profits earned.

- Communicate effectively and efficiently with the shareholders in order to inform them regarding the affairs of the Company.

Communication with Shareholders

The Company has implemented multiple channels of communication to maintain an effective relationship with the shareholders of the Company. Further information on the techniques which Softlogic Life Insurance PLC uses to be in touch with its shareholders were discussed in the Stakeholder Engagement (Refer pages 53-57). In the diagram to the right portrays the general channels the Company maintains to communicate with its shareholders.

Figure: General modes of communication with shareholders.

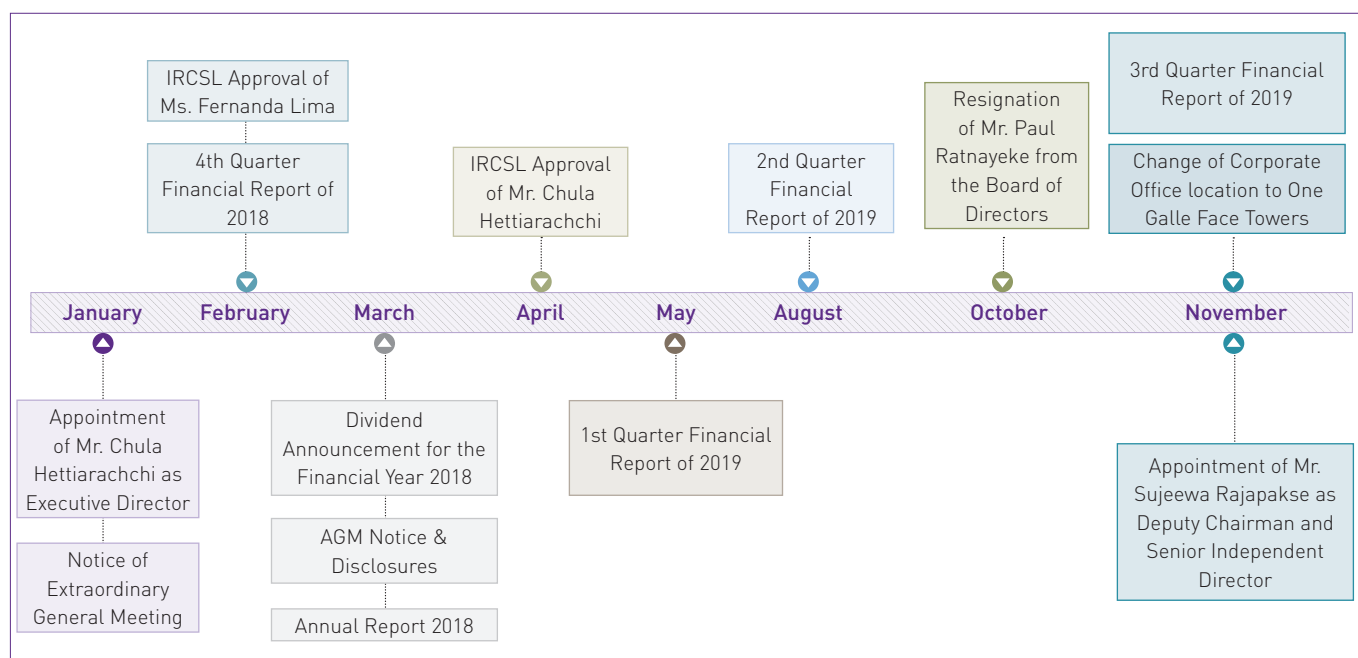


The Company takes additional efforts in maintaining constant dialogue with institutional investors, brokers, and financial analysts in order to improve their understanding of our operations, strategy and plans, and thereby, enables them to raise any concerns which may in turn affect their perceived value of the Company.

However, the Board and the Management strictly adhere to the statutory and ethical guidelines regarding their responsibility of maintaining confidentiality of price sensitive information.

Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions. Also, they are encouraged to participate in the AGM and exercise their voting rights.

Figure: Timeline of the Shareholder Communications



CORPORATE GOVERNANCE

Annual General Meetings (AGM)

The AGM provides a forum for all shareholders to directly communicate with the Board of the company and participate in the decision-making process reserved for the shareholders.

This typically includes proposals to adopt the Annual Report and Accounts, appointment of Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act No. 07 of 2007.

Separate resolutions are proposed for each substantially separate issues. Each resolution will carry a proxy appointment form as well. Shareholders will get the option to vote via proxy, for or against as well as to withhold the vote. The Company makes arrangements to ensure that each valid proxy vote are collected, counted and recorded.

The Chairman makes sure that the head of Board Sub-Committees such as the Audit, Nominations, HR & Remuneration Committee as well as the Senior Independent Director to be present at the AGM, to respond to any inquiries made by the shareholders.

Shareholder Notice

Notice of AGM is circulated to all shareholders 15 working days ahead with compliance to the Companies Act, along with instructions on the voting procedure, including the process for voting via a proxy.

The most recent AGM was the 20th Annual General Meeting (AGM) of the Company held on the on 29th March 2019, at the 4th Floor, Central Hospital (Private) Limited, No. 114, Norris Canal Road, Colombo 10.

Matters discussed include;

- To receive and consider the Report of the Directors on the State of Affairs of the Company and the statement of audited accounts for the year ended 31st December 2018 and the Report of the Auditors thereon.
- To re-elect Mr. J. H. P. Ratnayeke who retires by rotation in terms of Articles 98 of the Articles of Association of the Company as a Director of the Company.
- To re-elect Mr. H. K. Kaimal who was appointed to the Board on 3rd July 2018 retires in terms of Articles 103 of the Articles of Association of the Company as a Director of the Company.
- To re-elect Mr. H. C. Hettiarachchi who was appointed to the Board on 25th January 2019 retires in terms of Articles 103 of the Articles of Association of the Company as a Director of the Company.
- To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

Shareholder Feedback

The Company has provided the shareholders an "Investor Feedback Form" which provides the opportunity for shareholders to comments on their Company. Refer Annexure 2 for the feedback form.

Shareholder Inquiries

Shareholders are encouraged to maintain direct communication with the Company. They may raise inquiries and concerns with the Board by contacting the Company Secretary, P. R. Secretarial Services (Pvt) Ltd, through the following channels:



+94 11 2671439/+94 11 3040542/
+94 11 2697893/+94 11 2671441



info@prsslk.com /
prsecs@gmail.com



P. R. Secretarial Services (Pvt) Ltd
59, Gregory's Road,
Colombo 7, Sri Lanka.

7.2 Engagement with Other Stakeholders

Customer and Other Stakeholder details are available in pages 53-57.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Annual Report of the Board of Directors on the Affairs of the Company and Statement of Compliance of the Contents of the Annual Report as Required by Section 168 of the Companies Act No. 07 of 2007

1. PREFACE

The Directors have pleasure in presenting to the shareholders Integrated Annual Report of Softlogic Life Insurance PLC together with the Audited Financial Statements of the Company for the year ended 31st December 2019 and the Independent Auditors' Report on those Financial Statements conforming to all relevant statutory requirements. This Report provides the information as required by the Companies Act No. 07 of 2007, Insurance Industry Act No. 43 of 2000 and amendments thereto, the Listing Rules of the Colombo Stock Exchange (CSE) and the recommended best practices.

This Report was approved by the Board of Directors on 28th February 2020. The appropriate number of copies of the Annual Report have been submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

Softlogic Life Insurance PLC (The Company) is a Licensed Insurance Company registered under the Insurance Industry Act No. 43 of 2000 and was incorporated on 21st April 1999 under the Companies Act No 17 of 1982 and was re-registered as per the requirements of the Companies Act No. 07 of 2007 on 6th July 2007, under the Registration No. PQ 31. The registered office of the Company

is situated at Level 16, One Galle Face Tower, Colombo 2, Sri Lanka where the Company's Head Office too is situated.

The ordinary shares of the Company are quoted on the Diri Savi Board of the CSE since November 2000.

The ultimate parent of the Company is Softlogic Holdings PLC which has a direct holding of 0.05% and indirect holding of 38.8% as at 31st December 2019.

As required under Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in this Report prepared for the year ended 31st December 2019;

Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Annual Report page Reference for Compliance and Necessary Disclosure
i) The nature of the business of the Company together with any change thereof during the accounting period	Section 168 (1) (a)	Refer item 198 on 'Principal Business Activities, Nature of Operations of the Company and Ownership on page 276.
(ii) Signed Financial Statements of the Company for the accounting period completed in accordance with Section 152.	Section 168 (1) (b)	The Financial Statements of the Company for the year ended 31st December 2019 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs) and comply with the requirements of the Companies Act No. 07 of 2007 and Insurance Industry Act No. 43 of 2000 and which were duly certified by the Chief Financial Officer (the person responsible for the preparation of the Financial Statements) and were approved by two members of the Board as appearing on pages 270 to 382 form an integral part of this Report.
(iii) Auditors' Report on the Financial Statements of the Company	Section 168 (1) (c)	Refer pages 265 to 269 for the "Independent Auditors' Report".
iv) Any changes in Accounting Policies of the Company	Section 168 (1) (d)	Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on pages 288 to 295. There were no changes to the Accounting Policies used by the Company except for the SLFRS 9 Financial Instruments and SLFRS 16 Leases. The details of the new accounting policies are disclosed in note 7 on pages 295 to 296.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Annual Report page Reference for Compliance and Necessary Disclosure
v) Particulars of the entries made in the Interests Register of the Company during the accounting period.	Section 168 (1) (e)	The Company maintains interest Registers. All Directors have made declarations as required by Sections 192 (1) and (2) of the Companies Act aforesaid and all related entries were made in the Interest Registers during the year under review. The Interest Registers are available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.
(vi) Remuneration and other benefits paid to Directors of the Company during the accounting period	Section 168 (1) (f)	Refer Note 23 to the Financial Statements on page 330. Also refer the Human Resources and Remuneration Committee Report on pages 221 to 222.
(vii) Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Refer Item 29 on page 203.
(viii) Information on Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Refer Item 16 on page 200.
(ix) Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Section 168 (1) (i)	Refer Note 23 to the Financial Statements on page 330.
(x) Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Auditors do not have any other relationship or interest in contracts with the Company other than being the Auditors for the Company. Refer Item 36 on page 203.
(xi) Acknowledgement of the contents of this Report/Signatures on behalf of the Board	Section 168 (1) (k)	Refer Item 53 on page 205.

2. REVIEW OF BUSINESS

2.1 Vision, Mission and Corporate Conduct

The Company's Vision and Mission Statements are exhibited on page 3 of the Annual Report.

The business activities of the Company are conducted maintaining the highest level of ethical standards in achieving its Vision and Mission, which reflects our commitment to high standards of business conduct and ethics.

2.2 Principal Activity

The principal business activity of the Company is Life Insurance business which has remained unchanged during the financial year as per the requirement of

Section 168 (1) (a) of the Companies at No. 7 of 2007.

2.3 Review of Operations of the Company

The Company's sense of innovation has brought in a lot of momentum into its business, further driving brand loyalty amongst customers and stakeholders who feel pride in associating with Company. Distribution channels performed admirably during the year. Agency channel continues to be the main revenue earner, whilst also achieving substantial diversification by foraying into new distribution channels. By the end of 2019, the Company reduced dependence on the agency channel from an erstwhile figure of 77% to 75% presently. Nevertheless, sales force of 2,772 agents is reputed

as the most productive in the field and maintained highest average premium value high of Rs. 137,032 which is two and-a-half times the industry average.

The alternate channel has recoded a significant growth since its inception in 2016, contributing for about 24% of the of the total volume growth during the year. This channel is focused on the corporate and banks, while generating a revenue of Rs. 3.1 Billion in 2019, positioning as the front runner in their market segment. The Company also introduced the Micro Channel, which recorded strong growth in its short span of operation. This channel is focused in the providing insurance services to those who found it unaffordable to get insurance under

normal circumstances. The Company is starting to realize the significant economies of scale with the centralized operations as the lean structure results lower operating cost ratios.

3. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company, which reflect a true and fair view of the financial position and performance of the Company. The Directors are of the view that the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 270 to 382 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs) as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007. Further, these Financial Statements also comply with the requirements of the Insurance Industry Act No. 43 of 2000 and amendments thereto and the Listing Rules of the Colombo Stock Exchange. The "Statement of Directors' Responsibility" appearing on pages 206 to 207 forms an integral part of this Report.

4. FUTURE DEVELOPMENTS

The Company is more energized about the economy's future outlook and industry's future prospects. With the government articulating its goals to achieve GDP growth of 3.7% and US\$4,250 per capita income in 2020, prospects for the life insurance sector seem bright - as a trend of rising per capita income will accelerate penetration in the life insurance sector. The digital technologies such as big data and predictive analytics, robotic process automation and artificial intelligence have become a vital element in business operations and these technologies will make exponential advancement in delivering convenience and simplicity to the customer in long run. The Company continues exploring these new opportunities unfolding in the digital space. The uptick in economic activity and positive forecasts by the Central

Bank of Sri Lanka and the International Monetary Fund for the economy beyond 2020 boosts confidence in the nation's economic prospects. Of particular significance to our operations is the government's move to offer stimulus packages by way of reduction in taxes at both personal and corporate levels, which indicates cash in hand and higher disposable incomes, which will lead to greater penetration of the life insurance market.

5. GROSS INCOME (GROSS WRITTEN PREMIUM)

The gross written premium (GWP) of the Company for 2019 was Rs. 12,531 million. (Rs. 10,006 million in 2018)

A Detailed Analysis of the total GWP recorded by the Company is given in Note 10 to the Financial Statements on page 322.

6. RESULTS AND APPROPRIATIONS

6.1 Performance of the Company and Transfers to Reserves

The net Profit Before Tax of the Company amounted to Rs. 2,604 million. (Rs. 1,095 million in 2018) and this is an increase of 138%. Further, the Net Profit After Tax of the Company amounted to Rs. 2,173 million in 2019 (Rs. 3,336 million in 2018) and this was a decrease of 35% in 2019. The Company's total comprehensive income net of tax was Rs. 2,100 million (2018 Rs. 2,785 million), due to the one-off differed tax income of Rs. 2.4 Billion reported in 2018.

A synopsis of the Company's performance is presented below.

For the year ended 31st December	2019	2018
Financial Results	Rs. '000	Rs. '000
Profit Before Taxation (PBT)	2,603,558	1,094,762
Income Tax Reversal / (Expenses)	(430,715)	2,241,483
Profit After Tax (PAT)	2,172,843	3,336,245
Un-appropriated Profit Brought Forward	7,073,421	3,740,249
Profits Available for Appropriation	9,246,264	7,076,494
Appropriations		
Actuarial losses on defined benefit plans	(17,084)	(3,073)
Impact of Adoption of SLFRS 9	(20,766)	
Realised losses on equity instruments (According to SLFRS 9)	(102,444)	-
Dividend Paid	(543,750)	-
Un-appropriated Profit Carried Forward	8,562,220	7,073,421

6.2 Dividends on Ordinary Shares

The Company has not declared interim / final dividend as at reporting date.

6.3 Reserves

A summary of the Company's reserves is given below:

As at 31st December	2019	2018
Financial Results	Rs. '000	Rs. '000
Stated Capital	1,062,500	1,062,500
Revaluation Reserve	92,708	48,436
Fair Value Reserve / Available-for-Sale Reserve	(1,498,509)	(1,500,514)
Restricted Regulatory Reserve	798,004	798,004
Retained Earnings	7,764,216	6,254,651
Total	8,218,919	6,663,077

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Information on the movement of reserves is given in the Statement of Changes in Equity on page 273 and Notes 38 to 40 to the Financial Statements on pages 361 to 362.

7. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The CSR initiatives of the Company are detailed under 'Management Discussion and Analysis' under Social and Relationship capital in the Annual Report on pages 104 to 129.

8. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Capital Expenditure

Information on Property, Plant, Equipment and Intangible assets of the Company are given in Notes 27 and 28 to the Financial Statements on pages 333 to 340 respectively.

Valuation of Land and Building

All land and buildings owned by the Company was revalued. Specific information on extent, location, valuations of the land and buildings held by the Company are given in Notes 28.8 to the Financial Statements on page 338.

9. MARKET VALUE OF PROPERTIES

The Company carried out a revaluation of all its freehold land and buildings as at 31st December 2019 and recognised the surplus on revaluation in the Financial Statements.

The revaluation process for the land and buildings of the Company was carried out by a professionally qualified independent valuer and the Board of Directors of the Company is of the opinion that the revalued amounts are not in excess of the current market values of such properties.

The next revaluation exercise on the freehold land and buildings of the Company will be carried out as at 31st December 2021.

The details of the revaluation and relevant accounting policies are provided in Note 28 to the financial statements respectively.

10. STATED CAPITAL

The Stated Capital of the Company as at 31st December 2019 was Rs. 1,062,500,000 comprising 375,000,000 fully paid ordinary shares. The details are provided in Note 37 to the financial statements on page 361. There was no change in the Stated Capital during the year.

11. ISSUE OF SHARES

During the year Company has not issued any shares to raise new capital.

12. MINIMUM CAPITAL REQUIREMENTS

Insurance Regulatory Commission of Sri Lanka (IRCSL) by its Gazette dated 07th May 2013 has increased the Minimum Capital requirement for all Insurance Companies to Rs. 500 million with effect from 11th February 2015.

The Company has an issued and fully paid stated capital of Rs. 1,062.5 million (2018 - Rs. 1,062.5 million) and therefore fulfilled this statutory requirement.

13. TOTAL AVAILABLE CAPITAL (TAC)

In addition to the above, insurance Companies are required to maintain minimum of Rs. 500 million as Total Available Capital (TAC) as per solvency margin (Risk Based Capital) rules 2015 with effect from 01st January 2016. The Company maintains Rs. 7,783 million as at 31st December 2019 which is well above the minimum requirement. Details of the TAC is given on page 315 and in Note 8.6.(d) to the Financial Statements.

14. SHARE INFORMATION

14.1 Distribution Schedule of Shareholdings

Information on the distribution of shareholding and the respective percentages are given in the Section on 'Investor Relations' on pages 391 to 396.

14.2 Information on Earnings, Dividend, Net Assets and Market Value

Information relating to earnings, dividend, net assets and market value per share is given on page 392. Information on the trading of the shares and movement in the number of shares represented by the Stated Capital of the Company is given in the Section on 'Investor Relations' on pages 391 to 396.

14.3 Substantial Shareholdings

Names of the top twenty shareholders for voting shares, percentages of their respective holdings and percentage holding of the public, etc. are given in the Section on 'Investor Relations' on pages 391 to 396.

15. EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has ensured at all times that all shareholders are treated equitably.

16. INFORMATION OF THE DIRECTORS OF THE COMPANY

16.1 Information on Directors as at 31st December 2019

The Board of Directors of the Company as at 31st December 2019 consisted of Nine Directors (Eight Directors as at 31st December 2018) with wide financial and Commercial knowledge and experience as detailed in the 'Board of Directors Profiles' on pages 152 to 155.

The Names of the Directors of the Company who held the office during the year and as at the end of 2019, as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

Name of the Director	Executive/ Non-Executive Status	Independent/ Non-Independent Status
Mr. Ashok Pathirage Chairman	Non-Executive	Non-Independent
Mr. Sujeewa Rajapakse – Deputy Chairman	Non-Executive	Independent
Mr. Iftikar Ahamed Managing Director	Executive	Non-Independent
Mr. Ray Abeywardena – Director	Non-Executive	Independent
Mr. Rüdiger Will-Director	Non-Executive	Independent
Mr. Haresh Kaimal-Director	Non-Executive	Non-Independent
Ms. Fernanda Lima-Director	Non-Executive	Non-Independent
Mr. Chula Hettiarachchi-Director	Executive	Non-Independent
New appointment after the year 2019		
Mr. V. Govindasamy-Director	Non-Executive	Independent
Mr. Raimund Synders-Director	Non-Executive	Non-Independent
Cessations after the year 2019		
Mr. Rüdiger Will-Director	Non-Executive	Independent
Cessations during the year 2019		
Mr. Paul Ratnayake-Deputy Chairman	Non-Executive	Independent

16.2 Retirement and Re-election

The Directors to retire by rotation at an AGM shall be those who, have served the longest in office, since their last election or appointment as a director to the Board of Directors of the Company in terms of articles 98 of the Articles of Association of the Company.

The Board Appointed Nomination Committee recommended the re-election of the following Directors, after considering the Declarations submitted.

Directors to retire by rotation:

- To re-elect Mr. Sujeewa Rajapakse who retires by rotation in terms of Articles 98 (a) of the Articles of Association of the Company as a Director of the Company.
- To re-elect Mr. V. Govindasamy who was appointed to the Board on 16th January 2020 retires in terms of Articles 103 of the Articles of Association of the Company as a Director of the Company.

Directors who served on the Board for over 9 years:

No Directors who served on the Board for over 9 years

No existing Director has reached the age of 70 years and therefore Section 210 and 211 of the Companies Act does not apply.

16.3 Directors' Meetings

Details of the meetings of the Board of Directors are presented on page 176.

16.4 Review of Performance of Board

The performance of the Board is evaluated through a formalised process and details are discussed in pages 180-181.

17. BOARD SUB-COMMITTEES

The Board of Directors of the Company formed Board Subcommittees namely, Human Resources and Remuneration Committee, Audit Committee, Related Party Transactions Review Committee, Investment Committee, Risk Committee and the Nomination Committee as required by CSE Listing Rules.

Accordingly, the following Board sub-committees have been constituted.

Board Sub-Committees	Committee Report Reference
Audit Committee	Pages 214-218
Risk Management Committee	Pages 219-220
Human Resources and Remuneration Committee	Pages 221-222
Investment Committee	Page 225
Related Party Transaction Review Committee	Pages 223-224
Nomination Committee	Pages 226-227

The above Committees play a critical role in order to ensure that the activities of the Company at all times are conducted with the highest ethical standards and in the best interest of all its stakeholders. The terms of Reference of these Sub-Committees conform to the recommendations made by various regulatory bodies, such as the Institute of Chartered Accountants of Sri Lanka, the Securities and Exchange Commission of Sri Lanka, and the Colombo Stock Exchange.

The composition of each Board sub-committee is given on pages 177 to 179 which is a part of the Annual Report of the Board.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

18. DISCLOSURE OF DIRECTORS' DEALING IN SHARES

Individual ordinary voting and non-voting shareholdings of persons who were Directors of the Company at any time during the financial year are as follows:

Name of the Director	2019	2018
	Rs. '000	Rs. '000
Ashok Pathirage	Nil	Nil
Sujeewa Rajapakse	Nil	Nil
Iftikar Ahamed	Nil	Nil
Ray Abeywardena	Nil	Nil
Haresh Kaimal	Nil	Nil
Rüdiger Will	Nil	Nil
Fernanda Lima	Nil	Nil
Chula Hettiarachchi	Nil	Nil
Paul Ratnayeke	Nil	Nil

The Managing Director/CEO of the company does not hold shares of the Company as at reporting date.

19. DIRECTORS INTEREST REGISTER

In terms of the Companies Act No 07 of 2007 an Interest Register was maintained during the accounting period under review. All the Directors of the Company have disclosed their interest in other Companies to the Board and those interests are recorded in the Directors interest register, confirming to the provision of the Companies Act No 07 of 2007.

20. DIRECTORS INTEREST IN CONTRACTS OR PROPOSED CONTRACTS

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed on pages 210 to 211 as per the requirement of Section 168 (e) of the Companies Act No 07 of 2007. All Directors of the Company have disclosed their interest in other companies to the Board and such interest are recorded in the Directors interest register confirming to Section 192 (1) and 192 (2) of the Companies Act No 07 of 2007.

Directors also refrain from voting on any contract or matter in which they have a material interest as a practice of good governance during the course of business.

The Directors have also disclosed transactions, if any, that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures". Please refer Note 46 to the Financial Statements on pages 376 to 379 for those transactions disclosed by the Directors. These interests have been declared quarterly at Board Meetings.

Directors have no direct or indirect interest in any other contract or proposed contract with the Company other than disclosed in the Director's interest in contracts with the Company on pages 210 to 211.

21. DIRECTORS FEES AND REMUNERATION INCLUDING POST EMPLOYMENT BENEFITS

The amount of the Directors fees and Remuneration paid during the year is Rs. 89.8 million.

Directors are not entitled to obtain loans of any kind from the Company. Further details are provided on page 222 of the Human Resource and Remuneration Committee report as per the requirement of Section 168 (1) (f) of the Companies Act No 07 of 2007.

The Managing Director's and Executive Director's remuneration is decided by the Board with the recommendation of the Human Resource and Remuneration Committee, in consideration of the individual and Company performance. Due attention is also paid to industry standards, inflationary factors and future plans when deciding the remuneration package of the Managing Director and Executive Director.

No remuneration is paid to Non - Executive Directors other than the fees paid in line with the attendance of each Director at Board and Board sub-committee meetings.

22. DIRECTORS' INSURANCE

The Company has paid an insurance premium in respect of an insurance policy for the benefit of the Directors of the company as defined in the insurance policy during the financial year. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

23. USE OF COMPANY INFORMATION BY DIRECTORS

Subject Matter of Information	Date of Authorization by the Board	Authorization granted at a Board Meeting/ by circular resolution
None	None	None

24. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments including all taxes, duties and levies payable by the Company due to the Government, other regulatory institutions and related to the employees have been made on time or where relevant provided for.

25. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements.

26. RELATED PARTY TRANSACTIONS

No related party transaction exceeded the limits of 10% of equity or 5% of total assets requiring immediate disclosure to CSE and a separate disclosure in the Annual Report. As required by Section 9.3.2 (d) of the Listing Rules, the Board confirms that the Company has complied with all requirements as per Section 9 of the Listing Rules.

The Directors have disclosed the transactions with Related Parties in terms of Sri Lanka Accounting Standard (LKAS 24), Related Party Disclosures in Note 46 on pages 376 to 379 which is adopted in the preparation of these Financial Statements.

27. FINANCIAL INVESTMENTS

Financial investments mainly comprise the Company's investment portfolios, which have been segregated into different categories as required by Sri Lanka Accounting Standards (SLFRS / LKAS). The amount of financial investments held by the Company as at 31st December 2019 amounted to Rs. 14,911 million (2018 - Rs. 12,065 million). A detailed description of the financial investments is enclosed in Note 31 to the Financial Statements on pages 345 to 357.

28. INTANGIBLE ASSETS

The carrying value of intangible assets as at the Reporting Date amounted to Rs. 0.5 million (2018 - Rs. 2,089 million). Movement of intangible assets from the balance as at 01st January 2019 to the balance as at 31st December 2019, additions and disposals made, together with the amortisation charge for the year, are set out in Note 27 to the Financial Statements on pages 333 to 334.

Following their initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

29. DONATIONS

There were no donations made by the Company during the year.

30. CAPITAL COMMITMENTS

Details of capital commitments as at 31st December 2019 are provided in note 47 on page 379.

31. GOING CONCERN

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, such as restrictions or plans to curtail operations.

32. LIABILITIES AND PROVISIONS

The Board of Directors has arranged external actuaries to value the Life Fund and the Gratuity Liability.

The basis adopted for provisioning is disclosed in Note No 41 and 42 on pages 362 to 373 to the Financial Statements.

As at the date of the Report, the Directors are not aware of any circumstances, which would render inadequate amounts provided for in the Financial Statements.

33. RESERVES

The reserves consist of Fair Value Reserve, Revaluation Reserve, Restricted Regulatory Reserve and Retained Reserves. The details and movements of reserves are disclosed in Notes 38 to 40 to the Financial Statements on pages 361 to 362 and in the Statement of Changes in Equity on page 273 to the Financial Statements.

34. TAXATION

Income taxes are computed based on rates enacted or substantively enacted as at the Reporting Date. The income tax rate applicable to the Company's operations for the year under review is 28% (2018 - 28%). The Company is liable for surplus basis taxation w.e.f. 01st April 2018 as per Section 67 of the Inland Revenue Act No 24 of 2017. The Company liable to pay crop insurance levy to the National Insurance

Trust Fund at 1% of the Profit After Tax.

The Company has recognised deferred tax asset extent to which future taxable profits will be available to utilise the available tax losses in foreseeable future.

35. APPOINTMENT OF AUDITORS AND THEIR REMUNERATION

The present Auditors, Messrs. KPMG were appointed as Auditors of the Company at the Annual General Meeting held on 29th March 2019 to carry out the audit of the Company for the year ended 31st December 2019.

The retiring Auditors, Messrs. KPMG have signified their willingness to continue to function as the Auditor to the Company.

A resolution to reappoint KPMG as Auditors and granting authority to the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting to be held on 31st March 2020.

Expenses incurred in respect of Audit Fees and Fees for other services rendered during the accounting period are given in Note 23 to the Financial Statements on page 330.

36. AUDITORS' INDEPENDENCE

Independence Confirmation has been provided by Messrs. KPMG as required by the Section 163 (3) of the Companies Act No 07 of 2007, in connection with the audit for the year ended 31st December 2019 confirming that KPMG is not aware of any relationship with or interest in the Company audited by KPMG that in their judgement, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable as at the Reporting Date.

Board Audit Committee has assessed each Non Audit Service provided by KPMG

ANNUAL REPORT OF THE BOARD OF DIRECTORS

with regard to auditor independence requirements of applicable laws, rules and regulations, and concluded in respect of each non-audit service or type of non-audit service that the provision of that service or type of service would not impair the independence of Messrs KPMG.

37. COMPLIANCE WITH RULES AND REGULATIONS

The Company has complied with the regulations issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and IRD & other regulations applicable to the Company and have submitted all the returns and the details to the relevant parties by the due dates.

In addition the Company complies with the Financial Transaction Reporting Act No 06 of 2006 and the Convention on the Suppression of Terrorist Financing Act No 25 of 2005, by sending a monthly report to the Financial Intelligence Unit (FIU) of Central Bank of Sri Lanka (CBSL).

Compliance Reports also have been submitted to the Audit Committee on a quarterly basis confirming the same.

The Audit Committee Report is disclosed on pages 214 to 218.

38. INFORMATION ON RATIOS, MARKET PRICES OF SHARES AND CREDIT RATINGS

Information that requires disclosures as per Rule 7.6 (xi) of the Listing Rule of the CSE are given in the Section on 'Investor Relations' on page 396.

39. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

The Company has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Company. The Directors continuously review this process through the Board Risk Committee. Specific steps taken by the Company in managing risks are detailed in the Section on pages 219 to 220, in the 'Risk Committee Report' and in Note 08 to the Financial Statements on pages 296 to 315.

An effective and comprehensive system of internal controls is in place in the Company comprising of internal checks, internal audit and financial and other controls required to carry out the business in an orderly manner and to safeguard the assets. The Directors' Statement on Internal Control and the Auditors' Report thereon are given on pages 212 to 213.

40. CORPORATE GOVERNANCE

Directors' Declarations

The Directors declare that –

- a) The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.
- b) The Company complied with all applicable laws and regulations in conducting its business and has not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance in each quarter to the Board Risk Committee.
- c) All endeavours have been made to ensure that shareholders in each category have been treated equitably in accordance with the original Terms of Issue.
- d) The business is a Going Concern with supporting assumptions or qualifications as necessary, and that the Board of Directors has reviewed the Company's Corporate/ Business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the Going Concern assumption.

- e) They have conducted a review of internal controls covering financial, operational and compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence.

The measures taken and the extent to which the Company has complied with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka are given on pages 232 to 244.

41. FOCUS ON NEW REGULATIONS

The Company has implemented SLFRS 9 Financial Instruments with effect from 1st January 2019. This provides significant improvements to the accounting requirements for financial instruments and it eliminates complexities in some of the measurement rules of LKAS 39. The above exemptions for insurers in respect of SLFRS 9 were given for temporary period until SLFRS 17 becomes effective and both of these options were made optional which enable insurers to apply improved accounting requirements in SLFRS 9. The Company decided to take the temporary exemption in 2018. However as allowed by the accounting standards, management revisited their option of taking the temporary exemption and due to the significant accounting improvements brought in by SLFRS 9.

Further, the company implemented SLFRS 16 Leases with effect from 1st January 2019. The details of the transition of SLFRS 9 and SLFRS 16 are disclosed in note 4 on pages 281-283.

42. OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company's lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations.

43. ENVIRONMENTAL PROTECTION

The Company has not, to the best of their knowledge, engaged in any activity, which was detrimental to the environment. Specific measures taken to protect the environment are given on pages 142 to 146.

44. HUMAN RESOURCES

A brief description of the Company's HR Policy and the Remuneration Methodology given in the Remuneration Committee Report on pages 221 to 222.

45. EMPLOYMENT POLICY

The Company policy is to respect the merits of the individuals and provide career opportunities, irrespective of gender, race or religion. The Company's strength of manpower as at 31st December 2019 was 805. (2018 - 821). Medical and Life insurance, under group cover is available for all employees of the Company, irrespective of their period of service. The Company encourages sports and recreational activities by supporting the Sports Club.

46. CODE OF CONDUCT AND ETHICS

The Company has adopted a Code of Business Conduct and Ethics for all its employees and has mandated that it should be followed without any exception. The Company has also adopted a Code of Conduct and Ethics for Directors. There were no violations reported of the code during the year.

The Directors and the Key Management Personnel had declared compliance with the relevant Code of Conduct and Ethics.

47. WHISTLE BLOWING

A Whistle Blowing Policy is operative within the Company and has been communicated to all members of the staff. In addition to the above the Company has conducted training sessions to educate staff with regard to whistle blowing. This enables any member of the Company to raise issues with the management and the Board, in order to identify possible risks faced by the Company at an early stage.

48. TECHNOLOGY

As encapsulated in the Corporate Strategy, our business processes are underpinned by technology. All of our processes involve information technology and we use technology to deliver superior products and services to our customers. Correspondingly, the nature of the business is more heavily intertwined with technology than ever before.

49. EMPLOYEE SHARE OWNERSHIP/ OPTION PLANS

The Company does not have any employee share ownership/option plans.

50. OPERATIONAL EXCELLENCE

To increase efficiency and reduce operating cost the Company has ongoing initiatives to drive policy and process standardisation and to optimise the use of existing technology platforms.

51. SUSTAINABILITY

The Company is an early champion of adopting sustainability practices and sustainability reporting. The Company has considered the sustainability aspects when formulating its business strategies and details of which are presented on pages 190 to 192.

52. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 4th Floor, Central Hospital (Private) limited, No. 114, Norris Canal road, Colombo 10, on 31st March 2020 at 10.00 a.m. The notice of Annual General Meeting is given on page 403.

53. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by the Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of this Annual Report.

[Sgd.]

P.R. SECRETARIAL SERVICES (PVT) LTD
Company Secretary
On behalf of the Board;

[Sgd.]

ASHOK PATHIRAGE
Chairman

[Sgd.]

IFTIKAR AHAMED
Managing Director

Colombo
28th February 2020

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Statement sets out the responsibility of the Directors, in relation to the Financial Statements of the Softlogic Life Insurance PLC. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the 'Auditors' Report given on pages 265 to 269.

In terms of Sections 150 (1) and 151 of the Companies Act No. 07 of 2007, the Board of Directors of the Company is responsible for ensuring that the Company keeps proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company as at the end of each financial year and of the financial performance of the Company for each financial year and place them before a general meeting.

The Financial Statements comprise of the Statement of Financial Position as at 31st December 2019, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the Company give a true and fair view of the:

- Financial position of the Company as at 31st December 2019; and
- The financial performance of the Company for the financial year ended.

COMPLIANCE REPORT

In preparing these Financial Statements, The Board of Directors also wishes to confirm that:

- a. Appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 288 to 295 based on the latest financial reporting framework on a consistent basis, while reasonable and prudent judgements and estimates have been made so that the form and

substance of transactions are properly reflected and material departures, if any, have been disclosed and explained;

- b. The Financial Statements for the year 2019, prepared and presented in this Annual Report have been prepared based on the Sri Lanka Accounting Standards (SLFRSs and LKASs) are in agreement with the underlying books of account and are in conformity with the requirements of the following:

- Sri Lanka Accounting Standards;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Insurance Industry Act No. 43 of 2000 and amendments thereto;
- Statement of Recommended Practice (SoRP)
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

- c. These Financial Statements comply with the prescribed format issued by the Insurance Regulatory Commission of Sri Lanka for the preparation of Annual Financial Statements of Insurance Companies.

- d. They have taken appropriate steps to ensure that the Company maintains proper books of account and review the financial reporting system directly by them at their regular meetings and also through the Audit Committee, the Report of the said Committee is given on pages 214 to 218. The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the Audit Committee.

- e. Proper accounting records which correctly record and explain the Company's transactions have been maintained as required by the Section 148 (1) of the Companies Act to determine at any point of time the Company's financial position, with reasonable accuracy, enabling preparation of the Financial Statements, in accordance with the Companies Act to facilitate proper audit of the Financial Statements;

- f. They accept responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

- g. They have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records. The "Directors' Statement on Internal Control" is given on pages 212 and 213 of this Annual Report.

- h. As required by Section 56 (2) of the Companies Act No. 07 of 2007, they have not authorised distribution of the dividends paid and proposed during the reporting year.

- i. As required by Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the CSE.

- j. That all shareholders in each category have been treated equitably in accordance with the original terms of issue.
- k. That the Company has met all the requirements under the Section 07 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable.
- l. The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code on Corporate Governance' issued jointly by the ICASL and the SEC, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements of the Company.
- m. The Financial Statements of the Company have been certified by the Company's Chief Financial Officer, the officer responsible for their preparation, as required by the Sections 150 (1) (b) of the Companies Act No. 07 of 2007 and also have been signed by two Directors of the company on page 272 as required by the Sections 150 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements;
- n. The Company's External Auditors, Messrs. KPMG who were appointed in terms of the Section 158 of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on pages 265 to 269.
- o. The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or, where relevant, provided for.

Accordingly, The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board;

(Sgd.)
ASHOK PATHIRAGE
 Chairman

(Sgd.)
IFTIKAR AHAMED
 Managing Director

Colombo
 28th February 2020

MANAGING DIRECTOR'S/CEO AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of the Softlogic Life Insurance PLC (the Company) as at 31st December 2019 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Companies Act No. 07 of 2007 ;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 ;
- Insurance Industry Act No. 43 of 2000 and amendments thereto ;
- Statement of Recommended Practice (SoRP);
- Listing Rules of the Colombo Stock Exchange (CSE) and ;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the specified formats prescribed in the SORP. The Company presents the financial results to its shareholders on a quarterly basis.

The significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied unless otherwise stated in the notes accompanying the Financial Statements. Application of Significant Accounting Policies and Estimates that involve a high degree of judgement and complexity were discussed with the Audit Committee and Company's External Auditors. Comparative information has been restated to comply with the current presentation, where applicable. We confirm that to the best of

our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the cashflows of the Company during the year under review. We also confirm that the Company has adequate resources to continue in operation and has applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures within the company. We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the entity are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the entity for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and fraud that involves management or other employees. The company's Internal Audit Function also conducts periodic reviews to ensure that the Internal Controls and Procedures are consistently followed.

With effect from January 01, 2019, the Company applied the Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments”, which replaced the Sri Lanka Accounting Standard – LKAS 39 on “Financial Instruments; Recognition and Measurement” which was effective until December 31, 2018. As permitted by paragraph 7.2.15 of the Sri

Lanka Accounting Standard – SLFRS 9 on “Financial Instruments”, the Company has opted not to restate Financial Statements of prior periods, and has recognised the difference between the previous carrying amount under the Sri Lanka Accounting Standard – LKAS 39 on “Financial Instruments – Recognition and Measurement” and the carrying amount at the beginning of the annual reporting period the Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments” that includes the date of initial application, in the opening retained earnings as at January 1, 2019 as disclosed in Note 5 on pages 284 to 287. Accordingly, comparative information has not been amended to comply with the current presentation.

With effect from January 01, 2019, the Company applied the Sri Lanka Accounting Standard – SLFRS 16 “Leases” which replaced the Sri Lanka Accounting Standard – LKAS 17 on “Leases” which was effective until December 31, 2018. At the transition the Company followed modified retrospective application method hence opening balances have not been restated. Comparative information has not been amended to comply with the current presentation.

The Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants and their Report is given on pages 265 to 269. The Audit Committee pre-approves the audit and non-audit services provided by Messrs. KPMG, in order to ensure that the provision of such services does not impair KPMG's independence and objectivity.

The Board Audit Committee (BAC), inter alia, reviewed all the Internal and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and procedures and also reviewed the quality of Significant Accounting Policies and their adherence to Statutory and Regulatory Requirements, the details

of which are given in the 'Board Audit Committee Report' appearing on pages 214 to 218.

The continuous inspection and audit functions, engagement of firms of Chartered Accountants and effective functioning of the BAC, ensure that the Internal Controls and Procedures are followed consistently. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the BAC to discuss any matter of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

It is also declared and confirmed that the entity has complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required.

We confirm that to the best of our knowledge:

- a) The company has complied with all applicable laws and regulations and guidelines and there is no material litigation against the company other than those disclosed in Note 49.1 on page 381 of the Financial Statements.
- b) All taxes, duties, levies and all statutory payments by the company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the company as at 31st December 2019 have been paid, or where relevant provided for.
- c) The Company has complied with all the legal and regulatory provisions of the Regulation of Insurance Industry act.

- d) The Company has arranged treaty reinsurance with approved reinsurers as per IRCSL guidelines, for all risk commitments exceeding retention limits.
- e) Reserving and solvency guidelines have been complied with and total reserves are backed by matching admissible assets.
- f) The equity capital meets the set minimum capital requirement in accordance with the applicable regulations.
- g) The Company has implemented the necessary processes to implement the premium warranty clause.
- h) The Company has implemented the necessary steps to implement segregation of insurance funds. There was no transfer of assets between funds during the year.

(Sgd.)
IFTIKAR AHAMED
Managing Director / Chief Executive Officer

(Sgd.)
NUWAN WITHANAGE
Chief Financial Officer

Colombo
28th February 2020

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed as follows as per the requirement of Section 168 (e) of the Companies Act No 07 of 2007. All Directors of the Company have disclosed their interest in other companies to the Board and such interest are recorded in the Directors interest register confirming to Section 192 (1) and 192 (2) of the Companies Act No 07 of 2007.

Name	Position	Company	Relationship
Ashok Pathirage	Chairman / Managing Director	Softlogic Holdings PLC	Parent Company
	Chairman / Managing Director	Asiri Hospitals Holdings PLC	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Asiri Surgical Hospital PLC	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Central Hospital Limited	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Softlogic Retail (Private) Limited	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Ceysand Resorts Limited	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Capital PLC	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Properties (Private) Limited	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Australia (Pty) Limited	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic City Hotels (Private) Limited	Group Company of Softlogic Holdings PLC
	Chairman	ODEL PLC	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Supermarkets (Private) Limited	Group Company of Softlogic Holdings PLC
	Director	Odel Properties One (Private) Limited	Group Company of Softlogic Holdings PLC
	Director	Asiri A O I Cancer Centre (Private) Limited	Group Company of Softlogic Holdings PLC
	Director	Softlogic Retail Holdings (Private) Limited	Group Company of Softlogic Holdings PLC
	Director	Softlogic Healthcare Holdings Limited	Group Company of Softlogic Holdings PLC
	Director	Asiri Diagnostic Services (Asia) Pte. Limited	Group Company of Softlogic Holdings PLC
	Director	Asiri Myanmar Limited	Group Company of Softlogic Holdings PLC
	Chairman	Sri Lankan Airlines Limited	Director Related Entity
Iftikar Ahamed	Managing Director	Softlogic Capital PLC	Group Company of Softlogic Holdings PLC
	Executive Director	Softlogic Stockbrokers (Private) Limited	Group Company of Softlogic Holdings PLC
	Executive Director	Softlogic Corporate Services (Private) Limited	Group Company of Softlogic Holdings PLC
	Executive Director	Softlogic Asset Management (Private) Limited	Group Company of Softlogic Holdings PLC
Sujeewa Rajapakse	Director	Lanka Holdings (Private) Limited	Director Related Entity
	Director	Haycarb PLC	Director Related Entity
	Director	Dipped Products PLC	Director Related Entity
	Director	Hayleys Agriculture Holding Limited	Director Related Entity
	Director	Uni Dil Packaging Solution Limited	Director Related Entity
	Director	Uni Dil Packaging Limited	Director Related Entity

Name	Position	Company	Relationship
Ray Abeywardena	Chairman	Colombo Stock Exchange	Director Related Entity
	Chairman	Acuity Stockbrokers (Private) Limited	Director Related Entity
	Chairman	Acuity Securities (Private) Limited	Director Related Entity
	Chairman	Guardian Acuity Asset Management Limited	Director Related Entity
	Chairman	Central Depository System (Private) Limited	Director Related Entity
	Managing Director	Acuity Partners (Private) Limited	Director Related Entity
	Director	Lanka Ventures PLC	Director Related Entity
	Director	LVL Energy Fund Limited	Director Related Entity
Haresh Kaimal	Director	Softlogic Holding PLC	Director Related Entity
	Director	Softlogic International (Private) Limited	Director Related Entity
	Director	Softlogic International Technologies (Private) Limited	Director Related Entity
	Director	Softlogic Australia (Pty) Limited	Director Related Entity
	Director	Softlogic Computers (Private) Limited	Director Related Entity
	Director	Softlogic BPO Services (Private) Limited	Director Related Entity
	Director	Softlogic Mobile Distribution (Private) Limited	Director Related Entity
	Director	Softlogic Retail Holdings (Private) Limited	Director Related Entity
	Director	Softlogic Restaurants (Private) Limited	Director Related Entity
	Director	Softlogic City Hotel (Private) Limited	Director Related Entity
	Director	Softlogic Supermarkets (Private) Limited	Director Related Entity
	Director	Softlogic Corporate Services (Private) Limited	Director Related Entity
	Director	ODEL PLC	Director Related Entity
	Director	Softlogic Brands (Private) Limited	Director Related Entity
	Director	ODEL Properties one (Private) Limited	Director Related Entity
Director	Sabre Travel Network Lanka (Private) Limited	Director Related Entity	
Director	Cotton Collection (Private) Limited	Director Related Entity	
Fernanda Lima	Director	TUMALON KATAK SALAHKAR PTE LTD	Director Related Entity

Related party disclosures as per the Sri Lanka Accounting Standard – LKRS 24 on “Related Party Disclosures” is disclosed in Note 46 to the Financial Statements on pages from 376 to 379 of this Annual Report. In addition, the Company carries out transactions in the ordinary course of business on an arm’s length basis with entities where the Chairman or a Director of the Company is the Chairman or a Director of such entities.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

INTRODUCTION

The following statement fulfills the requirement to publish the Director's statement on internal controls as per the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CASL).

RESPONSIBILITY

The Board of Directors ("Board") is responsible for the adequacy and maintaining an effective system of internal controls to safeguard shareholders' investments and company assets. The Board has structured an enterprise risk management process to identify the principle risks impacting the business and mitigating actions taken by management. However, such system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the policies and business objectives of the Company. In this light, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an on-going process for identifying, evaluating and managing the significant risk faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory guidelines. This process is put in place for the year and is reviewed periodically by the Board through its Audit Committee and Risk Management Committee which is supported by the Internal Auditors.

The management assists the Board in implementing policies and procedures on risk and control by identifying and assessing the risks faced by the Company, as well as in the design, operation and monitoring of suitable internal controls to mitigate these risks.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control System on Financial Reporting.

The key processes established to review the adequacy and integrity of the system of internal controls related to financial reporting include the following:

- Board Sub Committees are established by the Board to assist in ensuring;
 - the effectiveness of the Company's daily operations.
 - the Company's operations are in accordance with the business direction/strategies.
 - the Company's operations are in line with the annual corporate budget, and approved policies.
- The Internal Audit Department of the Company checks for compliance with policies and procedures and the effectiveness of the internal control system on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all departments and branches, in accordance with the annual audit plan approved by the Audit Committee. The frequency of audits of branches is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the internal audit are

submitted to the Audit Committee for review at their periodic meetings.

- The Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, regulatory authorities, External Auditors and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit function with particular emphasis on the scope of audits, independence, resources and quality of the same. Minutes of the Audit Committee meetings are tabled at the meetings of the Board of Directors of the Company on a periodic basis. Details of the activities undertaken by the Audit Committee of the Company are set out in the 'Audit Committee Report' which appears on pages 214 to 218.
- Regular IT system audits are conducted by contracted external experts to ensure the integrity of financial information, data security and adequate access controls are in place with regard to processing of data. Further contemplating robust security measures and risk management, the Company has appointed an independent IT security officer that liaises with the internal audit, external audit and other external experts contracted by the Company. In addition to the above, engage the external auditors to review the critical components of the IT environment as part of the statutory audit.
- The recommendations made by the external auditors in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement them. Further Improvements in line with industry and/or non-industry best practices are also implemented on an on-going basis.

- The Board Risk management committee assists the Board in overseeing the risk management framework of the Company. The management has prepared a Risk Register identifying all key risks faced by the Company and there is an ongoing, bottom up process in place for identifying, evaluating and managing the risks faced by the Company. New risks, mitigating actions and changes of risk status of earlier identified risks are highlighted separately and the implementation of the proposed new controls is followed up by the risk and internal audit department. The report of the Risk Committee is provided on page 219 to page 220 of the Annual Report.
- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core areas of business operations. These committees include the Assets and Liability Management Committee, Internal Investment Committee, the Information Technology Steering Committee, Internal Risk Management Committee, Actuarial Committee and the product development committee.

In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. These in turn were observed and checked by the internal audit department for suitability of design and effectiveness on an ongoing basis. Since adoption of new Sri Lanka Accounting Standards (SLFRSs and LKASs), progressive improvements on processes to comply with the new requirements of recognition, measurement, classification and disclosure are being made.

CONFIRMATION

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the Company's Act No. 7 of 2007, Regulations of Insurance Industry Act No. 43 of 2000 and the listing rules of the Colombo Stock Exchange.

On behalf of the Board;

(Sgd)
ASHOK PATHIRAGE
 Chairman

(Sgd)
IFTIKAR AHAMED
 Managing Director

(Sgd)
SUJEEWA RAJAPAKSE
 Chairman – Audit Committee

Colombo, Sri Lanka
 28th February 2020

AUDIT COMMITTEE REPORT

100%

Overall Attendance at the Meetings

100%

INED's in the Committee

4

4

Meetings Held / Meetings Scheduled



Mr. Sujeewa Rajapakse, A Fellow of the Institute of Chartered Accountants of Sri Lanka and the Society of Certified Management Accountants of Sri Lanka. He is the Managing Partner of BDO Partners a Firm of Chartered Accountants and holds a MBA from the Postgraduate Institute of Management, University of Sri Jaywardenepura.

Mr. Rajapakse is a Past President of the Institute of Chartered Accountants of Sri Lanka. He was the Technical Advisor of the South Asian Federation of Accountants (SAFA).

COMPOSITION OF THE COMMITTEE AND ATTENDANCE

The Board Audit Committee ("the Committee") appointed by Board of Directors consist of following members of the Board.

The Board Members

- Mr. Sujeewa Rajapakse (Chairman - INED)
- Mr. Ray Abeywardena (INED)
- Mr. Rüdiger Will* (INED)

Regular Attendees by invitation

- Managing Director
- Chief Financial Officer
- Head of Internal Audit

The Corporate Management team, Compliance Officer, the External Auditors, attended meetings as and when required.

Secretary to the Committee

The Company's Board Secretary Messrs. PR Secretarial Services (Pvt) Ltd functions as the secretary to the Audit Committee.

ATTENDANCE AT MEETINGS

Name	Attended/ Eligibility
Mr. Sujeewa Rajapakse	4/4
Mr. Ray Abeywardena	4/4
Mr. Rüdiger Will*	4/4

*Resigned w.e.f. 16th January 2020

INED – Independent Non-Executive Director

COMMITTEE MEETINGS

The Audit Committee conducted four (4) meetings during the year. Attendance by the Committee members at each of these meetings is given in the table above.

The committee comprises of three (3) Independent Non- Executive Directors(INED) and they report to the Board of Directors.

The minutes of the Audit Committee meetings were tabled at each Board Meeting on a regular basis. Any individual member of the Committee had the opportunity to raise specific issues at the meetings.

The Committee Chairman was in regular contact with the management including the Chief Financial Officer and Head of Internal Audit during the year on the matters within the purview of the Committee.

EXPERTISE OF THE COMMITTEE

The Chairman of the Audit committee is a fellow member (FCA) and past president of the Institute of Chartered Accountants of Sri Lanka and Society of Certified Management Accountants of Sri Lanka.

He is the Managing Partner of BDO Partners, a firm of Chartered Accountants. Each of the members of the Committee has a depth of financial expertise and collectively the Committee has considerable financial experience on which to draw.

The Committee members also bring a multitude of varied expertise and knowledge to the Audit Committee, which enables the effective conduct of operations. More information on the Committee members including the experience, qualifications and expertise may be sourced through the brief profiles on pages 152 to 155 of the Annual Report.

COMMITTEE CHARTER

The Board Audit Committee ("the Committee") of Softlogic Life Insurance PLC (the Company) is a standing committee of the Board of Directors ("Board").

The role of the Audit Committee is to assist the Board in satisfying its oversight responsibilities for the integrity of the financial statements of the Company, the internal control and risk management systems of the Company and its compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, and the adequacy and performance of the Internal Audit function.

The scope of functions and responsibilities are set out in the terms of reference of the Committee which has been affirmed by the Board and is reviewed annually or as and when necessary. The Charter of the Committee was last reviewed and approved by the Board in November 2019.

The composition, role and the functions of the board committee is further regulated by the Rules on Corporate Governance under Listing Rules of the "Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance", issued by The Institute of Chartered Accountants of Sri Lanka.

The effectiveness of the Committee is assessed annually by each member of the Committee and the results are conveyed to the Board.

OBJECTIVES

The Committee is empowered by the Board of Directors to:

1. Ensure that the financial reporting system is well managed and effective to provide accurate and timely financial information to the Board of Directors, regulators and shareholders whilst evaluating the ability to continue as going concern business entity.
2. Review the appropriateness of the accounting policies and to ensure that the financial statements are prepared in accordance with Sri Lanka Accounting standards (SLFRSs and LKASs), companies Act No 7 of 2007, Regulation of Insurance Industry Act No 43 of 2000 and other relevant laws and regulations.
3. Evaluate the adequacy, efficiency and the effectiveness of the Company's internal control system relating to financial statement reporting and risk management measures to ensure that the risk management framework of the Company is implemented effectively to avoid, mitigate or transfer current and evolving risks.
4. Ensure that the conduct of the business follows the applicable laws and regulations of the country and within the policies and procedures of the Company.
5. Monitoring and reviewing the activities and performance of the internal, external and outsourced

auditor/s, including monitoring their independence and objectivity.

6. Ensure impact of new Accounting standards are discussed and disclosure to shareholders.

The Audit Committee is empowered to seek any information it so desires from the management and staff of the Company or from external parties whilst reserving the right to meet the external/internal auditors exclusively as and when required. Furthermore, the Committee is authorised to retain independent legal, accounting or other advisors in order to achieve the objectives stated above.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Committee is conscious of the need to keep its knowledge up to date and Committee members participated at presentations and workshops conducted internally and externally on relevant topics.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

1. Financial Reporting

The Audit Committee has reviewed and discussed the Company's quarterly and annual financial statements, prior to publication, with management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards (SLFRSs & LKASs), the appropriateness and changes in accounting policies and material judgemental matters. The Committee also discussed with the External Auditors and management the matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The Committee, in acknowledgement of its responsibility to monitor the financial reporting process of the Company, reviewed the following areas, in consultation with the External Auditors and the management where necessary:

- Developments in the financial reporting framework

- Reviewed the consistency and appropriateness of the accounting policies adopted by the Company to ensure compliance with Sri Lanka Accounting Standards (SLFRS's & LKAS's)
- Disclosure requirements and other applicable accounting and financial reporting requirements such as the Companies Act, No. 07 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto.
- Reviewed the all four (4) Quarterly financial statements and the Annual Financial Statements for the year 2019 of the Company prior to its publication,
- Reviewed the impact of new Accounting standards and significant accounting and reporting issues.

2. Implementation of SLFRS 16 and SLFRS 9

The committee reviewed the progressed of the implementation of new accounting standards SLFRS 16 – Leases and SLFRS 9 Financial Instruments which were effective from 1st January 2019.

SLFRS 9 Implementation

The Committee reviewed and discussed the impact assessment on financial investments of the organization based on the business model of the Company. The following areas been addressed by the committee;

- Development of relevant accounting policies and impairment methodology documentation
- Classification of the all the financial assets.
- First day impact and impact to the Capital Adequacy Ratios as at 1st January 2019
- Impact on profitability for 2019

SLFRS 16 Implementation

The Committee reviewed and discussed the impact assessment on Leased Liabilities of the Company with the

AUDIT COMMITTEE REPORT

implementation of SLFRS 16 w.e.f. 1st January 2019. The following areas been addressed by the committee;

- Development of relevant accounting policies and impairment methodology documentation
- First day impact and impact to the Capital Adequacy Ratios as at 1st January 2019
- Calculation methodology and presentation in Financial Statements

3. IFRIC 23 Uncertainty over Income Tax Treatment

The Committee reviewed its income tax treatments in order to determine whether IFRIC 23 could have an impact on the financial statements w.e.f. 1st January 2019.

Committee also concluded that the Company's existing accounting policy for uncertain tax treatments is consistent the requirements in IFRIC 23 uncertainty Tax Treatments.

4. Progress of Implementation of SLFRS 17

The Committee continuously monitored the progress of the implementation of SLFRS 17 Insurance Contracts which will be effective in the preparation of Financial Statements from 1st Jan 2021.

Detail update on progress of the SLFRS 17 has been given under SLFRS 17 corporate governance overview in the page number 166 of this report.

5. Internal Audit, Risks and Control

The Committee monitors the effectiveness of the internal audit function and is responsible for effectiveness of the internal control systems to ensure that processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in preparation and presentation of Financial Statements and is responsible for approving their appointment or removal and for ensuring they have adequate access to information

required to conduct their audits. During the year, the Committee reviewed the internal audit plan and recommended changes and further monitored the progress on regular basis.

The scope of internal audit covers the Head Office functions and all its branch activities, and includes the review of the adequacy, effectiveness and efficiency of the internal controls and the action taken to mitigate operational and business risks. In addition, they monitor and report on compliance with statutory regulations and the Company's accounting and operational policies. The internal audit representatives are present at Audit Committee Meetings during discussions relating to their respective audit reports.

The Committee ensured that the Internal Audit Function is independent of the activities it audited and that it was performed with impartiality, proficiency and due professional care.

The Committee annually evaluates the independence and resources of the Internal Audit Function and every quarter assesses the progress of Internal Audit Strategy which comprises of progress, key audit findings, results of the implementation of audit recommendation and other key initiatives by the Internal Audit Function;

High risk audit findings are discussed in detail at each Committee meeting with the associated recommendations and the response from the management.

During the period 23 internal audit assurance reports were summarized and 90 forensic review were completed. And operational deficiencies, risk along with recommendations were discussed at the Audit Committee.

6. External Audit

The Committee conducted meetings with the External Auditors to discuss the audit scope and plan. Discussions were also carried out between the Committee, the

management and the External Auditors regarding the coordination of the audit effort to assure the External Auditors have the access to required information and co-operation from all employees and regularly overlooked the implementation of the prescribed corrective actions.

The Committee also followed up action points taken by the Management in improving the financial reporting based on the 2018 Management Letter by the external auditor Messrs KPMG.

The External Auditors were given adequate access to the Audit Committee as well as to all relevant information required. The Committee met with the external auditor three times during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit and auditor's independence.

The External Auditors were provided with an opportunity of meeting Non-Executive directors of the committee separately without the Executive Director and the corporate management being present, this is to ensure the independence of the auditors to discuss their opinion on any matter.

In addition to above, following matters were discussed at the audit committee during 2019;

- The audit plan, scope and the methodology proposed to be adopted in conducting the audit with the External Auditors prior to commencement of the annual audit.
- Reviewing the External Auditors' Management Letter and the management's responses thereto.
- Discussing all relevant matters arising from the interim and final audits, and any matters the Auditor may wish to discuss, including matters that may need to be discussed in the absence of Key Management Personnel.

At the conclusion of the audit, the Committee also met the Auditors to review the Auditors' Management Letter before it was submitted to the Board and Insurance Regulatory Commission of Sri Lanka.

The Committee members evaluated the Scope, Deliverables, Resources and Quality Assurance Initiatives for the year of the External Auditor, Messrs KPMG.

INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITORS

The Audit Committee undertook the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process. As far as the Audit Committee is aware, Auditors do not have any relationship (other than of External Auditors) with the Company.

In addition, as required by the Company's Act No 07 of 2007 and Best Practice on Corporate Governance 2017 issued by CA Sri Lanka the Committee has received a declaration from Messrs KPMG confirming that they do not have any other relationship with the Company, which may have a bearing on their independence.

According to the Company policy, the lead Audit Partner is rotated for every five years.

PROVISION OF NON-AUDIT SERVICES

The committee reviewed the non-audit services provided by the External Auditors to ensure that the provision of these services does not impair the External Auditor's independence and objectivity.

The Committee sets out following guidelines for the engagement of the External Auditor to provide non-audit services.

- Skills and experience for providing the non-audit service.
- The nature of non-audit services, the related fee levels individually and in aggregate, relative to the External Audit fee.

The Board Audit Committee considered these guidelines for all the engagement of the external auditor to provide non-audit services during the year. Further, the Committee was of the view that such services were not within the category of services identified as prohibited under the Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

RE- APPOINTMENT OF THE EXTERNAL AUDITORS

The Board Audit Committee has the primary responsibility for making recommendations to the Board on the appointment, re-appointment or removal of the External Auditor in-line with professional standards and regulatory requirements. The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants be re-appointed as Auditors for the financial year ending 31st December 2020 subject to the approval of the shareholders at the Annual General Meeting. In addition, the Committee has also made its recommendation to the Board with regards to the remuneration of the External Auditors.

COMPLIANCE WITH RULES AND REGULATIONS

The Committee examines the systems and procedures that are in place to ensure compliance with applicable regulatory requirements via the Compliance Report prepared by the Compliance Officer. The Compliance Officer's report details the extent of Compliance with the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, the Directions of the Insurance Regulatory Commission of Sri Lanka and any other regulatory and statutory requirements applicable to the Company.

SRI LANKA ACCOUNTING STANDARDS

The Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS's & LKAS's)

applicable to the Company and made recommendation to the Board of Directors. The committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

RISK MANAGEMENT

The Risk Management Committee provides information pertaining to the risk management function with the purpose of keeping the Audit Committee abreast of the latest developments and in order to carry out its statutory, regulatory and other responsibilities. A detailed report of the Risk Management Committee is given on pages 219 to 220.

CORPORATE GOVERNANCE

The Company is fully compliant with the applicable rules on corporate governance under the listing rules of the Colombo Stock Exchange (CSE). In addition, the Company compliant with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

ETHICS AND GOOD GOVERNANCE

The Committee continuously emphasized on upholding ethical values of the staff members. In this regard, a Code of Ethics and Whistle-Blowers Charter was put in place and followed for educating and encouraging all members of staff to resort to whistle-blowing, if they suspect wrong doings or other improprieties. The highest standards of corporate governance and adherence to the Company's Code of Ethics were ensured. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistle-blowing or identified through other means. The Whistle-Blowers Charter guarantees the maintenance of strict confidentiality of the identity of the whistle-blowers.

COMMITTEE EVALUATION

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. Considering the overall conduct of the Committee and its

AUDIT COMMITTEE REPORT

contribution on the overall performance of the Company, the Committee has been rated as highly effective.

PROFESSIONAL ADVICE

The committee has the authority to seek external professional advices on matters within its purview.

CONCLUSION

The Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the financial statements of the Company are reliable. The company's External Auditors have been effective and independent throughout the year.

In addition, the Committee observes that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, codes of ethics and standards of conducts have been followed. The committee is also satisfied that the application of appropriate accounting policies provides reasonable assurance that the financial statements of the company are true and fair.

(Sgd.)

SUJEEWA RAJAPAKSE
Chairman - Audit Committee

Colombo, Sri Lanka
28th February 2020

RISK COMMITTEE REPORT

100%

Overall Attendance at the Meetings

50%

INED's in the Committee

4

4

Meetings Held / Meetings Scheduled

COMMITTEE COMPOSITION AND ATTENDANCE

The Risk Management Committee ("the Committee") is appointed by the Board of Directors and consist of the following members.

The Board Members

- Mr. Rüdiger Will* (Chairman-INED)
- Mr. Ray Abeywardena (INED)
- Mr. Iftikar Ahamed (MD)
- Ms. Fernanda Lima** (NED)

Regular Attendees by invitation

- Chief Strategy Officer
- Chief Actuary Officer
- Chief Information Officer
- Chief Financial Officer
- Head of Risk
- Head of Internal Audit
- Head of Legal and Compliance
- Head of Group Risk & Audit

Secretary to the Committee

The Company's Board Secretary Messrs. PR Secretarial Services (Pvt) Ltd functions as the secretary to the Risk Committee.

ATTENDANCE AT MEETINGS

Name	Attended/ Eligibility
Mr. Rüdiger Will*	4/4
Mr. Iftikar Ahamed	4/4
Mr. Ray Abeywardena	4/4
Ms. Fernanda Lima**	3/3

*Resigned w.e.f. 16th of January 2020

**Appointed w.e.f. 15th February 2019

NED – Non – Executive Director

INED – Independent Non - Executive Director

MD – Managing Director

OBJECTIVE

The Risk Management Committee (the "Committee") of Softlogic Life Insurance PLC ("the Company") is a standing committee of the Board of Directors ("Board"). The purpose of the Committee is to assist the Board in fulfilling its responsibility with regards to the Company's risk strategy, risk management policies and procedures and its risk appetite.

EXPERTISE OF THE COMMITTEE

All members possess high level of integrity, commitment and discipline. The Chairman of the committee also have a good understanding of insurance business. The experience, qualifications and expertise may be sourced through the brief profiles on pages 152 to 155 of the Annual Report.

AUTHORITY

The Risk Committee is a subcommittee of the Board of Directors and has been empowered to receive direct access to, and obtain regular reports from, Senior Management, and be provided with any information it requests with regards to its responsibilities. The Committee has the authority to engage independent professional advisors on matters within its purview.

FREQUENCY OF MEETINGS

The committee shall meet at least four times a year. The quorum necessary for the transaction of business is 3 members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee. Attendance at a meeting may include attendance via teleconferencing facilities.

TERMS AND REFERENCE OF THE COMMITTEE

This Committee shall have supervisory functions over the risk management function, the enterprise wide risk management framework of the Company and the risk appetite of the Company and any other risk related matters determined by the Board. The main functions of the Committee are;

- Assist in the oversight of the review and approval of the company's risk management policy including risk appetite and risk strategy;
- Review the adequacy and effectiveness of risk management and controls;
- Oversee management process for the identification of significant risks across the company and the adequacy of prevention, detection and reporting mechanisms;
- Review the company's compliance level with applicable laws and regulatory requirements;
- Review changes in the economic and business environment, including emerging trends and other factors relevant to the company's risk profile;
- Review reinsurance treaties annually and advise the board on their sustainability or otherwise.

Reporting

- The Committee chairman will report formally to the Board on its proceedings whenever there are major decisions taken whilst making recommendations to the Board it deems appropriate on any area within its terms of reference where action or improvement is needed.

RISK COMMITTEE REPORT

- The Committee shall deliver a report with recommendations to the Board upon conclusion of the review of the reinsurance treaties annually.

KEY FUNCTIONS PERFORMED DURING THE YEAR

- Approval of the Company's risk management strategy, risk policy and risk appetite for 2019.
- During the year the Risk Management Policy, Treasury Middle Office Policy, Fraud Risk Policy and all other Policies under the purview of the Risk Unit were reviewed and recommended for approval by the Board.
- 2019 saw the additional approvals of the proposed IT Risk Management Framework and Product Development Charter during the year. These were also recommended for the approval of the Board.
- Advised on the adequacy and effectiveness of current IT Risk and Security Controls post learnings from the Easter Attacks.
- Reviewed the adequacy and effectiveness of existing controls on Market Risk and Asset and Liability Management and disseminated advice on methods to strengthen the management of these risks.
- Reviewed and approved reinsurance treaties applicable for the year and provided advise on the required strategies for efficient Reinsurance Management and the Reinsurance Strategy for the future.
- Reviewed changes in the economic and business environment, including emerging trends and other factors relevant to the company's risk profile and provided feedback on the required mitigation actions.

THE YEAR AHEAD

The Committee will continue to review identified risks, identification processes and mitigation strategies and make recommendations on the above mentioned in order to ensure the Company is in compliance with its stipulated framework and is within its defined risk appetite.

{Sgd.}

RÜDIGER WILL

Chairman - Risk Committee

Colombo, Sri Lanka

15th January 2020

HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

100%

Overall Attendance at the Meetings

75%

INED's in the Committee

1
1

Meetings Held / Meetings Scheduled

COMMITTEE COMPOSITION AND ATTENDANCE

The Human Resource and Remuneration Committee ("the Committee") appointed by Board of Directors consist of following members of the Board and whose profiles are given on page number 152 to 155.

The Board Members

- Mr. Sujeewa Rajapakse (Chairman - INED)
- Mr. Paul Ratnayake* (Retired Chairman - INED)
- Mr. Ashok Pathirage (NED)
- Mr. Ray Abeywardena (INED)

Regular Attendees by invitation

- Managing Director
- Head of HR

The Managing Director took part in all deliberations except when his own interest, performance and compensation were discussed.

Secretary to the Committee

The Head of Human Resources functions as the secretary to the Committee.

Name	Attended/ Eligibility
Mr. Sujeewa Rajapakse	1/1
Mr. Paul Ratnayake*	1/1
Mr. Ashok Pathirage	1/1
Mr. Ray Abeywardena	1/1

*Retired from the Board w.e.f. 25th October 2019

NED – Non – Executive Director
INED – Independent Non - Executive Director

The Human Resource and Remuneration Committee consists of three (3) Independent Non-Executive Directors (INED) including committee chairman and one Non-Executive Director.

COMMITTEE CHARTER

The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors, on any matter that may influence the Human Resource Management of the entity and shall particularly incorporate.

OBJECTIVES, RESPONSIBILITIES AND DUTIES

- Determine the remuneration of the Chairman, Deputy Chairman, Managing Director and other members of the Board of Directors of the organization, while ensuring that no Director is involved in setting his or her own compensation.
- Determine the compensation and benefits of the Key Management Persons (KMP) and establishing performance parameters in setting their individual goals and targets.
- Formulate guidelines, policies and parameters for the remuneration structures for all Executive Staff of the entity and oversee the implementation thereof.
- Review information related to executive pay from time to time, to ensure same is in par with the market/ industry rates or as per the strategy of the Company
- Evaluate the performance of the Managing Director and KMP against the pre-agreed targets and goals.
- Make recommendations to the Board of Directors from time to time, of the additional/new expertise required by the Company

- Assess and recommend to the Board of Directors, of the promotions of KMPs, address succession planning and issues connected to the Organizational Structure.
- Approving annual increments, bonuses, changes in perquisites and incentives.
- Making sure that the remuneration packages of employees are linked to individual performance, responsibility, expertise and contribution to team and overall Company objectives.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

- Based on the succession plan, the Committee interviewed suitable candidates to fill the vacancies in the Corporate Management and made recommendations from the Committee to the Board and were accordingly approved by the Board. In all promotions to the Corporate Management grade, the Committee applied previously approved leadership competency framework to judge the suitability of the candidates.
- Determined performance bonus payable for 2019 according to the Variable Pay Plan (VPP) for Executive staff.
- Approved the annual increments to the Executive staff based on their performance during 2019.
- Reviewed the performance of the Corporate Management members including that of the Executive Director the Managing Director's and Chief Operating Officer's for the financial year ended 2019.

HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

- Examined and assessed Key Performance Indicators of the Corporate Management members for 2020 and agreed on at the end of the review process for 2019.

POLICY

The Remuneration Policy of the Company aims to attract, motivate and retain Executive Directors, Key Management Personnel and other employees with appropriate professional, managerial and operational expertise necessary to achieve the Company's objectives.

It is the Committee's aim to ensure that the total remuneration package is competitive not just in the industry but to attract from other industries.

REMUNERATION PACKAGE OF DIRECTORS

a) Remuneration of Directors

No remuneration is paid to Non - Executive Directors other than the directors' fees paid based on their participation at Board meetings and other Sub-committee meetings.

b) Retirement Benefits

Non-Executive Directors are not entitled to retirement benefits.

c) Share Option Plans for Directors

The Company does not have a share option plan for Directors.

d) Personal Loans for Directors

No Director is entitled to Company loans.

Total fees and remuneration paid to all Directors including the Managing Director and the Chairman is disclosed on Note 23 on page 330 in this report.

REMUNERATION PACKAGE OF MD / CEO

The Remuneration Committee's policy is to place the basic salaries broadly around the market median with other variable components which reflect the Company's business strategies and the challenges it faces.

The Managing Director's remuneration is decided by the Board annually on the recommendation of the Remuneration Committee based on the achievement of Company objectives and individual performance. Managing Director is entitled to retirement benefits but not company loans. The Company also does not have a share option plan for Managing Director.

REMUNERATION PACKAGE OF EMPLOYEES

The remuneration packages of employees consist of a fixed component, variable component and other benefits as noted below:

a) Fixed Components

Basic salary and Traveling Allowance are the fixed component in the package which is based on the scope and complexity of the role and is reviewed annually. Annual performance appraisals are conducted, and increments and promotions are granted purely based on results of such appraisals. Overall competence and performance are key factors that determine an individual's base pay.

b) Variable Components

The main component of our variable pay is the annual bonus to employees at all levels based on individual performance as evaluated at the annual performance appraisals and the performance of the Company. In addition, the distribution management team is entitled for a production and quality incentive scheme based on achievement of business targets under predetermined criteria.

c) Other Employee Benefits

Benefits provided to employees include examination loans, Professional Membership, Subscription Scheme and various insurance benefits.

d) Retirement Benefits

There are no retirement benefits to employees other than gratuity.

e) Employee Share Schemes

There are also no Employee Share Schemes for employees

COMMITTEE EVALUATION

The Committee completed the evaluation process with self-assessment in 2019, which was conducted by the Chairman and Committee members and was deemed to be satisfactory.

PROFESSIONAL ADVICE

The Committee has the authority to engage independent professional advisors on matters within its purview.

THE YEAR AHEAD

The Committee will continue to review the Remuneration Policy, Remuneration structures for its Executive Director, Key Management Personnel and its other employees and make recommendations on the above mentioned in order to ensure the Company is in a position to attract, motivate and retain the best of human resources.

(Sgd.)

SUJEEWA RAJAPAKSE
Chairman – Human Resource and Remuneration Committee

Colombo, Sri Lanka
28th February 2020

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

100%

Overall Attendance at the Meetings

100%

INED's in the Committee

4

4

Meetings Held / Meetings Scheduled

COMMITTEE COMPOSITION AND ATTENDANCE

The Related Party Transaction Review Committee ("the Committee") is appointed by Board of Directors consist of following members of the Board and whose profiles are given on page number 152 to 155.

The Board Members

- Mr. Sujeewa Rajapakse (Chairman - INED)
- Mr. Ray Abeywardena (INED)
- Mr. Rüdiger Will* (INED)

Regular Attendees by invitation

- Managing Director
- Executive Director
- Chief Financial Officer
- Head of Legal & Compliance

Secretary to the Committee

The Company's Board Secretary Messrs. PR Secretarial Services (Pvt) Ltd functions as the secretary to the Related Party Transactions Review Committee.

ATTENDANCE AT MEETINGS

Name	Attended/ Eligibility
Mr. Sujeewa Rajapakse	4/4
Mr. Ray Abeywardene	4/4
Mr. Rüdiger Will*	4/4

*Resigned w.e.f. 16th January 2020

INED – Independent Non - Executive Director

COMMITTEE MEETING

The Committee met four (04) times during the financial year ended December 31, 2018, and the proceedings of the Committee meetings have been regularly reported to the Board of Directors during the financial year.

The Related Party Transactions Review Committee consists of three (3) Independent Non- Executive Directors (INED).

COMMITTEE CHARTER

The Related Party Transactions Review Committee was established by the Board of Directors to assist the Board in reviewing all related party transactions carried out by the Company in terms of the CSE Listing rules that required mandatory compliance with effect from 1st January 2016.

Accordingly, except for exempted transactions all other Related Party Transactions are required to be reviewed by the Related Party Transactions Review Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Company, in order to ensure that related parties are treated on par with other shareholders and constituents of the Company.

TERMS OF REFERENCE OF THE COMMITTEE

Terms of Reference (TOR) covers the responsibilities of Related Party Transactions Review Committee in terms of the CSE Listing Rules.

The TOR mentions the constitution and the composition of the Committee; that the Chairman should be a Non - Executive Independent Director; at least once in every quarter the Committee should meet, and these are in conformity with the provisions of the said Section in the Listing Rules. It sets out the guidelines on Related Party transactions and its reporting.

TOR of the Related Party Transactions Review Committee was approved by the Board of Directors and is reviewed annually as per regulatory and operational requirements.

The core objective of the Related Party Transactions Review Committee is to ensure that the interest of shareholders is taken into consideration when entering into related party transactions and compliant with the rules.

The Related Party Transactions Review Committee conducts its activities as per its Charter, Policy and Guidelines and is entrusted with the task of reviewing related party transactions other than those transactions explicitly exempted under the Listing Rules of the Colombo Stock Exchange.

OBJECTIVES, RESPONSIBILITIES AND DUTIES

The Related Party Transactions Review Committee carries out the following duties and responsibilities:

1. Reviewing Related Party Transactions of the Company except those explicitly exempted under the Listing Rules;
2. Adopting policies and procedures to review Related Party Transactions of the Company and set out guidelines and methods for the capturing and reviewing of Related Party Transactions.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

3. Assessing whether the Related Party Transactions are in the best interests of the Company and its Shareholders as a whole;
4. Updating the Board of Directors on the RPT of the Company on a quarterly basis and determining whether Related Party Transactions that are to be entered by the Company require the approval of the Board or Shareholders of the Company
5. Advising the Board in making immediate market disclosures on applicable RPT as required by Section 9 of the Continuing Listing Requirements of the CSE.
6. Advising the Board in making appropriate disclosures on RPT in the Annual Report as required by Section 9 of the Continuing Listing Requirements of the CSE.
7. Monitoring compliance with the Code of Best Practices on Related Party Transactions issued by the SEC.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

During the year 2019, there were no non- recurrent or recurrent Related Party Transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

The annual review of the RPT policy was carried out during the year 2019, and committee did not recommend any changes to the policy, and same has been submitted for the board approval.

Details of other Related Party Transactions entered into by the Company during the above period is disclosed in note 46 to the financial statements.

GUIDING PRINCIPLES OF THE COMMITTEE

The Related Party Transactions Review Committee in ensuring that all transactions with related parties of the Company are treated on par with other shareholders and constituents of the Company, issues guidelines to the senior

management setting the necessary processes to identify, approve, disclose and monitor all transactions with related parties and the threshold limits and agreed upon terms and conditions with respect to related party transactions.

METHODOLOGY OF THE COMMITTEE

In accordance with the Guiding Principles, self-declarations are obtained from each Director and Key Management Personnel (KMP) of the Company for the purpose of identifying parties related to the Directors & KMPs. Hence the Company adopts a disclosure-based approach in identifying the related parties. Based on the information furnished in these declarations, the Company has set-up a process which enables the Company to generate data on related party transactions throughout the Company's network.

The Committee is supported with its task of reviewing related party transactions by way of the confirmation reports of the Management on related party transactions that took place during each quarter. These reports primarily confirm to the Committee if a related party transaction occurred based on at arms-length basis or not and the reasons for conducting such transactions with a related party.

If a member has a material personal interest in a matter being considered or a Related Party Transaction involves directly or indirectly one of the members of this Committee, the conflicted member informs the Committee immediately and exclude himself at the meeting and such member is not present while the matter is being considered at the meeting and abstains from voting on the matter.

PROFESSIONAL ADVICE

The Committee has assessed and/or ensured that they have access to internal and external resources and may seek the advice of the External Auditors of the Company, Counsellor such other independent advisers, consultants or specialists as to any matter pertaining to the powers or responsibilities of the

Committee with respect to any Related Party Transaction and obtain such advice as and when necessary.

THE YEAR AHEAD

The Committee will continue to review related party transactions in order to ensure the Company is in compliance with its stipulated framework governing related party transactions.

(Sgd.)

SUJEEWA RAJAPAKSE
Chairman – Related Party Transactions
Review Committee

Colombo, Sri Lanka
28th February 2020

INVESTMENT COMMITTEE REPORT

100%

Overall Attendance at the Meetings

50%

INED's in the Committee

4

4

Meetings Held / Meetings Scheduled

COMMITTEE COMPOSITION AND ATTENDANCE

The Board Investment Committee ("the Committee") consist of following members of the Board.

The Board Members

- Mr. Ashok Pathirage (Chairman-NED)
- Mr. Sujeewa Rajapakse (INED)
- Mr. Iftikar Ahamed (MD)
- Mr. Ray Abeywardena*** (INED)
- Mr. Rüdiger Will* (INED)
- Ms. Fernanda Lima** (NED)

Regular Attendees by invitation

- Head of Treasury
- Head of Investments – SHL
- Chief Strategy Officer
- Chief Financial Officer
- Head of Risk

Secretary to the Committee

PR Secretarial Services (Pvt) Ltd functions as the secretary to the Committee.

ATTENDANCE AT MEETINGS

Name	Attended/ Eligibility
Mr. Ashok Pathirage	4/4
Mr. Iftikar Ahamed	4/4
Mr. Sujeewa Rajapakse	4/4
Mr. Rüdiger Will*	4/4
Ms. Fernanda Lima**	3/3
Mr. Ray Abeywardena***	2/2

*Resigned w.e.f. 16th January 2020

**Appointed w.e.f. 15th February 2019

***Appointed w.e.f. 15th May 2019

NED – Non-Executive Director

INED – Independent Non-Executive Director

MD – Managing Director

COMMITTEE MEETING

The Committee formally met four times (04) during the year under review and the Committee consists of 5 Non-Executive Directors, of which 2 are Independent while the Chairman remains Non-Independent. The other Director being the MD is Executive and Non-Independent.

EXPERTISE OF THE COMMITTEE

The committee possess in depth expertise and knowledge in Investments, Finance, Risk Management as well as the Insurance Industry which would be vital in performing its functions. Refer Board profile on pages 152 to 155 of this report.

COMMITTEE CHARTER

The Investment Committee works in accordance with the Board approved Investment Policies while its responsibility lies in overseeing investment activities by evaluating the strategic relevance and financial viability of various investment proposals. The Committee has the authority to engage independent professional advisors. The Committee works closely with the Board of Directors in relation to the matters referred to it by making appropriate and suitable recommendations.

TERMS OF REFERENCE OF THE COMMITTEE

- Review, amend and approve investment policies whilst monitoring and evaluating the investment performance by considering compliance with investment policies, guidelines, external investment regulations and risk levels on a quarterly basis.
- Monitor the management of the portfolios by reviewing written reports from Treasury/Fund Manager(s) or by discussions with relevant Treasury/ Fund Manager(s) on a quarterly basis.
- At its discretion decide to appoint a Fund Manager(s) to perform this mandate.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

- The Committee received and reviewed data on the current economic conditions, outlook for the economy, industry growth sectors, inflation and interest rates.
- The Committee received and reviewed balance sheet liquidity as well as projections for underwriting, commissions and claims.
- To further strengthen the independence of the Committee and to bring new perspective, additional Independent Non-Executive Director was appointed during the year.
- The Committee is mandated with the performance of the Overall Portfolio, and as such was responsible for managing both existing projects and new initiatives of the Company.
- The Committee granted approval to implement SLFRS 9 w.e.f. 1st January 2019 and classify the companies Financial Instruments based on the business model of the company.

COMMITTEE EVALUATION

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. Considering the overall conduct and contribution to the performance of the Company, the Committee has been rated as highly effective.

(Sgd.)

ASHOK PATHIRAGE

Chairman – Investment Committee

Colombo, Sri Lanka

28th February 2020

100%

Overall Attendance at the Meetings

75%

INED's in the Committee

1

1

Meetings Held / Meetings Scheduled

COMMITTEE COMPOSITION AND ATTENDANCE

The Nomination Committee ("the Committee") consist of following members of the Board and whose profiles are given on page number 152 to 155.

The Board Members

- Mr. Ashok Pathirage (Chairman-NED)
- Mr. Paul Ratnayake** (INED)
- Mr. Ray Abeywardena (INED)
- Mr. Sujeewa Rajapakse* (INED)

Regular Attendees by invitation

- Managing Director

Secretary to the Committee

The Company's Board Secretary Messrs. PR Secretarial Services (Pvt) Ltd functions as the secretary to the Nomination Committee.

ATTENDANCE AT MEETINGS

Name	Attended/ Eligibility
Mr. Ashok Pathirage	1/1
Mr. Paul Ratnayake**	1/1
Mr. Ray Abeywardena	1/1
Mr. Sujeewa Rajapakse*	0/0

*Appointed w.e.f. 22nd November 2019

**Retired from the Board w.e.f. 25th October 2019

NED – Non – Executive Director
INED – Independent Non - Executive Director

The Nomination Committee ("the Committee") comprises of 3 Non-Executive Directors appointed by the Board of Directors of the Company. The Quorum of the Nominations Committee is two members. Attendance by the Committee members at the meetings is given in the table above.

TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference states the purpose of the Committee, its composition, authority, scope and scheduling of meetings. The Nomination Committee was established to consider and make recommendation to the Board of the suitability of a Director's appointment and/or re-election as a Director to the Board of Directors. The recommendation of the Committee on new appointments will cover the areas such as qualifications, competencies, independence, relationships which have potential to give rise to conflict vis-a-vis the business of the Company etc. The Committee has the authority to discuss the issues under its purview by seeking appropriate professional advice unless otherwise required and report to the Board of Directors with their recommendations, enabling the Board to take a decision on the matter.

OBJECTIVES, RESPONSIBILITIES AND DUTIES

The Committee focuses on the following objectives in discharging its responsibilities;

- To ensure that the Directors are fit and proper persons to hold office.
- To review and recommend any appointment of new Directors to the Board of Directors of the Company.

- To provide advice and/or recommendations to the Board or the Chairman on new appointments to the Board.
- To consider and recommend the re-election of the Director/s eligible for re-election by taking into account the performance and the contribution made by them towards the overall discharge of their responsibilities in the Board and Board appointed committees.
- To set the criteria such as qualifications, competencies, experience, independence, conflict of interest and key other attributes required for eligibility to be considered for appointment or promotion to the post of and key management positions.
- Review the structure, composition and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes
- A member of the Nominations Committee shall opt out in decisions relating to his own appointment.
- To consider and recommend from time to time the succession planning arrangement for retiring Directors and Key Management Personnels.
- To make recommendations on any other matter/s referred to the Committee by the Board of Directors.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

The Committee has recommended the Directors who are coming up for re-election, to be re-elected at the 21st AGM to be held on 31st March 2020 based on the performance and the contribution

made by them towards the overall discharge of the Board's responsibilities.

Furthermore, during the year, the Committee reviewed the appointment of Directors to the Board of Directors. In the process, the Committee was conscious of board compositions and striking the ideal balance in terms of expertise and experience on boards.

METHODOLOGY OF THE COMMITTEE

The Committee meets as and when necessary in order to assess the suitability of individuals for appointment as directors and Key Management Personnels as well as to conduct such other affairs which the Charter of the Committee mandates the Committee to carry out.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

THE YEAR AHEAD

The Committee will continue to review identified risks, identification processes and mitigation strategies and make recommendations on the above mentioned in order to ensure the Company is in compliance with its stipulated framework and is within its defined risk appetite.

[Sgd.]

ASHOK PATHIRAGE

Chairman – Nomination Committee

Colombo, Sri Lanka

28th February 2020

MANDATORY COMPLIANCE REQUIREMENTS

The Company has disclosed the status of compliance of the following mandatory rules issued by the Colombo Stock Exchange ("CSE") and relevant provisions of Companies Act.

- 1) Content of the Annual Report as per rule 7.6 of the listing rules of CSE in page 396.
- 2) Requirements mentioned in Section 168 of the Companies Act No. 07 of 2007 in pages 197 to 198.
- 3) Requirements on Corporate Governance as per rule 7.10 of the listing rules of CSE in pages 228 to 229.
- 4) Requirements on Related Party Transactions as per rule 9 of the listing rules of CSE in page 230.

Principle Reference	Compliance and Implementations	Complied
7.10	CORPORATE GOVERNANCE	
7.10.1	Non – Executive Directors	
7.10.1(a)	Two or one third of Non- Executive Directors, whichever is higher, should be independent: Refer Board Composition on page 168.	☑
7.10.2	Independent Directors	
7.10.2(a)	One-third of the Non-Executive Directors: Refer Board Composition on page 168.	☑
7.10.2(b)	Each Non-Executive Director is required to submit to the Board annually a declaration of his/her independence or non-independence: Each Non-Executive Director has submitted the annual declaration in the specimen format declaring of his/her independence or non- independence against the specified criteria.	☑
7.10.3	Disclosures relating to Directors	
7.10.3(a)	The names of Non-Executive Directors determined to be 'independent': The Board has made a determination for the financial year as to the independence or non-independence of each non-executive director based on such declaration and other information made available to the Board. The names of Non-Executive Directors determined to be 'independent' is on page 174.	☑
7.10.3(b)	In the event a Director does not qualify as 'independent' against any criteria set out in the Rules, however, if the Board is of the opinion that the Director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination: Please refer page 174.	☑
7.10.3(c)	A brief resume of each Director including information on the nature of his/ her expertise in relevant functional areas: Please refer pages 152 to 155.	☑
7.10.3(d)	In the event of an appointment of a new Director, a brief resume of such Director shall be submitted immediately to the CSE for dissemination to the public: A brief resume of each new director was published along with the announcement of appointment on CSE	☑
7.10.4	Criteria for Defining "Independence"	
7.10.4(a to h)	Requirements for meeting the criteria for an Independent Director: Please refer page 174.	☑

Principle Reference	Compliance and Implementations	Complied
7.10.5	Remuneration Committee	
7.10.5(a)	<p>Non-Executive Directors, a majority of whom shall be independent, and one of the Non-Executive Directors shall be appointed as the Chairman:</p> <p>Please refer the Remuneration Committee Report on pages 221 to 222.</p>	<input checked="" type="checkbox"/>
7.10.5(b)	<p>The Committee shall recommend to the Board the remuneration payable to the Executive Directors and Chief Executive Officer:</p> <p>Please refer the Remuneration Committee Report on pages 221 to 222.</p>	<input checked="" type="checkbox"/>
7.10.5(c)	<p>Disclosures in the Annual Report,</p> <p>I. Names of Directors comprising the Remuneration Committee</p> <p>II. Statement of the remuneration policy</p> <p>III. The aggregate remuneration paid to Executive and Non- Executive Directors.</p> <p>Please refer the Remuneration Committee Report on pages 221 to 222.</p> <p>Please refer Annual Report of the Board of Directors on the Affairs of the Company on pages 197-205.</p>	<input checked="" type="checkbox"/>
7.10.6	Audit Committee	
7.10.6 (a)	<p>Non-Executive Directors, a majority of whom shall be independent:</p> <p>Please refer the Audit Committee Report on pages 214-218.</p> <p>Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings:</p> <p>The MD and CFO attend meetings of the Committee by invitation</p> <p>The Chairman or one member of the Committee should be a Member of a recognized professional accounting body:</p> <p>The Chairman is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Society of Chartered Accountants, as well as a past president of the Institute of Chartered Accountants of Sri Lanka.</p>	<input checked="" type="checkbox"/>
7.10.6 (b)	<p>Functions:</p> <p>I. Oversee the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards;</p> <p>II. Oversee compliance with financial reporting requirements, information requirements as per related regulations and requirements;</p> <p>III. Oversee processes to ensure internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards;</p> <p>IV. Assessment of the independence and performance of the external auditors;</p> <p>V. Make recommendations to the Board on appointment, re-appointment and removal of external auditors and approve remuneration and terms of engagement</p> <p>Please refer the Audit Committee Report on pages 214-218.</p>	<input checked="" type="checkbox"/>

MANDATORY COMPLIANCE REQUIREMENTS

Principle Reference	Compliance and Implementations	Complied
7.10.6 (c)	<p>Disclosure in the Annual Report on Audit Committee:</p> <p>I. The names of the Directors comprising the Audit Committee</p> <p>II. The Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination</p> <p>III. A report by the Committee setting out the manner of compliance in relation to the above</p> <p>Please refer the Audit Committee Report on pages 214-218.</p>	☑
9	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	
9.2.1	<p>Except for the transactions set-out in Rule 9.5 all other Related Party transactions should be reviewed by the Committee in- line with the requirements of the Rule:</p> <p>Please refer the Related Party Transactions Review Committee Report on pages 223-224.</p>	☑
9.2.2	<p>The Committee should comprise a combination of Non- Executive Directors and Independent Non- Executive Directors. The composition of the Committee may also include Executive Directors at the option of the Listed Entity. One Independent Non-Executive Director shall be appointed as Chairman of the Committee:</p> <p>Please refer the Related Party Transactions Review Committee Report on pages 223-224.</p>	☑
9.3.2	Disclosures in the Annual Report	
9.3.2 (a) & (b)	<p>Information on non-recurrent related party transactions, if aggregate value of the non-recurrent related party transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements information on recurrent related party transactions, if the aggregate value of the recurrent related party transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent related party transactions entered into during the financial year in the Annual Report. The name of the related party and the corresponding aggregate value of the related party transactions entered into with the same related party must be presented in the specified format:</p> <p>Please refer the Related Party Transactions Review Committee Report on pages 223-224.</p>	☑
9.3.2 (c)	<p>Report by the Committee:</p> <p>Please refer the Related Party Transactions Review Committee Report on pages 223-224.</p>	☑
9.3.2 (d)	<p>Declaration by the Board of Directors either as an affirmative or negative statement of compliance with the Rule:</p> <p>Please refer Annual Report of the Board of Directors on the affairs of the Company on pages 197-205.</p>	☑

INSURANCE REGULATORY COMMISSION OF SRI LANKA'S DIRECTION ON CORPORATE GOVERNANCE FOR INSURERS

Insurance Regulatory Commission of Sri Lanka has issued direction 17 on Corporate Governance for insurance companies under the Regulation of Insurance Industry Act No.43 of 2000 and it is effective from 01st July 2019. The Company has already complied with the directive as can be seen from the table mentioned below.

Aspects covered in Direction No 17	Complied
Code of Best Practice on Corporate Governance, 2017	
The Board is recommended to adhere the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka. Please refer Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka on pages 232 to 244.	☑
Board Composition	
Minimum of 2 Directors who are citizens of Sri Lanka and also resident of Sri Lanka;	☑
Total period of service of a Director of an insurer (other than an Executive Director) shall not exceed 9 years and such period in office shall be inclusive of the total period of service served by such Director up to 1st July 2019.	
Transitional Provisions: A Director who has completed 9 years as at 1st July 2019 or who completed such term at any time prior to June 30th 2020, may continue for a further maximum period of 2 years commencing from July 1st 2019.	
Age	
Age of a Director who serves on the Board shall not exceed 70 years:	☑
Exemption: <ul style="list-style-type: none"> • If over 75 as at July 1st 2019, may continue up to June 30th 2020 and deemed vacated afterwards. • If between 70 -75 years as at July 1st 2019, can continue up to June 30th 2021 and deemed vacated afterwards. • If 70 years is reached by July 1st 2019, can continue up to June 30th 2022 and deemed vacated afterwards 	
CSE Listing Rule 7.10	
The Board must adhere to the CSE Corporate Governance Rules: Please refer Mandatory compliance requirement on pages 228 to 230	☑
Appointments in other Boards	
A Director cannot be on more than 20 companies/entities/institution including subsidiaries or associate companies of the insurer.	☑
A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the insurer of such 20 companies/entities/institution, not more than 10 companies shall be those classified as specified business entities in terms of the Sri Lanka accounting and auditing standard Act, No.15 of 1995.	

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

The Company has voluntarily adopted the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka. We have disclosed the status of compliance with each requirement of the code and how the Company is complied in pages 232 to 244. The revised code came in to effect from 01st January 2018.

Table: Code of Best Practice on Corporate Governance

Code Reference	Compliance and Implementations	Complied
A	DIRECTORS	
A.1	The Board	
A.1.1	<p>Board Meetings: During the year Board met 4 times and each Board Sub-Committee had its own schedule of meetings. For details of the frequency of Board meetings, Board Sub-Committee meetings and its attendance. Please refer page 176-179.</p>	☑
A.1.2	<p>Role and Responsibility of the Board:</p> <ul style="list-style-type: none"> • Responsibility 1: Ensure formulation and implementation of a sound business strategy: 2020 - 2022 a three-year plan has been approved by the Board in 2019 end. • Responsibility 2: Appointing the chair and the senior independent director if relevant: The Composition of the Board is given in the page number 168 of the report. • Responsibility 3: Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy: MD and management team has a sufficient knowledge, skills and experience in both insurance industry and outside the industry. Profiles of each member is presented in pages 156 to 157. • Responsibility 4: Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy: Succession plans are in place for all key positions of the Company. Please refer page 221 for details of Succession planning. • Responsibility 5: Approving budgets and major capital expenditure: All major decisions regarding the Company such as approval of budgets required Board approval and please refer Key Activities of the Board during 2019 on page 176. • Responsibility 6: determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation: While the Board decides on the matters expressly reserved to the Board such as setting the strategy and risk appetite, it also overlooks the delegated operational functions. Determining matters delegated to the Management such as Manual of Financial Authority (MOFA), which is revised by the Board on an annual basis also falls within the purview of the Board. • Responsibility 7: Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management: The Company has placed sound internal audit process, Risk management process and ensure IT Controls are properly established. Please refer Internal Assurance (Internal Audit) in page number 192, Information Technology Governance in page number 188 and Integrated Risk Management Report in page numbers 245 to 258 for further information. • Responsibility 8: Ensuring compliance with laws, regulations and ethical standards: The Company has placed a compliance process to comply with all relevant regulations. Please refer page 193 for regulatory and statutory governance. And for HR governance please refer pages 101-103. • Responsibility 9: Ensuring all stakeholder interests are considered in corporate decisions: The Board considers the views/impact on all Stakeholders when making decision. Please refer to Management Discussion & Analysis on pages 34-148. • Responsibility 10: Recognizing sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting "integrated reporting": The Corporate strategy is designed for 3 years and discuss the performance regularly at Board Meetings. And the Company adopts "Integrated Reporting" in the Annual Reports, refer pages 34 to 148 for Management Discussion and Analysis. 	☑

Code Reference	Compliance and Implementations	Complied
A.1.2	<ul style="list-style-type: none"> Responsibility 11: Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations: The Board of Directors are responsible for the preparation of financial statements whilst the Audit Committee ensures the compliance with the financial regulations of those financial statements. Please refer pages 214-218 for Audit Committee Report and pages 208-209 for MD and CFO statement for detail information on this objective. Responsibility 12: Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks: Please refer pages 169-170. Responsibility 13: Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company: The Company issues and uploads quarterly and annual financial statements together with the relevant disclosures in the CSE web site. Please refer Financial Calendar on page number 259 for more information. Responsibility 14: Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned: The Board is capable of providing right direction and the Board comprises of members who has the expertise in different areas. 	☑
A.1.3	<p>Directors collectively & individually act in accordance with the laws of the Country:</p> <p>The Board places utmost importance on compliance with all applicable laws and regulations. In addition to the in-house Legal and Compliance Department, the services of External Consultants are obtained, where necessary.</p>	☑
A.1.4	<p>Directors access to advise and services of the Company Secretary:</p> <p>All the Directors are able to obtain advise and serviced of the Company Secretary.</p> <p>Please refer page 171 for the role of the Company Secretary.</p> <p>The Company has paid an insurance premium in respect of an insurance policy for the benefits of the Directors and the Key Management Personnel of the Company.</p>	☑
A.1.5	<p>Independence Judgement of the Board of Directors:</p> <p>The Board consist of a high caliber of professionals capable of exercising independent judgment in the Board decision-making process. The Board promotes an environment where challenging contribution from the Non-Executive Directors is welcomed and encouraged.</p> <p>Please refer page numbers 169-171 for Role of the Board.</p>	☑
A.1.6	<p>Dedicating adequate time and effort to matters of the Board and company satisfactorily discharged:</p> <p>Directors dedicate time and effort by attending Board meetings and Board sub-Committee meetings. Please refer page 176 for Board and Board Sub Committee Meetings and Pages 177-179 for Ensuring the Effectiveness of the Board.</p>	☑
A.1.7	<p>The Procedures relating to Directors matters in the best interest of the Company:</p> <p>The Directors used procedures accordance with the Articles of Association of the Company (which governs the procedures of Directors) or the Code for best practice.</p>	☑
A.1.8	<p>Board induction and training:</p> <p>All Directors have adequate knowledge and experience in the insurance industry, and management regularly updates Directors of any developments in the insurance industry and new regulations. In addition, Directors engage in continuous professional development in their respective fields. Please refer training of new and existing directors in pages 172-173 for more details.</p>	☑

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Code Reference	Compliance and Implementations	Complied
A.2	Chairman and Chief Executive Officer (CEO)	
	There should be a clear division of responsibilities of the Chairman and the CEO/MD in order to maintain the balance of power and authority.	
A.2.1	Position of Chairman and CEO/MD vested by separate persons: The position of Chairman and MD is segregated. Chairman of the Company is Mr. Ashok Pathirage and MD of the Company is Mr. Iftikar Ahamed.	<input checked="" type="checkbox"/>
A.3	Chairman's Role in preserving Good Corporate Governance:	
	The Chairman should preserve order and facilitate the effective discharge of Board functions.	
A.3.1	The Chairman's role in the conduct of Board meetings: The Chairman of the Company is a Non- Executive Director. The Chairman's role encompasses:	
	<ul style="list-style-type: none"> Ensuring that the Board Members are given appropriate induction, covering terms of appointment, duties and responsibilities. Leading the Board and managing the business of the Board while taking full account of the issues and concerns of the Board. Approving the agenda for each meeting prepared by the Board Secretary. Ensuring that the Board Members receive accurate, timely and clear information, in particular about the Company's performance to enable the Board to take sound decisions, monitor efficiently and provide advice to promote success of the Company. Ensuring regular meetings, the minutes of which are accurately recorded and where appropriate include the individual and collective views of the Directors. Facilitates and encourages discussions amongst all Directors where decisions are needed on matters of risk and strategy. Encouraging effective participation of all Directors in the decision-making process to optimise contribution. Representing the views of the Board to the public. Initiates the process for self-assessment of the Board from its members and uses the meaningful feedback to further improve the effectiveness of the Board. 	<input checked="" type="checkbox"/>
	Please refer to Role of the Chairman on page 171 and Ensuring the effectiveness of the Board Meetings on page 175.	
A.4	Availability of Financial Acumen:	
	All Directors have extensive experience in financial acumen as they possess experience in different industries. Mr. Sujeewa Rajapakse is Fellow Member of Institute of Chartered Accountants of Sri Lanka and represented the Monetary Policy Consultative Committee of Central Bank of Sri Lanka.	
A.5	Board Balance	
	Balance of Executive and Non-Executive Directors	
A.5.1	Majority of the Board should be Non-Executive Directors: The Board consists of nine Directors whom seven are Non-Executive including the chairman while the other two inclusive of the Managing Director hold the office in an Executive capacity. Please refer page 168 for Composition of the Board.	<input checked="" type="checkbox"/>
A.5.2	Where the Board of Directors includes only three Non-Executive Directors: The Board consist of seven Non-Executive directors, four of them are Independent. Please refer page 168 for composition of the Board.	<input checked="" type="checkbox"/>

Code Reference	Compliance and Implementations	Complied
A.5.3	<p>Director to be Independent:</p> <p>The Company has determined the independence of directors based on CSE listing rules.</p> <p>Please refer page 174 for the criteria used for independence determination of each director.</p>	<input checked="" type="checkbox"/>
A.5.4	<p>Annual declaration by Non-Executive Director:</p> <p>Each Non-Executive should submit a signed and dated declaration annually of his/her independence or non-independence in the specific form.</p>	<input checked="" type="checkbox"/>
A.5.5	<p>Annual determination of Independence:</p> <p>Board determines the independence of directors on an annual basis. Please refer page 174 for the criteria used for independence determination of each director</p>	<input checked="" type="checkbox"/>
A.5.6	<p>Appointment of an Alternate Director:</p> <p>There were no appointments of alternate Directors in the period under review.</p>	Not Applicable
A.5.7	<p>Appointment of Senior Independent Director[SID]:</p> <p>In the event of Chairman is not an independent Director, The Board should appoint one of independent Non-Executive Directors to be the Senior Independent Director. Mr. Sujeewa Rajapakse is holding the position as the Senior Independent Director of the Company w.e.f. 22nd November 2019. And Mr. Paul Ratnayake who held the position of Senior Independent Director retired from the Board w.e.f. 25th October 2019.</p>	<input checked="" type="checkbox"/>
A.5.8	<p>The Senior Independent Director should make himself available for confidential discussion with other Directors:</p> <p>All concerns with regard to the Board are sufficiently discussed at the meetings.</p>	<input checked="" type="checkbox"/>
A.5.9	<p>The Chairman hold meeting with Non-Executive Directors at least once each Year:</p> <p>The Chairman presides over several Board Sub-Committees consisting of Non-Executive Directors. In addition, the Chairman holds meetings with Non-Executive Directors as and when necessary.</p>	<input checked="" type="checkbox"/>
A.5.10	<p>Matters which cannot be unanimously resolved should be recorded in the Board Minutes:</p> <p>All proceedings at Board meetings are recorded by the Company Secretary. The Chairman fosters an environment in which decisions are reached unanimously.</p>	<input checked="" type="checkbox"/>
A.6	<p>Supply of Information:</p> <p>The Board should provide appropriate and timely information</p>	
A.6.1	<p>Management has an obligation to provide information timely, and the Chairman should ensure all Directors are properly briefed on issues arising at Board Meetings:</p> <p>The management provides the Board with monthly financial and management information. The Board Sub-Committees are provided with all necessary information in the frequency in which meetings are held. In addition, information is provided whenever requested by the Board/ Board Sub-Committees.</p>	<input checked="" type="checkbox"/>
A.6.2	<p>The minutes, agenda and papers required for Board meeting should be provided to Directors:</p> <p>The minutes, agenda and all other information required for Board and Board Sub-Committee meetings is circulated not less than seven (7) days before the meetings. The minutes of the meeting are also circulated within 14 days from the meeting date.</p>	<input checked="" type="checkbox"/>

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Code Reference	Compliance and Implementations	Complied
A.7	Appointments to the Board:	
	There should be a formal and transparent procedure for the appointment of new Directors to the Board and all appointments are governed by the Articles of the Association.	
A.7.1	The Nomination Committee should recommend on all new appointments to the Board: For details of the Nomination Committee and its functions please refer the Nomination Committee Report on pages 226-227 of this report. Please refer to page 172 for Appointments and Re-election of Board members	<input checked="" type="checkbox"/>
A.7.2	The Nomination Committee should annually assess the Board composition: Please refer to page 172 for Appointment and re-election of Board members.	<input checked="" type="checkbox"/>
A.7.3	The Appointment of a new Director to the Board should be forthwith disclosed to shareholders: All new appointments have been communicating to the CSE and shareholders. Please refer page 172 for reasons behind new Board appointments. Please refer pages 195 to 196 for Stakeholder Engagement.	<input checked="" type="checkbox"/>
A.8	Re-election and Resignation	
	All Directors should be required to submit themselves for re-election at regular intervals.	
A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act, relating to the removal of director and their re-appointment should not be automatic: As per articles of association, at every AGM the longest standing Director shall retire and the retiring Director shall be eligible for re-election.	<input checked="" type="checkbox"/>
A.8.2	All Directors including the Chairman should be subject to election by shareholders at the first opportunity after their appointment, and to re-elect: According to the Articles of Association of the Company the Chairman and Managing Director (MD), while holding such office shall not be subject to retirement by rotation. Please refer page 172 for appointment and re-election of Board members.	<input checked="" type="checkbox"/>
A.8.3	Director resign before the completion of appointment term: All Director who resigned during the year have provided such communication to the Board	<input checked="" type="checkbox"/>
A.9	Appraisal of Board Performance	
	The Board should periodically appraise their own performance.	
A.9.1	The Board should have a formal and rigorous process for appraising the Board and Committee performance: Please refer to page 180 for details of the performance evaluation of the Board and its Sub-Committees.	<input checked="" type="checkbox"/>
A.9.2	Undertake an annual self-evaluation of the Board performance and of its Committees: Please refer to page 180 for details of the performance evaluation of the Board and its Sub-Committees.	<input checked="" type="checkbox"/>
A.9.3	Review the participation, contribution and engagement of each director at the time of re-election: The Board re-election are subject to Board approval on the recommendation of the Nomination Committee	<input checked="" type="checkbox"/>
A.9.4	Conduct performance evaluation of the Board: Please refer to page 180 for details of the performance evaluation of the Board and its Sub-Committees.	<input checked="" type="checkbox"/>

Code Reference	Compliance and Implementations	Complied
A.10	Disclosure of Information in respect of Directors:	
	Shareholders should be kept advised of relevant details in respect of directors	
A.10.1	The Annual Report should set out the information on each Director: Information specified in the Code with regard to Directors is disclosed within this Annual Report as follows: <ul style="list-style-type: none"> • Profiles including qualifications, expertise, material business interests and key appointments on pages 152 to 155. • Whether Executive, Non-Executive and/or independent Director, and Number/percentage of Board meetings of the Company attended during the year on pages 176. • Names of Board Committees in which the Director serves as Chairman or a member; and number/percentage of committee meetings attended during the year on pages 177-179. 	<input checked="" type="checkbox"/>
A.11	Appraisal of Chief Executive Officer [CEO]/MD:	
	The Board should be required, at least annually, to assess the performance of the CEO/MD	
A.11.1	Set Financial and non-Financial targets that should be met by the CEO/MD: The Board in consultation with the MD set financial and non-financial targets in line with the objectives of the Company. Please refer pages 181-182 for details of the performance evaluation of the MD.	<input checked="" type="checkbox"/>
A.11.2	Evaluate CEO/MD Performance: The achievement of these targets is monitored by the Board throughout the year and a performance evaluation is carried out by the Board at the end of the year.	<input checked="" type="checkbox"/>
B	DIRECTORS' REMUNERATION	
B.1	Remuneration Procedure	
	Company should establish a formal and transparent procedure for developing policy on executive remuneration	
B.1.1	Established policy framework for remunerating Executive Directors: Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy for the Executive Director and the Corporate Management. The Committee determines and agrees with the Board, the broad policy framework for the remuneration of the MD. The MD participates at meetings when deciding the remuneration of the Corporate Management in order to recruit, retain and motivate the Corporate Management team. For details about the composition of the Remuneration Committee, please refer to page 178.	<input checked="" type="checkbox"/>
B.1.2	Composition of the Remuneration Committee: The Committee consist exclusively of Non-Executive Directors and majority of the Directors are Independent. The chairman of the Committee is Independent Non-Executive Director and should be appointed by the Board. Please refer Human Resource and Remuneration Committee Report pages 221-222.	<input checked="" type="checkbox"/>
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report: Please refer Human Resource and Remuneration Committee Report pages 221-222.	<input checked="" type="checkbox"/>

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Code Reference	Compliance and Implementations	Complied
B.1.4	<p>The Board determine the remuneration of Non-Executive Directors including the members of Remuneration Committee:</p> <p>The Board as a whole determines the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for being a Director of the Board and an additional fee for being a member of the Committee. They do not receive any performance related incentive.</p> <p>Please refer to Board Compensation on pages 180-181.</p>	<input checked="" type="checkbox"/>
B.1.5	<p>The Committee should consult the Chairman and/or CEO about its remuneration proposals for other Executive Directors and have access to professional advice:</p> <p>Input of the Chairman is obtained by his involvement as a member of the said sub-committee. External professional advice is sorted by the Remuneration Committee on a need basis through the Board Secretary.</p> <p>For more information refer to Board Compensation on Pages 180-181.</p>	<input checked="" type="checkbox"/>
B.2	The Level and Make-up of Remuneration	
	Levels of remuneration should be sufficient to attract Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be linked to corporate and individual performance	
B.2.1	<p>The Remuneration Committee should provide an attractive package to retain Executive Directors:</p> <p>The Board is mindful of the fact that the remuneration of Executive and Non-Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of Directors needed to run the Company. The remuneration package of the MD is structured to link rewards to corporate and individual performance.</p> <p>For details of the Remuneration policy of the Company, please refer the Remuneration Committee Report on pages 221 to 222.</p>	<input checked="" type="checkbox"/>
B.2.2	<p>Executive Directors remuneration is designed to promote the long term success of the Company:</p> <p>Please refer the Remuneration Committee Report on page 221-222.</p>	<input checked="" type="checkbox"/>
B.2.3	<p>Judge where to position the levels of remuneration of the Company:</p> <p>The Remuneration Committee in deciding the remuneration of the Directors (including the MD) takes into consideration the level of remuneration paid by the other comparable companies, performance and risk factors entitled in his job.</p>	<input checked="" type="checkbox"/>
B.2.4	<p>The Committee should be sensitive to remuneration elsewhere in the Company or Group of which it is a part:</p> <p>The size and scale of the Company is not comparable with any other Group company.</p>	<input checked="" type="checkbox"/>
B.2.5	<p>Performance-related remuneration should be designed and tailored:</p> <p>The remuneration package of the Managing Director and the Executive Director is structured to link rewards with the individual performance and corporate performance.</p>	<input checked="" type="checkbox"/>
B.2.6	<p>Executive share options should not be offered at a discount:</p> <p>There is no executive share option scheme in the Company.</p>	Not Applicable
B.2.7	<p>Best Practices should follow to design the scheme of performance-related remuneration:</p> <p>Please refer to Remuneration Committee Report on pages 221-222.</p>	<input checked="" type="checkbox"/>
B.2.8	<p>Compensation commitments in the event of early termination of a Director:</p> <p>Please refer to Remuneration Committee Report on pages 221-222.</p>	<input checked="" type="checkbox"/>

Code Reference	Compliance and Implementations	Complied
B.2.9	<p>Approach in early termination cases, where the initial contract not explicitly provide for compensation commitments:</p> <p>Please refer to Remuneration Committee Report on pages 221-222.</p>	<input checked="" type="checkbox"/>
B.2.10	<p>Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role:</p> <p>Please refer to Remuneration Committee Report on pages 221-222.</p>	<input checked="" type="checkbox"/>
B.3	Disclosure of Remuneration policy	
	The Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.	
B.3.1	<p>Disclosures related to remuneration in Annual Report:</p> <p>Please refer to Remuneration Committee Report on pages 221-222.</p> <p>Remuneration paid to the Board of Directors is disclosed [aggregate] in Note 23 in the Financial statements on page 330.</p>	<input checked="" type="checkbox"/>
C	RELATION WITH SHAREHOLDERS	
C.1	Constructive use of Annual General Meeting[AGM] and conduct of General Meetings	
	Board should use the AGM to communicate with shareholders and should encourage their participation	
C.1.1	<p>Notice of the AGM and related papers should send to shareholders as determined by the statute:</p> <p>The Company ensures that the notice period required by the companies act and the Articles of the Association is strictly observed and shareholders are served with all related papers to make informed decisions. Notice of the AGM is circulated together with the Annual Report and Accounts which includes information relating to any other resolutions that may be set before the shareholders at the AGM.</p>	<input checked="" type="checkbox"/>
C.1.2	<p>All substantial matters are proposed by separate resolutions:</p> <p>For each resolution, proxy appointment forms should be providing to shareholders with the option to direct their proxy to vote either for or against to resolution or to withhold their vote.</p> <p>Please refer to page 196 for details on AGMs.</p> <p>Please refer to page 403 for the Company's Notice of Meeting and Annexure 1 for Form of Proxy.</p>	<input checked="" type="checkbox"/>
C.1.3	<p>The Company should ensure that all valid proxy appointments are properly recorded and counted:</p> <p>At the Annual General Meeting of the Company, the Secretary to the Board keeps a proper record of all valid proxy appointments.</p> <p>Please refer the Company website for more information.</p>	<input checked="" type="checkbox"/>
C.1.4	<p>Chairman of Sub-Committees and Senior Independent Director should be available at the AGM:</p> <p>All Directors of the Company including the Chairman of the Audit, Remuneration, Nomination and Related Party Transaction Review Committees as well as Senior Independent Director are present at AGM and are available to answer questions.</p>	<input checked="" type="checkbox"/>
C.1.5	<p>A summary of the procedures governing voting at General Meetings should be circulated with every Notice of General Meeting:</p> <p>The Notice of Meeting and Proxy Form incorporate instructions for shareholders on voting.</p> <p>Please refer page 403 for Notice of the Meeting</p> <p>Please refer page Annexure 1 for Form of Proxy.</p>	<input checked="" type="checkbox"/>

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Code Reference	Compliance and Implementations	Complied
C.2	Communication with Shareholders	
	The Board should implement effective communication with shareholders	
C.2.1	There should be a channel in order to disseminate information to Shareholders: The Company makes effective use of General Meetings to communicate with all its shareholders. Important announcements are published on the CSE and media. Further, the Company maintains a dedicated section on its website for investor relations. Please refer Stakeholder Engagement in pages 195-196.	<input checked="" type="checkbox"/>
C.2.2	The policy for communication with shareholders should be disclosed: Please refer to the Share Information & Stakeholder engagement sections of the Annual Report on Pages 391-396 and 195-196.	<input checked="" type="checkbox"/>
C.2.3	How the communication with shareholders policy is implemented during the year : Please refer to the Share Information & Stakeholder engagement sections of the Annual Report on Pages 391-396 and 195-196.	<input checked="" type="checkbox"/>
C.2.4	The contact person for such communication should be disclosed: Please refer to Page 196 in Inquiries by Shareholders for more information.	<input checked="" type="checkbox"/>
C.2.5	All Directors are aware of major issues and concerns of shareholders: The Company Secretary shall maintain records of all correspondence received and deliver same to the Board or individual Directors as applicable.	<input checked="" type="checkbox"/>
C.2.6	The person to contact in relation to shareholders' matters should be decided: Shareholders are encouraged to bring matters of concern to the attention of the Board through the Company Secretaries. Please refer, contact details are given on page 196.	<input checked="" type="checkbox"/>
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed: Refer C.2.2-C.2.5 above.	<input checked="" type="checkbox"/>
C.3	Major and Material Transactions	
	Complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter the Company's net assets base.	
C.3.1	Obtain Shareholders' approval on "Major & Material Transaction and disclosed: Section 185 of the Companies Act requires all major transactions (whether related or not) to be approved by shareholders by way of special resolution. In addition, with the CSE Listing Rule on Related Party Transactions came into effect from 2016, all proposed non-recurrent related party transactions must be reviewed by a Board Sub-Committee and transactions exceeding threshold limits must be subject to shareholder approval by way of special resolution.	<input checked="" type="checkbox"/>
C.3.2	Disclose Major and Material Transactions to shareholders as required by Securities Exchange Commission (SEC) and the Colombo Stock Exchange (CSE): The Company's policy on shareholder communications addresses the need to disclose major and material transactions to shareholders as required by the rules and regulations of the SEC and the CSE.	<input checked="" type="checkbox"/>

Code Reference	Compliance and Implementations	Complied
D	ACCOUNTABILITY AND AUDIT	
D.1	Financial and Business Reporting	
	Present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.	
D.1.1	<p>Preparation and presentation of Annual Report including Financial Statements:</p> <p>The Board has taken every effort to ensure that the Annual report presents a fair and balanced view of the Company's financial position, performance and prospects combining narrative and visual elements to facilitate readability and comprehension. All statutory requirement has been complied within Annual report and the interim financials have been review and approved by the Board and Audit Committee prior to publication.</p>	<input checked="" type="checkbox"/>
D.1.2	<p>The Board responsibility of presenting Financial Statements:</p> <p>The Board take responsibility to publish a balanced financial statements and information required to be presented by statutory requirements.</p>	<input checked="" type="checkbox"/>
D.1.3	<p>Chief Executive Officer/Managing Director and Chief Financial Officer's opinion on Financial statements:</p> <p>Please refer to Managing Director's and Chief Financial Officer's Responsibility Statement on pages 208 to 209.</p>	<input checked="" type="checkbox"/>
D.1.4	<p>The Directors' Report in the Annual Report should contain certain declarations to the effect set out in the code:</p> <p>Please refer the Annual report of the Board of Directors on the affairs of the Company on pages 197-205.</p>	<input checked="" type="checkbox"/>
D.1.5	<p>The Board together with the Auditor setting out a statement about their responsibilities:</p> <p>Please refer the Statement of Directors' Responsibility to Financial Reporting, Independent Auditors' Report and Directors' Statement on Internal Controls on pages 265 to 269 and pages 212 to 213 respectively.</p>	<input checked="" type="checkbox"/>
D.1.6	<p>The Annual Report should contain a "Management Discussion and Analysis":</p> <p>Please refer the Management discussion and Analysis on page 34 to 148.</p>	<input checked="" type="checkbox"/>
D.1.7	Periodically report the progress of remedial action being taken in the event of company net assets falls below 50% of the value of the Shareholders funds:	Not Applicable
D.1.8	<p>Disclose Related Party Transactions:</p> <p>Please refer:</p> <p>I. Note 46- Related Party Disclosures in Notes to financial statements on pages 376-379 II. Related Party Committee Report on pages 223-224</p>	<input checked="" type="checkbox"/>
D.2	Risk Management and Internal Control	
	The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.	
D.2.1	<p>The Board review the effectiveness of internal control system and monitor the Company's risk management:</p> <p>The Board is responsible for establishing sound framework of risk management and internal controls and monitoring its effectiveness on a continuous basis. Through such as effective framework, Softlogic Life PLC manages business risks and ensures that the financial information on which business decisions are made and published is reliable, and also ensures that the Company's assets are safeguarded against authorized, unauthorized use or disposition.</p> <p>Please refer to the Director's Statement on Internal Controls on pages 212 to 213.</p>	<input checked="" type="checkbox"/>

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Code Reference	Compliance and Implementations	Complied
D.2.2	<p>Managed and mitigate the risk on business model, future performance, solvency or liquidity:</p> <p>Please refer;</p> <p>I. The Risk Committee Report on pages 219-220.</p> <p>II. The Risk Management section on pages 245-258</p>	☑
D.2.3	<p>Internal Audit Function:</p> <p>Since 2014, the internal audit function was completely brought under the in-house internal audit department. Accordingly, the resource and staff requirements of the internal audit department were enhanced.</p>	☑
D.2.4	<p>Audit Committee review on the effectiveness of risk management and internal controls:</p> <p>The Audit Committee monitors, reviews and evaluates the effectiveness of the risk management & internal control system including the internal controls over financial reporting.</p> <p>Please refer to Internal Assurance section on page 192</p>	☑
D.2.5	<p>Directors responsibility on maintaining a sound internal control system:</p> <p>Please refer Directors' Statement on Internal Controls on pages 212-213.</p>	☑
D.3	The Audit Committee	
	The Board should establish formal and transparent arrangements for considering how to select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Auditors.	
D.3.1	<p>Composition of the Audit Committee:</p> <p>All members of the Audit Committee are Independent Non-Executive Directors. Mr. Sujeewa Rajapakse acts as the Chairman of the Audit Committee.</p> <p>Please refer to the Audit Committee Report on pages 214-218.</p>	☑
D.3.2	<p>The Audit Committee should have a written Terms of Reference, dealing with its authority and duties:</p> <p>Please refer to the Audit Committee Report on pages 214-218</p>	☑
D.3.3	<p>The work of the Audit Committee in discharging its responsibility:</p> <p>Please refer to the Audit Committee Report on pages 214-218</p>	☑
D.4	Related Party Transactions Review Committee	
	The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.	
D.4.1	<p>A Related Party and Related Party Transactions will be as defined in LKAS 24:</p> <p>Please refer to the Related Party Transactions Review Committee Report on pages 223-224</p>	☑
D.4.2	<p>Composition of Related Party Transactions Review Committee:</p> <p>Please refer to the Related Party Disclosures (Note 46) on pages 376-379.</p>	☑
D.4.3	<p>The RPT Review Committee should have a written Terms of Reference, dealing with its authority and duties:</p> <p>Please refer to the Related Party Transactions Review Committee Report on pages 223-224</p>	☑

Code Reference	Compliance and Implementations	Complied
D.5	Code of Business Conduct and Ethics	
	Adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel & and all other employees.	
D.5.1	The existence of a Code of Business Conduct and Ethics: Please refer page 181 for the Code of Business Conduct and Ethics	<input checked="" type="checkbox"/>
D.5.2	Identify and report, material and price sensitive information: The Company has a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	<input checked="" type="checkbox"/>
D.5.3	The Company should establish a policy, process for monitoring, and disclosure of shares purchased by any director, Key Management Personnel or any other employee involved in financial reporting: Please refer Shareholder information on pages 391-396	<input checked="" type="checkbox"/>
D.5.4	The Chairman declaration on Code of Conduct and Ethics: Please refer to Chairman's Statement on page 160	<input checked="" type="checkbox"/>
D.6	Corporate Governance Disclosures	
	Directors should be required to disclose the extent to which the Company adheres to established principles of good Corporate Governance.	
D.6.1	Established principles for Good Corporate Governance: This part of the Corporate Governance Report, commences from pages 152-258.	<input checked="" type="checkbox"/>
E	INSTITUTIONAL INVESTORS	
E.1	Shareholder Voting	
	Institutional shareholders have a responsibility to make considered use of their votes.	
E.1.1	A regular and structured dialogue should be conducted with shareholders: The management and Board maintain a regular dialogue with the institutional shareholders and their views are considered on all major transactions. Please refer to stakeholders Engagement section in pages 53-57.	<input checked="" type="checkbox"/>
E.2	Evaluation of Governance Disclosures	
	Institutional investors should be encouraged to give due weight to all relevant factors: The views of institutional shareholders, especially DEG and Leapfrog investments (which are internationally renowned development finance institutions) have been instrumental in shaping current governance arrangements of the Company.	<input checked="" type="checkbox"/>
F	OTHER INVESTORS	
F.1	Investing/ Divesting Decision of Individual Shareholders: The information disseminated by the Company is adequate for individual shareholders to undertake an analysis of the Company and/or seek independent investment advice regarding the prospects of the Company. Please refer to Annual Financial Statements on pages 270 to 382.	<input checked="" type="checkbox"/>
F.2	Shareholder Voting: All shareholders are given adequate notice of General Meetings and provided with all the necessary information to make informed decisions at Meetings. Please refer to Notice of the Meeting on page 403.	<input checked="" type="checkbox"/>

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Code Reference	Compliance and Implementations	Complied
G	INTERNET OF THINGS AND CYBER SECURITY	
G.1	The Board should identify connectivity and cyber risk: The Board should confirm that the IT Department has required level of expertise, management and technical controls in place for the connectivity of devices. Any device to be connected to the corporate network need to be approved and configured by the IT Department. For more information please refer IT Governance on pages 188-189.	<input checked="" type="checkbox"/>
G.2	The Board should appoint a Chief Information Security Officer: The Chief Information Officer is responsible for the information security of the Company.	<input checked="" type="checkbox"/>
G.3	Allocate adequate time to discuss about cyber risk management at the Board Meetings: Cyber security related concerns are discussed and verify of the required controls is done during the Board, Audit Committee and the Risk Committee meetings.	<input checked="" type="checkbox"/>
G.4	Periodic review and assure the effectiveness of the cyber security: Third Party consultants perform periodic reviews relating to Cyber security as per an agreed schedule. Please refer to IT Governance on pages 188-189.	<input checked="" type="checkbox"/>
G.5	Disclosed the process to identify and manage Cyber security risk: Please refer to IT Governance on pages 188-189.	<input checked="" type="checkbox"/>
H	ENVIRONMENT, SOCIETY AND GOVERNANCE [ESG]	
H.1	ESG Reporting	
H.1.1	Assess risks and opportunities pertaining to ESG reporting: Please refer to: I. Management and Discussion Analysis on pages 34-148. II. Risk Management on Pages 245-258. III. Corporate Governance on pages 152-258.	<input checked="" type="checkbox"/>
H.1.2	Assess Environmental Factors: Please refer to: I. Management and Discussion Analysis on pages 34-148.	<input checked="" type="checkbox"/>
H.1.3	Assess Social Factors: Please refer to: I. Management and Discussion Analysis on pages 34-148.	<input checked="" type="checkbox"/>
H.1.4	Governance structure to manage risks in all aspects of ESG: Please refer to: I. Management and Discussion Analysis on pages 34-148. II. Risk Management on Pages 245-258. III. Corporate Governance on Pages 152-258.	<input checked="" type="checkbox"/>
H.1.5	Board's role on ESG Factors: ESG reporting is a Board responsibility to take place on regular basis and it should link sustainable issues more closely with strategy. Please refer Management and Discussion Analysis on pages 34-148.	<input checked="" type="checkbox"/>

INTEGRATED RISK MANAGEMENT

INTRODUCTION AND OVERVIEW

Risk is defined as the combination of a likelihood of an occurrence of an event and the impact that is caused by the event concerned. The occurrence of such events could hamper business objectives of the Company or have a positive impact as a result of maximising opportunities presented. Risk Management, deals with mitigating negative impacts whilst ensuring opportunities are maximised.

Risk management plays a pivotal role, in Life Insurance companies as it must be equipped with adequate reinsurance on exposures assumed and manage its assets and liabilities efficiently in order to maximize financial return and adequate capital. As such, Softlogic Life is equipped with an independent Risk Unit and has adopted a Risk Management Framework that ensures the inculcation of a risk culture across the organisation.

SOFTLOGIC LIFE'S APPROACH TO RISK MANAGEMENT

Softlogic Life adopts an Enterprise Risk Management (ERM) framework based on the ISO 31000:2018 International Standard. This Framework allows the Company, to proactively identify particular events or circumstances relevant to the organization's objectives (risks and opportunities), and assess them in terms of likelihood and magnitude of impact, thereby determining a response strategy, and monitoring its progress, so that it may protect and create value for the Company's stakeholders, including owners, employees, customers, regulators, and society.

The Integrated approach has resulted in Softlogic Life adopting the following Risk Management Principles that drive the ERM approach and aid in achieving the Company's Risk Management Objectives as detailed further on in this report.

Figure: Softlogic Life's approach to Risk Management

An Independent Risk Function	Driving and ingraining a Risk Culture at Softlogic Life
<ul style="list-style-type: none"> The independence of the risk function ensures adequate separation between the risk generating units and those responsible for its control and supervision. It also ensures having sufficient authority for setting, managing and supervising of the risk strategy and policy of the Company. 	<ul style="list-style-type: none"> A risk culture is promoted throughout the organisation by embracing a series of attitudes, values, skills and responses toward risks that are integrated into all processes, including taking decisions on change management and Strategic and Business Planning. It is developed by strongly involving the Senior Management and driving the culture through a Top-Down approach to all Business Units and conducting awareness and training across the organisation.
A Comprehensive approach to all risks	Linking Risk Appetite to Strategy
<ul style="list-style-type: none"> It is vital to have the capacity to draw up and adhere to, a plan for the management and control of all risks, originating both directly and indirectly. It is also important to be equipped with a comprehensive view of the risks assumed, understand the relations between them and facilitate their overall assessment, whilst fully understanding the differences in the nature, degree of evolution and the different ways in which each type of risk can be managed and controlled. 	<ul style="list-style-type: none"> The risk appetite statement determines the amount and type and amount of risk/s considered reasonable to assume, in the execution and development of the Company's business strategy. The risk appetite is used as a benchmark when monitoring identified risks and is identified as a common risk language throughout the organization and is integrated into day to day operations. The use of scenario analysis using advanced models and metrics establishes a grading framework which enables risks to be identified and managed from different perspectives.
Regular review and monitoring	Adaptation of Best Practices
<ul style="list-style-type: none"> Reviewing the risk profile and comparing it with the limits set in the risk appetite is a quarterly exercise within the Company. Adequate mechanisms are established for monitoring and control so as to ensure the overall risk is maintained within the levels set and corrective and mitigating measures are applied in advance if necessary. 	<ul style="list-style-type: none"> Frequent (at least quarterly) reporting to the Board Risk Committee is considered an important aspect of the Risk Management process at Softlogic Life. The Risk Unit is also constantly evaluating gaps in the existing risk processes adopted in comparison to international best practices and leading international insurers. It also stays abreast of trends in the global insurance industry and regulations in the Banking, Finance and Insurance sector, so that it is better prepared to cope with the ever changing industry and regulatory landscape.

INTEGRATED RISK MANAGEMENT

ALIGNING RISK MANAGEMENT STRATEGY WITH THE COMPANY STRATEGY

The Company considers risk management to be a focal point in its strategic plans and day to day business activities given its importance and therefore, as a method of protecting the value of the Business and Business activities by enabling it, to make informed decisions based on the defined risk appetite and manage expected returns. As such, the link between the Company's Strategy and Risk Management is as described below.

Risk Strategy Component	Link to Business Strategy
<ul style="list-style-type: none"> The Company's risk philosophy is to ensure sustainable growth of its business, by encouraging profitable risk-taking whilst operating within the defined risk appetite. 	<ul style="list-style-type: none"> The Company's strategic plan, "Strategy 2020", is based on five strategic objectives and an ambitious financial target. "Strategy 2020" has sustainable growth at its core, and is pursued by profitable opportunities that are within the defined risk appetite. The five strategic objectives are defined and its detailed strategies are constructed around each objective, in order to provide clear direction to the Management. Risk preferences are considered in the formulation of these strategies, and in any supporting operational capabilities that are built.
<p>Softlogic Life's risk preferences are classified according to:</p> <ul style="list-style-type: none"> Risks that are inherent to the Company as a result of being in the Insurance Business (i.e. Insurance Risks, Market Risks and Regulatory Risks) and Risks that arise as a consequence of being in the business and will be managed to an acceptable level to protect value (Operational Risk, Strategic Risk and Reputational Risk) 	<ul style="list-style-type: none"> Impacts of the decisions taken during the formulation of, and in the execution of, these detailed strategies are considered against the planned risk profile, and form part of the broader the decision-making process.
<ul style="list-style-type: none"> The Company's risk statement is reviewed on an annual basis and is linked to the relevant years' business and financial objectives as well as the forward strategy of the Company. 	<ul style="list-style-type: none"> The Company's funds are deployed amongst assets in diversified asset categories and sectors as per the Company's Market Risk appetite, to earn superior risk adjusted returns.

OVERVIEW ON EXTERNAL RISKS AND INTERNAL RISKS

Internal risks and External Risks are a broad risk categorization of the Company.

Internal Risks

Internal risks are identified within our business operation that might interrupt smooth function and will affect negatively in our strategy execution.

External Risk

Our external risks consist of interest rate, inflation, technological developments and exchange rate etc. which are arising from PESTEL factors of our operating environment.

Figure: Broad Risk Categories

Internal Risk Environment(Risks can be managed and monitored by the Company)	External Risk Environment(Risks cannot be managed by the Company but monitored by the Company)
<ul style="list-style-type: none"> Strategic Risk Insurance Risk Market Risk Operational Risk Reputational Risk <p>(Detailed information in respect of the identification of risk, risk assessment, risk responses and mitigation strategies are defined in pages 249 to 258)</p>	<ul style="list-style-type: none"> Macroeconomic risk Regulatory risk <p>(Risk and challenges applicable to macroeconomic, regulatory and legal risks and the applicable Softlogic Life responses are demonstrated on page 43.</p>

RISK MANAGEMENT DEVELOPMENTS IN 2019

Significant Strengthening of IT Risk Management

- External Penetration Testing was carried out on selected servers of the Company by TechCert through the year. Vulnerabilities assessed were reported to the Risk Committee and mitigated through the year.
- Testing was also carried by PwC on all mobile applications used.
- Introduction of focused IT Risk Reporting at both the Internal Risk Committee and Board Risk Committee.
- Targeted awareness Campaign via e-flyers on IT security aspects with regards to the basic IT Risk and safety, safe use of official email and official mobile devices.
- Significant Risk Mitigation actions on Mobile Device Management.
- Disaster recovery simulations were carried out on all critical systems and servers as identified in the Business Continuity Plan and were successfully retrieved within the stipulated Recovery Time Objectives.

Enhanced Mitigation of Operational Risks

- Significant strengthening of the Product Risk
 - The Product Development Process of the Company was strengthened significantly by implementing a Product Development Charter and putting in place a reporting mechanism and hierarchy for all new products designed and developed.
 - Reporting on new product risk as well as performance evaluation of new products were initiated, with reporting to the Board Risk Committee.
- Reputation and Data Risk
 - Cleansing of the employee Facebook page was identified as a required mitigation item and a project was undertaken by HR and Marketing Teams to cleanse the page and ensure continuous cleansing on a monthly basis.
 - Enhanced the Risk Matrix applicable to understanding if enhanced due diligence is required for Anti Money Laundering purposes.

RISK PROFILE AND RISK APPETITE OF SOFTLOGIC LIFE

The Company's risk appetite and tolerance levels are discussed at the Internal Risk Committee and approved by the Board Risk Committee. The risk appetite is reviewed on annual basis and the Internal Risk Management Committee is responsible for the continuous monitoring and reporting of these limits as well as any business responses in times where these limits maybe significantly challenged.

The limits are set considering global best practices, regulatory requirements, industry benchmarks and internal benchmarks based on the Company's strategic business objectives.

Figure: Risk Appetite of Softlogic Life

Risk Indicator	Risk Appetite for 2019	Update for the YTD – 31.Dec.2019
Company growth	1 - 2 Times Market Growth	2.5 times
Return on equity	20% - 25%	40%
Capital Adequacy Ratio	160% - 200%	173%
Determination	100%	109%
Compliance with other Statutory Requirements	(T-5) to (T-0) days before the deadline	Complaint with on time submission
Average value per new policy	Rs. 123,000 – Rs. 139,700	Rs. 137,032
Persistency Rates (Total) – Based on Gross Premium (LIMRA)		
• 1st year	67% - 69%	85%
• 2nd Year	54% - 57%	64%
• 3rd Year	48% - 50%	52%

INTEGRATED RISK MANAGEMENT

Risk Indicator	Risk Appetite for 2019	Update for the YTD – 31.Dec.2019
Operational Risks (Reputation, Fraud, data security incidents)	0.5% - 1% of total assets	0.020%
Number of Incidents:		
Downtime of critical system per annum	0 – 3	2
Government Securities as a % of Life Fund	35%-40%	44%
Listed Equity as a % of admissible assets	20% - 40%	29%
Corporate Debt as a % of admissible assets	40% - 50%	34%

RISK MANAGEMENT OBJECTIVES

The Company's risk management objectives to ensure the efficient management of risks are as follows;

- Identifying the key principles of Risk Management for Softlogic Life
- Setting the framework, strategy and policy and procedures for Risk Management based on the identified principles as above
- Building a risk awareness culture and disseminating the culture across the organization
- Establishing a risk framework that defines the ownership and accountability of management of the risks identified.
- Establishing the Company's risk appetite and risk limits annually and aligning these limits with the Company's Business Plan and strategy
- Implementation of a rigorous risk assessment process to carry out continuous risk identification, control and mitigation processors
- Aligning risk taking with expertise core competence and business directives
- Strengthening systems, policies, processes, and measurement tools as needed to provide robust Risk Mitigation and support the decision making process of the Company with reliable risk analysis

- Modify mitigation strategies according to changes in internal and external environment
- Ensuring that the Board Risk Management Committee (BRMC) is equipped with the required information to enable so that it can efficiently exercise its governance function.
- Disseminating information on risk to all other stakeholders of the Company.

RISK MANAGEMENT POLICY

The Company is equipped with a detailed Risk Management policy which is the foundation of the Company's risk identifying, monitoring and reporting process. The policy outlines the risk framework that is applied at Softlogic Life Insurance PLC. The policy also formalises the Risk Management processes, standards, roles and responsibilities and assists in the efficient management and mitigation of risks. The policy is approved by the Board Risk Committee and is reviewed on an annual basis.

STATUS OF RISK REPORTING

The following Board and Management Committees meetings were held during the year 2019.

Please refer details of Board Risk Committee's Objectives and Performance in Pages 219-220.

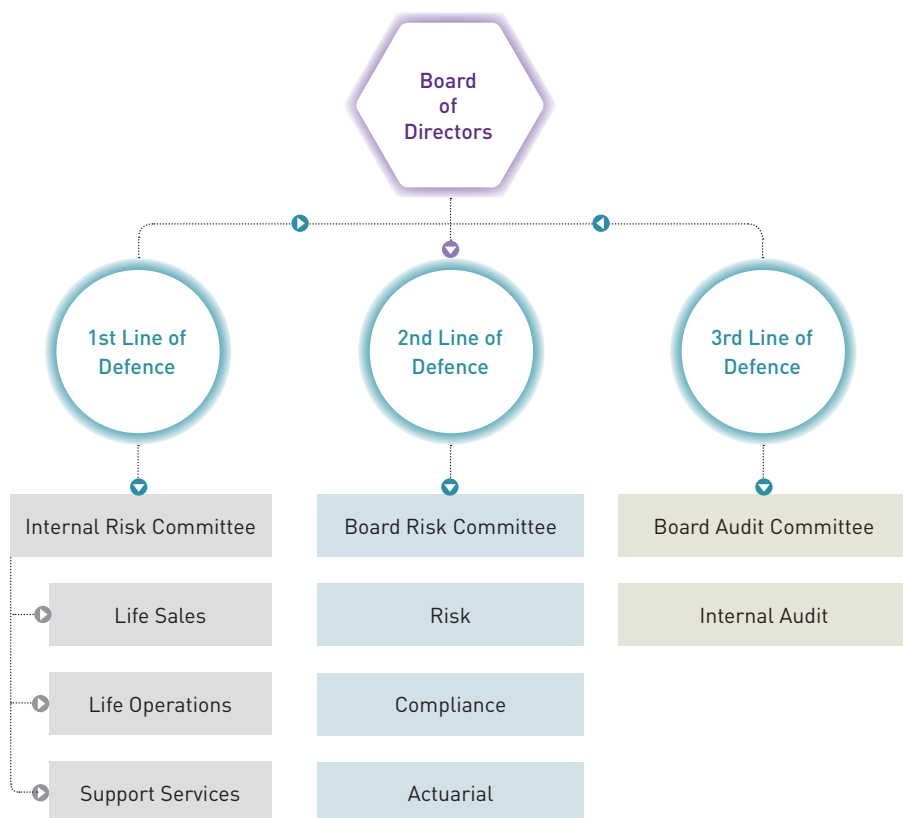
Figure: Status of Risk Reporting

Reporting Pillar	Status for 2019			
	Q1	Q2	Q3	Q4
Board Risk Committee	√	√	√	√
Internal Risk Committee	√	√	√	√
Asset and Liability Management Committee	√	√	√	√

RISK GOVERNANCE STRUCTURE AT SOFTLOGIC LIFE

The Enterprise Risk Management Approach, the Risk Principles at Softlogic Life, the Risk Strategy and the Objectives detailed above, rely on its risk governance structure. The interplay of the individual functions and bodies within the overall system is vital to an efficient risk management system. The roles and responsibilities are clearly defined and ensure smooth interaction. Detailed below is the Risk governance structure of Softlogic Life followed by the architecture of the Risk Management Unit.

Figure: Risk Governance Structure



KEY FUNCTIONS PERFORMED DURING THE YEAR BY THE INTERNAL RISK COMMITTEE

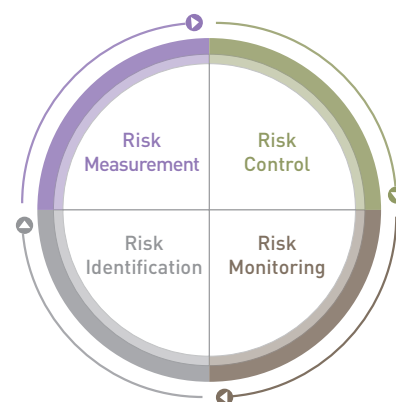
- Reviewed and recommended for submission to the Board Risk Committee the Company's Risk Management Strategy, Risk policy and Risk Appetite Statement.
- Reviewed and recommended for submission to the Board Risk Committee the Company's Treasury Middle Office Policy, Business Continuity Plan, Operational Risk Policy, Environmental and Social Responsibility Policy, IT Risk Framework and all other policies under the purview of the Committee.
- Reviewed the adequacy and effectiveness of the Company's existing risk management controls.
- Reviewed and provided feedback on the Company's IT Risk Controls.
- Reviewed the adequacy and effectiveness of existing controls on Market Risk and Asset and Liability Management and disseminated advice on how to strengthen the management of these risks.

- Reviewed and provided feedback on the identified significant risks across the Company and the adequacy of identification, prevention and reporting mechanisms.
- Reviewed and recommended for submission to the Board Risk Committee the Product Development Charter
- Reviewed and approved reinsurance treaties and disseminated advice on applicable strategies.
- Reviewed changes in the economic and business environment, including emerging trends and other factors relevant to the company's risk profile.

RISK MANAGEMENT PROCESS OF THE COMPANY

The Company has a comprehensive process to ensure the risk management objectives. The following diagram reflect the 04 main pillars of the risk management process of the Company.

Figure: Risk management process



RISK IDENTIFICATION

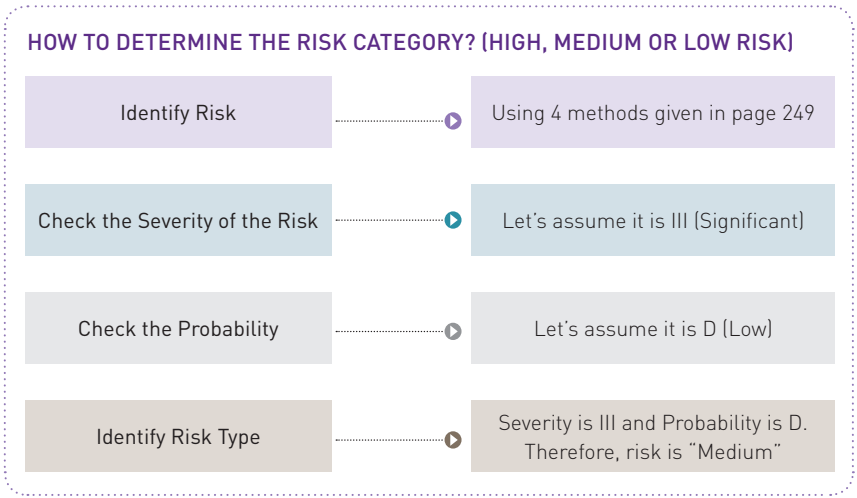
Identification of risks may occur in one or more ways listed below;

- Direct Observations
- Incident Analysis
- Scenario Analysis
- Structured What – If Analysis

INTEGRATED RISK MANAGEMENT

Risks can be identified by individual risk owners or the Risk Unit. The risks identified can be specific to a particular department or be applicable to the Company as a whole and also allows the Risk Unit to identify the area/s that need attention so as to mitigate any future losses and/ or maximise the opportunities present. These risks can be scored and analysed to achieve optimal decision making.

The identified risks are reviewed by the Internal Risk Committee after which, they are submitted to the Board Risk Committee for review.



RISK MEASUREMENT/ SCORING

All identified risks are rated according to its likelihood of occurrence and the potential impact on the Business as defined in a pre-defined risk Matrix for the Company. The potential impact of a risk is evaluated based on the severity of the impact on business continuity, profit, and the potential loss of the business portfolio..

As such the levels of severity have also been defined as Marginal, Significant, Critical and Catastrophic as shown below;

Risks that affect Business Continuity				
	IV – Marginal	III – Significant	II – Critical	I - Catastrophic
Life Operations	< 1 Hour	1 Hours < x < 5 Hours	5 hours < x < 1 Day	x > 1 Day
Call Centre	< 5 Minutes	> 5 Minutes < 15 Minutes	> 15 Minutes < 30 Minutes	> 30 Minutes
Critical Systems	As defined in the BCP and IT DR Plan			

Other Risks				
	IV – Marginal	III – Significant	II – Critical	I - Catastrophic
Profit	x < Rs. 50 Mn	Rs. 50 Mn < x < Rs.100 Mn	Rs. 100 Mn < x < Rs. 500 Mn	x > Rs. 500 Mn
Loss of Market Share	x < 0.5%	0.5% < x < 1.5%	1.5% < x < 2.5%	x > 2.5%
Stakeholder Faith impacted and lasts	x < Rs. 3,500 Mn	Rs. 3,500 Mn < x < Rs. 5,000 Mn	Rs. 5,000 Mn ≤ x < Rs. 6,300 Mn	x ≥ Rs. 6,300 Mn

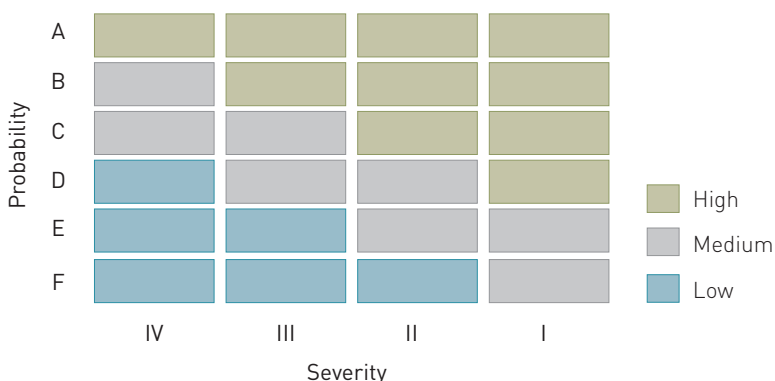
The likelihood of the occurrence of the risk is examined based on the historical experience and probabilities of occurrence under current market and economic conditions. The matrix defines the probability of occurrence as the likelihood of an event occurring in a particular time period. As such we have defined six probabilities of occurrence as provided in the figure of probability of occurrence.

Once the severity and the probability is calculated, risks will be plotted on the traffic light matrix as depicted in figure named Traffic Light Matrix - Risk.

Figure: Probability of occurrence

Probability	Description	Definition
A	Very High	< 1 Week
B	High	1 Week < 3 Months
C	Occasional	3 Months < 1 Year
D	Low	1 Year < 15 Years
E	Very Low	15 Years < 100 Years
F	Almost Impossible	>100 Years

Figure: Traffic Light Matrix - Risk



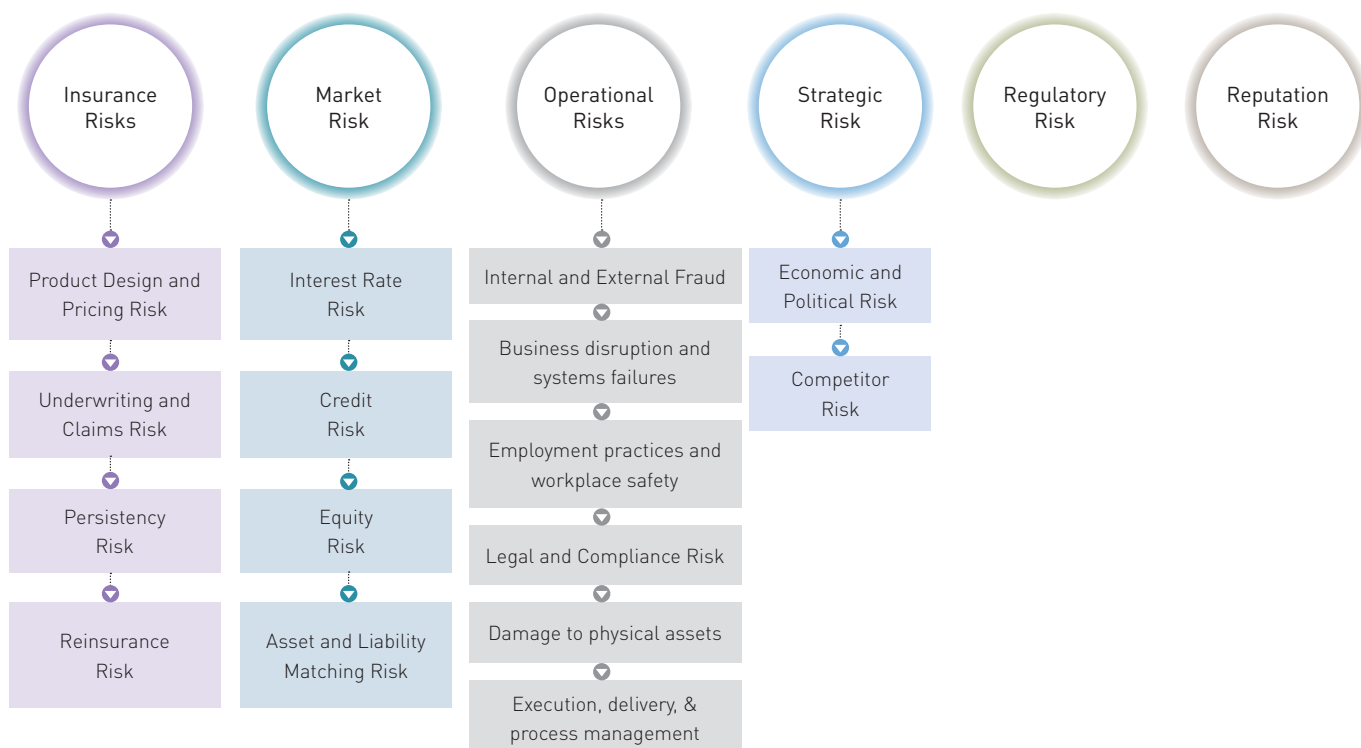
RISK CONTROL AND MONITORING

The ownership of the identified risks lie with the heads of relevant functions and the responsible personnel are required to provide the action plans on how the high rated risks will be improved and the timeliness to achieve these targets.

RISK REGISTER

The risk register comprises of all identified risks that if materialise, would have a material impact on the company. It also comprises of a detailed action plan on how these risks will be analysed, mitigated and eliminated. The register is reviewed and updated on a quarterly basis and presented to the Board risk committee.

RISK LANDSCAPE OF THE COMPANY



* Please refer pages 252 to 258 and note 08 to the financial statement in page 296 to 315 for more details on risk description, risk responses, mitigation strategies and risk quantification of the risks depicted in risk landscape of the Company.

INTEGRATED RISK MANAGEMENT

RISK ANALYSIS FOR SOFTLOGIC LIFE INSURANCE PLC

The Company performs risk analysis, quantification and sensitivity testing to understand the risk profile of the Company. The Company continuously monitors the business impact from each risk whilst also reviewing the sensitivity thresholds. Analysis of risk landscape of the Company is provided below.

Analysis of Insurance Risk

Product Design Risk

Life Insurance product design risk is mainly connected with the pricing assumptions of the insurance products. There are several components under product design risk such as mortality risk, morbidity risk, expense risk etc.

Mortality Risk

Any losses arising on the actual death experience of a policyholder compared to the expected death probability at the time of the product design stage. Once actual death experience is greater than the pricing assumptions the Company will experience a higher death claims.

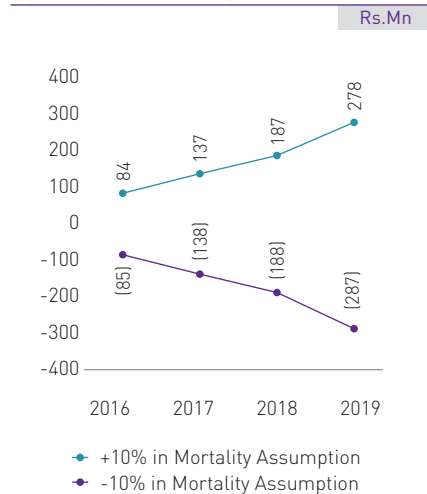
The Company uses standard mortality tables to get the expected mortality rates at the product designing price products accordingly to mitigate the potential mortality risk.

The Company continuously monitoring the mortality rates to identify the any adverse variance experienced by the company and reprices products as a mitigate strategy to combat losses.

The sensitivity analysis carried out details that a +10% change in mortality assumptions result in a liability increase of Rs. 277 Mn in 2019 compared to the Rs. 187 Mn reported in 2018, whilst a -10% results in a liability decrease of Rs. 287 Mn in 2019 compared to Rs. 188 in 2018. The following graph depicts how mortality risk sensitivity has moved over the past four years.

Further details of mortality risk are provided in note 8 to the financial statements pages 296 to 315.

SENSITIVITY OF INSURANCE CONTRACT LIABILITIES



Morbidity Risk

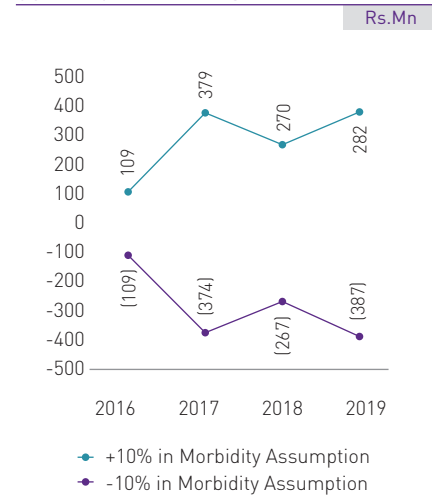
Morbidity risk is the risk of loss arising due to the adverse deviation on the actual health experience versus the expected experience at the product design stage. This risk will be vary based on the product portfolio sold over the years.

The Company uses incident rates to obtain the expected morbidity rates at the product design stage in order to minimize risks and in the event of major deviations in morbidity, the Company may re-price to mitigate the risk.

The sensitivity analysis carried out details +10% change in morbidity assumptions result in a liability increase of Rs. 382 Mn in 2019 compared to the Rs. 270 Mn reported in 2018. A deviation of -10% results in a liability decrease of Rs. 387 Mn in 2019 compared to Rs. 267 in 2018.

The following graph shows how morbidity risk sensitivity has moved over the past 4 years.

SENSITIVITY OF INSURANCE CONTRACT LIABILITIES



Further details of product design risk is provided in note 8 to the financial statements in pages 296-315.

Underwriting Risk

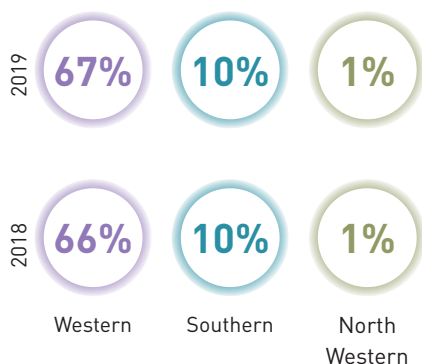
Underwriting risk arises due to the inaccurate assessments of risk entailed when underwriting the policy. Underwriting risk is mainly comprised of the risk transferred from policyholder to the company, policyholder's behaviour risk and expense risk.

The mitigation of the above is carried out mainly via the Company's underwriting philosophy and the reinsurance arrangements negotiated.

The Western Province shows major concentration and accounts for 67% of GWP in 2019 in comparison to the 66% in 2018, whilst the Southern Province accounted for 10% of total GWP in both 2019 and 2018. These provinces account for over 76% GWP in both the years.

The following graph depicted the top 3 province wise GWP.

Figure: Province wise GWP- Top 3



Further details of underwriting risk are provided in note 8 to the financial statements in pages 296-315.

Reinsurance Risk

Reinsurance risk arises from new or existing contracts the Company has entered into. Reinsurance risk is measured based on the probability of default of the Re insurer on claims payable. The main measure used in this regard is the credit rating of the re-insure. The Company is exposed to the following re-insurer receivable amounts as at 31 December 2019.

REINSURANCE EXPOSURE - RI RATING



The main mitigation followed with regards to this risk is the Company's strategy to enter into reinsurance arrangements with re-insurers rated AA and above.

Further details of reinsurance risk are provided in note 8 to the financial statements on pages 296-315.

Claim Risk

The claim risk of the Company primarily depends on the actual claim experience in comparison to the estimated claim experience. The Company assesses the claim ratio via the net claim ratios of each business channel as well as the overall net claim ratio. The overall claim ratio at the company level has increased by 0.8 pps. YoY in 2019.

The Company monitoring the claim ratios Constantly and executes relevant mitigation actions such as re-pricing product and reviewing the product mix applicable in a period etc. as seen fit.

The YoY movement of claim ratios are as follows.

Description	2019	2018
Net claim ratio with group life and DTAP	18.3%	13.5%
Net claim ratio without group life and DTAP	10.8%	9.7%

ANALYSIS OF MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, foreign exchange risk and equity risk.

Market rate primarily arises from the movement of interest rates which affect the value of both financial interments as well insurance contract liabilities, which have been valued on a gross premium basis.

Interest Rate Risk on Financial Instruments

Interest rate risk on financial instruments arises primarily from the Company's investments in debt securities. These investments are exposed to the risk of

adverse changes in fair values or future cash flows because of a change in market interest rates.

The Company has financial assets worth of Rs. 10.5 Bn exposed to interest rate risk in 2019 in comparison to Rs. 8.7 Bn in 2018. Financial investment exposed to interest rate risk in 2019 is 71% of total financial investment where it was 72% in 2018.

The Company performs a sensitivity analysis on the impact on Profit before tax of interest rate movements on its financial investments and is detailed in the table below.

Table: Sensitivity analysis of interest rate

Sensitivity (In Rs. Mn.)	Impact on Profit Before Tax	
	2019	2018
+ 100 basis points	(131)	(16)
- 100 basis points	144	18

Sensitivity (In Rs. Mn.)	Impact on Equity	
	2019	2018
+ 100 basis points	(248)	(172)
- 100 basis points	277	191

Further details of interest rate risk are provided in note 8 to the financial statements in pages 296-315.

Interest Rate Risk on Insurance Contract Liabilities

Insurance contract liabilities are also subject to the interest rate risk as it uses a discounted cash flow approach which is equivalent to a gross premium valuation. In 2019, an increase of 50 basis points of the risk free rate (rate used to discount the liability) will reduces the insurance contract liabilities by Rs. 117 Mn (2018: Rs. 50 Mn) whereas a decrease of 50 basis points result in an increase of the insurance contract liabilities by Rs. 131 Mn (2018: Rs. 57 Mn).

INTEGRATED RISK MANAGEMENT

Foreign Exchange Risk

The risk of an investment's value changing due to changes in currency exchange rates. The Company's principle operation is based in Sri Lanka; therefore, Company is not materially exposed to foreign exchange risk. All reinsurance arrangements are agreed with LKR equivalent terms. Therefore the Company does not expose to foreign exchange risk.

Further details of foreign exchange risk are provided in note 8 to the financial statements on pages 296-315.

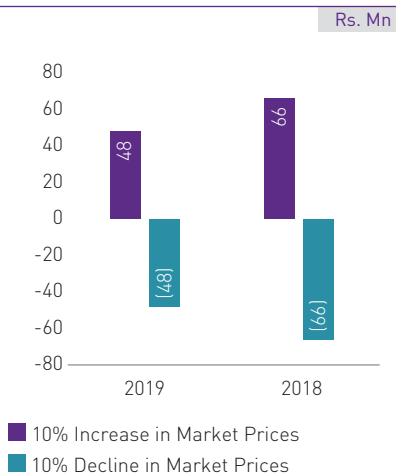
Equity Risk

The Company invests in equity as per its investment strategy and equity price risk is mitigated through diversification and placing limits on individual and total equity portfolio investments.

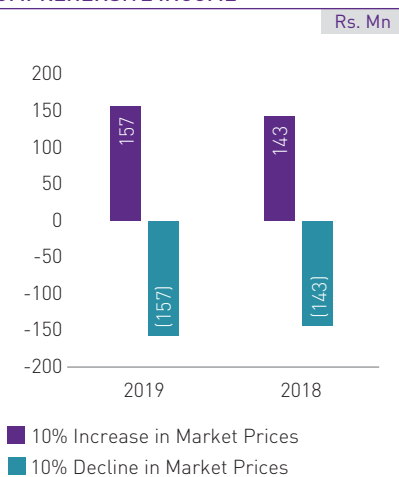
The Company's market value of its investments as at 31st December 2019 was Rs. 2.0Bn in comparison to 2018 it was Rs. 2.1Bn. The Company is focused on investing in the Banking, Finance and Insurance Sector as well as the Healthcare Sector which accounts for 88% of the total equity investments in 2019 in comparison to 88% in 2018.

The following chart shows the sensitivity analysis on how the equity portfolio of the Company is affected with change in stock market prices.

SENSITIVITY OF EQUITY RISK ON PBT



SENSITIVITY OF EQUITY ON OTHER COMPREHENSIVE INCOME



Further details of equity risk are provided in note 8 to the financial statements in pages 296-315.

Credit Risk

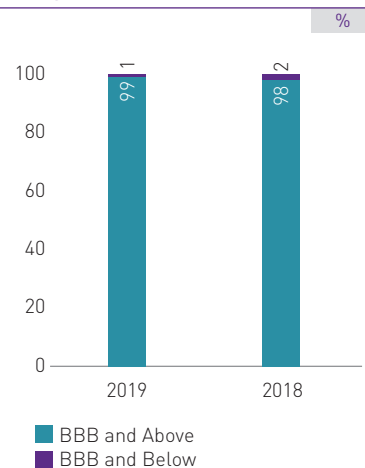
Credit risk is the risk of financial loss to the Company if a counterpart fails to settle due balances to Softlogic Life. As of 31st December 2019, exposure to credit risk was Rs. 12.1 Bn in comparison to Rs. 9.9 Bn as of 31st December 2018.

Credit risk on financial investment accounts for 87% of the company's total credit exposure in 2019 and it was 88% in 2018. The ratings of the financial investment instruments as well as the relevant counterparts are analysed carefully by the Company to mitigate any potential credit risk by the Company.

Following graph shows the exposure of investments rated above and below BBB.

The Company analyses credit risk, based on the industry where 37% invested in government via government securities in 2019 (2018: 36%) and 46% in financial service industry during current year (2018: 50%). In conclusion the composition based on industry has not been moved significantly and therefore risk profile remain unchanged compared to last year.

CREDIT RISK



The Company has implemented SLFRS 9 during the year and "Expected Credit Loss" ("ECL") is a critical item in terms of financial investments. Out of Rs. 10.5Bn, Rs. 4.5 Bn is not subjected to the ECL as it is invested in government securities and Rs. 6.1 Bn is subjected to the ECL. The company reported an only Rs. 15.1 Mn which is mainly coming from the debentures. The comparative figures are not applicable for the ECL provision as SLFRS 9 is implemented with effective from 1st January 2019 and 2018 was reported under LKAS 39 which did not have a requirement of ECL.

The reinsurance receivable and loans to life policyholders together accounted for 3% of the company's total credit exposure in both 2019 and 2018. The reinsurance counterparties of the Company carry a AA- or an above rating where policy loans are given considering the surrender value of the life policy as collateral according to the policy condition. Total surrender value of Rs. 325 Mn is available on the policies which policy loans are given. (Surrender value of 2018 is 284 Mn)

Further details of credit risk are provided in note 8 to the financial statements on pages 296-315

Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid funds to meet its obligations when they fall due.

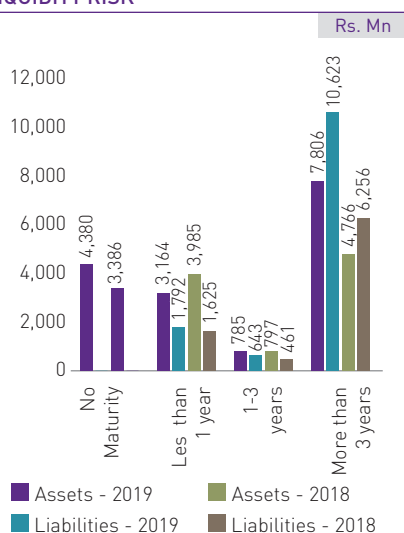
The Company assess the liquidity risk at the Assets and Liability Management Committee (ALCO) on regular basis and Maintaining a diversified funding base to manage the liquidity risk.

Treasury maintains a pool of short-term liquid assets that is intended to provide sufficient liquidity to cover short-term fluctuations in the liquidity requirements. The following graph shows how the assets and liabilities are available for each duration in 2019 and 2018 respectively.

The Company is in a positive liquid position in 1-3 years as the Company has excess assets over the liabilities. However, starting 3 years and beyond the Company experiences a mismatch owing to longer liability durations. The main reason behind the wide mismatch experienced in the longer tenures is the lack of longer tailed assets within the Sri Lankan Market.

Further details of liquidity risk are provided in note 8 to the financial statements in pages 296 to 315.

LIQUIDITY RISK



Analysis of Operational Risk

Internal and External Fraud

Losses resulting from acts of fraud committed internally in an organization that go against its interest or losses resulting from acts of fraud committed externally by third parties.

Business disruption and systems failures

Losses as a result of business interruptions due to System failures (hardware or software), disruption in telecommunication, power failure and supply chain disruptions.

Employment practices and workplace safety

Losses arising as a result of non-compliance with employment or health and safety laws and regulations.

Damage to physical assets

These are losses incurred by damages caused to physical assets due to natural disasters or other events like terrorism and vandalism.

Execution, delivery, & process management

Failure in delivery, transaction or process management is an operational risk that has the potential to bring loss to a business.

Analysis of Strategic Risk

Economic and political Risk

Economic risk is the chance that macroeconomic conditions and/ or political stability will affect a firms earnings.

Competitor Risk

Competitor risk is the probability that competitive forces will prevent a Company from achieving its goal. It is often associated with the risk of declining business revenue or margins due to the actions of a competitor.

Analysis of Regulatory Risk

Regulatory risk is the risk that a change in laws and regulations will materially impact a security, business, sector or market.

Analysis of Reputation Risk

Reputational risk, is a loss resulting from damages to a firm's reputation, owing to a loss of consumer faith, loss of revenue, potential litigation etc.

FUTURE OUTLOOK OF RISK MANAGEMENT

The Company continuously looks to widen the scope of Risk Management in order to increase and create new value. As such, the following actions are planned for 2020 and beyond.

- The Company has planned to perform an extensive data analysis on the product portfolio to identify the hidden risk in terms of mortality, morbidity and policyholder behaviour risk. The Company expects to use big data analytical techniques to get a better outcome in the long run.
- The Company is planning moving to new markets to capitalise the available opportunities. The new measures will add to the risk management framework of the Company in order to mitigate the adverse risks that might arise with the different customer behaviour patterns which exists under new market conditions.
- Focus extensively on Health and Safety Measures and related Business Continuity Practices on a physical front as well as in terms of IT DR solutions and Business Continuity Practices.

INTEGRATED RISK MANAGEMENT

MITIGATION STRATEGIES ADOPTED AT SOFTLOGIC LIFE INSURANCE PLC TO ADDRESS ITS RISK LANDSCAPE

The Company identified the following significant risks during the year. The risk rating for 2019 and 2018 and the mitigation strategies adopted have been provided to depict how Softlogic Life responds to such risks.

KEY RISK	RISK RATING 2019	RISK RATING 2018	MITIGATION STRATEGY
Strategic Risk			
Economic and Political Risk	●	●	<ul style="list-style-type: none"> The Risk Unit performs a detailed economic analysis on a quarterly basis. The analysis details economic performance as well as expected economic performance and expected values of key economic indicators. A close watch is also kept on global industry trends. This study is presented to the Board Risk Committee as well as the Board Investment Committee in order to aid in key business decisions.
Competitor Risk	●	●	<ul style="list-style-type: none"> Constant monitoring and comparison of Company's Performance against peers. Implementation of a market intelligence force to ensure timely gathering of competitor activity Product Implementation committee to ensure that the Company's product portfolio remains competitive based on the above information
Co-operation and awareness of common direction	●	●	<ul style="list-style-type: none"> Clear Communication of the Company's strategy and Business Objectives, to all staff through interactive town hall sessions
Regulatory Risk			
Minimum Capital Adequacy Ratio	●	●	<ul style="list-style-type: none"> Forecasted internal capital model to ensure capital adequacy are above regulatory requirements. Monthly CAR calculations to understand trends of key driving factors
Increased Regulatory / Compliance Requirements	●	●	<ul style="list-style-type: none"> A close watch is kept on all potential regulatory directions by the Risk Unit as well the Compliance Unit. The Compliance Unit also informs of regulatory developments to the relevant business units for purposes for supporting such business teams to align business activities or reporting requirements with such regulatory developments. It also reports on the compliance status with relevant regulatory requirements to the Audit Committee on a quarterly basis. The Compliance Unit has in place a process to flag due dates in advance and inform the required information/formats to the relevant departments. Additionally, forecasts are prepared by the Finance and Actuarial Departments on all regulatory financial ratios in order to understand future positions and mitigation strategies needed, if any.

● Low Risk ● Medium Risk ● High Risk

KEY RISK	RISK RATING 2019	RISK RATING 2018	MITIGATION STRATEGY
Operational Risk			
Business Continuity and Continuity of Critical Systems	●	●	<ul style="list-style-type: none"> The company is equipped with a formal Business Continuity Plan, that details all services and systems that are considered critical for business continuity as well as their recovery time objectives. Knowledge sharing sessions and advanced testing of the procedures are also carried out annually for teams identified as critical and ensure that Recovery Time Objectives can be fulfilled in the event of a disaster. The Company is also equipped with an independent Disaster Recovery Site for its servers. Disaster Recovery Simulation exercises are also conducted for all systems considered critical. Testing was carried out successfully through 2019 and revealed that systems were recoverable well within the stipulated recovery time objectives.
Occupational Health and Safety	●	●	<ul style="list-style-type: none"> Awareness flyers have been circulated to all staff throughout the year on safety procedures to be followed in the event of a fire. Fire Wardens have also been briefed on procedures to be carried out in such an event. Evacuation drills have been carried out at all critical business locations and results are circulated to the Management and Staff. A geographical risk analysis of the branch network was also created to understand the current risk landscape of the network in 2017 and has been updated bi-annually since.
Internal Controls	●	●	<ul style="list-style-type: none"> The Company's Internal Control environment is reviewed on a continuous basis as per the plan approved by the Audit Committee annually. Findings are reported to the Audit Committee as well as the Senior Management on a monthly basis. The unit has also established; <ul style="list-style-type: none"> Claims Monitoring Unit A Fraud Detection Unit Implementation of ACL, to strengthen fraud detection and other preventive mechanisms The completion rate / adoption rate of all suggestions and recommendations was 95% as at the above date.
Staff Turnover	●	●	<ul style="list-style-type: none"> Recruiting Branch staff with prior exposure to customer service and those that possess a higher set of skills. Utilising the Town Hall Sessions conducted as a tool to identify issues faced by the staff and to provide the relevant solutions.
Reputation Risk			
	●	●	<ul style="list-style-type: none"> Operational Risk Policy clearly dictating the methodology to measure and evaluate reputation risks was also formulated. The Company's social media page is also monitored closely and all customer complaints directed through social media are handled and directed to Customer Relationship Management Unit. All customer complaints are handled in line with the guidelines issued by IBSL on complaint management.

● Low Risk ● Medium Risk ● High Risk

INTEGRATED RISK MANAGEMENT

KEY RISK	RISK RATING 2019	RISK RATING 2018	MITIGATION STRATEGY
Insurance Risk			
Morbidity Risk	●	●	<ul style="list-style-type: none"> Refer note 8 to the Financial Statement in pages 296 to 315
Mortality Risk	●	●	<ul style="list-style-type: none"> Refer note 8 to the Financial Statement in pages 296 to 315
Premium Persistency	●	●	<ul style="list-style-type: none"> Refer note 8 to the Financial Statement in pages 296 to 315
Expense Ratio	●	●	<ul style="list-style-type: none"> Refer note 8 to the Financial Statement in pages 296 to 315
Quality of Agents	●	●	<ul style="list-style-type: none"> A unique career and recognition structure is in place that help reduce turnover amongst sales staff. Structured training programmes are conducted continuously for Sales staff on motivation and leadership
Unproductive Staff	●	●	<ul style="list-style-type: none"> Productivity of Sales staff are monitored on a continuous basis through a special central monitoring unit which is independent of the distribution network, which allows for an early indication / warning when an individual's performance is below standard. Live dashboards are used as a management tool to monitor new business proposals, those in work in progress and thereby staff productivity on a real time basis. Claims servicing rates and acceptance of policies rates completed within a day have been maintained at an average of 90% as at 31.12.19.
Market and Investment Risk			
Interest Rate and Equity Risk	●	●	<ul style="list-style-type: none"> The Treasury Middle Office (TMO) continues to identify, measure and manage all Investment and Market Specific Risks on a day to day basis. The Treasury Middle Office has established market risk limits in line with the overall risk appetite of the Company by asset category and values the investment portfolio on a daily basis and carries out daily monitoring and reporting of the portfolio and all loss limits. The adherence to the set guidelines are adopted in a stringent manner and require approvals from the Risk Committee and the Board of Directors in the event of exceeding the limits/ guidelines set in the TMO Policy. The TMO Policy was also reviewed during the year, to establish a clearer risk profile by distinguishing risk limits applicable to strategic and non-strategic investments. The Company uses the historical Value-at-Risk (VaR) approach to derive quantitative measures for market risk under normal conditions. Market risk exposures for the Company's equity portfolio are monitored using VaR methodology and uses a 1 day, 95% VaR for equity positions to reflect the 95% probability that the daily loss will not exceed the reported VaR.
Sectoral Investment Concentration Risk	●	●	<ul style="list-style-type: none"> Concentration risk was apparent to the Banking and Finance Sector in total equity investments. The exposure accounted for 70% of the equity investments as at the above date. TMO, provides ALCO with an Industry analysis of the sectors with the highest exposure to equity as well as its independent opinion on stocks held within those sectors.
Asset Quality Risk	●	●	<ul style="list-style-type: none"> The treasury Middle Office Policy dictates the maximum exposures allowed as per issuer and issue ratings. The Treasury Middle Office also performs an independent financial analysis on all issuers rated BBB+ and below.

● Low Risk ● Medium Risk ● High Risk



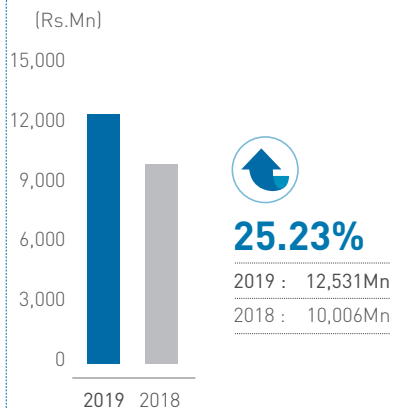
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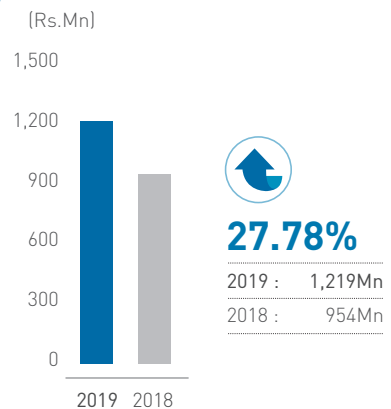
Financial Calendar	Target date in 2020/21	Achievement in 2019/20
Submission of the Interim Financial Statements in Terms of the Rule 7.4 of the Colombo Stock Exchange		
1st Quarter (Audited)	May 2020	May 2019
2nd Quarter (Audited)	August 2020	August 2019
3rd Quarter (Audited)	November 2020	November 2019
4th Quarter (Audited)	February 2021	February 2020
Annual Report and Financial Statement to Shareholders		
2019		28th February 2020
2020	March 2021	
Annual Report and Financial Statement to Shareholders		
21st Annual General Meeting to be Held		31st March 2020
22nd Annual General Meeting to be Held	March 2021	

FINANCIAL HIGHLIGHTS

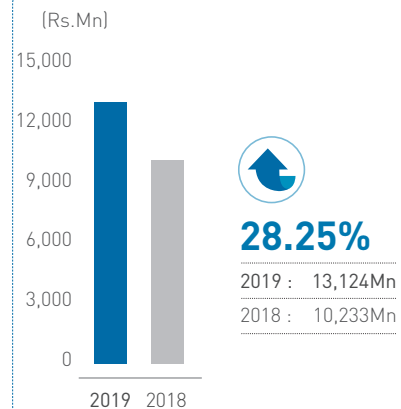
GROSS WRITTEN PREMIUM



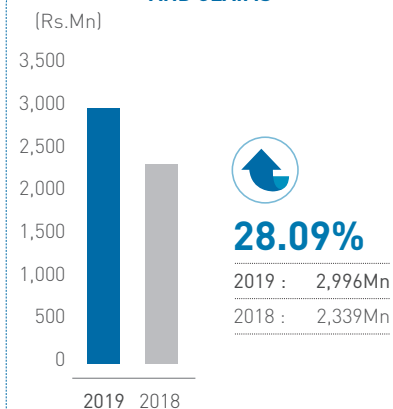
FINANCE INCOME



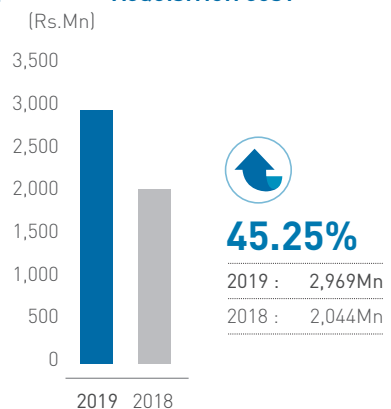
TOTAL NET REVENUE



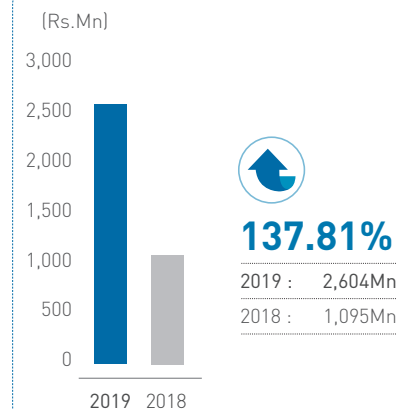
NET INSURANCE BENEFITS AND CLAIMS



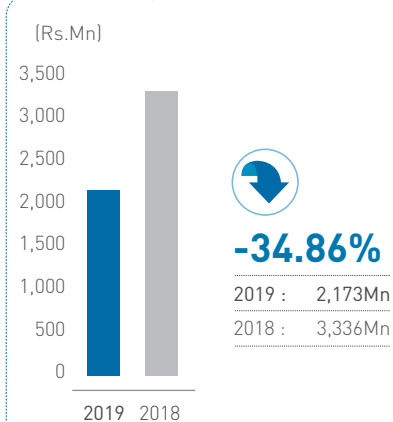
UNDERWRITING AND NET ACQUISITION COST



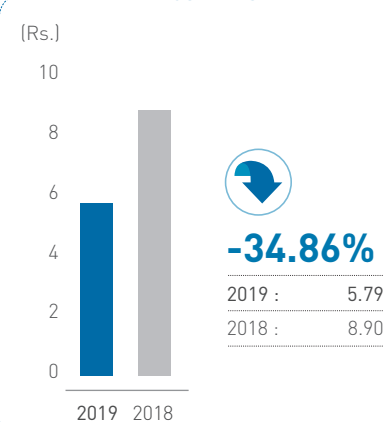
PROFIT BEFORE TAXATION



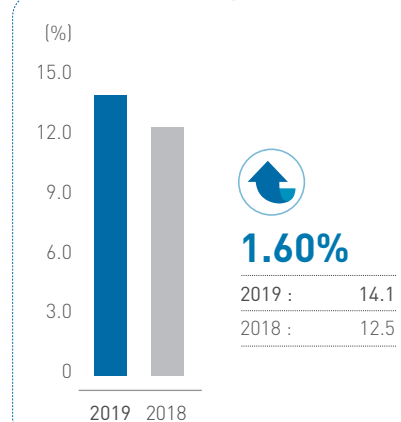
PROFIT AFTER TAX



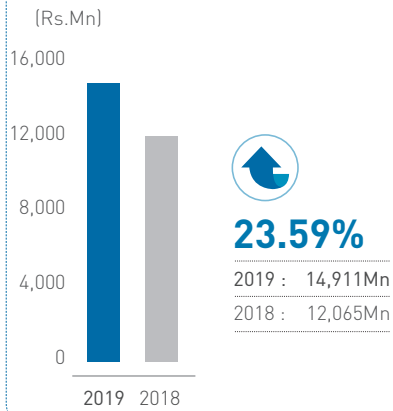
EARNINGS PER SHARE



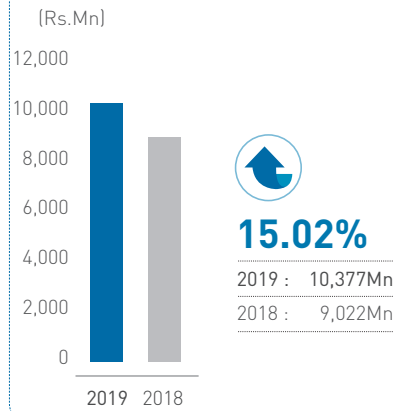
MARKET SHARE



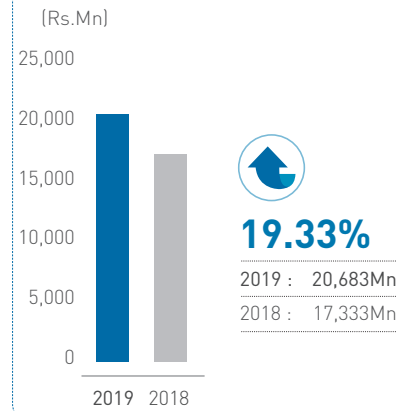
FINANCIAL INVESTMENTS



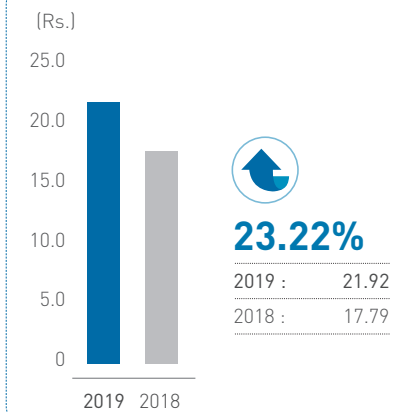
INSURANCE CONTRACT LIABILITY



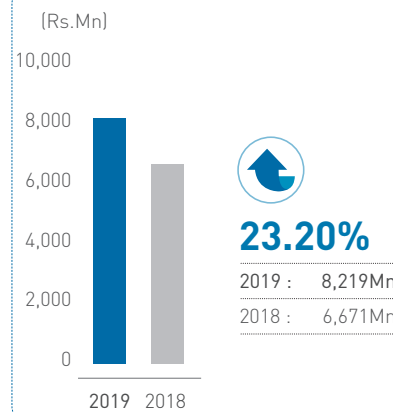
TOTAL ASSETS



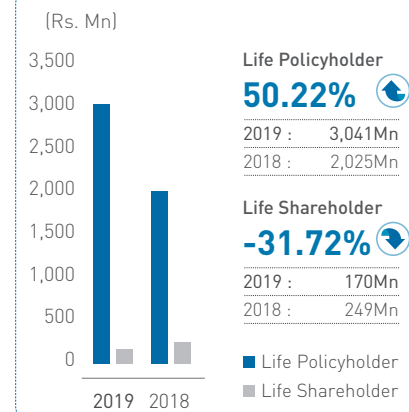
NET ASSETS PER SHARE



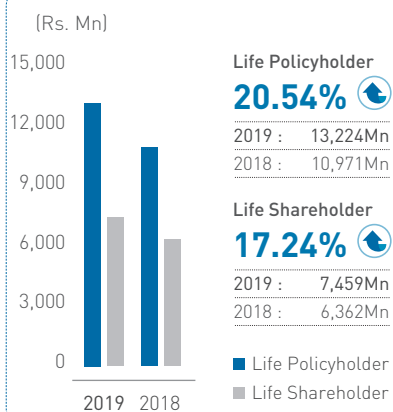
TOTAL EQUITY



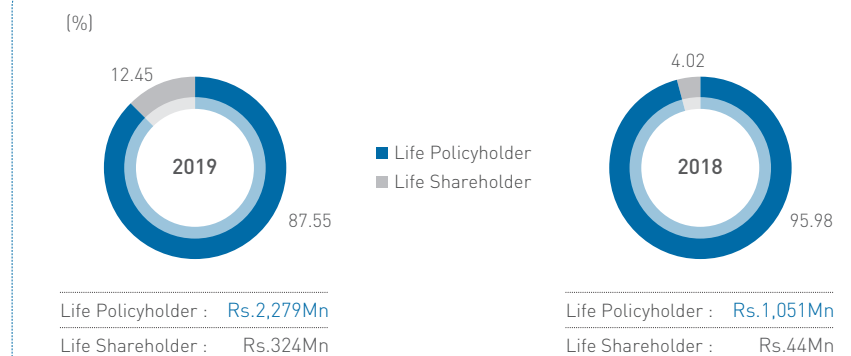
SEGMENT OPERATING CASHFLOWS



SEGMENT ASSETS



SEGMENT PROFIT BEFORE TAXATIONS



WillisTowersWatson

28 February 2020

The Board of Directors of Softlogic Life Insurance Plc
Level 16, One Galle Face Tower,
Colombo 02, Sri Lanka

Certificate of the Actuary for the Actuarial valuation of the Long term Business

I, Kunj Behari Maheshwari, being the Actuary for the life insurance business, to the best of my knowledge certify the following:

- (a) that proper records have been kept by Softlogic Life Insurance Plc in conducting the valuation of liabilities for the purpose of Section 48 of the Regulation of Insurance Industry Act No. 43 of 2000, and the Solvency Margin (Risk Based Capital) Rules, 2015;
- (b) that I have taken all reasonable steps to ensure the accuracy and completeness of the records mentioned in item (a) above;
- (c) that I have complied with the provisions of the said act in item (a) above;
- (d) that I have complied with provisions of the Solvency Margin (Risk Based Capital) Rules, 2015 and guidance notes / guidelines prescribed by the IRCSL there under in the determination of the net amount of liabilities as at 31 December 2019;
- (e) that the Surplus amount distributed / approved to transfer from the non-participating fund to shareholder fund for the period 1 January 2019 to 31 December 2019 amounted to LKR 2,279 million; and
- (f) that the Surplus amount distributed to life insurance policyholders who share in the profits as provided in the Regulation of Insurance Industry Act, No 43 of 2000, amounted to LKR 322 million as at 31 December 2019.

Name and address of actuary with phone number and e-mail:

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India,
Willis Towers Watson
2nd floor, Tower B, Unitech Business Park,
South City – 1, Sector 41,
Gurgaon 122001, India
Telephone: +91 124 432 2800
Email: kunj.maheshwari@willistowerswatson.com

Signature: 

Place: Gurugram, India

Date: 28 February 2020

Willis Towers Watson India Private Limited
Registered Office:
2nd floor, Tower B, Unitech Business Park,
South City – 1, Sector 41,
Gurugram 122001
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W willistowerswatson.com
CIN - U67190HR1996PTC051336

REPORT ON THE LIABILITY ADEQUACY TEST (LAT)

WillisTowersWatson 

28 February 2020

The Board of Directors of Softlogic Life Insurance Plc
Level 16, One Galle Face Tower,
Colombo 02,
Sri Lanka

Liability Adequacy Test

- 1.1. The Sri Lanka Accounting Standard 'SLFRS 4, Insurance Contracts' prescribes that an insurer shall assess at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash-flows under its insurance contracts. Willis Towers Watson has undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of Softlogic Life Insurance Plc as contemplated by SLFRS 4.
- 1.2. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is computed following the principles laid out within the risk based capital framework as prescribed by the IRCSL, whereby liabilities are valued using a discounted cash-flow approach covering the full lifetime of all the cash in- and out-flows required to settle the obligations related to existing in-force insurance contracts.
- 1.3. The projections are based on in-force policies and riders as at 31 December 2019.
- 1.4. Based on the checks undertaken, I certify:
 - that the valuation of actuarial liability is based on internationally accepted actuarial methods and adheres to the requirements under SLFRS 4;
 - that the assumptions used for such valuation are reasonable estimates based on available experience studies and after allowing for prescribed risk margins for adverse deviation; and
 - that the long term insurance provisions maintained within the life fund of Softlogic Life Insurance Plc as per the audited accounts of the Company for the year ended 31 December 2019 is in excess of the liabilities computed in the above mentioned manner.

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India,
Willis Towers Watson

Signature: 

Place: Gurugram, India

Date: 28 February 2020

Willis Towers Watson India Private Limited
Registered Office:
2nd floor, Tower B, Unitech Business Park,
South City – 1, Sector 41,
Gurugram 122001
India

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CIN - U67190HR1996PTC051336

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INDEPENDENT AUDITOR'S REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
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Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF SOFTLOGIC LIFE INSURANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Softlogic Life Insurance PLC ("the Company"), which comprise the statement of financial position as at December 31, 2019, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 270 to 387 of Annual Report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the

Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities

Refer to Note 3 (page 278) and Note 41 (page 362) to these financial statements.

Risk Description	Our Response
<p>Softlogic Life Insurance PLC has recognized insurance contract liabilities amounting to Rs. 10,377 million as at 31st December 2019.</p> <p>The Company's insurance contract liabilities represents 83 per cent of the Company's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long term policyholder liabilities. Economic assumptions, including risk free rate, inflation, and operating assumptions including mortality, morbidity, expenses, fund yield, bonus rate, dividend rates and lapse ratio (including consideration of policyholder behaviour) are the key inputs used to estimate these long term liabilities and the changes in these assumptions result in change in the liability value.</p>	<p>We used our own actuarial specialist to assist us in performing procedures in this area and Our procedures included</p> <ul style="list-style-type: none"> ▶▶ Evaluating the governance around the overall Company's reserving process including the scrutiny applied by the Company level actuarial reviews. ▶▶ Assessing the competence, capabilities and objectivity of management's external actuarial expert and company's staff involved in the policy holders liability valuation process. ▶▶ Assessing the key controls adopted (including IT related controls) by the Company in providing accurate and complete data to the independent appointed actuary for the purpose of the policy holders liability valuation. ▶▶ Assessing the Company's methodology for calculating the policyholder liabilities to be in line with guidelines of Insurance Regulatory Commission of Sri Lanka (Risk Based Capital Rules 2015). ▶▶ Reconciling the movements in policyholder liabilities during the year with the movements in the financial results reported in separate funds.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA



Risk Description	Our Response
<p>Further these liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01st January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act, No. 43 of 2000.</p> <p>Accordingly, due to the subjectivity of the significant judgments involved and the uncertainty, we considered Insurance contract liabilities as a Key Audit Matter.</p>	<ul style="list-style-type: none"> ▶▶ Assessing and challenging the key assumptions and reserving methodologies driving the value of the insurance liabilities by, <ul style="list-style-type: none"> • Comparing the assumptions to expectations based on, current trends and our own industry knowledge. • Evaluating the level of prudence applied and compared this to prior periods; • Applying our industry knowledge to benchmark the Company's reserving methodologies assumptions, and estimates of losses, and key judgements and assumptions. ▶▶ Assessing adequacy of the disclosures in the financial statements.

RECOVERABILITY OF DEFERRED TAX ASSETS

Refer to Note 3 (page 278) and Note 30 (page 342) to these financial statements.

Risk Description	Our Response
<p>The Company has recognized deferred tax assets amounting to Rs. 2,231 Million as at 31st December 2019 in respect of the accumulated tax losses which management considered would probably be utilized or recovered in the future through the generation of future taxable profits by the Company.</p> <p>The recognition and recoverability of the deferred tax asset is based on significant judgments made by the management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profits being generated.</p> <p>We identified the recoverability of deferred tax assets as a key audit matter because of its significance to the Company's financial statements and significant management judgment involved and estimation required in forecasting future taxable profits which could be subject to error or potential management bias.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> ▶▶ Reviewing the correspondence with the Company's tax consultant with regard to the ability to utilize the carried forward tax losses reported in the tax returns, against the future taxable profits. ▶▶ Assessing and challenging the Company's approach for evaluating the likelihood of the recoverability of deferred tax assets. This included challenging the key assumptions in future taxable profits forecasts for the Company with accumulated unutilised tax losses by comparing the most significant inputs used in the forecasts, including future gross written premium, claims and operating expenses with the historical performance of the Company, management's forecasts used for other purposes and our knowledge of the business gained from other audit procedures. ▶▶ Assessing adequacy of the disclosures in the financial statements.



TRANSITION TO SLFRS 09

Refer to Note 4 (page 281), Note 5 (page 284) Note 6.1 (page 288) and Note 31 (page 345) to these financial statements.

Risk Description	Our Response
<p>The Company has adopted SLFRS 09 with effective from 1st January 2019. Even though, the Company is eligible for the temporary exemption from SLFRS 09 or the overlay approach, Company has chosen to apply the improved accounting requirements in SLFRS 09 without adjustment.</p> <p>As permitted by the transitional provisions of SLFRS 09, the impact of initially adopting SLFRS 09 is considered as an adjustment to equity and life insurance fund as at 1st January 2019 without restating the comparative information under modified retrospective approach. The note 5; Transition disclosures to the financial statements provides the impact on transition of SLFRS 9 – “Financial Instruments” on fair value reserve, retained earnings and life insurance fund as at 1st January 2019.</p> <p>The key changes arising from the adoption of SLFRS 9 are that the Company’s credit losses are now based on expected losses rather than an incurred loss model, and the change in the classification and measurement of the Company’s financial assets and liabilities, which are detailed in note 4, note 5, note 6.1 and note 31 to the financial statements.</p> <p>The Company has applied new accounting policies, including transition option elections with the application of new significant judgments and estimates which are subject to estimation uncertainty and management bias. Accordingly, transition to SLFRS 9 is considered to be a key audit matter.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> ▶ Considering the appropriateness of the transition approach and assessing whether transition gives rise to any specific fraud risks. ▶ Evaluating management’s process for identifying contracts to be assessed based on the selected transition approach and any practical expedients applied. ▶ Evaluating the appropriateness of the selection of accounting policies based on the requirements of the new standard, our business understanding and industry practice. ▶ Understanding the management’s process and the controls implemented to ensure the completeness and accuracy of the transition adjustments. ▶ Evaluating the reasonableness of management’s key judgements and estimates made in preparing the transition adjustments, specifically judgements involving classification of financial instruments and assumptions relating to the expected credit loss calculation. ▶ Evaluating the completeness, accuracy and relevance of the transition disclosures.



IT SYSTEMS AND CONTROLS

Risk Description	Our Response
<p>The Company operates number of different IT systems across the business units. The Company's key financial accounting and reporting processes are highly dependent on the automated controls over the Company's information systems. For example interfaces between policy administration and financial reporting systems, or automated controls that prevent or detect inaccurate or incomplete transfers of financial information etc. If these systems or controls fail, a significant risk of error in reported financial information can arise from the failure to transfer data appropriately between systems and/or unauthorized access and changes being made to financial data or systems.</p> <p>This is an area of significant risk in our audit due to the dependency and complexity of the IT infrastructure. Accordingly, IT systems and controls have been identified as a Key Audit Matter.</p>	<p>We used our own IT specialists to assist us in performing audit procedures in this area. Our audit procedures included;</p> <ul style="list-style-type: none"> ▶ Assessing the governance and higher-level controls in place across the IT Environment, including the approach to policy design, review and awareness, and IT Risk Management practices. ▶ Testing general IT controls involving restrictions on system access, permissions and responsibilities of the authorized users, process for approving changes to the systems etc. ▶ Testing controls over specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements. ▶ Testing manual compensating controls, such as reconciliations between systems and other information sources and performed additional substantive testing such as using extended sample sizes and performing data analysis routines over the full population of transactions.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going

concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement



when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes

public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.

Chartered Accountants
Colombo, Sri Lanka

February 28, 2020

INCOME STATEMENT

For the Year ended 31st December

	Note	Page	2019 Rs. '000	2018 Rs. '000	Change %
Gross Written Premiums	10	322	12,531,283	10,005,733	25
Premiums Ceded to Reinsurers	11	323	(991,455)	(726,558)	36
Net Earned Premiums	12	323	11,539,828	9,279,175	24
Other Revenue					
Net Finance Income	13	323	1,218,776	954,253	28
Net Realised Gains	14	325	124,236	96,073	29
Net Fair Value Gains / (Losses)	15	326	231,597	(97,996)	336
Other Operating Income	16	326	9,505	1,053	803
Total Other Revenue			1,584,114	953,383	66
Total Net Revenue			13,123,942	10,232,558	28
Net Benefits, Claims and Expenses					
Net Insurance Benefits and Claims Paid	17	326	(2,885,729)	(2,299,012)	26
Net Change in Insurance Claims Outstanding	18	326	(110,383)	(39,992)	176
Change in Insurance Contracts Liabilities	19	327	(1,169,696)	(1,500,589)	(22)
Underwriting and Net Acquisition Cost (Net of Reinsurance)	20	328	(2,968,714)	(2,044,220)	45
Other Operating and Administration Expenses	21	329	(3,267,563)	(3,187,482)	3
Finance Cost	22	329	(118,299)	(66,501)	78
Total Benefits, Claims and Expenses			(10,520,384)	(9,137,796)	15
Profit Before Tax	23	330	2,603,558	1,094,762	138
Income Tax (Expenses) / Reversal	24	330	(430,715)	2,241,483	(119)
Profit for the Year			2,172,843	3,336,245	(35)
Profit Attributable To;					
Owners of the Parent			2,172,843	3,336,245	
Non Controlling Interest			-	-	
			2,172,843	3,336,245	(35)
Earnings Per Share					
Basic Earnings Per Share (Rs.)	25	332	5.79	8.90	(35)
Diluted Earnings Per Share (Rs.)	25	332	5.79	8.90	(35)

The Notes appearing on pages 276 to 387 form an integral part of these Financial Statements.

Comparative information has not been restated due to transition method elected for SLFRS 9 & SLFRS 16.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st December			2019	2018	Change
	Note	Page	Rs. '000	Rs. '000	%
Profit for the Year			2,172,843	3,336,245	(35)
Other Comprehensive Income					
Items that will not be Reclassified to Income Statement					
Equity Investments in FVOCI - Net Change in Fair Value			(128,666)	-	
Equity Investments in FVOCI - Net Change in Fair Value - Life Fund			(195,536)	-	
Losses on Remeasurement of Defined Benefit Liabilities	42.4	371	(17,084)	(3,073)	
Gain on Revaluation of Land and Building	40.3	362	44,272	-	
Related Tax / Deferred Tax			-	-	
			(297,014)	(3,073)	9,565
Items that are or may be Reclassified Subsequently to Income Statement					
Net Change in Fair Value of Financial Investments at Fair Value Through Other Comprehensive Income / Financial Investments at Available for Sale			14,509	(197,669)	
Net Change in Fair Value of Financial Investments at Fair Value Through Other Comprehensive Income / Financial Investments at Available for Sale - Life Fund			186,733	(368,963)	
Net Change in Fair Value of Financial Investments at Fair Value Through Other Comprehensive Income / Financial Investments at Available for Sale Reclassified to Income Statement			22,521	18,294	
Related Tax / Deferred Tax			-	-	
			223,763	(548,338)	(141)
Other Comprehensive Loss, Net of Tax			(73,251)	(551,411)	(87)
Total Comprehensive Income for the year, Net of Tax			2,099,592	2,784,834	(25)
Total Comprehensive Income Attributable to:					
Owners of the Company			2,099,592	2,784,834	
Non - Controlling Interests			-	-	
			2,099,592	2,784,834	(25)

The Notes appearing on pages 276 to 387 form an integral part of these Financial Statements.

Comparative information has not been restated due to transition method elected for SLFRS 9 & SLFRS 16.

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	Page	2019 Rs. '000	2018 Rs. '000
Assets				
Intangible Assets	27	333	444	2,089
Property, Plant and Equipment	28	334	675,468	619,059
Right of Use Asset	29	340	408,044	-
Deferred Tax Assets	30	342	2,230,768	2,750,962
Financial Investments	31	345	14,910,744	12,065,241
Loans to Life Policyholders	32	357	224,672	161,001
Reinsurance Receivables	33	358	188,131	154,802
Premium Receivables	34	359	743,549	507,434
Receivables and Other Assets	35	360	923,961	691,109
Cash and Cash Equivalents	36	360	377,093	381,270
Total Assets			20,682,874	17,332,967
Equity and Liabilities				
Equity				
Stated Capital	37	361	1,062,500	1,062,500
Retained Earnings	38	361	7,764,216	6,275,417
Restricted Regulatory Reserve	39	361	798,004	798,004
Other Reserves	40	362	(1,405,801)	(1,464,958)
Total Equity			8,218,919	6,670,963
Liabilities				
Insurance Contract Liabilities	41	362	10,377,102	9,021,521
Employee Benefits	42	370	151,027	107,404
Reinsurance Payables	43	373	428,557	320,824
Other Liabilities	44	373	1,330,998	841,833
Bank Overdraft	36	374	176,271	370,422
Total Liabilities			12,463,955	10,662,004
Total Equity and Liabilities			20,682,874	17,332,967
Net Asset per Share (Rs.)			21.92	17.79
Net Asset per Share (Rs.) - Excluding One-off Surplus			19.79	15.66

The Notes appearing on pages 276 to 387 form an integral part of these Financial Statements.
These Financial Statements are in compliance with the requirements of the Companies Act No 07 of 2007.
Comparative information has not been restated due to transition method elected for SLFRS 9 & SLFRS 16.

(Sgd.)

Nuwan Withanage
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board.

(Sgd.)

Ashok Pathirage
Chairman

Colombo
28th February 2020

(Sgd.)

Iftikar Ahamed
Managing Director

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st December	Stated	Retained	Restricted	Other Reserves			Total
	Capital	Earnings	Regulatory Reserve	Available for Sale Reserve	Fair Value Reserve	Revaluation Reserve	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2018	1,062,500	2,942,245	798,004	(965,056)	-	48,436	3,886,129
Profit for the Year	-	3,336,245	-	-	-	-	3,336,245
Other Comprehensive Income for the Year							
Available For Sale Financial Asset - Net Change in Fair Value	-	-	-	(197,669)	-	-	(197,669)
Available For Sale Financial Asset - Net Change in Fair Value - Life Fund	-	-	-	(368,963)	-	-	(368,963)
Available For Sale Financial Assets Reclassified to Income Statement	-	-	-	18,294	-	-	18,294
Losses on Remeasurement of Defined Benefit Liabilities	-	(3,073)	-	-	-	-	(3,073)
Total Other Comprehensive Income, Net of Tax	-	(3,073)	-	(548,338)	-	-	(551,411)
Total Comprehensive Income for the Year	-	3,333,172	-	(548,338)	-	-	2,784,834
Balance as at 31st December 2018	1,062,500	6,275,417	798,004	(1,513,394)	-	48,436	6,670,963
Impact of Adoption of SLFRS 9							
Recognition of SLFRS 9 Expected Credit Loss Excluding Participating Fund	-	(20,766)	-	-	-	-	(20,766)
Transfer of AFS Reserve Build due to Reclassification of AFS Portfolio to FVTPL - Participating Fund	-	-	-	12,880	-	-	12,880
Transfer of AFS Reserve to Fair Value Reserve	-	-	-	1,500,514	(1,500,514)	-	-
Adjusted Balance as at 01st January 2019	1,062,500	6,254,651	798,004	-	(1,500,514)	48,436	6,663,077
Profit for the Year	-	2,172,843	-	-	-	-	2,172,843
Other Comprehensive Income for the Year							
FVOCI Financial Asset - Net Change in Fair Value	-	-	-	-	14,509	-	14,509
FVOCI Financial Asset - Net Change in Fair Value - Life Fund	-	-	-	-	186,733	-	186,732
FVOCI Financial Assets Reclassified to Income Statement	-	-	-	-	22,521	-	22,521
Equity Investments in FVOCI - Net Change in Fair Value	-	-	-	-	(128,666)	-	(128,666)
Equity Investments in FVOCI - Net Change in Fair Value - Life Fund	-	-	-	-	(195,536)	-	(195,536)
Equity Investments in FVOCI - Reclassified to Retained Earnings	-	(102,444)	-	-	102,444	-	-
Losses on Remeasurement of Defined Benefit Liabilities	-	(17,084)	-	-	-	-	(17,084)
Gain on Revaluation of Land and Buildings	-	-	-	-	-	44,272	44,273
Total Other Comprehensive Income, Net of Tax	-	(119,528)	-	-	2,005	44,272	(73,251)
Total Comprehensive Income for the Year	-	2,053,315	-	-	2,005	44,272	2,099,592
Transaction With Owners of The Company							
Contribution and Distribution							
Interim Dividend - 2018	-	(543,750)	-	-	-	-	(543,750)
Total Transaction With Owners of The Company	-	(543,750)	-	-	-	-	(543,750)
Balance as at 31st December 2019	1,062,500	7,764,216	798,004	-	(1,498,509)	92,708	8,218,919

The Notes appearing on pages 276 to 387 form an integral part of these Financial Statements.

Comparative information has not been restated due to transition method elected for SLFRS 9 & SLFRS 16.

STATEMENT OF CASH FLOWS

For the Year ended 31st December	Note	Page	2019 Rs. '000	2018 Rs. '000
Cash Flows from Operating Activities				
Profit Before Taxation			2,603,558	1,094,762
Adjustments for :				
Depreciation of Property, Plant and Equipment	28.1	337	142,103	115,375
Amortisation of Intangible Assets	27	334	2,277	5,056
Depreciation of Right of Use Asset	29.2	341	127,115	-
Interest Expenses on Lease Liabilities	44.2	373	57,625	469
Provision for Employee Benefits	42.4	371	32,709	26,522
Net Realised Gains	14	325	(124,236)	(96,073)
Net Fair Value (Gains) / Losses	15	326	(231,597)	97,996
Net Amortisation of Financial Investments			(389,938)	(271,614)
Impairment Reversal of Financial Investments			6,128	-
Impairment on Receivable of Disposal of Subsidiary			-	105,763
			2,225,744	1,078,256
Change in Operating Assets	A		(592,076)	(549,425)
Change in Operating Liabilities	B		1,584,044	1,754,825
Cash flows from Operating Activities			3,217,712	2,283,656
Gratuity paid	42.4	371	(6,170)	(8,884)
Net Cash Generated from Operating Activities			3,211,542	2,274,772
Cash Flows from Investing Activities				
Acquisition of Financial Securities			(25,416,374)	(19,188,609)
Consideration Received from Disposal of Investments			23,202,189	16,839,209
Net Acquisition of Property, Plant and Equipment	28.1	336	(154,240)	(156,729)
Net Acquisition of Intangible Assets	27	334	(632)	-
Net Cash used in Investing Activities			(2,369,057)	(2,506,129)
Cash Flows from Financing Activities				
Dividend Paid			(543,750)	-
Payment of Lease Liabilities			(108,761)	-
Net Cash used in Financing Activities			(652,511)	-
Net Increase / (Decrease) in Cash and Cash Equivalents			189,974	(231,357)
Net Cash and Cash Equivalents as at the Beginning of the year			10,848	242,205
Net Cash and Cash Equivalents as at the End of the Year	C		200,822	10,848

For the Year ended 31st December	2019 Rs. '000	2018 Rs. '000
A : Change in Operating Assets		
Increase in Loans to Life Policyholders	(63,671)	(20,616)
Increase in Reinsurance Receivables	(33,329)	(5,254)
Increase in Premium Receivables	(236,115)	(216,613)
Increase in Receivables and Other Assets	(258,961)	(306,942)
	(592,076)	(549,425)
B : Change in Operating Liabilities		
Increase in Insurance Contract Liabilities	1,355,581	1,582,929
Increase in Reinsurance Payables	107,733	84,559
Increase in Other Liabilities	120,730	87,337
	1,584,044	1,754,825
C : Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents	377,093	381,270
Bank Overdrafts	(176,271)	(370,422)
Net Cash and Cash Equivalents as at 31st December	200,822	10,848
Net Cash and Cash Equivalents as at the Beginning of the year	10,848	242,205
Increase / (Decrease) in Cash and Cash Equivalents	189,974	(231,357)

The Notes appearing on pages 276 to 387 form an integral part of these Financial Statements.

Comparative information has not been restated due to transition method elected for SLFRS 9 & SLFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Softlogic Life Insurance PLC ("The Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The Company is regulated under the Insurance Industry Act No. 43 of 2000 and amendments thereto. The Company was re-registered under the Companies Act No. 07 of 2007 and the registered office is situated at Level 16, One Galle Face Tower, Colombo - 02. The ordinary shares of the Company have a primary listing on the CSE.

1.2 Parent Entity and Ultimate Parent Entity

The parent entity of the Company is Softlogic Capital PLC. In the opinion of the Board of Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka.

1.3 Principal Activities and Nature of Operations of the Company

Softlogic Life Insurance PLC

The principal business activity of the Company is Life Insurance Business. Life Insurance is a protection against financial losses that would result from an insured event adversely affecting the insured. In such situations, the nominated beneficiary receives the proceeds and is thereby safeguarded from financial impacts of the insured event. The benefit paid by a life insurer is consideration for premium payments made by the insured. There were no significant changes in the nature of the principal activities during the financial year under review.

1.4 Number of Employees

The staff strength of the Company as at 31st December 2019 is 805 (2018 was 821).

Corporate information is given in page 403 of this Annual Report.

2. BASIS OF ACCOUNTING

2.1 Statement of Compliance

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act, No 43 of 2000, Statement of recommended Practice (SoRP) issued by the Institute of Chartered Accountants of Sri Lanka and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

This is the first set of the Company's annual financial statements in which SLFRS 9, SLFRS 7 (Revised) and SLFRS 16, IFRIC 23 have been applied. The related changes to significant accounting policies are described in note 4.

These SLFRSs and LKASs are available at www.casrilanka.com.

The Company did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs regulations governing the preparation and presentation of the Financial Statements.

These Financial Statements include the following components:

Income Statement and Statement of Profit or Loss and Other Comprehensive Income

Providing the information on the financial performance of the Company for the year under review (Refer pages 270 and 271);

Statement of Financial Position

Providing the information on the financial position of the Company as at the year-end (Refer page 272);

Statement of Changes in Equity

Depicting all changes in shareholders' Equity during the year under review of the Company (Refer page 273);

Statement of Cash Flows

Providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilise those cash flows (Refer pages 274 and 275.)

Notes to the Financial Statements comprising accounting policies and other explanatory information (Refer pages 270 to 382).

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (SLFRSs and LKASs).

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the 'Annual Report of the Board of Directors', 'Statement of Directors' Responsibility' and the certification on the Statement of Financial Position on pages 197 to 207 and 272, respectively.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31st December 2019 (including comparatives for 2018), were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 28th February 2020.

2.4 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

Category	Items	Basis of measurement	Note	Page reference
Assets	Financial instruments measured at fair value through profit or loss including derivative financial instruments (from 1st January 2019)	At fair value	31.5	354
	Held-for-trading financial instruments including derivative financial instruments (Up to 31st December 2018)		31.5	354
	Financial instrument measured at fair value through other comprehensive income (from 1st January 2019)	At fair value	31.4	350
	Financial investments – Available for sale (Up to 31st December 2018)		31.4	350
	Land and Building	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	28	334
Liabilities	Employee Benefits	Actuarially valued and recognised at present value of the defined benefit obligation	42	370
	Policyholders' liabilities	Appointed Actuary-determined values based on the guidelines issued by Insurance Regulatory Commission of Sri Lanka (IRCSL)	41	362

2.5 Going Concern Basis of Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Further, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continued to be prepared on a going concern basis.

2.6 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the Functional Currency). There was no change in the Company's Presentation and Functional Currency during the year under review.

These Financial Statements are presented in Sri Lankan Rupees (LKR), the Company's Functional and Presentation Currency.

2.7 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern as explained by Statement of Recommended practise (SORP) issued by the Insurance Regulatory Commission of Sri Lanka.

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to

NOTES TO THE FINANCIAL STATEMENTS

realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclose in the Accounting Policies of the Company.

2.10 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative' which was effective from 1st January 2016.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.11 Supplementary Statements - Statement of Financial Position – Life Fund

Supplementary Statement of Financial Position of Life Insurance Fund together with notes are disclosed in pages 383 to 387 as per the requirement of the Statement of Recommended Practice (SORP) for Insurance Contracts then applicable, adopted by the Institute of Chartered Accountants of Sri Lanka.

2.12 Financial Period

The Financial Statements are prepared to a financial year ended 31st December.

2.13 Financial Statements

The financial statements for the year ended 31st December 2019, comprise individual entity's (Softlogic Life Insurance PLC) financial results only.

2.14 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

Please refer Note 50 in pages 381 to 382, for comparative information

The Company has not restated the comparative information for 2018 for financial instruments within the scope of Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments". Therefore, the comparative information for 2018 is reported under Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and Measurement" and is not comparable to the information presented for 2019. Differences arising from adoption of SLFRS 9 have been recognised directly in equity and life fund as of 1st January 2019 and are disclosed in Note 5.1 on pages 284 to 286.

Further the company has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17. The details of Accounting Policies are disclosed in Note 29 on page 340.

2.15 Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-Monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in Income Statement. Non-Monetary items that are measured based on historical cost in a foreign currency are not translated.

3. USE OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs, the Management has made judgements, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Particularly in insurance, the use of estimates for measuring technical provisions is of substantial significance, given that measurement is invariably based on models and the development of future cash flows from insurance contracts cannot be conclusively predicted. But judgement and estimates play a significant role in the case of other items as well.

Our internal processes are geared in determine amounts as accurately as possible, taking into account all the relevant information. The basis for determining amounts is management's

best knowledge regarding the items concerned at the reporting date. Nevertheless, it is in the nature of these items that estimates may have to be adjusted in the course of time to take account of new knowledge.

The most significant areas of estimation uncertainty and critical judgements, in applying Accounting Policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

A. Judgement

Information about judgments made in applying Accounting Policies that have the most significant effects on the amounts recognised in these Financial Statements is included in the following notes.

3.1 Classification of Financial Assets and Liabilities

Applicable from 1st January 2019

As per SLFRS 9, the Significant Accounting Policies of the Company provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- ▶ The entity's business model for managing the financial assets as set out in Note 6.1.3.1 on page 289.
- ▶ The contractual cash flow characteristics of the financial assets as set out in Note 6.1.3.2 on page 289.

Applicable up to 31st December 2018

The Significant Accounting Policies of the Company provided scope for assets to be classified at inception into different financial asset categories under certain circumstances as per LKAS 39.

In classifying financial assets or liabilities at "Fair value through profit or loss" (FVTPL), the Company has determined that it has met the criteria for this designation set out in Notes 31.5 on page 353.

In classifying financial assets as "Held to maturity" (HTM), the Company has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by Note 31.2 on page 346.

In classifying financial assets as "Loans and Receivables" (L&R), the Company has determined that it has met the criteria for this designation set out in Notes 31.3 on page 346.

In classifying financial assets as "Available for sale" (AFS), the Company has determined that all non-derivative financial assets that are designated as AFS or those financial assets not classified as loans and receivables, FVTPL or HTM be classified as AFS as set out in Note 31.4 on page 350.

3.2 Impairment Assessment of Financial Investments

The Company reviews its individually significant loans and receivables at each reporting date to assess whether an impairment loss should be provided in the Income Statement. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss

These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

A collective impairment provision is established for:

- ▶ groups of homogeneous receivables that are not considered individually significant; and
- ▶ groups of assets that are individually significant but that were not found to be individually impaired.

3.3 Lease Terms - Extension Options

The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The extension options held are exercisable only by the Company and not by the lessors.

The management has assessed the potential extension options for each lease agreement and decided that possibility of extending of the same lease agreement is remote due to the operating structure of the company.

B. Assumptions and Estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments for the year ended 31st December 2019 are included in the following Notes.

3.4 Valuation of Insurance Contract Liabilities

The liability for Life Insurance contracts with discretionary participating features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a Liability Adequacy Test, which reflect management's best current estimate of future cash flows.

The main assumptions used in relation to mortality, morbidity, longevity, investment returns, expenses, lapse and Surrender rates and discount rates are further detailed.

For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements,

as well as wide ranging changes to life style, which could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing Life Insurance contracts. These estimates are based on current market returns, as well as expectation about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

The valuation of the Long Term insurance business as at 31st December 2019 was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited based on the assumptions set out in Note 41.8 to the Financial Statements on page 366.

All Life Insurance contracts are subject to the Liability Adequacy Test (LAT) as required by SLFRS 4 - Insurance Contracts. The LAT was carried out by Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited. For further details please refer to the Note 41.14 to the Financial Statements on page 367.

Carrying amount of Insurance contract liabilities, assumptions and estimates used to determined Insurance contract liabilities are disclosed in Note 41 in pages 362 to 370.

Refer in page 303 for sensitivity analysis.

3.5 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded in the Statement of Financial Position, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 9 on page 317.

3.6 Impairment Measurement of Financial Investments

The measurement of impairment losses both under SLFRS 9 and LKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

Applicable from January 1, 2019

As per SLFRS 9, the Company's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs

and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ▶ The Company's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a Life time expected credit loss (LTECL) basis;
- ▶ The segmentation of financial assets when their ECL is assessed on a collective basis;
- ▶ Development of ECL models, including the various statistical formulas and the choice of inputs;
- ▶ Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PDs), Exposure At Default (EAD) and Loss Given Default (LGD);
- ▶ Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions (including policy rates, inflation, growth in Gross Domestic Product, sovereign rating etc.).

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

Applicable up to 31st December 2018

3.6.1 Impairment losses on financial investments – available for sale (AFS)

The Company reviewed the debt securities classified as AFS investments at each Reporting date to assess whether they are impaired. This required similar judgements as applied on the individual assessment of loans and advances.

The Company also recorded impairment charges on AFS equity investments when there had been a significant or prolonged decline in the fair value below their cost along with the historical share price movements, duration and extent up to which the fair value of an investment is less than its cost.

Refer Note 31.4 on pages 350 to 351 for details.

3.7 Impairment Losses on Non-Financial Assets

The Company assesses whether there are any indicators of impairment for an asset or a Cash-Generating Unit (CGU) at each Reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the 'Value in use' of such individual assets or the CGUs. Estimating 'Value in use' requires the Management to make an estimate of the expected future cash flows from the asset or the CGU and also

to select a suitable discount rate in order to calculate the present value of the relevant cash flows.

This valuation requires the Company to make estimates about expected future cash flows and discount rates and hence, they are subject to uncertainty.

Refer Note 28.18 and 27.5 on page 340 and 334 respectively for details.

3.8 Fair value of Land and Buildings

The Company measures land and buildings at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). Valuations are performed every two years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The Company engages independent professional valuer Mr. P. B Kalugalagedara, Chartered Valuation Surveyor to assess fair value of land and buildings in terms of Sri Lanka Accounting Standard – SLFRS 13 on “Fair Value Measurement” (SLFRS 13). The key assumptions used to determine the fair value of the land and building and sensitivity analysis are provided in Note 28.9 on pages 338.

3.9 Useful Life-time of the Property, plant & Equipment

The Company reviews the residual values, useful lives and methods of depreciation of Property, Plant & Equipment at each Reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Please refer Note 28 in page 335 for more details.

3.10 Defined Benefit Obligation

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used by the actuary in the estimates are contained in Note 42.3 to the Financial Statements on page 371.

Sensitivity analysis to key assumptions is disclosed in Note 42.9 in page 372.

3.11 Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Refer Note 30 on page 343 for details.

3.12 Provisions for Liabilities and Contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

The table below provides the reference for different locations in this report which discusses the estimates in detail.

Critical Accounting Estimate / Judgement	Disclosure Reference	
	Note	Page reference
Going Concern	2.5	277
Insurance Contract Liabilities and Key Actuarial Assumptions	41.8	366
Liability Adequacy Test (LAT)	41.14	367
Deferred Tax Assets and Liabilities	30	342
Valuation of Employee Benefit Obligation - Gratuity	42	370
Assessment of Impairment	3.2/3.6/ 6.1.11	279/280/ 293
Determination of the Fair Value of Financial Instruments	3.5	280
Provisions for Liabilities and Contingencies	3.12	281
Valuation of Land and Buildings	28.9	338

4. CHANGES IN ACCOUNTING POLICIES

The Company has consistently applied the accounting policies to all periods presented in these Financial Statements except for the changes arising on transition to SLFRS 9, SLFRS 7 (Revised), IFRIC 23 and SLFRS – 16 Leases as set out below.

4.1 New and amended standards and interpretations

In these financial statements, the Company has applied SLFRS 9, SLFRS 7 (revised) and SLFRS 16 and IFRIC 23, with effective from 1st January 2019 for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

4.2 SLFRS 9 - Financial Instruments

Background

SLFRS 9 replaced LKAS 39 and is effective for annual periods beginning on or after 1st January 2018. Following options have been provided for insurance Companies for the implementation of SLFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

1. An optional temporary exemption from SLFRS 9 for insurers whose activities are predominantly connected with insurance.
2. An optional overlay approach that permits insurers to reclassify between profit or loss and other comprehensive income (OCI) an amount equal to the difference between the amount reported in profit or loss for designated financial assets applying SLFRS 9 and the amount that would have been reported in profit or loss for those assets if the insurer had applied LKAS 39.

Management evaluation for adoption of SLFRS 9 – Financial Instruments

Implementation of SLFRS 9 provides significant improvements to the accounting requirements for financial instruments and it eliminates complexities in some of the measurement rules of LKAS 39. The above exemptions for insurers in respect of SLFRS 9 were given for temporary period until SLFRS 17 becomes effective and both of these options were made optional which enable insurers to apply improved accounting requirements in SLFRS 9. The Company decided to take the temporary exemption in 2018. However as allowed by the accounting standards, management revisited their option of taking the temporary exemption and due to the significant accounting improvements brought in by SLFRS 9, the Company opted to adopt SLFRS 9, with effect from 1st January 2019.

4.2.1 Changes to classification and measurement

To determine their classification and measurement category, SLFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' cash flow characteristics. Classification and measurement categories as specified in LKAS 39 for financial assets (FVTPL, HTM, L&R and AFS) have been replaced by;

- ▶ Financial assets measured at Amortised Cost
- ▶ Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)
- ▶ Financial assets measured at Fair Value through Profit or Loss (FVTPL)

FVOCI includes debt and equity instruments measured at fair value through other comprehensive income. On derecognition of debt instruments measured at FVOCI, cumulative gains or losses are recycled to profit or loss. However, cumulative gains or losses on derecognition of equity instruments measured at FVOCI are not reclassified to profit or loss and transferred directly to retained earnings.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39, all fair value changes of liabilities designated under the fair value

option were recognized in profit or loss. Under SLFRS 9 fair value changes are generally presented as follows:

- ▶ The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income (OCI); and
- ▶ The remaining amount of change in the fair value is presented in Profit or Loss.

4.2.2 Transition

In accordance with the option given in SLFRS 9 not to restate the comparatives, the Company has not restated comparative information for 2018 for financial instruments within the scope of SLFRS 9. Therefore, comparative information for 2018 is reported under LKAS 39 and is not comparable with the information presented for 2018.

The following assessments have been made on the basis of the facts and circumstances that existed at the transition date; i.e. 1st January 2019.

- ▶ The determination of the business model within which a financial asset is held.
- ▶ The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- ▶ The designation of certain investments in equity instruments not held for trading as at FVOCI.
- ▶ For financial liabilities designated at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Differences arising from the adoption of SLFRS 9 have been recognised directly in equity and life insurance fund as of 1st January 2019 and are disclosed in Note 5.1 on pages 284 to 286.

4.2.3 Impairment

SLFRS 9 replaces the incurred loss model in LKAS 39 with an Expected Credit Loss model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under SLFRS 9, credit losses are recognized earlier than under LKAS 39. For an explanation of how the company applies the impairment requirements of SLFRS 9, see Note 3.6 and 6.1.11 in pages 280 and 293 respectively.

The Company's classification of its financial assets and liabilities is given in Note 31 on page 345.

The quantitative impact of applying SLFRS 9 as at 1st January 2019 is disclosed in Note 5.1 on pages 284 and 286.

4.3 SLFRS 7 (Revised) – Financial Instruments: Disclosures

The Company adopted SLFRS 7 (Revised) together with SLFRS 9, effective from 1st January 2019. Changes including transition disclosures as shown in Note 5.1 on pages 284 to 286 together with detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are disclosed as per the requirements of the Standards in Note 31.3.(c) on page 350.

4.4 SLFRS 16 – Leases

The Company has applied SLFRS 16 using the modified retrospective approach under which the cumulative effect of initial recognition is not required in retained earnings as at 1st January 2019 (option B) and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 29 in page 340.

On transition to SLFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of lease under SLFRS 16 was applied only to the contracts entered into or changed on or after 1st January 2019.

As a lessee

As a lessee, the Company leases some branches and office premises. The Company previously classified these leases as operating leases under LKAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under SLFRS 16, the Company recognises right-of-use assets and lease liabilities for leases of branches and office premises – i.e. these leases are on-balance sheet as a Right of use assets and Lease Liabilities.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for leases of branches and office premises the Company has elected not to separate non lease components and account for the lease and associated non-lease components as a single lease component.

Transition

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1st January 2019. Right of Use assets are measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments. The Company applied this approach for all leases.

The Company has tested its Right of Use assets for impairment on the date of transition and has concluded that there is no indication of impairment.

The Company used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particular, the Company,

- ▶ relied on its assessment of whether leases are onerous under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- ▶ did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application
- ▶ did not recognise right-of-use assets and liabilities for leases of low-value assets.
- ▶ excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- ▶ used hindsight when determining the lease term.

Impact on transition from SLFRS 16 is disclosed in Note 5.2 in page 287.

4.5 IFRIC 23 Interpretation Uncertainty over Income Tax Treatment

IFRIC 23 applies for annual periods beginning on after 1st January 2019. The interpretation addresses the accounting for income taxes when there is uncertainty over tax treatments. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings.

The Company reviewed its income tax treatments in order to determine whether IFRIC 23 interpretation could have an impact on the financial statements. Accordingly, concluded that the Company's existing accounting policy for uncertain tax treatments is consistent the requirements in IFRIC 23 uncertainty Tax Treatments.

NOTES TO THE FINANCIAL STATEMENTS

5. TRANSITION DISCLOSURES

5.1 Impact of Transition from LKAS 39 to SLFRS 9

5.1.1 Reconciliation between the carrying amount under LKAS 39 to the balances reported under SLFRS 9 as at 1st January 2019

Description	LKAS 39 Measurement as at 31st December 2018		Reclassification
	Category	Rs. '000	Rs. '000
Financial Assets			
Financial investments – Loans and Receivables			
To: Financial assets at Amortised Cost	Loans and Receivables	5,614,236	5,614,236
		5,614,236	5,614,236
Financial investments – Available for Sale			
To: Financial assets measured at Fair Value through Other Comprehensive Income	Available for Sale	3,528,608	3,528,608
To: Financial assets recognised at Fair Value through Profit or Loss	Available for Sale	866,262	866,262
		4,394,870	4,394,870
Financial investments – Held to Maturity			
To: Financial assets at Amortised Cost – Debt instruments	Held to Maturity	245,115	245,115
		245,115	245,115
Financial investments recognised at Fair Value through Profit or Loss / Held for Trading			
To: Financial assets measured at Fair Value through Other Comprehensive Income	Fair Value through Profit or Loss	655,423	655,423
To: Financial assets recognised at Fair Value through Profit or Loss	Fair Value through Profit or Loss	1,155,597	1,155,597
		1,811,020	1,811,020
Total Financial Investments		12,065,241	12,065,241
Financial assets other than financial investments			
Reinsurance receivables	Loans and Receivables	154,802	154,802
Premium receivables	Loans and Receivables	507,434	507,434
Loans to life policyholders	Loans and Receivables	161,001	161,001
Cash and cash equivalents	Loans and Receivables	45,357	45,357
Total financial assets other than financial investments		868,594	868,594
Total assets subject to transition impact		12,933,835	12,933,835
Financial liabilities			
Financial liabilities at Amortised Cost	Financial liabilities at Amortised Cost	1,232,041	
Total financial liabilities		1,232,041	
Non-financial liabilities			
Other liabilities	Financial liabilities at Amortised Cost	9,389,963	
Total non-financial liabilities		9,389,963	
Total liabilities		10,622,004	

	Remeasurement	SLFRS 9 Measurement as at 1st January 2019		Notes
	ECL	Rs. '000	Category	
	Rs. '000	Rs. '000		
	(21,275)	5,592,961	Financial assets at Amortised Cost	As at 1st January 2019, the Company has classified financial investments - loans and receivables into amortised cost since these assets are managed within a business model of collecting contractual cash flows
	(21,275)	5,592,961		
	-	3,528,608	Financial assets measured at Fair Value through Other Comprehensive Income	As at 1st January 2019, the Company classified investment in treasury bonds as FVOCI investments as these instruments are managed within a business model of collecting contractual cash flows and selling. In addition the Company has elected the option to irrevocably designate its previous AFS equity instruments as equity instruments at FVOCI
	-	866,262	Fair Value through Profit or Loss	As at 1st January 2019, the company has classified part of its Government securities to FVTPL from AFS as the business model of matching RFR impact of instruments against the RFR sensitive liabilities
	-	4,394,870		
	-	245,115	Financial assets at Amortised Cost	As at 1st January 2019, the Company did not have any debt instruments that did not meet the SPPI criterion within the held-to-maturity portfolio. Therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost
	-	245,115		
	-	655,423	Financial assets measured at Fair Value through Other Comprehensive Income	As at 1st January 2019, the Company has elected the irrevocable option on transition date to classify its previous FVTPL listed equity to equity at FVOCI since management and Board did not foresee a change in market prospects / conditions in the near term and envisaged a longer holding period as a result
	-	1,155,597	Fair Value through Profit or Loss	
	-	1,811,020		
	(21,275)	12,043,966		
	(31)	154,771	Financial assets at Amortised Cost	
	-	507,434	Financial assets at Amortised Cost	
	-	161,001	Financial assets at Amortised Cost	
	-	45,357	Financial assets at Amortised Cost	
	(31)	868,563		
	(21,306)	12,912,529		
		1,232,041	Financial liabilities at Amortised Cost	
		1,232,041		
		9,389,963	Financial liabilities at amortised cost	
		9,389,963		
		10,622,004		

NOTES TO THE FINANCIAL STATEMENTS

5.1.2 Impact of transition to SLFRS 9 on Reserves, Retained Earnings and Life Fund

	Rs. '000
Fair value reserve	
Closing balance under LKAS 39 as at 31st December 2018 (A)	-
Transfer of AFS reserve to Fair value reserve	(1,500,514)
Opening balance under SLFRS 9 as at 1st January 2019 (B)	(1,500,514)
Impact of adoption of SLFRS 9 on Fair value reserve (C=B-A)	(1,500,514)
Available-for-Sale reserve	
Closing balance under LKAS 39 as at 31st December 2018 (D)	(1,513,394)
Transfer of AFS reserve build due to reclassification of AFS portfolio to FVTPL - (Participating Fund)	12,880
Transfer of AFS reserve to fair value reserve	1,500,514
Opening balance under SLFRS 9 as at 1st January 2019 (E)	-
Impact of adoption of SLFRS 9 on Available for Sale reserve (F=E-D)	1,513,394
Retained Earnings	
Closing balance under LKAS 39 as at 31st December 2018 (G)	6,275,417
Recognition of SLFRS 9 ECLs including those measured at Amortised cost (Excluding Participating Fund)	(20,766)
Opening balance under SLFRS 9 as at 1st January 2019 (H)	6,254,651
Impact of adoption of SLFRS 9 on Retained Earnings (I=H-G)	(20,766)
Total change in equity due to adopting SLFRS 9 (C+F+I)	(7,886)
Life Insurance Fund	
Closing balance under LKAS 39 as at 31st December 2018 (J) (Excluding Claims payables and unclaimed benefits)	8,612,567
Recognition of ECLs including those measured at Amortised Cost (Participating Fund)	(540)
Transfer of AFS reserve build to reclassification of AFS portfolio to FVTPL (Participating Fund)	(12,880)
Opening balance under SLFRS 9 as at 1st January 2019 (K)	8,599,147
Impact of adoption of SLFRS 9 on Life insurance fund (L=K-J)	(13,420)

5.1.3 Impact of transition to SLFRS due to recognition of expected credit loss allowance

	Impairment under LKAS 39 as at 31st December Rs. '000	Remeasurement Rs. '000	ECLs under SLFRS 9 as at 1st January 2019 Rs. '000
Loans and Receivables investments as per LKAS 39 / financial assets at Amortised Cost under SLFRS 9	-	(21,306)	(21,306)
Available-for-Sale debt investment securities as per LKAS 39 / debt financial assets at FVOCI under SLFRS 9	-	-	-
Loans and Receivables investments as per LKAS 39 / debt financial assets at FVOCI under SLFRS 9	-	-	-
Total impairment	-	(21,306)	(21,306)

5.2 Impact on transition from LKAS 17 to SLFRS 16

5.2.1 Impact on Financial Statements

As at 1st January	2019 Rs.'000
Statement of Financial Position	
Right of Use Assets	398,022
Lease Liabilities	317,157
Other assets	(80,865)
Income Statement	
	-
Statement of Cash Flows	
	-

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1st January 2019. Based on the period of the lease agreements the applied discount rates ranged from 14%-15% as at 1st January 2019.

5.2.2 Computation of Lease Liabilities as at 1st January 2019

As at 1st January	2019 Rs.'000
Operating lease commitment at 31st December 2018 as disclosed in the Company's financial statements	535,179
Discounted using the incremental borrowing rate at 1st January 2019	483,565
Finance lease liabilities recognised as at 31st December 2018	3,831
Recognition exemption for:	
short-term leases	162,577
leases of low -value assets	-
Extension and termination options reasonably certain to be exercised	-
Variable lease payments based on an index or a rate	-
Residual value guarantees	-
Lease liabilities recognised at 1st January 2019	317,157

5.2.3 Opening Balance Reconciliation

As at 1st January	2019 Rs.'000
Amount of RoU recognised at the time of transition to SLFRS 16 from LKAS 17	317,157
Payments made at or before the commencement date of SLFRS 16	80,865
Total Right-of-Use assets recognised as at 1st January 2019	398,022

NOTES TO THE FINANCIAL STATEMENTS

6. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, unless otherwise indicated.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow and reference to the respective Notes.

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6.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

6.1.1 Date of Recognition

The Company initially recognises all financial assets (including assets designated at fair value through profit or loss) on the trade date on which the Company becomes a party to the contractual provisions of the instrument.

6.1.2 Initial Measurement of Financial Instruments

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9 and trade receivables that do not have a significant financing component as defined by SLFRS 15.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement.

When the fair value of financial instruments (except trade receivables that do not have significant financing component) at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

6.1.2.1 "Day 1" profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

6.1.3 Classification and Subsequent Measurement of Financial Assets

Policy Applicable from 1st January 2019

From 1st January 2019 as per SLFRS 9, the Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- ▶ Amortised Cost
- ▶ Fair Value through Other Comprehensive Income (FVOCI)
- ▶ Fair Value through Profit or Loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

6.1.3.1 Business model assessment

With effect from 1st January 2019, the Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- ▶ the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- ▶ how the performance of the portfolio is evaluated and reported to the Company's management;
- ▶ the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- ▶ how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- ▶ the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

6.1.3.2 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

NOTES TO THE FINANCIAL STATEMENTS

6.1.3.2 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test) (Contd.)

- ▶ contingent events that would change the amount and timing of cash flows;
- ▶ leverage features;
- ▶ terms that limit the Company's claim to cash flows from specified assets; and
- ▶ features that modify consideration of the time value of money.
- ▶ Prepayment and extension terms

Refer Notes 31 in pages 345 to 357 below for details on different types of financial assets recognised on the SOFP.

The Company's existing non derivative financial assets and their classifications are summarised in the table below

Financial Asset	Category		
	FVTPL	AC	FVOCI
Treasury Bonds	✓	✓	✓
Reverse Repurchase Agreements		✓	
Quoted Shares	✓		✓
Unquoted Shares			✓
Corporate Debts*		✓	
Commercial Papers		✓	
Policy Loans		✓	
Staff and Advisor Receivables		✓	
Term Deposits		✓	
Cash and Cash Equivalents		✓	
Reinsurance Receivables		✓	
Premium Receivables		✓	
Unit Trusts	✓		
Other Receivables		✓	

* Corporate Debt - The Company classifies quoted Corporate Debt under Amortised cost category since there is no active market for these instruments even though such instruments are listed.

Policy Applicable Before 1st January 2019

Up to 31st December 2018 as per LKAS 39, the Company classified its financial assets into one of the following categories:

- ▶ Financial assets at Fair Value through Profit or Loss, and within this category as-
 - held-for-trading; or
 - designated at fair value through profit or loss;
- ▶ Loans and Receivables (L&R);
- ▶ Held to Maturity investments (HTM); and
- ▶ Available-for-Sale (AFS) financial assets, as appropriate.

Refer Note 31 for more information on classification and measurement of Financial Instruments under SLFRS 9 and LKAS 39.

6.1.4 Classification and subsequent measurement of financial liabilities

As per SLFRS 9, the Company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- ▶ Financial liabilities at Fair Value through Profit or Loss, and within this category as –
 - Held-for-Trading; or
 - Designated at Fair Value through Profit or Loss;
- ▶ Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

6.1.5 Reclassification of Financial Assets and Liabilities

Policy Applicable after 1st January 2019

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

6.1.5.1 Timing of reclassification of financial assets

Consequent to the change in the business model, the Company reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

6.1.5.2 Measurement of reclassification of financial assets

6.1.5.2.1 Reclassification of Financial Instruments at 'Fair Value through Profit or Loss'

To Fair Value through Other Comprehensive Income

The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value is recognized in OCI.

To Amortised Cost

The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

6.1.5.2.2 Reclassification of Financial Instruments at 'Fair Value through Other Comprehensive Income'

To Fair Value through Profit or Loss

The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

To Amortised Cost

The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost. EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

6.1.5.2.3 Reclassification of Financial Instruments at "Amortised Cost"

To Fair Value through Other Comprehensive Income

The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

To Fair Value through Profit or Loss

The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

Policy Applicable before 1st January 2019

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. The Company reclassifies financial assets and liabilities into and out of the different categories of financial instruments as permitted by the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

6.1.5.2.4 Reclassification of Financial Instruments at 'Fair Value through Profit or Loss'

The Company does not reclassify financial instruments out of the fair value through profit or loss category while it is held or issued. Non-derivative financial assets and liabilities designated at fair value through profit or loss upon initial recognition are not reclassified subsequently out of fair value through profit or loss category.

The Company may in rare circumstances, reclassify financial instruments out fair value through profit or loss category, if such instruments are no longer held for the purpose of selling or repurchasing in the near term notwithstanding that such financial instruments may have been acquired for the purpose of selling or repurchasing in the near term.

Financial assets classified as fair value through profit or loss at the initial recognition which would have also met the definition of

'loans and receivable' as at that date is reclassified out of the fair value through profit or loss category only if the Company has the intention or ability to hold such asset for the foreseeable future or until maturity.

Fair value of financial instrument at the date of reclassification becomes the new cost or new amortised cost of the financial instrument. Any gain or loss already recognised in respect of the reclassified financial instrument until the date of reclassification is not reversed to the Income Statement.

The Company does not reclassify any financial instrument into the 'Fair value through profit or loss' category after initial recognition.

6.1.5.2.5 Reclassification of Financial investments – Available-for-Sale

The Company may reclassify financial investments out of available-for-sale category as a result of change in intention or ability or in rare circumstances that a reliable measure of fair value is no longer available.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset that does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to profit or loss.

6.1.5.2.6 Reclassification of Financial Investments – Held-to-Maturity

As a result of a change in intention or ability, if it is no longer appropriate to classify an investment as held-to-maturity, Company may reclassify such financial asset as available-for-sale and remeasured at fair value. Any difference between the carrying value of the financial asset before reclassification and fair value is recognised in equity through other comprehensive income (OCI).

However, if the Company were to sell or reclassify more than an insignificant amount of held-to-maturity financial investments before maturity [other than in certain specific circumstances permitted in the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'], the entire category would be tainted and would have to be reclassified as Available For Sale. Furthermore, the Company would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

The above reclassifications at the election of the Management and is determined on an instrument-by-instrument basis.

6.1.6 Derecognition of Financial Assets and Financial Liabilities

6.1.6.1 Financial Assets

The Company derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities as per SLFRS 9. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its SOFP, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Company retains all or substantially all risks and rewards of ownership of such assets.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Company has retained.

6.1.6.2 Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

6.1.7 Modification of financial assets and financial liabilities

6.1.7.1 Financial Assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

As per SLFRS 9, if the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

6.1.7.2 Financial Liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

6.1.8 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the SOFP if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

6.1.9 Amortised cost and gross carrying Amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any ECL allowance.

6.1.10 Fair Value of Financial Instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 9 on pages 316 to 321.

6.1.11 Identification and Measurement of Impairment of financial assets

Policy Applicable after 1st January 2019

6.1.11.1 Overview of the ECL principles

As per SLFRS 9, the Company records an allowance for expected credit losses for debt and other financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income and other receivables.

SLFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition.

- ▶ **Stage 1:** A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).
- ▶ **Stage 2:** If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL. Refer Note 6.1.11.2 for a description on how the Company determines when a significant increase in credit risk has occurred.
- ▶ **Stage 3:** If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with probability of default at 100%. Refer Note 6.1.11.3 for a description on how the Company defines credit impaired and default.
- ▶ Purchased or originated credit impaired (POCI) financial assets: Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The Company does not have POCI assets as at the reporting date.

The key judgements and assumptions adopted by the Company in addressing the requirements of SLFRS 9 are discussed below:

6.1.11.2 Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company’s historical experience and expert credit assessment and including forward looking information.

The Company individually reviews at each reporting date, financial assets above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include, inter alia:

- ▶ When reasonable and supportable forecasts of future economic conditions directly affect the performance of the instruments.
- ▶ When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of the instruments.
- ▶ Erosion in net-worth by more than 25% when compared to the previous year.

Exposures which have one or more of the above indicators are treated as facilities with significant increase in credit risk and assessed accordingly in ECL computations. The Company regularly monitors the effectiveness of the criteria used to identify significant increase in credit risk to confirm that the criteria is capable of identifying significant increase in credit risk before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the Company determines significant increase in credit risk based on the generally accepted investment/ non-investment grade definitions published by international rating agencies. Debt instruments are moved to stage 2 if their credit risk increases to the extent that they are no longer considered investment grade.

6.1.11.3 Definition of default and credit impaired assets

The Company classifies the financial investments under Stage 3 when the external credit rating assigned to the particular investment is “default”.

6.1.11.4 Movement between the stages

Financial assets can be transferred between the different categories depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described in Note 6.1.11.2. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

Policy Applicable before 1st January 2019

At each Reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a Company of financial assets is ‘impaired’ when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

6.1.11.4 Movement between the stages (Contd.)

Objective evidence that financial assets (including equity securities) are impaired may include:

- ▶ significant financial difficulty of the borrower or issuer,
- ▶ default or delinquency by debtor
- ▶ It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization
- ▶ adverse changes in the payment status of issuers or debtors in the Company
- ▶ In the case of equity a significant or prolonged decline in its fair value below its cost

a. Impairment of Financial Assets Carried at Amortized Cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at specific asset.

b. Measurement of Impairment and Recognition

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in Income Statement under 'Allowance for impairment' account against loans and receivables or held to maturity investment securities. Interest on the impaired asset continues to be recognised.

c. Reversal of Impairment

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Income Statement.

d. Impairment of Financial Assets - Available-for-Sale

For available for sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income is based on the reduced carrying amount/impaired balance and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income on such assets is also recorded within 'Interest income'.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative impairment loss on that investment previously recognised in Equity through the OCI is removed from Equity and charged to profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an available-for-sale equity instrument is always recognised in OCI.

The Company writes-off certain financial investments – available-for-sale, either partially or in full and any related provision for impairment losses, when the Company determines that there is no realistic prospect of recovery.

e. Impairment of Financial Assets Carried at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

f. Impairment of Reinsurance Receivables

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

The impairment loss is recorded in the Income Statement.

g. Impairment of Premium Receivables

Impairment losses on premium receivables are the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognized in the Income Statement.

h. Impairment of Non - Financial Assets

At each reporting date, the company reviews the carrying amounts of its non- financial assets (other than biological assets,

investment property, inventories, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For Impairment testing, assets are grouped together into the smallest company of assets that generates cash inflow from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or companies of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets or CGU.

An impairment loss is recognised if the carrying amount of an assets or CGU exceeds its recoverable amount.

Impairment losses are recognized in Income Statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reserved only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Significant Accounting Policies – Statement of Cash Flows

6.1.12 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Interest received and dividend received is classified as operating cash flows, while dividends paid are classified as financing cash flows for the purpose of presenting the Statement of Cash Flows.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 36.1 on page 361.

7. NEW ACCOUNTING STANDARDS NOT EFFECTIVE AT THE REPORTING DATE

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

7.1 SLFRS 17 Insurance Contracts

SLFRS 17 is effective for annual periods beginning on or after 01st January 2022. Early adoption is permitted along with the adoption of SLFRS 9 and SLFRS 15. SLFRS 17 supersedes SLFRS 4 Insurance contracts. The Company is intended to adopt the new standard on its mandatory effective date.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdiction prior to January 2005. SLFRS 17 replaces this with new measurement model for all insurance contracts.

SLFRS 17 requires liabilities for insurance contracts to be recognized as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day – one gain arising on initial recognition. Losses are recognized directly to the income statement. For the measurement purposes contracts are grouped together into contracts of similar risk profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under SLFRS 17 is represented by the recognition of the service provided to policy holders in the period (release of CSM), realise from non-economic risk (realise of risk adjustment) and investment profit.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non- economic assumptions.

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of service to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date, need to be determined.

7.1 SLFRS 17 Insurance Contracts (Contd.)

SLFRS 17 requires, the CSM to be calculated as if the standards had applied retrospectively. If this is not practical, an entity is required to choose either a simplified retrospective approach or determine the CSM by reference to the fair value of the liabilities at transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profit on in – force business in future reporting periods.

SLFRS 17 is expected to have a substantial changes in the presentation of the financial statements and disclosures, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to , among other things , alter the timing of profit recognition.

The Company has an implementation program underway to implement SLFRS 17. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate date and implementing actuarial and finance system changes.

Please refer page 314 for SLFRS implementation status of the Company.

The following amended standards are not expected to have a significant impact on the Company's financial statements.

7.2 Amendments to LKAS 1 and LKAS 8: Definition of Material

In October 2018, the IASB issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. As per the redefined definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective from 1st January 2020 with early adoption permitted. However, amendments to the definition of material is not expected to have a significant impact on the Company's financial statements

7.3 Amendments to references to Conceptual framework in accounting standards

The Conceptual Framework for Financial Reporting is the foundation on which the new accounting standards are developed.

The revised framework contains changes that will set a new direction for accounting standards in the future.

The key changes in the framework are;

- ▶▶ New 'bundles of rights' approach to assets
- ▶▶ New 'practical ability' approach for recognising liabilities
- ▶▶ New control-based approach to derecognition

The accounting policies which refer conceptual framework should be reviewed and the new guidance should be applied retrospectively from 1st January 2020.

7.4 Definition of a Business (Amendments to SLFRS 3)

The amendments, issued in October 2018, clarify the definition of a business and may reduce the number of acquisitions considered to be business combinations. The amendments include:

- ▶▶ an optional test (referred to as the 'concentration test') to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; and
- ▶▶ an assessment focused on whether the set of assets and activities includes a substantive process.

The amendments are effective for annual periods beginning on or after 1st January 2020. Early adoption is permitted.

8. RISK AND CAPITAL MANAGEMENT

Insurance contracts expose the Company to Underwriting risk, Product Design Risk, Reinsurance Risk and Claim Risk. In addition, the Company is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the Company's activities. Managing these risks is critical for the sustainability of the Company and plays a pivotal role in all activities of the Company. Risk Management function strives to identify potential risks in advance, analyse them and take precautionary steps to mitigate the impact of risk whilst optimising risk-adjusted returns within the risk appetite of the Company.

To obtain a complete overview of the risk landscape that Softlogic Life is exposed to and its objectives, policies, process and methodologies adopted for managing those risks, the reader needs to refer this section as well as the integrated risk management report in page 245 to 258 of this Report.

Disclosure Requirement Under SLFRS 4 - Insurance Contracts and SLFRS 7 - Financial Instruments

This note presents information about the Company's exposure to each of the Insurance risks, Financial risks and Operational risk the Company's objectives, policies and processes for measuring and managing risk as required by SLFRS 4 and SLFRS 7 together with quantitative disclosure relating to the same.

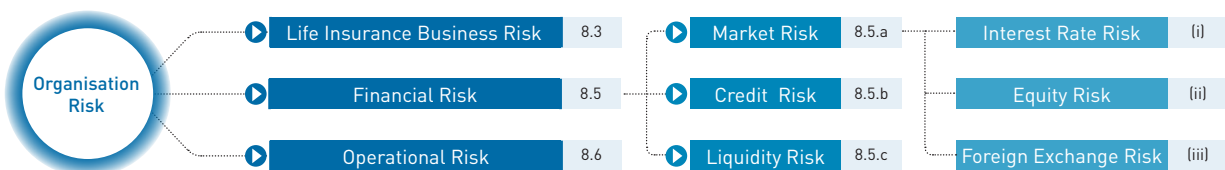
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8.1 Risk Management Framework

The primary objective of the Company's risk and financial management framework is to protect its shareholders from events that could hinder the sustainable achievement of financial objectives, including the failure to exploit opportunities.

The overall responsibility and oversight of the Risk Management Framework of the Company is vested with the Board of Directors (BOD). The Risk Management Committee, a Subcommittee set up by the Board, in turn is entrusted with the development of the Company's Risk Management Policies and monitoring of due compliance of same through the Risk Management Committee. The committee reports regularly to the Board of Directors on its activities.



The Risk Management Policies spell out the risk appetite of the Company and have incorporated risk exposure limits and controls to monitor adherence to the limits in force. These Policies and systems are reviewed regularly to reflect the changing market conditions and the products and services offered.

The Company's Risk Management Team, comprising members of the senior management which oversee the risk management activities of the Company. The activities cover areas such as the evaluation of business processes, design and implementation of the risk strategy and risk policies, review and update of the risk profile, delegation of authority, monitoring of risk mitigation activities, etc.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company strives to inculcate a Risk Management Culture through continuous training, work ethics and standards.

Refer Integrated Risk Management Section on pages 245 to 258 for more information on the Risk Management Framework of the Company.

Regulatory Framework

The Insurance Regulatory Commission (IRCSL) is primarily interested in protecting the rights of policyholders and monitor them closely in line with the Regulation of Insurance Industry Act No.43 of 2000 and subsequent amendments thereto ensure that the Company is satisfactorily managing affairs for the benefits of policyholders.

At the same time, IRCSL is monitoring whether the Company complies with rules with respect to the solvency position and determination requirements to meet risk arising from unforeseeable events.

Please refer note 8.7 in page 315 for the compliance status of the Company under RBC Rules.

8.2 Risk Landscape of Softlogic Life Insurance PLC

The risk landscape of the Company provided in following:

8.3 Life Insurance Business Risk

Insurance risk is the likelihood that an insured event will occur, requiring the insurer to pay a claim. This risk is transferred to the Company through the underwriting process. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behaviour, and fluctuations in new business volumes.

Life Insurance Business

Life insurance products include Endowment plans, Group covers and Annuity covers. All risks directly connected with the life of an insured person are referred to as biometric risks and constitute as material risks for the Company.

The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities

Mix of the Insurance Contract Liabilities

As at 31st December

	2019		2018	
	Insurance Contract Liabilities Rs. '000	% Share	Insurance Contract Liabilities Rs. '000	% Share
Maximum Exposure,	9,739,080		8,612,567	
Participating Fund	6,330,862	65.00	5,717,952	66.39
Non-Participating Fund	3,032,143	31.14	2,873,069	33.36
Universal Life Fund	376,075	3.86	21,546	0.25
Total	9,739,080	100	8,612,567	100

Risk Response to Life Insurance Concentration Risk

The Company has adopted following Strategies to manage concentration of Life Insurance risk.

- ▶ Product Diversification (Please refer Page 69 for more details)
- ▶ Market segmentation (Please refer Page 69 for more details)
- ▶ Ensure compliance (determination) requirements imposed by the regulator (IRCSL) (Please refer Note 8.7 in Page 315 for more details)

Softlogic Life Insurance PLC manages insurance risk through;

- ▶ Careful selection and implementation of underwriting strategy guidelines
- ▶ External reinsurance
- ▶ Robust reserving processes
- ▶ Diversification of insurance contracts across the geographical areas

Concentration of insurance risk

Concentration risk is defined as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk on investments may arise with respect to investments in a geographical area, economic sector and Concentration risk on insurance liabilities may arise with respect to business written within a geographical or a type of policies issued by the company.

Observing best estimate assumptions on cash flows related to benefits of insurance contracts gives some indication of the size of the exposure to risks and the extent of risk concentration.

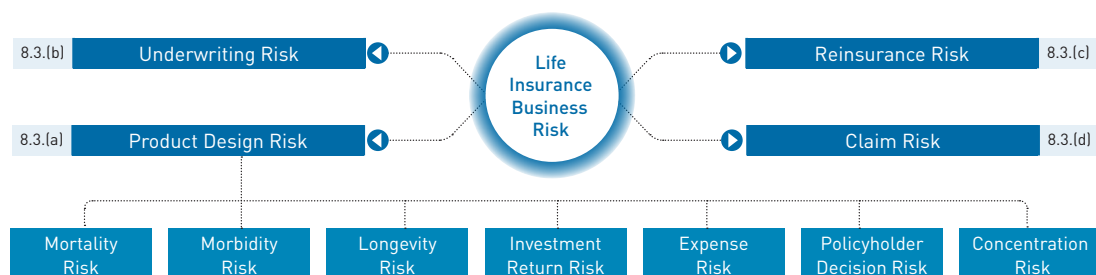
Concentration of risk within the life business is based on reserves for life insurance as explain in below table.

- ▶ Continuously monitor maturity analysis of Assets and Liabilities in order to meet future cash flows requirements.

Please refer pages 306 to 308 for Investment concentration risk analysis

Sensitivity analysis and determination of life insurance contract liabilities are disclosed in page 303.

The information given below on the risks faced by the Company through its Life Insurance Business and mitigation actions taken on the relevant risks. The main risks exposed in Life Insurance Business are summarised in the following diagram.



8.3.(a) Product Design Risk

Life insurance product design is largely depending on futuristic hypothetical assumptions. Accordingly there is a risk of introducing unprofitable product to the market due to inappropriate use of assumptions or judgments.

The fundamental assumptions used in product development are explained below.

Risk	Description	Assumptions used / risk response
Mortality Risk	Risk of loss arising due to policyholders' death experience being different from expected resulting higher the claim ultimately, reduce profitability	Use of standard table A 67/70 mortality rates.
Morbidity Risk	Risk of loss arising due to policyholders' health experience condition being different from expected	Assumptions are based on the company's own experience
Longevity Risk	Risk that annuitants (a person who receives and annuity payment) live longer than expected. In the life annuity business, the most significant insurance risk is continued medical advances and improvement in social conditions that lead to increases in longevity.	The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks that may result in severe financial loss. Annuitant mortality assumptions also include allowance for future mortality improvements.
Investment Return Risk	Risk of loss arising from actual returns being different from expected	Investment decisions are being made to Comply with RBC framework and Determination rules issued by IRCSL.
Expense Risk	Risk of loss arising from the expense experience being different from expected	The best estimate expense assumptions have been set based on the expense investigation carried out as at 31st December 2019 based on the expenses incurred during 2019 (with the assistance from Messrs. Willis Towers Watson India Private Limited).
Policyholder Decision Risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected	Lapses and surrender rates are projected according to the Company's past experience. Assumptions on Policy termination are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.
Concentration Risk	Risk of losses due to maintaining inadequate product portfolio.	The risk exposure is mitigated by diversification across a large portfolio of insurance contracts in to different classes as mentioned earlier. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.
Laps and Surrender Risk	An increase in laps rates in the early in the life of the policy tend to impact on profitability.	Assumptions are based on the company's own experience

NOTES TO THE FINANCIAL STATEMENTS

8.3.(a) Product Design Risk (Contd.)

Key Risks Arising From Contracts Issued

The Company issues Participating, Non Participating and Universal Life insurance contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Company.

8.3.(b) Underwriting Risk

Underwriting risk arising from an inaccurate assessment of the risk entailed in underwriting the policy. As a result, the policy may cost the Insurers much more than it as earned in premiums.

Underwriting risk comprises insurance risk, policyholder behaviour risk and expense risk.

Risk	Description
Insurance risk	The risk transferred from the policyholder to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
Policyholder behaviour risk	The risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits, or annuities a contract earlier or later than expected.
Expense risk	The risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events)

Management of underwriting risk

The board of directors sets the Company's strategy for accepting and managing underwriting risk. Specific underwriting objectives – e.g. aggregation limits, reinsurance protection thresholds and line of business diversification parameters – are prepared and reviewed by Chief Technical Officer. The board continuously reviews its underwriting strategy in light of evolving market pricing and loss conditions and as opportunities present themselves.

Prices charged for the cost of insurance risk are set through a process of financial analysis, including comparisons of the Company's experience with industry experience and benchmarking

of prices against other product providers in the same markets. Individual contracts are examined and reviewed by underwriting staff with the aim of ensuring that the premiums charged and the annuitisation rates applied reflect evidence of the current health condition and family medical history of the applicants.

Mortality, morbidity and longevity risks are mitigated by the use of reinsurance. The Company allows senior management to select reinsurers from a list of reinsurers approved by the Company. The aggregation of risk ceded to individual reinsurers is monitored at Company level.

Policyholder behaviour risk is considered when designing products – e.g. by means of additional charges on the early surrender of contracts in order to recover acquisition cash flows. Persistency is monitored at company level and experience is benchmarked against local market information.

Expense risk is managed at local entity level through the annual budgeting process and regular expense analyses. In addition to continuous measures taken to reduce expenses.

Concentrations of underwriting risk

The following table sets out the carrying amounts of the Company's insurance contracts by province of issue.

For the Year ended 31st December Province	2019 Rs. Mn	2018 Rs. Mn
Western Province	8,453	6,639
Southern Province	1,262	1,021
North Western Province	851	654
Sabaragamuwa Province	673	650
Central Province	628	497
Uva Province	232	186
Northern Province	172	144
North Central Province	161	131
Eastern Province	99	84
Total	12,531	10,006

Risk Response / Mitigation Strategy

- ▶▶ Continuous training for underwriting staff
- ▶▶ Adherence to the Social and Environmental Policy at the time of underwriting
- ▶▶ Establishing a clearly defined Pricing Policy
- ▶▶ Establishing limits for underwriting authority
- ▶▶ Motivation of underwriting Staff on Insurance Academic Studies by providing Scholarship to staff.
- ▶▶ Use of systematic underwriting limits

8.3.(c) Reinsurance Risk

Notwithstanding the advantages reinsurance provides insurers, it can expose them, at varying degrees, to various risks inherent in its use. A new or continuing reinsurance contract could give rise to one or more of the following risks:

- ▶ Legal risk may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced;
- ▶ Liquidity risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.
- ▶ Counterparty risk may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism, to honour its obligations towards the ceding insurer.

Risk Response to Reinsurance Risk

- ▶ Reviewing the Company's reinsurance strategy and arrangements on an annual basis. The strategy is presented to and approved by the Board Risk Committee Annually.
- ▶ Conducting detail studies on the adequacy of reinsurance arrangements for catastrophic events.
- ▶ Ensuring that reinsurance transactions are conducted with parties which meet IRCSL rating requirements.
- ▶ Ensuring minimum concentration amongst reinsurance parties.
- ▶ Review of Reinsurance credit worthiness regularly.

Analysis of Reinsurance Receivables in terms of credit rating is given as follows ;

As at 31st December Name of the Reinsurer	Credit Rating	Name of Rating Agency	2019 Rs. '000	2018 Rs. '000
Munich Re	AA	Fitch	108,761	135,119
RGA	AA-	S&P Global	19,740	8,335
SCOR	AA-	S&P Global	33,999	6,183
Toa Re	A+	S&P Global	25,631	5,165
Total			188,131	154,802

The Company's premium ceded to reinsures is approximately 7% - 8% of gross written premium.

For the Year ended 31st December	2019		2018	
	Rs. '000	%	Rs. '000	%
Gross Written premium	12,531,283		10,005,733	
Reinsurance	(991,455)	8	(726,558)	7
Net Written Premium	11,539,828		9,279,175	

The Company has recovered approximately 16% - 17% of gross claims paid from reinsurers during the period under review.

For the Year ended 31st December	2019		2018	
	Rs. '000	%	Rs. '000	%
Gross claims paid	3,462,068		2,741,624	
Claims recovered from reinsurers	(576,339)	17	(442,612)	16
Net claims paid	2,885,729		2,299,012	

8.3.(c) Reinsurance Risk (Contd.)

Management of Reinsurance Receivables

Counterparty limits which are set annually are subject to regular reviews. Management assesses the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets. Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables. As at the reporting date reinsurance receivables amount to Rs. 188.1 million (2018 - Rs. 154.8 million). This mainly consists of reinsurance receivable on paid claims amounting to Rs. 77.1 million (2018 - Rs. 103.6 million) and reinsurance share of claim reserve (receivables on outstanding claims) of Rs. 110.9 million as at 31st December 2019. (2018 - Rs. 51.1 million).

8.3.(d) Claim Risk

The Company is liable for all insured events. There are several variables that could affect the value of insurance liabilities, and the amount and timing of cash flows from these contracts. Assumptions (such as the mortality rate, morbidity and longevity) are used to estimate the value of insurance liabilities. The amount of liabilities of life insurance contracts with fixed and guaranteed terms will not change as a result of these assumptions unless the change is severe enough to trigger a liability adequacy test adjustment. The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

Risk Response to Claims Risk

- ▶▶ Obtaining adequate reinsurance cover.
- ▶▶ Adequate information is gathered to confirm the event occurred prior to processing the claim.
- ▶▶ In-house actuarial department closely monitors claim reserves.

8.4 Determination of the Life Insurance Contract Liability

Gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31st December 2019. Gross and net of reinsurance liabilities have been calculated as required in the RBC submission template. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

Consistency, Completeness and Accuracy of Data

Following checks are done to reconcile the summary statistics in respect of policy counts, premiums and sum assured.

- i. Movement analysis - Reconciliation of Policy count of inforce business.
- ii. Reconciled total in-force in valuation data used in actuarial systems against main-frame policy administration systems in terms of policy counts, premiums and sum assured.
- iii. Check summary statistics of the output from the valuation run against output data summary from data conversion system statistics to ensure all inforce policy records are valued in terms of policy counts, premiums, sum assured.
- iv. Independent validation of numbers of deaths, maturities and surrenders from claims department against the valuation extracts.
- v. Independent validation of number of new business policies against the sales department data to verify the new business records in the valuation extracts.
- vi. Independent (high level) validation of the amount of in-force premiums in the valuation extracts are reconciled against premiums receivable as per accounting system to be within reasonable tolerance limits.
- vii. Independent (high level) validation of the amounts of surrenders, maturities implied by exits within the valuation extracts are reconciled against accounting system to be within reasonable tolerance limits.
- viii. Checks are conducted to verify the last policy administered as at the cut-off date to be included in the valuation extract.
- ix. Checks are carried out to confirm whether any new products were launched during the period and whether they are included in the valuation extracts.

The detailed model review by Messrs. Towers Watson India Private Limited provided assurance on the following aspects:

- ▶▶ The Prophet models capture all material product features;
- ▶▶ The calculations in the model are performed in accordance with the intended methodology; and
- ▶▶ All relevant calculations performed in the model are materially accurate, robust and fit-for-purpose.

Please refer page 298 for mix of life insurance fund.

Sensitivity to the Assumption Change of the Life Insurance Contract Liabilities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on liabilities, profit before tax. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

Based on Gross Premium Valuation (GPV)	Change in Assumptions	31st December 2019	31st December 2018
		Impact on Liabilities Rs. '000	Impact on Liabilities Rs. '000
Mortality	+10%	277,846	187,034
	-10%	(287,331)	(188,229)
Morbidity	+10%	382,144	269,970
	-10%	(386,687)	(266,948)
Discount Rate (Risk Free Rate)	+50 basis points	(117,391)	(49,971)
	-50 basis points	131,221	57,035
Expense Ratio	+1%	50,931	41,780
	-1%	(50,931)	(41,780)

8.5 Financial Risk Management

Overview

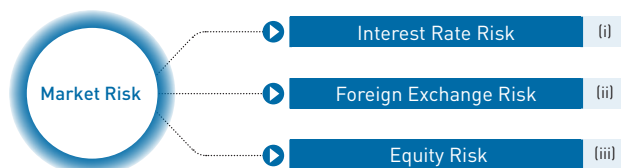
The Financial Risk refers to multiple types of risk associated with financing. The Company is exposed to following financial risks.



This diagram presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

8.5.(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk. Market risk comprises three types of risks are given below;



Market risk principally arises on the Company's equity investments, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies, although these exposures are largely offset by similar exposures arising from insurance and reinsurance contracts. The nature of the Company's insurance and reinsurance contracts and financial instruments means that it is exposed to market risk on net assets representing shareholders' equity. Interest rate risk and equity price risk also arise from interest rate in the Company's insurance and investment contracts to the extent that they are not economically hedged or borne by contract holders.

NOTES TO THE FINANCIAL STATEMENTS

8.5.(a) Market Risk (Contd.)

Management of market risk

The board of directors sets the Company's strategy for managing market risk and delegates responsibility for overseeing the implementation of this strategy and the asset and liability management (ALM) framework to the Company's asset and liability committee (ALCO). The ALM framework seeks to match the cash flows arising from the Company's financial investments with the cash flows arising from its insurance and investment contracts while achieving the optimum long-term investment return on its financial investments representing shareholders' equity for an acceptable level of risk. ALCO seeks to achieve this by setting limits both for each type of risk in aggregate across the Company and for individual portfolios. On a day-to-day basis, responsibility for monitoring market risk exposures rests with Treasury Middle office who monitors the Risk policy of the Company.

(i) Interest Rate Risk

Interest rate risk on financial instruments arises primarily from the Company's investments in debt securities. These investments are exposed to the risk of adverse changes in fair values or future cash flows because of a change in market interest rates.

Floating rate instruments typically expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest rate risk.

Most of the annuity, universal life, and traditional participating contracts issued by the Company contain interest rate guarantees.

Risk Response to Interest Rate Risk

The Company has adopted the following policies to manage interest rate risk

The Company manages interest rate risk by closely matching, where possible, the durations of insurance contracts with fixed and guaranteed terms and the supporting financial assets. The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions. Additionally, estimates of cash flows and the impact of interest rate fluctuations are modelled and reviewed every quarter.

- ▶ A regular track of macroeconomic indicators is kept track of by the Risk Unit as well as the Treasury Department. These indicators together with their forecasts are reported to the Internal Risk Committee, the Board Risk Committee and the Investment Committee so as to analyse their impact on investments.
- ▶ Regular meetings and monitoring of risks by the Assets Liability Management Committee (ALCO)
- ▶ Adhering to limits set on interest rate risk through the Risk Policy

The following table summarises the exposure to the interest rate risk by the Company.

As at 31st December	2019				2018			
	Variable Interest Rate Rs. '000	Fixed Interest Rate Rs. '000	Non Interest Bearing Rs. '000	Total Rs. '000	Variable Interest Rate Rs. '000	Fixed Interest Rate Rs. '000	Non Interest Bearing Rs. '000	Total Rs. '000
Financial Assets								
Amortised Cost / HTM	-	252,029	-	252,029	-	245,115	-	245,115
Amortised Cost / Loan & Receivables	-	6,317,561	-	6,317,561	-	5,614,236	-	5,614,236
Fair Value through Other								
Comprehensive Income / Available for Sale	-	1,771,633	1,873,162	3,644,795	-	2,598,070	1,796,800	4,394,870
Fair Value through Profit or Loss	-	2,188,847	2,507,512	4,696,359	-	221,584	1,589,436	1,811,020
Cash and Cash Equivalents	-	-	377,093	377,093	-	-	381,270	381,270
Total Exposure to Interest Rate Risk	-	10,530,070	4,757,767	15,287,837	-	8,679,005	3,767,506	12,446,511

As at 31st December 2019 there were no cash flow interest rate exposures, as the Company has no any floating rate investments. However, Softlogic Life Insurance PLC is exposed to fair value fluctuations on fixed rate investments which are measured at fair value.

Sensitivity Analysis - Interest Rate Sensitivity Assets

The following table shows the estimated impact on profitability an equity by fluctuation of interest rates assuming that all other variables remain constant on the fixed rate Fair Value through Other Comprehensive Income and Fair Value through Profit or Loss Financial assets.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Change in Variables	2019		2018	
	Impact on Profit Before Tax Rs. '000	Impact on Equity Rs. '000	Impact on Profit Before Tax Rs. '000	Impact on Equity Rs. '000
Life segment				
+ 100 basis points	(130,859)	(248,435)	(15,790)	(171,728)
- 100 basis points	144,232	276,486	18,113	191,280

(ii) Foreign Exchange Risk

The risk of an investment's value changing due to changes in currency exchange rates. The Company's principle operation is based in Sri Lanka, therefore Company is not materially exposed to the foreign exchange risk. All reinsurance arrangement are agreed with LKR equivalent terms. Hence there are no foreign exchange risk arised.

Mitigation Strategies

The Company's foreign exchange exposure is minimal.

The table below summarises the Company's total exposure and sensitivity to Currency risk.

Exposure to Foreign Exchange Risk

As at 31st December	2019		2018	
	Amount in foreign currency Rs. '000	LKR Amount Rs. '000	Amount in foreign currency Rs. '000	LKR Amount Rs. '000
USD Assets*	Nil	Nil	Nil	Nil

Sensitivity to Foreign Exchange risk

The following table shows the estimated impact on profitability an equity by fluctuation of following variables assuming that all other variables remain constant.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

As at 31st December	2019		2018	
	Impact on PBT Rs. '000	Impact on Equity Rs. '000	Impact on PBT Rs. '000	Impact on Equity Rs. '000
5% strengthening of rupee	Nil	Nil	Nil	Nil
5% weakening of rupee	Nil	Nil	Nil	Nil
+/- % impact on profit	Nil	Nil	Nil	Nil

*As at reporting date the Company does not hold any foreign currency assets.

NOTES TO THE FINANCIAL STATEMENTS

8.5.(a) Market Risk (Contd.)

(iii) Equity Risk

The Company's exposure to equity price risk arises from its investments in equity securities and collective investment schemes that invest in equities.

Risk Response

The Company manages the equity risk through diversification and placing limits on individual and total equity portfolio investments. The Company's equity risk management policies are;

- ▶ Adherence to the investment policy which includes stringent guidelines on risk exposures
- ▶ Investment decisions are based on in depth macroeconomic and industry analysis as well as research reports on Company performance

- ▶ Any purchases excess of Investment guideline issued by IRCSL require prior approval for investment committee.
- ▶ Daily and cumulative limits per share type issued by one Company

The risk exposure to listed equity securities as at 31st December 2019 with the comparatives are as follows;

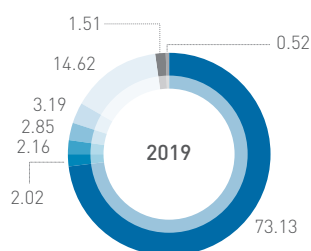
Listed Equity Investments

As at 31st December	2019		2018	
	Rs. '000	%	Rs. '000	%
Policyholder Fund	1,120,435	55	1,145,708	55
Shareholder Fund	925,058	45	936,816	45
Total	2,045,493		2,082,524	

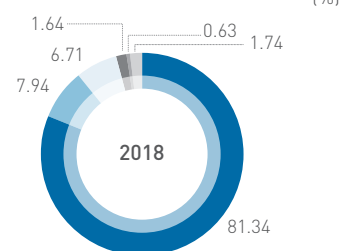
Portfolio Diversification of Equity Investments (Sector Analysis)

As at 31st December	2019		2018	
	Rs. '000	%	Rs. '000	%
Banks, Finance and Insurance	1,495,795	73.12	1,694,014	81.34
Healthcare	299,136	14.64	139,692	6.71
Diversified Holdings	58,271	2.85	165,432	7.94
Manufacturing	30,680	1.50	34,125	1.64
Power & Energy	10,594	0.52	13,117	0.63
Footwear & Textiles	65,370	3.20	-	-
Beverage Food & Tobacco	41,416	2.02	-	-
Constructions & Engineering	44,231	2.15	-	-
Telecommunications	-	-	36,144	1.74
Total	2,045,493	100	2,082,524	100

PORTFOLIO DIVERSIFICATION OF EQUITY INVESTMENTS



- Banks Finance and Insurance
- Beverage Food & Tobacco
- Constructions & Engineering
- Diversified Holdings
- Footwear & Textiles
- Healthcare
- Manufacturing
- Power & Energy
- Telecommunications



Sensitivity Analysis of Equity Risk

The following table presents an analysis of the Company's sensitivity to a 10% increase or decrease in equity prices at the reporting date, assuming that all other variables remain content.

As at 31st December		Type of Classification	2019	2018	2019	2018
			Net impact on Profit Before Tax Rs. '000	Rs. '000	Net impact on Other Comprehensive Income Rs. '000	Rs. '000
10% decline in stock markets						
Investments	FVOCI	-	-	(156,965)	(142,710)	
	FVTPL	(47,584)	(65,542)	-	-	
10% Increase in stock markets						
Investments	FVOCI	-	-	156,965	142,710	
	FVTPL	47,584	65,542	-	-	

8.5.(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations, and arises principally from the Company's reinsurance contract assets and investments in debt securities.

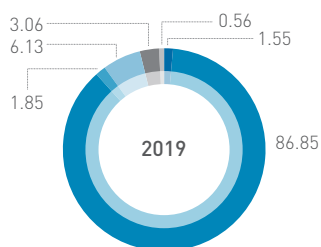
The Company is exposed to credit risk through the following.

As at 31st December	2019 Rs. '000	2018 Rs. '000
Reinsurance Receivables	188,131	154,802
Financial Investments	10,530,070	8,679,005
Loans to Life Policyholders	224,672	161,001
Premium Receivables	743,549	507,434
Cash at Bank	371,263	369,092
Receivables and Other Assets	67,997	45,357
Total	12,125,682	9,916,691

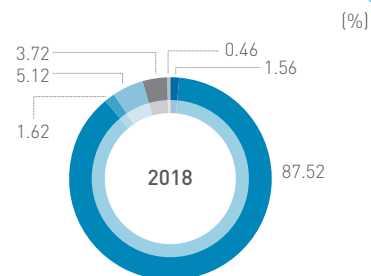
Risk Response to Equity Risk

- ▶ Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- ▶ Establishing the authorisation structure for the approval and renewal of credit facilities, intermediaries and reinsurers in line with credit policies. Authorisation limits are allocated to business units.
- ▶ Reviewing and assessing credit risk.
- ▶ Limiting concentrations of exposure to counterparties, industries, and by issuer, credit rating band and market liquidity.
- ▶ Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

TOTAL CREDIT RISK EXPOSURE



- Reinsurance Receivable
- Financial Investments
- Loans to Life Policyholders
- Premium Receivables
- Cash at Bank
- Receivables and Other Assets



8.5.(b) Credit Risk (Contd.)

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from financial investments, Loans, Reinsurance and Premium receivables, cash at bank and Receivables and other assets and management of concentration of credit risk through diversification is shown below.

	Total Assets Exposure to Credit risk		Diversification						Other	
			Government of Sri Lanka		Financial Services		Other Listed Entities			
			2019	2018	2019	2018	2019	2018		2019
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Amortised Cost / HTM										
Treasury Bonds	252,029	245,115	252,029	245,115	-	-	-	-	-	-
	252,029	245,115	252,029	245,115	-	-	-	-	-	-
Amortised Cost / Loan & Receivables										
Debentures	4,502,647	2,635,728	-	-	3,607,817	1,986,557	894,830	649,171	-	-
Commercial Papers	1,098,987	656,794	-	-	1,098,987	656,794	-	-	-	-
Bank Deposits	445,123	1,803,160	-	-	445,123	1,803,160	-	-	-	-
Reverse Repo	270,804	518,554	270,804	518,554	-	-	-	-	-	-
Reinsurance Receivables	188,131	154,802	-	-	-	-	-	-	188,131	154,802
Loans to Life Policyholders	224,672	161,001	-	-	-	-	-	-	224,672	161,001
Premium Receivables	743,549	507,434	-	-	-	-	-	-	743,549	507,434
Cash at Bank	371,263	369,092	-	-	371,263	369,092	-	-	-	-
Receivable and Other Assets	67,997	45,357	-	-	-	-	-	-	67,997	45,357
	7,913,173	6,851,922	270,804	518,554	5,523,190	4,815,603	894,830	649,171	1,224,349	868,594
Fair value through other comprehensive income / AFS										
Treasury Bonds	1,771,633	2,598,070	1,771,633	2,598,070	-	-	-	-	-	-
	1,771,633	2,598,070	1,771,633	2,598,070	-	-	-	-	-	-
Fair value through profit or loss										
Treasury Bonds	2,188,847	221,584	2,188,847	221,584	-	-	-	-	-	-
	2,188,847	221,584	2,188,847	221,584	-	-	-	-	-	-
Total Financial assets exposure to credit risk	12,125,682	9,916,691	4,483,313	3,583,323	5,523,190	4,915,532	894,830	549,242	1,224,349	868,594

Credit risk on Reinsurance Receivables

This is the risk of financial loss to the Company if a reinsurer fails to meet its contractual obligations towards the Company.

Risk Response to Credit Risk Reinsurance Received

Management assesses the creditworthiness of reinsurers to update the reinsurance strategy on an annual basis and ascertains the suitable allowance for impairment of reinsurance assets. Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables.

As at the reporting date reinsurance receivables amount to Rs. 188.1 million (2018 - Rs. 154.8 million). This mainly consists of reinsurance receivable on paid claims amounting to Rs. 77.1 million (2018 - Rs. 103.6 million) and reinsurance share of claim reserve (receivables on outstanding claims) of Rs. 110.9 million as at 31st December 2019. (2018 - Rs. 51.1 million).

As at 31st December 2019, Rs. 188.1 million of our reinsurance receivables were due from reinsurers with a rating of "A-" or better. There were no collateral against reinsurance receivable as at reporting date.

Rating analysis of Credit Risk on Reinsurance Receivables

As at 31st December	Reinsurer	Rating	2019				2018			
			On Paid Claims Rs. '000	On Claims Outstanding Rs. '000	Total Rs. '000	%	On Paid Claims Rs. '000	On Paid Claims Rs. '000	Total Rs. '000	%
	Munich Re	AA	61,885	46,875	108,760	57.82	96,890	38,229	135,119	87.29
	RGA	AA-	15,280	4,461	19,741	10.49	6,772	1,563	8,335	5.38
	SCOR	AA-	-	33,999	33,999	18.07	-	6,183	6,183	3.99
	Toa Re	A+	-	25,631	25,631	13.62	-	5,165	5,165	3.34
Total exposure to credit risk			77,165	110,966	188,131		103,662	51,140	154,802	

Age analysis of reinsurance receivable

As at 31st December	2019				2018			
	On Paid Claims Rs. '000	On Claims Outstanding Rs. '000	Total Rs. '000	%	On Paid Claims Rs. '000	On Paid Claims Rs. '000	Total Rs. '000	%
Up to 180 days	66,292	82,323	148,615	79.00	103,662	30,535	134,197	86.69
181 to 365 days	10,873	28,643	39,516	21.00	-	20,605	20,605	13.31
Over 365 days	-	-	-	-	-	-	-	-
Total	77,165	110,966	188,131		103,662	51,140	154,802	
Past due but not impaired	Nil	Nil	Nil		Nil	Nil	Nil	

Credit risk on Financial Investments

The Company is also exposed to credit risk through its financial investments. The credit worthiness of the financial instruments are assessed using the credit ratings assigned to each security and fixed deposit. This rating provides the Company and indication of the financial stability of the investment.

The table below provides information regarding the Credit Risk exposure on investments of the Company as at 31st December 2019 by classifying investments according to the respective credit ratings. The Ratings represent local ratings given by Fitch Ratings Lanka Limited, Lanka Rating Agency Limited and ICRA Lanka Limited. AAA is considered the highest possible rating, while assets that fall outside the range of AAA to BBB- are classified as speculative grade. No credit exposure limits were exceeded by the Company during the year. Government securities have been classified as a separate category as they are considered risk free investments.

NOTES TO THE FINANCIAL STATEMENTS

8.5.(b) Credit Risk (Contd.)

Credit quality analysis of financial investments

As at 31st December	Amortised Cost / HTM		Amortised Cost / Loan & Receivables		Fair Value through Other Comprehensive Income / AFS		Fair Value through Profit or Loss		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Maximum exposure to credit risk,	252,029	245,115	6,317,561	5,614,236	1,771,633	2,598,070	2,188,847	221,584	10,530,070	8,679,005
Government Guaranteed	252,029	245,115	270,804	518,554	1,771,633	2,598,070	2,188,847	221,584	4,483,313	3,583,323
Other debt instruments having credit ratings										
AAA	-	-	-	409,141	-	-	-	-	-	409,141
AA+	-	-	514,859	26	-	-	-	-	514,859	26
AA-	-	-	814,118	801,209	-	-	-	-	814,118	801,209
A+	-	-	954,976	811,355	-	-	-	-	954,976	811,355
A	-	-	1,775,808	1,516,236	-	-	-	-	1,775,808	1,516,236
A-	-	-	1,182,278	1,128,662	-	-	-	-	1,182,278	1,128,662
BBB+	-	-	694,712	227,940	-	-	-	-	694,712	227,940
BBB	-	-	30,711	61,011	-	-	-	-	30,711	61,011
CC	-	-	79,295	140,102	-	-	-	-	79,295	140,102
Not rated	-	-	-	-	-	-	-	-	-	-
Total	252,029	245,115	6,317,561	5,614,236	1,771,633	2,598,070	2,188,847	221,584	10,530,070	8,679,005

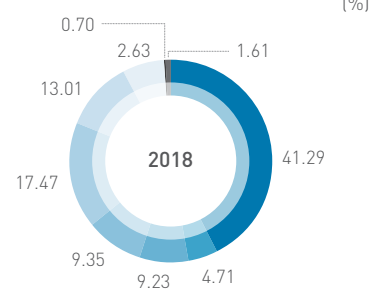
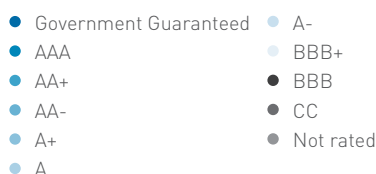
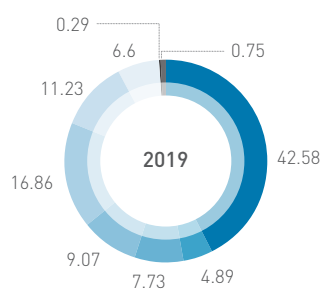
Collateral for Reverse repo investments

Reverse repo investments which fall under government securities is backed by treasury bills and bonds which are provided as collateral. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. A haircut of 10% is maintained at all times. As at the reporting date, the Company hold Rs. 315.6 million worth of treasury bills and treasury bonds as collateral to support reverse repo investments amounting to Rs. 270.8 million.

The above has been derived as per the company's risk management policy of using the carrying values in the Statement of financial position. There were no off - balance sheet exposures as at the date. This does not include the exposure that would arise in the future as a result of changes in values.

The Company did not sell securities received as collaterals for the period ended 31st December 2019 - (2018 Nil)

FINANCIAL ASSET ANALYSIS BASED ON CREDIT RATINGS



Maximum exposure to credit risk by risk rating (as per SLFRS 9)

The following table sets out information about the credit quality of financial assets measured at amortised cost, measured at FVTOCI and measured at FVTPL.

As at 31st December 2019

		Not subject to ECL	ECL				Total Rs. '000	Net Carrying amount Rs. '000
			Exposure to ECL Rs. '000	12 months ECL Rs. '000	Life time			
					ECL - Not credit impaired Rs. '000	ECL - Credit impaired Rs. '000		
Financial assets at Amortised Cost / Loans and Receivables								
Risk free Investments								
(Government Securities)								
		270,804	-	-	-	-	270,804	
		270,804	-	-	-	-	270,804	
Debentures								
AA+ to AA-	Low Risk	-	1,797,138	(271)	-	(271)	1,796,867	
A+ to A-	Low Risk	-	2,320,979	(893)	-	(893)	2,320,086	
BBB+ to BBB-	Low Risk	-	306,642	(243)	-	(243)	306,399	
CCC+ to C	High Risk	-	92,699	(12,049)	(1,355)	(13,404)	79,295	
		-	4,517,458	(13,456)	(1,355)	(14,811)	4,502,647	
Commercial Paper								
A+ to A-	Low Risk	-	1,099,210	(223)	-	(223)	1,098,987	
		-	1,099,210	(223)	-	(223)	1,098,987	
Deposits								
AA+ to AA-	Low Risk	-	105,748	(4)	-	(4)	105,744	
A+ to A-	Low Risk	-	339,488	(109)	-	(109)	339,379	
		-	445,236	(113)	-	(113)	445,123	
		-	6,061,904	(13,792)	(1,355)	(15,147)	6,317,561	
Financial assets at Amortised Cost / HTM								
Risk free Investments								
(Government Securities)								
		252,029	-	-	-	-	252,029	
		252,029	-	-	-	-	252,029	
Fair Value through Other Comprehensive Income / AFS								
Risk free Investments								
(Government Securities)								
		1,771,633	-	-	-	-	1,771,633	
		1,771,633	-	-	-	-	1,771,633	
Fair Value through Profit or Loss								
Risk free Investments								
(Government Securities)								
		2,188,847	-	-	-	-	2,188,847	
		2,188,847	-	-	-	-	2,188,847	
Maximum exposure to credit risk		4,483,313	6,061,904	(13,792)	(1,355)	(15,147)	10,530,070	

As at the reporting date, the Company does not have credit impaired financial assets to separately disclosed.

Overview of the ECL principles were disclosed in Note 6.1.11 in page 293.

Movement of ECL is given in Note 31.3.(c) in page 350.

NOTES TO THE FINANCIAL STATEMENTS

8.5.(b) Credit Risk (Contd.)

Credit Risk Relating to Loans to Life Policyholders

The credit risk exposure arising from loans granted to life policyholders are as follows.

As at 31st December	2019 Rs. '000	2018 Rs. '000
Life policyholders	224,672	161,001
Total	224,672	161,001
Impaired	Nil	Nil

The Company issued loans to life policy holders considering the surrender value of the life policy as collateral according to the policy condition. As at the reporting date, the value of policy loans granted amounted to Rs. 225 million (2018 - 161 million) and its related surrender value is Rs. 325 million (2018 - 284 million).

Risk Response to Credit Risk on Loans to Life Policyholders

- ▶ Loan granted amount is limited to surrender value of the insurance policy
- ▶ The Company regularly monitors and limits credit exposures by individual counterparty and related counterparties by the aggregated exposure across the various types of credit risk for that counterparty.
- ▶ The Risk Officer regularly reports the largest exposures by rating category to the Risk Committee of the Board.

Credit risk relating to Premium Receivables

In life insurance, credit risk on premium receivables is minimal, since premium is collected before the policy is issued.

Please refer Note 34 in page 359 of the Statement of Financial Position for additional information on premium receivables

Credit Risk Relating to Cash and Cash Equivalents

The Company maintains a strict policy to maintain cash deposits at counter parties with sound ratings and future outlooks, the company also maintains exposure limits to ensure that the company has a diverse range of counter parties to ensure low concentration risk.

The Company cash and cash equivalents held at bank of Rs. 371 million at 31st December 2019. (2018- Rs. 369 million). Following table presents rating strength of the financial institutions of which the Company held cash.

As at 31 December Rating	2019		2018	
	Amount Rs. '000	%	Amount Rs. '000	%
AAA	-	-	1,568	0.42
AA+	37,055	9.98	8,890	2.41
AA	5,475	1.47	6,564	1.78
AA-	-	-	2,401	0.65
A+	290,649	78.29	330,179	89.46
A	27,608	7.44	15,640	4.24
A-	143	0.04	114	0.03
BBB+	1,974	0.53	-	-
BB+	3,302	0.89	26	0.01
BBB-	2,601	0.70	2,402	0.65
Not rated	2,456	0.66	1,308	0.35
Total	371,263	100	369,092	100

8.5.(c) Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due. The Company could also experience a maturity mismatch with respect to unexpected large claims and expected reinsurance recoveries from insurers.

Mitigation Strategies to Liquidity Risk

- ▶ Regular review by ALCO
- ▶ Maintaining a diversified funding base and appropriate contingency facilities
- ▶ Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- ▶ Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position.
- ▶ Monitoring of Duration on fixed income portfolios by the Treasury Team.
- ▶ Regular reviews cash flow projections
- ▶ Adhering to defined limits on maturity gaps as per approved risk limits and adhering to compositions of investments as per the investment policy
- ▶ Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments in the event claims exceed a certain amount.

Treasury maintains a pool of short-term liquid assets that is intended to provide sufficient liquidity in the Company as a whole to cover short-term fluctuations in the liquidity requirements of any business. Longer-term funding is used to manage structural liquidity requirements.

Regular liquidity stress-testing is conducted under a variety of scenarios, covering both normal and more severe market conditions. The scenarios are developed taking into account both Company specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, natural disasters or other catastrophes).

Maturity Analysis of Financial Assets and Liabilities

As at 31st December	2019					2018				
	No maturity	Less than 1 year	1- 3 years	More than 3 years	Total	No maturity	Less than 1 year	1- 3 years	More than 3 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets										
Amortised Cost / HTM	-	252,029	-	-	252,029	-	-	245,115	-	245,115
Amortised Cost / Loan & Receivables	-	1,911,920	784,506	3,621,135	6,317,561	-	3,277,344	551,431	1,785,461	5,614,236
Fair Value through Other Comprehensive Income	1,873,162	-	-	1,771,633	3,644,795	1,796,800	-	-	2,598,070	4,394,870
Fair Value through Profit or Loss	2,507,512	-	-	2,188,847	4,696,359	1,589,436	-	-	221,584	1,811,020
Life Policyholder Loans	-	-	-	224,672	224,672	-	-	-	161,001	161,001
Reinsurance Receivables	-	188,131	-	-	188,131	-	154,802	-	-	154,802
Premium Receivables	-	743,549	-	-	743,549	-	507,434	-	-	507,434
Other Financial Assets	-	67,997	-	-	67,997	-	45,357	-	-	45,357
Total	4,380,674	3,163,626	784,506	7,806,287	16,135,093	3,386,236	3,984,937	796,546	4,766,116	12,933,835
Liabilities										
Reinsurance Payable	-	428,557	-	-	428,557	-	320,824	-	-	320,824
Insurance Contract Liabilities - Maturity	-	252,071	643,024	10,623,465	11,518,560	-	466,079	460,897	6,255,958	7,182,934
Other Financial Liabilities	-	999,553	-	-	999,553	-	540,495	-	-	540,495
Bank Overdraft	-	176,271	-	-	176,271	-	370,422	-	-	370,422
Total exposure to liquidity risk	-	1,861,452	643,024	10,623,465	13,122,941	-	1,697,820	460,897	6,255,958	8,414,675

Pledge Financial Assets

There were no financial assets pledged as collateral as at 31st December 2019. (2018 - Nil)

8.6 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as the risks of mis-selling of products, modelling errors and non-compliance with legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective in managing operational risk is to balance the avoidance of financial losses and damage to the Company's reputation with overall cost-effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The board of directors has delegated responsibility for operational risk to the Company risk committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

Requirements for appropriate segregation of duties, including the independent authorisation of transactions;

- ▶ requirements for the reconciliation and monitoring of transactions;
- ▶ compliance with regulatory and other legal requirements;
- ▶ documentation of controls and procedures;
- ▶ requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ▶ requirements for the reporting of operational losses and proposed remedial action;

8.6. Operational Risks (Contd.)

- ▶ development of contingency plans;
- ▶ training and professional development;
- ▶ risk mitigation, including insurance where this is cost-effective.

Compliance with the Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed, with audit committee and management.

8.6.(a) Risk associate with change in new accounting standard (SLFRS 17) and Risk mitigation actions

The International Accounting Standards Board (IASB) has issued SLFRS17 Insurance Contracts (the standard) in May 2017, effective for annual periods beginning on or after 1st January 2022, with

earlier application permitted. SLFRS 17 supersedes SLFRS 4 Insurance Contracts, an interim standard issued in 2004 that allows entities to use a wide variety of accounting practices for insurance contracts. The new standard applies a current value approach to measuring insurance contracts and recognises profit as insurers provide services and are released from risk. The profit or loss earned from underwriting activities are reported separately from financing activities. The change will affect both preparers of financial statements and users. Users of financial statements will receive more and different information about an entity's insurance contracts in the SLFRS financial statements than in the past, which may change the way they assess and compare insurers.

Further CA Sri Lanka has decided to adopt SLFRS 17 with effective from annual reporting period beginning on or after 1st January 2021.

Softlogic Life's map for implementing SLFRS 17 include mainly four stages as follows.

Softlogic Life's approach for implementation of SLFRS 17

Stage	Stage Name	Description
Phase 1	Assess the change	Identify gaps between current and future practice, identifying initial impacts, building the initial work plan and budget.
Phase 2	Design the response	Design accounting policies and solutions to achieve data, system and process requirements.
Phase 3	Implementation the design	Mobilise the business to execute the implementation plan (including parallel runs).
Phase 4	Sustain new practices	Business as usual -Compliance with the new requirements and executing on-going system improvements.

Softlogic Life with the consultation of, Messrs. KPMG have completed the phase 01 of the SLFRS 17 project which has comprised with conducting GAP analysis for selected products, assessing technical gaps on actuarial & accounting process, assessing the gaps present in the current data & systems, developing a high level implementation plan for transition.

Key Risk Factors

- ▶ **Data** - Data availability and granularity appear to be broadly sufficient to meet SLFRS 17 requisites for calculation and modelling. Some challenges on expense allocations.
- ▶ **Impact on KPIs** - Relevant stakeholders needs to be educated on interpretation of new KPIs like CSM, RoE, Insurance Revenue under SLFRS 17.
- ▶ **IT System** - There is a need to further explore SLFRS 17 with the IT vendor to understand to what extend the system will be able to provide the necessary SLFRS 17 enhancements in a timely matter.
- ▶ **Reinsurance** - Current reinsurance structure may lead to mismatches in Softlogic's Balance Sheet and P&L after SLFRS 17 implementation.

- ▶ **Actuarial** - Actuarial capability will hamper analyses and evolutions during transition period and will continue to demonstrate as a major dependency after full SLFRS 17 implementation.
- ▶ **Products** - Current insurance policy contractual terms may need to be reconsidered in order to become more "SLFRS 17 friendly".
- ▶ **Implementation** - The current context demands for the creation of SLFRS 17-specific projects, PMO committees and process mapping to ensure appropriate task allocation and clear ownership of crucial work streams.
- ▶ **SLFRS 09** - Classification and Measurement of financial asset may need to be reconsidered in order to reduce accounting mismatch.

Mitigation of Risk

- ▶ The Company has formulated SLFRS 17 project team representing each department and provide proper trainings and consultancy.
- ▶ The company had approached Messrs. KPMG as implementation partner and obtaining consultancy on key technical areas.

- ▶ Obtain consultation from Willis Towers Watson India Pvt Limited on key actuarial matters
- ▶ The Company has developed a road map for implementation
- ▶ The Company is sought opinion from the board of the directors and audit committee for the implementation of SLFRS 17.
- ▶ Continues monitoring of implementation map.

The technical review on SLFRS 17 can be accessed through below link.



<http://www.softloglife.lk/financial-info/annual-report-2019/>

Capital Management

Objective, Policies and Processes for Managing Capital

The Company management committee uses regulatory capital ratios to monitor the Company's capital base. The Company's policy / objective is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business.

Regulatory capital - Risk Based Capital (RBC) Framework

The Company's regulator, Insurance Regulatory Commission of Sri Lanka (IRCSL), monitors capital requirements for the Company as a whole.

The IRCSL has decided to implement a Risk Based Capital (RBC) Framework, replacing the Solvency Regime, to monitor insurance companies in the country with effect from 01st January 2016.

This framework, based on emerging international standards and good practices in developed countries, is risk-focused. It reflects the relevant risks that the insurance companies face. The minimum capital prescribed under the framework, which includes a consistent approach to the valuation of assets and liabilities, will serve as an effective buffer to absorb losses. With greater transparency, it will facilitate comparisons across insurance companies. It will also provide clearer information on the financial strength of the Company.

The valuation regime makes a fundamental shift away from the current philosophy, which is built upon estimations of asset and liability values with undisclosed margins and approximations, to one that emphasizes greater transparency and provides a more accurate picture of the insurer's financial position. This is achieved by using more realistic valuation methodology and bases. More assumptions will need to be made in the valuation process.

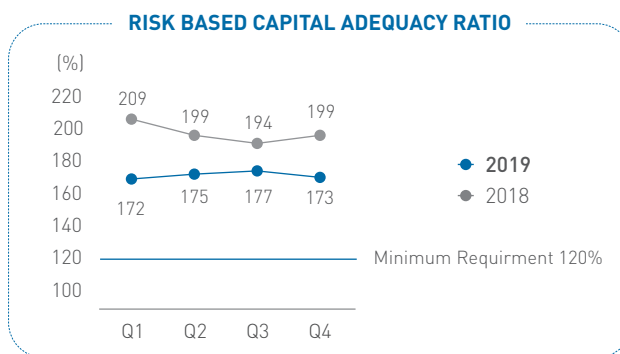
Risks involved in order to comply with new RBC Framework

- ▶ How to invest into capacity building of internal skill sets.
- ▶ Changing business strategy to align with the new regulatory environment
- ▶ Increase in compliance cost

Risk Response to Capital Management

- ▶ Continuous training provided to the staff of the Company
- ▶ Compliance with recommended action plans are supported by periodic reviews undertaken by the Head of Actuarial of the Company.
- ▶ Further, in preparation for the adoption of the RBC Framework, the Company already uses appointed actuaries service.
- ▶ Closely follow up RBC guideline issued by IRCSL.

Summary of Company's Compliances to the RBC Framework describe as following graph and table.



Solvency determination under RBC Rules is based on the following formulae.

Capital Adequacy Ratio [CAR] = (Total Available Capital / Risk-based Capital Required) x 100

As at 31st December	2019 Rs. '000	2018 Rs. '000
Total Available Capital (TAC)	7,782,706	7,828,045
Risk Based Capital requirement (RCR)	4,489,671	3,935,366
1. Risk-based Capital Adequacy Ratio (CAR)	173%	199%
2. Minimum Capital Requirement (MCR)	500,000	500,000
Capital Adequacy Satisfied?	Yes	Yes

9. FAIR VALUES MEASUREMENT

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.



ACCOUNTING POLICY

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability or,
- ▶ In the absence of the principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A. Valuation Models

Fair value hierarchy

The company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

- (a) quoted prices in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the assets or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Following table represents the fair value measurement of the Company according to fair value hierarchy.

Instrument Category	Fair Value Basis	Fair Value Hierarchy
Government Securities		
Treasury Bonds	Valued using the Market Yield	Level 1
Investment in Shares		
Investment in Listed Shares	Closing Market Prices	Level 1
Investment in Unlisted Shares	Adjusted Net Assets for Illiquidity	Level 3
Investment in Units		
Investment in Listed Units	Published Market Prices (VWA)	Level 1
Investment in Unlisted Redeemable Units	Published Net Assets Values (NAV)	Level 2
Corporate Debt		
Listed	Published Market Prices	Level 2*
Unlisted Fixed Rate	Discounted Cash Flow (DCF) Method	Level 2
Unlisted Floating Rate	Cost plus Interest	Level 2
Fixed and Term Deposits		
Deposit > 1 year	Discounted Cash Flow (DCF) Method	Level 2

*Listed Corporate Debt have been classified under level two in fair value Hierarchy since there is no active market for these instruments even though such instruments are listed.

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short- term in nature or re-price to current market rates frequently :

Assets	Liabilities
Cash and Cash Equivalents / Term Deposits less than one year	Reinsurance Creditors
Repo	Other Liabilities (Excluding Government Levies and Accruals)
Overnight Repo	
Loans to Life Policyholders	
Reinsurance Receivables	
Premium Receivables	

B. Valuation Framework

The Company has an established control framework for the measurement of fair values. This framework includes a valuation team (Treasury Back Office (TBO) which is independent from Treasury Front Office (TFO), which reports to the chief financial officer, with overall responsibility for overseeing and independently verifying all significant fair value measurements.

Specific controls include:

- ▶ verification of observable pricing;
- ▶ re-performance of model valuations;
- ▶ a review and approval process for new models and changes to models;
- ▶ bi-annual calibration and back-testing of models against observed market transactions;

- ▶ analysis and investigation of significant daily valuation movements; and
- ▶ review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month.

When third party information – e.g. broker quotes, pricing services or independent property valuations – is used to measure fair value, the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SLFRS.

This includes: verifying that the broker, pricing service or independent property valuer is approved by the Company for use in pricing the relevant type of asset or liability;

- ▶ understanding how the fair value has been arrived at, the extent to which it reflects actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- ▶ when prices for similar assets or liabilities are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the asset or liability subject to measurement; and
- ▶ if a number of quotes for the same asset or liability have been obtained, then understanding how fair value has been determined using those quotes.

Significant valuation issues are reported to the Audit Committee.

Further information about the assumptions made in measuring fair values is included in the following notes:

- ▶ Note 31 : financial instruments;
- ▶ Note 28 : owner-occupied property measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

9.1 Assets Measured at Fair Value and Fair Value Hierarchy

The following table provides an analysis of assets measured at fair value as at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

As at 31st December	Note	2019				Total Fair Value	Total Carrying Value
		Level 1	Level 2	Level 3			
		Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Non-Financial Assets Property, Plant & Equipment							
Land and Building	28	-	-	266,000	266,000	266,000	
Total Non-Financial Assets at Fair Value		-	-	266,000	266,000	266,000	
Financial Assets							
Financial investments – Fair Value through Profit or Loss (FVTPL)							
Equity Shares	31.5	475,837	-	-	475,837	475,837	
Treasury Bonds	31.5	2,188,847	-	-	2,188,847	2,188,847	
Unit Trusts	31.5	-	2,031,675	-	2,031,675	2,031,675	
Total		2,664,684	2,031,675	-	4,696,359	4,696,359	
Financial investments – Fair Value through Other Comprehensive Income							
Treasury Bonds	31.4	1,771,633	-	-	1,771,633	1,771,633	
Equity Shares	31.4	1,569,656	-	303,506	1,873,162	1,873,162	
Total		3,341,289	-	303,506	3,644,795	3,644,795	
Total Financial Assets at Fair Value		6,005,973	2,031,675	303,506	8,341,154	8,341,154	
Total Assets at Fair Value		6,005,973	2,031,675	569,506	8,607,154	8,607,154	

As at 31st December	Note	2018				Total Fair Value	Total Carrying Value
		Level 1	Level 2	Level 3			
		Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Non-Financial Assets Property, Plant & Equipment							
Land and Building	28	-	-	228,864	228,864	228,864	
Total Non-Financial Assets at Fair Value		-	-	228,864	228,864	228,864	
Financial Assets							
Financial investments – Fair Value through Profit or Loss (FVTPL)							
Equity Shares	31.5	655,423	-	-	655,423	655,423	
Treasury Bonds	31.5	221,584	-	-	221,584	221,584	
Unit Trusts	31.5	-	934,013	-	934,013	934,013	
Total		877,007	934,013	-	1,811,020	1,811,020	
Financial investments – Available for Sale (AFS)							
Treasury Bonds	31.4	2,598,070	-	-	2,598,070	2,598,070	
Equity Shares	31.4	1,427,100	-	369,700	1,796,800	1,796,800	
Total		4,025,170	-	369,700	4,394,870	4,394,870	
Total Financial Assets at Fair Value		4,902,177	934,013	369,700	6,205,890	6,205,890	
Total Assets at Fair Value		4,902,177	934,013	598,564	6,434,754	6,434,754	

9.1 (a) Transfer between levels

There were no transfers made in between the levels in 2019 (2018 - Nil).

9.2 Level 3 Fair Value Measurement

9.2.(a) Property, Plant & Equipment (PPE)

Reconciliation from the opening balance to the ending balance for the Land and Building in the Level 3 of the fair value hierarchy is available in Note 28.1 on page 336.

Reconciliation of Revaluation Reserve pertaining to Land and Building categorised as Level 3 in the fair value hierarchy is given in the Statement of Changes in Equity on page 362.

Note 28.9 on page 338 provides information on significant unobservable inputs used as at 31st December 2019 in measuring fair value of Land and Buildings categorised as Level 3 in the fair value hierarchy.

9.2.(b).1 Sensitivity analysis of financial assets classified at Level 3

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in fair value of level 3 financial instruments measurement and significant unobservable input.

Change in Variables	Significant unobservable input	2019	
		Impact on OCI Rs. '000	Impact on Equity Rs. '000
1% Increase in adjustment for illiquidity	Illiquidity Premium	(3,192)	(3,192)
1% Decrease in adjustment for illiquidity	Illiquidity Premium	3,192	3,192

9.3 Financial Instruments not Measured at Fair Value and Fair Value Hierarchy

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

Fixed rate Financial Investments - Government Securities

The fair value of fixed rate government securities financial assets carried at amortised cost are estimated by using weekly market rate published by Central Bank of Sri Lanka.

Fixed rate Financial Investments - Unquoted and Quoted Debt Securities

For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

Sensitivity of Significant Unobservable Inputs used to Measure Fair Value of Fixed Rate Financial Instruments

A significant increase / (decrease) in the market interest rate would result in lower / (higher) fair value being disclosed.

Note 28.9 on page 338 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

9.2 (b) Equity Securities

Value of Unquoted shares of Rs. 303.5 million as at end of the year 2019 (Rs. 369.7 million as at end 2018) categorised under Financial investments – FVOCI. Internal model of adjusted net asset for illiquidity has been used to measure the Fair Value of Unquoted shares. Comparative year stated at cost as permitted by LKAS 39.

When deciding illiquidity premium the company has considered following factors,

- ▶ The recent acquisition of Finance Companies had taken place at more than the net asset value of target investee.
- ▶ As the Bank is in the possession of regulatory licence.

9.3 Financial Instruments not Measured at Fair Value and Fair Value Hierarchy (Contd.)

Assets for which fair Value Approximates Carrying Value

For financial assets and liabilities with short-term maturities or with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity. The following table sets out the estimated fair values of financial assets and liabilities not measured at fair value and hence reflected at the carrying amounts in Financial Statements and the fair value hierarchy used:

As at 31st December	Note	2019				2018			
		Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets									
Financial investments – Amortised Cost / Held to Maturity									
Treasury Bonds	31.2	253,744	-	-	253,744	238,782	-	-	238,782
Financial investments – Amortised Cost / Loans and Receivables									
Debentures*	31.3	-	4,404,438	-	4,404,438	-	2,636,633	-	2,636,633
Term Deposits	31.3	-	-	-	445,123	-	-	-	1,803,160
Commercial Paper	31.3	-	-	-	1,098,987	-	-	-	656,794
Repo	31.3	-	-	-	270,804	-	-	-	518,554
Other Financial Assets									
Cash and Cash Equivalents	36	-	-	-	377,093	-	-	-	381,270
Loans to Life Policyholders	32	-	-	-	224,672	-	-	-	161,001
Reinsurance Receivables	33	-	-	-	188,131	-	-	-	154,802
Premium Receivables	34	-	-	-	743,549	-	-	-	507,434
Receivable and other assets	35	-	-	-	67,997	-	-	-	45,357
Total Financial Assets not at Fair Value		253,744	4,404,438	-	8,074,538	238,782	2,636,633	-	7,103,787
Financial Liabilities									
Reinsurance Payables	43	-	-	-	428,557	-	-	-	320,824
Other Liabilities	44	-	-	-	999,553	-	-	-	540,495
Bank Overdraft	36	-	-	-	176,271	-	-	-	370,422
Total Financial Liabilities not at Fair Value		-	-	-	1,604,381	-	-	-	1,231,741

Financial Instruments are measured on an ongoing basis either at Fair Value or at Amortised Cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

*Listed Debentures have been classified under level two in fair value Hierarchy since there is no active market for these instruments even though such instruments are listed.

9.4 Valuation Techniques and Inputs in Measuring Fair Values

The following tables show the valuation techniques used in measuring Level 2 and 3 fair values, as well as the significant unobservable inputs used:

Instrument category	Fair value basis	Fair value Hierarchy
Unlisted Shares - Cargills Bank	Adjusted Net Assets value for Illiquidity	Level - 3
Land and Building	Market Comparable Method and Investment Method	Level - 3
Unit Trust	Published Net Assets Value (NAV)	Level - 2

9.4 Accounting classifications and fair value

The table below sets out the carrying amounts and fair value of Company's financial assets and financial liabilities.

9.4.1 Financial Assets

As at 31st December	Note	2019					2018					
		Fair value through Profit or Loss	Amortised Cost/Held to Maturity	Carrying Value		Total Carrying Value	Fair value through Profit or Loss	Held to Maturity (HTM)	Loans and Receivable (L&R)	Available for Sale (AFS)	Total Carrying Value	Total Fair Value
				Rs. '000	Rs. '000							
Financial Investments												
Measured at Fair Value	31.4/											
	31.5	4,696,359	-	-	3,644,795	8,341,154	8,341,154	1,811,020	-	4,394,870	6,205,890	6,205,890
Measured at Amortised Cost	31.2/											
	31.3	-	252,029	6,317,561	-	6,569,590	6,473,096	-	245,115	5,614,236	5,859,351	5,853,923
Loans to Life Policy Holders	32	-	-	224,672	-	224,672	224,672	-	-	161,001	161,001	161,001
Reinsurance Receivables	33	-	-	188,131	-	188,131	188,131	-	-	154,802	154,802	154,802
Premium Receivables	34	-	-	743,549	-	743,549	743,549	-	-	507,434	507,434	507,434
Receivables and Other Assets	35	-	-	67,997	-	67,997	67,997	-	-	45,357	45,357	45,357
Cash and Cash Equivalents	36	-	-	377,093	-	377,093	377,093	-	-	381,270	381,270	381,270
Total Financial Assets		4,696,359	252,029	7,919,003	3,644,795	16,512,186	16,415,692	1,811,020	245,115	6,864,100	13,315,105	13,309,677

9.4.2 Financial Liabilities

As at 31st December	Note	2019			2018		
		Financial Liabilities	Carrying Value	Fair Value	Financial Liabilities	Carrying Value	Fair Value
Reinsurance Payable	43	428,557	428,557	428,557	320,824	320,824	
Bank Overdraft	36	176,271	176,271	176,271	370,422	370,422	
Other Liabilities	44	999,553	999,553	999,553	540,495	540,495	
Total Financial Liabilities		1,604,381	1,604,381	1,604,381	1,231,741	1,231,741	

NOTES TO THE FINANCIAL STATEMENTS

10. GROSS WRITTEN PREMIUM



ACCOUNTING POLICY

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Gross written premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30 day grace period are considered as due). Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognize profits over the estimated life of the policies. For single premium business, revenue is recognised on the date on which the policy is effective.

All product sold by the Company are insurance contracts and therefore classified as Insurance Contracts thus the Company does not have any investment contracts within its portfolio as at Reporting Date.

The Premium Income for the year by major classes of business is as follows;

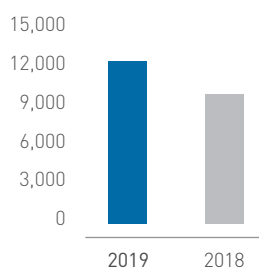
For the Year ended 31st December	2019 Rs. '000	2018 Rs. '000
Individual Business	11,338,053	9,154,234
Corporate Business	1,193,230	851,499
Total Gross Written Premium	12,531,283	10,005,733

For the Year ended 31st December

	2019			2018		
	Individual Business Rs. '000	Corporate Business Rs. '000	Total Rs. '000	Individual Business Rs. '000	Corporate Business Rs. '000	Total Rs. '000
First Year Premium	3,166,795	-	3,166,795	2,562,881	-	2,562,881
Renewal Premium	6,519,934	-	6,519,934	5,187,672	-	5,187,672
Group Life Premium	-	1,193,230	1,193,230	-	851,499	851,499
Single Premium	1,651,324	-	1,651,324	1,403,681	-	1,403,681
Total Gross Written Premium	11,338,053	1,193,230	12,531,283	9,154,234	851,499	10,005,733

GROSS WRITTEN PREMIUM (GWP)

(Rs.Mn)

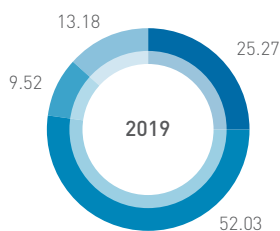


25.23%

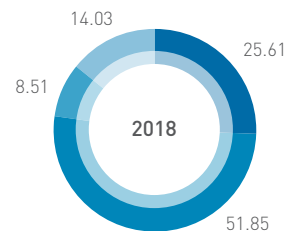
2019 : 12,531Mn
2018 : 10,006Mn

GWP MIX

(%)



- First Year Premium
- Renewal Premium
- Group Life Premium
- Single Premium



11. PREMIUMS CEDED TO REINSURERS

Premium ceded to reinsurers represents the premium paid by the Company to its reinsurers in order to manage its underwriting risks.

ACCOUNTING POLICY

Reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurer and accounted on an accrual basis.

For the Year ended 31st December	2019	2018
	Rs. '000	Rs. '000
Treaty	991,455	724,283
Facultative	2,069	2,275
Total Premiums Ceded to Reinsurers	991,455	726,558

12. NET EARNED PREMIUMS

This represents the Net Earned Premiums for the Financial year subsequent to the deduction of reinsurance premium from Gross Written Premium.

For the Year ended 31st December	2019	2018
	Rs. '000	Rs. '000
Gross Written Premium	12,531,283	10,005,733
Less: Premiums Ceded to Reinsurer	(991,455)	(726,558)
Total Net Earned Premium	11,539,828	9,279,175

13. NET FINANCE INCOME

Net Finance Income consists of interest income and Dividend income generated by the Company from its various financial assets held throughout the reporting period.

ACCOUNTING POLICY

Interest income is recognized in the income statement as it accrues and is calculated by using the effective interest rate by applying to the gross carrying amount of a financial asset except for financial assets that subsequently become impaired. For impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of

the financial assets or liabilities. When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of the EIR includes all transaction costs and fees that are an integral part of EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the EIR of the instrument.

Investment related expenses consist of costs relating to investment such as custodial fee, bank guarantee fee and brokerage fee, etc. These expenses are recognized on an accrual basis.

Dividend Income

Dividends on equity investments are recognized in the income statement when the right to receive payment is established which is on the date at which the investment is priced 'ex dividend'

As per SLFRS 9, the interest income and expense presented in the Income Statement include:

- ▶ Interest on financial assets measured at Amortised Cost calculated using EIR method;
- ▶ Interest on financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) calculated using EIR method;
- ▶ Interest on financial assets measured at Fair Value through Profit or Loss (FVTPL) calculated using EIR method;
- ▶ Interest on financial liabilities measured at Amortised Cost calculated using EIR method.

As per LKAS 39, the interest income and expense recognised in the Income Statement included:

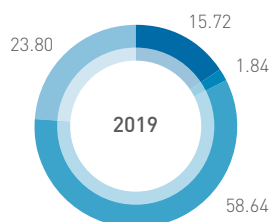
- ▶ Interest on Held for Trading financial instruments calculated using EIR method;
- ▶ Interest on Loans and Receivables calculated using EIR method;
- ▶ Interest on Available-for-Sale investments calculated using EIR method;
- ▶ Interest on Held-to-Maturity investments calculated using EIR method;
- ▶ Interest on financial liabilities measured at Amortised Cost calculated using EIR method.

NOTES TO THE FINANCIAL STATEMENTS

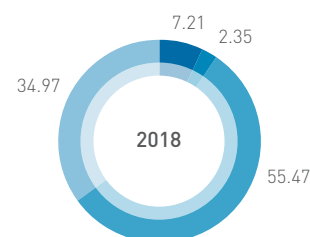
13. NET FINANCE INCOME (CONTD.)

For the Year ended 31st December	Note	2019 Rs. '000	2018 Rs. '000
Income from Financial Assets Classified at;			
Fair Value through Profit or Loss	13.1	191,632	68,804
Amortised Cost / Held to Maturity	13.2	22,414	22,402
Amortised Cost / Loans and Receivables	13.3	714,683	529,344
Fair Value Through Other Comprehensive Income / Available-For-Sale	13.4	290,047	333,703
Total Net Finance Income		1,218,776	954,253

INVESTMENT INCOME ANALYSIS



- Fair Value through Profit or Loss
- Amortised Cost / Held to Maturity
- Amortised Cost / Loans and Receivables
- Fair Value through Other Comprehensive Income / Available-for-Sale



For the Year ended 31st December	2019 Rs. '000	2018 Rs. '000
13.1 Income from Financial Assets Classified as Fair Value through Profit or Loss		
Interest Income from;		
Treasury Bonds	187,423	32,675
Treasury Bills	-	15,864
	187,423	48,539
Dividend Income		
Equity Shares	4,209	20,265
	4,209	20,265
Total	191,632	68,804

13.2 Income from Financial Assets Classified as Amortised Cost / Held to Maturity		
Interest Income from;		
Treasury Bonds	22,414	22,402
Total	22,414	22,402

For the Year ended 31st December	2019 Rs. '000	2018 Rs. '000
13.3 Income from Financial Assets Classified as Amortised Cost / Loans and Receivables		
Interest Income from;		
Reverse Repo Agreements	25,501	32,891
Term Deposits	135,474	110,498
Debentures	404,121	304,557
Commercial Papers	121,760	59,937
Loans to Life Policyholders	27,827	21,461
Total	714,683	529,344

13.4 Income from Financial Assets Classified as Fair Value through Other Comprehensive Income / Available-For-Sale		
Interest Income from;		
Treasury Bonds	178,674	272,664
	178,674	272,664
Dividend Income		
Equity Shares	111,373	61,039
	111,373	61,039
Total	290,047	333,703

14. NET REALISED GAINS

ACCOUNTING POLICY

Realised gains and losses recorded in the Income Statement on investments include gains and losses through disposal of financial assets.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

On derecognition of an investment other than equity classified as fair value through other comprehensive income, the cumulative gain or loss previously recognised in Other Comprehensive Income is recognised in the Income Statement.

For the Year ended 31st December

	Note	2019 Rs. '000	2018 Rs. '000
Net Realised Gains / (Losses) From			
Financial Assets at,			
Fair Value through Comprehensive Income / Available for Sale		(3,648)	(220)
Fair Value through Profit or Loss		127,884	96,293
Total Net Realised Gains	14.1	124,236	96,073

14.1 Analysis of Realised Gains / (Losses)

For the Year ended 31st December

	2019			2018		
	FVTOCI Rs. '000	FVTPL Rs. '000	Total Rs. '000	AFS Rs. '000	FVTPL Rs. '000	Total Rs. '000
Realised Gains From;						
Treasury bonds	-	1,326	1,326	-	15,900	15,900
Treasury bills	-	-	-	-	587	587
Quoted equity securities	-	4,529	4,529	-	-	-
Unit trust	-	122,029	122,029	-	115,044	115,044
	-	127,884	127,884	-	131,531	131,531
Realised Losses From;						
Treasury bonds	(3,648)	-	(3,648)	(220)	-	(220)
Quoted equity securities	-	-	-	-	(35,238)	(35,238)
	(3,648)	-	(3,648)	(220)	(35,238)	(35,458)
Total	(3,648)	127,884	124,236	(220)	96,293	96,073

NOTES TO THE FINANCIAL STATEMENTS

15. NET FAIR VALUE GAINS / (LOSSES)

ACCOUNTING POLICY

Fair value gains and losses recorded in the Income Statement on investments include fair value gains & losses on financial assets at Fair Value through Profit or Loss.

For the Year ended 31st December	2019 Rs. '000	2018 Rs. '000
Financial Investments at Fair Value through Profit or Loss		
Equity Securities	(3,525)	(72,665)
Treasury Bonds	182,150	(39,154)
Unit Trusts	52,972	13,823
Total Net Fair Value Gains / (Losses)	231,597	(97,996)

16. OTHER OPERATING INCOME

ACCOUNTING POLICY

Other income is recognised on an accrual basis. Other income comprises fees, disposal gains / (losses) on Property, plant and equipment and miscellaneous income.

Gain or Loss on Disposal of an Item of Property, Plant and Equipment

Any gain or loss on disposal of an item of Property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in 'Other Income' in the Income Statement. When revalued assets are sold, any related amount included in the revaluation surplus reserves are transferred to Retained Earnings.

For the Year ended 31st December	2019 Rs. '000	2018 Rs. '000
Miscellaneous Income	9,505	1,053
Total Other Income	9,505	1,053

17. NET INSURANCE BENEFITS AND CLAIMS PAID

ACCOUNTING POLICY

Gross Benefits and Claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Maturities and annuity payments are recorded when due. Death claims and surrenders are recorded on the basis of notifications received.

Reinsurance Claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

For the Year ended 31st December	2019 Rs. '000	2018 Rs. '000
Gross Insurance Benefit and Claims Paid	3,462,068	2,741,624
Claims ceded to Reinsurers	(576,339)	(442,612)
Net Insurance Benefit and Claims Paid	2,885,729	2,299,012

18. NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

ACCOUNTING POLICY

Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the income statement.

For the Year ended 31st December	2019 Rs. '000	2018 Rs. '000
Gross change in Insurance Contract Liabilities	170,209	43,539
Change in Contract Liabilities Ceded to Reinsurers	(59,826)	(3,547)
Net Change in Insurance Claims Outstanding	110,383	39,992

18.1 Net Insurance Benefits and Claims Expense Analysis

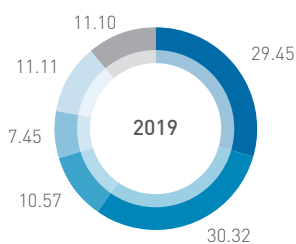
For the Year ended 31st December	2019 Rs. '000	2018 Rs. '000
Net Insurance Benefits and Claims Paid	2,885,729	2,299,012
Net Change in Insurance Claims Outstanding	110,383	39,992
Total Net Insurance Benefits and Claims Expenses	Note 18.1.1 2,996,112	2,339,004

18.1.1 Total Net Insurance Claims and Benefits Expenses

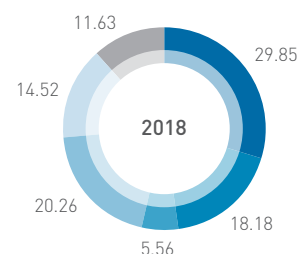
For the Year ended 31st December

	2019			2018		
	Gross Claims and Benefits Rs. '000	Recovered from reinsurers Rs. '000	Net Benefits and Claims Rs. '000	Gross Claims and Benefits Rs. '000	Recovered from reinsurers Rs. '000	Net Benefits and Claims Rs. '000
Claims						
Death, Disability and other riders - Endowment	1,460,241	(577,952)	882,289	1,113,937	(415,775)	698,162
Death and Hospitalisation - Group Life	942,297	(34,043)	908,254	446,611	(23,375)	423,236
Death - Decreasing Term Assurance (DTA)	340,784	(24,170)	316,614	139,183	(7,009)	132,174
	2,743,322	(636,165)	2,107,157	1,699,731	(446,159)	1,253,572
Benefits						
Policy Maturities / Surrenders - Investment products	223,356	-	223,356	473,825	-	473,825
Policy Maturities - Endowment	333,013	-	333,013	339,584	-	339,584
Policy Surrenders - Endowment products	332,586	-	332,586	272,023	-	272,023
	888,955	-	888,955	1,085,432	-	1,085,432
Total Net Insurance Benefits and Claims Expenses	3,632,277	(636,165)	2,996,112	2,785,163	(446,159)	2,339,004

NET CLAIMS & BENEFITS COMPOSITION ANALYSIS



- Death, Disability and others riders - Endowment
- Death and Hospitalisation - Group Life
- Death - Decreasing Term Assurance (DTA)
- Maturities / Surrenders - Investment products
- Maturities - Endowment
- Policy Surrenders - Endowment products



19. CHANGE IN VALUATION OF INSURANCE CONTRACT LIABILITIES

This represent movement in insurance contract liability valuation based on the Actuarial Valuation.



ACCOUNTING POLICY

Note 41 to these Financial Statements explain in detail about methodology of valuation of the Insurance Contract Liabilities as required by the Solvency Margin (Risk Based) Rules 2015 with effect from 1st January 2016.

A reconciliation of the change in Insurance Contract Liabilities is reflected in Note 41.5 to these Financial Statements.

Actuarial Valuation of Life Insurance Fund

The Directors agree to the provision relating to long term insurances contract liability of the Company at the year-end on the recommendations of the Appointed Actuary following his annual investigation of the Life Insurance business. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the Appointed Actuary.

NOTES TO THE FINANCIAL STATEMENTS

19. CHANGE IN VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTD.)

The Appointed Actuary's report is provided in page 262 to this report and further details of the life fund valuation is provided in Note 41 these Financial Statements.

For the Year ended 31st December	2019			2018		
	Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000
Premiums written	12,531,283	(991,455)	11,539,828	10,005,733	(726,558)	9,279,175
Insurance benefits and claims incurred	(3,632,277)	636,165	(2,996,112)	(2,785,163)	446,159	(2,339,004)
Underwriting and net acquisition costs (including reinsurance)	(3,053,905)	85,191	(2,968,714)	(2,151,209)	106,989	(2,044,220)
Other operating, selling and administrative expenses attributable to policyholders	(3,398,240)	-	(3,398,240)	(3,102,719)	-	(3,102,719)
Investment and other income attributable to policyholders	1,272,409	-	1,272,409	758,357	-	758,357
Surplus from life insurance fund transferred to Life shareholder's fund	(2,279,475)	-	(2,279,475)	(1,051,000)	-	(1,051,000)
Change in Contract Liabilities - Life Fund	1,439,795	(270,099)	1,169,696	1,673,999	(173,410)	1,500,589

20. UNDERWRITING AND NET ACQUISITION COST, (NET OF REINSURANCE)

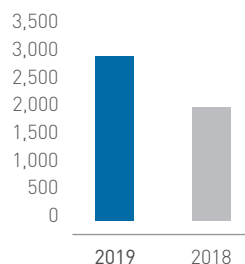
ACCOUNTING POLICY

All acquisition cost are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

For the Year ended 31st December	2019	2018
	Rs. '000	Rs. '000
Underwriting and Policy Acquisition Cost	3,053,905	2,151,209
Reinsurance Commission including Profit Commission	(85,191)	(106,989)
Total Underwriting and Net Acquisition Cost	2,968,714	2,044,220

UNDERWRITING AND NET ACQUISITION COST, (NET OF REINSURANCE)

(Rs.Mn)



45.25%

2019 : 2,969Mn

2018 : 2,044Mn

21. OTHER OPERATING AND ADMINISTRATION EXPENSES



ACCOUNTING POLICY

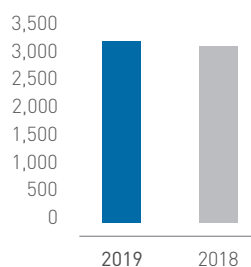
Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to Income Statement.

For the purpose of presentation of the Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

For the Year ended 31st December	Note	2019 Rs. '000	2018 Rs. '000
Employee benefits expenses			
Short Term Employee Benefits	21.1	1,504,484	1,320,136
Long Term Employee Benefits - Defined benefit plan cost	42.4	32,709	26,522
Total Employee benefits expenses		1,537,193	1,346,658
Administration and establishment expenses		534,404	610,693
Selling expenses		1,195,966	1,230,131
Total other operating and administration expenses		3,267,563	3,187,482

OTHER OPERATING AND ADMINISTRATION EXPENSES

(Rs.Mn.)



2.51%

2019 : 3,268Mn

2018 : 3,187Mn

21.1 Short Term Employee Benefits



ACCOUNTING POLICY

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

For the Year ended 31st December	Note	2019 Rs. '000	2018 Rs. '000
Defined Contribution Plan Cost			
EPF		84,339	73,710
ETF		21,085	18,428
		105,424	92,138
Staff remuneration		705,011	566,048
Staff welfare		9,336	5,077
Training and Development Expenses		34,184	48,397
Other Short term Employee Benefits Expenses	21.1.1	650,529	608,476
Total Short Term Employee Benefits Expenses		1,504,484	1,320,136

21.1.1 Other Short term Employee Benefits Expenses

This include expenses such as staff bonus, over time expenses, staff allowances, etc.

21.2 Impairment losses / (Reversal)

Please refer Note 31.3.(c) for allowance for expected credit loss (ELC) / Impairment recognized during the period. According to SLFRS 9 – "Financial Instruments" the impairment loss on transition date has been recognized directly in equity and subsequent to the initial recognition, impairment reversal of Rs 6.1 million has been recognized in Other Operating and Administration Expenses in Income statement.

22. FINANCE COST



ACCOUNTING POLICY

Interest paid is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability. The Company's finance cost include lease interest expense and other interest expenses.

For the Year ended 31st December	Note	2019 Rs. '000	2018 Rs. '000
Interest expenses on lease liabilities	44.2	57,625	469
Other interest expenses		60,674	66,032
Total Finance Cost		118,299	66,501

NOTES TO THE FINANCIAL STATEMENTS

23. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following.

For the Year ended 31st December	Note	2019 Rs. '000	2018 Rs. '000
Director fee and emoluments	46.6	89,800	79,760
Auditors remuneration			
Auditor's fees and related expenses		2,200	2,100
Audit related services and related expenses		6,703	5,286
Non Audit Services and Related expenses		26,606	7,288
Costs of Employee Benefits			
Defined contribution plan cost - EPF	42.1	84,339	73,710
Defined contribution plan cost - ETF	42.1	21,085	18,428
Defined benefit plan cost	42.4	32,709	26,522
Staff Training and Development Cost		34,184	48,357
Provision for impairment of			
Financial Instruments		-	-
Loans to Life Policyholders		-	-
Other			
Legal fees		3,289	615
Depreciation - PPE	28.1	142,103	115,375
Depreciation - RoU	29.2	127,115	-
Amortisation	27	2,277	5,056
Research and development costs		1,500	4,230
CSR expenses		7,985	5,879
Donation		-	-
Operating Lease		8,736	8,736

24. INCOME TAX EXPENSES

ACCOUNTING POLICY

Income tax expense comprises current and deferred tax. Current tax and deferred tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Current tax assets and liabilities are offset only if certain criteria are met.

Current Tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted on the Reporting Date, and any adjustment to tax payable in respect of previous years.

The Company is liable for income tax at 28% ,in terms of the Inland Revenue Act No.10 of 2006 and amendments thereto till 31st March 2018.

From 1st April 2018 onwards the gains and profits from the Life insurance Business are ascertained in terms of section 67 of Inland Revenue Act No 24 of 2017. Accordingly, the gains and profits on which tax is payable is the aggregate of following taxable income sources.

Taxable Income Source	Applicable Tax Rate
Surplus distributed to shareholders from the Life Insurance policyholders fund as certified by the actuary	28%
Investment income of the shareholder fund less any expenses incurred in the production of such income	28%
Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance at a rate of	14% (Up to 3 years from 2018 and thereafter at 28%)

Deferred Tax

Accounting policy and detail analysis relating to Deferred Tax is disclosed in Note 30 to the Financial Statements on Page 342

Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01st 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except;

- ▶ Where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- ▶ Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, to the taxation authority is included as a part of receivables or payables in the statement of financial position.

Withholding Tax on Rent and Commission Payment

On the application of the provision of section 84 and 85 of the Inland Revenue Act, No.24 of 2017 with effect from 1st April 2018, the company is liable for payment of WHT on Rent Payments made to property owners and on Commission Payment to Insurance Agent at a rate of 10% and 5% respectively.

The Company deducted WHT from gross payments made and net amount has been transferred to person who provided such services whereas the Company directly transfer WHT on above payments to the Inland Revenue Department.

As instructed by the Ministry of Finance on 31st January 2020 pending formal amendment to the Inland Revenue Act No. 24 of 2017, WHT on any payments (including interest, dividends rent etc.) made to any resident person is removed with effect from 1st January 2020.

Accordingly, withholding agents are instructed not to deduct WHT on payments made on or after January 01, 2020, for the above payments.

24.1 Amount Recognised in the Income Statement

For the Year ended 31st December	Note	2019 Rs. '000	2018 Rs. '000
Tax recognised in the Income Statement			
Current Tax Expense			
Income Tax on Current Year's Profits		-	-
Notional Tax (Reversal) / Write off (Shareholder Fund)		(89,479)	89,479
		(89,479)	89,479
Deferred Income Tax			
Origination of Deferred Tax			
Assets	24.3	(204,968)	(2,496,536)
Reversal of Deferred Tax			
Assets	24.3	725,162	165,574
Deferred Taxation		520,194	(2,330,962)
Income Tax Expense / (Reversal) recognised in the Income Statement			
		430,715	(2,241,483)

24.2 Amount Recognised in Other Comprehensive Income (OCI)

The Company has not recognised income tax / deferred expenses in Other Comprehensive Income (OCI) for the year ended 31st December 2019 as the Company only liable for income tax under surplus distributed to shareholder and investment income earned from shareholder fund according to the section 67 of inland revenue Act. No. 24 of 2017 (2018 - Nil).

24.3 Reconciliation of Effective Tax rate

For the Year ended 31st December	2019		2018	
	%	Rs. '000	%	Rs. '000
Tax using the Company's domestic Tax rate	28	728,996	28	306,534
Aggregate Allowable Expenses	(38)	(9,810)	(17)	(188,498)
Aggregate Disallowed Expenses	23	5,976	4	47,538
Effective Tax Rate	27.85	725,162	15.1	165,574

Commencing from 01st April 2018 the Company is liable for income tax under the IRD Act No. 24 of 2017 and for the year ended 31st December 2019 Softlogic Life Insurance PLC is liable for income tax at 28% (2018 - 28%) in terms of Inland Revenue Act No. 10 of 2006 and amendments there to till 31st March 2018.

24.4 Income Tax Computation as per IRD Act No 24 of 2017

For the Year ended 31st December	2019 Rs. '000	2018 Rs. '000
Surplus Distributed to Shareholder from the Life Insurance Policyholders Fund		
Investment Income of the Shareholder Fund	310,389	125,339
Business Income	2,589,864	591,339
Deductions Under Section 19 of the IRD Act		
Total Assessable Income	-	-
Tax Liability	(2,589,864)	(591,339)

As at 31st December 2019, the Company has not incurred tax payable since as at reporting date the Company has no any assessable income to be taxed as per the IRD Act No 24 of 2017.

NOTES TO THE FINANCIAL STATEMENTS

25. EARNING PER SHARE (EPS)



ACCOUNTING POLICY

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

25.1 Basic Earnings Per Share

For the Year ended 31st December	2019	2018
Amount used as the numerator		
Profit Attributable to Ordinary Shareholders (Rs. '000)	2,172,843	3,336,245
Number of ordinary shares used as the denominator		
Weighted Average Number of Ordinary Shares as at 31st December ('000)	375,000	375,000
Basic Earnings per Share - (Rs.)	5.79	8.90

25.2 Diluted Earnings Per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earnings per share shown in Note 25.1.

26. DIVIDEND PER SHARE (DPS)



ACCOUNTING POLICY

Dividend declared by the Board of Directors after the reporting date is not recognised as a liability and is disclosed as a note to the financial statements.

Dividend on Ordinary Shares are recognised as a liability and deducted from equity when they are approved by the company's Board of Directors in accordance with the Article of Association, Subject to regulatory approval.

Withholding Tax on Dividends

Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividend is recognised.

As instructed by the Ministry of Finance on 31st January 2020 pending formal amendment to the Inland Revenue Act No. 24 of 2017, WHT on any payments (including interest, dividends rent etc.) made to any resident person is removed with effect from 1st January 2020.

26.1 Dividend Declared as at Reporting Date

For the Year ended 31st December	2019	2018
Dividend declared per share (Rs.)	-	1.45
Dividends paid out of dividend received (Rs. '000)	-	389,562
Dividends paid out of own profits (Rs. '000)	-	154,188
Total	-	543,750

The Company has not declared dividends for the year ended 31st December 2019.

Under the Inland Revenue Amendment Act, No. 24 of 2017, a withholding tax of 14% has been imposed on dividends declared from 1st April 2018. In case of any dividend paid to the shareholder of Company prior to 1st April 2019, out of dividend received by the Company from other company on which tax had been deducted prior to 1st April 2018 in accordance with the provisions of the Inland Revenue Act No 10 of 2006, such dividend shall not be subjected to tax under the provisions of the Inland Revenue Act No 24 of 2017.

26.2 Non-Cash Assets Distributed To Owners

During the period ended 31st December 2019, the Company has not distributed non cash assets to its owners (2018 - Nil)

26.3 Compliance with the Section 56 and 57 of the Companies Act No. 7 of 2007

As required by the Section 56 of the Companies Act, No. 7 of 2007, the Board of Directors of the Company need to satisfy the Solvency Test in accordance with the Section 57, prior to recommending the dividend. Since the company has not declared dividend for the year 2019 no solvency test has been carried out.

26.4 Dividend Paid During The Year

For the Year ended 31st December	2019	2018
	Rs. '000	Rs. '000
Gross Interim Dividend for 2018		
Rs. 1.45 per share	543,750	-
Withholding tax deducted at source	(21,586)	-
Net dividend paid to the ordinary shareholders	522,164	-

27. INTANGIBLE ASSETS



ACCOUNTING POLICY

Recognition and Measurement

An Intangible Asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 - 'Intangible Assets'.

Software

Software acquired by the Company is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment losses.

Subsequent Expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful Economic Life, Amortisation and Impairment

Intangible assets with finite life are amortised over their useful economic life, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful life, amortisation method and residual values for an intangible asset with a finite useful life are reviewed at each financial year end. Changes in the expected useful life or the expected future economic benefits embodied in the asset are considered to modify the useful lives, method, or residual values as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite life is recognised in the Income statement in other operating and administration expenses.

The company recognised software as finite useful life assets and estimated useful life, residual values and amortisation method for the current and comparative periods is as follows,

Intangible assets	Estimated useful life	Residual value	Amortisation method
Computer Software	5 Years	Nil	Straight-line basis over the estimated useful life of the software, from the date that it is available for use

Intangible Assets With Indefinite Useful Life

Intangible assets with indefinite useful life are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Company has not intangible assets with indefinite useful life as at the reporting date. (2018 - Nil)

De-recognition

An Intangible Asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such Intangible Assets is included in other operating income in the Statement of Income when the item is derecognised.

Research and Development Cost

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- ▶ The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- ▶ Its intention to complete and its ability to use or sell the asset.
- ▶ The asset will generate future economic benefits.
- ▶ The availability of resources to complete the asset.
- ▶ The ability to measure reliably the expenditure during development.
- ▶ The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

As at the reporting date, the Company does not have development costs capitalised as an internally-generated intangible asset and following represents separately acquired intangible assets.

27. INTANGIBLE ASSETS (CONTD.)

Reconciliation of Carrying Amounts

As at 31st December	2019 Rs. '000	2018 Rs. '000
Computer Software		
Cost		
Balance as at 1st January	91,067	91,067
Acquisition	632	-
Balance as at 31st December	91,699	91,067
Accumulated amortisation and impairment losses		
Balance as at 1st January	88,978	83,922
Amortisation	2,277	5,056
Balance as at 31st December	91,255	88,978
Carrying Value as at 31st December	444	2,089

27.1 Acquisition of Intangible Assets during the year

During the financial year, the Company paid Rs. 0.6 million (2018 - Nil) to purchase intangible assets. Other than the disclosed in Note 27 the company has not acquired Intangible Assets by way of government grants or any other consideration. (2018: Nil).

27.2 Fully Amortised Intangible Assets in Use

Fully amortised Intangible Assets in use as at reporting date were Rs. 89.4 million. (2018: Rs. 73.6 million).

27.3 Title Restriction on Intangible Assets

There are no restrictions that existed on the title of the Intangible Assets of the Company as at the Reporting Date.

27.4 Intangible assets pledged as securities

There were no items pledged as securities for liabilities (2018 - Nil).

27.5 Assessment of Impairment of Intangible Assets

The Board of Directors has assessed potential impairment loss of intangible assets as at 31st December 2019. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Intangible Assets.

27.6 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Intangible Assets during the year (2018 - Nil).

27.7 Amortisation of Intangible Assets

Amortization expense of Rs. 2.2 million (2018: Rs. 5 million) has been charged to income statement under other operating and administration expenses.

27.8 Individually Material / Significant Intangible Assets

There are no individual intangible assets that are material to the Financial Statements as at the reporting date (2018 - Nil).

27.9 Amount of Contractual Commitment for Acquisition of Intangible Assets

There are no contractual commitment for acquisition of Intangible Assets as at the reporting date.

28. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned assets which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of Recognition

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

Basis of Measurement

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day - to - day servicing) as explained in below. The cost of self-constructed assets includes the followings;

- ▶▶ The cost of materials and direct labour;
- ▶▶ Any other costs directly attributable to bringing the asset to a working condition for its intended use;
- ▶▶ When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- ▶▶ Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent to the initial measurement all items of Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for the Land and Buildings which are measured at revalued amount less accumulated depreciation and accumulated impairment losses.

Cost Model

The Company applies the Cost Model to all Property, Plant & Equipment except for freehold land and freehold building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Company applies the Revaluation Model for the entire class of freehold land and freehold building for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Company are revalued by independent professional valuers every two years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the Reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to Revaluation Reserve in equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

Last revaluation was carried out by the Company for its all freehold land and freehold building as at 31st December 2019 (Next revaluation date is 31st December 2021). Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of same are given in Note 28.9 on page 338.

Subsequent Costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property and equipment are recognised in Income Statement as incurred.

Repairs and Maintenance

Repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Capital Work in Progress

Capital work - in - progress is stated at cost. These are expenses of a capital nature directly incurred on Property, Plant and Equipment, awaiting capitalisation.

Useful Economic Life, Residual Values and Depreciation

Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in the Income statement in other operating and administration expenses. Land is not depreciated

Useful Economic Lives and Residual Values

The estimated useful lives for the current and comparative period are as follows:

Class of Asset	% per Annum	Estimated Useful Life	Residual Values
Building	5	20 years	Nil
Office Equipment	20	05 Years	Nil
Computer Equipment	20	05 Years	Nil
Furniture & Fittings	10	10 Years	Nil
Fixtures & Fittings	20	05 Years	Nil
Motor Vehicle	25	04 Years	Nil

Cost of Dismantling

The estimated costs of dismantling, removing or restoring items of property, plant and equipment is Zero.

NOTES TO THE FINANCIAL STATEMENTS

28. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. The depreciation rates are determined separately for each significant part of an item of Property, Plant & Equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

All classes of property, plant & equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 28.1.

Carrying Value

The carrying value of an asset or significant component of assets within a class is assessed annually with its fair value and where the fair value is less than the carrying value the asset is written down to its fair value. The consequent adjustment is recognized in the Income Statement.

The residual values of assets that are not insignificant are reassessed annually. Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation.

De - recognition

An item of Property, Plant and Equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income in the Income Statement in the year the asset is de - recognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is de - recognised. Major inspection costs are capitalised. At each such capitalisation the remaining carrying amount of the previous cost of inspections is derecognised.

Borrowing Costs

As per the Sri Lanka Accounting Standard - LKAS 23 on 'Borrowing Costs', the Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.

28.1 Reconciliation of Carrying Amount

Rs. '000	Freehold Land	Freehold Building	Computer Hardware	Office Equipment	Furniture and Fittings	Fixtures and Fittings	Motor Vehicles	Total
Cost / Revaluation								
Balance as at 1st January 2018	120,000	116,000	117,353	163,095	121,228	298,408	16,751	952,835
Additions during the year	-	-	15,767	39,010	32,733	69,219	-	156,729
Surplus on revaluation	-	-	-	-	-	-	-	-
Transferred of accumulated depreciation on revalued assets	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-
Balance as at 31st December 2018	120,000	116,000	133,120	202,105	153,961	367,627	16,751	1,109,564
Balance as at 1st January 2019	120,000	116,000	133,120	202,105	153,961	367,627	16,751	1,109,564
Additions during the year	-	-	20,612	40,276	32,345	61,007	-	154,240
Surplus on revaluation	40,000	4,272	-	-	-	-	-	44,272
Transferred of accumulated depreciation on revalued assets	-	(14,272)	-	-	-	-	-	(14,272)
Disposals during the year	-	-	-	-	-	-	-	-
Balance as at 31st December 2019	160,000	106,000	153,732	242,381	186,306	428,634	16,751	1,293,804

Reconciliation of Carrying Amount

Rs. '000	Freehold Land	Freehold Building	Computer Hardware	Office Equipment	Furniture and Fittings	Fixtures and Fittings	Motor Vehicles	Total
Accumulated Depreciation and Impairment losses								
Balance as at 1st January 2018	-	-	73,046	89,279	50,264	151,678	10,863	375,130
Depreciation for the year	-	7,136	15,374	26,613	11,745	50,343	4,164	115,375
Transferred of accumulated depreciation on revalued assets	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-
Balance as at 31st December 2018	-	7,136	88,420	115,892	62,009	202,021	15,027	490,505
Balance as at 1st January 2019	-	7,136	88,420	115,892	62,009	202,021	15,027	490,505
Depreciation for the year	-	7,136	17,803	32,386	14,582	68,472	1,724	142,103
Transferred of accumulated depreciation on revalued assets	-	(14,272)	-	-	-	-	-	(14,272)
Impairment loss	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-
Balance as at 31st December 2019	-	-	106,223	148,278	76,591	270,493	16,751	618,336
Carrying Value as at 31st December 2019	160,000	106,000	47,509	94,103	109,715	158,141	-	675,468
Carrying Value as at 31st December 2018	120,000	108,864	44,700	86,213	91,952	165,606	1,724	619,059

28.2 Other than disclosed in Note 28.1, there were no impact to property, plant and equipment from any other sources, such as, assets classified as held-for-sale, acquisitions through business combinations, increases resulting from impairment losses reversed in OCI or in the Income Statement, and from exchange differences during the period ended 2019. (2018 - Nil)

28.3 Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

28.4 Acquisition of PPE During the Year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 154.2 million (2018 - Rs. 156.7 million) by means of cash.

28.5 Capitalisation of Borrowing Cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2019 (2018 - Nil).

28.6 Amount of Contractual Commitment for Acquisition of Property, Plant and Equipment

There are no contractual commitment for acquisition of property, plant and equipment as at the reporting date.

28.7 Disposal of Property, Plant and Equipment

There were no disposals of property, plant and equipment during the year 2019. (2018-Nil)

28.8 The details of Freehold Land and Buildings which are Stated at Valuation are as Follows;

(As required by the Rule No. 7.6 (viii) of the "Continuing Listing Requirements" of Colombo Stock Exchange)

Location	Extent Perches (Land) (Building)	Square Feet valuation	Method of valuation	Effective Date of valuation	Name of the independent Professional Valuer	Revalued Amount		Carrying Value after Revaluation		Carrying Value before Revaluation		Revaluation gain	
						Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Land & building situated at No. 283, R. A De Mel Mawatha, Colombo - 03	8	11,824	Market comparable method and Investment Method	31st December 2019	Mr. P. B Kalugalagedara Chartered Valuation Surveyor	160,000	106,000	160,000	106,000	120,000	101,728	40,000	4,272

28.9 Valuation Techniques and Significant Unobservable Inputs Used in Measuring Fair Value

(As required by the Rule No. 7.6 (viii) of the "Continuing Listing Requirements" of Colombo Stock Exchange)

The following table shows the valuation techniques used in measuring fair values, the significant unobservable inputs and sensitivity of the fair value measurement to changes in significant unobservable inputs .

Description	Effective Date of Valuation	Valuation Technique	Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Interrelationship between key unobservable inputs and Fair value measurement	Sensitivity of the fair value measurement to inputs
Land	31.12.2019	Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process outlier transactions, indicative of particular motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Market value per perch	Rs.20,000,000	Positive correlated sensitivity	Estimated fair value would increase/(decrease) if price per perch would increase / (decrease)
Building	31.12.2019	Investment Method This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.	Price per square foot for rental building	Rs.100-Rs.300	Positive correlated sensitivity	Price per square foot would increase/ (decrease) if gross annual rentals would increase / (decrease)

28.10 Revaluation Surplus

As at 31st December	2019		
	Land Rs.'000	Building Rs.'000	Total Rs.'000
Revalued Amount	160,000	106,000	266,000
Carrying Value (Prior to Revaluation)	120,000	101,728	221,728
Revaluation surplus for the year ended 31st December 2019 Recognised in OCI	40,000	4,272	44,272
Revaluation surplus for the year ended 31st December 2019 Recognised in Income Statement	-	-	-

28.11 If Land and Building were Stated at Historical Cost, the Amounts would have been as Follows;

The carrying amount of Company's asset that would have been included in the Financial Statements had the asset being carried at cost less depreciation / amortisation as follows

As at 31st December	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	85,620	-	85,620	85,620	-	85,620
Building	92,955	(29,397)	63,558	92,955	(23,118)	69,837
Total	178,575	(29,397)	149,178	178,575	(23,118)	155,457

28.12 The Effect of Revaluation of Freehold Buildings on the Statement of Income in the Subsequent Period is as Follows;

For the year ended 31st December	2019 Rs.'000	2018 Rs.'000
Depreciation charge per annum after revaluation	7,136	7,136
Depreciation charge per annum prior to revaluation	6,279	6,279
Decrease in profit in subsequent period	857	857

28.13 Fair Value Hierarchy

The fair value of the Land & Building was determined by an external independent property valuer, having appropriate recognised professional qualifications and experience in the category of the property being valued. The valuer provides the fair value of the property. Based on the valuation techniques used it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 28.9.

28.14 PPE Pledged as Security for Liabilities

None of the PPE have been pledged as securities for liabilities as at the reporting date.

28.15 Permanent Fall in Value of PPE

There has been no permanent fall in the value of PPE which require an impairment provision recognised in the Financial Statements.

28.16 Fully Depreciated PPE in Use

The initial cost of fully depreciated PPE which are still in use as at reporting date, is as follows:

As at 31st December	2019 Rs.'000	2018 Rs.'000
Computer Hardware	64,033	50,478
Office Equipment	69,458	56,673
Furniture and Fittings	27,376	22,677
Fixtures and Fittings	142,373	87,804
Motor Vehicle	16,732	75
	319,972	217,707

28.17 Temporarily Idle Property, plant and equipment

There are no property, plant and equipment were temporary idle (until the asset are issued to the business unit) as a reporting date. (2018 - Nil)

28.18 Assessment of Impairment

The Board of Directors has assessed the potential impairment loss of PPE as at 31st December 2019. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of PPE.

28.19 Compensation from Third Parties for Items of Property, plant and equipment

There was no compensation received / receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

28.20 Property, plant and equipment retired from active use

There were no property plant and equipment which are retired from active use as at the reporting date (2018 - Nil).

28.21 Fair Value of Property, Plant and Equipment (Excluding Freehold Land and Freehold Building Which are Carried at Revalued Amount)

The carrying amount of Property, Plant & Equipment except freehold land and freehold building disclosed in Note 28.1 approximate their fair value as at the reporting date.

28.22 Property, Plant and Equipment under Construction

As at the reporting date, there was no Property, Plant and Equipment under Construction (2018 - Nil).

29. RIGHT OF USE ASSETS



ACCOUNTING POLICY

Policy applicable from 1st January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into, on or after 1st January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Company applies the cost model for the subsequent measurement of the ROU asset and accordingly, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Depreciation expenses has been charged to income statement on other operating and administration expenses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- ▶ fixed payments, including in-substance fixed payments;
- ▶ variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- ▶ amounts expected to be payable under a residual value guarantee; and
- ▶ the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Presentation of ROU asset and lease liabilities

The Company presents right-of-use assets that do not meet the definition of investment property in separate line as 'Right-of-use assets' and lease liabilities in 'Other Liabilities' in the statement of financial position.

Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1st January 2019

As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

The Company leases a number of branches and office premises. The leases typically run for a period of 3.7 years, with an option to renew the lease after. For some leases, payments are renegotiated to reflect the market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Previously, these leases were classified as operating leases under LKAS 17.

29.2 Right-of-Use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property.

Information about leases for which the Company is a lessee is presented below.

Reconciliation of Carrying amounts

As at 31st December 2019	Total Rs. '000
As at 1st January	(Note 5.2.1) 398,022
Additions to Right-of-Use assets	147,386
Depreciation charge for the year	(127,115)
Derecognition of Right-of-Use assets	(10,249)
Balance as at 31st December	408,044

Lease liabilities were created due to adoption of SLFRS 16 and this has been disclosed in Note 44.2.

NOTES TO THE FINANCIAL STATEMENTS

29.3 Amounts recognised in Profit or loss

Leases under SLFRS 16

For the Year ended 31st December	2019 Rs.'000
Interest on lease liabilities	57,625
Variable lease payments not included in the measurement of lease liabilities	-
Depreciation of right-of-use assets	127,115
Income from sub-leasing right-of-use assets presented in other operating income	-
Expenses relating to short-term leases	36,802
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-

Operating leases under LKAS 17

For the Year ended 31st December	2018 Rs.'000
Lease expense	146,478
Contingent rent expense	-

29.4 Amounts recognised in statement of cash flows

Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Company has classified the principal portion of lease payments within financing activities and the interest portion within operating activities. During the period the Company has not received cash from leases as the Company is the lessor.

For the Year ended 31st December	2019 Rs.'000
Total cash out flow for leases	108,761

29.5 Sale-and-Lease back Transactions

The Company has no Sale and Leased back transactions as at the reporting date.

29.6 Sub Lease

The Company has not sub leased properties as at the reporting date.

29.7 Lease Terms - Extension Options

The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The

Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The extension options held are exercisable only by the Company and not by the lessors.

The management has assessed the potential extension options for each lease agreement and decided that possibility of extending of the same lease agreement is remote due to the operating structure of the company.

29.8 Other Disclosures under SLFRS 16 and LKAS 17

The information relating to the movement of lease liabilities, Maturity analysis of Lease liabilities and Other disclosures relating to LKAS 17 are disclosed in Note 44.2 / 44.3 / 44.4.

30. DEFERRED TAXATION

ACCOUNTING POLICY

Deferred Tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred Tax is not recognized for;

- ▶ Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- ▶ Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- ▶ Taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profit will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary difference is insufficient to recognized a differed tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans. Differed tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reduction are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates in enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Use of Judgements and Estimates

Deferred Tax Asset / Assessment of Recoverability

The Board of Directors carefully analysed the availability of the future taxable profits against which the unused tax losses can be utilised. In this assessment the Company estimated the profitability using the internal budgets and plans in a very conservative manner. In this assessment, directors note the composition of the carried forward tax loss as given in the note 30.3 current estimated duration of recoverability of deferred tax asset is 3 years and four months until April 2022. Based on the sensitivity analysis performed internally, even if estimated profit is reduced by 10% , the Company will be able to utilised the entire tax losses within 3 years and 6 months from the reporting date until June 2022. According to provision of act, the Company can claim tax losses until Y/A 2024/25 in legal terms.

The Company recognised a Deferred Tax asset consequent to the changes in the Inland Revenue No. 24 of 2017 described in note 24. As per the new Inland Revenue act No. 24 of 2017 which is effective from 1st April 2018, 100% of taxable income is allowed to be deducted against the tax losses incurred. According to the transitional provisions of the new act, the brought forward tax loss can be claimed against taxable income for a period of 6 years commencing from the year of assessment 2018/19.

As at 31st December 2019, the cumulative business losses amounted to Rs. 7,967 million. Accordingly, a deferred tax of Rs. 2,231 million was recognised as at 31st December 2019.

30.1 Movement and Composition of Deferred tax Assets and Liabilities

As at 31st December

	2019					
	Net balance as at 1st January Rs.'000	Recognised in Income Statement Rs.'000	Recognised in OCI Rs.'000	Net Balance Rs.'000	Deferred Tax Assets Rs.'000	Deferred Tax Liabilities Rs.'000
Deferred Tax Assets on,						
Carry Forward Tax Losses	2,750,962	(520,194)	-	2,230,768	2,230,768	-
Other Deductible temporary differences	-	-	-	-	-	-
Deferred Tax Liabilities on						
Taxable temporary differences	-	-	-	-	-	-
Net deferred tax (assets) / liabilities	2,750,962	(520,194)	-	2,230,768	2,230,768	-

Deferred tax is an estimate computed based on the assumptions on available information as at the reporting date. Hence these estimates are subject to change if there are further developments to any information, which the assumptions are based at the time of estimation (i.e. further clarifications to the new IRD act). Such changes to the estimates will be adjusted during the period the change occurs as explained in accounting policy number 3.11.

Deferred Tax Liability

As explained in page 343 the Company will compute taxes based on:

- ▶ Surplus distributed to shareholders from the Life insurance policyholders fund as certified by the actuary at a rate of 28% ;
- ▶ Investment income of the shareholder fund less any expenses incurred in the production of such income at a rate of 28% ;
- ▶ Surplus distributed to a Life Insurance policy holders at a rate of 14% (Up to 3 years from 2018. Thereafter at 28%).

Accordingly the Directors are of the view that there will not be material temporary differences arising which will result in Deferred tax liabilities as at reporting date (2018 - Nil).

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Deferred Tax Assets	2,230,768	2,750,962
Deferred Tax Liabilities	-	-
Net Deferred Tax Asset	2,230,768	2,750,962

NOTES TO THE FINANCIAL STATEMENTS

30.1 Movement and Composition of Deferred tax Assets and Liabilities (Contd.)

As at 31st December	2018					
	Net balance as at 1st January Rs.'000	Recognised in Income Statement Rs.'000	Recognised in OCI Rs.'000	Net Balance Rs.'000	Deferred Tax Assets Rs.'000	Deferred Tax Liabilities Rs.'000
Deferred Tax Assets on,						
Carry Forward Tax Losses	420,000	2,330,962	-	2,750,962	2,750,962	-
Other Deductible temporary differences	-	-	-	-	-	-
Deferred Tax Liabilities						
Taxable temporary differences	-	-	-	-	-	-
Net deferred tax (assets) / liabilities	420,000	2,330,962	-	2,750,962	2,750,962	-

30.2 Analysis of Recognised Deferred Tax Assets

As at 31st December	2019		2018	
	Temporary Difference Rs.'000	Tax Effect Rs.'000	Temporary Difference Rs.'000	Tax Effect Rs.'000
Deferred Tax Assets				
Carry Forward Tax Losses	7,967,029	2,230,768	9,824,863	2,750,962
Other Deductible temporary differences	-	-	-	-
	7,967,029	2,230,768	9,824,863	2,750,962
Deferred Tax Liabilities				
Taxable temporary differences	-	-	-	-
	-	-	-	-
Net recognised deferred tax assets	7,967,029	2,230,768	9,824,863	2,750,962

Temporary Difference

As per the changes to the tax base explained in Note 24, there were no temporary differences arose other than temporary difference on carried forward tax losses and accordingly, the Company recognised deferred tax assets and no deferred tax liabilities were recognised as at the reporting date.

Deferred tax asset on carried forward tax loss recognised in the Income Statement and no deferred tax asset or liability recognised in Other Comprehensive Income.

30.3 Analysis of Tax Losses

The composition of the tax losses as follows;

As at 31st December	2019	2018
Description	Rs.'000	Rs.'000
Tax losses up to year of assessment 2009/10	1,966,664	1,966,664
Tax losses subject to tax assessments	5,600,808	3,414,117
Tax losses within the time bar	3,580,760	5,767,451
Tax losses utilised against taxable Income (cumulative)	(3,181,203)	(591,339)
Total brought forward tax losses as at 31st December	7,967,029	10,556,893
Unrecognised tax loss for deferred tax	-	732,030
Carried forward tax losses for deferred tax as at 31st December	7,967,029	9,824,863

Expire date of carried forward tax loss as per the inland revenue Act. No. 24 of 2017, maximum of six years and this period will be ended on 31st March 2024.

30.4 Movement of Tax Losses

For the year ended 31st December	2019 Rs. '000	2018 Rs. '000
Opening Balance 01 January	10,556,893	10,279,430
During the year recognised tax loss	-	868,802
During the year utilised tax loss against income tax liability	(2,589,864)	(591,339)
Closing balance 31 December	7,967,029	10,556,893

30.5 Unrecognised Deferred Tax Liabilities

As at the reporting date there is no unrecognised deferred tax liabilities (2018 - Nil).

30.6 Deferred Tax and Income Tax on Items Directly Recognised in Equity.

As at the reporting date the Company has not recognised Deferred tax and income tax on transactions that are directly recorded in equity

30.7 Unrecognised Deferred Tax Assets

As at the reporting date there is no unrecognised deferred tax assets (2018 - Rs. 205 million on unrecognised tax loss amounting to Rs. 732 million).

30.8 Unrecognised Tax Losses

As at the reporting there was no unrecognised tax loss as company has recognised all available tax loss which are expected to be utilised in future taxable profit (2018 - Rs. 732 million).

30.9 Potential impact from change in corporate income tax rate

As instructed by the Ministry of Finance on 31st January 2020, a change in the income tax rate of a company from 28% to 24% has been proposed to the Inland Revenue Act No. 24 of 2007, pending formal amendments being made to the Act and to be implemented with effect from 1st January 2020. Since the new tax rate of 24% has not been published through a gazette by the Parliament as at the date of authorising these Financial Statements, the new tax rate was not substantially enacted as at that date. Accordingly, the Company has not provided for the potential changes to the deferred taxation at the rate of 24% as at 31st December 2019.

31. FINANCIAL INVESTMENTS

Refer Notes 6.1 for the Accounting Policies on pages 288 to 295.

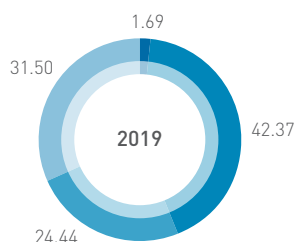
The majority of the Company's investments, i.e 30% (2018 - 30%) are in Government Securities. Corporate debt securities account for further 38% of investments (2018 - 27%) and 16% in equities (2018 - 20%). The risk management practices adopted by the Company in relation to the investment portfolio and risk management disclosures are outlined on Note 8.5 on pages 303 to 313.

The Company's Financial Investments are summarised by Categories as follows:

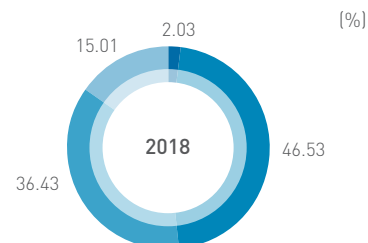
31.1 The following table compare the Fair Values of the Financial Investments to their Carrying Values:

As at 31st December	Notes	2019		2018	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Amortised Cost / Held to Maturity	31.2	252,029	253,744	245,115	238,782
Amortised Cost / Loans and Receivables	31.3	6,317,561	6,219,352	5,614,236	5,615,141
Fair Value Through Other Comprehensive Income / Available-For-Sale	31.4	3,644,795	3,644,795	4,394,870	4,394,870
Fair Value through Profit or Loss	31.5	4,696,359	4,696,359	1,811,020	1,811,020
Total Financial Investments		14,910,744	14,814,250	12,065,241	12,059,813

ANALYSIS BASED ON REPORTING CATEGORY (SLFRS)



- Amortised Cost / Held to Maturity
- Amortised Cost / Loans and Receivables
- Fair Value Through Other Comprehensive Income / Available-For-Sale
- Fair Value through Profit or Loss



NOTES TO THE FINANCIAL STATEMENTS

31.1 The following table compare the Fair Values of the Financial Investments to their Carrying Values: (Contd.)

Analysis of Financial Investments based on Characteristics

Following notes provide disclosure of the Financial Investments based on Characteristics of the each class of Instruments.

31.2 Financial Investments - Amortised Cost / Held to Maturity



ACCOUNTING POLICY

Policy applicable before 1st January 2019

Non - derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held to Maturity when the Company has the intention and ability to hold until maturity. After initial measurement, Held to Maturity financial assets are measured at Amortised cost, using the Effective Interest Rate (EIR), less any impairment losses.

The EIR amortisation is included in Finance Income in the Income Statement and losses arising from impairment are recognized as finance cost in the Income Statement. Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

If the Company were to sell or reclassify more than an insignificant amount of Held to Maturity investments before maturity (other than in certain specific circumstances permitted in the Sri Lanka Accounting Standard - LKAS 39 on 'Financial Instruments: Recognition and Measurement'), the entire category would be tainted and would have to be reclassified as Available-for-Sale.

Held to Maturity financial assets comprise of treasury bonds.

Please refer Note 31.3 / 6.1.5.2 on pages 346 and 290 for detail accounting policies applicable after 1st January 2019 relating to financial instruments carried at amortised cost and reclassification of financial instruments under SLFRS 9 'Financial Instruments'.

As at 31st December

ISIN	Maturity Date Rs.'000	Interest Rate %	Face Value Rs.	2019		2018	
				Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
LKB01020H017	1-Aug-20	6.2	250,000,000	252,029	253,744	245,115	238,782
			250,000,000	252,029	253,744	245,115	238,782

31.2.(a) Valuation of Financial Investments - HTM and Financial Investments at Amortised Cost

The above financial investments are presented in the Financial Statement at Amortised Cost. However for disclosure purpose, Fair values these financial Investments are valued based on daily market rate published by Central Bank of Sri Lanka (CBSL).

31.2.(b) Impairment of Financial Investments at HTM / Amortised Cost

At the reporting date, there were no Held to Maturity assets that were overdue and impaired.

31.3 Financial Investments - Amortised Cost / Loans and Receivables



ACCOUNTING POLICY

Policy applicable before 1st January 2019

Loans and Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the

investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

After initial measurement, Loans and Receivables are measured at Amortised cost, using the EIR, less allowance for impairment.

Loans and Receivables comprise of investments in Reverse Repos, Deposits, Commercial Papers and Debentures.

Policy applicable after 1st January 2019

Financial assets measured at amortised cost

As per SLFRS 9 'Financial Instruments', a financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Securities purchased under resale agreements (reverse repos)

When the Company purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a financial asset in the SOFP reflecting the transaction's economic substance as a loan granted by the Company. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/ receivable being recognised as interest income in the income statement.

Amortised cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in Finance Income in the Statement of Profit or Loss and losses arising from impairment are recognized as finance cost in the Income Statement.

Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

Financial Investments - Amortised Cost / Loans and Receivables

As at 31st December

	Notes	2019		2018	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Bank Deposits	31.3.(a)	445,123	445,123	1,803,160	1,803,160
Debentures	31.3.(b)	4,502,647	4,404,438	2,635,728	2,636,633
Commercial Papers		1,098,987	1,098,987	656,794	656,794
Overnight Reverse Repo		270,804	270,804	518,554	518,554
Total		6,317,561	6,219,352	5,614,236	5,615,141

Collateral for Financial Investments

Please refer page 310 for collateral details for reverse repo investment held at the reporting date.

31.3 (a) Bank Deposits

As at 31st December

	2019		2018	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Licensed Commercial Banks	286,559	286,559	1,662,721	1,662,721
Licensed Specialised Banks	158,564	158,564	140,439	140,439
Total	445,123	445,123	1,803,160	1,803,160

NOTES TO THE FINANCIAL STATEMENTS

31.3 (b) Debentures

As at 31st December

	Maturity Date	Interest Rate %	No of Debentures	2019		2018	
				Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Bank, Finance and Insurance							
Citizens Development Business Finance PLC	3-Jun-21	12.75	500,000	50,264	50,085	50,203	50,063
Commercial Bank of Ceylon PLC	8-Mar-21	10.75	500,000	47,199	48,033	44,149	43,215
Commercial Bank of Ceylon PLC	27-Oct-21	12.00	243,100	22,942	22,683	22,131	25,638
Commercial Bank of Ceylon PLC	22-Jul-28	12.50	1,267,000	133,687	126,698	133,661	133,661
DFCC Bank PLC	9-Nov-23	12.75	500,000	50,234	50,000	50,126	50,086
DFCC Bank PLC	29-Mar-25	13.00	1,000,000	109,697	99,963	109,718	109,718
DFCC Bank PLC	29-Mar-25	13.00	1,000,000	109,697	99,963	109,718	109,718
DFCC Bank PLC	28-Mar-29	13.90	1,564,100	172,676	172,708	-	-
DFCC Bank PLC	29-Mar-23	12.60	500,000	54,730	54,280	-	-
First Capital Treasuries PLC	6-Feb-20	9.50	250,000	24,965	24,945	24,652	24,534
First Capital Holdings PLC	12-Mar-19	14.00	262,640	-	-	26,603	27,297
Hatton National Bank PLC	14-Dec-24	8.33	500,000	49,983	37,490	49,991	49,990
Hatton National Bank PLC	29-Aug-23	8.00	185,256	14,303	13,843	13,448	13,712
Hatton National Bank PLC	28-Mar-21	11.25	1,000,000	100,805	101,985	95,794	102,197
Hatton National Bank PLC	1-Nov-23	13.00	370,200	37,195	37,120	37,089	37,106
Hatton National Bank PLC	23-Sep-26	12.80	663,900	68,582	68,595	-	-
Hatton National Bank PLC	23-Sep-26	12.80	413,300	42,694	42,702	-	-
Hatton National Bank PLC	14-Dec-19	7.75	500,000	-	-	47,586	44,721
HNB Finance Limited	30-Dec-24	13.20	1,000,000	99,952	100,034	-	-
Lanka Orix Leasing Company	31-Jul-22	13.00	1,000,000	105,381	99,933	105,423	99,936
Lanka Orix Leasing Company	27-Sep-24	15.00	2,000,000	207,592	212,653	-	-
Lanka Orix Leasing Company	27-Sep-24	15.00	500,000	51,898	53,163	-	-
Lanka Orix Leasing Company	27-Sep-24	15.00	500,000	51,898	53,163	-	-
Nations Trust Bank PLC	8-Nov-21	12.80	225,900	22,738	22,673	22,693	22,663
Nations Trust Bank PLC	20-Apr-23	13.00	750,000	81,652	74,972	81,685	81,685
Nations Trust Bank PLC	20-Apr-23	13.00	750,000	81,652	74,972	81,685	81,685
Nations Trust Bank PLC	23-Dec-26	12.90	1,500,000	150,330	150,399	-	-
Nations Trust Bank PLC	23-Dec-24	12.80	1,000,000	100,255	100,264	-	-
Nations Trust Bank PLC	23-Dec-24	12.80	500,000	50,109	50,132	-	-
People's Leasing & Finance PLC	16-Nov-21	12.60	1,000,000	100,688	100,323	100,350	100,231
People's Leasing & Finance PLC	18-Apr-23	12.80	1,252,600	136,320	125,214	136,346	136,346
People's Leasing & Finance PLC	18-Apr-23	12.80	1,252,600	136,320	125,214	136,346	136,346
Sampath Bank PLC	10-Jun-21	12.75	500,000	52,255	50,672	51,580	50,600
Sampath Bank PLC	10-Jun-21	12.75	500,000	52,255	50,672	51,580	50,600
Sampath Bank PLC	21-Dec-22	12.50	2,270,000	227,656	226,930	227,724	226,893
Sampath Bank PLC	28-Feb-24	13.90	1,000,000	111,492	116,378	-	-
Sampath Bank PLC	28-Feb-24	13.90	1,000,000	111,492	116,378	-	-
Sampath Bank PLC	20-Mar-23	12.50	450,000	46,440	45,991	-	-
Sampath Bank PLC	14-Dec-19	8.25	500,000	-	-	47,227	47,816

As at 31st December

ISIN	Maturity Date Rs.'000	Interest Rate %	No of Debentures	2019		2018	
				Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Seylan Bank PLC	29-Mar-25	13.20	500,000	51,653	49,979	51,680	51,680
Seylan Bank PLC	29-Mar-25	13.20	500,000	51,653	49,979	51,680	51,680
Seylan Bank PLC	18-Apr-24	15.00	500,000	55,145	58,915	-	-
Seylan Bank PLC	18-Apr-24	15.00	500,000	55,145	58,915	-	-
Seylan Bank PLC	18-Apr-24	15.00	500,000	58,412	56,409	-	-
Seylan Bank PLC	29-Mar-23	12.85	500,000	51,613	50,236	-	-
Seylan Bank PLC	15-Jul-23	13.75	626,000	68,178	62,932	-	-
Singer Finance (Lanka) PLC	6-Apr-20	12.00	300,000	30,711	30,349	30,370	30,301
Singer Finance (Lanka) PLC	6-Apr-19	11.50	300,000	-	-	30,641	30,501
Siyapatha Finance PLC	20-Sep-21	13.50	168,000	16,613	17,157	16,256	17,105
Siyapatha Finance PLC	8-Aug-24	13.33	500,000	52,524	52,548	-	-
Softlogic Capital PLC	19-Dec-24	15.00	1,000,000	100,395	100,477	-	-
				3,607,815	3,538,447	1,986,557	1,987,125
Diversified Holdings							
Hayleys PLC	26-Aug-24	13.00	2,000,000	208,892	208,959	-	-
Hayleys PLC	26-Aug-24	13.00	1,001,100	104,561	104,595	-	-
Hayleys PLC	26-Aug-24	13.00	650,000	67,890	67,912	-	-
Dunamis Capital PLC	5-Aug-19	12.50	798,000	-	-	79,660	80,380
Dunamis Capital PLC	5-Aug-19	12.50	202,000	-	-	20,268	20,175
				381,343	381,466	99,928	100,555
Plantation							
Kotagala Plantations PLC	26-May-20	14.75	463,750	41,331	37,099	46,669	46,582
Kotagala Plantations PLC	26-May-21	15.00	463,750	37,965	37,094	46,583	46,520
Kotagala Plantations PLC	26-May-19	14.50	463,750	-	-	46,849	46,711
				79,296	74,193	140,102	139,812
Telecommunication							
Sri Lanka Telecom PLC	19-Apr-28	12.75	1,000,000	108,774	99,964	108,781	108,781
Sri Lanka Telecom PLC	19-Apr-28	12.75	714,400	73,224	71,415	73,228	73,228
Sri Lanka Telecom PLC	19-Apr-28	12.75	1,250,000	135,969	124,957	135,976	135,976
Sri Lanka Telecom PLC	19-Apr-28	12.75	889,300	91,150	88,899	91,156	91,156
				409,117	385,235	409,141	409,141
Trading							
Abans PLC	19-Dec-24	12.50	250,000	25,076	25,097	-	-
				25,076	25,097	-	-
Total				4,502,647	4,404,438	2,635,728	2,636,633

NOTES TO THE FINANCIAL STATEMENTS

31.3 (c) Allowance for Expected Credit Loss (ECL) / impairment

SLFRS 9 requires impairment provision to be calculated based on Expected Credit Loss (ECL) for all financial assets that are not measured at Fair Value through Profit or Loss. As the default data set is low or near zero for the investment portfolio, company used external ratings for assessment of forward looking Probability of Defaults (PD) to estimate ECL. The 12-month PD estimates

were obtained from Fitch/Moody's/S&P's ratings corresponding to the external ratings of the instrument. For the computation of Forward looking Adjustments, the Company used Vasicek's model (Vasicek's, 2007) to calculate point in time PD. GDP Growth Rate is considered as one of the key macroeconomic input factors for arriving at forward looking point in time PDs.

As at 31st December

	2019		
	Gross Amount	ECL	Carrying Value
	Rs.'000	Rs.'000	Rs.'000
Bank Deposits	445,236	(113)	445,123
Debentures	4,517,458	(14,811)	4,502,647
Commercial Papers	1,099,210	(223)	1,098,987
Overnight Reverse Repo	270,804	-	270,804
Total	6,332,708	(15,147)	6,317,561

31.3 (d) Movement in ECL allowance during the year

As at 31st December 2019

	ECL
	Rs.'000
As at 01st January 2019	-
Impact of adoption of SLFRS 09	21,275
	21,275
Charge/ (Reversal) to Income Statement	(6,128)
Balance as at 31st December 2019	15,147

Please Refer Note 6.1.11 for the accounting policy on allowance for Expected Credit Loss.

33.3 (e) Maturity Analysis

The Maturity analysis of financial assets measured at amortised cost / loans and receivables is given in page 313.

31.4 Financial Investments - Fair Value through Other Comprehensive Income / Available-for-Sale

ACCOUNTING POLICY

Policy applicable before 1st January 2019

Available-for-sale financial investments include equity and Government Debt Securities. Equity investments classified as Available-for-Sale are those that are neither classified as held for trading nor designated at Fair Value through Profit or Loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, Available-for-Sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in Other Comprehensive Income (OCI) in the Available-for-Sale reserve.

Interest earned whilst holding Available-for-Sale investments is reported as 'Interest and Dividend Income' using the EIR. Dividends earned whilst holding Available-for-Sale investments are recognised in the Income Statement as 'Interest and Dividend Income' when the right of the payment has been established. When the asset is derecognised, the cumulative gain or loss is in the Statement of Profit or Loss and Other Comprehensive Income is transferred to the Income Statement.

Impairment of Listed Equity Instruments

CA Sri Lanka Guideline on Impairment of an Investment in a Listed Equity Instrument

The Institute of Chartered Accountants of Sri Lanka has issued a guideline on impairment of an investment in a listed equity instrument in light with the recent market behaviours of Colombo Stock Exchange (CSE). Based on the guideline it was interpreted that how should 'significant or prolonged' be interpreted in Sri Lankan context.

Based on the interpretation it was concluded that "a significant or prolonged decline in fair value is objective evidence of impairment. LKAS 39 does not provide any further guidance or quantitative thresholds for 'significant' or 'prolonged'. In the absence of further authoritative guidance, applying these criteria is a matter for professional judgement."

The term 'prolonged' should be assessed based on the period for which fair value has been less than acquisition cost. A general stock market decline over the period of 12 months may not be necessarily considered as 'prolonged' in the Sri Lanka stock market context. A decline of 20% - 30% of the fair value of an investment in an equity instrument below its acquisition cost may be considered as "significant".

Accordingly as at the reporting date no listed AFS Financial Instrument was impaired based on the impairment assessment carried out by the Management.

If the asset is determined to be impaired, the cumulative loss is recognised in the Income Statement and removed from the Available-for-Sale reserve.

Policy applicable after 1st January 2019

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL;

- ▶ The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, foreign exchange gains and losses, ECL and reversals are recognised in Income Statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Income Statement.

These instruments comprise Government Securities that had previously been classified as available for sale under LKAS 39.

Equity instruments Designated at FVOCI

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to Income Statement instead directly transferred to retained earnings at the time of derecognition.

Dividends are recognised in Income Statement as investment income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

These instruments comprise quoted and unquoted shares that had been previously classified as Available for sale under LKAS 39.

Financial Investments - Fair Value through Other Comprehensive Income / Available-for-Sale

As at 31st December

	Notes	2019		2018	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Treasury Bonds	31.4 (a)	1,771,633	1,771,633	2,598,070	2,598,070
Equity Securities	31.4 (b)	1,873,162	1,873,162	1,796,800	1,796,800
Total		3,644,795	3,644,795	4,394,870	4,394,870

Maturity analysis

The Maturity analysis of financial assets recognised through other comprehensive income / available for sale is given in page 313.

NOTES TO THE FINANCIAL STATEMENTS

31.4.(a) Treasury Bonds

As at 31st December				2019		2018	
ISIN	Maturity Date	Interest Rate %	Face Value Rs.	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
LKB01529A012	1-Jan-29	13.00	50,000,000	61,345	61,345	56,130	56,130
LKB01529A012	1-Jan-29	13.00	50,000,000	61,345	61,345	56,130	56,130
LKB01529E014	1-May-29	13.00	50,000,000	59,460	59,460	53,882	53,882
LKB01529E014	1-May-29	13.00	50,000,000	59,460	59,460	53,882	53,882
LKB01529E014	1-May-29	13.00	150,000,000	178,380	178,380	161,647	161,647
LKB01530E152	15-May-30	11.00	50,000,000	53,217	53,217	47,333	47,333
LKB01530E152	15-May-30	11.00	50,000,000	53,217	53,217	47,333	47,333
LKB02032A016	1-Jan-32	8.00	100,000,000	88,609	88,609	77,812	77,812
LKB02035C155	15-Mar-35	11.50	100,000,000	111,558	111,558	98,194	98,194
LKB02035C155	15-Mar-35	11.50	50,000,000	55,779	55,779	49,097	49,097
LKB02035C155	15-Mar-35	11.50	200,000,000	223,116	223,116	196,388	196,388
LKB03044A010	1-Jan-44	13.50	100,000,000	131,412	131,412	116,563	116,563
LKB03044A010	1-Jan-44	13.50	100,000,000	131,412	131,412	116,563	116,563
LKB03044A010	1-Jan-44	13.50	100,000,000	131,412	131,412	116,563	116,563
LKB03044A010	1-Jan-44	13.50	100,000,000	131,412	131,412	116,563	116,563
LKB03044F019	1-Jun-44	13.50	150,000,000	184,720	184,720	166,188	166,188
LKB02035C155	15-Mar-35	11.50	50,000,000	55,779	55,779	-	-
LKB01326B011	1-Feb-26	9.00	100,000,000	-	-	90,844	90,844
LKB01027F156	15-Jun-27	11.75	50,000,000	-	-	49,832	49,832
LKB01027F156	15-Jun-27	11.75	50,000,000	-	-	49,832	49,832
LKB01027F156	15-Jun-27	11.75	50,000,000	-	-	49,832	49,832
LKB01027F156	15-Jun-27	11.75	50,000,000	-	-	49,832	49,832
LKB01628G019	1-Jul-28	9.00	100,000,000	-	-	88,130	88,130
LKB01528I017	1-Sep-28	11.50	100,000,000	-	-	100,770	100,770
LKB01528I017	1-Sep-28	11.50	200,000,000	-	-	201,540	201,540
LKB01530E152	15-May-30	11.00	200,000,000	-	-	189,332	189,332
LKB02033F013	1-Jun-33	9.00	150,000,000	-	-	119,805	119,805
LKB02033K013	1-Nov-33	9.00	50,000,000	-	-	40,106	40,106
LKB03043F011	1-Jun-43	9.00	50,000,000	-	-	37,944	37,944
Total				1,771,633	1,771,633	2,598,070	2,598,070

31.4.(b) Equity Securities

As at 31st December		2019		2018		2019		2018	
	Notes	Market Price Rs.	Market Price Rs.	No of Shares	Fair Value / Carrying value Rs.'000	No of Shares	Fair Value / Carrying value Rs.'000		
Unlisted									
Banks, Finance and Insurance									
Cargills Agricultural Commercial Bank Limited	31.4 (c)	-	-	26,600,000	303,506	26,600,000	369,700		
Listed									
Banks, Finance and Insurance									
National Development Bank PLC		100.00	106.80	11,697,528	1,169,753	11,091,945	1,184,620		
Softlogic Finance PLC		16.70	26.60	6,033,858	100,765	3,965,107	105,472		
Health Care									
Asiri Hospitals PLC		20.00	23.00	14,956,877	299,138	5,956,877	137,008		
Total Investments in Equity Shares					1,873,162		1,796,800		

31.4.(c) Fair Value of Unlisted Financial Instruments

As per SLFRS 09 all the equity instruments including unlisted investments need to be measured at fair value. Accordingly, fair value of Cargills Bank investment was assessed as at the reporting date based on net assets per share adjusted for illiquidity. Total fair value of Cargills Bank investments at 31st December 2019 is Rs.303.5 Mn.

Please Refer Note 9.2.(b) on page 319 for valuation method and technique followed by the Company in determining the fair value unlisted financial instruments as at reporting date..

31.4 (d) Impairment of Financial Investments - Fair Value Through Other Comprehensive Income / Available-For-Sale

Further Unlisted shares of Cargills Bank has been assessed for impairment as at reporting date and based on the assessment no impairment had been identified in the Financial Statements as at reporting date. During the assessment Company considered the following factors.

- ▶ Significant improvement in Banks operational performance.
- ▶ Banking sector consolidation multiplier of 1.5 times as recommended by CBSL.

31.5 Financial Investments - Fair Value through Profit or Loss (FVTPL)



ACCOUNTING POLICY

Policy applicable before 1st January 2019

As per LKAS 39, financial assets at Fair Value through Profit or Loss include financial assets held for trading and those designated upon initial recognition at Fair Value through Profit or Loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. Attributable transaction costs are recognized in Income Statement as incurred.

As per LKAS 39, the Company designated financial assets at fair value through profit or loss in the following circumstances:

- ▶ the assets are managed, evaluated and reported internally on a fair value basis; or
- ▶ the designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- ▶ the asset contains an embedded derivative that significantly modifies the cash flows which would otherwise have been required under the contract.

FVTPL financial instruments are initially recognised at fair value. Subsequent to initial recognition they are remeasured at fair value.

Policy applicable after 1st January 2019

Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets designated at Fair Value through Profit or Loss

As per SLFRS 9, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Financial assets designated at fair value through profit or loss are recorded in the SOFP at fair value. Changes in fair value are recorded in "Net gain or loss on financial assets and liabilities designated at fair value through profit or loss".

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss as at the end of the reporting period.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses' in the Income Statement.

Interest is accrued and presented in 'Interest Income' or 'Finance cost', respectively, using the Effective Interest Rate (EIR). Dividend income is recorded in the "Dividend Income" when the right to the payment has been established.

NOTES TO THE FINANCIAL STATEMENTS

31.5 Financial Investments - Fair Value Through Profit or Loss (FVTPL). (Contd)

As at 31st December	Notes	2019		2018	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Equity Securities	31.5 (a)	475,837	475,837	655,423	655,423
Unit Trust	31.5 (b)	2,031,675	2,031,675	934,013	934,013
Treasury Bonds	31.5 (c)	2,188,847	2,188,847	221,584	221,584
		4,696,359	4,696,359	1,811,020	1,811,020

Maturity Analysis

The Maturity analysis of financial assets recognised through profit or loss / held for trading - measured at fair value is given in page 313.

31.5.(a) Equity Securities (FVTPL)

As at 31st December	2019		2018		2019		2018	
	Market Price Rs.	Market Price Rs.	No of Shares	Fair Value / Carrying value Rs.'000	No of Shares	Fair Value / Carrying value Rs.'000	No of Shares	Fair Value / Carrying value Rs.'000
Listed								
Banks, Finance and Insurance								
Commercial Bank of Ceylon PLC	95.00	115.00	1,200,000	114,000	915,872	105,325		
People's Leasing & Finance PLC	17.90	-	1,000,000	17,900	-	-		
Sampath Bank PLC	162.40	235.00	574,978	93,376	472,518	111,042		
Hatton National Bank PLC	-	214.00	-	-	499,710	106,938		
Seylan Bank PLC (Non Voting)	-	44.50	-	-	322,684	14,360		
Union Bank of Colombo PLC	-	11.00	-	-	6,023,317	66,257		
Sector Total				225,276		403,922		
Beverage, Food and Tobacco								
Ceylon Cold Stores PLC	795.00	-	52,095	41,416	-	-		
Sector Total				41,416		-		
Construction and Engineering								
Access Engineering PLC	21.80	-	2,028,927	44,231	-	-		
Sector Total				44,231		-		
Diversified Holdings								
John Keells Holdings PLC	167.60	159.70	35,000	5,866	947,553	151,324		
Melstacorp PLC	43.50	-	1,204,686	52,404	-	-		
Vallibel One PLC	-	17.00	-	-	829,845	14,107		
Sector Total				58,270		165,431		
Footwear and Textiles								
Teejay Lanka PLC	40.80	32.50	1,602,215	65,370	1,050,000	34,125		
Sector Total				65,370		34,125		

As at 31st December	2019		2018		2019		2018	
	Market Price	Market Price	No of Shares	Fair Value / Carrying value	No of Shares	Fair Value / Carrying value	No of Shares	Fair Value / Carrying value
	Rs.	Rs.		Rs.'000		Rs.'000		Rs.'000
Healthcare								
The Lanka Hospital Corporation PLC	-	42.60	-	-	62,995	2,684		
Sector Total				-		2,684		
Manufacturing								
Lanka Tiles PLC	76.70	-	400,000	30,680	-	-		
Sector Total				30,680		-		
Power & Energy								
Lanka IOC PLC	19.00	-	557,600	10,594	-	-		
LVL Energy Fund PLC	-	8.40	-	-	1,561,600	13,117		
Sector Total				10,594		13,117		
Telecommunications								
Dialog Axiata PLC	-	10.10	-	-	3,578,630	36,144		
Sector Total				-		36,144		
Total Investments in Listed Equity Shares				475,837		655,423		

31.5.(b) Unit Trusts

As at 31st December	2019		2018		2019		2018	
	Market Price	Market Price	No of Units	Fair Value / Carrying value	No of Units	Fair Value / Carrying value	No of Units	Fair Value / Carrying value
	Rs.	Rs.		Rs.'000		Rs.'000		Rs.'000
Un-Listed								
NAMAL - High Yield Fund	22.52	-	2,352,842	52,998	-	-		
Capital Alliance - Investment Grade Fund	17.74	-	3,621,220	64,247	-	-		
Capital Alliance - Income Fund	18.23	16.11	59,069,637	1,076,839	33,210,760	534,873		
First Capital - Money Market Fund	1,693.86	1,481.06	494,486	837,591	269,496	399,140		
Total Investment in Unit Trusts				2,031,675		934,013		

NOTES TO THE FINANCIAL STATEMENTS

31.5.(c) Treasury Bonds

Please refer Note 9 on page 317 for valuation method and technique has been followed by the Company to determine the fair value of unlisted financial instruments (Equity securities) as at the reporting date.

As at 31st December ISIN	Maturity Date Rs.'000	Interest Rate %	Face Value Rs.	2019		2018	
				Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
LKB01326B011	1-Feb-26	9.00	100,000,000	99,528	99,528	-	-
LKB01027F156	15-Jun-27	11.75	50,000,000	54,896	54,896	-	-
LKB01027F156	15-Jun-27	11.75	50,000,000	54,896	54,896	-	-
LKB01027F156	15-Jun-27	11.75	50,000,000	54,896	54,896	-	-
LKB01027F156	15-Jun-27	11.75	50,000,000	54,896	54,896	-	-
LKB01528E016	1-May-28	9.00	50,000,000	47,557	47,557	-	-
LKB01628G019	1-Jul-28	9.00	100,000,000	97,907	97,907	-	-
LKB01528I017	1-Sep-28	11.50	100,000,000	111,837	111,837	-	-
LKB01528I017	1-Sep-28	11.50	100,000,000	111,837	111,837	-	-
LKB01528I017	1-Sep-28	11.50	100,000,000	111,837	111,837	-	-
LKB01528I017	1-Sep-28	11.50	100,000,000	111,837	111,837	-	-
LKB01529E014	1-May-29	13.00	50,000,000	59,460	59,460	-	-
LKB01529E014	1-May-29	13.00	50,000,000	59,460	59,460	-	-
LKB01529E014	1-May-29	13.00	50,000,000	59,460	59,460	-	-
LKB01530E152	15-May-30	11.00	50,000,000	53,217	53,217	-	-
LKB01530E152	15-May-30	11.00	200,000,000	212,870	212,870	-	-
LKB02033F013	1-Jun-33	9.00	150,000,000	137,197	137,197	-	-
LKB02033K013	1-Nov-33	9.00	50,000,000	46,008	46,008	-	-
LKB01534I155	15-Sep-34	10.25	50,000,000	51,325	51,325	-	-
LKB01534I155	15-Sep-34	10.25	50,000,000	51,325	51,325	-	-
LKB01534I155	15-Sep-34	10.25	50,000,000	51,325	51,325	-	-
LKB01534I155	15-Sep-34	10.25	50,000,000	51,325	51,325	-	-
LKB01534I155	15-Sep-34	10.25	50,000,000	51,325	51,325	-	-
LKB01534I155	15-Sep-34	10.25	50,000,000	51,325	51,325	-	-
LKB01534I155	15-Sep-34	10.25	50,000,000	51,325	51,325	-	-
LKB03043F011	1-Jun-43	9.00	50,000,000	43,676	43,676	-	-
LKB03044F019	1-Jun-44	13.50	100,000,000	123,150	123,150	110,792	110,792
LKB03044F019	1-Jun-44	13.50	100,000,000	123,150	123,150	110,792	110,792
				2,188,847	2,188,847	221,584	221,584

31.6 Carrying Values of Financial Investments

31.6.(a) Movement of Financial Investments

	Amortised Cost / Held to Maturity	Amortised Cost / Loans and Receivable	Fair Value Through Other Comprehensive Income / Available for Sale	Fair Value Through Profit and Loss	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1st January 2018	238,803	2,957,396	4,171,613	2,626,676	9,994,488
Purchases	-	12,183,248	1,264,307	6,012,668	19,460,223
Maturities	-	(1,298,654)	-	-	(1,298,654)
Disposals	-	(8,511,991)	(458,791)	(6,745,311)	(15,716,093)
Fair value gains recorded in the Statement of Comprehensive Income	-	-	-	(97,996)	(97,996)
Fair value gains recorded in the Other Comprehensive Income	-	-	(548,338)	-	(548,338)
Amortisation adjustment	6,312	284,237	(33,921)	14,983	271,611
As at 31st December 2018	245,115	5,614,236	4,394,870	1,811,020	12,065,241
As at 1st January 2019	245,115	5,614,236	4,394,870	1,811,020	12,065,241
Purchases	-	18,482,721	369,539	6,564,114	25,416,374
Maturities	-	(3,177,412)	-	-	(3,177,412)
Disposals	-	(14,993,765)	(877,202)	(4,130,884)	(20,001,851)
Re Classification	-	-	(210,840)	210,840	-
ECL adjustment as per SLFRS 09	-	(15,147)	-	-	(15,147)
Fair value gains recorded in the Statement of Comprehensive Income	-	-	-	231,597	231,597
Fair value gains recorded in the Other Comprehensive Income	-	-	2,005	-	2,005
Amortisation adjustment	6,914	406,928	(33,577)	9,672	389,937
As at 31st December 2019	252,029	6,317,561	3,644,795	4,696,359	14,910,744

Methodologies and assumption used to determine the fair value of the financial investments are disclosed in Note 9 on page 317 to the Financial Statements.

31.6.(b) Disclosure of Financial Risk

The Company's exposure to Credit, Currency and Interest rate risks related to investments are disclosed in Note 8.5 on pages 303 to 313 to the Financial Statements.

Policyholder loans are initially measured at Fair value of Loan amount granted and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

31.6.(c) Financial Investments pledged as security

Financial Investments are not pledged as a security as at the reporting date.

32. LOANS TO LIFE POLICYHOLDERS

ACCOUNTING POLICY

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Balance as at 01st January	161,001	140,385
Loans Granted During the Year	103,066	64,947
Repayments During the Year	(69,294)	(65,792)
Change in Interest Receivable	29,899	21,461
Balance as at 31st December	224,672	161,001

Maturity analysis

Maturity analysis of loans to policyholder is given on page 313.

32.1 Collateral Details

The surrender value of the policy loans granted to Policyholders as at 31st December 2019 was amounted to Rs. 325 million. (2018 - Rs. 248 million) and the carrying value exceeds by Rs. 100 million.

32.2 Financial Risk Disclosure on Loans to Life Policyholders

If the total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on Policy Loans. For more information please refer Risk Management Note 8.

32.3 Fair Value of Loans to Life Policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

32.4 Concentration Risk of Loans to Life Policyholders

There is a lower concentration of credit risk with respect to policyholders as the Company has a large number of dispersed receivables.

32.5 Number of Policy Loans

Number of policy loans due as at 31st December 2019 was 1,420 (2018 - 1,164)

32.6 Impairment of Loans to Life Policyholder

Policyholder Loans are reviewed for impairment at each reporting date. The Board of Directors has assessed potential impairment loss as at 31st December 2019. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of Loans to Life Policyholder.

33. REINSURANCE RECEIVABLES



ACCOUNTING POLICY

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there

is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss, if any is recorded in the Income Statement.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Reinsurance Receivable on Outstanding Claims	110,966	51,141
Reinsurance Receivable on settled Claims net of dues	77,165	103,661
Total Receivable arising from Reinsurance Contracts	188,131	154,802

33.1 Reinsurance Receivable on Outstanding Claims

This includes reinsurance reserve of claim has not been paid yet, the reinsurance portion of receivable has not been materialised.

33.2 Collateral details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

33.3 Impairment of Reinsurance Receivables

The Board of Directors has assessed potential impairment loss of Reinsurance Receivables as at 31st December 2019. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of Reinsurance Receivables. Please refer Note 8 for Reinsurer rating analysis.

33.4 Fair Value of Reinsurance Receivables

The Carrying value of reinsurance receivables approximate the fair value at the reporting date.

33.5 The age analysis of the reinsurance receivable on settled claims is as follows,

As at 31st December	2019 Rs.'000	2018 Rs.'000
Up to 180 days	66,292	103,662
181 to 365 days	10,873	-
Over 365 days	-	-
Total	77,165	103,662

33.6 Reinsurance Receivable Past Due but Not Impaired (On Paid Claims)

As at 31st December 2019, there were no reinsurance receivable past due but not impaired (2018 - Nil). These relate to parties where there were no recent history of default.

33.7 Risk Management Practices

Risk management practices on reinsurance receivables are discussed under Note 8 reinsurance risk on page 309.

34. PREMIUMS RECEIVABLE



ACCOUNTING POLICY

Premiums receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premiums receivable are the difference between the carrying amount and the recoverable amount. The impairment losses are recognized in the income statement.

The life insurance premiums for policies within 30 days grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analysing the default history. Commission and reinsurance premium relating to that accrued income are also recorded in the same manner.

As at 31st December	Note	2019 Rs.'000	2018 Rs.'000
Premiums receivable from;			
Non Related Parties		675,799	485,571
Related Parties	34.1	67,750	21,863
Total Premiums Receivable		743,549	507,434

34.1 Premium Receivables from Related Parties

As at 31st December	2019 Rs.'000	2018 Rs.'000
Asiri Hospital Holdings PLC	17,984	9,086
Asiri Hospital Matara (PVT) LTD	2,731	2,390
Asiri Surgical Hospital PLC	9,732	6,428
Softlogic Retail (PVT) LTD	8,579	-
Asiri Hospital Holdings PLC - Laboratories	3,734	-
Odel PLC	4,857	-
Softlogic B P O Services (Private) Limited	132	-
Softlogic Capital PLC	122	-
Softlogic Communications (Private) Limited	59	-
Softlogic Corporate Services (PVT) LTD	125	-
Softlogic Finance PLC	13,826	-
Softlogic Holdings PLC	158	-
Softlogic International (Private) Limited	83	-
Softlogic Restaurant (PVT) LTD	2,211	-
Softlogic Stockbrokers (Private) Limited	24	-
Softlogic Supermarkets (PVT) LTD	743	-
Premium Receivables from KMP	2,650	3,959
Total	67,750	21,863

34.2 Impairment of Premiums Receivable

The Board of Directors has assessed potential impairment loss of Premium Receivables of the Company as at 31st December 2019. Based on the assessment, no any impairment loss was recognised as potential impairment provision as at 31st December 2019 (2018 - Nil) in respect of Premium Receivables.

34.3 Collateral Details

The Company does not hold any collateral as security against potential default by policyholders.

34.4 Fair Value of Premiums receivable

The Carrying Value disclosed above approximates Fair Value at the reporting date.

34.5 Risk Management Initiatives relating to Premiums Receivable

There is lower Concentration risk with respect to Premium Receivable, as the Company has a large number of dispersed debtors.

NOTES TO THE FINANCIAL STATEMENTS

35. RECEIVABLES AND OTHER ASSETS



ACCOUNTING POLICY

Inventories

Inventories are measured at the lower of cost or net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is estimated market price in the ordinary course of business less any estimated expense to sell.

As at 31st December	Note	2019 Rs.'000	2018 Rs.'000
Financial Assets			
Refundable Deposits		65,597	22,421
Receivable from related parties		-	-
Receivable from Fairfirst Insurance Ltd (Net of provisions)		2,400	22,936
Total Financial Assets		67,997	45,357
Non Financial Assets			
Inventories		6,196	10,420
Tax Recoverable	35.1	137,139	31,679
Advances and Prepayments		660,562	545,519
Others		52,067	58,134
Total Non Financial Assets		855,964	645,752
Total Receivables and Other Assets		923,961	691,109

Maturity analysis of Other Assets is given in page 313.

35.1 Tax Recoverable

As at 31st December	Note	2019 Rs.'000	2018 Rs.'000
WHT Receivable		96,903	31,679
Notional Tax Recoverable	35.1 (a)	40,236	-
		137,139	31,679

35.1.(a) Notional tax on Government Securities

As at 31st December	2019 Rs.'000	2018 Rs.'000
Balance as at 01st January	-	139,432
Notional Tax Addition During the Year	-	10,363
Notional Tax Utilised During the Year	(64,764)	-
Write Back / (Write off) of Notional Tax Recoverable	105,000	(149,795)
Balance as at 31st December	40,236	-

35.2 Fair Value

Other Financial Receivables are carried at notional amounts, and are generally settled within one year. The notional and fair value amounts do not vary significantly.

35.3 Impairment of Staff and Agent Loans

No loans have been granted to staff and agents.

35.4 Notional Tax

The Inland Revenue Act No.10 of 2006 as amended by subsequent legislation provides that a company which derives interest income from secondary market transactions in government securities on or after 1 April 2002 would be entitled to a notional tax credit being one ninth of the net interest income, provided such interest income forms part of the statutory income of the Company. As per the Inland Revenue Act No 24 of 2017, the notional taxes (withholding tax) on the interest of government securities have been withdrawn. However, as per the transitional provisions, the carried forward Notional Tax credit as per section 138(2) of Inland Revenue Act, No. 10 of 2006 may be carried forward to be set off against the income tax liability within three consecutive years of assessments commencing from the year of assessment 2018/2019.

It was concluded that utilization of such notional tax receivable is not probable within next three consecutive years from 2018/19 and accordingly, the Company made the full provision amounting Rs. 149.7 Mn during the year ended 31st December 2018. However, when finalizing the income tax return for the year for 2018 it was noted that the notional tax credit can be utilised in respect of the income tax liability arising from surplus distributed to the life policy holders which is taxed at 14% up to three years from 2018/19. Accordingly, the opinion of the company's tax consultant was obtained on the same and notional tax up to the extent of income tax liability arising from surplus distributed life policyholders for three years from 2018 was written back during the year ended 31st December 2019.

35.5 Loans Granted to Directors

No loans have been granted to the Directors of the Company.

36. CASH AND CASH EQUIVALENTS



ACCOUNTING POLICY

Cash and Cash Equivalents comprise cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Bank overdrafts, if any, which form an integral part of cash management, are included as a component of cash and cash equivalents for the purposes of the Statement of Cash Flows. In the Statement of Financial Position, bank overdrafts are included under liabilities.

Cash and Cash Equivalents

As at 31st December	2019 Rs.'000	2018 Rs.'000
Cash in Hand	5,830	12,178
Cash at Bank	371,263	369,092
Total Cash in Hand and at Bank	377,093	381,270

36.1 Cash and Cash Equivalent in the Statement of Cash Flows

As at 31st December	2019 Rs.'000	2018 Rs.'000
Cash in Hand and at Bank	377,093	381,270
Bank Overdrafts used for Cash Management Purpose	(176,271)	(370,422)
Cash and cash equivalents in the statement of cash flows	200,822	10,848

37. STATED CAPITAL



ACCOUNTING POLICY

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

37.1 Rights of Ordinary Shareholders

The shares of Softlogic Life Insurance PLC are quoted in the Colombo Stock Exchange Diri Savi Board. All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the Company.

Movement in Ordinary Voting Shares

	No. of Shares	Amount Rs.'000
As at 1st January 2018	375,000,000	1,062,500
As at 31st December 2018	375,000,000	1,062,500
As at 1st January 2019	375,000,000	1,062,500
As at 31st December 2019	375,000,000	1,062,500

38. RETAINED EARNINGS

As at 31st December	2019 Rs.'000	2018 Rs.'000
Balance as at 1st January	6,275,417	2,942,245
Impact of Adoption of SLFRS 9	(20,766)	-
Adjusted Balance as at 1st January	6,254,651	-
Realised losses on equity instruments directly recognised in equity (According to SLFRS 9)	(102,444)	-
Profit for the Year	2,172,843	3,336,245
Defined Benefit Plan Actuarial Losses on Net of Tax	(17,084)	(3,073)
Dividend Paid	(543,750)	-
Balance as at 31st December	7,764,216	6,275,417

39. RESTRICTED REGULATORY RESERVE

Nature and Purpose of Reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20th March 2018 on "Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the new direction. Based on the guideline Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Shareholder Fund as at the reporting year ended 31st December 2017. The transfer has been presented as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the direction 16. The distribution of One-off Surplus to shareholders as dividend shall remain restricted until the requirements disclosed in Note 41.18. are met. As required by the said Direction, the Company received the approval for this transfer on 29th March 2018.

As per the Direction 16 following the transfer of one off surplus to shareholders fund, the shareholders fund is required to maintain investment in government debt securities and deposits to fully support the amount of one off surplus at any given time. Accordingly the company has allocated adequate assets to support restricted reserve as at 31st December 2019 and the asset details are disclosed in note 41.19 in page 369.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Balance as at 01st January	798,004	798,004
Transfer of One-off Surplus from Policy Holder Fund	-	-
Balance as at 31st December	798,004	798,004

NOTES TO THE FINANCIAL STATEMENTS

40. OTHER RESERVES

As at 31st December	Note	2019 Rs.'000	2018 Rs.'000
Available for Sale Reserve	40.1	-	(1,513,394)
Fair Value Reserve	40.2	(1,498,509)	-
Revaluation Reserve	40.3	92,708	48,436
Total Other Reserve		(1,405,801)	(1,464,958)

40.1 Available for Sale Reserve

This reserve includes unrealised fair value change in investments classified as Available for Sale according to LKAS 39.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Balance as at 01st January	(1,513,394)	(965,056)
Adjustment from unrealised (loses) / gains on AFS Assets	-	(566,632)
Net changes in AFS Assets transferred to Statement of Income	-	18,294
Transfer of AFS Reserve Build due to Reclassification of AFS Portfolio to FVTPL - Participating Fund	12,880	-
Transfer to Fair Value Reserve on transition to SLFRS 9	1,500,514	-
Balance as at 31st December	-	(1,513,394)

40.1.1 Nature and purpose of Available for Sale Reserve

The Available for Sale reserves comprises the cumulative net change in the fair value of Available for Sale financial assets until the assets are derecognised or impaired. Available for sale reserve has been transferred to fair value reserve on transition to SLFRS 9 and continues as fair value reserve.

40.2 Fair Value Reserve

As at 31st December	2019 Rs.'000	2018 Rs.'000
Balance as at 1st January	-	-
Impact of adopting SLFRS 9	(1,500,514)	-
Adjusted balance as at 1st January	(1,500,514)	-
Net fair value gains / (losses) on remeasuring financial assets Fair Value through Other Comprehensive Income from;		
Equity Instruments	(324,202)	-
Debt Instruments	201,242	-
Reclassification from Other Comprehensive Income to Statement of Income - Debt Instruments	22,521	-
Realised losses directly recognised in equity - Equity instruments	102,444	-
Balance as at 31st December	(1,498,509)	-

40.2.1 Nature and purpose of Fair Value Reserve

The Company has adopted SLFRS 9 Financial Instruments Accounting Standard with effect from 1st January 2019. Accordingly fair value reserve comprises the balance transferred from available for sale reserve as a result of transition to SLFRS 9 from LKAS 39 as at 1st January 2019 and cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

40.3 Revaluation Reserve

As at 31st December	Note	2019 Rs.'000	2018 Rs.'000
Balance as at 1st January		48,436	48,436
Gain on Revaluation of Land and Building	28.10	44,272	-
Balance as at 31st December		92,708	48,436

40.3.1 Nature and purpose of Revaluation Reserve

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to Revaluation Reserve in equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

41. INSURANCE CONTRACT LIABILITIES

ACCOUNTING POLICY

41.1 Recognition and Measurement

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 1st January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000. However period up to 31st December 2015, the Company used Net Premium Valuation (NPV) methodology to calculate insurance liability in accordance with Solvency Margin (Long Term Insurance) Rules 2002.

As per RBC rules w.e.f 1st January 2016 the value of the life insurance liabilities are determined as follows;

$$\text{Life insurance liabilities} = \text{Best Estimate long term liability (BEL)} + \text{Risk Margin for adverse deviation (RM)}$$

Best estimate liability is measured sum of the present value of all future best estimate cash flows calculated using risk free interest rate yield curve issued by Insurance Regulatory Commission of Sri Lanka (IRCSL). Further a discounted cash flow approach, equivalent to Gross Premium Valuation (GPV) valuation methodology has been used to calculate the liabilities as at 31st December 2019.

Measurement is usually based on the prospective method, by determining the difference between the present values of future benefits and future premiums. The actuarial assumptions used for their calculation includes, in particular, assumptions relating to;

Mortality Rates

Expense Assumptions

Lapse Ratios

Participating fund yield

Morbidity Rates

Expense Inflation

Dividend Rates

Bonus Rates

Assumptions are estimated on a realistic basis at the time the insurance contracts are concluded and they include adequate provision for adverse deviation to make allowance for the risks of change and random fluctuations. Further in valuing the policy liabilities, provisions for reinsurance have been allowed in accordance with applicable reinsurance terms as per current reinsurance arrangements.

There are no implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

41.2 De - recognition

The liability is de-recognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by performing liability adequacy test.

41.3 Product Classification

Insurance Contracts

SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment Contracts depending on the level of insurance risk transferred Insurance contracts are contracts under which one party (the Insurer) accepts significant

insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e have no discernible effect on the economics of the transaction). The classification of contracts identifies both the Insurance contracts that the company issues and reinsurance contracts that the company holds. Contracts where the company does not assume a insurance risk is classified as investment contracts.

Investment Contracts

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Subsequent Classification

Once a contract has been classified as an insurance contract it remains an insurance contract for the remainder of its lifetime even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary Participating Features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that:

- ▶▶ are likely to be a significant portion of the total contractual benefits:
- ▶▶ the amount or timing of which is contractually at the discretion of the issuer:
 - and contractually based on:
 - ▶▶ The performance of a specified pool of contracts or a specified type of contract,
 - ▶▶ Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
 - ▶▶ The profit or loss of the company, fund or other entity that issues the contract

NOTES TO THE FINANCIAL STATEMENTS

41.3 Product Classification (Contd.)

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based. (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities as appropriate.

41.4 Insurance Contract Liabilities

As at 31st December	Note	2019 Rs.'000	2018 Rs.'000
Life Insurance Fund		8,682,545	7,556,032
Surplus Created due to Change in Valuation method from NPV to GPV	41.17	1,056,535	1,056,535
Life Fund with one-off surplus	41.5	9,739,080	8,612,567
Claims Payables / Unclaimed Benefits	41.21	638,022	408,954
Total Insurance Contract Liabilities		10,377,102	9,021,521

Details of policy liabilities for the Participating and Non-Participating funds are provided as follows.

As at 31st December	2019			2018		
	Participating Rs.'000	Non-Participating Rs.'000	Total Rs.'000	Participating Rs.'000	Non-Participating Rs.'000	Total Rs.'000
Policy Liabilities	5,274,327	3,408,218	8,682,545	4,661,417	2,894,615	7,556,032
One-off surplus	1,056,535	-	1,056,535	1,056,535	-	1,056,535
Total Policy Liabilities	6,330,862	3,408,218	9,739,080	5,717,952	2,894,615	8,612,567

41.5 Movement in Life Insurance Fund

As at 31st December	Note	2019			2018		
		Insurance Contract Liabilities (Gross) Rs.'000	Reinsurance Rs.'000	Net Rs.'000	Insurance Contract Liabilities (Gross) Rs.'000	Reinsurance Rs.'000	Net Rs.'000
As at 01st January		9,144,964	(532,397)	8,612,567	7,505,968	(358,987)	7,146,981
Impact of adoption of SLFRS 9	5.1.2	(13,420)	-	(13,420)	-	-	-
Adjusted Balance as at 1st January		9,131,544	(532,397)	8,599,147	7,505,968	(358,987)	7,146,981
Change in Contract Liabilities Life Fund							
Premiums received		12,531,283	(991,455)	11,539,828	10,005,733	(726,558)	9,279,175
Liabilities released for payments on Death, Surrender and Other terminations in the year		(3,632,277)	636,165	(2,996,112)	(2,785,163)	446,159	(2,339,004)
Net Finance and Other Income		1,272,409	-	1,272,409	758,353	-	758,353
Net Acquisition and Other Expenses		(6,366,953)	-	(6,366,953)	(5,253,927)	106,989	(5,146,939)
Surplus distributed to shareholders	41.11	(2,279,475)	-	(2,279,475)	(1,051,000)	-	(1,051,000)
Tax on Policyholder Bonus		(29,764)	-	(29,764)	(35,000)	-	(35,000)
Balance as at 31st December		10,626,767	(887,687)	9,739,080	9,144,964	(532,397)	8,612,567

41.6 Valuation of Life Insurance Fund

Long duration contract liabilities included in the Life insurance fund, primarily consist of traditional participating and non participating life insurance products. The actuarial reserves have been established by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India Private Limited as at 31st December 2019.

41.7 Methodology used in determination of Market Value of Liability

A discounted cash flow approach, equivalent to a gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31st December 2019. Gross and net

of reinsurance liabilities have been calculated as required in the RBC submission template. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

In accordance with the RBC guidelines, negative policy reserves for long term insurance contracts are acceptable and the value of the liabilities held have been floored to zero at a product level.

No implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

Details of calculation of policy liability and net cash flows are provided in following table for each class of products;

Details of product category	Basis of determinants of policy liability	Basis of calculating Net Cash flows
Individual traditional Non-Participating products	Discounting "Net Cash Flows" at the risk free interest rate curve	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Surrender benefit Outgo (+) Maturity benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Individual traditional Participating products	Max (Guaranteed benefit liability, Total benefit liability)	Same as above
Individual universal Non-Participating products	Discounting "Net Cash Flows" at the risk free interest rate curve	Future Premium Income (-) Death benefit Outgo inclusive of dividend accumulations (+) Rider benefit Outgo (+) Surrender benefit Outgo inclusive of dividend accumulations (+) Maturity benefit Outgo inclusive of dividend accumulations (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Group Traditional Non-participating products - Group Term (Life) and per day Insurance	Net Cash Flow	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net Cash flow = Sum of the above
Group Traditional Non-participating products - Group Hospitalisation Cover	Policy liability has been set equal to UPR.	Not Applicable

NOTES TO THE FINANCIAL STATEMENTS

41.8 Key Assumptions Used in determinations of Best Estimate Liability (BEL)

Details of key assumption used and basis of arriving for the same are summarised in following table;

Assumption	Basis of Estimation																																
Economic Assumption																																	
Risk Free Rate	The risk free rates have been set based on Sri Lankan Government Bond yields issued by IRCSL for the industry as at 31st December 2019.																																
	<table border="1"> <thead> <tr> <th>Year</th> <th>Spot Rate</th> <th>Year</th> <th>Spot Rate</th> <th>Year</th> <th>Spot Rate</th> <th>Year</th> <th>Spot Rate</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>8.50%</td> <td>4</td> <td>9.83%</td> <td>7</td> <td>10.24%</td> <td>10</td> <td>10.65%</td> </tr> <tr> <td>2</td> <td>8.90%</td> <td>5</td> <td>10.03%</td> <td>8</td> <td>10.43%</td> <td></td> <td></td> </tr> <tr> <td>3</td> <td>9.24%</td> <td>6</td> <td>10.25%</td> <td>9</td> <td>10.52%</td> <td></td> <td></td> </tr> </tbody> </table>	Year	Spot Rate	Year	Spot Rate	Year	Spot Rate	Year	Spot Rate	1	8.50%	4	9.83%	7	10.24%	10	10.65%	2	8.90%	5	10.03%	8	10.43%			3	9.24%	6	10.25%	9	10.52%		
Year	Spot Rate	Year	Spot Rate	Year	Spot Rate	Year	Spot Rate																										
1	8.50%	4	9.83%	7	10.24%	10	10.65%																										
2	8.90%	5	10.03%	8	10.43%																												
3	9.24%	6	10.25%	9	10.52%																												
Participating Fund Yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.																																
Operating Assumptions																																	
Mortality Rate	A67/70 Standard Mortality rates table was used																																
Morbidity Rates	The morbidity rates have been set based on loss ratios whereby loss ratio is calculated as the ratio of settled and pending claims to earned premiums.																																
Expenses	Based on the Expense investigation carried out as at 31st December 2019 based on the expenses incurred during 2019. For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been done on the basis of inputs from various department heads of each cost centre to determine a reasonable activity based split of expense. These have been further identified as either being premium or policy-count driven based on the nature of expenses to determine a unit cost loading for use in the valuation.																																
Expense inflation	The best estimate expense inflation has been assumed to be 5% p.a. The expense inflation assumption has remained unchanged since previous valuation. The assumption is also in line with the long term inflation target of Central Bank of Sri Lanka which is in the range of 4 % to 6%.																																
Bonus Rates	Bonus rate scale assumed has been arrived based on bonus declared as at 31st December 2019, based on the Company management's views on policyholder reasonable expectations. This assumes that Company is expecting to maintain the current bonus levels into the future and is unchanged from the previous valuation.																																
Persistency Ratio	Discontinuance assumptions have been set on the basis of experience investigation. The discontinuance assumptions have been set with reference to actual experience and vary by policy duration																																

41.9 Sensitivity Analysis

Sensitivity Analysis of Life Insurance Fund Liability is provided in Note 8.4 in page 303.

41.10 Analysis of The Expected Maturity Profile of Reserves for Insurance Contracts, Net of Reinsurance

Following table provide an analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance, based on expected cash flows without considering the surrender values as of 31st December 2019 and 2018.

As at 31st December	2019 Rs.'000	2018 Rs.'000
< 1 year	252,071	466,079
1 to 3 years	643,024	460,897
> 3 years	10,623,465	6,255,958
Total	11,518,560	7,182,934

41.11 Recommendation of Surplus Transfer

The valuation of life insurance fund as at 31st December 2019 was made by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Towers Watson India Private Limited, who recommended;

- ▶ there is no transfer to shareholders from the Participating life fund
- ▶ a sum of Rs. 2,279 million (2018 - Rs. 1,051 million) has been transferred from Non-Participating Life Insurance fund / insurance contract liabilities to the Shareholders fund

Subsequent to the transfer the surplus of Rs. 2,279 million, life fund stands as Rs. 9,739 million as at 31st December 2019, including the liability in respect of bonuses and dividends declared up to and including for the year 2019 as well as Surplus created due to Change on Valuation method of policy liabilities from NPV to GPV in the participating fund.

41.12 Taxation on surplus distributed to the life insurance policyholder who shares the profits

According to the Section 67 (2) of new Inland Revenue Act No. 24 of 2017 which is effective from 1st April 2018, the surplus distributed to the life insurance policyholder who shares the profits of a person engaged in the business of life insurance in a given year, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of that person from the business and subject to tax at a concessionary rate of 14% for three years of assessment after the commencement of the Act. As recommended by the Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI of Messrs. Towers Watson India Private Limited, the Company has declared a bonus of Rs. 322 million (Please refer point (f) of the Actuarial report provided in page 262) is to Life Insurance Policyholders who participating in the profit of Life Insurance business. Accordingly the Company has adjusted the tax liability to the life insurance fund.

41.13 Solvency Margin

In the opinion of the Appointed actuary, the Company maintains a Capital Adequacy Ratio (CAR) 173% and Total Available Capital (TAC) of Rs. 7,783 million as at 31st December 2019, which exceed the minimum requirement of 120% and Rs. 500 million respectively as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

41.14 Liability Adequacy Test (LAT)

ACCOUNTING POLICY

Measurement

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 "Insurance Contracts". The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses.

In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

Valuation

A Liability Adequacy Test for Life Insurance contract Liability was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Towers Watson India Private Limited as at 31st December 2019. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability.

According to the Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2019.

No additional provision was required against the LAT as at 31st December 2019.

Details of LAT reports is provided in page 263 to this report

41.15 Surplus created due to Change in Valuation Method - One-off Surplus Zeroed at Product Level



ACCOUNTING POLICY

Insurance Contract Liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01st January 2016. However period up to 31st December 2015, the Company used Net Premium Valuation (NPV) methodology to calculate insurance contract liability in accordance with Solvency Margin (Long Term Insurance) Rules 2002.

Basis of Measurement

Surplus created due to change in Valuation Method of Policy Liabilities from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) is measured based on the difference in the policy liability valuation by the independent Actuary based on NPV and GPV bases valuation as at 31st December 2015 according to the Direction 16 'Identification and treatment of one-off surplus' issued by IRCSL. According to Direction 16, Company has determined the One-off Surplus as the difference between NPV Solvency basis liability and GPV Distribution basis liability for both Participating business and other than Participating business.

	Participating Fund Rs. '000	Non- Participating Fund Rs. '000	Total Rs. '000
Value of Insurance contract liability based on Independent Actuary - NPV as at 31st December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31st December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 01st January 2016	1,056,535	798,004	1,854,539

41.16 Transfer of One-off Surplus from Non Participating Fund to Share Holder Fund

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20th March 2018 on "Guidelines/ Directions for Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the new direction. Based on the new guidelines Life Insurance Companies are directed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Share Holder Fund as at the reporting year ended 31st December 2017. The transfer has been presented as a separate line item in the Income Statement as "Change in contract liability due to transfer of One-off surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with above Direction. As required by the said Direction, the Company received the approval for this transfer on 29th March 2018.

Further distribution of One-off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-off Surplus in the Share Holder Fund will remain invested in government debt securities and deposits as disclosed in Note 41.19 as per the directions of the IRCSL.

The financial ratios have been determined in accordance with Sri Lanka Accounting Standards. Additionally the Company has voluntarily presented financial ratios without One-off Surplus impact.

One-off surplus in respect of participating business is held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the Share Holder Fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

41.17 Movement of One-off Surplus After Transfer

	Participating Fund	Non- Participating Fund	Total
	Rs. '000	Rs. '000	Rs. '000
Value of Insurance contract liability based on Independent Actuary - NPV as at 31st December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31st December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 1st January 2016	1,056,535	798,004	1,854,539
Transfer of One-off Surplus from long term fund to Restricted Regulatory Reserve	-	(798,004)	(798,004)
Surplus created due to Change in Valuation Method - One-off Surplus as at 31st December 2017	1,056,535	-	1,056,535
Surplus created due to Change in Valuation Method - One-off Surplus as at 31st December 2018	1,056,535	-	1,056,535
Surplus created due to Change in Valuation Method - One-off Surplus as at 31st December 2019	1,056,535	-	1,056,535

41.18 Distribution of One-off Surplus

The distribution of One-off surplus to Shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below.

- ▶ Expense allocation policy setting out basis of allocation of expenses between the Share Holder Fund and the Policyholder Fund as well as between different lines of business within the Policyholder Fund, particularly participating and non-participating.
- ▶ Dividend declaration policy for universal life business.
- ▶ Bonus policy for the participating business, which should

include treatment of One-off Surplus for the purpose of bonus declaration.

- ▶ Asset-liability management policy.
- ▶ Policy on internal target Capital Adequacy Ratio.
- ▶ Considerations for transfer of funds from Policyholder Fund to Shareholder Fund.

These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further IRCSL will reconsider the distribution of One-off Surplus when the RBC rules are revised. The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case-by-case basis.

41.19 Composition of Investments Supporting the Restricted Regulatory Reserve as at 31st December 2019

Asset Category	ISIN No	Face Value/ Invested	Market Value as at 31st
		Amount	December 2019
		Rs.	Rs. '000
Government Securities			
Treasury Bond	LKB03044A010	100,000,000	131,412
	LKB01534I155	50,000,000	51,325
	LKB01534I155	50,000,000	51,325
	LKB01534I155	50,000,000	51,325
	LKB01534I155	50,000,000	51,325
	LKB01528E016	50,000,000	47,557
Deposits			
Seylan Bank PLC			286,533
National Savings Bank			105,718
Regional Development Bank			52,846
Total Market Value of the Assets			829,366
Restricted Regulatory Reserve			798,004
Excess Assets			40,362

NOTES TO THE FINANCIAL STATEMENTS

41.20 Disclosures as required by Direction 16 issued by IRCSL

Disclosure in Financial Statements	Compliance with the Requirement	Note Reference	Page Reference
Equity and statement of changes in equity to include a new line item called 'Restricted Regulatory Reserve' with value equal to one - off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'. The transfer of one - off surplus to be treated as a release permitted by the IRCSL during the relevant period and accounted through Income Statement.	Complied		273
Income Statement to carry a new line item 'change in contract liability due to transfer of one - off surplus'.	N/A for Current Year		
Disclosure stating 'distribution of one - off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied	41.18	369
The basis of computation of one - off surplus. Any deviation from the direction in respect of determining the 'minimum one - off surplus'.	Complied	41.15	368
One-off surplus relating to participating and other than participating should be disclosed separately	Complied	41.17	369
Financial ratios should be determined in accordance with SLASs. Additional financial ratios, excluding the impact of transfer of one - off surplus may be disclosed separately.	Complied		272
Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied	41.19	369

41.21 Direction 18 - Unclaimed benefits of Long Term Insurance Business

There was no transfer of any unclaimed benefit to shareholders and recorded in the life fund as unclaimed benefits if any.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Other Claim Payables	362,011	178,998
Unclaim Benefits	276,011	229,956
	638,022	408,954

42. EMPLOYEE BENEFITS

ACCOUNTING POLICY

Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate

entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Income Statement in the periods when they incurred.

Employee Provident Fund (EPF)

All employees of the Company are members of the Employees' Provident Fund. The Company and employees contribute 12% and 8% respectively of the salary to EPF.

Employees Trust Fund (ETF)

All employees of the Company are members of the Employees Trust Fund. The Company contributes 3% of the salary of each employee to ETF.

42.1 Defined Contribution Plans

Following contributions have been made to Employees Provident Fund and Employee Trust Fund during the year.

For the year ended 31st December	2019 Rs.'000	2018 Rs.'000
Employees' Provident Fund		
- Employer's Contribution (12%)	84,339	73,710
- Employees' Contribution (8%)	56,226	49,140
Employees' Trust Fund (ETF) (3%)	21,085	18,428

42.2 Defined Benefit Plans-Provision for Employee Benefits



ACCOUNTING POLICY

Measurement

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded.

Recognition of Actuarial Gain / (Losses)

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in Statement of Profit or Loss and Other Comprehensive Income and Current Services Cost and Interest Cost related to defined benefit plans in employee benefit are expensed in Income Statement.

Valuation of Employee Benefit Obligation

An actuarial valuation of the retirement gratuity payable was carried out as at 31st December 2019 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The valuation method used by the Actuaries to value the liability is the 'Projected Unit Credit Method (PUC)', the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on 'Employee Benefits'.

42.3 Actuarial Assumptions

Actuarial Assumptions	Criteria	Description
Demographic Assumptions	Mortality - In service	1967/70 Mortality table issued by the Institute of Actuaries, London
	Staff Turnover	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. The withdrawal rate of 21.30% were used in the actuarial valuation carried out as at December 31st 2019. (2018 - 17.20% p.a.)
	Normal retirement age	The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays. (55 Years).
Financial Assumptions	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 11% p.a. (2018 - 11% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 10% p.a. (2018 - 8% p.a.) has been used in respect of the active employees.

42.4 Movement in the present value of Employee Benefits

This shows the movement in the present value of the Employee benefits.

As at 31st December	Note	2019 Rs.'000	2018 Rs.'000
Present value of unfunded obligation		151,027	107,404
Defined benefit obligations as at 1st January		107,404	86,693
Recognised in Income Statement and OCI			
Expenses recognised in Income Statement	42.5	32,709	26,522
Actuarial losses recognised in Other Comprehensive Income	42.6	17,084	3,073
Other			
Gratuity payments during the year		(6,170)	(8,884)
Defined benefit obligations as at 31st December		151,027	107,404

NOTES TO THE FINANCIAL STATEMENTS

42.5 Expenses recognised in Income Statement

For the year ended 31st December	2019 Rs.'000	2018 Rs.'000
Interest Cost	11,814	10,403
Current service costs	20,895	16,119
Total expenses recognise in income statement	32,709	26,522

42.6 Actuarial losses / (gains) in Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December	2019 Rs.'000	2018 Rs.'000
Actuarial loss arising from;		
Change in demographic assumptions	27	(609)
Change in financial assumptions	8,686	(4,136)
Change in experience adjustment	8,371	7,818
Total	17,084	3,073

Up to the year ended 31st December 2012, the Company recognised all actuarial gains or losses arising from defined benefit plans immediate against profit or loss in the Income Statement including all expenses related to defined plans in employee benefit expenses. With the adoption of revised LKAS-19 Employee Benefits which became effective from 1st January 2013, the re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

42.9 Sensitivity of assumptions used in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in the employment benefit liability measurement.

As at 31st December	2019		2018	
	Effect on defined benefit liability Rs.'000	Estimated defined benefit liability Rs.'000	Effect on defined benefit liability Rs.'000	Estimated defined benefit liability Rs.'000
Discount Rate				
1% increase in discount rate	(4,666)	146,361	(3,679)	103,725
1% decrease in discount rate	5,020	156,047	3,987	111,391
Salary Increment Rate				
1% increase in salary increment rate	5,662	156,689	4,522	111,926
1% decrease in salary increment rate	(5,352)	145,675	(4,238)	103,166

42.7 Expected Contributions to defined contribution and defined benefit plan

Expected contributions to the plan for the next annual reporting period is given below;

For the year ended 31st December	2020 Rs.'000
Defined Contribution Plans	
Employees' Provident Fund	
- Employer's Contribution (12%)	105,243
- Employees' Contribution (8%)	70,162
Employees' Trust Fund (ETF) (3%)	26,311
Defined Benefit Plans	37,150

42.8 Maturity analysis of the payments

As at 31st December	2019 Rs.'000	2018 Rs.'000
Within next 12 Months	47,667	33,789
Between 1 to 2 Years	35,310	23,943
Between 2 to 5 Years	37,326	25,894
Between 5 to 10 Years	23,254	16,855
Beyond 10 Years	7,470	6,923
Total Expected Payments	151,027	107,404
Weighted Average Duration of Defined Benefit Obligation	3.52 Years	3.92 Years

42.10 Method and Assumptions Used in Preparing the Sensitivity Analysis

The above sensitivity analyses are based on a change in significant assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method "Projected Unit Credit method (PUC)" has been applied as when calculating the defined benefit liability recognised in the balance sheet as at the reporting date.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

42.11 Employee Benefits for Key Management Personnel

Employee benefits of Key Management Personnel is disclosed in Note 46.6.

43. REINSURANCE PAYABLE



ACCOUNTING POLICY

Reinsurance payable represents balances due to reinsurance companies. Amount payables are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related insurance contracts.

Reinsurance liabilities are derecognised when the contractual liabilities are extinguished or expire, or when the contract is transferred to other party.

As at 31st December	2019 Rs.'000	2018 Rs.'000
As at 1st January	320,824	236,265
Arised during the year	991,455	201,096
Utilised during the year	(883,722)	(116,537)
Balance as at 31st December	428,557	320,824

44. OTHER LIABILITIES

Financial Liabilities

The Company initially recognises financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Please refer Note 29 for Accounting Policy relating to lease (SLFRS 16) effective from 1st January 2019.

Other Liabilities

Other Liabilities include accruals and advances and these liabilities are recorded at the amounts that are expected to be paid.

As at 31st December	Note	2019 Rs.'000	2018 Rs.'000
Financial Liabilities			
Commission / Incentive Payable	44.7	427,484	345,848
Premium Deposit		110,250	103,383
Amounts due to Related Parties	44.1	8,830	4,167
Other Payables		28,607	14,752
Lease Liabilities - (SLFRS 16)	44.2	368,435	-
Finance Lease Liability - (LKAS 17)	44.5	-	3,831
Tax and others statutory payables	44.6	55,947	68,514
Total Financial Liabilities		999,553	540,495
Non Financial Liabilities			
Accruals		331,445	301,338
Total Non Financial Liabilities		331,445	301,338
Total Other Liabilities		1,330,998	841,833

Maturity schedules of other financial liabilities are disclosed in page 313.

44.1 Amounts Due to Related Companies

Amounts due to related companies represents fund management fees payable to Softlogic Capital PLC.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Softlogic Capital PLC	8,830	4,167
Total	8,830	4,167

44.2 Lease Liabilities - (SLFRS 16)

Please refer Note 29 for accounting policy relating to leases under SLFRS 16.

As at 31st December	2019 Rs.'000
Transition Amount recognised in 1st January	317,157
Finance lease liabilities 1st January	3,831
Recognition of new lease agreement during the period	108,909
Interest expenses for the year	57,625
Payment of lease liabilities	(108,761)
De-recognition	(10,326)
Cumulative lease liabilities as at 31st December	368,435

NOTES TO THE FINANCIAL STATEMENTS

44.3 Maturity Analysis – Contractual Undiscounted Cash Flows

As at 31st December	2019
	Undiscounted Cash Flows Rs.'000
Less than one year	127,253
Between one and five years	365,024
More than five years	-
Total Undiscounted Lease Liabilities as at 31st December	492,277
Lease Liabilities included in the statement of financial position as at 31 December	368,435
Undiscounted Cash Flows	
Current	127,253
Non Current	365,024

44.4 Sensitivity Analysis

As at 31st December	2019	
	Effect on Lease Liabilities Rs.'000	Estimated Lease Liabilities Rs.'000
Discount Rate		
1% increase in discount rate	(49,911)	318,524
1% decrease in discount rate	49,911	418,346

44.5 Finance Lease Liability - (LKAS 17)

Information about finance leases under LKAS 17 for which the Company is a lessee is presented below.

Finance Lease

As at 31st December 2018	Present Value of minimum lease payment Rs.'000	Interest Rs.'000	Future minimum lease payment Rs.'000
Less than one year	2,830	228	3,058
Between one and five years	1,001	19	1,020
	3,831	247	4,078

44.6 Tax and Other Statutory Payables

As at 31st December	2019	2018
	Rs.'000	Rs.'000
Crop Insurance Levy	585	20,767
EPF / ETF Payable	13,577	12,190
CESS Payable	5,755	4,539
WHT Payable	10,659	8,458
PAYE Tax Payable	23,242	19,138
Other	2,129	3,422
Total	55,947	68,514

44.7 Commission / Incentive Payable

As at 31st December	2019	2018
	Rs.'000	Rs.'000
As at 01st January	345,848	361,743
Provision during the year	2,190,239	1,949,022
Payments during the year	(2,108,603)	(1,964,916)
Balance as at 31st December	427,484	345,848

45. OPERATING SEGMENTS

ACCOUNTING POLICY

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Key Management Personnel of the Company (being the Company's operating decision maker) to make decisions about resources allocated to each operating segment and assess performance, and for which discrete financial information is available.

Segment results that are reported to the KMP include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. There were no unallocated items. All items of income, expenses, assets and liabilities are properly allocated.

Segment capital expenditure included total cost incurred by the Company during the year to acquire property, plant and equipment, and intangible assets.

Basis for Segmentation

For management purposes and to comply with the regulatory framework, the Company is organised into business units based on their products and services and has two reportable operating segments. These segments offer different products and are managed separately because they require different operational, risk management and marketing strategies.

The following summary describes the products and services that each segment offers;

Reportable Segment	Product and Services
Life Policyholder Fund	Policyholder fund represents all long term insurance business related products and riders
Shareholder Fund	Shareholder fund represents the investment income and their attributable profits

No operating segments have been aggregated to form the above reportable segments.

Geographic Information

Activities of the Company are located in Sri Lanka. The economic environment in which the Company operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

45.1 Information about Reportable Segments

Segment performance and reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items are summarised below. Segment profit before tax, as included in the management reports reviewed by the Key Management Personnel of the Company is used to measure performance of the segments as this information is the most relevant in evaluating the results of individual segments.

45.1.(a) Summary of Segment Financial Performances

For the Year ended 31st December	2019			2018		
	Policyholder Fund Rs.'000	Shareholder Fund Rs.'000	Total Rs.'000	Policyholder Fund Rs.'000	Shareholder Fund Rs.'000	Total Rs.'000
Segment revenue						
External revenues						
Gross Written Premium	12,531,283	-	12,531,283	10,005,753	-	10,005,733
Inter-segment revenue	-	-	-	-	-	-
Total Segment revenue	12,531,283	-	12,531,283	10,005,753	-	10,005,733
Net Earned Premium	11,539,828	-	11,539,828	9,279,175	-	9,279,175
Interest income	966,245	136,948	1,103,193	756,612	116,336	872,948
Total other revenue	306,164	174,757	480,921	1745	78,690	80,435
Total Net Revenue	12,812,237	311,705	13,123,942	10,037,532	195,026	10,232,558
Interest expense / Finance cost	(118,299)	-	(118,299)	(66,501)	-	(66,501)
Depreciation and amortisation	(134,251)	(137,244)	(271,495)	(7,136)	(113,295)	(120,431)
Net Insurance claims and benefits	(2,996,112)	-	(2,996,112)	(2,339,004)	-	(2,339,004)
Change in Contract Liabilities	(1,169,696)	-	(1,169,696)	(1,500,589)	-	(1,500,589)
Other expenses	(6,114,404)	149,621	(5,964,783)	(5,073,302)	(37,969)	(5,111,271)
Total Claims, benefits and other expenses	(10,532,762)	12,377	(10,520,385)	(8,986,532)	(151,264)	(9,137,796)
Segment Profit Before Tax	2,279,475	324,082	2,603,558	1,051,000	43,762	1,094,762
Income Tax Expenses	-	(430,714)	(430,714)	-	2,241,483	2,241,483
Segment Profit After Tax	2,279,475	(106,632)	2,172,843	1,051,000	2,285,245	3,336,245

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

45.1.(b) Summary of Segment Financial Position

As at 31st December	2019			2018		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Segment Assets	13,223,646	7,459,228	20,682,874	10,971,063	6,361,904	17,332,967
Segment Equity	(456,408)	8,675,327	8,218,919	(612,484)	7,283,447	6,670,963
Segment Liabilities	13,680,054	(1,216,099)	12,463,955	11,583,547	(921,543)	10,662,004
Other Material Items						
Financial Investments	10,328,504	4,582,240	14,910,944	8,944,095	3,121,146	12,065,241
Property Plant and Equipment	266,000	409,668	675,668	228,864	390,195	619,059
Insurance Contract Liabilities	10,377,102	-	10,377,102	9,021,521	-	9,021,521
Capital expenditure	-	154,240	154,240	-	156,729	156,729

45.1.(c) Summary of Segment Cash Flows

For the Year ended 31st December	2019			2018		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash flows from operating activities	3,041,216	170,326	3,211,542	2,025,454	249,318	2,274,772
Cash flows from investing activities	(2,742,669)	373,612	(2,369,057)	(2,256,935)	(249,194)	(2,506,129)
Cash flows from financing activities	(108,761)	(543,750)	(652,511)	-	-	-

45.2 Major Customers

As at the reporting date, none of the customer has recognised by the Company as major customer.

45.3 Impairment Loss Directly Recognised in Equity

	2019	
	LSH	LPH
Impairment allowances on transition	7,346	13,420

In 2018, no impairment loss has been recognised directly in equity.

46. RELATED PARTY DISCLOSURE

The Company carried out transactions in the ordinary course of business on arm's length basis with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24 'Related Party Disclosures'.

46.1 Terms and Conditions of Transactions With Related Parties

Transactions with related parties are carried out in the ordinary course of business. Outstanding balances at year end are unsecured and interest free. Settlement will take place in cash. No guarantees given or received during the period.

46.2 Non-Recurrent Related Party Transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31st December 2019 audited financial statements, which required additional disclosures in the 2019 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

46.3 Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue of the Company as per 31 December 2019 audited financial Statements, which required additional disclosures in the 2019 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

46.4 Parent and Ultimate Controlling Party

The parent entity of the Company is Softlogic Capital PLC. In the opinion of Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka.

46.4.(a) Ultimate Parent of the Group

The Group does not have an identifiable parent of its own.

46.5 Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company

Accordingly, the Directors (including Executive and Non-Executive Directors) have been classified as Key Management Personnel of the Company.

46.6 Transactions with KMP

Please refer Note 46.1 for terms and conditions of transactions

Compensation of KMP

Key management personnel compensation comprised the following.

For the year ended 31st December	2019	2018
	Rs.'000	Rs.'000
Short term employment benefits	65,858	52,175
Post-employment benefits	3,426	5,670
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Fees Paid	20,516	21,915
Total	89,800	79,760

Transactions Recorded in Income Statement

For the year ended 31st December	Note	2019 Rs.'000	2018 Rs.'000
Insurance Premiums		4,606	4,867
Professional Charges		656	797
Compensation to KMP	46.6	89,800	79,760
Total		95,062	85,424

Transactions Recorded in Statement of Financial Position

As at 31st December	2019 Rs.'000	2018 Rs.'000
Assets		
Insurance Premiums Receivable	2,650	3,959
Total	2,650	3,959

* No loans have been granted to the Directors of the Company.

No Impairment losses have been recorded against balances outstanding with KMP.

46.7 Share-based transactions of KMP and IFM

As at 31st December	2019	2018
Number of ordinary shares held as at 31 December	Nil	Nil
Dividends paid (in Rs. '000) during the year	Nil	Nil

46.8 Key Management Personnel Services That are Provided by Separate Management Entity

During the period ended 31st December 2019 the Company did not received KMP services from separate management entity.

46.9 Transactions, Arrangements and Agreements Involving KMP and their Immediate Family Members (IFM)

Immediate Family Members (IFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependents of the KMP or the KMP domestic partner. IFM are related parties to the Company.

There are no transactions with the IMF of KMP of the Company during the year (2018 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

46.10 Following Directors were appointed to the Board of the Company

Name of the Director	Effective date of Appointment	Directorship
Mr. Visvanathamoorthy Govindasamy*	16th January 2020	Independent Non Executive Director
Mr. Raimund Synders*	05th February 2020	Independent Non Executive Director

* Subject to obtaining approval from Insurance Regulatory Commission of Sri Lanka.

46.11 Following Directors have resigned from the Board of the Company

Name of the Director	Effective date of Resigned	Directorship
Mr. Rudiger Will	16th January 2020	Independent Non Executive Director

Accordingly, Mr. Rudiger Will cease to be Key Management Personnel of the Company w.e.f. the dates of his resignation.

46.12 Transactions with the Parent

Please refer Note 46.1 for terms and conditions of transactions

Transactions Recorded in Income Statement

For the year ended 31st December	2019 Rs.'000	2018 Rs.'000
Insurance Premiums	483	-
Receiving of services	103,199	91,135
Expenses	28,265	-
Claims Paid	2	-
Dividend Paid	269,883	-

46.13 Transactions with the Ultimate Parent

Please refer Note 46.1 for terms and conditions of transactions

Transactions Recorded in Income Statement

For the year ended 31st December	2019 Rs.'000	2018 Rs.'000
Insurance Premiums	5,853	-
Receiving of services	-	-
Expenses	724	763
Claims Paid	-	-
Dividend Paid	244	-

Transactions Recorded in Statement of Financial Position

As at 31st December	2019 Rs.'000	2018 Rs.'000
Transaction with Parent		
Assets		
Investments	100,477	-
Insurance premium receivable	122	-
	100,599	-
Transaction with Ultimate Parent		
Assets		
Investments	-	-
Insurance premium receivable	158	-
	158	-
Other Liabilities - Parent	8,830	4,167
	8,830	4,167

During the period, the Company recognised impairment loss of Rs.81,418 on above investment (2018 - Nil).

46.14 Transactions with Other Related Entities

46.14.(a) Transactions with Subsidiary Companies of the Parent and Ultimate Parent

Please refer Note 46.1 for terms and conditions of transactions

Other related entities are those which are controlled, directly or indirectly by Key Management Personnel of the Company and transactions with Companies under common control.

Further Directors' interest in contracts with the company have been disclosed in pages 210 to 213.

Transactions Recorded in Income Statement

For the year ended	2019 Rs.'000	2018 Rs.'000
Transaction		
Insurance Premiums	133,386	27,015
Dividend received	11,646	3,574
Claims Paid	5,792	5,000
Expenses	121,091	123,548
	271,915	159,137

Transactions Recorded in Statement of Financial Position

As at 31st December	2019 Rs.'000	2018 Rs.'000
Transaction		
Investments	399,904	242,480
Insurance premium receivable	64,820	17,904
Purchases of property plant & equipment	26,681	44,489
	491,405	304,873

No Impairment losses have been recorded against above outstanding balances from other related entities.

46.15 Purchase of its Own Shares

The Company did not purchase its own shares from related parties during the period ended 31st December 2019 (2018 - Nil).

47. CAPITAL COMMITMENTS

The Company has commitments for acquisition of property, plant and equipment incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Approved and contracted for	31,907	17,295
Total Capital Commitments	31,907	17,295

Bank Guarantees

Following Bank Guarantees have been provided as at 31st December 2019,

- ▶ In terms of subsection 2 of section 7 of the Tax Appeals Commission Act, No. 23 of 2011 provided a guarantee amounting to Rs. 15.7 million through Nation Trust Bank PLC.
- ▶ To obtain business mail service the Company has provided a bank guarantee amounting to Rs. 1.5 million through Nation Trust Bank PLC.
- ▶ Bid Bond Guarantees amounting Rs. 0.6 million for Tender for Group Life scheme.

48. EVENTS AFTER THE REPORTING PERIOD

ACCOUNTING POLICY

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

In accordance with LKAS 10 - Events after the Reporting Period, No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements.

49. PROVISIONS AND CONTINGENCIES

ACCOUNTING POLICY

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cashflows at a pre tax rate that reflect current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised in the profit or loss.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets".

NOTES TO THE FINANCIAL STATEMENTS

49. PROVISIONS AND CONTINGENCIES (CONTD.)

The Contingent Liability of the Company as at 31st December 2019, relates to the followings;

Assessment in Respect of Value Added Tax (VAT)

(1.) The Company received with VAT assessments from the Department of Inland Revenue for the taxable period 2010 and was determined by the Tax Appeal Commissions on 22nd August 2019. Out of total 11 assessments, 08 assessments were determined in favour of Commissioner General of Inland Revenue amounting to Rs. 46.5 Million including the penalty and 03 assessments were determined in favour of Softlogic Life Insurance PLC amounting to Rs. 24.8 Million including the penalty.

The Company transmitted the case to the Court of Appeal being dissatisfied with the determination which determined in favour of the Commissioner General of Inland Revenue and case is stated for the opinion of the Honourable Court of Appeal. The Total tax exposure of this appeal is Rs. 46.5 million including the penalty.

The Commissioner General of Inland Revenue, transmitted the case to the Court of Appeal being dissatisfied with the determination which determined in favour of Softlogic Life Insurance PLC and case is stated for the opinion of the Honourable Court of Appeal. The Total tax exposure of this appeal is Rs. 24.8 million including the penalty.

(2.) The Company has been issued with an assessment by the Department of Inland Revenue on 10th March 2016 under the Value Added Tax Act, in relation to the quarter ending 31st March 2014 for Rs. 57.4 Million.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 8th April 2016 for the vat assessment issued for the quarter ending 31st March 2014 on the basis that the underlying computation includes items which are exempt /out of scope of the VAT Act. The Company is awaiting the CGIR determination.

Assessment in Respect of Value Added Tax on Financial Services (VAT on FS)

(3.) The Company has been issued with assessments by the Department of Inland Revenue on 10th July 2018 and 6th August 2019 under the Value Added Tax Act, in relation to the taxable period ending 31st December 2014 and 31st December 2016 amounting to Rs. 68.7 Million and 28 Million respectively.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 24th August 2018 and 27th September 2019 on the basis that the underlying computation includes items which are out of scope of the VAT Act. The Company is awaiting the CGIR determination.

Assessment in Respect of Nation Building Tax on Financial Services (NBT on FS)

(4.) The Company has been issued with an assessment by the Department of Inland Revenue on 8th August 2019 and 30th December 2019 under the Nation Building Tax Act, in relation to the taxable period ending 31st December 2016 and 31st December 2017 amounting to Rs. 4.3 Million and Rs. 13.7 Million respectively.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 20th September 2019 and 13th February 2020 on the basis that the underlying computation includes items which are out of scope of the NBT Act. The Company is awaiting the CGIR determination.

Life Insurance Taxation

(5.) The Tax Appeals Commission issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2010/11 amounting to Rs. 679,000/-, in favour of the Softlogic Life Insurance PLC and The Commissioner General of Inland Revenue has transmitted this case to the Court of Appeal being dissatisfied with the said determination of Tax Appeals Commission and case is stated for the opinion of the Honourable Court of Appeal. The Company is awaiting the hearing from the Court of appeal.

(6.) The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2011/12, 2012/13 and 2014/15 amounting to Rs. 73.1 Million, in favour of the Commissioner General of Inland Revenue and the Company is in the process of hearing the appeals with Tax Appeals Commission.

(7.) The Department of Inland Revenue has raised assessments on Softlogic Life Insurance PLC for the year of assessment 2013/14, 2015/16, 2016/17 and 2017/18, assessing the life insurance business to pay an income tax liability of 967 Million along with penalty (before deducting the available Tax credits) and the Company has lodged a valid appeal against the said assessment.

Directors are of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submission and therefore, the probability of company having to settle any of this tax assessments are very low.

Comply with IFRIC - 23

The Company reviewed its income tax treatments in order to determine whether IFRIC 23 interpretation could have an impact on the financial statements. Accordingly, concluded that the Company's existing accounting policy for uncertain tax treatments is consistent the requirements in IFRIC 23 uncertainty Tax Treatments.

49.1 Litigations and Claims

Litigations that are pending against the Company other than those arising in the normal course of conducting insurance business.

In the opinion of the Directors and in consultation with the company lawyers, litigations that are currently pending against the company will not have a material impact on the reported financial results or future operations of the Company. All pending litigations for claims have been evaluated and adequate provisions have been made in these Financial Statements where necessary.

Compliance with Solvency Regulation

The company is also subject to insurance solvency regulations and has complied with all solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

50. COMPARATIVE INFORMATION

The presentation and classification of following items in these financial statements are amended to ensure comparability with the current year information.

As at 31st December	2019 Current Presentation Rs.'000	2018 Previously Rs.'000
Statement of Financial Position		
Change in Presentation of Other Liabilities		
Amounts due to Related Companies	-	4,167
Other Liabilities (Note 44)	841,833	837,666
Change in Presentation of Reserves		
Available for Sale Reserve	-	(1,513,394)
Revaluation Reserve	-	48,436
Other Reserve (Note 40)	(1,464,958)	-

Change in Presentation of Other Liabilities

Amounts due to Related Companies were recognised separately in the Statement of Financial Position as at 31st December 2018 and has been reclassified under Other Liabilities in the Statement of Financial Position as at 31st December 2019.

Change in Presentation of Reserves

As at 31st December, the Company was presented Available for Sale Reserve and Revaluation Reserve separately in the Statement of Financial Position and same has been presented in Other Reserve in the Statement of Financial Position as at 31st December 2019.

* With the implementation of SLFRS 9 w.e.f 1st January 2019, AFS reserves have been transferred to Fair Value Reserve

NOTES TO THE FINANCIAL STATEMENTS

50.1 Impact on adoption of SLFRS 9 "Financial Instruments"

Statement of Financial Position

As at 31st December	2019 Current Presentation Rs.'000	2018 Previously Rs.'000
Amortised Cost / Held to Maturity	245,115	-
Amortised Cost / Loans and Receivables	5,614,236	-
Fair Value Through Other Comprehensive Income / Available-For-Sale	4,394,870	-
Fair Value through Profit or Loss	1,811,020	1,811,020
Held to Maturity	-	245,115
Loans and Receivables	-	5,614,236
Available-For-Sale	-	4,394,870
Total	12,065,241	12,065,241

Income Statement

For the year ended 31st December	2019 Current Presentation Rs.'000	2018 Previously Rs.'000
Fair Value through Profit or Loss	68,804	68,804
Amortised Cost / Held to Maturity	22,402	-
Amortised Cost / Loans and Receivables	529,344	-
Fair Value Through Other Comprehensive Income / Available-For-Sale	333,703	-
Held to Maturity	-	22,402
Loans and Receivables	-	529,344
Available-For-Sale	-	333,703
Total	954,253	954,253

The Company has not restated the comparative information for 2018 for financial instruments within the scope of Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments". Therefore, the comparative information on financial instruments are reported under Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and Measurement". The above disclosures were made to enhance the understandability of the users of these Financial Statements.

Further the company has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17.

51. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements. Please refer to pages 206 and 207 of the Statement of Directors' Responsibility for Financial Reporting.



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Premium Receivables	6	386			

LIFE INSURANCE FUND

STATEMENT OF FINANCIAL POSITION

As at 31st December

	Note	Page	2019 Rs. '000	2018 Rs. '000
Assets				
Property, Plant and Equipment	1	385	266,000	228,864
Right of Use Asset	2	385	408,044	-
Financial Investments	3	385	10,328,503	8,944,095
Loans to Life Policyholders	4	386	224,672	161,001
Reinsurance Receivables	5	386	188,131	154,802
Premium Receivables	6	386	743,549	507,434
Receivables and Other Assets	7	386	688,969	594,724
Cash and Cash Equivalents	8	387	375,778	380,143
Total Assets			13,223,646	10,971,063
Equity and Liabilities				
Equity				
Other Reserves			(549,117)	(660,920)
Revaluation Reserve			92,709	48,436
Total Equity			(456,408)	(612,484)
Liabilities				
Insurance Contract Liabilities	9	387	10,377,102	9,021,521
Employee Benefits	10	387	151,027	107,404
Reinsurance Payables	11	387	428,557	320,824
Other Liabilities	12	387	2,547,097	1,763,376
Bank Overdraft			176,271	370,422
Total Liabilities			13,680,054	11,583,547
Total Equity and Liabilities			13,223,646	10,971,063

INSURANCE REVENUE ACCOUNT

For the Year ended 31st December

	2019 Rs. '000	2018 Rs. '000
Life Insurance - Policyholder Fund		
Gross Written Premium	12,531,283	10,005,733
Premiums Ceded to Reinsurers	(991,455)	(726,558)
Net Written Premium	11,539,828	9,279,175
Finance and Other Income	1,272,409	758,357
Net Benefits and Claims Expenses	(2,996,112)	(2,339,004)
Change in Insurance Contract Liabilities	(1,169,696)	(1,500,589)
Underwriting and Net Acquisition Costs (Including Reinsurance)	(2,968,714)	(2,044,220)
Expenses	(3,398,240)	(3,102,719)
Surplus from Life Insurance Fund	2,279,475	1,051,000
Shareholder Fund		
Finance and Other Income not Attributable to Policyholders	311,705	195,026
Reversal / (Expenses) not Attributable to Policyholders	12,378	(151,264)
Profit Before Tax - Shareholder Fund	324,083	43,762
Income Tax not attributable to Policyholders	(430,715)	2,241,483
Profit from Shareholder Fund	(106,632)	2,285,245
Profit for the year - Company	2,172,843	3,336,245

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

1. PROPERTY, PLANT AND EQUIPMENT

Refer accounting policies set out in Note 28 in page 334.

	Freehold Land Rs. '000	Freehold Building Rs. '000	Total 2019 Rs. '000	Total 2018 Rs. '000
Cost / Revaluation				
Balance as at 1st January 2019	120,000	116,000	236,000	236,000
Surplus on revaluation	40,000	4,272	44,272	-
Transferred of accumulative depreciation on revalued assets	-	(14,272)	(14,272)	-
Balance as at 31st December 2019	160,000	106,000	266,000	236,000
Accumulated Depreciation and impairment losses				
Balance as at 1st January 2019	-	7,136	7,136	-
Depreciation for the year	-	7,136	7,136	7,136
Transferred of accumulative depreciation on revalued assets	-	(14,272)	(14,272)	-
Balance as at 31st December 2019	-	-	-	7,136
Carrying Value as at 31st December 2019	160,000	106,000	266,000	
Carrying Value as at 31st December 2018	120,000	108,864		228,864

2. RIGHT-OF-USE ASSETS

Refer accounting policies set out in Note 29 in page 340.

As at 31st December 2019	Branch and office premises Rs. '000
As at 01st January	398,022
Additions to right-of-use assets	147,386
Depreciation charge for the year	(127,115)
Derecognition of right-of-use assets	(10,249)
Balance as at 31st December	408,044

3. FINANCIAL INVESTMENTS

As at 31st December	Note	2019 Rs. '000	2018 Rs. '000
Amortised Cost / Held to Maturity	3.1	252,029	245,115
Amortised Cost / Loans and Receivables	3.2	4,994,764	4,354,987
Fair Value Through Other Comprehensive Income / Available-For-Sale	3.3	2,284,820	2,971,792
Fair Value through Profit or Loss	3.4	2,796,890	1,372,201
Total Financial Investments		10,328,503	8,944,095

3.1 Amortised Cost / Held to Maturity

Refer accounting policies set out in Note 31.2 in page 346.

As at 31st December	2019 Rs. '000	2018 Rs. '000
Treasury Bonds	252,029	245,115
Total	252,029	245,115

3.2 Amortised Cost / Loans and Receivables

Refer accounting policies set out in Note 31.3 in page 346.

As at 31st December	2019 Rs. '000	2018 Rs. '000
Commercial Papers	888,977	656,794
Debt Securities - Debentures	3,834,957	2,615,460
Bank Deposits	26	638,297
Reverse Repos	270,804	444,436
Total	4,994,764	4,354,987

3.3 Fair Value Through Other Comprehensive Income / Available-For-Sale

Refer accounting policies set out in Note 31.4 in page 350.

As at 31st December	2019 Rs. '000	2018 Rs. '000
Equity - Quoted	644,598	490,285
Treasury Bonds	1,640,222	2,481,507
Total	2,284,820	2,971,792

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

3.4 Fair Value through Profit or Loss

Refer accounting policies set out in Note 31.5 in page 353.

As at 31st December		2019	2018
	Note	Rs.'000	Rs.'000
Equity	3.4.1	475,837	655,423
Money Market - Treasury Bonds		1,935,989	221,584
Unit Trust		385,064	495,194
Total		2,796,890	1,372,201

3.4.1 Equity Securities

As at 31st December		2019	2018
		Rs.'000	Rs.'000
Banks, Finance & Insurance			
Commercial Bank of Ceylon PLC		114,000	105,326
Sampath Bank PLC		93,376	111,043
People's Leasing & Finance PLC		17,900	-
Hatton National Bank PLC		-	106,938
Seylan Bank PLC		-	14,359
Union Bank of Colombo PLC		-	66,256
		225,276	403,922
Beverage, Food and Tobacco			
Ceylon Cold Stores PLC		41,416	-
		41,416	-
Construction and Engineering			
Access Engineering PLC		44,231	-
		44,231	-
Diversified Holdings			
John Keells Holdings PLC		5,866	151,324
Melstacorp PLC		52,404	-
Vallibel One PLC		-	14,107
		58,270	165,431
Footwear and Textiles			
Teejay Lanka PLC		65,370	34,125
		65,370	34,125
Healthcare			
The Lanka Hospital Corporation PLC		-	2,684
		-	2,684
Manufacturing			
Lanka Tiles PLC		30,680	-
		30,680	-
Power & Energy			
Lanka IOC PLC		10,594	-
LVL Energy Fund Limited		-	13,117
		10,594	13,117
Telecommunications			
Dialog Axiata PLC		-	36,144
		-	36,144
Total		475,837	655,423

4. LOANS TO LIFE POLICYHOLDERS

Refer accounting policies set out in Note 32 in page 357.

As at 31st December	2019	2018
	Rs.'000	Rs.'000
Balance as at 01st January	161,001	140,385
Loans Granted During the Year	103,066	64,947
Repayments During the Year	(69,294)	(65,792)
Change in Interest Receivable	29,899	21,461
Balance as at 31st December	224,672	161,001

5. REINSURANCE RECEIVABLES

Refer accounting policies set out in Note 33 in page 358.

As at 31st December	2019	2018
	Rs.'000	Rs.'000
Reinsurance Receivable on Outstanding Claims	110,966	51,140
Reinsurance Receivable on settled Claims net of dues	77,165	103,662
Total Receivable arising from Reinsurance Contracts	188,131	154,802

6. PREMIUM RECEIVABLES

Refer accounting policies set out in Note 34 in page 359.

As at 31st December	2019	2018
	Rs.'000	Rs.'000
Premiums receivable from;		
Non Related Parties	675,799	485,571
Related Parties	67,750	21,863
Total Premiums Receivable	743,549	507,434

7. RECEIVABLES AND OTHER ASSETS

Refer accounting policies set out in Note 35 in page 360.

As at 31st December	2019	2018
	Rs.'000	Rs.'000
Financial Assets		
Refundable Deposits	52,935	22,121
Receivable from Fairfirst Insurance Ltd (Net of provisions)	2,400	1,200
Total Financial Assets	55,335	23,321
Non Financial Assets		
Tax Recoverable	49,639	9,935
Advances and Prepayments	583,995	561,468
Total Non Financial Assets	633,634	571,403
Total Receivables and Other Assets	688,969	594,724

8. CASH AND CASH EQUIVALENTS

Refer accounting policies set out in Note 36 in page 360.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Cash in Hand	5,580	5,236
Cash at Bank	370,198	374,907
Total Cash in Hand and at Bank	375,778	380,143

9. INSURANCE CONTRACT LIABILITIES

Refer accounting policies set out in Note 41 in page 362.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Life Insurance Fund	8,682,545	7,556,032
Surplus Created due to Change in Valuation method from NPV to GPV	1,056,535	1,056,535
Life Fund with one-off surplus	9,739,080	8,612,567
Claims Payables / Unclaimed Benefits	638,022	408,954
Total Insurance Contract liabilities	10,377,102	9,021,521

10. EMPLOYEE BENEFITS

Refer accounting policies set out in Note 42 in page 370.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Defined benefit obligations as at 1st January	107,404	86,693
Recognised in Income Statement and OCI		
Expenses recognised in Income Statement	32,709	26,522
Actuarial losses recognised in Other Comprehensive Income	17,084	3,073
Other		
Gratuity payments during the year	(6,170)	(8,884)
Defined benefit obligations as at 31st December	151,027	107,404

11. REINSURANCE PAYABLES

Refer accounting policies set out in Note 43 in page 373.

As at 31st December	2019 Rs.'000	2018 Rs.'000
As at 1st January	320,824	236,265
Arised during the year	991,455	201,096
Utilised during the year	(883,722)	(116,537)
Balance as at 31st December	428,557	320,824

12. OTHER LIABILITIES

Refer accounting policies set out in Note 44 in page 373.

As at 31st December	2019 Rs.'000	2018 Rs.'000
Commission Payable	427,496	345,848
Current Account	1,311,628	972,291
Accruals and Other Payables	439,538	445,237
Operating Lease Liabilities	368,435	-
Total Other Reserve	2,547,097	1,763,376

QUARTERLY ANALYSIS

2019	1 Quarter Jan - Mar Rs. '000	2 Quarter Apr - Jun Rs. '000	3 Quarter July - Sep Rs. '000	4 Quarter Oct - Dec Rs. '000	Total 2019 Rs. '000
Gross Written Premium	2,878,346	2,952,481	3,138,635	3,561,821	12,531,283
Premiums Ceded to Reinsurers	(216,821)	(228,180)	(259,656)	(286,798)	(991,455)
Net Earned Premium	2,661,525	2,724,301	2,878,979	3,275,023	11,539,828
Other Revenue					
Finance income	358,124	281,030	273,860	305,762	1,218,776
Net Realized Gains	46,933	26,684	26,017	24,602	124,236
Net Fair Value Gains / (Losses)	(86,965)	208,650	1,707	108,205	231,597
Other Operating Revenue	3,701	2,301	(173)	3,676	9,505
Total Other Revenue	321,793	518,665	301,411	442,245	1,584,114
Total Net Income	2,983,318	3,242,966	3,180,390	3,717,268	13,123,942
Benefits, Claims & Expenses					
Net Insurance Benefits and Claims	(714,394)	(658,611)	(791,291)	(831,816)	(2,996,112)
Change in Insurance Contract Liabilities - Life	305,533	(406,120)	(362,410)	(706,699)	(1,169,696)
Underwriting and Net Acquisition Cost, Net of Reinsurance	(677,988)	(726,926)	(738,062)	(825,738)	(2,968,714)
Other Operating & Administration Expenses	(829,207)	(773,151)	(784,827)	(880,378)	(3,267,563)
Finance Cost	(30,623)	(30,064)	(27,482)	(30,130)	(118,299)
Total Benefit, Claims and Expenses	(1,946,679)	(2,594,872)	(2,704,072)	(3,274,761)	(10,520,384)
Profit Before Tax	1,036,639	648,094	476,318	442,507	2,603,558
Income Tax (Expense) / Reversal	(292,289)	(183,769)	(126,329)	171,672	(430,715)
Profit for the Period	744,350	464,325	349,989	614,179	2,172,843
2018	1 Quarter Jan - Mar Rs. '000	2 Quarter Apr - Jun Rs. '000	3 Quarter July - Sep Rs. '000	4 Quarter Oct - Dec Rs. '000	Total Rs. '000
Gross Written Premium	2,247,963	2,389,626	2,491,471	2,876,673	10,005,733
Premiums Ceded to Reinsurers	(140,337)	(165,919)	(166,775)	(253,527)	(726,558)
Net Earned Premium	2,107,626	2,223,707	2,324,696	2,623,146	9,279,175
Other Revenue					
Finance Income	256,061	210,077	235,293	252,822	954,253
Net Realized Gains / (Losses)	122,938	17,394	(5,423)	(38,836)	96,073
Net Fair Value Gains / (Losses)	(61,084)	(65,498)	(42,595)	71,181	(97,996)
Other Operating Revenue	1,384	1,072	(1,633)	230	1,053
Total Other Revenue	319,299	163,045	185,642	285,397	953,383
Total Net Income	2,426,925	2,386,752	2,510,338	2,908,543	10,232,558
Benefits, Claims & Expenses					
Net Insurance Benefits and Claims	(503,626)	(632,745)	(592,716)	(609,917)	(2,339,004)
Change in Insurance Contract liabilities - Life Fund	(45,610)	(264,292)	(546,237)	(644,450)	(1,500,589)
Underwriting and Net Acquisition Cost, Net of Reinsurance	(519,233)	(470,306)	(520,656)	(534,025)	(2,044,220)
Other Operating & Administration Expenses	(713,601)	(725,733)	(923,560)	(824,588)	(3,187,482)
Finance Cost	(6,163)	(7,655)	(10,840)	(41,843)	(66,501)
Total Benefits, Claims & Expenses	(1,788,233)	(2,100,731)	(2,594,009)	(2,654,823)	(9,137,796)
Profit Before Tax	638,692	286,021	(83,671)	253,720	1,094,762
Income Tax Reversal / (Expense)	-	-	2,401,663	(160,180)	2,241,483
Profit for the Period	638,692	286,021	2,317,992	93,540	3,336,245

DECADE AT A GLANCE - FINANCIAL POSITION

	2019	2018	2017	2016	2015	2014*	2013*	2012*	2011*	2010*
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets										
Intangible Assets	444	2,089	7,145	13,236	21,982	15,009	-	-	-	-
Property Plant & Equipment	675,468	619,059	577,705	485,014	427,519	289,725	92,820	70,073	56,423	46,432
Right of Use Asset	408,044	-	-	-	-	-	-	-	-	-
Deferred Tax Assets	2,230,768	2,750,962	420,000	-	-	-	-	-	-	-
Investments in Subsidiary	-	-	-	-	800,000	100,000	-	-	-	-
Financial Investments	14,910,744	12,065,241	9,994,488	8,218,287	7,744,020	6,642,677	4,826,752	3,143,117	2,525,597	1,954,696
Investment Property	-	-	-	-	-	-	-	-	-	36,750
Loans to Life Policyholders and Others	224,672	161,001	140,385	162,448	143,640	134,352	106,618	79,794	59,595	44,656
Reinsurance Receivables	188,131	154,802	149,548	85,940	62,643	73,316	61,774	61,140	3,765	3,618
Premium Receivables	743,549	507,434	290,821	92,318	67,274	50,169	46,085	7,679	-	-
Amounts due from Related Companies	-	-	-	-	634	1,382	-	-	-	-
Other Assets	923,961	691,109	579,409	627,810	354,790	211,423	95,046	72,128	82,724	98,398
Cash & Cash Equivalents	377,093	381,270	318,945	232,554	192,118	105,028	94,254	90,663	11,817	46,071
Total Assets	20,682,874	17,332,967	12,478,446	9,917,607	9,814,620	7,623,081	5,323,349	3,524,594	2,739,921	2,230,621
Equity and Liabilities										
Equity & Reserves										
Stated Capital	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	500,000	500,000	-	-	-
Retained Earnings	7,764,216	6,275,417	2,942,245	2,223,276	1,845,655	450,181	332,199	-	-	-
Restricted Regulatory Reserve	798,004	798,004	798,004	-	-	-	-	-	-	-
Other Reserves	(1,405,801)	(1,464,958)	(916,620)	(1,323,610)	(470,220)	453,206	103,319	36,552	-	-
Total Equity & Reserves	8,218,919	6,670,963	3,886,129	1,962,166	2,437,935	1,403,387	935,518	36,552	-	-
Liabilities										
Insurance Contract Liabilities - Life	10,377,102	9,021,521	7,438,592	6,935,047	6,192,615	5,223,695	3,938,030	3,055,723	2,353,008	1,929,352
Employee Benefits	151,027	107,404	86,693	73,436	45,796	25,724	20,502	14,851	13,606	8,663
Reinsurance Payables	428,557	320,824	236,265	139,262	92,972	14,704	81,989	25,103	43,419	34,326
Amounts due to Related Companies	-	-	4,615	27,621	31,603	-	24	33,567	-	-
Other Liabilities	1,330,998	841,833	754,027	676,230	414,338	654,218	249,722	323,513	329,888	258,280
Current Tax Liabilities	-	-	-	-	269,700	-	-	-	-	-
Short Term Borrowings	-	-	-	-	-	154,483	50,000	-	-	-
Bank overdrafts	176,271	370,422	76,740	131,466	361,264	146,871	47,588	68,852	-	-
Total Liabilities	12,463,955	10,662,004	8,592,317	7,955,441	7,376,685	6,219,695	4,387,831	3,488,042	2,739,921	2,230,621
Total Equity and Liabilities	20,682,874	17,332,967	12,478,446	9,917,607	9,814,620	7,623,081	5,323,349	3,524,594	2,739,921	2,230,621

*Represents Life Insurance Segment result when Composite Company.

DECADE AT A GLANCE - FINANCIAL PERFORMANCE

	2019	2018	2017	2016	2015	2014*	2013*	2012*	2011*	2010*
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Income Statement										
Gross Written Premium	12,531,283	10,005,733	7,530,935	5,635,701	4,091,042	3,048,148	2,520,283	2,034,084	1,579,191	1,242,608
Net Earned Premium	11,539,828	9,279,175	6,728,473	5,002,748	3,589,571	2,816,593	2,138,666	1,707,103	1,321,556	1,037,936
Other Revenue	1,584,114	953,383	1,069,179	753,005	867,754	1,477,322	709,271	347,434	255,891	412,081
Net Income	13,123,942	10,232,558	7,797,652	5,755,753	4,457,325	4,293,915	2,847,937	2,054,537	1,577,447	1,450,017
Net Insurance Benefits & Claims	(2,996,112)	(2,339,004)	(1,222,501)	(1,072,166)	(433,732)	(312,491)	(214,101)	(143,116)	(123,547)	(103,076)
Net Acquisition Cost	(2,968,714)	(2,044,220)	(1,830,773)	(1,580,473)	(992,572)	(714,531)	(603,629)	(509,727)	(291,226)	(247,791)
Expenses	(3,385,862)	(3,253,983)	(2,322,492)	(1,848,586)	(1,072,007)	(1,173,695)	(754,513)	(694,476)	(539,018)	(476,583)
Operating Surplus before Transfer										
to Insurance Provision - Life	3,773,254	2,595,351	2,421,886	1,254,528	1,959,014	2,093,198	1,275,694	707,218	623,656	622,567
Transfer to Insurance Provision										
- Life	(1,169,696)	(1,500,589)	(517,365)	(287,685)	(966,452)	(1,253,098)	(842,119)	(551,339)	(423,656)	(368,957)
Profit Before Tax	2,603,558	1,094,762	1,904,521	966,843	992,562	840,100	433,575	155,879	200,000	253,610
Income Tax	(430,715)	2,241,483	420,000	-	-	-	-	-	-	-
Profit for the year	2,172,843	3,336,245	2,324,521	966,843	992,562	840,100	433,575	155,879	200,000	253,610

*Represents Life Insurance Segment result when Composite Company.

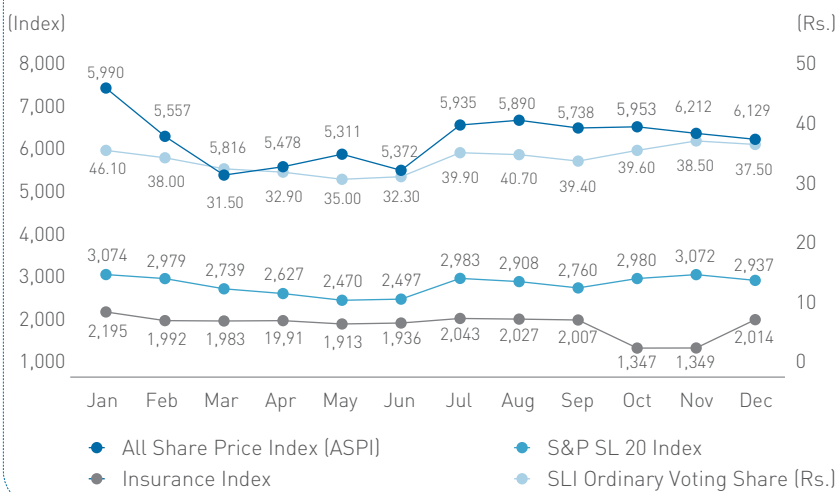
INVESTOR RELATIONS

"Investor Relations" describes the activities that the company undertakes to build and maintain relationships with existing and potential shareholders as well as intermediaries. Developing and maintaining a strong relationship with investors helps the company to understand their expectations. Further, well established relationship with investors is a key aspect of good governance and it creates long term value to the company by providing inputs to the process of strategy formulation. In this segment of the report, we provide relevant and sufficient information of the shareholding and performance of the company's listed equities in reporting year.

STOCK EXCHANGE LISTING

Softlogic Life Insurance PLC is a public quoted company which has listed ordinary shares in Colombo Stock Exchange (CSE). SLI ordinary shares are effectively traded in Diri Savi Board of the Colombo Stock Exchange under the symbol of AAIC.N0000.

PERFORMANCE OF THE SOFTLOGIC LIFE INSURANCE PLC'S ORDINARY SHARE WITH MARKET PERFORMANCE IN 2019



SUBMISSION OF FINANCIAL STATEMENTS TO THE CSE

The audited Company Income Statements for the year ended 31st December 2019 and the audited Balance Sheets at that date have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date. The interim financial statements of 4th Quarter for the year/quarter ended 31st December 2019 were submitted within stipulated time lines.

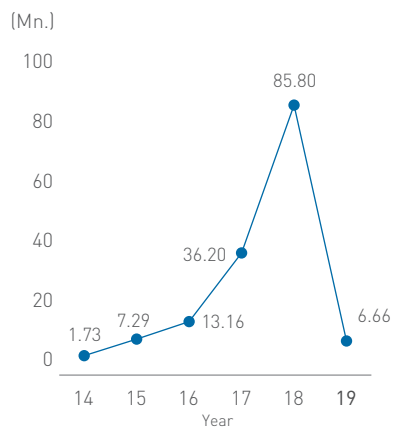
STOCK MARKET PERFORMANCE

Year 2019 recorded a comparatively positive trend of Stock Market performance compared to 2018 in Sri Lanka. During 2019, All Share Price Index (ASPI) recorded a marginal gain of 1.3% compared to 5.0% loss in 2018 whilst S&P SL20 Index recorded a 6.3% loss for 2019 compared to 14.6% loss in 2018. Market capitalization recorded a slight improvement to LKR 2,851 which was LKR 2,839.

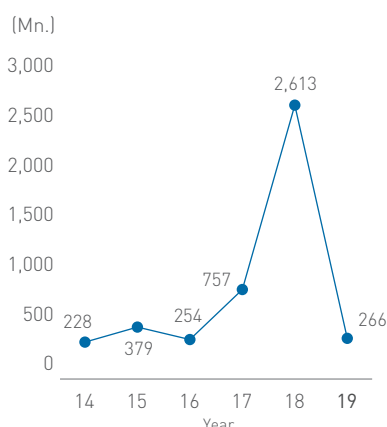
Together with the price drops in the Stock Market, average daily turnover dropped to LKR 711 million and as a percentage by 15%. A significant net foreign outflow of LKR 11.7 billion was recorded in the Colombo Stock Market during 2019 against to the LKR 23.4 billion outflow recorded in 2018 mainly resulted from Easter Attack and political uncertainty that existed throughout the year.

INFORMATION ON SHARE TRADING

NO OF SHARES TRADED



VALUE OF SHARES TRADED



NAMES OF DIRECTORS

The names of persons who held the positions of Directors during the year are provided in the Annual Report of the Board of Directors on pages 197 to 207.

THE PRINCIPLE ACTIVITIES OF THE COMPANY

The principal activities of the company during the year are given in the Annual Report of the Board of Directors and Note 1.3 in accounting policies on page 276.

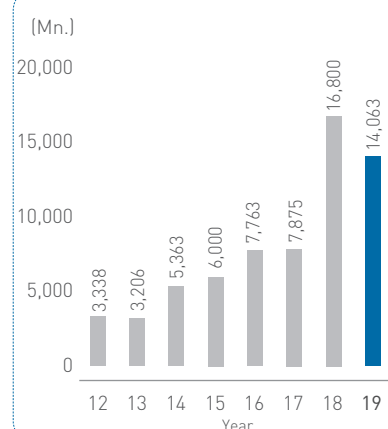
PERFORMANCE OF SOFTLOGIC LIFE SHARE

The Softlogic Life share performed well in Colombo Stock Market in 2019. However, a slight downward trend can be witnessed compared to 2018 mainly due to economic digression in the country during the year. In 2019, SLI share price reached a high of Rs. 50.40 (21st January) and low of Rs. 30 (26th March).

SLI share price closed at Rs. 37.50 in 2019 which was 44.80 in 2018. Number of shares traded during the year decreased to 6.7 million in 2019 against 85.8 million in 2018. The total turnover of traded shares was Rs. 266 million in 2019 which was Rs. 2,613 million in 2018, which is a 90% drop as opposed to 2018. Market Capitalization of SLI as at 31 December 2019 is recorded Rs. 14,063 million in 2019 which was Rs. 16,800 million in 2018. This is 19.5% decrease compared to last year.

In absolute terms, even though the SLI share seemed to have underperformed in 2019 compared to 2018, it has performed exponentially well in comparison to industry players.

MARKET CAPITALISATION



The details relating to the performance of the share are given below.

As at 31st December	2019	2018
MARKET VALUE		
Highest Price (Rs.)	50.40	45.10
Lowest Price (Rs.)	30	20.50
Year-end price (Rs.)	37.50	44.80
TRADING STATISTICS		
Number of shares traded	6,662,414	85,822,395
Value of Shares traded (Rs. Million)	266.18	2,613.29
Market Capitalization – SLI (Rs. Million)	14,063	16,800
Percentage of total market capitalization (%)	0.49	0.59
VALUATION RATIOS		
Number of shares as at 31 December	375,000,000	375,000,000
Basic earnings per share (Rs.)	5.79	8.90
Net Assets per share (Rs.)	21.92	17.79
Price to book Value (Times)	1.71	2.52
Return on Equity – ROCE* (%)	39.72	22.74
Price Earnings Ratio (Times)	6.48	5.04
Earning yield (%)	15.44	19.87
Dividend per share (Rs.)	-	1.45
Dividend payout (%)	-	16.3
Dividend yield (%)	-	3

*Adjusted for Deferred Tax

Basic Earnings per Share

Earnings per Share of the company has recorded Rs. 5.79 in 2019 whereas Rs. 8.90 in 2018. This is 35% drop compared to previous year.

Price Earnings Ratio

Price earnings ratio has improved to 6.48 times in 2019 compared with 5.04 times recorded in 2018. There is a 29% increase in Price Earnings Ratio in 2019 against the previous year.

Free float

The CSE defines the free float of a company as the percentage of shareholders, excluding Directors shareholdings, who hold less than 3% stake in the company. According to this definition, the SLI free float is 10.27% in 2019. (2018 -10.27%).

Float Adjusted Market Capitalization

As at 31 December 2019 the Float Adjusted Market Capitalization of SLI is Rs. 1,444,218,750

The Company is complied with minimum public holding requirement as at the reporting date based on the "Option 1" of Rule 7.13.1.b.

SHAREHOLDER BASE

SLI has a diversified shareholder base, both geographically and in the ratio of private to institutional investors. The total number of shareholders increased to 1,342 as at 31st December 2019 from 1,141 as at 31st December 2018. On 31st December 2019, SLI had 1,266 registered individual shareholders, representing 94% of the shareholders, 65.5% of the shareholders hold less than 1,000 shares. The vast majority of SLI's individual shareholders are residents of Sri Lanka. Institutional shareholders hold approximately 98% of SLI's ordinary share capital. The top twenty shareholders hold 98.7% of SLI's shares.

Distribution of Shareholders

No of Shares	As at 31st December 2019			As at 31st December 2018		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
1-1,000	879	230,410	0.06	721	202,360	0.05
1,001-10,000	337	1,336,289	0.36	309	1,241,879	0.33
10,001-100,000	105	3,360,006	0.90	96	2,758,807	0.74
100,001-1,000,000	15	4,416,168	1.18	9	3,089,115	0.82
1,000,001 & Over	6	365,657,127	97.51	6	367,707,839	98.06
Total	1,342	375,000,000	100	1,141	375,000,000	100

Shareholders' Categorized Summary Report (Resident & Non Resident) as at 31st December 2019

No of Shares	Non Resident			Resident		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
1-1,000	7	2,560	0.00	872	227,850	0.06
1,001-10,000	2	10,595	0.00	335	1,325,694	0.35
10,001-100,000	2	26,750	0.01	103	3,333,256	0.89
100,001-1,000,000	3	425,173	0.11	12	3,990,995	1.06
1,000,001 & Over	5	171,856,367	45.83	1	193,800,760	51.68
Total	19	172,321,445	45.95	1,323	202,678,555	54.05

Composition of Shareholders

Resident / Non Resident Distribution

Composition	As at 31st December 2019			As at 31st December 2018		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
Resident	1,323	202,678,555	54.05	1,129	201,080,611	53.62
Non Resident	19	172,321,445	45.95	12	173,919,389	46.38
Total	1,342	375,000,000	100	1,141	375,000,000	100

Individual / Institutional

Composition	As at 31st December 2019			As at 31st December 2018		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
Individual	1,266	6,977,098	1.86	1076	5,437,524	1.45
Institutional	76	368,022,902	98.14	65	369,562,476	98.55
Total	1,342	375,000,000	100	1,141	375,000,000	100

Public Shareholding

Composition	As at 31st December 2019			As at 31st December 2018		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
Public Shareholding	1,336	38,503,690	10.27	1,135	38,503,690	10.27
Total	1,336	38,503,690	10.27	1,135	38,503,690	10.27

Directors' Shareholding

Name	As at 31st December 2019		As at 31st December 2018	
	No of shares	% of Total Holding	No of shares	% of Total Holding
Mr. A. K. Pathirage (Chairman)	Nil	Nil	Nil	Nil
Mr. T. M. I. Ahamed (Managing Director / CEO)	Nil	Nil	Nil	Nil
Mr. S. Rajapakse - (Director / Deputy Chairman)	Nil	Nil	Nil	Nil
Mr. M. R. Abeywardena - (Director)	Nil	Nil	Nil	Nil
Ms. Fernanda Lima - (Director)	Nil	Nil	Nil	Nil
Mr. H. K. Kaimal - (Director)	Nil	Nil	Nil	Nil
Mr. Rudiger Will - (Director)	Nil	Nil	Nil	Nil
Mr. H. C. Hettiarachchi - (Executive Director)	Nil	Nil	Nil	Nil

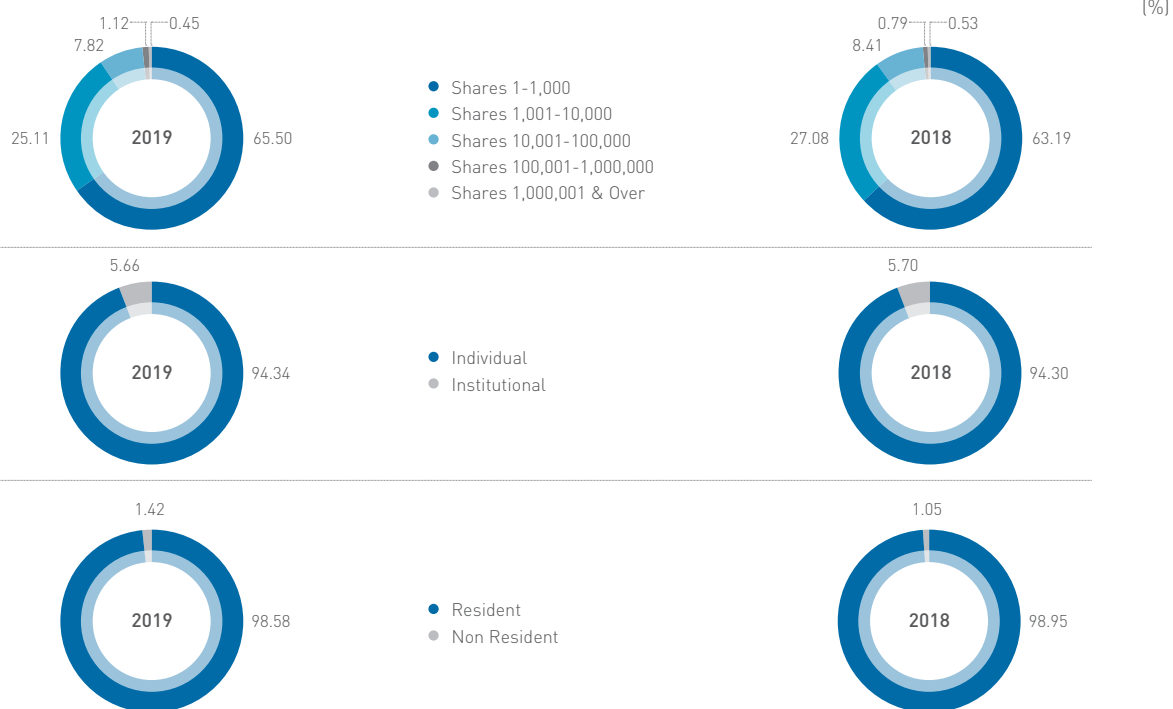
Twenty Largest Shareholders

Name of Share Holder	As at 31st December 2019	
	No of Shares	%
Softlogic Capital Plc	193,800,760	51.68
Dalvik Inclusion Private Limited	71,250,000	19.00
State Street Munich C/O SsbT-Deg-Deutsche Investitions-Und Entwicklungsgesellschaft Mbh	71,250,000	19.00
SsbT- Global Macro Portfolio	23,874,288	6.37
Pershing Llc S/A Averbach Grauson & Co.	3,282,079	0.88
SsbT-Global Macro Capital Opportunities Portfolio	2,200,000	0.59
Mr. Goonetilleke Gajath Chrysantha	905,000	0.24
Mr. Ananda Rajapaksha Rathnayaka Sarath	861,255	0.23
Amaliya Private Limited	805,902	0.21
Mr. Mather Sujendra Ranjanan	220,000	0.06
Mr. Ekanayaka Nahimala Welegedara Senarath Bandara	205,000	0.05
Softlogic Holdings Plc	175,550	0.05
HSBC Bank Plc-Mckinley Capital Measa Fund Oeic Limited	168,331	0.04
Mr. Rambukwella Ravindra Earl	157,000	0.04
J.B. Cocoshell (Pvt) Ltd	156,446	0.04
Mr. Perera Illangage Shantha Prasad	151,000	0.04
Elgin Investments Limited	150,000	0.04
Mr. Elankumaran Sarvananthan	130,000	0.03
People's Merchant Finance Plc/P.T.S De Silva	116,371	0.03
Mr. Miranda Jude Rory Mathes	107,471	0.03
	369,966,453	98.66
Other Shareholders	5,033,547	1.34
Total	375,000,000	100

Twenty Largest Shareholders

Name of Share Holder	As at 31st December 2018	
	No of Shares	%
Softlogic Capital PLC	193,800,760	51.68
Dalvik Inclusion Private Limited	71,250,000	19.00
State Street Munich c/o ssbt-deg-deutsche investitions	71,250,000	19.00
Ssbt- Global Macro Portfolio	25,625,000	6.83
Pershing llc s/a Averbach Grauson & Co.	3,282,079	0.88
Ssbt-Global Macro Capital Opportunities Portfolio	2,500,000	0.67
Mr. Goonetilleke Gajath Chrysantha	905,000	0.24
J.B. Cocoshell (pvt) Ltd	739,000	0.20
Mr. Ananda Rajapaksha Rathnayaka Sarath	615,950	0.16
Mr. Ekanayaka Nahimala Welegedara Senarath Bandara	205,000	0.05
Softlogic Holdings PLC	175,550	0.05
Mr. Elankumaran Sarvananthan	120,000	0.03
People's Leasing & Finance PLC/Mr. M.Z.M. Wafik	113,790	0.03
Mr. Mther Sjendra Rnjanan	113,000	0.03
Mr. Rambukwella Ravindra Earl	101,825	0.03
Union Investments Private Ltd	100,000	0.03
Mr. Sandamal Hettiarchhige Don Jude Ravindra	100,000	0.03
Mr. Gunatunga Edgar (deceased)	100,000	0.03
Oakley Investments (Private) Limited	91,230	0.02
Cocoshell Activated Carbon Company Limited	75,000	0.02
	371,263,184	99.00
Other Shareholders	3,736,816	1.00
Total	375,000,000	100

GRAPHICAL PRESENTATION OF SHAREHOLDER DISTRIBUTION



Compliance with contents of annual report as per Section 7.6 of the Listing Rules of the Colombo Stock Exchange

Section 7.6 to the listing rules of the Colombo Stock Exchange includes the following information as compulsory for the listed entities to disclosure in the annual report.

Listing Rule Number	Compliance Requirements	Detail / Reference	Compliance Status
7.6.i	Names of persons who during the financial year were Directors of the entity	The names of persons who held the position of Directors during the Financial year is given in the Annual Report of the Board of directors (Refer Page 202)	Complied
7.6.ii	Principal activities of the Company	The principal activities of the Company and its subsidiaries during the year are given in the Annual Report (Refer Page 276)	Complied
7.6.iii	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	The 20 largest shareholders together with their shareholding as at 31st December 2019 is provided on "Investor relation" Information Section	Complied
7.6.iv	The public holding percentage	The details of the public shareholding are available on (Refer Page 394)	Complied
7.6.v	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	The statement of each Director's holding and Chief Executive Officer's holding in shares is available on (Refer Page 394)	Complied
7.6.vi	Information pertaining to material foreseeable risk factors of the entity	Information relating to material foreseeable risk factors is provided in the risk management section (refer Page 338)	Complied
7.6.vii	Details of material issues pertaining to employees and industrial relations of the entity	The Company did not encounter any relating to employees and industrial relations during the year 2019	Complied
7.6.viii	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	The details of Extents, Locations, valuations and the number of buildings of the Entity's land holdings and the investment properties given in the annual report (Refer Page 338)	Complied
7.6.ix	Number of shares representing the entity's stated capital	The details of shares issued by the Company are available on (Refer Page 361)	Complied
7.6.x	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories	The distribution schedule of the number of shareholders and the percentages of their total holdings in the given categories is provided on (Refer Page 393)	Complied
7.6.xi	List of ratios and market price information	The list of applicable ratios and the market price information is provided in the "Investor Relation" section	Complied
7.6.xii	Significant changes in the entity's fixed assets and the market value of land, if the value differs substantially from the book value	There were no significant changes in the entity's fixed assets and market value of lands assets and the market value of land, if the value differs substantially from the book value Complied	Complied
7.6.xiii	If during the year the entity has raised funds either through a public issue, rights issue, and private placement	The Company did not raised funds to increase its Stated Capital during the year.	Complied
7.6.xiv	Employee Share Option Schemes and Employee Share Purchase Schemes	There are no 'Employee Share Ownership Schemes' in the Company.	Complied
7.6.xv	Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules	The Disclosures relating to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c, and 7.10.6 c of Section 7 of the rules are given in the Corporate Governance Report (Refer Page 228)	Complied
7.6.xvi	Related Party transactions exceeding 10% of Equity or 5% of the total assets of the entity as per audited financial statements whichever is lower and Details of investments in related party transactions.	There were no material transaction during the year with any related party of the company other than disclosed (Refer Pages 376 to 379)	Complied

GRI - CONTENT INDEX

The Global Reporting Initiative (GRI) is a non-profit organisation that promotes economic, environmental and social sustainability. GRI's Sustainability Reporting Guidelines enables all companies and organisations to measure and report their sustainability performance.

We have focused the content of this report on our most material issues and in doing so, we self-declare this report is in accordance with the Global Reporting Initiative GRI Standards Sustainability Reporting Guidelines at Core option.

GRI Standard	Disclosure	Page	Omission
GRI 102: General Disclosures 2016			
ORGANISATIONAL PROFILE			
102-1	Name of the Organisation	11	
102-2	Activities, brands, products, and services	11/108-113	
102-3	Location of headquarters	9	
102-4	Location of operations	11/114/115	
102-5	Ownership and legal form	11-12	
102-6	Markets served	11/114-115	
102-7	Scale of the organization	13-15 / 18-22/105/114	
102-8	Information on employees and other workers	90/98-100	
102-9	Supply chain	114-115/118-121	
102-10	Significant changes to the organization and its supply chain	26	
102-11	Precautionary Principle or approach	249	
102-12	External initiatives	108-109/131/139/142	
102-13	Membership of associations	122	
STRATEGY			
102-14	Statement from senior decision-maker	28-29	
102-15	Key impacts, risks, and opportunities	41/43-47	
ETHICS & INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour	128	
102-17	Mechanisms for advice and concerns about ethics	101	
102-18	Governance structure	167	
102-19	Delegating authority	12	
102-20	Executive-level responsibility for economic, environmental, and social topics	128	
102-21	Consulting stakeholders on economic, environmental, and social topics	53-57	
102-22	Composition of the highest governance body and its committees	167-168	
102-23	Chair of the highest governance body	171	

GRI Standard	Disclosure	Page	Omission
102-24	Nominating and selecting the highest governance body	226	
102-25	Conflicts of interest	174	
102-26	Role of highest governance body in setting purpose, values, and strategy	171	
102-27	Collective knowledge of highest governance body	168	
102-28	Evaluating the highest governance body's performance	180	
102-29	Identifying and managing economic, environmental, and social impacts	34	
102-30	Effectiveness of risk management processes	189	
102-31	Review of economic, environmental, and social topics	34	
102-32	Highest governance body's role in sustainability reporting	190-191	
102-33	Communicating critical concerns	192	
102-34	Nature and total number of critical concerns	188-190	
102-35	Remuneration policies	180	
102-36	Process for determining remuneration	180	
102-37	Stakeholders' involvement in remuneration	180	
102-38	Annual total compensation ratio	Not applicable	
102-39	Percentage increase in annual total compensation ratio	Not applicable	
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	54-57	
102-41	Collective bargaining agreements	We do not have any collective bargaining agreements	
102-42	Identifying and selecting stakeholders	53-54	
102-43	Approach to stakeholder engagement	55-57	
102-44	Key topics and concerns raised	55-57	

GRI - CONTENT INDEX

GRI Standard	Disclosure	Page	Omission
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Not applicable	
102-46	Defining report content and topic Boundaries	6-9	
102-47	List of material topics	59-60	
102-48	Restatements of information	59	
102-49	Changes in reporting	59	
102-50	Reporting period	6	
102-51	Date of most recent report	6	
102-52	Reporting cycle	6-9	
102-53	Contact point for questions regarding the report	9	
102-54	Claims of reporting in accordance with the GRI Standards	7-8	
102-55	GRI content index		
102-56	External assurance	149-150	
ECONOMIC			
GRI 201: Economic Performance			
GRI 103: Management Approach		20-22/65	
201-1	Direct economic value generated and distributed	13-15	
201-2	"Financial implications and other risks and opportunities due to climate change"	No implications due to climate changes	
201-3	Defined benefit plan obligations and other retirement plans	97	
GRI 202: Market Presence			
GRI 103: Management Approach		Not applicable	
202-1	Ratio of standard entry level wage by gender compared to local community wage	Not applicable	
202-2	Proportion of senior management hired from the local community	Not applicable	
GRI 205: Anti-corruption			
GRI 103: Management Approach		127	
205-1	Operations assessed for risks related to corruption	127	
205-2	Communication and training about anti-corruption policies and procedures	127	
205-3	Confirmed incidents of corruption and actions taken	127	

GRI Standard	Disclosure	Page	Omission
GRI 206: Anti-competitive Behaviour			
GRI 103: Management Approach		127	
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	127	
ENVIRONMENTAL			
GRI 302: Energy			
GRI 103: Management Approach			
302-1	Energy consumption within the organization	144/145	
302-2	Energy consumption outside of the organization	No Consumption outside the organization	
302-3	Energy Intensity	Not applicable	
302-4	Reduction in Energy Consumption	Not applicable	
GRI 303: Water			
GRI 103: Management Approach		145	
303-1	Water withdrawal by source	145	
303-3	Water recycled and reused	Not applicable	
GRI 304: Biodiversity			
GRI 103: Management Approach		146	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	No sites in bio diversity areas	
304-3	Habitats protected or restored	Not Applicable	
GRI 305: Emissions			
GRI 103: Management Approach		144	
305-1	Direct greenhouse gas (GHG) emissions	144	
SOCIAL			
GRI 401: Employment			
GRI 103: Management Approach		90-97	
401-1	New employee hires and employee turnover	96/98-99	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	96-97	
401-3	Parental leave	94	
GRI 404: Training and Education			
GRI 103: Management Approach		95	
404-1	Average hours of training per year per employee	95	
404-2	Programs for upgrading employee skills and transition assistance programs	95	

GRI Standard	Disclosure	Page	Omission
404-3	"Percentage of employees receiving regular performance and career development reviews"	96	
GRI 405: Diversity and Equal Opportunity			
GRI 103: Management Approach			
405-1	Diversity of governance bodies and employees	90-94	
405-2	Ratio of basic salary and remuneration of women to men	94-95	
HUMAN RIGHTS			
GRI 406: Non - Discrimination			
GRI 103: Management Approach			
406-1	Incidents of discrimination and corrective actions taken	128	
GRI 408: Child Labour			
GRI 103: Management Approach			
408-1	Operations and suppliers at significant risk for incidents of child labour	102	
GRI 412: Human Rights Assessment			
GRI 103: Management Approach			
412-1	Operations that have been subject to human rights reviews or impact assessments	102	
412-2	Employee training on human rights policies or procedures	95	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not Applicable	
GRI 413: Local Communities			
GRI 103: Management Approach			
413-1	Operations with local community engagement, impact assessments, and development programs	124-126	
413-2	Operations with significant actual and potential negative impacts on local communities	124-127	
GRI 414: Supplier Social Assessment			
GRI 103: Management Approach			
414-1	New suppliers that were screened using social criteria	Not Applicable	
414-2	Negative social impacts in the supply chain and actions taken	Not Applicable	

GRI Standard	Disclosure	Page	Omission
GRI 415: Public Policy			
GRI 103: Management Approach			
415-1	Political contributions	128	
GRI 417: Marketing And Labelling			
GRI 103: Management Approach			
417-2	Incidents of non-compliance concerning product and service information and labelling	101	
417-3	Incidents of non-compliance concerning marketing communications	101	
GRI 418: Customer Privacy			
GRI 103: Management Approach			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	115	
GRI 419: Socioeconomic Compliance			
GRI 103: Management Approach			
419-1	Non-compliance with laws and regulations in the social and economic area	102	

GLOSSARY OF INSURANCE TERMS

Aa

Accumulation

The situation where a significant number of risks insured or reinsured with the same Company may be affected simultaneously by a loss event.

Acquisition Expenses

All expenses, which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts (eg: commissions)

Actuarial Valuation

A determination by an actuary at a specific date of the value of a Life Insurance Company's assets and its liabilities. The purpose of a valuation is to determine if the Company holds adequate assets to fund the Company's liabilities.

Actuary

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

Administrative Expenses

Costs of an administrative nature including those arising from premium collection, portfolio administration, handling of bonuses and rebates, and inward and outward reinsurance, including staff costs and depreciation provisions in respect of property, plant and equipment.

Admissible Assets

Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the rules made by the Insurance Regulatory Commission of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

Annual Basis of Accounting

A basis of accounting for General insurance business whereby a result is determined at the end of the accounting period reflecting the profit or loss from providing insurance cover during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Annuity

A series of regular payments. Annuities include annuities certain, where payments are made at definite times, and life annuities, where payments depend on the survival of an annuitant. A life annuity is a contract that provides a regular payment typically monthly

during the lifetime of the policyholder or a fixed period if less. If the payments start at the outset of the contract, it is an immediate annuity. If they start at some point in the future, it is a deferred annuity

Approved Asset

Assets that represent the technical reserve and the long - term insurance fund as per determination made under the RII Act, No. 43 of 2000.

Bb

Beneficiary

A person named by the policyholder as the recipient of the sum insured and other benefits due in the event of the policyholder's death.

Bonus

Bonus is a method of distribution of surplus amongst the participating policyholders of a Life Insurance Company. A bonus is an enhancement to the basic sum assured under a contract, and is declared as a percentage of the sum assured.

Broker

A sales and service representative who handles insurance for clients, generally selling insurance of various kinds and for several companies.

Cc

Cedent

Insurer who cedes business under a reinsurance agreement (Client of reinsurance Company)

Claim Outstanding

The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the reporting date being the sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

Claim Ratio (Net loss ratio)

Net claims incurred

Net Earned Premium

Claims

The amount payable under a contract of insurance arising from the occurrence of an insured event such as destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured and gratuity claims.

Claims Incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.

Clause

A section of a policy contract or endorsement dealing with a particular subject.

Commission

The part of an insurance premium paid by the insurer to an agent or broker for his services in procuring and servicing the insurance.

Contribution

If more than one insurance has been effected on the same risk, insurers share the loss. Not applicable to Life and Personal Accident insurances.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Credit Life Insurance- {Decreasing Term Assurance Policy (DTAP)}

Term Life Insurance issued through a lender or lending agency to cover payment of a loan, instalment purchase or other obligation, in case of death

Credit Risk

The potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour another predetermined financial obligation.

Dd

Dividend Cover

Profits after tax divided by Dividend measures the number of times dividends are covered by distributable profits for the period.

Ee

Earning Per Share (EPS)

Profits of the Company after tax and after the transfer to Life Fund divided by the number of issued ordinary shares.

Embedded Value

The combination of the present value of the future profits of the existing book of business and net assets.

Endowment

Life insurance payable to the policyholder if living on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

Excess

That part of a loss for which the insured is liable.

Ex-Gratia Payment

A payment made to an insured where there is no liability to pay under the terms of the policy. In some cases an insurer may feel there has been a mistake or a misunderstanding and it may pay claim, even though he does not appear to be liable.

Ff

Facultative Reinsurance

Oldest form of reinsurance. This is the reinsurance of an individual risk on terms and conditions agreed with the reinsurer specifically for that risk. Particulars of each risk are submitted by the ceding Company to the reinsurer who may accept or decline at will. This is useful when dealing with risks outside the ceding Company's treaty arrangements.

Financial Risk

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Gg

Gross Written Premium

Premium to which the insurer is contractually entitled and received in the accounting period.

Gross/Net

The terms gross and net mean before and after deduction of the portion attributable to business ceded in reinsurance. Instead of "net," the term "for own account" is sometimes used.

Ii

Insurance Contract

Insurance is a contract whereby one party the insurer, in return for a consideration i.e. the premium, undertakes to pay to the

other party the insured sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

Insurance Provision - Long Term

The fund or funds to be maintained by an insurer in respect of its Long Term Insurance business in accordance with the Regulation of Insurance Industry Act No. 43 of 2000.

Insurance Risk

Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or, the time when claims payments will fall due.

Interim Payments

Periodic payments to the policyholders on a specific type of policy

Investment Contract

A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance

Ll

Lapsed Policy

A policy terminated at the end of the grace period because of non-payment of premiums.

Liability Adequacy Test

An annual assessment of the sufficiency of insurance and/or investment contract with liabilities, to cover future insurance obligations.

Life Fund

Net Assets kept to meet the obligation towards Life Policyholders.

Life Insurance Business

Insurance (including reinsurance) business falling within the classes of insurance specified as Long Term Insurance Business under the Regulation of Insurance Industry Act No. 43 of 2000.

Life Surplus

The excess of the assets over the liabilities as determined by the actuary (taking into account solvency requirements) and after distribution of dividends to policyholders.

Mm

Malicious Damage

Unlawful damage caused by the malicious act of any person motivated by ill-will in circumstances not amounting to a riot.

Market Risk

The potential for a negative impact on the statement of financial position and/ or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

Market Capitalisation

Number of shares in issue multiplied by the market value of each share as at the Balance Sheet date.

Maturity

The time at which payment of the sum insured under a Life Insurance policy falls due at the end of its term.

Mortality

The ratio of deaths to the entire population or to a particular age group. It is globally expressed in numbers or rates and set out in mortality tables.

Nn

Net Asset Value

The value of all tangible and intangible assets of a company minus its liabilities. It reflects a company's fundamental value.

Net Assets Per Share

Net assets attributable to Shareholders' equity divided by the number of Ordinary shares issued.

Net Claims Incurred

Claims incurred less reinsurance recoveries.

Net Combined Ratio

Net Claims Incurred + Other Expenses

Net Earned Premium

Gross premium adjusted for the reinsurance incurred and for the increase or decrease in unearned premium.

Non-participating Business

Life Insurance business where policyholders are not entitled to share in the surplus of the relevant life fund.

Oo

Operational Risk

The potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

GLOSSARY OF INSURANCE TERMS

Pp

Participating Business

Life Insurance business where the policy holders are contractually entitled to share in the surplus of the relevant life fund.

Policy

The printed document issued to the policyholder by the Company stating the terms of the insurance contract.

Policy Loan

Under an insurance policy, the amount that can be borrowed on the security of the surrender value of a Life Insurance policy at a specific rate of interest from the issuing Company by the policyholder, who used the value of the policy as collateral for the loan. In the event the policyholder dies with the debt partially or fully unpaid, the insurance Company deducts the amount borrowed, plus any accumulated interest, from the amount payable.

Premium

The payment or one of the regular periodic payments, that a policyholder makes to own an insurance policy.

Price Earning Ratio

Market price of a share divided by earning per share.

Proposal Form

Pre-printed form which seeks to identify all relevant questions for a particular type of insurance

Rr

Reinsurance

Transfer of all or part of the risk assumed by an insurer under one or more insurances to another insurer, called the reinsurer

Return on Shareholders' Equity

Profits after tax divided by the Capital employed as at Balance Sheet date

Return on Total Assets

Profits after Tax divided by Total assets attributable to Shareholders.

Reinsurance Commission

Commission received or receivable in respect of premium paid or payable to a reinsurer.

Reinsurance Inwards

The acceptance of risks under a contract of reinsurance.

Reinsurance Outwards

The placing of risks under a contract of reinsurance.

Reinsurance Premium

The premium payable to the reinsurer. Reinsurance is an arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (the cedent) against part or all of the liability assumed by the cedent under a policy or policies of insurance.

Reinsurance Profit Commission

Commission received or receivable by the cedent (reinsured) from the reinsurer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty

Retention

That part of the risk assumed which the insurer/reinsurer does not reinsure/ retrocede, i.e. retained net for own account.

Revenue Account

An account which shows a financial summary of the insurance related revenue transactions for the accounting period.

Rider

An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.

Risk Based Capital (RBC)

Amount of required capital that the insurance company must maintain based on the inherent risks in the insurer's operations. These risks include Asset Depreciation Risk, Credit Receivables Risk, Underwriting Risk and Off-Balance-Sheet Risk.

Risk Based Capital Required (RCR)

Measures the required capital as per the proposed RBC framework.

Risk-based Capital Adequacy Ratio (CAR)

Measures the adequacy of Total Available Capital (TAC) in insurance and shareholder's funds collectively, to support the Risk Based Capital Required (RCR).

RCAR, expressed as a percentage, is computed for long-term and General insurers as follows;

$RCAR = \frac{\text{Total Available Capital}}{\text{Risk Based Capital Required}} * 100$

Ss

Segment

Constituent business units grouped in terms of nature and similarity of operations.

Surrender

Termination of an insurance policy by the insured before the expiry of its term (more common in Life insurance).

Surrender Value

The sum payable by an insurance Company upon the surrender of a Life insurance policy before it has run its full course.

Tt

Total Available Capital (TAC)

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

Uu

Underwriting

The process of classifying applicants for insurance by identifying such characteristics as age, sex, health, occupation and hobbies. People with similar characteristics are grouped together and are charged a premium based on the group's level of risk. The process includes rejection of unacceptable risks.

CORPORATE INFORMATION

GENERAL

Name of the Company

Softlogic Life Insurance PLC

Legal Form

A Public Limited Liability Company Incorporated and domiciled in Sri Lanka in 1999 and registered under Companies Act No. 7 of 2007. The Company regulated under the Insurance Act No 43 of 2000 and amendments thereto.

Company Registration Number

PQ 31

Tax Payer Identification Number (TIN)

134008202

Principal Activities

Life Insurance Business

Stock Exchange Listing

The Ordinary Shares of the Company are listed on the Diri savi Board of the Colombo Stock Exchange. Stock Exchange code for the Company share is "AAIC"

Accounting Year End

31st December

Board of Directors

Ashok Pathirage - Chairman - Non Executive Director

Sujeewa Rajapakse - Deputy Chairman -Independent Non - Executive Director

Iftikar Ahamed - Managing Director/Executive Director

Ray Abeywardena - Independent Non-Executive Director

Haresh Kumar Kaimal - Non-Executive Director

Chula Hettiarachchi - Executive Director

Rudiger Will - Independent Non-Executive Director

Fernanda Lima - Non-Executive Director

Raimund Synders - Non-Executive Director

Visvanathamoorthy Govindasamy - Independent Non-Executive Director (Appointed w.e.f January 16, 2020)

BOARD SUB COMMITTEES

Board Audit Committee

Sujeewa Rajapakse - Chairman - Independent Non - Executive Director

Ray Abeywardena

Rudiger Will

Board Risk Committee

Rudiger Will - Chairman - Independent Non-Executive Director

Iftikar Ahamed

Ray Abeywardena

Fernanda Lima

Board HR & Remuneration Committee

Sujeewa Rajapakse - Chairman - Independent Non-Executive Director

Ashok Pathirage

Ray Abeywardena

Board Investment Committee

Ashok Pathirage - Chairman - Non Executive Director

Sujeewa Rajapakse

Iftikar Ahamed

Ray Abeywardena

Rudiger Will

Fernanda Lima

Board Related Party Transactions Review Committee

Sujeewa Rajapakse - Chairman - Independent Non-Executive Director

Ray Abeywardena

Rudiger Will

Board Nomination Committee

Ashok Pathirage - Chairman - Non Executive Director

Sujeewa Rajapakse

Ray Abeywardena

Registered office and Principle Place of Business

Softlogic Life Insurance PLC, Head Office, Level 16, One Galle Face Tower,

Colombo 02, Sri Lanka

Telephone : + 94112018800

Internet : www.softlogiclife.lk

Email : info@softlogiclife.lk

Actuaries

Messrs.Willis Towers Watson India Private Limited

Gratuity

Actuarial and Management Consultants (Pvt) Ltd.,

Auditors

Messrs. KPMG (Chartered Accountants)

Secretaries

P. R. Secretarial Services (Pvt) Ltd

Tax Consultant

Amerasekera & Co.

Chartered Accountants

Principal Officer

T. M. Iftikar Ahamed

Chief Financial Officer

Nuwan Withanage

Specified Officer

Prelan Reiss

Compliance Officer

Rosheni Wickramaratne

Lawyers

Paul Rathnayake Associates

Nithya Partners

Reinsurance Panel

Munich Re

RGA

SCOR Re

TOA Re

Assicurazioni Generali S.P.A.

For any clarification on this regard please write to;

Chief Financial Officer

Level 16, One Galle Face Tower,

Colombo 02, Sri Lanka

Telephone : + 94112018713

Fax : +94 11 2372937

E Mail : nuwan.withanage@softlogiclife.lk

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NOTICE OF MEETING

NOTICE OF THE 21st ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting of SOFTLOGIC LIFE INSURANCE PLC (the Company) will be held on 31st March 2020 at 10.00 a.m. at the 4th Floor, Central Hospital (Private) Limited, No. 114, Norris Canal Road, Colombo 10.

AGENDA

1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st December 2019 and the Report of the Auditors thereon.
2. To re-elect Mr. Sujeewa Rajapakse who retires by rotation in terms of Articles 98 (a) of the Articles of Association of the Company as a Director of the Company.
3. To re-elect Mr. V. Govindasamy who was appointed to the Board on 16th January 2020 retires in terms of Articles 103 of the Articles of Association of the Company as a Director of the Company.
4. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS OF
SOFTLOGIC LIFE INSURANCE PLC

(Sgd.)

P.R. SECRETARIAL SERVICES (PRIVATE) LIMITED

Secretaries

At Colombo, this 28th February 2020

Note:

- ▶ A Member entitled to attend and vote at the meeting, is entitled to appoint a Proxy to attend and vote instead of him/her.
- ▶ A Proxy need not be a Member of the Company.
- ▶ A Member wishing to vote by Proxy at the meeting may use the Form of Proxy form enclosed.
- ▶ Any member or Proxy holder attending the meeting is kindly requested to bring this report.
- ▶ The completed Form of Proxy should also be deposited at No.59, Srimath R.G. Senanayake Mawatha, Colombo 07 not less than forty eight (48) hours before the time appointed for holding of the meeting.
- ▶ For security reasons, Members. Proxy holders are kindly advised to bring along with them their National Identity Card or similar for of acceptance identity when attending the meeting.

NOTES

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NOTES

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I/We
of
being a Member / Member* of the above named Company, hereby appoint (1)
of failing him / her.

- (2) Mr. Asoka K. Pathirage or failing him
- (3) Mr. Sujeewa Rajapakse or failing him
- (4) Mr. T. M. Iftikar Ahamed or failing him
- (5) Mr. M. Ray Abeywardena or failing him
- (6) Mr. H.K. Kaimal or failing him
- (7) Mr. H.C.Hettiarachchi or failing him
- (8) Ms. Fernanda Lima or failing her
- (9) Mr. V. Govindasamy or failing him
- (10) Mr. Raimund Snyders

As my / our* Proxy to represent me / us* and vote and speak for me / us* on my / our* behalf at the Annual General Meeting of the Company to be held on 31st March 2020 at 10.00 a.m. at the 4th Floor, Central Hospital (Private) Limited, No. 114, Norris Canal Road, Colombo 10 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

I / WE INDICATE MY/OUR VOTE ON THE RESOLUTIONS BELOW AS FOLLOWS;

	For	Against
1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st December 2019 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Sujeewa Rajapakse who retires by rotation in terms of Articles 98(a) of the Articles of Association of the Company as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. V. Govindasamy who was appointed to the Board on 16th January 2020 retires in terms of Articles 103 of the Articles of Association of the Company as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

..... Signed this day of 2020
Signature of shareholder

Note:

- (i) Please delete the inappropriate words.
- (ii) Instructions for completion of Proxy are noted below.
- (iii) A Proxy need not be a member of the Company.
- (iv) Please mark "X" in appropriate cages, to indicate your instructions as to voting.

FORM OF PROXY

INSTRUCTIONS FOR THE COMPLETION OF PROXY

1. Kindly perfect the Form of Proxy by filing in legibly your full name, National Identity Card/Passport/ Company Registration Number, your address and your instructions as to voting and by signing in the space provided and filing in the date of signature. Please ensure that all details are legible.
2. Please mark "X" in appropriate cages, to indicate your instructions as to voting on each resolution. If no indication is given, the Proxy holder in his/her discretion will vote as he/her thinks fit.
3. To be valid, the completed Form of Proxy must be deposited No.59, Sirimath R.G. Senanayake Mawatha, Colombo 07 not less than 48 hours before the time appointed for the holding of the meeting.
4. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details (1) overleaf and initial against this entry.
5. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by Articles of Association/ Act of Incorporation.
6. In the case of a Proxy signed by an Attorney, a certified copy of the Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

To request information to submit a comment / query to the company, please provide the following details and return this page to -

Chief Financial Officer
Softlogic Life Insurance PLC
Level 16,
One Galle Face Tower,
Colombo 2,
Sri Lanka.

T - +94 (11) 2018713 (Direct)
F - +94 (11) 2372937

Email : nuwan.withanage@softlogiclife.lk

Name :

Permanent Mailing Address :

Contact Number/s :

Tel :

Fax :

E-Mail :

Name of Company (If Applicable) :

Designation (If Applicable) :

Company Address (If Applicable) :

Queries / Comments

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Your opinion matters. Please share your views with us.

Which stakeholder groups do you belong to?

(You may tick more than one)

- Employee Customer Shareholder Community Investor

Does the report address issues of greatest interest to you?

- Comprehensively Partially Not at all

Please identify any additional issues that you think should be reported on :

.....
.....
.....
.....

Do you have any additional comments on the report - or on Softlogic Life's performance in general?

.....
.....
.....
.....

Please tick here if we may include your comments in any future reports?

- Yes No

Would you like to be consulted when we prepare our next sustainability report?

- Yes No

Your name, email address and /or other contact details

.....
.....
.....
.....

Contact Details

Chief Financial Officer
Softlogic Life Insurance PLC
Address: Level 16,
One Galle Face Tower,
Colombo 2, Sri Lanka.
Tel: +94 11 2018713
Email: nuwan.withanage@softlogiclife.lk



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Colombo 2, Sri Lanka.

www.softlogiclifelk