

futuring



futuring

At Softlogic Life, we know that if we believe in ourselves, anything is possible. The future is simply an opportunity to be seized and we're moving forward with big plans for the years ahead.

Your company remains relentless in its quest for leadership and domination. Driven by our bold leadership, an inspired team, innovative products and services and a vibrant strategy for continuous improvement across all KPIs, at every level of operation, Softlogic Life is geared with the ambition to keep pushing harder and further.

We're known to be a friendly and customer-centric company; vibrant, energetic, ready for anything. This year, we're exploring every opportunity and steadily gaining ground. This year, we're leaping ahead. This year, we're 'futuring'.

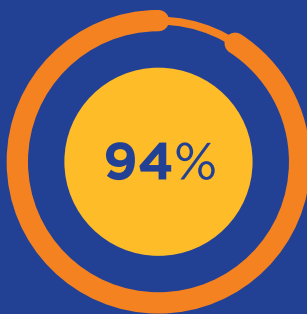
softlogic
LiFE

This year, we're Futuring

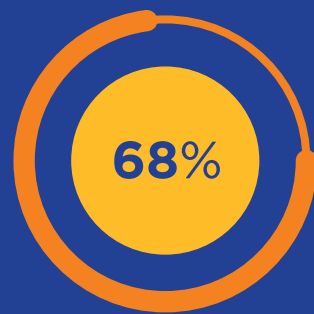
We firmly believe it is the correct time to scale up to become number one life insurer in Sri Lanka in-terms of market share, innovation and digitalization and most importantly Customer Care.



Softlogic Life have fully digital sales platform that make us unstoppable even during pandemic



We settled customer claims within one day to ease out their financial burden



Auto underwriting shows how resilient our internal processes to thrive in the future arena of Digital

CONTINUOUS GROWTH IN

GWP



28% ▶

Softlogic Life continued its growth trajectory during 2021 marking another year with above industry growth. Adoptability of our business model was key in pursuing our topline targets.

PAT



Rs. 2,105 MN ▶

We recorded highest ever profitability during 2021 despite immense challenges in our operating environment.

ROE



23% ▶

We maintained ROE above 20% mark for the fifth consecutive year assuring value creation for our shareholders.

MARKET SHARE



16% ▶

We continue to increase our market share in 2021 being only insurer in the industry to increase market share for consecutive five years.

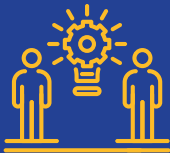
SHARE PRICE



Rs. 71 ▶

The prospects of Softlogic Life with positive outlook of life insurance industry impacted investor sentiment and resulted to double the Share Price during 2021.

CUSTOMER BASE



1.3 MN ▶

Softlogic Life now serving over one million customers as a result of accelerated customer acquisition and improved customer retention through world class customer service.

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Chairman's Message

This is our ninth annual integrated report, demonstrating our continued focus on providing relevant and transparent information and connecting the Group's financial, environmental, social and governance inputs and performance to our key stakeholders, as we create sustainable long-term value.

INTEGRATED REPORT (page 8 to 83)

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Our commitment to UNSDG

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Future KPIs on our strategic pillars

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Understand our financial in simple way

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Future business impact from implementation of SLFRS 17



Trilingual Financial Statements and Executive Statements



1st in Sri Lanka



<IR> ASSURANCE

We are proud to be the first entity in Sri Lanka to obtain external assurance on Integrated reporting practices reflecting our commitment to transparent and objective reporting towards shareholders and other key stakeholders.

VIDEO VERSION OF ANNUAL REPORT

We proud to present our video version of annual report for the fifth consecutive year.



As part of our commitment to improve inclusivity Trilingual financial statements and executive statements are provided online. Scan below to access documents.

ABOUT US

About Our Integrated Report [8](#) | About Us [12](#) | Our Business Model [18](#) | Our History [23](#) |
Financial Highlights [24](#) | Year at a Glance [26](#)

Growing



ABOUT OUR INTEGRATED REPORT

GRI 102-46 | 102-48 | 102-50 | 102-51 | 102-52

Softlogic Life is proud to present its Annual Integrated Report for the year ended 31st December 2021, which provides company's financial and non financial performance through its value creation process by connecting six capitals, in a comprehensive and concise manner.

WELCOME TO OUR 09TH INTEGRATED ANNUAL REPORT

The Integrated reporting joinery from the year 2013, provides a holistic view of the company's ability to create value in short, medium and long term and the ability to create competitive sustainable value to our key stakeholders for the 9th consecutive year and 22nd year of its operations. This report is prepared "in accordance" with the international integrated reporting frame work of the International integrated reporting council (IIRC) and amendment thereto, together with our regular financial reporting.

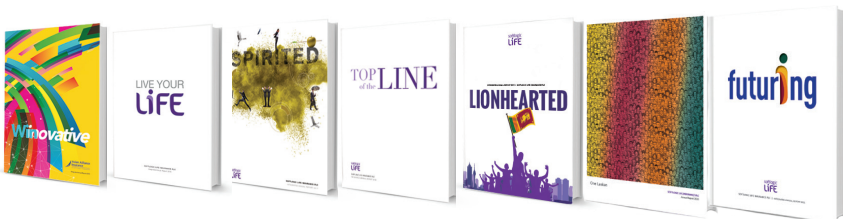
OUR INTEGRATED THINKING

An integrated assessment done on the six capitals by collaborating all functions and the all available resources of the company and we design our strategy and the internal materiality process to determine the content and structure of this report.

STRATEGIC ORIENTATION

This annual report provides the Company's current and future business strategies which aim at its sustainable growth and provide insights to its stakeholders.

Our journey of integrated reporting



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 for the year ended 31st December 2020. where necessary for better presentation and complies with regulations.

BOUNDARY AND SCOPE

This Integrated Annual Report covers the performance of Softlogic Life for the 12-month period ended 31st December 2021 and material events up to the approval of the report by the Company's Board of Directors on 07 March 2022. The scope of annual report span to matters arise in external environment and stakeholder engagement.

SLI is a Public listed Company in CSE and currently doesn't own subsidiary as at the reporting date. During the period under review, there were no significant changes in the organization type, structure, ownership no changes on reporting financial or non-financial information. However, our business model was modified as necessary to respond the impact of prevailing pandemic which are discussed in detailed on page 70.

ICON NAVIGATION

CAPITALS



Financial



Manufactured



Natural



Human



Intellectual



Social and Relationship

STAKEHOLDERS



Investors



Customers



Employees



Sales Staff



Re-Insurers



Government & Regulator



Suppliers



Community



Environment

OTHER DISCLOSURES



Commentary



Key challenges



Key strategies



Key Value drivers



Critical success factors

OUR STRATEGIC PILLARS



Most Caring Life Insurer



Smart IT Digitalisation



King of Data



Phenomenal Sales



Lean and Fast



Governance



Risk Management

OUR REPORT CLASSIFICATION

TRANSPARENCY	ACCOUNTABILITY	GOVERNANCE	SUSTAINABILITY
<p>The Management has taken all the action to ensure that all material information provided in our Integrated report with key focus on investors and lenders as well as other stakeholders who is affected by company's value creation process.</p> <ul style="list-style-type: none"> The board has adopted many voluntary reporting practices which are listed on page 10 and quality of the information is assured on page 83 and 139. Softlogic Life also obtained the external assurance for Integrated Reporting as well as non financial information which is available on Page 83 and 139 respectively. <p>Testimonial to the Transparency</p> <ul style="list-style-type: none"> SLI ranked as the 10th most transparent listed company on CSE 	<p>The Board has taken many initiatives to improve Company accountability, complying with all laws and regulations and implementing good governance and internal controls.</p> <ul style="list-style-type: none"> Board assurance for accountability and its processes is provided on page 191. Board assurance that sustainability practices and reporting are aligned with the Integrated Reporting framework is given on page 11. Board assurance of effective governance is given on page 191. 	<p>At Softlogic Life, our governance procedures are shaped by our commitment and drive towards achieving the highest standards of Corporate Governance.</p> <p>Therefore, our Corporate Governance framework is not limited to compliance alone but instead reflects a comprehensive and dynamic approach.</p> <p>For more details, refer pages 142 to 230.</p>	<p>Softlogic Life was an early champion of the adoption of sustainability practices and sustainability reporting. The Company studies all aspects of sustainability when formulating its business strategies.</p> <ul style="list-style-type: none"> The Chairman's views on sustainability practices are given on page 29. Board assurance on business sustainability is given on page 81.

FUTURE REPORTING PERIODS

When we report on our story we have reported many information in to three reporting periods namely "Short term" and "Medium term" to "Long term" where applicable. For this purpose, the management considered year 2022 as Short term future, year 2023 and 2024 as Medium term and beyond 2024 as long term future.

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 have the access to E-report in Company website and CSE website. Further, our report can be access in following formats.



Printed integrated annual report



Video version of annual report



Online HTML



Mobile format



Portable digital format

ABOUT OUR INTEGRATED REPORT

 **GRI** 102-12 | 102-44 | 102-46 | 102-49 | 102-54 | 102-55

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 (SLFRSs/ LKASs) The Regulations of Insurance Industry Act No.43 2000 and amendments thereto. Statement of Recommended Practice (SoRP) Regulations and directions issued by the of Insurance Regulatory Commission of Sri Lanka (IRC SL). Companies Act No. 07 of 2007 and amendments thereto. 	INTEGRATED REPORTING <ul style="list-style-type: none"> International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> and amendment thereto (www.theiirc.org). A Preparer's Guide to Integrated Reporting (CA Sri Lanka) The guidelines for presentation of Annual Reports 2021 (CA Sri Lanka). Handbook on integrated corporate reporting (CA 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 Regulations of the Insurance Industry Act, No 43 of 2000 (IRC SL). 	<ul style="list-style-type: none"> Code of best practices on Corporate Governance 2017 (CA Sri Lanka). Integrated Risk Management Framework of is crafted based on the guidelines provided in ISO 31000:2018.
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 (CA Sri Lanka). Internal Auditing Framework of Institute of Internal Auditors 	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 of United Nations. Disclosure on Gender Parity Reporting (CA Sri Lanka) Insurance sustainability Accounting Standard by SASB (Sustainability Accounting Standard Board).

IMPROVEMENTS TO THE REPORT

Every year, we seek to improve the relevance, readability, meaningfulness and user friendliness of our annual report while ensuring that we comply with the latest local and global developments in Integrated reporting. This year's report is featured with following key improvements.

Improvements to the Content	Improvement to the User friendliness	Improvements to the Transparency
<ul style="list-style-type: none"> Improve the Business Review for higher understanding of the business. Company Strategy for next 3 years is presented with KPI comparing past 3 years. Management perspective is embedding in strategy & resource allocation to give a holistic view. Provide Company strategy on geographical business expansion plan 	<ul style="list-style-type: none"> Launch video version of 2021 annual report for the fifth consecutive year. Improvement to the graphical & pictorial presentation. Improve icon navigation to improve the user-friendliness using Chairman's review, Managing director's review and primary financials statements have been provided in three languages. (English, Sinhala and Tamil) 	<ul style="list-style-type: none"> Obtained the External Assurance for Integrated reporting for the second consecutive year. We were the first in Sri Lanka to obtain assurance on integrated reporting which shows the transparency of our reporting. Complied with Insurance sustainability Accounting Standard by SASB (Sustainability Accounting Standard Board).

MATERIALITY DETERMINATION PROCESS

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 describing in pages 70 to 72 of this annual report.

AWARDS AND RECOGNITION FOR THE 2020 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 report which ensures the Completeness, Comparability, Accuracy, Consistency, Clarity, Balance, Credibility and Reliability continuously.

Our most recent report made a history by winning the “Overall GOLD Award for Excellence in Integrated Reporting” hosted by CMA Sri Lanka, together with other 04 awards including Gold Award in Insurance Sector.

It also won the Silver award for Overall Excellence in Annual Financial Reporting, Gold Award in the Insurance Sector and won 04 other awards at the “Integrated Annual report Awards 2021” hosted by CA Sri Lanka.

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 258 to 260, Limited assurance on the Integrated reporting is provided on pages 83 to 84, reasonable assurance on the financial highlights on pages 139 and 140 and limited assurance on the performance summary on page 24 to 25. The Board of Directors do not have any relationship with KPMG, apart from above engagement as the Independent External Auditor of the Company.

DISCLAIMER ON FUTURE ACTIONS

This report may contain forward-looking statements with respect to the Company’s future performance and prospects. While these statements reflect our future expectations, it is

important to remain mindful that a number of risks, uncertainties and other important factors could cause actual results to differ materially from our expectations. We ensure to provide all future oriented information wherever applicable to all stakeholders in a transparent and relevant manner.

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 on page 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.



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. In our view we have prepared the annual report complying with all material aspects of amended IR framework published in January 2021. In assessing compliance with IR framework the management evaluated the report against the Guiding Principles and Content Elements stipulated in the framework. The board have applied collective mind to the preparation and presentation of this integrated report and believes that the best of our knowledge this integrated report fairly discussed all material issues.

Sgd
Nuwan Withanage
Chief Financial Officer

Sgd
Iftikar Ahamed
Managing Director

Sgd
Ashok Pathirage
Chairman

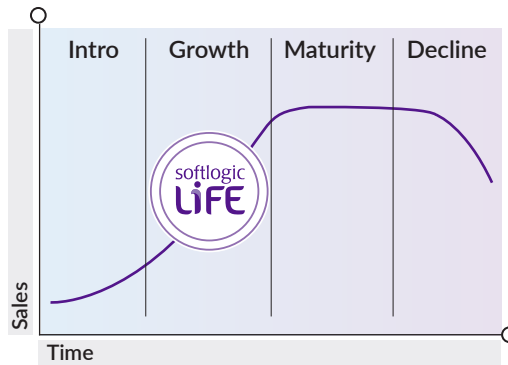
(On behalf of the Board of Directors)

ABOUT US

WHO WE ARE

Softlogic Life Insurance PLC is an exponentially growing Life insurance solution provider in Sri Lanka. We are in the business of protecting people and we strive to elevate standards and improve the quality of life for people by embracing creativity and disruptive innovation. The Company is recognised as the fastest growing Life insurer in Sri Lanka and is now the third largest Life insurer in the island. We seek opportunities for expansion not only in Sri Lanka but also offshore, in order to maintain our growth momentum.

The Business Life Cycle



The Company maintains a 10-year CAGR of 29%, compared to the industry CAGR of 14.3%. Softlogic Life has a track record of 22 years in business with good prospects for the future and Management assumes that the Company is at the "Growth Stage" of its business life cycle.



VISION

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



MISSION

We exist to nurture your well-being, so you can enjoy life today.



VALUES

- Caring
- Authenticity
- Courageous
- Innovation
- Simplicity

Rs.20,053 Mn

Gross Written Premium

Rs.18,196 Mn

Net Earned Premium
(Net Revenue)

16%

Market Share

Rs.5.60

Earnings per Share (EPS)

Rs.2,105 Mn

Profit After Tax (PAT)

78% | **22%**

Equity | Debt
Capital Structure

OUR UNIQUE VALUE PROPOSITIONS

The Company has an unique market-position:

- Sri Lanka's best health insurer
- Sri Lanka's fastest growing life insurer
- Most innovative insurer in the Sri Lanka
- Sri Lanka's first life micro insurance provider

OUR PRODUCTS MIX



Protection based products



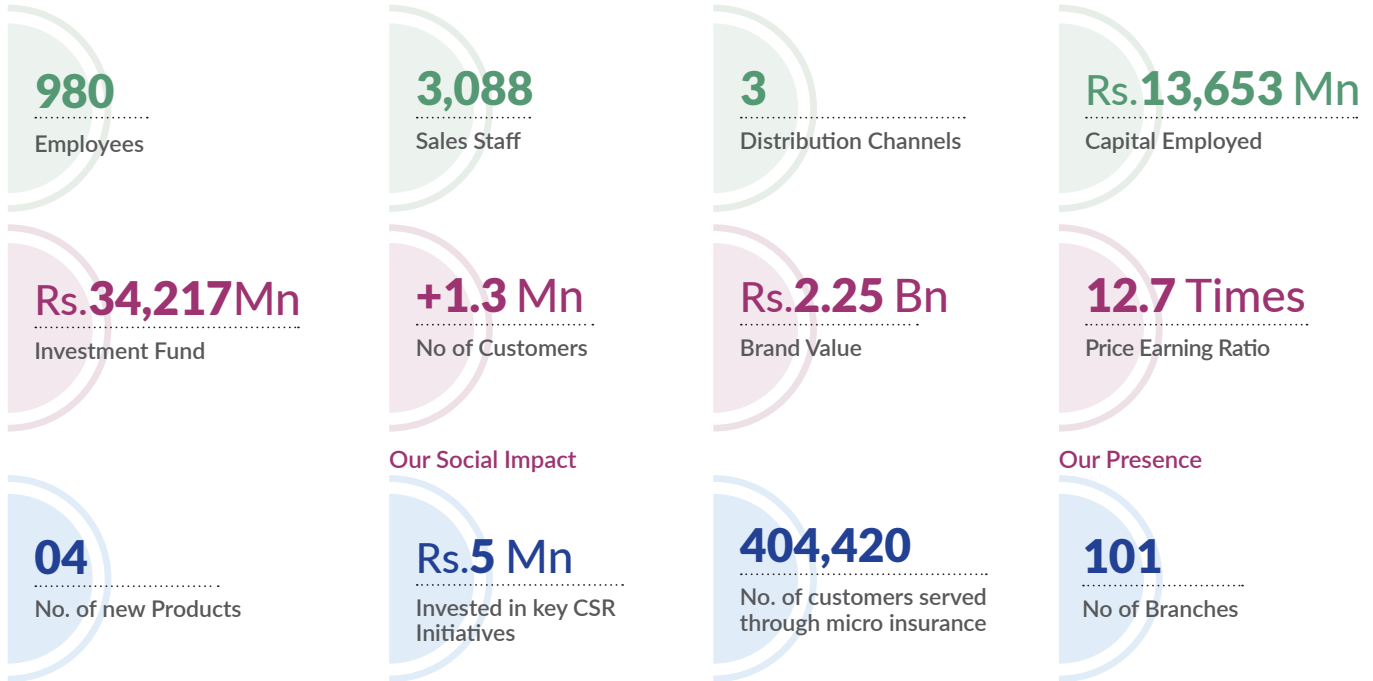
Fund accumulating investment base product

Relative Profitability



Scan to see our product portfolio

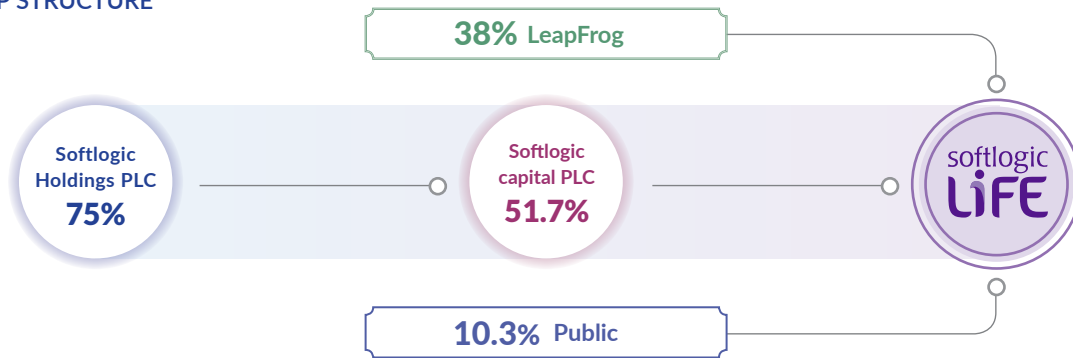
OUR RESOURCES



Our Social Impact

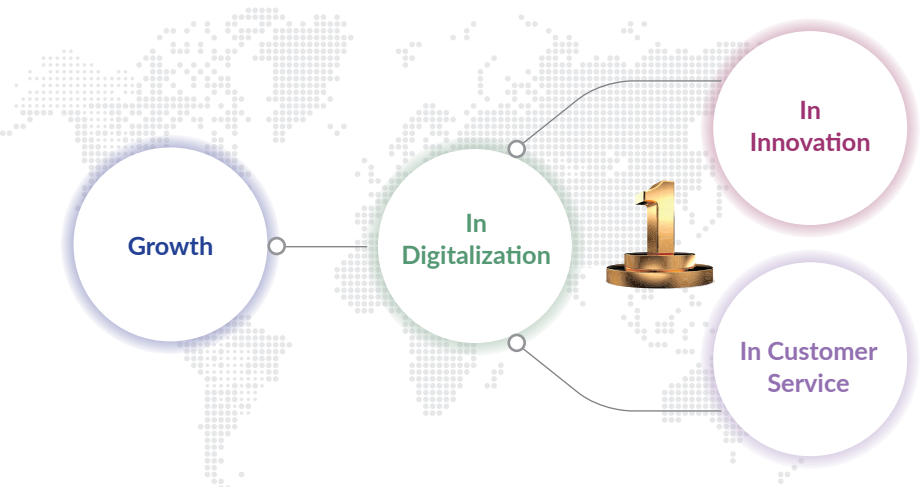
Our Presence

OWNERSHIP STRUCTURE



WHERE WE ARE HEADING

Historically, Softlogic Life has consistently demonstrated a pace of growth regarded as well above the industry rate; a result of diverse actions and strategies we have executed across the business. In taking the Company into the future, we plan to expand our geographical reach to countries in south Asian region such as Bangladesh and Myanmar where we see opportunities for development. Further, we will accelerate the key success-factors shown in next page, in order to enhance our trajectory of growth.



ABOUT US

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

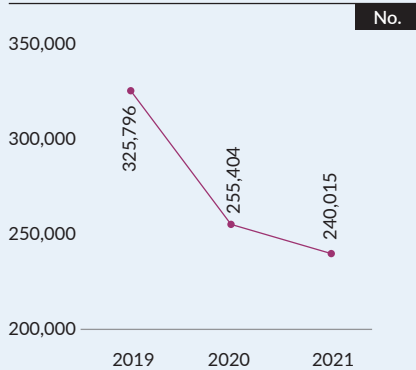


SLI is a member of “Business Call to Action”, a sure confirmation of our company’s leadership in and commitment to inclusive and sustainable initiatives at the base of the economic pyramid

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

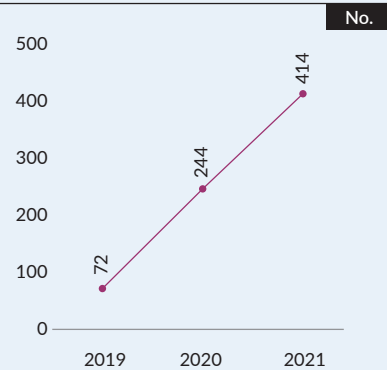
Objectives:-

G1-MICRO CHANNEL - LIFE INSURANCE POLICY



By 2024, SLI will provide access to a life insurance policy to 2.4 million low-income people in Sri Lanka.

G2-TOTAL NO OF DISTRIBUTORS OF INSURANCE POLICIES



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

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



OUR AWARDS



56TH ANNUAL REPORT AWARDS BY CA SRI LANKA

Softlogic Life won the Silver award for Overall Excellence in Annual Financial Reporting and bagged Gold Award in the Insurance Sector. Further, SLI walked away with 04 Bronze awards for the Corporate Social responsibility reporting, Integrated reporting, Integrated reporting - Best disclosure on Business Model, Integrated reporting - Best disclosure on Stakeholder Engagement



CMA EXCELLENCE IN INTEGRATED REPORTING AWARDS-2021

Softlogic Life made a history by winning the “Overall GOLD Award for Excellence in Integrated Reporting”. Its youngest company to achieve this milestone beating largest conglomerate and large banks. Further to this, SLI awarded;

- Gold award for the Best Integrated Report in Insurance Sector
- Special award for the Integrated Thinking
- Recognised as one of the 5 excellence Integrated Reports in Sri Lanka
- Mr. Nuwan Withanage who is the CFO of Softlogic Life Insurance PLC was awarded for the “CMA CFO Excellence award”



**BEST MANAGEMENT PRACTICES AWARDS 2022;
BACK TO BUSINESS IN THE NEW NORMAL**
Overall Bronze Winner, One of the Top Six Companies



**GREAT PLACE TO WORK -
ASIA'S BEST WORK PLACES 2021**
Softlogic Life ranked amongst the Best workplaces in Asia 2021

From a great place to work in Sri Lanka for 5 consecutive years, Softlogic Life has now made it to the list of the best places to work in Asia.



SOUTH ASIAN BUSINESS EXCELLENCE AWARDS 2021
Best Insurance Company in the Private Sector
Best use of IT and Technology



INSURANCE ASIA AWARDS 2021
Marketing Initiative of the Year - Sri Lanka (PinTheBiz Project)



25TH SOUTH ASIAN FEDERATION OF ACCOUNTANTS - BEST PRESENTED ANNUAL REPORT AWARDS 2020
Second Runner up in the Insurance Sector 2nd Runners up in SAARC Anniversary award for Corporate Governance.



DRAGONS OF ASIA 2021 (THE MOST AWARDED SRI LANKAN BRAND)
Best Use of Media, Best Innovative Idea or Campaign, Best Mobile Marketing Campaign



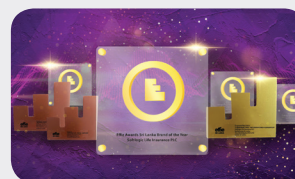
SLIM DIGITS 2021
Gold award for the Best Use of Technology in Marketing
Gold Award for the Digital Experience in Marketing
Silver award for Best Digital Innovation
Finalist - Best Use of Branded Content



SLIM BRAND EXCELLENCE AWARDS 2021
Silver award for the Service brand of the Year, Silver award for the Innovative brand of the Year.



MOST TRANSPARENT COMPANY IN SRI LANKA
Ranked No 10th of Most transparent entities in Sri Lanka

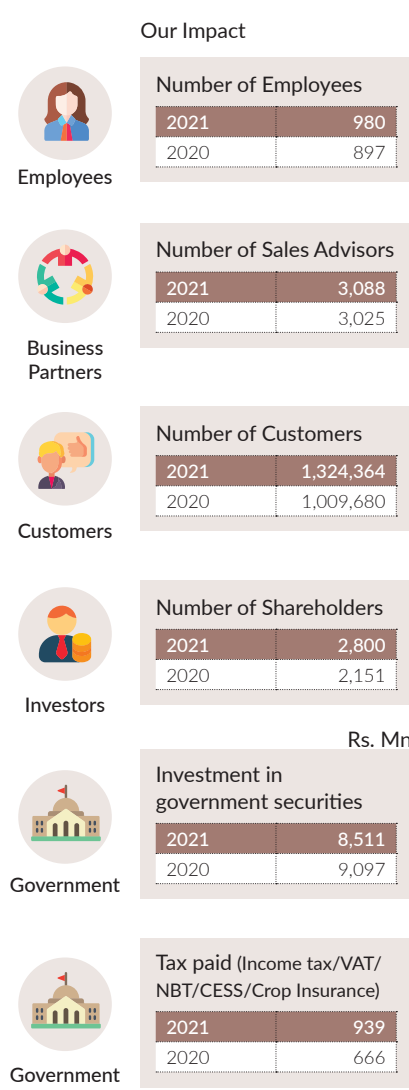
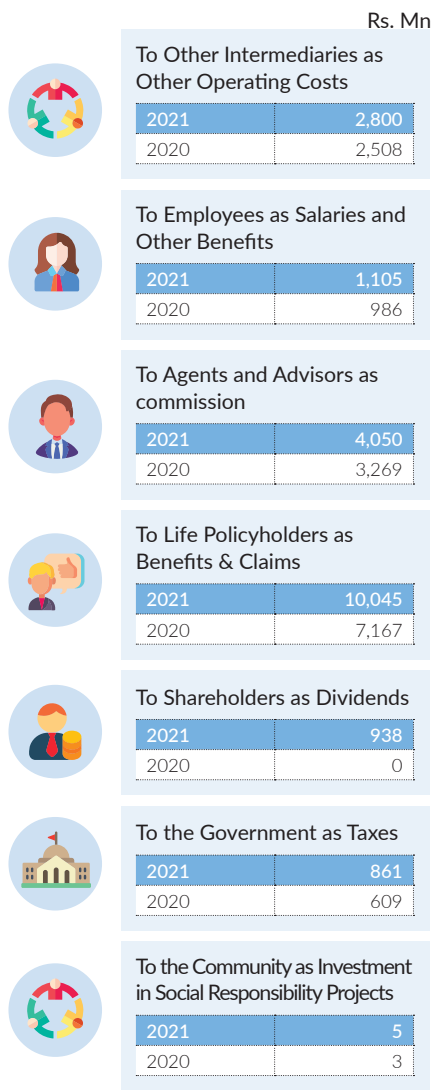
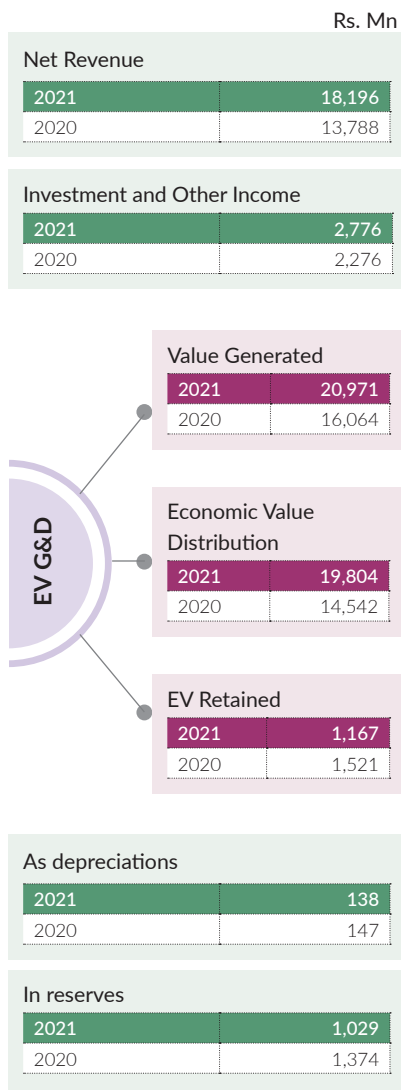


EFFIE AWARDS
Gold - Corporate Reputation, Bronze - Insurance Sector, Sustained success, Finalist - COVID response/ critical pivot, Media innovation, Marketing disruptors

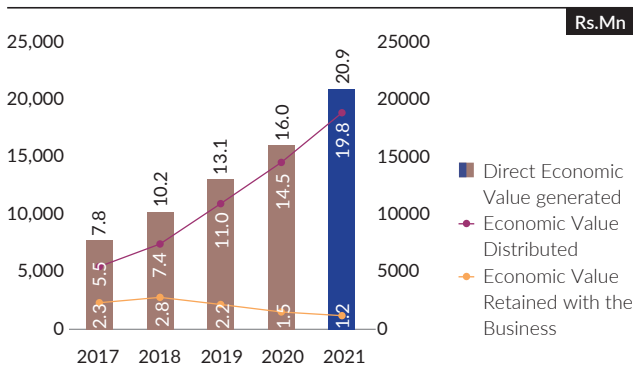
ABOUT US

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED TO NATIONAL ECONOMY

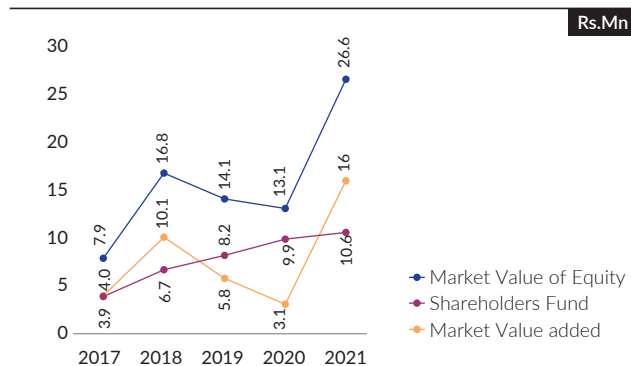
The creation and the distribution of the Economic Value Generated and Distributed (EV G&D) provide the economic profile of Softlogic Life and shows how the Company has created and distributed the wealth to its stakeholders. We are contributing to national economic development while managing the interests of our stakeholders.



G03-ECONOMIC VALUE ADDED



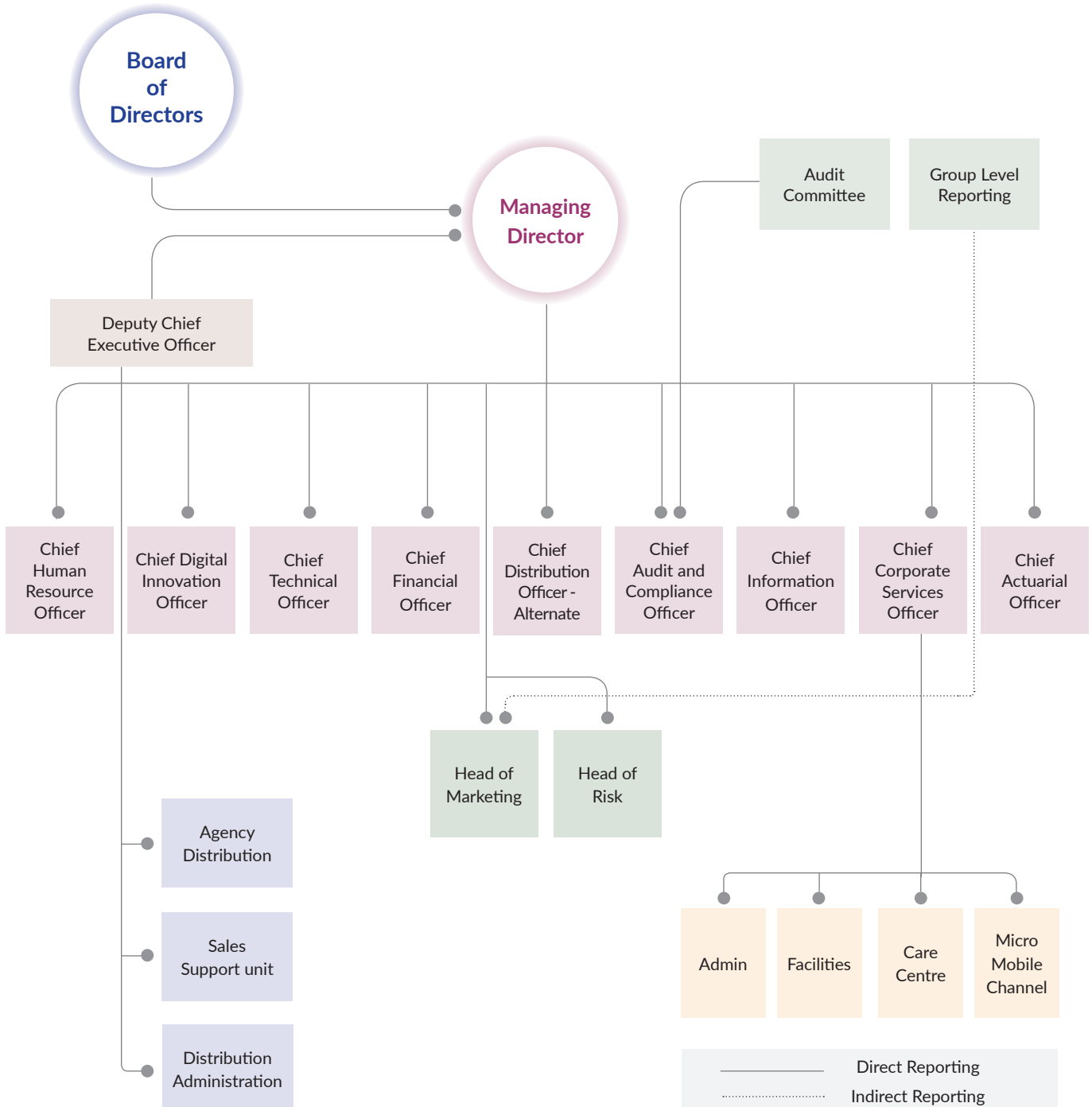
G04-MARKET VALUE ADDED



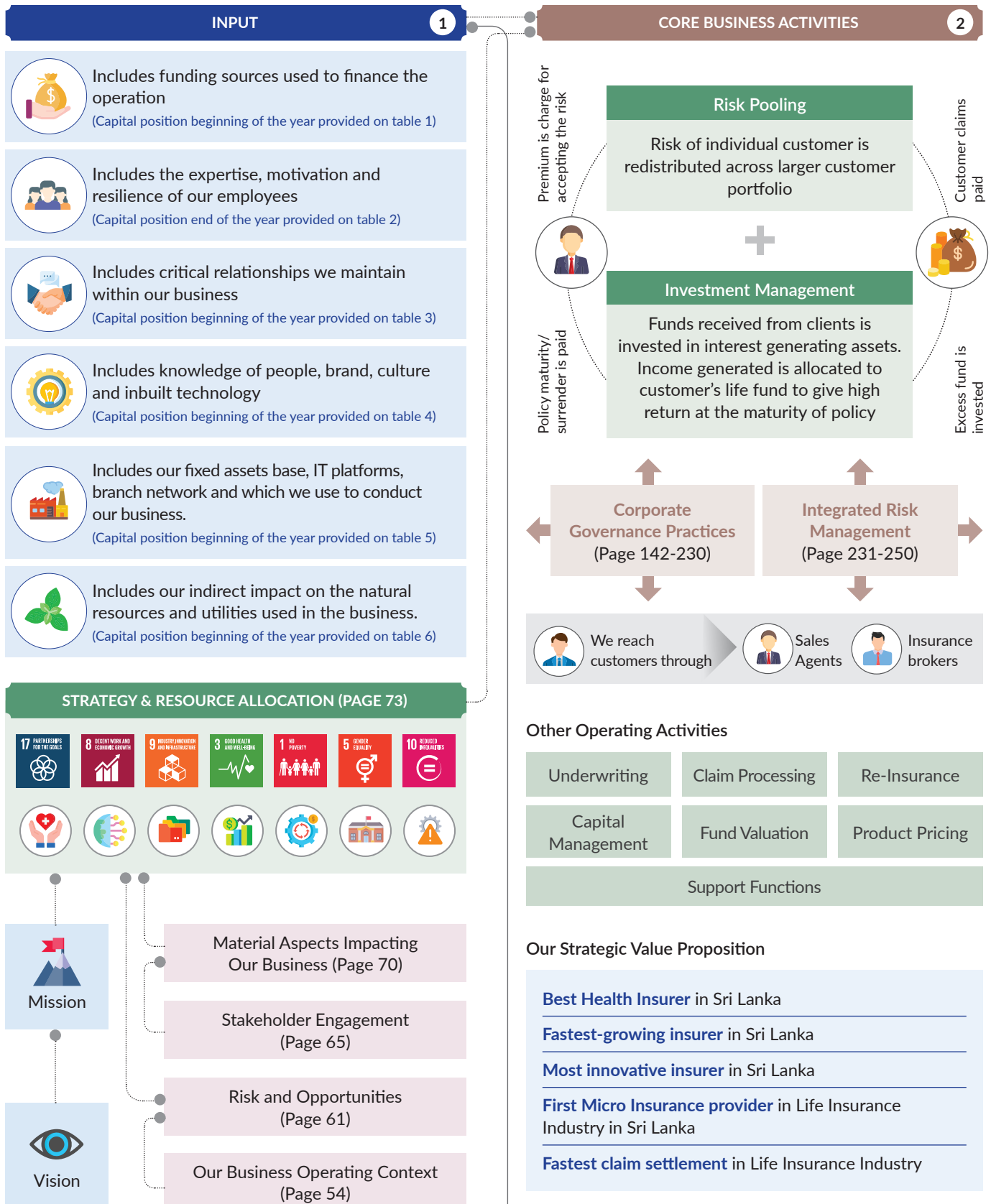
ORGANISATIONAL STRUCTURE

Importance of organizational structure in value creation

The Company has a hierarchical structure with a clear identification of business functions. This provides many advantages such as the clear demarcation of departmental-level responsibilities, an absence of complexities in executing command and a structured flow of information. Our open-door policy also combines with the above aspects to create a friendlier culture. All these factors enhance the adaptability of the business model, allowing us to effectively execute business strategies. As a result, our value creation process is greatly enriched by our organisational structure.



OUR BUSINESS MODEL




Redeploy

OUTPUT 3

a Our product portfolio (Product feature classification)

Protection base products	69%
Fund accumulating investment base products	31%

 Refer page 108 for product portfolio and scan QR for more details of our products





b Value Added Services (Refer Page 112 to 113)




c Waste (Refer Page 136)


OUTCOMES 4


 Sustainable financial return to shareholders, prudent growth and financial stability.
(Capital position end of the year provided on table 1)

 Productivity increase, employee loyalty and improved capabilities and competencies.
(Capital position end of the year provided on table 2)

 Customer satisfaction, Growth in customer base, Growth in field staff and Bancassurance partners, Engagement with community and CSR activities.
(Capital position end of the year provided on table 3)

 Launched new products, Implementing robotic processing technology, Integrated risk management framework that safeguard the business from externalities.
(Capital position end of the year provided on table 4)

 Expansion of geographical footprint, upgraded working environment and Better customer reach.
(Capital position end of the year provided on table 5)

 Involve in environment protection, Recycling of waste.
(Capital position end of the year provided on table 6)

Financial Capital - Statement of capital position Table 1

Measurement Criteria	Unit	Outcome 31.12.2021	Input 31.12.2020	G%
Total Equity	Rs Mn	10,588	9,936	6.6
Financial investments	Rs Mn	34,217	27,368	25.0
Market capitalisation	Rs Mn	26,625	13,050	104.0
Total Assets	Rs Mn	39,258	33,206	18.2
Insurance contract liabilities	Rs Mn	21,493	17,484	22.9

Human Capital - Statement of capital position Table 2

Measurement Criteria	Unit	Outcome 31.12.2021	Input 31.12.2020	G%
No of employees	No	980	897	9.3
% of Female employees	%	29	29	-
No of senior management employees	No	352	319	10.3

Social and Relationship Capital - Statement of capital position Table 3

Measurement Criteria	Unit	Outcome 31.12.2021	Input 31.12.2020	G%
No of customers	No	1,324,364	1,009,680	31.2
No of policies in force	No	794,870	649,986	22.3
No of new policies issued	No	237,453	262,605	-9.6
Sales staff	No	3,088	3,025	2.1
MDRT qualifiers	No	216	169	27.8
No of reinsurers	No	6	6	-
No of suppliers	No	240	282	-14.9
Value of lives covered	Rs Bn	2,960	2,060	43.7

Intellectual Capital - Statement of capital position Table 4

Measurement Criteria	Unit	Outcome 31.12.2021	Input 31.12.2020	G%
Our employees	No	980	897	9.3
Brand Value	Rs Mn	2.25	2.7	-16.7
Investment in intangible assets	Rs Mn	1.2	0.1	1,100

Manufactured Capital - Statement of capital position Table 5

Measurement Criteria	Unit	Outcome 31.12.2021	Input 31.12.2020	G%
Number of branches	No	101	100	1
Net book value of capital assets	Rs Mn	618	661	-6.5

Natural Capital - Statement of capital position Table 6

Measurement Criteria	Unit	Outcome 31.12.2021	Input 31.12.2020	G%
Paper Recycled	Kg	1,290	5,840	-78
Electricity Consumption	KJMN	5,939	6,402	-7
Water Consumption	M3	15,461	15,908	-3

OUR BUSINESS MODEL

Insuring and managing risk is central to what we do. Understanding, measuring and modelling 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.

RISK POOLING

We accept our customers' risk at a price and in the event of an unfortunate occurrence, we provide financial assistance to customers through a large fund base (the Life fund)—to which many other customers contribute—in order to transfer their risk to Softlogic Life. This mechanism called “Risk Pooling” and it is one of the Company’s core activities.

INVESTMENT MANAGEMENT

The fund base we collect through risk-pooling is then invested in interest-generating assets, to earn investment income. The income received then accumulates to individual customers' fund balance as “policyholder bonus” or “policyholder dividend” declarations. Accordingly, at maturity, the customer is entitled to the investment return on the premium paid.

BUSINESS PROCESS










Other than above our business process includes many other activities which are listed below. The table below shows how such activities measured within the organization and value we created under each capital deployed.

Table 7: - value creation through key business activities

● Achieved ● Partially Achieved





Activity	Sub Activity	KPI	Performance	Value creation	Impacted capital
RISK ASSESSMENT AND PRODUCT DEVELOPMENT	<ul style="list-style-type: none"> Unique product features are set by product development committee Risk assessment and validating price by actuary Agree the risk pooling methodology with reinsurance panel Product information's submitted to Insurance Regulatory Commission of Sri Lanka Changes being made to IT system and documentation 	N/A	N/A	<ul style="list-style-type: none"> Customer gets comprehensive protection at competitive price Revenue increase due to market acceptability of the product Internal knowledge on market behaviour is improved 	   
PROSPECTING	<ul style="list-style-type: none"> Obtaining reference of prospective customers Understand customer background Sales interview and policy designing Documentation and service 	N/A	N/A	<ul style="list-style-type: none"> Understand customer well in order to provide more relevant service 	
CUSTOMER NEED ANALYSIS	<ul style="list-style-type: none"> Understand customers' insurance needs during the sales interviews Assess financial capacity to match suitable product to customers 	N/A	N/A	<ul style="list-style-type: none"> Provide best suit product to customer to his satisfaction 	

● Achieved ● Partially Achieved

Activity	Sub Activity	KPI	Performance	Value creation	Impacted capital												
SALES THROUGH DISTRIBUTION CHANNELS	<ul style="list-style-type: none"> The Company has an extensive island wide distribution channel including Field staff Exclusive Bancassurance Partnership Partnership with Dialog Axiata PLC Partnership with Sri Lanka Postal Department 	Achieving the sales target of the company	Achievement % of GWP budget <table border="1"> <thead> <tr> <th>Y</th> <th>A%</th> <th></th> </tr> </thead> <tbody> <tr> <td>21</td> <td>107</td> <td>●</td> </tr> <tr> <td>20</td> <td>94</td> <td>●</td> </tr> <tr> <td>19</td> <td>95</td> <td>●</td> </tr> </tbody> </table>	Y	A%		21	107	●	20	94	●	19	95	●	<ul style="list-style-type: none"> Revenue generation Income generation to agents and partners 	  
Y	A%																
21	107	●															
20	94	●															
19	95	●															
UNDERWRITING	<ul style="list-style-type: none"> Assess the policyholder risk against the pre-determined criteria Ensure appropriate price is charged to the risk accepted Reject policyholder risk doesn't meet the Company maximum risk limit. 	Underwrite 75% of proposals within one day of the channel	One-day policy acceptance % over three years <table border="1"> <thead> <tr> <th>Y</th> <th>A%</th> <th></th> </tr> </thead> <tbody> <tr> <td>21</td> <td>76</td> <td>●</td> </tr> <tr> <td>20</td> <td>77</td> <td>●</td> </tr> <tr> <td>19</td> <td>90</td> <td>●</td> </tr> </tbody> </table>	Y	A%		21	76	●	20	77	●	19	90	●	<ul style="list-style-type: none"> Customer satisfaction due to speedy service Accept appropriate risk 	 
Y	A%																
21	76	●															
20	77	●															
19	90	●															
REINSURANCE	<ul style="list-style-type: none"> Excess risk to Company's risk appetite on policyholders is reinsured with the reinsurance panel. The arrangement could be Facultative arrangement or Treaty arrangement 	Maintenance of reinsurer's panel financial rating minimum of "A"	Maintenance of financial rating over past three years <table border="1"> <thead> <tr> <th>Y</th> <th>A%</th> <th></th> </tr> </thead> <tbody> <tr> <td>21</td> <td></td> <td>●</td> </tr> <tr> <td>20</td> <td></td> <td>●</td> </tr> <tr> <td>19</td> <td></td> <td>●</td> </tr> </tbody> </table>	Y	A%		21		●	20		●	19		●	<ul style="list-style-type: none"> Financial backup for unexpected risks Customer comfort on claim recovery Reinsurer receiving business 	 
Y	A%																
21		●															
20		●															
19		●															
CLAIM PROCESSING	<ul style="list-style-type: none"> Validate claim with policy criteria Real-time processing of claim payments 	More than 80% one day claim settlement	One-day claim settlement % of past three years <table border="1"> <thead> <tr> <th>Y</th> <th>A%</th> <th></th> </tr> </thead> <tbody> <tr> <td>21</td> <td>94</td> <td>●</td> </tr> <tr> <td>20</td> <td>86</td> <td>●</td> </tr> <tr> <td>19</td> <td>90</td> <td>●</td> </tr> </tbody> </table>	Y	A%		21	94	●	20	86	●	19	90	●	<ul style="list-style-type: none"> Customer get financial assistance when it is really required Increase customer satisfaction 	 
Y	A%																
21	94	●															
20	86	●															
19	90	●															

OUR BUSINESS MODEL

● Achieved ● Partially Achieved

Activity	Sub Activity	KPI	Performance	Value creation	Impacted capital												
INVESTMENT MANAGEMENT	<ul style="list-style-type: none"> Matching assets to liability on short, medium and long term (Asset Liability Matching) Generate adequate yield on investment fund 	Minimum investment in Government Securities 30% (From Life fund) Minimum investment yield on portfolio (This is subject to market conditions)	Minimum investment in government securities is regulatory requirement and last three years performance given below <table border="1"> <thead> <tr> <th>Y</th> <th>A%</th> <th></th> </tr> </thead> <tbody> <tr> <td>21</td> <td>41</td> <td>●</td> </tr> <tr> <td>20</td> <td>54</td> <td>●</td> </tr> <tr> <td>19</td> <td>42</td> <td>●</td> </tr> </tbody> </table>	Y	A%		21	41	●	20	54	●	19	42	●	<ul style="list-style-type: none"> Regulatory compliance Comfort on recoverability of the investment 	 
Y	A%																
21	41	●															
20	54	●															
19	42	●															
CAPITAL MANAGEMENT	<ul style="list-style-type: none"> Maintaining adequate capital as per the guidelines issued by IRCSL 	Capital Adequacy Ratio (CAR) above 120%	Last three-year performance provided below <table border="1"> <thead> <tr> <th>Y</th> <th>A%</th> <th></th> </tr> </thead> <tbody> <tr> <td>21</td> <td>395</td> <td>●</td> </tr> <tr> <td>20</td> <td>302</td> <td>●</td> </tr> <tr> <td>19</td> <td>182</td> <td>●</td> </tr> </tbody> </table>	Y	A%		21	395	●	20	302	●	19	182	●	<ul style="list-style-type: none"> Ensure liquidity of the business 	
Y	A%																
21	395	●															
20	302	●															
19	182	●															
FUND VALUATION	<ul style="list-style-type: none"> Appointed external Actuary value the life fund to decide fund liability under regulatory guidelines issued by IRCSL Difference between experience in assumptions used in previous valuation and current valuation is recognized as surplus 	New business margin % and embedded value	New business margin and embedded value is gradually increased	<ul style="list-style-type: none"> Ensure future ability to generate profits 													

OUR DIFFERENTIATION

Innovation is the key differentiator of SLI in the market where company introduced many industry first processes and technologies in Sri Lanka as summarised on the page 112-113. Further our multi-channel distribution strategy also brought us uniqueness in terms of serving over one million customer base who represent different market segments.

INNOVATION AND ADOPTABILITY

Adoptability of our business model is proved during the pandemic by quickly

recovering the business and recording industry highest growth rate during the year 2020 and 2021. We have created innovation driven culture within our organization and was able to introduced many industry first innovations as listed in page 112 of this report.

DEVELOPING OUR PEOPLE

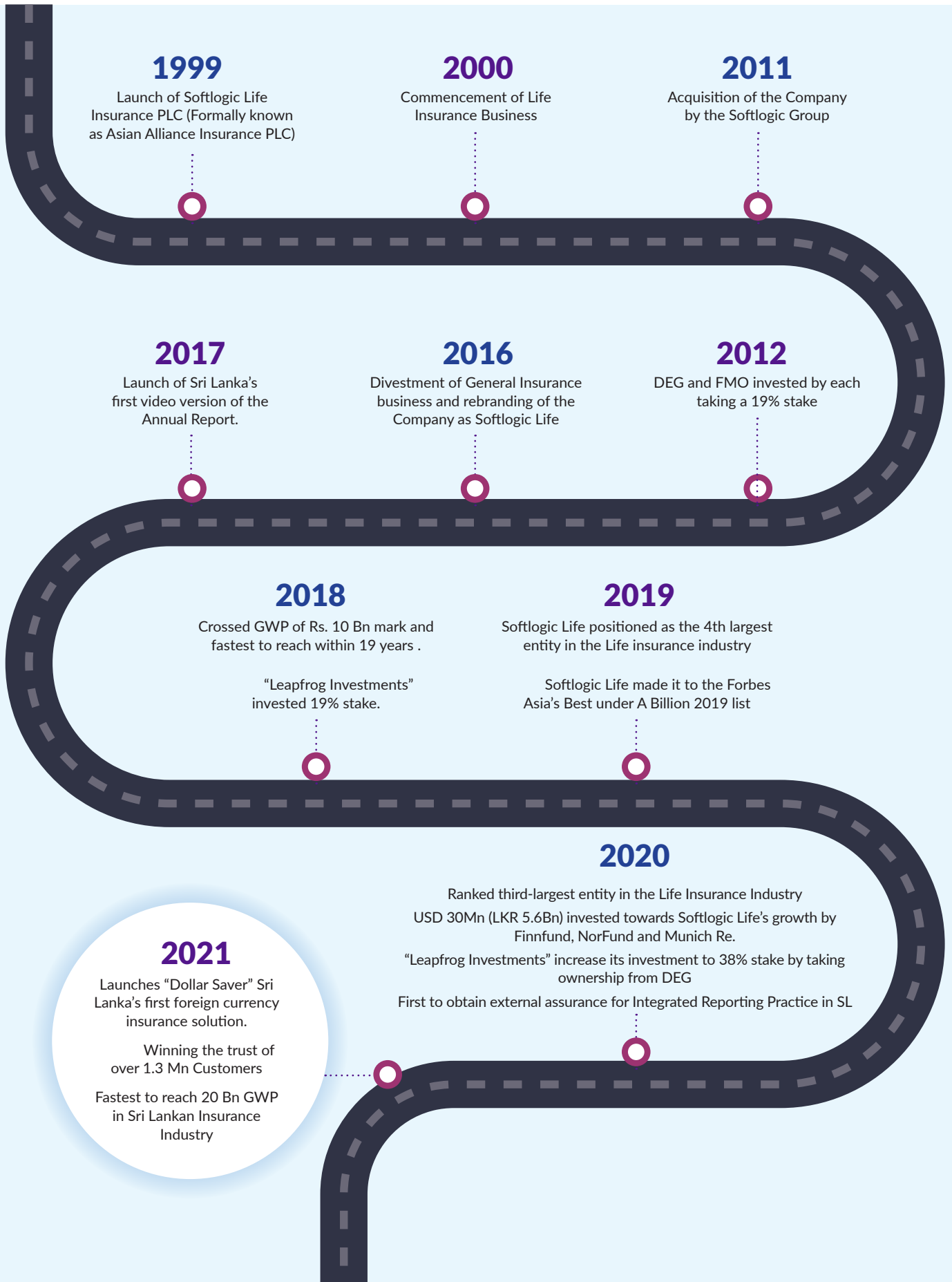
In light of above innovation driven culture and rapid changes we do within our business process to set new benchmark in the industry the management has acknowledge the fact that we should develop our people

regularly and keep them ready to accept new challenge tomorrow. Our effort on people development is discussed in detailed under Human Capital on page 92.

ENGAGE WITH OUR STAKE HOLDERS

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 65 of this report.

OUR HISTORY



FINANCIAL HIGHLIGHTS

Financial Performance and Ratios		2021	2020	2019	(%)
Gross Written Premium	Rs.million	20,053	15,660	12,531	28.1
Net Earned Premium	Rs.million	18,196	13,788	11,540	32.0
Underwriting results (Operating profit)	Rs.million	8,243	6,951	5,575	18.6
Earnings Before interest, tax, depreciation & amortization (EBITDA)	Rs.million	3,287	2,450	2,866	34.2
Profit Before Taxation (PBT)	Rs.million	2,966	2,130	2,604	39.2
Income Tax Expense/ (Income)	Rs.million	861	609	431	41.4
Profit After Taxation (PAT)	Rs.million	2,105	1,521	2,173	38.4
Dividend Paid	Rs.million	937.5	-	543.8	100
Retained Profits	Rs.million	1,167.5	1,521	1,629	-23.2
Financial Position as at the Year End					
Financial Investments	Rs.million	34,217	27,368	14,911	25.0
Total Debt	Rs.million	3,065	2,852	Nil	7.5
Total Assets	Rs.million	39,258	33,206	20,683	18.2
Equity and Reserves	Rs.million	10,588	9,936	8,219	6.6
Insurance Contract Liabilities	Rs.million	21,493	17,484	10,377	22.9
Total Liability	Rs.million	28,669	23,270	12,464	23.2
Share Information					
Market value per share					
- Highest value recorded during the year	Rs.	73.5	38.6	50.4	90.4
- Lowest value recorded during the year	Rs.	29	20	30	45.0
- Value as at end of the year	Rs.	71	34.8	37.5	104.0
No of shares in issue	million	375	375	375	-
Market Capitalisation	Rs. million	26,625	13,050	14,063	104.0
Profitability Ratios					
Underwriting Margin /Gross Profit/Operating profit Margin	%	41.1	44.4	44.5	(3.3)
Return on Total Assets *	%	6.0	6.1	11.4	(0.1)
Return on Capital Employed (ROCE) *	%	34.6	32.2	54.9	2.4
Investment Yield	%	8.9	10.7	11.5	(1.8)
Liquidity Ratios					
Current Ratio	Times	5.7	6.5	3.9	(12.3)
Quick Assets Ratio	Times	5.7	6.5	3.9	(12.3)
Equity Ratios					
Net Assets value per share	Rs.	28.2	26.5	21.9	6.6
Basic Earnings per share (EPS)/ Diluted Earning Per Share	Rs.	5.6	4.1	5.8	38.3
Dividend per share (DPS)	Rs.	2.5	-	1.45	100
Effective Dividend rate (Dividend Yield)	%	3.5	-	3.9	3.5
Dividend Payout Ratio	%	44.6	-	25.0	44.6
Dividend cover	Times	2.2	-	4.0	100
Price Earnings Ratio	Times	12.7	8.6	6.5	4.1
Earning Yield Ratio	%	7.9	11.7	15.5	(3.8)
Return on Equity *	%	23.1	21.3	37.9	1.8

Financial Performance and Ratios		2021	2020	2019	(%)
Efficiency Ratios					
Total Asset Turnover ratio *	Times	0.60	0.64	0.79	(6.9)
Fixed Asset Turnover Ratio	Times	31.4	23.4	19.4	33.8
Debt Ratios					
Debt to Asset Ratio	%	7.8	8.6	-	(0.8)
Debt to Equity Ratio	%	28.9	28.7	-	0.2
Interest cover	Times	17.9	14.2	N/A	25.9
Equity Assets Ratio	%	27	30	40	(3)
Industry Specific Ratios					
Capital Adequacy Ratio (Minimum requirement 120%)	%	395	302	182	93
Determination Ratio (Minimum requirement 100%)	%	114	118	109	(4)
Investment in Government Securities (Minimum 30%)	%	41	54	42	(13)
Investments, Supporting One-off Surplus (Restricted Regulatory Reserve) - Minimum requirement Rs. 798 Mn	Rs.million	868	839	829	3.5
Net Claims Ratio (with maturities and surrenders)	%	27.1	25.9	26.0	1.2
Net Claims Ratio (with Group life and DTAP)	%	22.3	20.2	18.1	2.1
Net Claims Ratio Endowment (without Group life and DTA)	%	9.3	10.1	9.7	(0.8)
Total Expense ratio (Expense to NEP)	%	42.7	47.7	53.8	(5.0)
Combined ratio	%	69.8	73.6	79.8	(3.8)
Acquisition cost to GWP	%	20.2	20.9	23.7	(0.7)
Operational expenses Ratio (Operation Expense to GWP)	%	18.6	21.2	26.1	(2.6)
Reinsurance Expense Ratio (Reinsurance Expense to GWP)	%	9.3	12.0	7.9	(2.7)
Key Value Drivers					
Annualised New Business Premium	Rs.million	5,083	3,880	3,967	31.0
Average Premium Per Policy (Endowment)	Rs.	138,983	136,852	137,032	1.6
Premium Persistency Ratio Year 1	%	85	83	85	2
Premium Persistency Ratio Year 2	%	67	65	64	2
Premium Persistency Ratio Year 3	%	58	52	52	6
Annualised New Business premium per Agent	Rs.million	1.6	1.3	1.4	23%

FINANCIAL GOALS AND ACHIEVEMENTS

Indicator (%)	Goal		Achievement		
			2021	2020	2019
Gross Written Premium Growth	Over 20%	●	28	25	25
Annualised New Business Premium Growth	Over 25%	●	31	-2	19
Profit After Tax growth	Over 15%	●	38	-30	138
Return On Equity	Over 20%	●	23.1	21.3	37.9

Critical KPIs to achieve our strategy during 2022 to 2024 is provided on page 73 to 79

* Adjusted for Deferred Tax

YEAR AT A GLANCE

JAN

Townhall Meeting

Moving towards Destination One, Softlogic Life started off 2021 with a Townhall Meeting to communicate the Company's strategy and objectives to its field staff and employees.



MDRT Qualifiers

Softlogic Life records the highest number of MDRT qualifiers.



FEB

Best Place to Work

For the 5th consecutive year we achieved Best Place to Work in Sri Lanka.



MAR

Alternate Channel Sales Awards 2021

Celebrating the 'Best of the Best' achievements in the Alternate Channel, Softlogic Life held the Alternate Channel Sales Awards 2021.



APR

Call a Doctor Facility

Proudly introduced Call a Doctor Facility to get professional medical assistance for all our employees via a phone call at anytime 24X7.



Asia Trust Life Agents & Advisors Awards 2021

Our very own sales team member, Sanjeewa Pushpitha become the only Sri Lankan among the finalists at the 6th Asia Trust Life Agents & Advisors Awards 2021.



APR

Softlogic Life launches '4Her'

Softlogic Life kick started powerful new 4Her platform in commemoration of International Women's Day 2021 with the theme of "Women in Leadership: Achieving an Equal Future in a COVID-19 World," which aims to celebrate the contributions by women and girls worldwide in combating the COVID-19 pandemic and shaping a more equal future. It is a long-term initiative to empower & embolden women in Sri Lanka.



MAY

Donation of Portable Medical RO Machine for Dialysis Patients

Softlogic Life extended its appreciative support to Army personnel for their outstanding contribution to the fight against COVID-19.



Gurugedara Program

Softlogic Life launched an exceptional radio-school—‘Softlogic Life Guru Gedara’, in support of GCE A/L students who have limited or no access to remote learning tools and opportunities.



JUL

Best Place to Work in Asia

For a great place to work in Sri Lanka, Softlogic Life made it to the list of Best Place to Work in Asia 2021.



SEP

Life Insurance Industry Sales Awards 2019/2020

Softlogic Life proudly walked away with 16 prestigious awards at Life Insurance Industry Sales Awards 2019/2020.



DEC

Awards and Accolades

Softlogic Life won ‘big’, ending up amongst the corporate giants of Sri Lanka at the CA Awards, the CMA Awards and more.

Refer page 14 for more details.

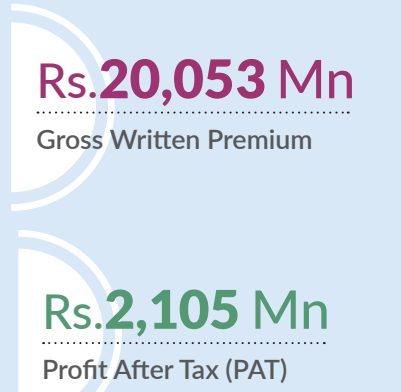


Increase in Market Capitalisation

Reflecting the unmatched growth pursued by the company on sustainable manner the investors confident was increased showing sharp increase in market share.



Highest Ever



MOST SIGNIFICANT EVENT DURING THE YEAR

Launches “Dollar Saver” Sri Lanka’s first foreign currency insurance solution

Setting another benchmark in the country’s highly competitive insurance sector, Softlogic Life introduced first ever foreign currency “dollar (\$)” insurance product focusing on Sri Lankan works overseas. The initiative was highly commended where the country is struggling to strengthen its foreign currency reserves.



Best Global MDRT Companies in the world 2021

As one of the youngest and fully home-grown life insurance companies in Sri Lanka, we’re proud to be listed among the Top 100 (#91) Best Global MDRT Companies in the World.



EXECUTIVE STATEMENTS

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Leading



CHAIRMAN'S REVIEW



In a year where disruption has been the theme for the wider economy, for Softlogic Life to record its highest ever Profit After Tax of Rs 2.1 bn and improve market share to 16% is nothing short of extraordinary. These accomplishments were facilitated by the strategies we deployed and the strong execution of those strategies, which enabled the Company to sustain the momentum despite the prevailing macro challenges. ”

Dear Stakeholders,

I am pleased to welcome you to the 23rd Annual General Meeting of the Company and to place before you the Annual Report and audited financial statements for the year 2021. The once-in-a-century pandemic outbreak in the previous year pervaded the period under review as well, unleashing unprecedented socioeconomic pressures and creating challenging operating conditions for business.

OPERATING ENVIRONMENT IN 2021

The Sri Lankan economy was buffeted by the impact of the COVID-19 pandemic for the second year in succession. The hope that the world would see the back of the pandemic in 2021 proved to be a pipe-dream as the emergence of the Delta variant in 2021 turned out to be more severe, resulting in increased hospitalizations and deaths, triggering three lockdowns during the 12-month duration in Sri Lanka. As a natural corollary, businesses were significantly impacted around the country.

Despite this adversity, it was remarkable that by 3Q2021, the country managed to procure vaccinations against COVID-19 and aggressively rolled out a successful vaccination drive. This resulted in Sri Lanka achieving vaccination rates considered to be amongst some of the best in the world, coinciding with the return of tourist traffic to the island, a crucial foreign exchange-earning sector for the country. By year-end, gradually all the sectors of the economy were open and functioning, and the Sri Lankan economy was projected to achieve a GDP growth of 3.3% for 2021.

As of early 2022, COVID-19 seems to be on receding mode and although the Omicron variant appears significantly more infectious, it is not having a severe impact in terms of hospitalizations and deaths, leading to cautious optimism that the pandemic could turn endemic by year-end. Witnessing the impact

CHAIRMAN'S REVIEW

form pandemic, Sri Lanka economy impacted from many fronts experiencing rising inflation and impacting the foreign exchange reserves of the country. As of now, the Sri Lanka Government and monetary authorities are grappling with a foreign exchange issue and are hopeful of being able to resolve this within a period of six to eight months of 2022.

The rollout of the booster dose in 2022 has also improved business and investor sentiment in the country. During the year, Softlogic Life stood by policy holders in a significant way, paying out Rs. 1.1 Bn in COVID-19 related claims on account of both health and death claims. As Sri Lanka's largest health insurer, Softlogic Life stood by its policyholders at the time that they needed assistance in terms of getting through the pandemic.

PERFORMANCE HIGHLIGHTS IN 2021

The company achieved a GWP of Rs. 20 Bn in 2021, a substantial increase from the Rs. 15.7 Bn in GWP achieved in the previous year where the COVID-19 impact first was felt, reflecting 28.1% growth in 2021, 25% in 2020 and 25.2% in 2019, a year marred by the Easter attacks. The company has transformed and adapted itself to ensure that COVID-19 was not a barrier, successfully countering challenges to achieve substantial and significant growth in 2021 as well as in the previous two years. In terms of financial performance, the company achieved a bottom line profit after tax of Rs. 2.1 Bn. This is including the one-off deferred tax expense of Rs. 232 Mn. The recurring Profit After Tax excluding deferred tax adjustment was reported as with a 54% growth compared to 2020.

The recurring Return on Equity was reported at 23.1% compared to 21.3% in the previous period. The Recurring Earning per share was Rs. 5.60 per share for 2021 compared with Rs. 4.06 per share in 2020. The Company's operating expense ratio decreased to 18.6%,

where it stood at 21.2% a year ago due to prudent and efficient expense management initiatives adopted. The company maintained a healthy Capital Adequacy Ratio (CAR) of 395%, well above the regulatory minimum CAR requirement of 120% as at 31st December 2021.

We believe that this performance stands out substantially in terms of investors, Softlogic Life is now delivering in excess of 23.5% of recurring return on equity which is making the Company, very attractive to the investing public on the Colombo Stock Exchange. Armed with this growth, the company increased its market capitalization by 104% to Rs.26,625 Mn in 2021.

SUSTAINING OUR MULTI-PRONGED STRATEGY

Softlogic life is placed in a very strong position as a result of embracing digitalization in a substantial manner well before the pandemic outbreak. As a result, when COVID-19 forced businesses to go online and conduct transactions via digital platforms, Softlogic Life was already in a commanding position as it had focused on digitalization of internal processes by leveraging on technology, expanded digital distribution channels and was executing a multi-channel strategy at the time the pandemic struck.

Our Agency force, which are the teams who sell personal insurance products through one to one engagement, now operate and submit all their proposal forms 100% in digital form. These proposals are received by the company and processed on a digital format as well. During the pandemic, the sales teams could not meet customers face-to-face, but once again technology enabled them to remain connected with policyholders through digital means. Customers were able to also complete the proposal form, sign digitally, and return it online to the company for processing.

One of Softlogic Life's key strategies has been to diversify its distribution channels by leveraging the traditional agency channel the Company possessed that is one of the best teams and one of the most highly productive teams in the country. Our average annual premium is Rs. 138,983 compared with the market average that is probably less than half. First-year persistency is at about 85% and second-year persistency at 67% - way ahead of industry benchmarks due to the rigorous sales process. As a result the quality of our business is a competitive advantage that we continue to build on.

In 2021, we saw our trail blazing Alternate Channel performing well - recording a growth of 22% over the previous year in which we rode on the success of the decreasing term insurance business that come from the Banking Sector of the Country. However, in 2021, compared to the previous year, the DTAP business did not see the bumper cycles that we saw in the previous year, which at the time were mainly brought about due to decreasing interest rates and new borrowers taking loans as well as existing borrowers restructuring their loans. However, in 2021, the Group Life business made good traction as we expanded coverage. The third distribution pillar of Micro and Mobile is focused on engaging with ecosystems with the Company being the only Life Insurer connected with large databases.

DIVERSITY AND INCLUSION

Diversity and Inclusion forms an intrinsic part of the Company's strategy. So, when it comes to distribution, the Company is the only Life Insurer to have partnered Dialog, servicing insurance premiums as low as Rs.40 per month, which would not be possible in a traditional insurance model. By doing this, 238,591 underserved customers are provided for giving them the possibility and the capacity to actually

get life insurance even if they are of much smaller values. We are proud to state that Softlogic Life has a business proposition and a product proposition that addresses each customer segment within the population.

EMPOWERING WOMEN WITH 4HER

Committed to empowering women, Softlogic Life launched 4Her, a programme aimed at improving the lot of the female entrepreneur. After COVID-19 impacted Sri Lanka, the need was felt to provide female entrepreneurs with assistance. A successful 'pin the business' initiative was initiated for small entrepreneurs who set up shops a mobile application provided by the company that allow users to pin a business, product or service that they found to be useful so that anyone in that area would know where to find the shop and what it sells. This initiative really helped small businesses to gain new customers. Softlogic Life is going a step further by providing branding expertise to these small entrepreneurs as they usually do not have such resources. By helping them in branding their business, the Company helps them to obtain access to different buyers or distribution points. The Company plans to develop the 4Her initiative further to make a significant and lasting impact on small female entrepreneurs.

SUSTAINABILITY OF THE BUSINESS

In this year's Integrated Annual Report, the Company details its sustainability performance in accordance with the GRI Standards (Core option). The Company obtained assurance on both integrated reporting and sustainability reporting this year as well.

The comprehensive report outlines its integrated approach to sustainable practices, winning strategies and management framework for the year under review. Softlogic Life's robust sustainability framework supported all

aspect of the Company's operations to perform at the highest levels. The Company's human capital, its greatest asset, worked responsibly while ensuring conservation and enhancement of its financial, intellectual and natural capitals. As a pioneering life insurer that has transformed the landscape of the industry, Softlogic Life remains mindful of its corporate, social and environmental obligations by ensuring its products and services reflects the highest ethical standards, and that its operations have a positive impact on all its stakeholders.

FORECASTING THE FUTURE

Going ahead, rising inflation is going to be a challenge for the Sri Lankan economy. Interest rates have already started to move up and we feel that a further increase in rates by about 150 to 200 basis points will come about during the year which will have an impact on economic growth.

A number of initiatives have been taken by the Government and the Central Bank of Sri Lanka in order to manage foreign outflows and contain foreign reserves. The January sovereign bond of USD500 million was paid in a timely manner and it is widely expected that the USD\$1 billion due in July 2022 will also to be paid on time by the Central Bank as it has reiterated its commitment not to default on the repayment.

We believe that 2022 will be a positive one and a good year for life insurance in Sri Lanka. In 2021, the life insurance industry grew by a substantial 21.1% in 2021 which is quite significant, having crossed the Rs.103 Billion-mark in the previous year and it is now an industry worth Rs. 125 Bn. Whilst inflation will cause interest rates to move upwards, the Insurance sector will be one of the beneficiaries as both new investments and maturing investments will be repriced and gain higher rates. This

will be significantly positive for the life insurance industry and Softlogic Life.

We anticipate inflation impacting our expenses as we move further into the year, including overhead expenses, medical inflation, the inflation relating to the increase in health services, whether these are surgical procedures or drugs or medicines on account of health covers for our policy holders. We are keeping a close eye on the impact and will need to strategise accordingly.

Although the pandemic created some uncertainty about what the future would look like, looking back it seems Sri Lanka managed to scrape through with a lesser health impact than many other countries. The pandemic has however exposed the economic problems facing the country today that had already taken root prior to the arrival of the pandemic and thus cannot be directly attributed to COVID-19, although the pandemic did serve to exacerbate some of those issues. As of now, all sectors of the economy are fully functioning without any disruption. As an agile organization, Softlogic Life was able to maintain smooth operations through the pandemic period.

The future is undoubtedly digital and the company aims to keep investing in the development of digital distribution channels and searching for market segments as well as opportunities to move on to markets beyond the shores of Sri Lanka. Having the diversification of three different business channels has enabled us overall to manage stable growth and move forward in a very balanced manner. As we move ahead, we will examine how we can expand our business into different niches, different segments, in Sri Lanka and overseas. We are very happy to note that across our three distribution channels, we cover 1.3 million Sri Lanka lives – a remarkable feat for a life insurance company that is just over 20 years old.

CHAIRMAN'S REVIEW

LONG-TERM VISION

The Sri Lankan economy has been through some of the worst times over the last couple of years. The growth forecast for 2022 provides optimism provided that the larger economic issues can be resolved. The insurance penetration of the country remains low at 0.5% of the GDP which continues to represent a big opportunity for the insurance sector in Sri Lanka. The attractiveness of life insurance companies has been seen on the Colombo stock exchange, with profiles and valuations increasing substantially.

The potential for Sri Lanka's life insurance drives our ambitions. Compared to a country such as Thailand whose per capita income is USD 6,600 and penetration 6%, compared with Sri Lanka at USD 4,100 (penetration 0.5%) - Sri Lanka's life insurance industry has the capacity to expand by around six times what it currently is, reflecting a huge opportunity for all stakeholders in the industry.

As a company pioneering technology-backed insurance solutions, we will continue to ensure that we remain ahead of the technology curve to win at business.

We are a company that has achieved a capital adequacy ratio of 395% which reflects how well Softlogic Life has built up its capital base. We will continue to target Return on Equity in excess of 20% while expanding our businesses across all our distribution channels so that we can make life insurance and health insurance accessible to Sri Lankans both locally and overseas. Insurance penetration in countries with large populations in South Asia and South East Asia provide great opportunities that will be explored as we move forward.

DIVIDEND

Committed to enhance shareholder wealth, the Company declared an interim dividend of Rs. 2.80 per share amounting to a total pay-out of Rs. 1,050 Mn for the year 2021. The Company paid Rs. 937.5 Mn dividend in April 2021 which was relevant to the 2020 financial year.

GOVERNANCE

Softlogic Life remained fully compliant with the regulatory environment during the year, exercising its risk and governance frameworks to ensure sustainability of business while creating value for all stakeholders. The Company has a watertight governance framework which is explained in greater detail on 142 pages of this report. The Company obtained the assurance report on Integrated Reporting and became the first Company to do so in Sri Lanka. This initiative reconfirms our attitude to always establish the right governance framework within the Company.

As a testimonial to accountability and transparency, the dynamic young company dominated CA Sri Lanka's 56th Annual Report Awards, with a sweeping win of six major awards including Silver Award for Overall Excellence in Annual Financial Reporting beating the country's giant conglomerates who have thus far dominated the top positions for years and years. Further the company clinched the Overall Gold Trophy for its Annual Report, themed 'One Lankan' including three more awards at CMA Integrated Reporting awards ceremony.

As a testimonial to accountability, Softlogic Life was ranked as the 10th most transparent listed company on the Colombo Stock Exchange as well as the most transparent insurance company in Sri Lanka by Transparency

International Sri Lanka (TISL) in its latest report titled 'Transparency in Corporate Reporting (TRAC): Assessing the Top 50 Listed Companies in Sri Lanka'. Softlogic Life has scored a TRAC score of 8.85, making it the only insurance company in Sri Lanka to be included in the Top 10 list, which speaks volumes for our governance framework. In yet another affirmation, our corporate governance practices were recognised when we became the only Sri Lankan company to get three accolades from South Asian countries by the South Asian Federation of Accountants (SAFA) for our Annual Report 2020.

APPRECIATION

I would like to place on record my gratitude to the board of directors as for the immense work they have done to direct the company to a stable path. I would like to thank Mr. Sujeewa Rajapaksa and Mr. Ray Abeywardena who retired during 2021, while warmly welcoming Mr. Lalith Witharana and Mr. Sanjaya Mohottala as the newest members on the Board. The regulator has to be commended for managing a turbulent environment in a very orderly manner, and ensuring that the participating life and general insurance companies were able to do their business without disruption. Most importantly, the senior management and staff of the company, who had a tough year, continued to demonstrate dedication, will and ability to focus on contributing what was required to ensure that Softlogic Life delivered a fantastic performance during 2021.

Sgd.

Ashok Pathirage
Chairman

Colombo, Sri Lanka.
07 March 2022

MANAGING DIRECTOR'S REVIEW



Softlogic Life recorded an outstanding financial performance in 2021, achieving a growth of 28% in Gross Written Premium . The Company achieved 107% of the 2021 GWP budget, while capturing a customer base of 1.3 million despite closures and disruptions through the period under review. ”

I am proud to say that the Company has developed a robust business model, transforming, changing and adapting to meet any challenges emanating from the prevailing volatile macroeconomic backdrop and the global health crisis. If there is one thing that COVID-19 has taught us, it is the importance of being a lean organisation in order to adapt the operation, business, expenses or other aspects – to be agile and move with speed when the need arises.

Softlogic Life recorded an outstanding financial performance in 2021, achieving a growth of 28.1% in Gross Written Premium (“GWP”). The Company achieved 107% of the 2021 GWP budget, while capturing a customer base of 1.3 million despite closures and disruptions through the period under review. The Company delivered a profit after tax of Rs. 2.1 billion and ROE of 23.1% while total assets of the company increased to Rs 39,258 Mn. This resounding performance was achieved all the while maintaining and improving the capital adequacy position of the company to 395% - making it one of the strongest and most robust companies at the forefront of Sri Lanka’s insurance sector.

RISKS AND CHALLENGES FACED IN 2021

The pandemic-induced disruptions resulted in not being able to operate in a ‘business as usual’ mode, however, our Company that had already enabled technology ensured that we functioned across all areas of business operations in the new normal. Technology made it possible for our services to be delivered on a digital platform. The Company honed its hybrid work model from the ‘work from home’ experience in the previous year - improving it further to enable employees to work in a seamless manner from anywhere and at anytime to limit the impact of COVID-19. Both sales and operations teams responded magnificently, enabling the Company during the year to achieve business

MANAGING DIRECTOR'S REVIEW

targets comfortably and to drive all the other aspects of the business ahead of the budget by as much as 107% for the year.

The Company reflects a strong culture of performance and motivation and holds the distinction of being in the 'Hall of Fame' of the Great Places to Work in Sri Lanka, which is a testimonial to the fact that our team is fully committed to delivering on behalf of our customers whatever that is required. This is a key factor that helped us to actually thrive in a year when policy holders needed us the most. Accounting for the numerous claims that needed to be settled during the year, the Company made a total payment of Rs. 1 billion during 2021 as COVID related claims – one of the largest, if not the largest payment in claims made by an insurance company. We are proud to say that Softlogic Life – the largest health insurer in Sri Lanka – stood steadfast with all its policyholders throughout this pandemic.

The advent of 2022 witnessed the Omicron variant impacting Sri Lanka. As a health insurer, Softlogic Life has been carefully observing the situation and according to our observations, while the rate of infection has been much faster with the new variant, hospitalizations and mortality rates are much lower. We remain hopeful that the world will see the tapering of COVID-19 by year-end 2022 and that claims too will moderate during the year.

As a responsible insurance company, we stand ready and committed to meet the requirements of our customers and pay their claims ensuring full coverage like we did in 2021. Sri Lanka currently has to contend with other outbreaks such as dengue, emergency procedures that policy holders might undergo and the company is continuously looking to see

whether it can improve the way in which we service our policy holders as we move forward.

INNOVATION HUB

Innovation emerging from Softlogic Life is being recognized on international platforms. At the South Asian Business Excellence awards 2021, the Company's "Claim IT" application received a Gold award. "Claim IT" has automated the team's claims processing and payment function from end-to-end. Once a customer sends an invoice, the system assesses the medication, reads through the probable ailments and deduces the ailment and depending on how much of that is included in the policy, decides on the amount of the claim that can be paid. The App then automatically integrates onto a payment platform to reach customer devices – all this without any human intervention. It's a unique initiative that we have developed on our own which we are very proud of and will build on further.

DIGITALIZATION WITH A PURPOSE

Operating with the aim of being there for policy holders when they need us most, all customer touch points are being enhanced, for example, reducing delays during hospital discharge. We are focused on eliminating these pain points for customers. We are working very strongly with our innovation team towards developing concepts such as artificial intelligence and machine learning, where we are looking to embed these items into the different processes of our Company including sales, servicing, underwriting, claims and in day-to-day operations.

Each department has been assigned a "robot" to work on repetitive non value adding transactions that works both day and night so that when employees go home for the day, the "bot" has

completed the assigned work by the next morning. The bot is proving to be a big asset to each department to assist in non value-added functions.

The extent of digitalization is evident in the fact that almost 100% of policies of the Company are now received in a digital form and processed digitally – eliminating the use of paper and improving our sales process. Even at the time when customers purchase life insurance, their proposal form is submitted, signed and processed digitally. Further as of now, 68% of policies are being auto underwritten, where the rule engine in our system approves the policy without any human intervention.

ENHANCING BENEFITS FOR CUSTOMERS

One of the key pillars in our rapid growth has been sharp focus on customer service. The Company is continually elevating customer experience when transacting with our brand. Taking a further step to enhance customer benefits, Softlogic Life will be part of Softlogic One the loyalty program of the Softlogic Group so that policy holders can receive benefits from the Group's loyalty programme. As the largest Corporate player in health, retail and financial services, Softlogic Group customers can look forward to interesting and exciting offers and benefits.

Softlogic Life is ranked as the fastest-growing insurance company with the best momentum in the industry. It is looked upon as the benchmark by the industry and an entity that has set the pace and created the excitement and the buzz in the world of insurance. This is evident in the multiple awards that the company has received across all its functions. The freedom of thought and

the innovative work culture prevalent in the Company is reflected in the top line and the bottom line of the Company.

STEWARDSHIP IN THE COMMUNITY

At Softlogic Life we have identified three main pillars, namely, youth empowerment, social well-being and environment, and all corporate social responsibility initiatives are inspired and undertaken based on these pillars. During the pandemic we focused more on digitalized CSR projects and conducted programmes such as the 'Gurugedara Program' focusing on students who do not have access to better connections and devices to learning facilities in rural areas. Digital awareness campaigns and many initiatives were taken to take care of our own customers and employees which we have further elaborated in pages 120-123.

FUTURE BUSINESS STRATEGY

Softlogic Life is moving ahead with optimism. In 2022, the Company expects claims to moderate and business growth to continue in a way that will drive demand for both life and health insurance. Looking at the larger picture, we expect inflation to be a challenge in 2022. Interest rates too are expected to increase, however this development will benefit our investment portfolio. The Total assets of the Company, which are at Rs. 39 Bn as at year-end 2021, are expected to reach Rs. 54 billion by the end of the year 2022. Our strategic plan is laid out for the next three years and in order to achieve the objectives for this period, we have ensured that the resources required, especially in terms of financial and human capital, and processes and procedures, are robust - to deliver the ambitious corporate plan.

Future business plans will be crafted on key strategic pillars of the company

that will focus on being the best in customer service, whilst fully leveraging technology through Digitalisation, Data analytics, lean management. Analysing the fast changing world we operate we will be transforming our business model with greater more digitally embedded optionality. We will always place our customer at the forefront of what we do and Customer satisfaction will be key towards providing best customer service. We will be enhancing efficiencies of our internal processes to be lean and provide speedy customer service. Looking to the future we will keenly assess product opportunities to continue our growth momentum.

The management has carefully evaluated the resources required with the future strategic expectation in mind, towards the short, medium and long run and is confident that the company is fully geared in terms of Financial, human, intellectual and social relationships to deliver the required outcomes. The resources required for long term strategies will be built on future business prospects.

ACKNOWLEDGEMENTS

The credit for the Company's breakout performance lies with the superlative management team of Softlogic Life to whom I'm sincerely thankful for everything that they have done in showing leadership and for taking the organization through two of the most difficult years in its history by achieving fantastic results, which makes us strong and ready to take any challenges that are coming our way. Our employees, customers and other stakeholders inspire us to reach higher.

We look to 2022 with great optimism and confidence in terms of continuing to improve our business and of being able to deliver value to our stakeholders

and policyholders. We promise that we will always be there for them like we did in 2021 so that they can go about their lives without any burden and live their lives to the fullest. Our wish for our policy holders is for them to be happy and healthy.

Sgd.

Iftikar Ahamed
Managing Director

Colombo, Sri Lanka.
07 March 2022

MANAGEMENT DISCUSSION & ANALYSIS

Futuring Our Business 37 | Our Business Operating Context 54 | Risk and Opportunities 61 |
Stakeholder Engagement 65 | Material Matters 70 | Strategy and Resource Allocation 73 |
Corporate Governance and Risk Management Summary 80 | Future Outlook 81 |
Independent Assurance Report on Integrated Report 83

Advancing



FUTURING OUR BUSINESS

Success of our future is based on our past. Our futuring capability brought us to this prestigious position today and will be raising further in years to come. This section provide overview of how we manage our operation till 2021. This overview in combination with Chairmen and Managing Directors view (on page 29-35) about the company, our business operating context provided on page 54 and Strategy and Resource Allocation section on page 73 of this report will provide fare ground for our investors, lenders and others to evaluate how resilient our future and success.

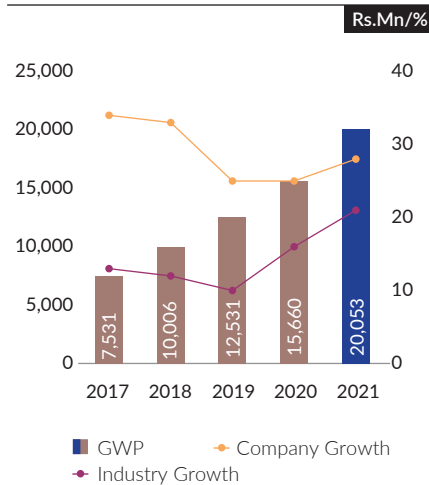
The execution of strategy under key strategic pillars impacted the key elements of our business process which are explained in detailed below which is in order of the items categorised in Income Statement.

GROSS WRITTEN PREMIUM (GWP)



Our strategy execution in terms of “Most Caring Life insurer”, “Smart IT Digitisation” together with action taken to pursue “Phenomenal Sales” was reflected in our GWP growth and related achievements which are described below.

G5-GROSS WRITTEN PREMIUM



COMMENTARY

The Company maintained its growth momentum even during the pandemic by recording 28% growth over 2020 compared to industry growth of 21%. During the year company surpass Rs 20 Bn GWP mark being the fastest company to reach 20 Bn mark in the industry. Company’s sustainable top line growth is further evident by 5 year CAGR of 28% compared to 15% of industry.

We also monitor GWP by product types such as First Year Premium (FYP), Renewal Premium (RP), Single Premium and Group Life Premium in which characteristics of each product are different. This is analysed in detailed on page 309.

Channel Wise Performance

The Company operates three main channels: Agency channel (agency model), Alternate channel (which mainly focuses on Bancassurance/ corporate life insurance solutions) and the Micro and Mobile which predominantly focuses on Micro insurance. According to the table below, dependency on the one channel is being address by the company divesting 35% of business to non-agency channels. It visualises our sustainable strategy and risk management as negative impact on one channel will not hold the growth of the Company.

Alternate channel, formed five years ago, recorded Rs. 6 Bn GWP and is a standalone distribution channel of Softlogic Life – now bigger than 9 life insurance companies in Sri Lanka. Micro channel which follows technology driven sales processes showed its business viability by growing consecutively at higher rates in 2021 and 2020 by 53% and 159% respectively even during the pandemic situation.

Channel	2021 (Rs Mn)	2020 (Rs Mn)	G%	Mix 2021	Mix 2020
Agency	13,097	10,060	30%	65%	64%
Alternate	6,296	5,169	22%	31%	33%
Micro & Mobile	660	431	53%	3%	3%
Total	20,053	15,660	28%	100%	100%



KEY CHALLENGES IN 2021

- The pandemic situation impacted new business generation and renewal collection mainly because of lock down and travel restriction.
- Keeping sales staff morale was extremely critical during the pandemic as they were the frontline solders went to field.
- We experienced a high frequency of customers changing the mode of their policy payments as well as premium adjustment, based on their financial background.

FUTURING OUR BUSINESS



KEY STRATEGIES EXECUTED IN 2021

Strategies on overall business execution

Market Penetration Strategy (Market leader in terms of customers insured)

Our strong growth momentum over the last eight years was mainly supported by our market penetration strategy. In executing our strategy, we strengthen our three distribution channels year by year. During 2021 also we added 03 new branches to Agency channel and onboard 383 new corporates under Alternate channel. Micro and Mobile channel also grew its customer base to 404,420 during 2021. These resulted to spotlight us as a insurer issued highest number of new policies amount to 238,059 in 2021 which is account for 30% of new policies issued in the Life insurance industry.

PRODUCT DEVELOPMENT STRATEGY

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

Product development strategy is one of the main items in our untiring efforts in excellent customer service. Our tide engagement with customers allows us to understand exactly what the customer needs and we diversify our product portfolio to suit those requirements. During the year we introduced 04 products of which one is focus on evolving requirements of customers and another one focus on customer segment who remit USD to Sri Lanka. Refer page 108 for our full range of product portfolio.

DIGITALISATION OF NEW BUSINESS GENERATION PROCESS (Innovations define our success)

Keeping focus on existing and new customers the Company strengthened its digital space further by allowing sales staff to conduct

overall sales process on a digital platform. Currently we issue 100% digital proposals and 68% of policies get auto underwritten.

Re-emphasising our commitment on superior customer service, we also launched a new digital platform called “Claim It” which allow customers to intimate their claims online and get paid online.

DIGITALISATION OF PCU OPERATION

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

Softlogic Life’s unique business model of premium follow-up from the second year of the policy by our specialised unit of PCU (Policy Conservative Unit) aids the effective follow-up of renewing premiums. Responding to COVID-19 related challenges on premium collection. The Company developed a mobile base collection platform empowering PCU officers to issue real time digital receipts to customers and deposit collections through ATMs. The process made huge success by recording 32% growth on renewal premiums compared to 13% growth in 2020 while safeguarding the health of our staff.

INDUSTRY-FIRST INNOVATION

We were the first to introduce innovation to the insurance industry, raising the bar higher to global standards

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 112-113 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 Most Caring Life Insurer strategy.

Some accolades define our success



Best Use of IT By South Asian Business Excellence Awards 2021



Innovative Brand of the year – Silver SLIM brand excellence

STRATEGIES EXECUTED AT OPERATIONAL LEVEL

Caring for Employees and Field Staff

During the COVID impacted period our staff put their maximum effort to keep our customer protected and also bring new business to support the company growth. As a management we were always behind them to safeguard our people. Accordingly, we announced reimbursement of cost of PCR who suspected to be affected. The Company also provided ration package to families of our staff who got COVID positive.

Digitalisation of internal processes

We also digitalized our internal processes to provide undisrupted services to our customers. Accordingly we maintained one day claim settlement at 94% and customer discharge within one hour at 87%



KEY VALUE DRIVERS OF GWP PERFORMANCE

The performance and quality of the insurance portfolio could be measured through following key value drivers. The company over the past five years have been performed well except for the year 2020 where growth in all areas are clearly visible in below table.

Description	2021	2020	2021 G%	2019	2018	2017
Annualized New Business Premium (ANBP) (Rs Mn)	5,088	3,880	31%	3,967	3,325	2,706
Average Premium Per Policy (Rs.)	138,983	136,852	2%	137,032	128,887	113,375
Persistency Ratio Year 1 (%)	85	83	2%	85	84	84
Persistency Ratio Year 2 (%)	67	65	2%	64	63	64
Persistency Ratio Year 3 (%)	58	52	6%	52	55	59
Average Annual ANBP per Agent (Rs Mn)	1.6	1.3	27%	1.4	1.4	1.5

COMMENTARY ON KEY VALUE DRIVERS

Annualised New Business Premium

ANBP is considered as the quantum of new business the generated for a period of 12 months. During the year The Company recorded growth of 31% compared to last year. This evidence the momentum of growth the company pursuing in terms of acquiring new customers.

Average Premium Per Policy/ Average Policy Value

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). During the year we have improved it by 2%.

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. In other terms it is a measure of customer satisfaction as they continue to pay only if they satisfy with the service and benefits. During the year 2021 we were able to improve first year and second year retention by 2% and most significantly we have improved third year persistency by 6%. This shows the improvement in quality business we underwrite and also future profitability. Compared to industry company is maintaining superior first year persistency ratio of 85% where industry is around 50% based on the latest laps study.

In combination of above three key value drivers it is mean that the company is growing fast by acquiring quality business which lead to future profitability.

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 was recorded at Rs. 1.6 Mn per agent, which has grew during the year. This a method of gaining organic growth in a life insurance company and most cost effective way to bring in new business.

FUTURING OUR BUSINESS

PERFORMANCE OF GWP IN RELATION TO INDUSTRY

Criteria	Analysis																																				
<p>GWP (Sustainable Growth)</p> <p>During 2021 too, The Company continue to grow above the industry growth for 10th consecutive year as result of integrated management of the business during the difficult times. The graph 6 clearly compare SLI with industry in terms of GWP growth.</p>	<p>G6-INDUSTRY AVERAGE GROWTH VS SOFTLOGIC LIFE GROWTH</p> <table border="1"> <caption>G6-INDUSTRY AVERAGE GROWTH VS SOFTLOGIC LIFE GROWTH (%)</caption> <thead> <tr> <th>Year</th> <th>Market Growth</th> <th>Company Growth</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>13</td> <td>34</td> </tr> <tr> <td>2018</td> <td>12</td> <td>33</td> </tr> <tr> <td>2019</td> <td>10</td> <td>25</td> </tr> <tr> <td>2020</td> <td>16</td> <td>25</td> </tr> <tr> <td>2021</td> <td>21</td> <td>28</td> </tr> </tbody> </table>	Year	Market Growth	Company Growth	2017	13	34	2018	12	33	2019	10	25	2020	16	25	2021	21	28																		
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<p>Market Share (Continues increase in market share)</p> <p>During the year company increased its market share by 0.9% reaching to 16.1% compared to 15.2% market share held in 2020. SLI sustainable growth is showcases in graph 7 highlighting only insurer (among top 5) to continuously increase its market share over last five years.</p>	<p>G7-MARKET SHARE MOVEMENT OF TOP FIVE PLAYERS IN THE INDUSTRY</p> <table border="1"> <caption>G7-MARKET SHARE MOVEMENT OF TOP FIVE PLAYERS IN THE INDUSTRY (%)</caption> <thead> <tr> <th>Company</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Ceylinco Life</td> <td>-1.6</td> <td>0.2</td> <td>-1.1</td> <td>0.3</td> <td>-0.9</td> </tr> <tr> <td>SLIC</td> <td>-1.2</td> <td>-1.0</td> <td>0.3</td> <td>-1.1</td> <td>2.0</td> </tr> <tr> <td>Softlogic Life</td> <td>1.6</td> <td>1.9</td> <td>1.6</td> <td>1.1</td> <td>0.9</td> </tr> <tr> <td>AIA</td> <td>0.2</td> <td>-0.2</td> <td>-0.3</td> <td>-0.4</td> <td>-0.2</td> </tr> <tr> <td>Union Assurance</td> <td>1.1</td> <td>-0.1</td> <td>-0.9</td> <td>-0.3</td> <td>-0.4</td> </tr> </tbody> </table>	Company	2017	2018	2019	2020	2021	Ceylinco Life	-1.6	0.2	-1.1	0.3	-0.9	SLIC	-1.2	-1.0	0.3	-1.1	2.0	Softlogic Life	1.6	1.9	1.6	1.1	0.9	AIA	0.2	-0.2	-0.3	-0.4	-0.2	Union Assurance	1.1	-0.1	-0.9	-0.3	-0.4
Company	2017	2018	2019	2020	2021																																
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<p>Industry Ranking (Strengthening year on year)</p> <p>With continuous market share increase we also ranked up in the market as third largest insurer whereas four years back we were fifth in the league table.</p>	<p>G8-MARKET SHARE</p> <table border="1"> <caption>G8-MARKET SHARE (%)</caption> <thead> <tr> <th>Year</th> <th>Market Share (%)</th> <th>Ranking</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>10.5</td> <td>5</td> </tr> <tr> <td>2018</td> <td>12.5</td> <td>4</td> </tr> <tr> <td>2019</td> <td>14.1</td> <td>3</td> </tr> <tr> <td>2020</td> <td>15.2</td> <td>3</td> </tr> <tr> <td>2021</td> <td>16.1</td> <td>3</td> </tr> </tbody> </table>	Year	Market Share (%)	Ranking	2017	10.5	5	2018	12.5	4	2019	14.1	3	2020	15.2	3	2021	16.1	3																		
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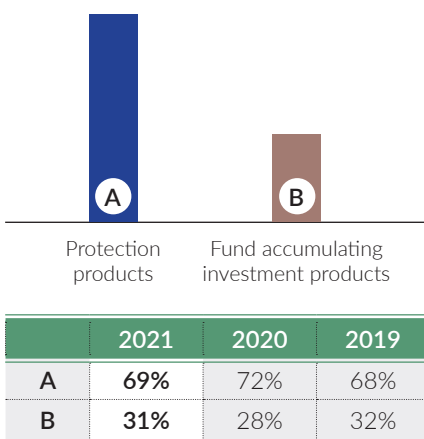
Criteria	Analysis				
Channel performance / contribution With the introduction of Alternate distribution channels we experienced gradual reduction of Agency channel contribution of SLI. However, in 2021 it recorded slight increased but significantly lower than the industry. This is one of the risk mitigation method we practice where impact to one customer segment will not affect the growth of the company.	%	Softlogic Life Mix		Industry Mix	
		2021	2020	2021	2020
	Agency Channel	65	64	77	78
	Non-Agency channel	35	36	23	22
	Total	100	100	100	100

PRODUCT WISE GWP ANALYSIS

Products available in the life insurance industry can be categorised in many ways based on their characteristics. However, in assessing sustainability of bottom line we can have two product categories which is based on profit margins.

- Protection products - This refers to the products that purely cover risk of policyholders. These risk includes health risk, death risk etc.
- Fund accumulating investment products - These products have portion of fund accumulated with policyholder bonus or dividends and eligibility to maturity benefits.

**Profit margin comparison
Business Mix of two product types**



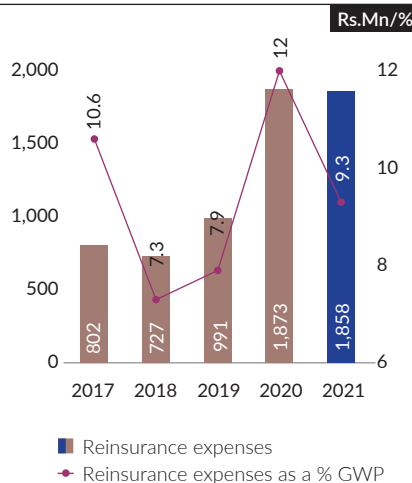
Above analysis clearly show that our majority of business portfolio include protection products which will sustain future profitability.

RE-INSURANCE 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, The Company paid a part of the premium received from customers to reinsurers. Hence, this expense is referred to as Reinsurance expense. Reinsurance is one of the key item of our “Risk Management” strategic pillar. This also use as customer safeguard mechanism under strategy execution of “Most caring life insurer”.

G9-REINSURANCE EXPENSES AS A % GWP



COMMENTARY

The company paid Rs 1,858 mn as reinsurance expense during the year. This account for de-growth of 1% compared to 2020. The decrease in premium is a result of non-renewing one of the treaty arrangement based on the outcome of financial evaluation of revised terms of the treaty. Increase in reinsurance ratio from 2020 is due to Financial reinsurance agreement entered in to with Munich-re which will effective for another six years approximately.

KEY CHALLENGES IN 2021

- As a leading innovative company in the market, SLI introduces many new products to the market as a first mover Eg: introduction of USD product. It was challenging for us to convince Reinsurers of the behaviour of the product in the Sri Lankan market context and assess risk experience. This result in Reinsurers charging us comparatively higher premiums at initial stages.

FUTURING OUR BUSINESS

- During the year 2021 Sri Lankan economy was largely impacted with shortage of foreign reserves and government took many actions to control the foreign currency outflow. Accordingly, we were unable to settle reinsurance premiums on due dates. This could have impact such as reinsurers exit the business by exposing company to risk above its risk appetite. However since this is common to the Sri Lankan insurance industry reinsurers will provide extended period for settlement.
- 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. However, the Company was able to prove the future prospects.



KEY STRATEGIES EXECUTED IN 2021

- The Company continues to evaluate the premium charge by re-insurers against the portion of the risk they cover. During the year, the Company was able to further optimise reinsurance outgo.
- The Company evaluate the profitability of reinsurer arrangement on recurring basis and decide the reinsurance retention level on annual basis.



KEY VALUE DRIVERS

The Company monitors the Reinsurance expense as a % to GWP, at different line of business (LOB) level as well as product class level, while accurately managing the portfolio risk through reinsurance arrangements and optimising the portfolio. Details of reinsurance experience is a key driver of the annual reinsurance negotiations and company conduct annual reinsurance study to support the negotiations.



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.

INVESTMENT AND OTHER OPERATING REVENUE



GWP (Revenue) collected from customers is invested in various type of fixed income securities and equity investments. The income generated through these investments is then distributed to policyholders as bonus or dividend. Therefore, this is a key activity of customer value creation and linked to strategic pillar of "Most caring life insurer". Further the investment function is directly governing by board subcommittee of "Investment Committee" and also investment risk are assessed and reported by risk department on regularly. Accordingly, this activity also falls under key strategic pillars of "Governance" and "Risk Management".



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 investment income by achieving 22% growth over 2020. The growth is mainly supported by increase in new business providing cash flow to invest. Finance income grew by 44% which represents gains from fund base growth of fixed income securities. Net realized gains of Rs 392 mn mainly consist of gains recorded from sale of Unit trust.

Table 8 :- Investment and Other Operating Revenue

Rs Mn	2021	2020	G%	2019
Finance Income	2,355	1,634	44%	1,219
Net Realised Gains	392	171	129%	124
Net Fair value (Losses) / Gains	8	464	-98%	232
Total Investment Income	2,755	2,270	21%	1,575
Other Operating Income	21	6	226%	10
Total Investment and Other Operating Revenue	2,776	2,276	22%	1,584



KEY CHALLENGERS & STRATEGIES EXECUTED IN 2021

- Low interest rate scenario we experienced from 2020 onwards compel us to move to short term investments with the expectation of increasing interest rates. This strategy allowed us to lock these funds at the time we experience interest rate increase at the end of 2021.
- We also look for corporate debt securities to earn high yield from our funds depending on the results of internal stringent investment risk management policies.



KEY VALUE DRIVERS

- **Investment Yield** – this is key KPI of investment fund manager where company expect to earn attractive yield to support policyholder dividend and bonus payments.
- **Maturity Matching** – Company’s expectation here is to match investment tenure with future liability to maintain sufficient liquidity at any given point.

NET INSURANCE BENEFIT AND CLAIMS



Insurance benefit and claims represent our promise to customers and its performance indicate how we discharge our promise. Speedy and Fair settlement of claims impact customer satisfaction and link to our strategy of “Most caring Life Insurer”. We have executed many digital innovations to improve claim settlement speedy and efficient through our “Digitalisation “ strategy which are provided on page 112.

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

Table 9: Net Claims and Benefits

Presented in Rs. Mn	2021	2020
Net Claims		
Death, Disability and other riders including Hospitalisation benefits - Endowment products	2,123	904
Death and other riders - Group Life	1,583	994
Death - Decreasing Term Assurance (DTA)	961	494
Total Regular Claims	4,667	2,391
Net Benefits		
Maturities/ Surrenders - Investment Products	85	145
Maturities - Endowment products	606	296
Policy surrenders - Endowment products	198	336
Policy refunds - DTA	347	398
Total net benefits	1,235	1,175
Total net benefits and claims	5,902	3,567



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.

The net claims stood at Rs. 5,902 Mn in 2021, which is 65% growth compared 2020 mainly due the decision taken by the company pay all COVID -19 related claims to protect our customers even though we are not liable to do so. We have paid Rs 1.1 Bn as COVID claims during the year. Without that impact the growth is 39%. This is mainly due to increase in claims from Group Life business where we experience people who postpone some medical treatments in 2020 was completed during 2021 with the removal of travel restrictions. Further the claims from DTAP policies were doubled in 2021 which reflect the growth the portfolio on the other hand.



KEY CHALLENGES IN 2021

- We experienced high claim increase during 2021 due to COVID 19 impact.
- Customers who postponed non urgent medical treatments were done during the year impacting high claims out go
- Maintaining service standards during lock down periods



KEY STRATEGIES EXECUTED IN 2021

Situational Management - Caring for customers is our priority

- The management unanimously decided to accept COVID related claims and industry first to announced it. SLI as company always protect its customers we take in to account the financial difficulties our customer under go due the pandemic directly and indirectly in deciding to accept COVID claims even though it is not legally bound to pay.

FUTURING OUR BUSINESS

- Including the support of digital advancement below mentioned the company maintained its one-day claim ratio at 94% despite the challenges we faced.

Process improvements – Digitalisation as customer retention strategy

- Insta Claim – we introduce a digital platform to our customers that enable them to share medical bills digitally with us. This help them to intimate their claims during the lock down period. In addition to that it also provides more transparency by allowing customer to check claim history and remaining benefits.
- Claim It – This is novel concept we introduced to further automate the claim processing through Robotic process automation and artificial intelligence. Under this claims submitted by the customer will be read and understand by the system and cross check with policy conditions. If it is a right claim system also process the claim automatically. Currently we are experiencing cusses rate of 55% and working on to improve the rate further.



KEY VALUE DRIVERS

- One-day claim settlement ratio – This indicates % of claims paid within one day from the intimation. Initially we had target of 80% and we were able to maintain it above 90% consistently in 2020 and 2021.
- Claim Ratios – We also monitor claim ratios at portfolio level, product level etc to identify emerging trends in the portfolio.

CRITICAL SUCCESS FACTOR

For claim processing critical success factor is to win customers trust. We expect trust will build by on time claim settlement and transparency of it. Keeping this in mind we introduced “Claim IT” allowing customer to see claim history, remaining benefit, and policy conditions etc. We also maintain one day claim settlement above 90% as stated above.

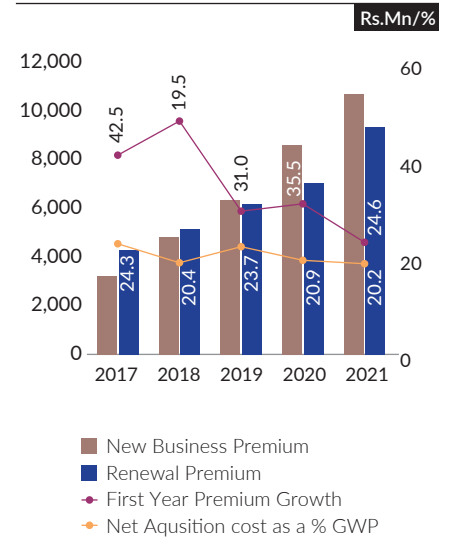
UNDERWRITING AND NET ACQUISITION COST



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.

This is one other critical activity in defining our success. Our field staff and brokers are the one represent our self in the market and bring new business in. There for managing them well is critical to our business growth pursue through strategic pillar of “Phenomenal Sales”

G10-NET ACQUISITION COST





COMMENTARY

The cost of underwriting and net acquisition cost reached Rs. 4,050 Mn which is 20% to GWP against ratio of 21% recorded last year. Acquisition cost to GWP ratio decreased by 0.7% against the previous year mainly due to higher growth in the renewal portfolio of endowment products compared previous year. Renewal growth also reflected under Persistency ratio analysis of where second and third year persistency have been improved in 2021.

Details of analysis of the last 5 years acquisition cost is provided in Graph 10 net acquisition cost¹. Refer Page 49 for detailed analysis of acquisition cost ratios.



KEY CHALLENGES IN 2021

As explained in Key strategies below we use incentive and commission as a driving factor to achieve business Key Performance Indicators. However re-aligning these parameters for business drive during uncertain situation (Impacted by COVID) was challenging task.



KEY STRATEGIES EXECUTED IN 2021

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 and during the year management revised incentive structures to improve productivity ratios.



KEY VALUE DRIVERS

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



CRITICAL SUCCESS FACTOR

Good relationship with our field staff and brokers and performance driven incentive structures are key to business success. Our effort in managing these relationship is discussed under Social and Relationship capital on page 140.

OPERATING, ADMINISTRATION, FINANCE AND OTHER EXPENSES

Details of expenses are provided in the following table.

Rs. Mn	2021	2020	Mix 2020	Mix 2019	G%
Staff related expenses	1,105	986	28%	28%	12%
Administration and Establishment Expenses	2,085	1,824	53%	52%	14%
Selling Expenses	398	368	10%	11%	8%
Depreciation / Amortisation	138	147	4%	4%	-6%
Finance cost	184	172	5%	5%	7%
Total Expenses	3,910	3,497	100%	100%	12%



COMMENTARY

The Company incurred Rs. 3,910 Mn as operating, administration and finance expenses resulting in a growth of 12% compared to the Rs. 3,497 Mn reported last year against top line growth of 28%.

Expenses to GWP ratio improved to 19.5% compared with 22.3% in 2020 and there is no significant changes observed in the composition of the expenses. The growth of 12% mainly due to significant cost reduction initiatives implemented in 2020 to face impact from COVID 19.



KEY STRATEGIES EXECUTED IN 2021

- Diverse business channels with low cost base
- Continuous monitoring of productivity of sales staff
- Digitalisation of business process
- Encouraging performance base culture



KEY VALUE DRIVERS

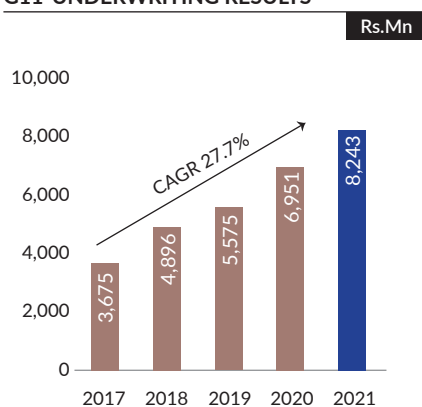
- Expense % to GWP is closely monitored at distribution channel level
- Budgetary control over expenses

FUTURING OUR BUSINESS

UNDERWRITING RESULTS (OPERATING PROFIT/GROSS PROFIT)

Underwriting results showed 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. This is in combination with product we sell key insight of future profitability as well. Details are provided in the Graph 11:

G11-UNDERWRITING RESULTS



COMMENTARY

The Company consistently increased underwriting results over the last five years resulted CAGR of last 5 years 28%, which provides greater support to manage the positive operating results without depending on investment income of the business.

Underwriting results as a % of GWP has dropped to 41% compared to 44% in last year. This is predominantly due to COVID claims paid amounting to Rs 1.1 Bn. The ratio adjusted to COVID claims stood at 46.6% a 2.6% improvement to last year.

CHANGE IN INSURANCE CONTRACT LIABILITIES

Life insurance companies are subject to value 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. During the year the insurance contract liabilities increased by Rs. 4.1Bn (2020 – Rs. 3.6 Bn) for the policyholder future benefits. Details of change in insurance contract liability for the last three years are provided in the Table below.

Table 10: Change in Insurance Contract Liability

Presented in Rs. Mn	2021	2020	2019
Change in insurance contract liability before the surplus transfer	6,438	5,379	3,449
Surplus transfer as recommended by Appointed Actuary	2,295	1,779	2,279
Change in insurance contract liability after the surplus transfer	4,143	3,600	1,170

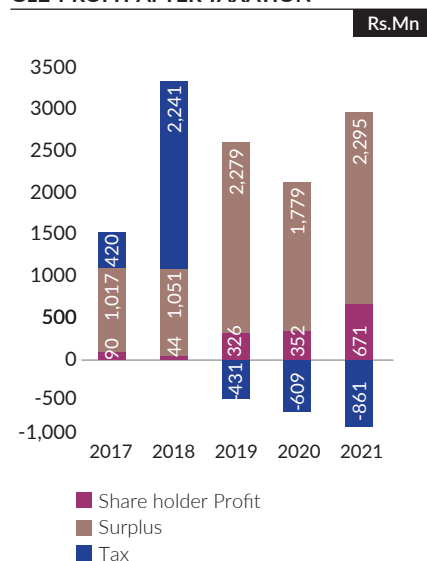
PROFIT BEFORE TAX

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

PROFIT AFTER TAX

Profit before tax less related income tax called Profit After Tax. Profit After Tax and its composition over last 5 years are provided in the Graph 12 below:

G12-PROFIT AFTER TAXATION



COMMENTARY

The Company recorded Profit After tax of Rs. 2,105 Mn despite challenging condition and significant drop in interest rate which negatively impact to the policyholder liability valuation which shows the sustainability of the business model.

Economic value analysis is provided on Page 16.

PROFITABILITY AND INVESTOR ATTRACTIVENESS – INDUSTRY PEER COMPARISON

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

Table 11: Analysis of SLI's share of profitability

Presented in Rs. Mn	2021	2020
Profit After Tax of the company	2,105	1,521
Total profit from listed companies	12,455	10,329
SLI share of profit as a % of total profit from listed companies	17	15

It shows that the Company reported a significant percentage of (17%) profit out of total profit of listed insurance companies for the year 2021.

LIFE INSURANCE INDUSTRY SPECIFIC RATIO ANALYSIS

Table below provide internal balance score card of the company which is monitor on monthly basis and report to the board of director on quarterly basis. These ratios and numbers covers all the critical areas of the business and help to identify issues that might course the business sustainability. Management is consciously managing the business to have many of the KPIs being positive year on year and actions being take to correct others. This also provide good insight of business suitability in future.

Table 12: Life Insurance Industry Specific Ratios and Its Discussion - Income Statement

Description	Movement	2021	2020	2019	2018	2017	Growth 2021 %	Page Reference
Key Operating Ratios								
First Year / Renewal GWP Mix %	N/A	32/68	32/68	33/67	33/67	32/68	-	
Net Claims Ratio								
Net Claims Ratio (with maturities and surrenders)	●	27.1	25.9	26.0	25.2	18.2	1	48
Net Claims Ratio Endowment (with Group life and DTA)	●	22.3	20.2	18.1	13.5	6.6	2	
Net Claims Ratio (without Group life and DTA)	●	9.3	10.0	9.7	9.7	5.7	(1)	
Expense Ratios								
Reinsurance Expense Ratio %	●	9	12	8	7	11	(3)	49
Net Acquisition Cost Ratio % GWP	●	20	21	24	20	24	(1)	
Operational expenses as a % of GWP	●	19	21	26	31	31	(3)	
Total Expense Ratio % GWP*	●	39	42	50	51	55	(3)	
Total Expense Ratio % NEP*	●	43	48	54	54	61	(5)	
Combined Ratio								
Combined Ratio % NEP - without maturities and surrenders	●	52	58	64	64	67	(6)	49
Combined Ratio % NEP - with maturities and surrenders	●	70	74	80	79	79	(4)	

FUTURING OUR BUSINESS

Description	Movement	2021	2020	2019	2018	2017	Growth 2021 %	Page Reference
Regulatory Ratios								
Capital Adequacy Ratio (Min 120%)	●	395	302	182	199	208	94	49
Determination Ratio % (Min 100%)	●	114	118	109	105	112	(4)	
Investment in Government Securities % Life fund (Min of 30%)	●	41	54	42	39	46	(13)	
Key Value Drivers								
Premium persistency – Year 1	●	85	83	85	84	84	2	39
Premium persistency – Year 2	●	67	65	64	63	64	2	
Premium persistency – Year 3	●	58	52	52	55	59	6	
Average Premium per policy (Rs.)	●	138,983	136,852	137,032	128,887	113,3748	1.6%	
Annualised New Business Premium Rs. Mn	●	5,083	3,880	3,967	3,325	2706.0	31.0%	
Annualized new Business per Agent Rs. Mn	●	1.6	1.3	1.4	1.40	1.5	28%	
No of New policies	●	237,453	262,605	250,407	203,094	70,859	-10%	-
Life fund Rs. Mn	●	21,493	17,484	10,377	9,022	7,439	23%	46
Surplus Rs. Mn (without one off surplus)	●	2,295	1,779	2279	1051	1017	29%	

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

*Adjusted for notional tax right back



COMMENTARY

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 a material impact on the profitability of the Company.

Table 13: Net Claim Ratio

Presented in %	2021*	2020
Net Claims Ratio Endowment (without Group life and DTA)	9.3	10.0
Net Claims Ratio (with Group life and DTA)	22.3	20.2
Net Claims Ratio (with maturities and surrenders)	27.1	25.9

*COVID claim impact is adjusted

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

The overall claim ratio (without Group Life and DTAP) reported 9.3% compared to 10% reported last year. This shows the strength of company's underwriting capabilities and better risk management. However higher claims reported in Group Life and DTAP segments resulted to increase the ratio by 2.1%. Company is already taken some measures on this such as revisiting pricing to reflect actual risk parameters etc.

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 were re incurred for maintenance (Management Expenses) of the business. Details of ratios are presented in the Table below;

Table 14: Expense Ratio

Presented in %	2021	2020
Net Acquisition Ratio %	20.2	20.9
Operating Expense Ratio % GWP	18.6	21.2
Overall Expense Ratio % GWP	38.7	42.0

Expense ratio has been improved to 38.7% during the year compared to 42% recorded in 2020. Strategies executed during the year to maintain expense efficiency and growth in renewal in endowment business supported the reduction. It is further supported by 28% GWP growth reported during the year.

Combined Ratio

Life Insurance industry combined ratio is defined as the combination of expenses ratio and claims ratio.

Presented in %	2021	2020
Combined Ratio % (with maturities and surrenders)	69.8	73.6
Combined Ratio % (without maturities and surrenders)*	65	68.0

*COVID claims are adjusted

Combine ratio without maturities and surrenders has been improved to 52.2% form 68% reported in 2020 showcasing efficiency improvement in core business activity which improve company profitability.

REGULATORY RATIOS

Risk Based Capital Adequacy Ratio

According to Solvency Margin (Risk Based Capital) Rules 2015 the Company is required to maintain at least a 120% capital adequacy ratio. The Company maintained 395%, which is well above the minimum requirement of 120% and has grown significantly with the new capital infusion and improved business performances.

Determination Ratio

The Company maintains a determination ratio which is above the required level (100%) as at 31stDecember 2021 as shown in the table 12 "Industry specific ratios".

Investment in Government Securities % Life fund

The Company is required to invest in Government Securities at a minimum 30% of the long- term fund. As at 31st December 2021, the Company 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 at a minimum of Rs. 798Mn as required by Direction 16 - identification and treatment of Oneoff Surplus. As at 31st December 2021, the Company maintains assets of Rs. 839 Mn.

FUTURING OUR BUSINESS

SEGMENTAL INFORMATION

The Company monitors its performance under two operating segments namely 'Policyholder fund' and 'Shareholder fund'. Summary of financials are provided below.

Table 15: Segment Information

Presented in %	Policyholder Fund		Shareholder Fund	
	2021	2020	2021	2020
Net Revenue	20,067	15,491	904	573
Profit Before Tax	2,295	1,779	671	352
Total Assets	27,366	22,886	11,892	10,320
Cash flows from operating activities	6,631	8,653	353	380

Policy holder funds represents the financial out comes of transactions we do with our customers from the sale of insurance policy to paying claims or maturity. The surplus is assessed after actuarial valuation as confirmed by external actuaries provided on 254. The detailed analysis of this segment included in the page 50 covering Key risk, strategies, performance analysis and Key value drivers. Further detailed analysis of financials including income statements, financial position and cash flows provided on page 261 to 265.

Shareholder Fund is created to recognize Surplus created from policy holder fund. The key activity of the fund is investment management which is covered through company investment management policy and govern by board investment committee. Shareholder dividend is declared through this fund.

PERFORMANCE OF CAPITAL AND LIQUIDITY MANAGEMENT

Softlogic Life being a Life Insurance company managing liquidity and capital is utmost priority of the management. Well manage liquidity position and capital represent well managed risk profile also. Further accountability will be embedded to this function through better corporate governance practices.

CAPITAL MANAGEMENT OBJECTIVES

Core objective was to improve the capital position to facilitate the growth trajectory.

CAPITAL MANAGEMENT STRATEGIES

The Company is excited about the growth opportunities around and future plan is crafted by careful analysis of all possible factors and scenarios with available information. In order to make sure the Company is not constrained by capital when time is correct to grab the opportunity, the management has already taken many initiatives. Significant actions taken are listed below

Financial Reinsurance

The Company entered in to a Financial Reinsurance transaction of USD 15Mn in March 2020 with Münchener Rückversicherungs - Gesellschaft – MunichRe., one of the top providers of reinsurance, primary insurance, and insurance-related risk solutions in the world based on the top quality portfolio of the Company. This arrangement is viewed as an innovative market leading transaction in the South Asian Life and Health Reinsurance arena.

Tier II Subordinated Debt

Development Financial Institutions; Finnish Fund for Industrial Cooperation Ltd – Finnfund and The Norwegian Investment Fund for Developing Countries. Norfund and financial have collectively signed a USD 15Mn Tier II Subordinated Debt transaction.

During 2021 we properly paid due on time and comply with all regulatory requirements in terms above two transactions. This shows our financial viability in efficient management of capital.

Investment Management

The Company continues to build its investment portfolio above the insurance contract liability. At the time of evaluating investment options we consider the tenure (Insurance companies require long tenure assets to match liabilities insurance contract which by nature is long term) and yield of the investment. However, considering the low interest rate persisting from last year and expecting a future increase we tend to select short term investment during the year 2021. However at the end of 2021 the rate hike was experienced and we started converting our short term assets to high yielding long term assets.

REGULATORY CAPITAL PERFORMANCE

The below detailed analysis below shows that Company has consistently maintained regulatory requirement while efficiently managing the liquidity position of the company.

Table 16: Capital Adequacy Ratio (CAR)

	2021	2020
Total Available Capital (TAC) (Rs Mn)	27,082	19,941
Risk Based Capital requirement(RCR) (Rs Mn)	6,851	6,611
Risk Based Capital Adequacy Ratio (CAR) %	395%	302%
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 17 : Statement of Approved Assets

	2021	2020
Approved assets maintained in business (Rs Mn)	23,891	19,886
Insurance fund (Rs Mn)	20,880	16,841
Approved assets in excess of the insurance fund (Rs Mn)	3,010	3,045
Approved assets as a % of insurance fund	114%	118%
Required ratio %	100	100

The 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.

Table 18 : Investment in Government Securities as % of Life Fund

	2021	2020
Life fund (Rs Mn)	20,880	16,841
Investment in government securities (Rs Mn)	8,511	9,097
Investment in government securities as % of Life fund	41%	54%
Required ratio %	30	30

The above analysis shows how the Company maintained a portfolio of government securities above the required level emphasising our risk mitigation actions within the market of ever increasing risk.

FUTURING OUR BUSINESS

LEVERAGE AND CAPITAL STRUCTURE

Table:19 Capital employed

Presented in %	2021	2020	Mix%
Stated capital	1,063	1,063	8%
Retained earnings	10,454	9,290	77%
Restricted regulatory reserve	798	798	6%
Other reserves	-1,726	-1,215	-13%
Total Equity	10,588	9,936	78%
Long term loans and borrowings	3,065	2,852	22%
Total Capital Employed	13,653	12,788	100%



COMMENTARY

Total capital employed reached Rs. 13.6 Bn recording 8% growth over last mainly due to increase in revenue reserves. The total equity reached Rs. 10.6 Bn, which is also 7% increase compared to Rs. 9.9 Bn reported in 2020 mainly due to the current year profitability of Rs. 2.1 Bn.

Financial Leverage - Debt to Equity ratio

The company maintained low gearing in its equity position by recording debt to equity ratio at 29% in 2021. Out of total capital 70% qualified for Tier 1 capital under Risk Based Capital (RBC) framework, which is an indicator of the quality of the equity of the Company.

Capital structure significantly changed during 2020 with capital infusion through tier II subordinated debt. However there is no significant change from 2020 to 2021. We are currently maintaining high liquidity level reflected from capital adequacy ration of 395% at the end of 2021.

DIVIDEND

The company declared Interim dividend of Rs. 2.5 per share amounting to a total pay out of Rs. 938 Mn for the year 2021.

DIVIDEND POLICY

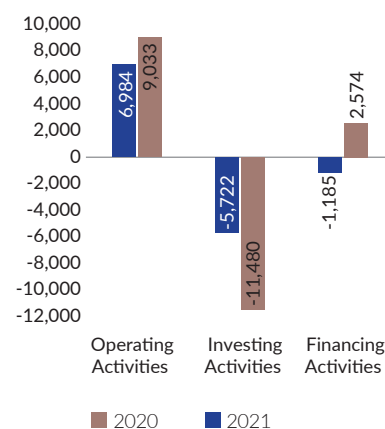
According to the dividend policy of the Company it distributed 50% of its profit after tax as dividend to investors.

COMMENTARY

During the period under review, the Company generated healthy operational cash flow of Rs. 6,984 Mn (2020 – 9,033 Mn) 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. 34.2 Bn from Rs. 27.3 Bn

G13-CASH FLOW ANALYSIS

Rs.Mn



IMPACT FROM IMPLEMENTATION OF SLFRS 17.

Impact from implementation of SLFRS 17 will be significant to insurance industry. In part, the change will be significant because SLFRS 17 goes far beyond financial reporting to also encompass actuarial valuation, asset liability management and risk management. The impact and requirements of SLFRS 17 will be felt across virtually every part of the insurance organization. These impacts span to measurement of insurance contract, recognition in the financial statement and also key metrics used to evaluate business performance. It is paramount important to Shareholders and other users of financial statements to understand SLFRS 17 and its impact now onwards.

As part of our effort to educate relevant stakeholders we are releasing technical updates time to time and provide video contents with regards to SLFRS 17 impacts on Softlogic Life. Please refer page 61 of this annual report to see Risk and challenges we face in terms of implementation SLFRS 17 and page 374 for technical review on it. Further content is provided online for wider base of users.






SLFRS 17 Implementation Impact on Financial Standards



Video Version of SLFRS 17 Impact

KEY HIGHLIGHTS OF MATERIAL CAPITALS MANAGED WITHIN THE OPERATIONS

Human Capital	Social and Relationship Capital	Intellectual Capital
 <p>71% 29%</p> <p>Gender Parity</p> <p>Rs. 20.5Mn</p> <p>GWP per Employee</p> <p>980</p> <p>Employees</p>	 <p>Rs. 1.3 Mn</p> <p>No of Customers</p> <p>Rs. 1.6 Mn</p> <p>ANBP per agent</p> <p>3</p> <p>Distribution Channels</p>	 <p>Efficiencies in Key Business Process</p> <ul style="list-style-type: none"> • One day claim settlement 94% • Customer discharge within one hour 87% • One day proposal acceptance 76%
<p>Refer Human Capital on page 92 for detailed information</p>	<p>Refer Social and Relationship Capital on page 105 for detailed information</p>	<p>Refer Intellectual Capital on page 128 for detailed information</p>

MANAGEMENT COMMITMENT TOWARDS SUSTAINABLE VALUE CREATION

Above performance review witness management to drive business through strategic objectives. Management take every effort to improve business performance and sustain it for long term value creation. Our sustainable results in-terms of financial and non financial KPIs over last five year has shown how value creation being done in the past and also provide evidence of sustaining it to the future.

OUR BUSINESS OPERATING CONTEXT

Our **external business environment** is analysed using **PESTEL** framework to identify Threats and Opportunities that will have significant impact on our value creation over short, medium and long term.

POLITICAL AND LEGAL ENVIRONMENT

INDUSTRY RELATED REGULATIONS

Regulatory Requirement	Compliance	Impact to SLI
Direction 01 of 2021 - Dividend Declaration and distribution Regulation were specified for Dividend Declaration	Complied	●
Direction 01 of 2021 - Clearance of insurance products prior to launch	Ongoing	●
Direction 02 of 2021 - Restriction of providing codes and restriction on changing codes. Insurance companies are prohibited from providing codes to persons, other than insurance brokers and insurance agents	Ongoing	●
Direction 03 (Direction 14 Revised) Refrain from employing persons, whose services have been terminated on the grounds of financial misappropriation or fraud	Ongoing	●
Direction 04 of 2021 - Termination of using Telecommunication Service Providers' Platforms (Mobile Insurance)	Ongoing	●
Direction 09 (Revised) - Principal officers of Insurers and Brokers The Principal of an Insurer or an Insurer Broker shall be the Chief Executive Officer	Complied	●
Determination 10 - Maximum Commissions payable to Insurance Brokers and Insurance Agents	Complied	●

TAX REGULATIONS

Government Budget Proposals 2022*	Impact to SLI	Opportunity/ Risk
Introduction of Social Security Contribution Levy A charge of 2.5% (or 3%) on the liable turnover exceeding Rs. 120 Mn per annum to be charged w.e.f 01st April 2022	●	Reduction of future profitability
Surcharge Tax levied on income on one-off basis A one time tax surcharge of 25% to be imposed on individuals or Group of companies who have earned an annual taxable income of Rs. 2,000 Mn in Financial year 2020/21	●	Possible future profitability reduction Since this will be effective respectively and will impact to equity position and future cashflows.
VAT on Financial Services Increase the VAT on FS rate from 15% to 18%. This levy to be paid monthly from 1st Jan 2022 to 31st Dec 2022	●	SLI does not fall within this scope
Finance Act, No. 18 of 2021 Provisions to write off tax arrears	●	Improved future Profitability

*These proposals are subject to pending formal amendments to the relevant acts. Therefore, impact cannot be quantified properly.

● Positive ● Neutral ● Negative

OTHER REGULATIONS

Regulatory Requirement	Compliance	Impact to SLI	Opportunity/ Risk
National Minimum Wage of Workers (Amendment) Monthly wage – Rs. 10,000 to 12,500 Daily wage – Rs. 400 to Rs. 500	Complied	●	-
Minimum Retirement Age of Workers Increased from 55 to 60 Years	Ongoing	●	Long term retention of Employees
Hazardous Occupations Regulations No. 01 of 2021 A person shall not employ anyone under eighteen years of age in any type of work illustrated by the Gazette	Complied and compliance on going	●	-
Local Companies permitted to invest in the International Sovereign Bonds in the Secondary Market Companies can invest in ISBs utilizing 50% of the foreign currency borrowed from a person resident outside Sri Lanka	N/A	●	Possible tax benefits will impact to higher profitability

UPDATE ON ACCOUNTING STANDARDS

Impact from New accounting standards have been discussed on page 279.

ENVIRONMENTAL FACTORS

As a service provider we consider several environmental factors beforehand, to evaluate with environmental standards in the market to achieve sustainability of the business.

- 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 136. Further we provide our attention on environmental changes such unpredictable weather conditions, impact on natural disease as they adversely impact on our day today business operations.

ECONOMIC FACTORS

GLOBAL ECONOMIC ENVIRONMENT OUTLOOK	2023 (F)	2022 (F)	2021	2020	Impact	Opportunity/ Risk
Real GDP growth	3.60%	4.90%	5.90%	-3.10%	●	Slow Economic Recovery
Inflation	3.30%	3.80%	4.30%	3.20%	●	
GDP per Capita (USD)	13,790	13,130	12,290	11,110	●	
ADVANCES ECONOMIES, EMERGING MARKETS AND DEVELOPING ECONOMIES (Real GDP G)	2023 (F)	2022 (F)	2021 (F)	2020 (F)	Impact	Opportunity/ Risk
Advanced Economies	4.60%	4.50%	5.20%	-4.50%	●	Expansion opportunities
Emerging Markets and developing Economies	2.20%	5.10%	6.40%	-2.10%	●	

Source - International Monetary Fund

- Positive ● Neutral ● Negative

OUR BUSINESS OPERATING CONTEXT

ECONOMIC FACTORS

SRI LANKAN ECONOMY OUTLOOK	2023 (F)	2022 (F)	2021	2020	Impact to SLI	Impact	Opportunity/ Risk
Real GDP Growth	3.90%	3.30%	3.60%	-3.60%	Align business strategies to growth mode	●	Future growth potential (market penetration and product development strategy)
Inflation	6.50%	6.20%	5.10%	4.60%	Focus on increase in expense efficiency and product repricing	●	
Interest Rates (1 Year T Bill)	N/A	5.50%	4.75%	5.80%	Interest rate sensitivity considered to figure out the net impact.	●	Profit volatility in long run
Exchange Rates (USD/ LKR)	N/A	201.19	200.16	LKR186.63	Higher the exchange rate our outflow for Fin Re and Tier II arrangement will be higher. The required funds have been invested in USD therefore the impact will naturally hedged.	●	

Source - International Monetary Fund
International Finance Statistics (CBSL)

TECHNOLOGICAL FACTORS

Digital Trend	Impact to SLI	Impact	Opportunity/ Risk
Robotic Process Automation (RPA)	Introducing RPA in Sri Lanka on underwriting, bank reconciliation and Claim settlement	●	Obtain expense efficiency
Big data and Predictive Analytics	To make data-driven decisions to drive profitability of the business. Improve underwriting process by correctly predicting the risk we accept.	●	Risk optimization and efficiency improvement (Improved underwriting capability and product feature optimization)
Machine Learning (ML)	Reduce fraud in claims data and malicious activities in payment systems.	●	
Augmented Reality / Virtual Reality (AR/ VR)	<ul style="list-style-type: none"> Superior experience to customer to improve their knowledge on insurance products Remote claims handling process Product training to sales staff. 	●	Risk optimization and efficiency improvement
Cyber Risks	Increase in cybersecurity threats	●	Cyber risk
Growing Internet and Mobile Penetration	Growth of mobile communication platforms have created different expectations in customers of the service commitments	●	Growth prospects for Micro insurance channel

● Positive ● Neutral ● Negative

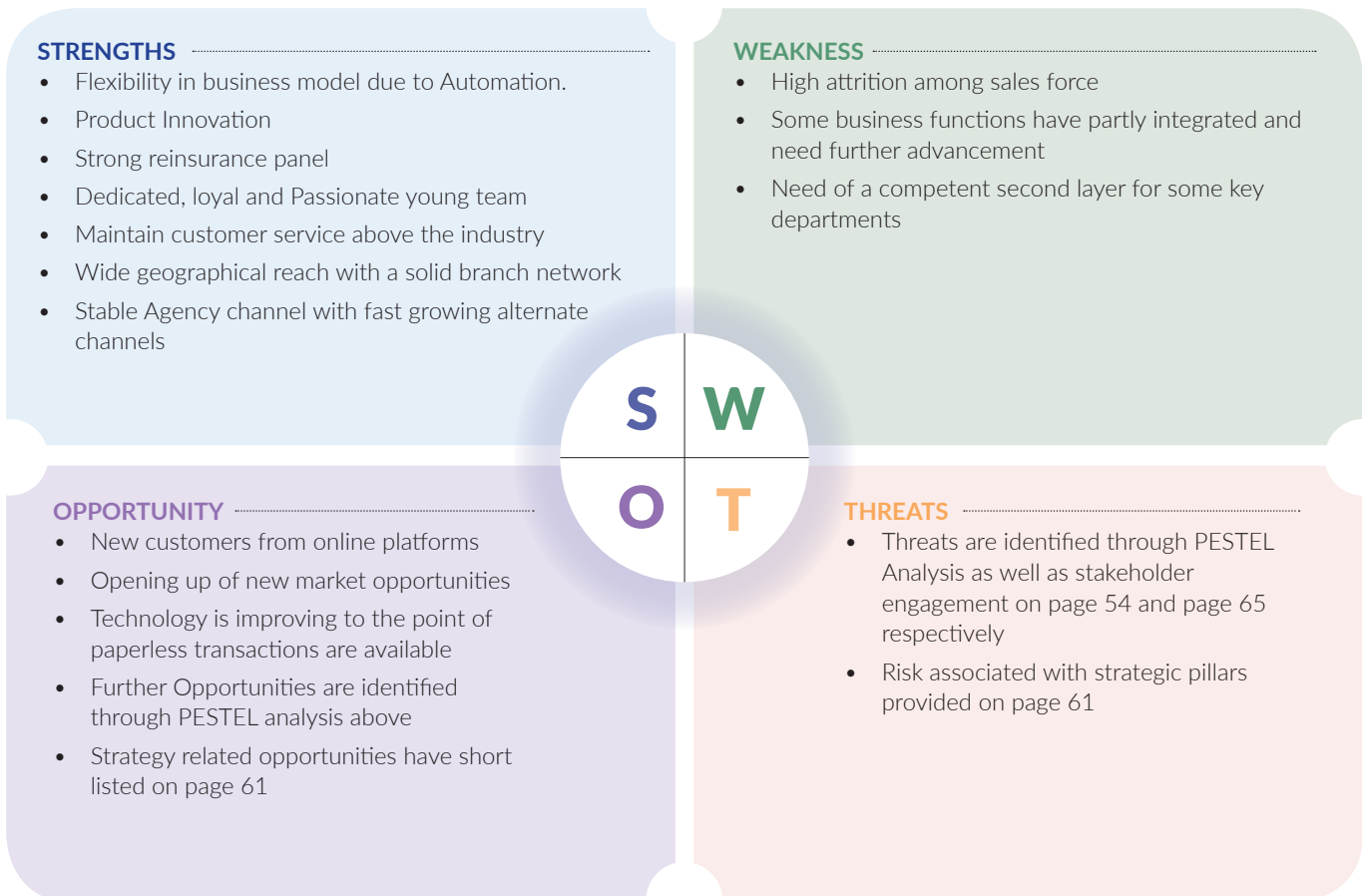
SOCIAL FACTORS

Social Trend	Impact to SLI		Opportunity/ Risk
Increase of Population & Age Distribution	Increase in ageing population creates opportunities for health, pension and retirement products	●	Opportunity to market development strategy and introduced new products
Sri Lanka's Nominal GDP Per Capita of 4,505 USD in 2025	Increasing disposable income of courses people to buy insurance products	●	Future growth potential
Urbanization of +7%	Urbanization increase the demand for insurance products with changing demand patterns	●	Distribution channel strategy to be realign
Time spent on social media platforms by people	Advertising campaigns on social media to attract more people.	●	Opportunity for social media marketing and awareness building

● Positive ● Neutral ● Negative





SWOT ANALYSIS

Company's **strengths, weaknesses, Opportunities and Threats** are analysed using SWOT analysis. This is an annual activity which is linked with our annual strategy review and budgeting process



OUR BUSINESS OPERATING CONTEXT

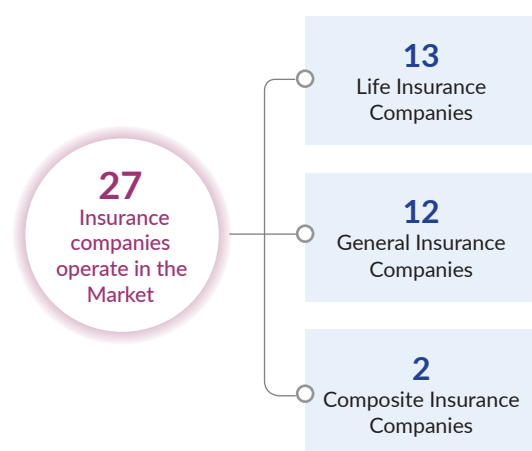
INSURANCE INDUSTRY OVERVIEW AND ATTRACTIVENESS

Factor	Global Insurance Industry Overview	Regional Review (Advanced Markets)	Regional Review (Emerging Markets)	Regional Review (Emerging Europe and Central Asia)
Overview	Outlook is positive as the industry is making a strong recovery from the pandemic. Growth is benefiting from rising risk awareness.	Advance markets are expected to grow at above average rate mainly due to rising risk awareness by customers.	Emerging markets will lag below trend mainly due to Geopolitical risks	This region is experiencing a similar growth in line with advance markets.
GWP (2020) \$ Billion **	2,797	887	69	489
Real GWP Growth 2021 (F)	3.5% 	4.1% 	1.4% 	3.8% 
Outlook – Life Sector	Positive Outlook. Premium to surpass USD 7 trillion by mid-2022. Expected real growth 2022-3.3% 2023 – 3.1%	Positive Outlook. Expected real growth of 2.3% in 2022	Negative growth is forecasted mainly due to Geopolitical risks, including China-US tensions as well as within the euro area, are amplified. Expecting a 4.6% negative growth for 2022/23.	Positive Outlook. Expected real growth 2022 – 3.3%
Emerging trends in the global insurance industry	<ul style="list-style-type: none"> • Consumers welcome digital and online insurance and it should grow rapidly • Digital skills and increasing the wider use of digital technologies across the economy and society • Rising risk awareness is generating demand for more insurance protection • The re/insurance industry remains a vital risk absorber in times of crisis 			

(Source: Swiss Re Institute/Sigma report/No.3/2021)

**2021 GWP information were not yet published

SRI LANKAN INSURANCE INDUSTRY



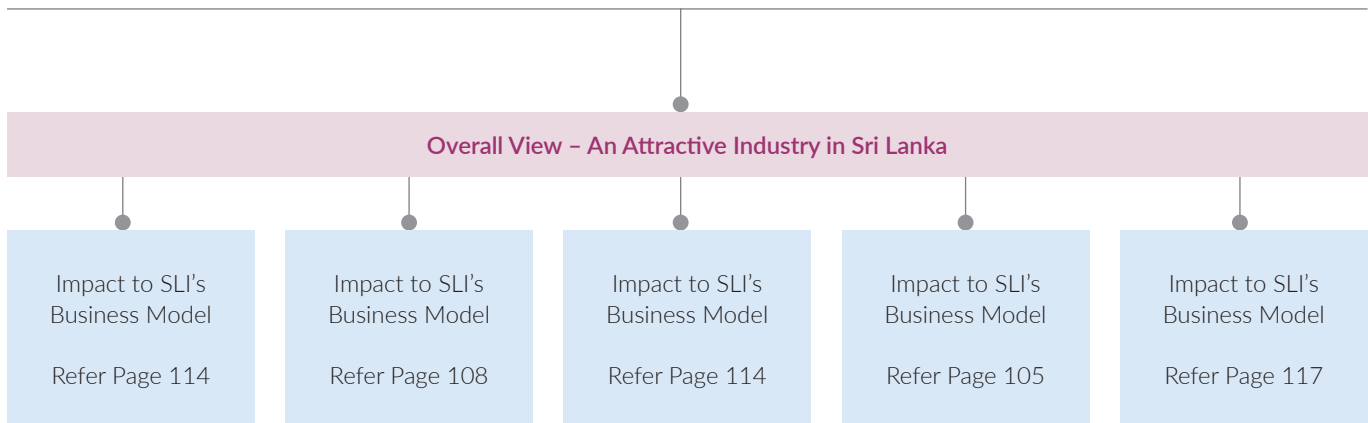
Regulator	
Insurance Regulation commission of Sri Lanka (IRC SL)	

Sri Lanka Life Insurance Industry – Statistics	2021	2020	G %
Total Life Insurance Premium (Rs. Mn)	124,709	102,995	21.1
Number of New Policies	793,469	807,183	-1.7
Penetration - Premium (%)	0.5%	0.5%	-

INSURANCE INDUSTRY ATTRACTIVENESS

Sri Lankan Life insurance industry is analysed using Porter’s Five Forces analysis to understand the forces that effect the life insurance industry’s value creation process and the profitability. Using the outcome given by the analysis, Softlogic life able to adjust the Company’s business strategy by taking the advantages using the available opportunities, converting the threats into opportunities and taking necessary precautions for its weakness . Further, this analysis gives the positives signals to its existing and potential investors as Life Insurance industry being the most attractive industry in Sri Lanka.

Threat of New Entrants	Threat of Substitutes	Bargaining power of Suppliers	Bargaining power of Buyers	Rivalry among Exiting Life Insurance
<ul style="list-style-type: none"> • Difficult – being the minimum capital requirement is Rs. 500 Mn • Natural Barriers – technical expertise’s are rare and difficulty in retaining a winning sales force. • Massive efforts to attract new customers. 	<ul style="list-style-type: none"> • No Direct Substitutes. • Investments, Savings and Pension plan can be viewed as alternatives, but not similar benefits. 	<ul style="list-style-type: none"> • Demand from Insurance expertise like Actuarial values, reinsurers and sales forces are high as there is a scarcity of resources. 	<ul style="list-style-type: none"> • Weak perception over Insurance Products • Massive effort to attract new Customers • High Switching cost due to low surrender value at the initial stage 	<ul style="list-style-type: none"> • Low Insurance penetration • Possibility take advantages using product differentiation, pricing and competitive customer service

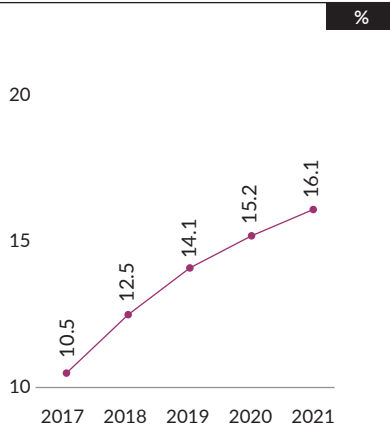


● Low Impact ● Moderate Impact ● High Impact

OUR BUSINESS OPERATING CONTEXT

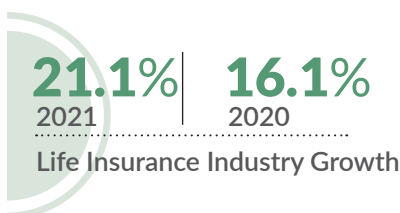
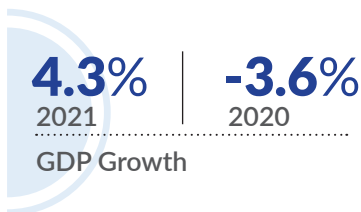
INDUSTRY POSITION OVER LAST 4 YEARS

G14-MARKET SHARE



ECONOMIC IMPACT ON INSURANCE INDUSTRY

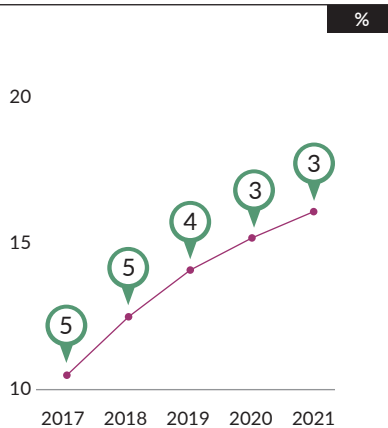
The Life Insurance Industry in Sri Lanka is a major component of Sri Lankan economy in terms of the amount of premium collected in 2021 (Rs. 124,709 Bn) regardless of the impact from the pandemic. Insurance penetration in Sri Lanka which is reflected by the insurance premium generated by licensed Life insurance companies as a percentage of GDP amounted to 0.5% in 2021. (0.5% 2020).



The Insurance Industry was quick to respond to the pandemic and introduce many digital innovations that has resulted a positive outcome for the industry. A strategy to enhance customer experience through digital transformation initiatives has worked well during the COVID pandemic in Insurance Industry. On boarding new technology, transforming value proposition to enhance the customers experience and diversified product portfolio helped to continue the operating model of the Insurance industry even during the pandemic.

Softlogic Life has adopted to the new normal including new technological improvements (page 112) and convert the threats from COVID to market opportunities and grow the market position.

G15-MARKET POSITION



FUTURE OUTLOOK OF THE LIFE INSURANCE INDUSTRY

Many life insurance companies, specially Softlogic Life has introduced and conducted awareness programmes for medical insurance benefits due to hospitalization resulting COVID 19 (Page 121). This helped to change

the weak perception over insurance products in people's mind. This will lead to an increased demand for insurance products in this area. Insurers have a great opportunity to bridge the gap between coverage from existing policies and out-of-pocket expenditure towards healthcare by the public, through innovation, digitalization, and personalization.

Technology is critical success factor to the development in the insurance Industry. Though the industry has introduced many digital innovations during pandemic, Sri Lankan Life Insurance industry is still behind the bar compared to other countries in Asian region. Further investments should help to improve the innovation in the industry. In Such Cases Government plays a key role.

Further, Insurers will have to continue to adapt their risk forecasts, premium structures, investment strategies, and claims handling practices to remain competitive in a market increasingly complicated by challenges such as cyber threats as Companies going for more digital innovations.

Technology alone is not enough. Improving the awareness over Insurance products, giving a better customer experience, giving an intensive training & development on selling skills & technology knowledge, investing on new skills will help to seize the growth opportunities and be able to navigate the market successfully.

RISK AND OPPORTUNITIES

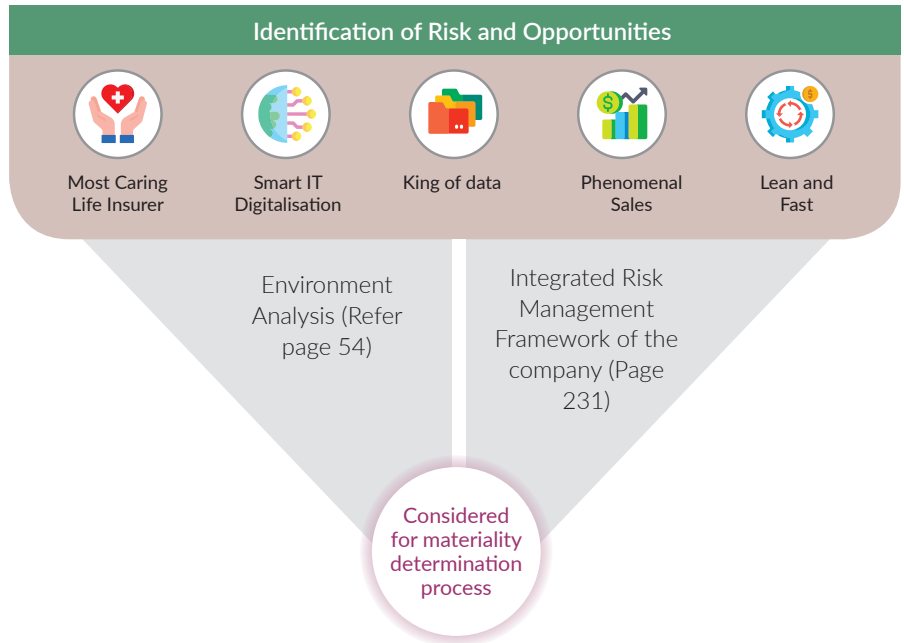
MANAGEMENT APPROACH

Risk and opportunities are identified within our business context and assess each year in line with the annual budgeting cycle. Summary of findings and the Company's action are comprehensively discussed and presented to the Board for approval. Our risk identification process is presented below.

RISK AND CHALLENGES

The process helps to identify risks and opportunities within our operating environment which could materially affect our 5 strategic objectives.

During the year under review, the company concentrated on following risks & opportunities that are internal to the organization as well as exist in the external environment which affects our strategic objectives. Further details on the Company strategy and strategic objectives are available in pages 73.



ANALYSIS OF RISK AND OPPORTUNITIES RELATED TO STRATEGIC PILLARS

PHENOMENAL SALES

Risks	Opportunities
<ul style="list-style-type: none"> Maintaining quality sales staff Managing profitable business portfolio Competitor action <p>Risk Assessment and SLI response Refer Integrated Risk Management on Page 231</p> <p>Refer Corporate Governance Practices on Page 142</p>	<p>1. GDP Growth from 2022 onwards HIGH</p> <p>The positive economic outlook creates positive business sentiments and growth potential.</p> <p>G16-FORECASTED GDP GROWTH %</p> <p>SLI response</p> <ul style="list-style-type: none"> Product Diversification (Refer SLI product development strategy on Page 109) Focus on niche markets (e.g. Introducing dollar saver product)

Impact to SLI Strategy HIGH MEDIUM LOW

RISK AND OPPORTUNITIES



PHENOMENAL SALES

Risks	Opportunities																										
	<p>2. Growing ageing population and increased Safety and Health Consciousness HIGH</p> <p>Life expectancy has increased to 77 years while the death at birth rate has reduced to 16 per 1000, thus leads to higher demand for health related products</p> <p>G17-POPULATION AGED 60 YEARS OR OVER</p> <table border="1"> <caption>G17-POPULATION AGED 60 YEARS OR OVER (%)</caption> <thead> <tr> <th>Year</th> <th>Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>16.3</td> </tr> <tr> <td>2032</td> <td>19.9</td> </tr> <tr> <td>2042</td> <td>23.2</td> </tr> <tr> <td>2052</td> <td>24.5</td> </tr> </tbody> </table> <p>SLI response</p> <ul style="list-style-type: none"> Market positioning as “Best Health Insurer in Sri Lanka” Amended Company’s product development strategy to cater to different levels of income and the need analysis based on the lifestyle of future customers (Refer market segmentation strategy on Page 110) <p>3. Low bancassurance channel utilisation HIGH</p> <p>Bancassurance channel in Sri Lanka is underutilized as the industry runs on an agent-based model. With over 5,932 licensed commercial bank branches in 2018 island-wide, we could optimise existing channels to boost premiums and reduce acquisition expenses. Accessing customers will be much easier when we work together with reputed banks.</p> <p>G18-BANCASSURANCE CHANNEL</p> <table border="1"> <caption>G18-BANCASSURANCE CHANNEL (%)</caption> <thead> <tr> <th>Bank</th> <th>Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>nka</td> <td>4</td> </tr> <tr> <td>iam</td> <td>2</td> </tr> <tr> <td>idia</td> <td>21</td> </tr> <tr> <td>ines</td> <td>35</td> </tr> <tr> <td>iore</td> <td>37</td> </tr> <tr> <td>ong</td> <td>49</td> </tr> <tr> <td>ufh rea</td> <td>52</td> </tr> </tbody> </table> <p>SLI response</p> <ul style="list-style-type: none"> The Company strategically partnered with many leading banks to expand the Bancassurance channel. We expect a further increased contribution to the topline from Bancassurance channel in 2022. 	Year	Percentage (%)	2022	16.3	2032	19.9	2042	23.2	2052	24.5	Bank	Percentage (%)	nka	4	iam	2	idia	21	ines	35	iore	37	ong	49	ufh rea	52
Year	Percentage (%)																										
2022	16.3																										
2032	19.9																										
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ong	49																										
ufh rea	52																										

Impact to SLI Strategy HIGH MEDIUM LOW



PHENOMENAL SALES

Risks	Opportunities
	<p>4. Industry Attractiveness MEDIUM</p> <p>Insurance industry recorded a 21% growth in 2021 and has a potential to grow in future. Further based on the Porter's Five Forces analysis provided on page 59 it could be define Life Insurance Industry will be attractive industry.</p> <p>SLI response Growth strategies being implemented.</p>



MOST CARING LIFE INSURER

Risks	Opportunities																
<ul style="list-style-type: none"> Loss of face-to-face contact with some customers due to covid-19 safety precautions Number of customers facing financial hardship or difficulties in paying premiums <p>Risk Assessment and SLI response Refer Integrated Risk Management on Page 231</p> <p>Refer Corporate Governance Practices on Page 142</p>	<p>1. Low life insurance penetration HIGH</p> <p>The persistently low level of insurance penetration % to GDP in the local market continues to prevail as compared to the other Asian countries.</p> <p>This could be a result of untapped market segments and disposable income groups in the industry, as well as the lower level of awareness / misconstrued perception of the Insurance Industry in rural areas and a lack of relevant product propositions.</p> <div style="text-align: center;"> <p>G19-LOW INSURANCE PENETRATION</p> <table border="1"> <caption>G19-LOW INSURANCE PENETRATION (%)</caption> <thead> <tr> <th>Country</th> <th>Penetration %</th> </tr> </thead> <tbody> <tr> <td>Sri Lanka</td> <td>0.5</td> </tr> <tr> <td>India</td> <td>3.2</td> </tr> <tr> <td>Malaysia</td> <td>4.0</td> </tr> <tr> <td>Thailand</td> <td>3.4</td> </tr> <tr> <td>Indonesia</td> <td>1.4</td> </tr> <tr> <td>Philippines</td> <td>1.2</td> </tr> <tr> <td>Vietnam</td> <td>1.6</td> </tr> </tbody> </table> </div> <p>SLI response</p> <ul style="list-style-type: none"> Product strategy to cover customers' life-cycle considering their social status Distribution strategy focusing on different segments in the market 	Country	Penetration %	Sri Lanka	0.5	India	3.2	Malaysia	4.0	Thailand	3.4	Indonesia	1.4	Philippines	1.2	Vietnam	1.6
Country	Penetration %																
Sri Lanka	0.5																
India	3.2																
Malaysia	4.0																
Thailand	3.4																
Indonesia	1.4																
Philippines	1.2																
Vietnam	1.6																
	<p>2. Urbanization</p> <p>Sri Lanka has the fastest expansion rate of the urban area, in the region. This will create new potential customer segments.</p> <p>SLI response</p> <ul style="list-style-type: none"> Introduction of new products which serve customer needs of emerging value propositions of different market segments. 																

Impact to SLI Strategy HIGH MEDIUM LOW

RISK AND OPPORTUNITIES

SMART IT DIGITIZATION



Risks	Opportunities																		
<ul style="list-style-type: none"> Constantly rising of cyber-attacks and threat of data theft Delays in IT transformation process <p>Risk Assessment and SLI response Refer Integrated Risk Management on Page 231</p> <p>Refer Corporate Governance Practices on Page 142</p>	<p>1. Growing mobile and internet penetration HIGH</p> <p>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.</p> <p>G20-GROWING MOBILE & INTERNET PENETRATION</p> <table border="1"> <caption>G20-Growing Mobile & Internet Penetration Data</caption> <thead> <tr> <th>Year</th> <th>Mobile Penetration (%)</th> <th>Internet Penetration (%)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>21</td> <td>21</td> </tr> <tr> <td>2017</td> <td>26</td> <td>21</td> </tr> <tr> <td>2018</td> <td>28</td> <td>22</td> </tr> <tr> <td>2019</td> <td>33</td> <td>22</td> </tr> <tr> <td>2020</td> <td>33</td> <td>22</td> </tr> </tbody> </table> <p>SLI response</p> <ul style="list-style-type: none"> Expand micro insurance channel where the selling process done through mobile platform. Focus on social media marketing. 	Year	Mobile Penetration (%)	Internet Penetration (%)	2016	21	21	2017	26	21	2018	28	22	2019	33	22	2020	33	22
Year	Mobile Penetration (%)	Internet Penetration (%)																	
2016	21	21																	
2017	26	21																	
2018	28	22																	
2019	33	22																	
2020	33	22																	

KINGS OF DATA



Risks	Opportunities
<ul style="list-style-type: none"> Risk of breaching privacy of the customers Risk of misusing the information <p>Risk Assessment and SLI response Refer Integrated Risk Management on Page 231</p> <p>Refer Corporate Governance Practices on Page 142</p>	<p>1. Big data and Predictive Analytics HIGH</p> <p>Big data and predictive analytics helps Insurance companies to make data-driven decisions to drive profitability to their business.</p> <p>2. Machine Learning</p> <p>This is an artificial intelligence (AI) that provides systems the ability to automatically learn and improve from experience without being explicitly programmed.</p> <p>SLI response</p> <ul style="list-style-type: none"> Softlogic Life implemented processes such as the Automated Claims Assessment (ClaimIT), where less complicated, routine claims are assessed by the system.

LEAN AND FAST

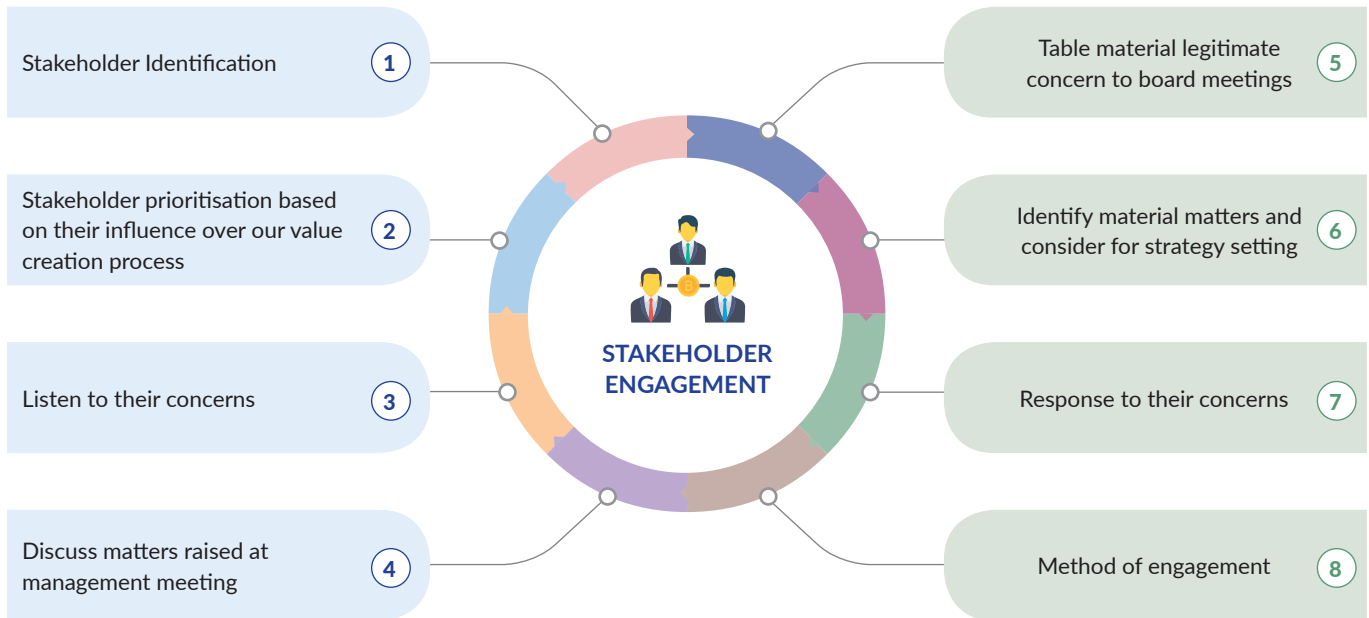


Risks	Opportunities
<ul style="list-style-type: none"> Not having a compatible processes to cope with the rapid changing world. <p>Risk Assessment and SLI response Refer Integrated Risk Management on Page 231</p> <p>Refer Corporate Governance Practices on Page 142</p>	<p>1. Robotic Process Automation HIGH</p> <p>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.</p> <p>SLI response</p> <ul style="list-style-type: none"> Softlogic Life implemented programs such as RPA for bank reconciliation and RPA for cheque printing, with plans to expand further.

STAKEHOLDER ENGAGEMENT

GRI 102-21 | 102-40 | 102-42 | 102-43

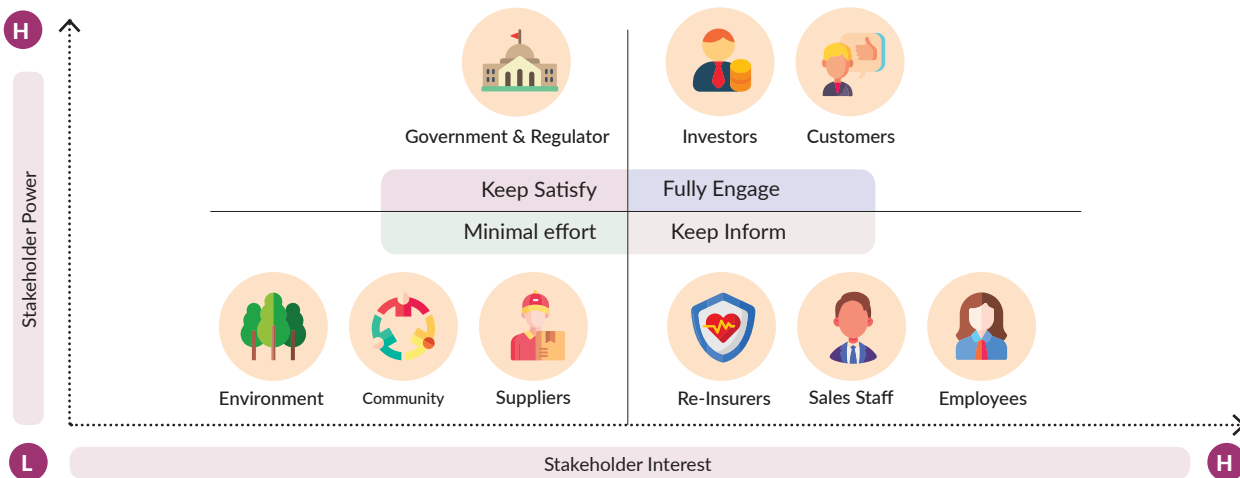
Through stakeholder engagement and collaboration, SLI is committed to understanding and being responsive to the interests and expectations of stakeholders and in partnering with them to find lasting solutions for shared value creation. Proactive, ongoing stakeholder engagement is increasingly integrated into the Company's business practices. Stakeholder management is viewed as a risk mitigation function and more importantly, one that seeks to create shared value for the broader society while addressing the needs and legitimate expectations of key stakeholders. The figure below summarises the stakeholder engagement process of the company.



There was no significant changes in the stakeholder concerns compared to previous year.

STAKEHOLDER IDENTIFICATION AND PRIORITIZATION

We priorities our stakeholders based on their power and interest. There is no change in priority of stakeholders compared to previous year.



GOVERNANCE OF STAKEHOLDER ENGAGEMENT.

Stakeholder engagement is governed through company's governance structure and actions taken by governance body is provided on page 189.

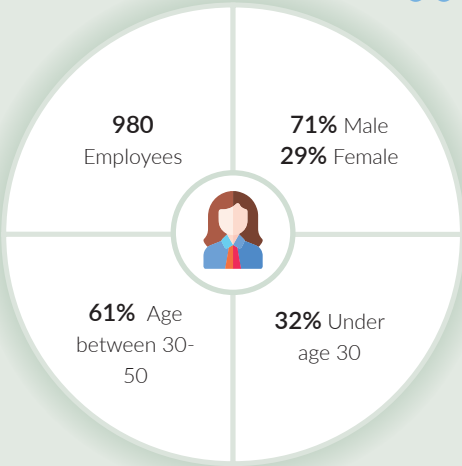
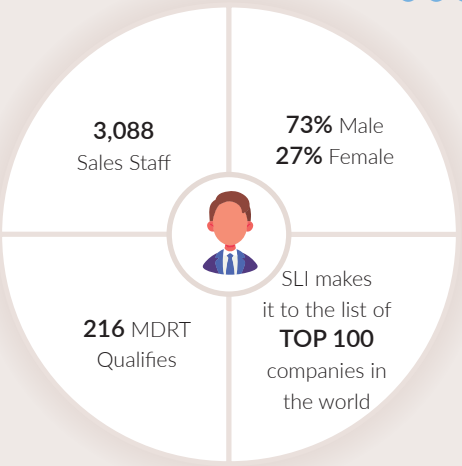
STAKEHOLDER ENGAGEMENT

GRI 102-21 | 102-40 | 102-43 | 102-44

STAKEHOLDER ENGAGEMENT IN OUR STRATEGY SETTING

Our Stakeholders provide strategic inputs to our corporate strategy which we identify during engagements with them. We have identified their legitimate concerns as provided below and consider them for our future strategy.

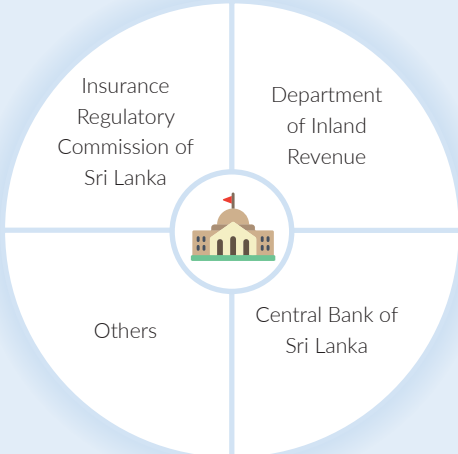
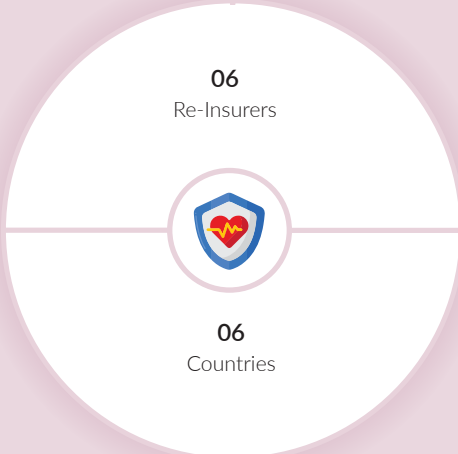
	INVESTOR	CUSTOMER
ANALYSIS OF STAKEHOLDER	<p>The diagram shows a central circle with a person icon, divided into four quadrants. Top-left: 2,800 Shareholders. Top-right: 23 non resident shareholders holds 39% of stake. Bottom-left: 10.23% of public shareholding. Bottom-right: 176 Institutional shareholders holds 92.81% of stake.</p>	<p>The diagram shows a central circle with a person icon, divided into four quadrants. Top-left: 705,256 Individual Clients. Top-right: 238,591 Registered through mobile platform. Bottom-left: 214,688 Corporate Clients. Bottom-right: 165,829 SME clients.</p>
KEY CONCERNS	<ol style="list-style-type: none"> 1. Sustainable return 2. Business risk management 3. Transparency of management 4. Comply with regulatory and legal requirement 5. Timely communication 	<ol style="list-style-type: none"> 1. Accessibility of the services 2. Satisfaction (Quality of service) 3. Ease of buying product 4. Products cater to evolving needs 5. Grievance handling process
MANAGEMENT RESPONSE AND KPIS (Future and past KPIS are provided where applicable within the business process)	<ol style="list-style-type: none"> 1.a Company performance (Refer Page 37) 1.b Operational KPIS (Refer Page 37) 1.c Future KPIS (Refer Page 73) 1.d Dividend (Refer Page 29) 2. Integrated risk management framework (Refer page 231) 3. Strong corporate governance (Refer Page 142) 4. No non compliances 5. Financial calendar (Refer Page 256) 	<ol style="list-style-type: none"> 1.a Improved digital platform (Refer Page 112) 1.b other channels (Refer Page 110) 2.a Customer satisfaction survey 3. Available methods to buy our products (Refer Page 112) 4.a Product development process (Refer Page 109) 4.b New products introduced (Refer Page 107) 5. Grievance handling process (Refer page 110)
METHOD OF ENGAGEMENT	<ul style="list-style-type: none"> ● Online Annual General Meetings ● Interim Financial Statements through CSE ● Announcements to CSE ● Press conference and media releases ● Corporate Website 	<ul style="list-style-type: none"> ● LifeUp App to perform transactions digitally ● Corporate Website Information ● Media campaigns/ Advertisements ● Use of social media such as WhatsApp, Facebook ● Contact through Call centre ● Interactions at customer centres
STRATEGIC DIRECTION	Strategic focus of relationship with investors and future prospects discussed in detailed under featuring the business on Page 37.	Strategic focus of relationship with customers and future prospects discussed in detail under Social & Relationship Capital on Page 105.

EMPLOYEES	SALES STAFF
 <p>980 Employees</p> <p>71% Male 29% Female</p> <p>61% Age between 30-50</p> <p>32% Under age 30</p>	 <p>3,088 Sales Staff</p> <p>73% Male 27% Female</p> <p>216 MDRT Qualifies</p> <p>SLI makes it to the list of TOP 100 companies in the world</p>
<ol style="list-style-type: none"> 1. Job security and rewarding career 2. Health concerns on COVID 19 3. Enhancement of skills and knowledge. 4. Competitive remuneration 5. Ensure a healthy work life balance 6. Diversity and Inclusivity 7. Build ownership by engaging employees within the business 	<ol style="list-style-type: none"> 1. Competitive income 2. Adequate training 3. Career progress 4. Rewards and recognition
<ol style="list-style-type: none"> 1. HR governance and career development (Refer Page 95) 2. Actions taken to prevent COVID-19 at work place and new normal working environment (Refer Page 92) 3. Training and professional development (Refer Page 97) 4. Fair pay and other benefits (Refer Page 99) 5. Employee Engagement activities (Refer Page 103) 6. Gender parity (Refer Page 100) 	<ol style="list-style-type: none"> 1. Competitive benefit paid to field staff (Refer Page 114) 2. Training & development (Refer Page 115) 3. Structured career path (Refer Page 115) 4. Rewards and recognition structure (Refer Page 115)
<ul style="list-style-type: none"> ● HR portal for all HR related matters ● Online town hall meeting to communicate Company's future plan ● Softlogic Life employee Facebook group/ WhatsApp, Viber ● Regular E-mail updates ● Employee meeting 	<ul style="list-style-type: none"> ● E-advisor platform to introduce new policies Digitally ● "PCU app" to record and track all collections related transactions ● Online sales review meeting ● Dedicated HR e-mail to communicate any other matter ● Regular E-mail updates ● Training session (physical / online)
<p>Strategic focus of relationship with employees and future prospects discussed in detail under Human Capital.</p>	<p>Strategic focus of relationship with sales staff and future prospects discussed in detail under Social and Relationship Capital.</p>




● Annually ● Quarterly ● As necessary ● Regularly

STAKEHOLDER ENGAGEMENT

GRI 102-21 | 102-40 | 102-43 | 102-44

	GOVERNMENT AND REGULATORS	RE-INSURERS
ANALYSIS OF STAKEHOLDER		
KEY CONCERNS	<ol style="list-style-type: none"> 1. Compliance with applicable laws and regulations 2. Good corporate governance and business ethics 	<ol style="list-style-type: none"> 1. Underwrite appropriate risk 2. Timely premium payment
MANAGEMENT RESPONSE AND KPIS (Future and past KPIS are provided where applicable within the business process)	<ol style="list-style-type: none"> 1. Internal controls and corporate governance mechanism (Refer Page 142-230) 2. Strong governance practices within the Company. (Refer Page 142) 	<ol style="list-style-type: none"> 1. Well established underwriting process including auto underwriting (Refer Page 112) 2. On time settlements
METHOD OF ENGAGEMENT	<ul style="list-style-type: none"> ● Online tax return submission ● IRD Web site information. ● Directives and Circulars ● On-site review by IRCSL ● Training and workshops organised by regulators ● Meeting / discussion with Government and Regulators ● Submission of returns and status reports 	<ul style="list-style-type: none"> ● Online meeting ● E-mail Communication ● Physical meeting
STRATEGIC DIRECTION	Strategic focus of relationship with regulators and future prospects discussed in detail under Social and Relationship Capital on Page 114.	Strategic focus of relationship with reinsurers and future prospects discussed in detail under Social and Relationship Capital on Page 114.

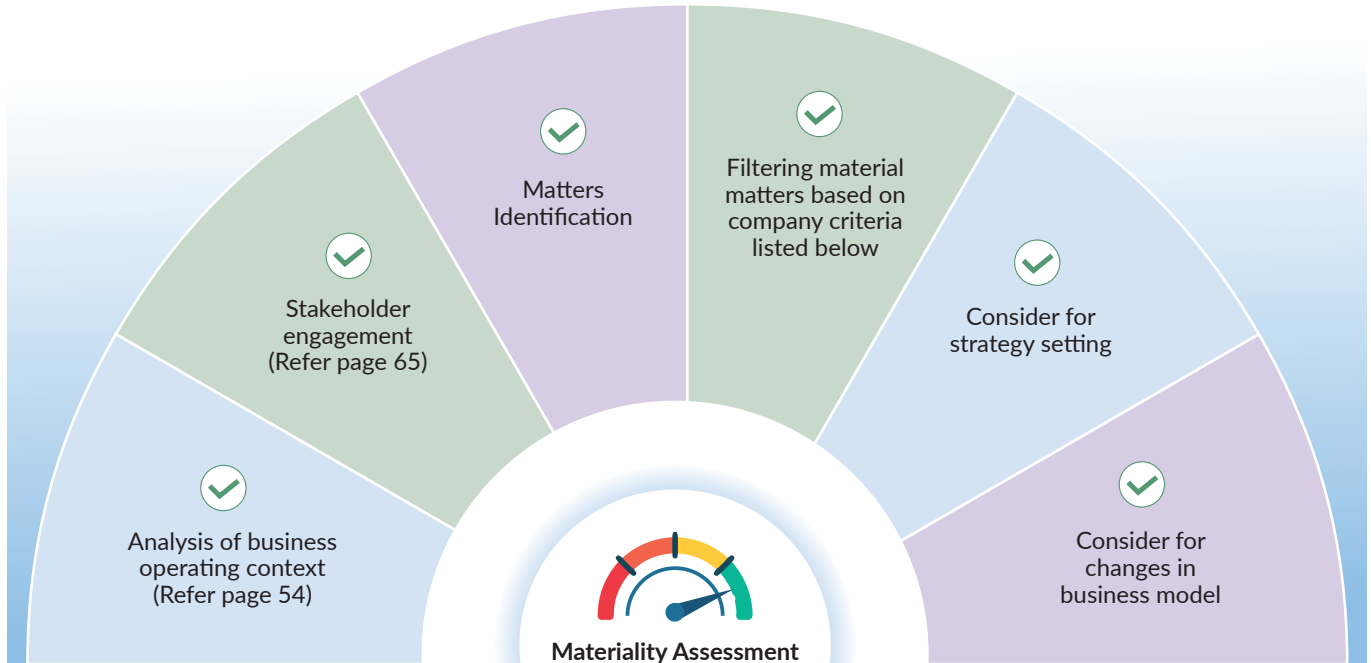
- ● ● ● ○ ○ | **Good** - Improvement actions are identified and implemented
- ● ● ● ● ○ | **Very Good** - look for options to further improve relationship
- ● ● ● ● ● | **Excellent** - Concern about maintaining relationship

<p>SUPPLIERS</p> <p>● ● ● ○ ○</p>  <p>240 Suppliers</p>	<p>COMMUNITY</p> <p>● ● ● ○ ○</p>  <p>Society within which we operate</p>	<p>ENVIRONMENT</p> <p>● ● ● ○ ○</p>  <p>Natural resources we use within our business process</p>
<p>1. Timely settlements</p>	<p>1. Employment Opportunity 2. Company's contribution to help under-developed communities in Sri Lanka</p>	<p>1. Reducing adverse impact on environment</p>
<p>1. On time settlements</p>	<p>1. We recruited 261 staff during the year, covering many districts in Sri Lanka (Refer Page 135). 2. Our community development programs are discussed in detail on Pages 119 of this report.</p>	<p>1. Recycling of paper. 2. Eco-friendly practices (Refer Page 136).</p>
<p>● Business meeting</p>	<p>● Community projects – CSR calendar. ● Call centre Conversations ● Interact through branch network ● Social media and Corporate Website</p>	
<p>Strategic focus of relationship with Suppliers and future prospects discussed in detail under Social and Relationship Capital on Page 114.</p>	<p>Strategic focus of relationship with community and future prospects discussed in detail under Social and Relationship Capital on Page 119.</p>	<p>Strategic focus of relationship with environment and future prospects discussed in detail under Natural Capital on Page 136.</p>

● Annually ● Quarterly ● As necessary ● Regularly

MATERIAL MATTERS

THE COMPANY’S MATERIAL MATTERS ASSESSMENT PROCESS IS PROVIDED BELOW.



WE RECOGNIZE A MATTER AS MATERIAL IF :

It has a significant impact on our strategic direction	It has a significant impact on our value creation process	It is recognised as a significant risk as per the Company’s risk management framework	It is a concern of the stakeholder based on the priority of the stakeholder
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Based on the nature of the matter we either align company strategy to respond them or consider in changing business model as necessary.

INVOLVEMENT OF BOARD OF DIRECTORS


Executive managements including managing directors identify matters that have an impact on our business and report to the board regularly. The Board approves strategic directions based on the evaluations of such matters which are most material in the given context.

CHANGE IN MATERIALITY

The operating environment of the company in 2020 and 2021 was almost similar as both years were mostly crowded with COVID-19 pandemic. Accordingly, the importance of material matters was not significantly changed during the year. Below matrix clearly categorize our material matters based on their impact to business and impact to stakeholders.





OUR MATERIAL MATTERS

The table below summarizes our material matters. These matters represent significant issues we identified through our internal and external environment analysis and stakeholder engagement.

Material Matter	SLI Response	UNSDG	Link to capital/strategy
<p>DELIVER SUSTAINABLE FINANCIAL RESULTS Generating sustainable financial results in a volatile market conditions is quite challenging for the company.</p> <p>Impact :- This impact is to Shareholders who will not get a sufficient return on their investment. Further, Senior Management may become stressed as to who is responsible for delivering results and this stress may cascade to all employee levels, impacting the Company in many ways.</p> <p>Guiding GRI Principle: - 201-1</p> 	<p> Strategies executed during the year is explained on page 37</p> <p> Closely monitoring the environment to identify significant changes that affect business strategy</p> <p> Medium term corporate plan is completed incorporating all the known risk factors and relevant KPIs are derived</p>		<p>For 2021 performance review refer Financial capital on page 86</p> <p>For future KPIs refer to page 73</p>
<p>PROVIDE SUPERIOR CUSTOMER SERVICE Being a company with over 2 million customer base and serving to individual customer needs we assume as high priority action.</p> <p>Impact :-* Best customer service make customer happy and support the company growth.</p> <p>Guiding GRI Principle: - 418-1</p> 	<p> Our service innovation focusing on best customer service (Refer page 112)</p> <p> Considered as key pillar of company's short to long term strategy</p>	 	<p>For 2021 performance review and future KPIs refer Social and Relationship capital on page 105</p>
<p>EMPLOYEES HEALTH CONCERNS, ENGAGEMENT AND MOTIVATION The COVID 19 pandemic pose high risk on our employee health. Also WFH option and strict health regulation impacted to reduce employee engagement dramatically and there by impair their motivation.</p> <p>Impact :- Employee demotivation may negatively impact to business performance</p> <p>Guiding GRI principle: - 401-1/401-2/401-3 /404-1/404-2/404-3/405-1/405-2/406-1/412-1/412-2/412-3</p> 	<p> Adhering to government rules on work place health guidelines (Refer page 96)</p> <p> HR governance practices (Refer page 95)</p>	   	<p>For 2021 performance review and future KPIs refer Human capital on page 92</p>
<p>COMPANY GROWTH THROUGH SALES STAFF PRODUCTIVITY IMPROVEMENT Year on year productivity improvement of sales staff is challenging due to many reasons including, dynamics of operating environment, retention of best talent is difficult etc</p> <p>Impact: - If productivity of existing sales staff was not improved company growth has to be achieved through new recruitment which is time consuming as well as costly.</p> <p>Guiding GRI principle: - 401-1/401-2/401-3/404-1/404-2/404-3/405-1/405-2/406-1/412-1/412-2/412-3</p> 	<p> Sales staff benefit schemes were designed in a way that they can earn competitive income.</p> <p> Structured career path is available for people who perform well.</p> <p> We plan to do advisor profile building campaign to improve their recognition in the society.</p>		<p>For 2021 performance review and future KPIs refer Social and relationship capital on page 105</p>

 What we have done  Ongoing  What we will do  Risk  Opportunity

MATERIAL MATTERS

Material Matter	SLI Response	UNSDG	Link to capital/strategy
<p>IMPLEMENTATION OF SLFRS 17 SLFRS 17 has big impact on how we measure and report our performance. Convergence business process with SLFRS 17 is require additional effort from all key stakeholders.</p> <p>Impact: - All key stake holder be ready to understand the business with new angle proposed by SLFRS 17. Failing to understand it will lead to misinterpret of performance.</p> 	<p> SLFRS 17 implementation team is identified</p> <p> SLFRS 17 implementation project is ongoing.</p>		Refer page 374 on impact of SLFRS 17 implementation.
<p>SOUND CORPORATE GOVERNANCE AND EFFECTIVE RISK MANAGEMENT PRACTICES Corporate governance and risk management is key activities in life insurance industry as we deal with customer's risk and money for long term contracts</p> <p>Impact:- Not having these best practices may result in impair customer trust and failing in the business league.</p> <p>Guiding GRI principle: 102-30/102-18/102-22/102-23/102-24</p> 	<p> Integrated risk management framework (Refer page 231)</p> <p> Corporate governance practices (Refer page 142)</p>		To understand the impact on strategy refer page 152
<p>CYBERSECURITY We embracing digitalization as one of strategic move to create competitive edge over others. Accordingly, Cybersecurity is key concern of our business process.</p> <p>Impact: - We are handling sensitive information of our customers. Accordingly, leakage of information impact to our goodwill.</p> 	<p> Employee awareness</p> <p> Regular IT system audits by external expertise</p> <p> IT governance practices (Refer page 179)</p>		
<p>ADOPTION OF FAST MOVING TECHNOLOGICAL DEVELOPMENT We being a company of innovation driven culture adopting new technology is key to excellence in our performance.</p> <p>Impact: - Failing to adopt new technology will erode our competitiveness in the market.</p> 	<p> Advanced technologies integrated in to our business and its future prospects (Refer Page 112)</p>		Impact to strategy on new technological development is explained on page 112
<p>INTENSIVE MARKET COMPETITION Insurance industry in the market is highly competitive. Refer page 59 for results of Five forces analysis on the market.</p> <p>Impact:- Failing to compete in the market will erode our performance and goodwill</p> 	<p> Considering all possible scenarios, we concluded our short to midterm strategy and budget in order to outperform in the market. (Refer page 81 for financial KPIs)</p>		

 What we have done
  Ongoing
  What we will do
  Risk
  Opportunity

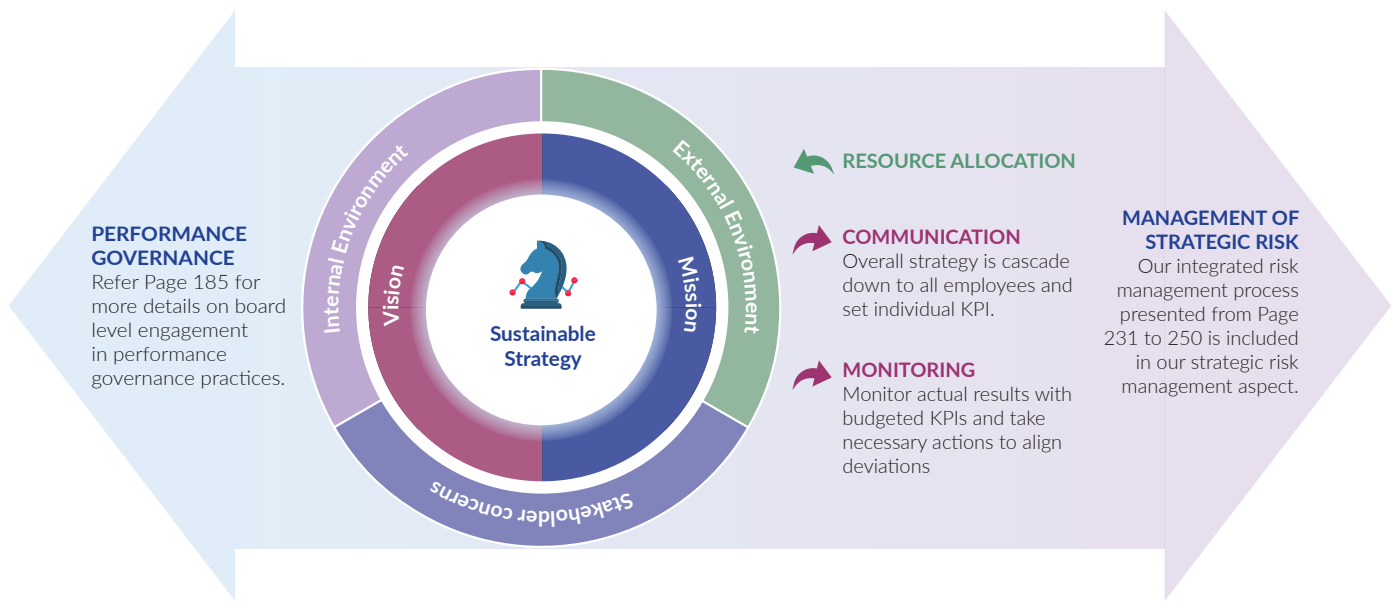
STRATEGY AND RESOURCE ALLOCATION

We planned our strategy and allocate resources to achieve strategic objectives which are set within a broader scope in order to accomplish our vision and mission. While strategic objectives remain unchanged, we assess our operating environment annually and revise short to medium term strategy and KPIs as necessary. We align our strategy with UNSDG and GRI principles as much as possible. The Board of Directors review the process annually and approve it before execution (Refer Performance Governance on page 185).

The year 2021 is the second year of COVID 19 pandemic and there was no much impact on strategy setting process as our business model is sufficiently equipped to face it.

RESOURCE ALLOCATION

Required resources to execute the identified strategies below were carefully evaluated, allocated and approved by the Board of Directors for the period 2021 to 2023 during the annual budget preparation cycle.





BASIS OF OUR STRATEGIC PILLARS

Strategic Pillar	Basis of selection and why we continue it
Most Caring Life Insurer	The life insurance is a process of managing people risk which involve managing customer’s feelings. The success is a fact of how much we care our customers in terms satisfying their need when they need it. We continue to make this strategy as we believe this fact will be valid for long term future.
Smart IT Digitization	In the world of digitizing our sustainability is depend on how we embedded it in the business. This is a long term fact we continue to focus from three years back.
King of Data	The future of the world can be define as “Data Driven Future” and we are being ready for it by choosing it as strategic pillar. This will be more futuristic and valid for long term future
Phenomenal Sales	While we doing all above we also should consider how above link to our growth. Accordingly, we need to focus this also for long term future.
Lean and Fast	This is one of the focus area we need to keep on mind when we execute all above strategies.
Governance	We deal with public money and strong governance is utmost important to win customer trust.
Risk management	Our key business activity is managing risk of customers. Accordingly effective risk management define our sustainability of the business.

SUSTAINABILITY OF STRATEGY

Softlogic Life’s strategy setting is based on the key pillars of sustainability. The Company evaluates its strategic objectives regularly and takes necessary action to cope with changes in the external environment, ensuring we provide sustainable value creation over the short, medium and long terms.

STRATEGY AND RESOURCE ALLOCATION

	How management define it.	What are the facts management considering?																																																																																
 Most caring life insurer	Success of Life Insurance business depends on how fast insurer attract new customers (new business generation) and how well company retain existing customers (Renewal). Customer service	What make our customer delighted i) Hassle free process to obtain a policy ii) Availability of preferred payment option iii) Receiving claims fast iv) Hassle free discharge in the event of hospitalization v) Get maturity benefit as promised vi) Doing alteration to policy is easy																																																																																
	f. How management convert customer concerns in to KPI and its performance and targets																																																																																	
	<table border="1"> <thead> <tr> <th>KPI</th> <th></th> <th>2024</th> <th>2023</th> <th>2022</th> <th>2021</th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Digital proposal submission</td> <td>%</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> </tr> <tr> <td>One-day proposal acceptance</td> <td>%</td> <td>80</td> <td>78</td> <td>77</td> <td>76</td> <td>77</td> <td>90</td> </tr> <tr> <td>Auto underwriting of policy</td> <td>%</td> <td>75</td> <td>72</td> <td>70</td> <td>68</td> <td>70</td> <td>-</td> </tr> <tr> <td>One-day claim settlement</td> <td>%</td> <td>95</td> <td>95</td> <td>94</td> <td>94</td> <td>87</td> <td>90</td> </tr> <tr> <td>Hospital discharge within one hour</td> <td>%</td> <td>90</td> <td>89</td> <td>88</td> <td>87</td> <td>89</td> <td>84</td> </tr> <tr> <td>Acknowledge customer complains within a day</td> <td>%</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> </tr> </tbody> </table>	KPI		2024	2023	2022	2021	2020	2019	Digital proposal submission	%	100	100	100	100	100	100	One-day proposal acceptance	%	80	78	77	76	77	90	Auto underwriting of policy	%	75	72	70	68	70	-	One-day claim settlement	%	95	95	94	94	87	90	Hospital discharge within one hour	%	90	89	88	87	89	84	Acknowledge customer complains within a day	%	100	100	100	100	100	100																									
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 Phenomenal Sales	SLI grew above industry growth consistently during past few years. It also moved industry position from 5 to 3 by 2020. In order to continue same journey in future SLI need to have phenomenal sales.	i) GWP contribution by each channel ii) Annualised new business premium growth iii) GWP growth iv) Customer retention																																																																																
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KPI		2024	2023	2022	2021	2020	2019																																																																											
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Annualized New Business (ANBP) growth	%	>20%	>20%	>20%	31%	-2%	19%																																																																											
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3 Year	%	58	57	56	58	52	52																																																																											





More focus on Short term









More focus on medium to long term





Equally important in all the time

Short term targets	Medium to long term view
<ul style="list-style-type: none"> i) Moving existing manual processes to digital platforms ii) Introduce automated credit control management for corporate client's segment iii) Expand Digital claim intimation platform iv) Integrate new channels to digital claims platform v) introduce RPA solution for payment processing vi) Reward loyal customers 	<p>Align customer care activities to cater customer behavioural changes and align our business model to quickly capitalize emerging opportunities.</p> <p>Enhance our customer care activities to cover the lifecycle of the customers through customer journey mapping. Further, we will become the benchmark for the insurance industry in Sri Lanka as well as globally by linking customer care into the Company's value creation process.</p>
Resource allocation	SDG
<ul style="list-style-type: none"> i) Expand branch network by five new branches ii) Training for staff iii) Rs. 29.5 Mn Budget allocated for training iv) Capital expenses have been budgeted for 2022 in order to execute digitalization activities v) 23% of total CAPEX budget of 2022 allocated for digitalization related expansion. 	
Short term targets	Medium to long term view
<ul style="list-style-type: none"> i) Productivity improvement of sales force ii) Increase average premium per policy iii) Increase sales advisors by 300 iv) Expand corporate clients base v) introduce new products vi) Expand micro channel customers base through more awareness programs. 	<p>We have identified many expansion opportunities in Asian market and will be looking for opportunities to step in to those markets.</p> <p>We also experiencing some products are reaching its maturity and we will have to replace these products with new products for new market segments. Further we have already taken many initiatives to improve renewal premium which result profitable growth of the company in medium to long term.</p>
Resource allocation	SDG
<ul style="list-style-type: none"> i) Financial resources required for expansions is allocated through budget 2022 to 2024 ii) 300 new sales agents to recruited in 2022 iii) 25 staff will be recruited for Micro channel 	

STRATEGY AND RESOURCE ALLOCATION

	How management define it.	What are the facts management considering?																									
 <p>Smart IT Digitalisation</p>	Company's digital journey define its competitive advantage. Further we consider it as future ready mechanism as our future customers will comes from a digitalized world. So we believe one key sustainability comes from digitalization	i) Key areas of the business that have significant impact from digitalisation ii) Expected out come and its link to company's overall strategy																									
	f. How management convert customer concerns in to KPI and its performance and targets																										
		<table border="1"> <thead> <tr> <th>KPI</th> <th></th> <th>2022 -24</th> <th>2021</th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Growth in one day claim settlement</td> <td>%</td> <td>95</td> <td>94</td> <td>87</td> <td>90</td> </tr> <tr> <td>Growth auto underwriting</td> <td>%</td> <td>72</td> <td>68</td> <td>70</td> <td>-</td> </tr> </tbody> </table> <p>Above KPIs have been set to monitor capacity improvement of the company</p>	KPI		2022 -24	2021	2020	2019	Growth in one day claim settlement	%	95	94	87	90	Growth auto underwriting	%	72	68	70	-							
KPI		2022 -24	2021	2020	2019																						
Growth in one day claim settlement	%	95	94	87	90																						
Growth auto underwriting	%	72	68	70	-																						
 <p>King of Data</p>	Data analytics is the next competitive advantage in the life insurance industry around the world. Many countries already in it. We are at SLI got bold decision to embark on this journey as first mover in terms of Sri Lankan context.	i) Key areas of the business can influence through data analytics ii) Significance of business impact can have from deploying data analytics																									
	f. How management convert customer concerns in to KPI and its performance and targets																										
		We introduced data analytics three years back and completed very successful projects that have impact to business. These includes introduction of RPA (robotic process automation) to underwriting automation, claim processing as well as bank reconciliation etc. However currently we managing this on project base and KPIs yet be specified for business value created.																									
 <p>Lean and Fast</p>	To cope with the rapid rate with which the world is changing at, we understand that our processes need to be as quick as possible. Further, in executing our strategy we use our resources which are limited. Therefore, lean management will be key forever	i) Key areas of the business can influence through lean management ii) How it relate and support to other strategic objectives																									
	f. How management convert customer concerns in to KPI and its performance and targets																										
		<p>We have already introduced lean management to many of the key business areas where the relevant KPIs are linked to same reported under "most caring life insurer". However, in addition to that we specifically monitor expense efficiency as this eventually should support cost saving.</p> <table border="1"> <thead> <tr> <th>KPI</th> <th></th> <th>2024</th> <th>2023</th> <th>2022</th> <th>2021</th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Expense ratio</td> <td>%</td> <td>16.4</td> <td>17.6</td> <td>18.8</td> <td>19.5</td> <td>22.3</td> <td>27.0</td> </tr> <tr> <td>GWP per employee</td> <td>Rs Mn</td> <td>26.4</td> <td>23.7</td> <td>21.7</td> <td>20.5</td> <td>17.5</td> <td>15.6</td> </tr> </tbody> </table>	KPI		2024	2023	2022	2021	2020	2019	Expense ratio	%	16.4	17.6	18.8	19.5	22.3	27.0	GWP per employee	Rs Mn	26.4	23.7	21.7	20.5	17.5	15.6	
KPI		2024	2023	2022	2021	2020	2019																				
Expense ratio	%	16.4	17.6	18.8	19.5	22.3	27.0																				
GWP per employee	Rs Mn	26.4	23.7	21.7	20.5	17.5	15.6																				





 More focus on Short term

 More focus on medium to long term

 Equally important in all the time

Short term targets	Medium to long term view
<ul style="list-style-type: none"> i) Further strength underwriting platform by incorporating new options ii) Automate credit control process of corporate clients iii) Enhance Underwriting portal to issue endorsement by brokers. iv) Further strength claim processing platform by integrating new channels for claim intimation. v) Execution of new underwriting philosophy 	<p>We will be using digitalisation to eliminated non value adding function of the business to improve process efficiency as well as financial efficiency. The Company is on a digital transformation journey, rendering every activity within the organization influenced by digitalization. We will be on par with rapid global digital transformation. This will create value to the Company in terms of market development and market penetration strategy, and help in being lean and fast in our operations and resource optimization.</p>
Resource allocation	SDG
<ul style="list-style-type: none"> i) A team of IT professionals available to drive the digital journey. Financial resources have been allocated accordingly during corporate planning cycle 2022 – 2024. ii) v) 23% of total CAPEX budget of 2022 allocated for IT related expansion. 	 
Short term targets	Medium to long term view
<ul style="list-style-type: none"> i) Customer will be empowered to send their claims through social media ii) Underwriting will strength with Dynamic pricing model iii) Hospital discharge will further improve through bill prediction using integrating Artificial Intelligence technology 	<ul style="list-style-type: none"> i) Data analytics will be the driving factor of our business in future where we will be providing more customised products and services that customers exactly need. Data will be the basis on which we will manage our business in a sustainable manner. ii) Future of Data analytics in life insurance will highly be impacted with implementation of SLFRS 17 which redefine how we recognize life insurance policy.
Resource allocation	SDG
<ul style="list-style-type: none"> i) A team of IT professionals including data scientist available to manage the function. ii) Financial resources have been allocated accordingly during corporate planning cycle 2022 – 2024. 	
Short term targets	Medium to long term view
<ul style="list-style-type: none"> i) Automating processes based on the priority to achieve company strategy 	<p>We will be monitoring productivity improvement of the staff. More focus will be given to staff development. Lean and fast will be embedded in all our operational aspects to reach our strategic goals.</p>
Resource allocation	SDG
<p>Internal IT team is assigned with the responsibility to drive the digital journey of the Company. Also employees form each department collaborate each other to keep the impact lean across the company.</p>	 

STRATEGY AND RESOURCE ALLOCATION

	How management define it.	What are the facts management considering?																					
 Governance	Our contracts with customers are naturally of a long term nature. Therefore, strong governance is of paramount importance as we manage our customer's wealth. On this basis the management thinks it is important at all times to have best governance within the organisation.	i) Compliance with mandatory and voluntary governance practices in Sri Lanka. ii) Improving existing compliance to more value creation focus activities																					
	f. How management convert customer concerns in to KPI and its performance and targets																						
		<table border="1"> <thead> <tr> <th>KPI</th> <th>2024</th> <th>2023</th> <th>2022</th> <th>2021</th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Comply with mandatory provision of Corporate governance</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Comply with voluntary provision of Corporate governance</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> </tbody> </table>	KPI	2024	2023	2022	2021	2020	2019	Comply with mandatory provision of Corporate governance	✓	✓	✓	✓	✓	✓	Comply with voluntary provision of Corporate governance	✓	✓	✓	✓	✓	✓
KPI	2024	2023	2022	2021	2020	2019																	
Comply with mandatory provision of Corporate governance	✓	✓	✓	✓	✓	✓																	
Comply with voluntary provision of Corporate governance	✓	✓	✓	✓	✓	✓																	
	How management define it.	What are the facts management considering?																					
 Risk Management	The environment we operate in is changing fast while creating many risks in terms of our strategy execution. New risks are accumulating to the list frequently.	i) Identify new risk that could affect company's value creation ii) Be proactive to risk identified																					
	f. How management convert customer concerns in to KPI and its performance and targets																						
		<table border="1"> <thead> <tr> <th>KPI</th> <th>2024</th> <th>2023</th> <th>2022</th> <th>2021</th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Updated risk heat map and discussion in the risk committee of the Company.</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> </tbody> </table>	KPI	2024	2023	2022	2021	2020	2019	Updated risk heat map and discussion in the risk committee of the Company.	✓	✓	✓	✓	✓	✓							
KPI	2024	2023	2022	2021	2020	2019																	
Updated risk heat map and discussion in the risk committee of the Company.	✓	✓	✓	✓	✓	✓																	



More focus on Short term



More focus on medium to long term



Equally important in all the time

PERFORMANCE GOVERNANCE

Refer Page 185 for more details on board level engagement in performance governance practices.

MANAGEMENT OF STRATEGIC RISK


Our integrated risk management process presented from Page 231 to 250 is included in our strategic risk management aspect.

FINANCIAL OBJECTIVES

Our financial objectives are provided on page 81.

IMPACT FORM COVID 19 PANDEMIC

There was no material change in strategic pillars and its execution process due to the pandemic during 2021.

Short term targets	Medium to long term view
<p>Ensure strong corporate governance practices within the Company by fulfilling all regulatory requirements. (Refer Page 142 for detailed corporate governance strategy and related information).</p>	<p>Governance practices will be evolving within the organisation to maintain sustainable business practices. Also we will be adopting global best practices to strength Governance structure and drive value creation of the company.</p>
Resource allocation	SDG
<p>The board of directors who hold best qualification and business acumen in wider array of areas of business value creation</p>	
Short term targets	Medium to long term view
<p>Maintaining proactive risk management approach</p>	<p>Proactive risk management mechanism will be adopted to ensure sustainable value creation.</p>
Resource allocation	SDG
<ul style="list-style-type: none"> * Dedicated risk assessment department which diligently evaluates trending risk and report to the Board. * Board risk committee who evaluates and takes proactive action. 	

CORPORATE GOVERNANCE AND RISK MANAGEMENT SUMMERY

Our Corporate Governance framework ensures balancing and aligning the interests of the stakeholders with the management of the company. It is built on a strong, comprehensive and integrated structure which focuses on long term sustainability of the business model and value creation. This framework is built on 3 core principles - Leadership, Stakeholder Engagement and Accountability & Assurance.

	Leadership	Shareholder Engagement	Accountability and Assurance
Concept	Leadership provides the strategic direction to the Company and includes Board of Directors and Executive Management. (page 162)	Manage stakeholder interest through effective governance execution. (page 189)	Explains the governance of the assurance environment, regulatory compliance and Risk Management. (page 177)
Components	<ul style="list-style-type: none"> • Board of Directors • Code of conduct • Remuneration policies • Executive Management • Board sub committees and executive management committees 	<ul style="list-style-type: none"> • Actuarial Governance • Operations Governance • Risk Governance • Performance Governance • Investment Governance • IT Governance • Sustainability Governance 	<ul style="list-style-type: none"> • Assurance Framework • Regulatory and statutory governance • Integrated Risk Management

HOW CORPORATE GOVERNANCE ASSURE LONG TERM SUSTAINABILITY OF STRATEGIC OBJECTIVES

Governance framework components are placed to cover the company's short, medium and long-term strategies, executed through the 5 Strategic objectives of the company as below;

Strategic Objectives	Governance Component	Page No.
Most Caring Life Insurer	Board of Directors and Corporate Management	142-150
	Operations Governance	183
	Actuarial Governance	178
	Performance Governance	185
Smart IT Digitization	IT Governance	179
	IT Steering Committee	176
	Product Development Committee	176
Kings of Data	IT Governance	179
Phenomenal Sales	Performance Governance	185
	Code of Conduct	173
	Sales Governance Policy	185
	Remuneration policy of the Board and Management	174
Lean and Fast	Operations Governance	183

INTEGRATED RISK MANAGEMENT

Risk Management is a key function of the company that protects the value of the business and enabling informed decision making based on defined risk appetite and manage expected returns, which in turn ensures the achievement of strategic plans and day-to-day business activities.

The Enterprise Risk Management (ERM) framework, based on the ISO

31000:2018 international standard, which is adopted by the company, enable to proactively detect risks and opportunities to the objectives of the company, monitor them and asses their likelihood and impact as well as to determine a response strategy, this enable the company to protect and create value for all stakeholders of the company. Our Integrated Risk Management include following aspects.

Softlogic Life's approach to Risk Management (Page 231)
Risk Management During COVID - 19 (Page 161)
Identifying risk environment and how Softlogic Life aligning risk management strategy with Company strategic objective (Page 238)
Risk Performance and Highlights at Softlogic Life through 2021 (Page 239)
Risk Appetite and Tolerance (Page 239)
Risk Landscape of the Company (Page 240)

FUTURE OUTLOOK

ECONOMIC OUTLOOK

Sri Lanka is currently passing most difficult period of its history in terms of economic performance. The economy is pressurized from many external factors link with the COVID 19 pandemic. These includes shortfall of foreign reserves, disruption to main revenue sources such as tourism and foreign employment etc. However, government is taking some initiatives to normalize the situation such as roll-outing booster dose to reduce COVID disruption to social activities. Tourism also showed reversing trend where many tourists came to Sri Lanka at end of 2021. Inflation started to rise and will have impact on the economy. Based on available information our forecast for 2022 will be challenging for Sri Lanka and beyond that we expect a recovery phase.

INDUSTRY OUTLOOK

Disregard of exert pressures out there in the market Life Insurance Industry recorded impressive growth of 21% compared to previous year. This was mainly supported by the realizing emergent life and health risk by customers. We are not expecting same benefit to flow to 2022 as pandemic being normalized with the impact of effective vaccination as well as no major health complication from new variants such as Omicron. However there are immense opportunities to Life Insurance Industry to grow such as aging population, low penetration etc: which describe in detail on page 54.

FUTURE OF SOFTLOGIC LIFE

The Company has identified the potential in Life insurance business and wishes to expand geographically. The insurance business has now been set up in a robust and scalable manner enabling

this unique business model to be implemented in overseas markets that have immense potential. Initiatives in Bangladesh and the Far East are now being pursued.

The company has set its future strategy by analysing all possible scenarios based on the available information which is a solid foundation at the time of execution. We will not deviate form our existing seven strategic pillars which set with long term perception in building our future. These strategies have been provided with future KPIs on page 73.

The Company will be pursuing its vision to “Revolutionise insurance in Sri Lanka through world-class innovation and deliver extraordinary stakeholder value” through industry-first innovation and products. Our path towards that is elaborated by Our chairmen on page 29.

Key success factor of our sustainable business model is we not only limited to company level strategy but also go into micro level to align individual actions towards the company mission. This allow us to generate imaginary performance at a strait. Accordingly future outlook on performance of individual capitals is provided on capital performance reviews as provided in the table Below.

Capital Report	Page No
Financial Capital	86
Human Capital	92
Social and Relationship Capital	105
Intellectual Capital	128
Manufactured Capital	133
Natural Capital	136

Our sustainability of strategy has been proven in terms of business results with a clear track record. Our future strategies have also 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.

RISK AND OPPORTUNITIES

Our future strategies will mostly be tied up with digital parameters and in return we will be impacted by cyber risks of a high risk profile, including cyber risk and all other significant risks. Our responses are provided on Page 61. With a more positive outlook there are plenty of opportunities around us. Material items such low penetration, ageing population etc have been picked on Page 61.

LEGAL AND REGULATORY COMPLIANCE

The Company’s future outlook is provided above complies with existing legal and regulatory boundaries of SLI.

FUTURE OUTLOOK

OUR PERFORMANCE IN 2021 AGAINST 2021 TARGETS AND 2022 TARGETS

As we navigate the future, we will remain focussed on key performance indicators set out for 2022 and beyond. The table below provides most critical KPIs which we are planning to achieve in 2022 while executing our strategy.

Table 20 :- Performance dash board 2021 and target for 2022

Financial Performance	2021 Actual	2021 Target	Achievement	2022 Target
Return on Equity*	23.1	20	●	25%
Market Capitalisation	26,625	15,660	●	31,875
GWP Performance	20,053	18,727	●	23,539
Profit After Tax	2,105	1,834	●	2,795
Annualised New Business Premium (ANBP)	5,083	5,000	●	6,100
Average Premium Per Policy	138,983	124,356	●	140,000
Persistency (Year 1)	85	85	●	85
Persistency (Year 2)	67	65	●	68
Persistency (Year 3)	58	51	●	59
Market Share	16.1%	16.7%	●	17.1%
Claims Ratio**	22.3%	21%	●	24%

● Achieved

● Partially achieved

*Adjusted for deffered tax

**Adjusted for net COVID claims

INDEPENDENT LIMITED ASSURANCE REPORT



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INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF SOFTLOGIC LIFE INSURANCE PLC

We have been engaged by the Directors of Softlogic Life Insurance PLC ("the Company") to provide limited assurance in respect of the Integrated Report for the year ended 31st December 2021. (the "Integrated Report"). The criteria used as a basis of reporting is the content elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) as disclosed in this Integrated Report.

BASIS FOR CONCLUSION

We conducted our work in accordance with the Sri Lankan Standard on Assurance Engagements SLSAE 3000 (Standard). In accordance with the Standard we have:

- Used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Company's Integrated Report, whether due to fraud or error;
- Considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

OUR CONCLUSION

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.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Company's strategy or how the Company creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Company's strategy and how the Company creates value are outlined below.

LIMITED ASSURANCE INTEGRATED REPORT

Based on the limited assurance procedures performed and evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Integrated Report, as defined above, for the year ended 31st December 2021, has not in all material respects, been prepared in accordance with the Content Elements of the IIRC's International Integrated <IR> Framework.

BOARD OF DIRECTORS AND MANAGEMENT'S RESPONSIBILITY

The Board of Directors and Management are responsible for:

- Determining that the criteria is appropriate to meet the needs of intended users, being the company's members and any other intended users.
- Preparing and presenting of the Report in accordance with the criteria set out in the IIRC's <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations.
- Ensuring the Company's strategy is well presented in the Company's Integrated

Report and reflects how the Company creates value as they operate in practice

- Identifying stakeholders and stakeholder requirements;
- Identifying material issues and reflecting those in the Company's Integrated Report; and
- Preparation and fair presentation of the Integrated reporting information; Design and implementation of internal controls that the company determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement, whether due to fraud or error.
- Informing us of any known and/or contentious issues relating to the Integrated Report.
- Preventing and detecting of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities;
- Process to ensure that the Company personnel involved with the preparation and presentation of the integrated reporting information are properly trained, systems are properly updated and that any changes in reporting is relevant to the integrated report information encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations.
- The responsibility also includes informing changes in the Company's Operations since the date of our

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

M. R. Mihular FCA
T. J. S. Rajakaner 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. Abeyratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

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, W. A. A. Weerasekera CFA, ACMA, MFRCS

INDEPENDENT LIMITED ASSURANCE REPORT



most recent assurance report on the Integrated reporting information.

OUR RESPONSIBILITY

Our responsibility is to perform a limited assurance engagement in relation to the Integrated Report and to issue an assurance report that includes our conclusions.

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 limited assurance about whether the Integrated Report is free from material misstatement.

LIMITED ASSURANCE ON THE INTEGRATED REPORT

Our limited assurance engagement on the Integrated Report consisted of making enquiries, primarily of persons responsible for the preparation of the Integrated Report, and applying analytical and other procedures, as appropriate. These procedures included:

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Report;
2. Reviewing of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the Company's stakeholders, how the Company creates value, the Company's external environment, strategy, approaches to putting members first, governance and reporting.

3. Reviewing the description of the Company's strategy and how the Company creates value in the Report and enquiring of management as to whether the description accurately reflects their understanding;
4. Assessing of the suitability and application of the Content Elements of the <IR> Framework in the Report;
5. Assessing of the alignment between the Company's strategy, the disclosures on how the Company creates value and what matters most to the Company's stakeholders.
6. Reviewing Board minutes to ensure consistency with the content of the Report.
7. Reviewing the Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.
8. Obtaining a letter of representation from management dated 07th March 2022 on the content of the Company's Integrated Report.

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 Integrated Report.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Company.

LIMITATIONS OF OUR REVIEW

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results

are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report.

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 Integrated Report is prepared in accordance with the IIRC's International <IR> Framework and for no other purpose or in any other context.

RESTRICTION OF USE OF OUR REPORT

This report has been prepared for the Company for the purpose of providing an assurance conclusion on the Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Company, or for any other purpose than that for which it was prepared.

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
07th March 2022

MANAGEMENT DISCUSSION & ANALYSIS
OUR PERFORMANCE

Financial Capital 86 | Human Capital 92 | Social and Relationship Capital 105 | Intellectual Capital 128
Manufactured Capital 133 | Natural Capital 136 |
Independent Assurance Report on Sustainability Report 139

Impacting





FINANCIAL CAPITAL

STATEMENT OF VALUE CREATION – FINANCIAL CAPITAL

		Unit	2021	2020	G%	2019
 Performance	Gross Written Premium Growth	%	28.1	25.0	3.1	25.2
	Total Net Revenue Growth	%	30.6	22.4	8.2	28.3
	Debt Service Cover	Times	1.1	0.9	25	24.2
	Net Operating Cash	Rs. Mn	6,984	9,033	(23)	3,213
	PBT Growth	%	39	-18	57	138
	PAT Growth	%	38	-30	68	-34.9
	Return on Capital Employed*	%	34.6	32.2	2	54.9
	Market Value Per Share	Rs.	71.0	34.8	104	37.5
 Outcome	Capital Adequacy Ratio	%	395	302	93	182
	Market Share	%	16.1	15.2	0.9	14.1
	Market Price Growth	%	104.0	-7.2	111.2	-16.3
	Dividend Yield	%	3.5	0	3.5	N/A



STEERING TO THE FUTURE

SHORT TERM TARGET

- GWP growth – +17%
- PAT growth – 31%
- Expense ratio - 18.8%
- ROE – 20%+
- Capital Adequacy Ratio - 120%+ (Regulated)
- *Approved assets – 100%+ (Regulated)

MEDIUM TERM TO LONG TERM VIEW

- GWP growth – +20%
- ROE – 20%+
- Capital Adequacy Ratio - 160%+ (Regulated requirement 120%)
- Approved assets – 100%+ (Regulated)
- Maintain adequate liquidity level with prudent risk management
- Manage financial capital to support the growth strategy

What includes Our Financial capital?

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.

- Share capital
- Other reserves
- Financial investments
- Retained earning
- Insurance contract liabilities
- Other source of funds

How it creates value

It injects our business model resulting in the enhancement of financial capital. Enhanced value is used to pay dividends to shareholders, retaining it in business for growth strategies after utilising it for creation/enhancement of other capitals. (Detail trade off with other capitals are provided in next page)

OVERVIEW

The company concluded year 2021 with remarkable results despite the disruptions available in the market. This is showcase adoptability of our business model. The management carefully manage value creation activity within the business model in order to bring superior results during 2021.

RISK AND OUR RESPONSES IN MANAGING FINANCIAL CAPITAL

Managing investment yield in low interest rate environment	Unhealthy price war shrinks product margin on corporate business and negatively affect profitability of the Company	High claims out go due to COVID stressed the cash flow management.
<p>It was difficult to provide attractive return to customers on their insurance fund due to low investment income earned</p> <ul style="list-style-type: none"> Initially focus on short term investments and switch to high yield investment when available. Better manage equity portfolio for high equity gains 	<ul style="list-style-type: none"> Introduction of product / service differentiation Optimisation of Reinsurance expenses by better negotiation with reinsurers 	<ul style="list-style-type: none"> New cash flows directed to short term investments This impact partly offset with top line achievement

OUR MANAGEMENT APPROACH

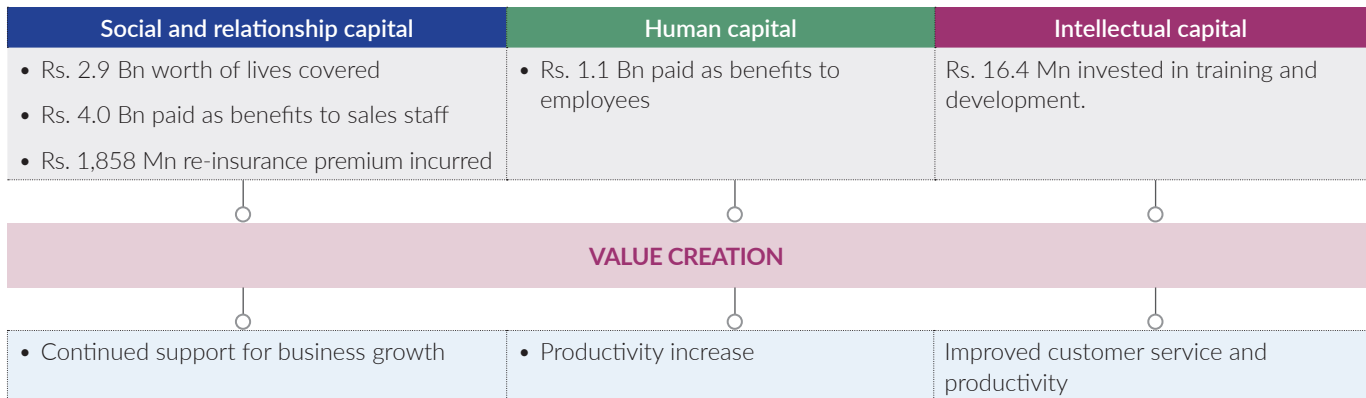
In formulating of our strategy, financial capital requirements are forecasted and financial capital plan is formulated assuming no significant unforeseen events occur. We comfortable that our strategy will not be constrained by the lack of available financial capital.

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 were debated and agreed upon, aligning those to the short /medium term strategy of the Company. Monthly financial reports were prepared in accordance with financial reporting frameworks adopted, as described in the 'Reporting Frameworks' on Page 8 and circulated to the senior management and the Board of Directors.

CREATING VALUE FOR INVESTOR

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. The value created to investors is summarized under "Investor Relation "section of this report on Page 376.

MATERIAL TRADEOFF BETWEEN HUMAN CAPITAL AND OTHER CAPITALS AND ITS IMPACT TO STAKEHOLDERS



FINANCIAL CAPITAL

Income Statement Analysis

GROSS WRITTEN PREMIUM

The company GWP surpassed Rs 20 bn by recording impressive growth of 28% compared to Rs 15.6 bn GWP recorded in 2020. This mainly due the exceptional performance of all channels where Agency channel grew by 30%, Alternate channel grew by 22% and Micro channel grew by 53%. Refer page 37 for more details on strategy, risk, KPI and other information.

28% 
GWP Growth


RE-INSURANCE PREMIUM

Re-Insurance premium has reduced by 1% compared to previous year mainly due to the termination of Re-insurance treaty and further information provided on page 37.

-1% 
Reinsurance Premium Reduction

OTHER REVENUE

Other revenue include net finance income, net realized gain, net fair value gain and other income of which 85% represent net finance income. The growth is a result of better managed new cash flows and switching short term investments to corporate Debts even though low interest rate environment persist most of the period in 2021. More details are available on page 37.

22% 
Other Revenue Increased

NET BENEFIT AND CLAIMS INCURRED

This is a combination of Net insurance benefits and claims paid and Net change in insurance claims outstanding. It has been grew by 65% which is mainly contributed by company decision to honour all COVID related claims impacting Rs 1.1 bn and high claim experience in Group Life business. More details are available on page 37.

65% 
Net Benefit & Claim Increased


CHANGE IN INSURANCE CONTRACTS LIABILITIES

Results from Life fund valuation determine how much of inflow should be set aside to meet future liabilities and during the year insurance contract liabilities increased by Rs 4.1 bn. It is a 15% increase from the last year which is resulted in underwritten of higher GWP in 2021 and depending on the changes in characteristics of policy portfolio. More details are given on page 37.

15% 
Insurance Contract Liabilities Increased

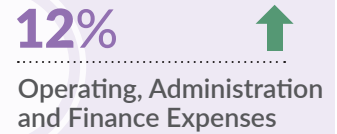
UNDERWRITING AND NET ACQUISITION COST

Underwriting and net acquisition cost represent variable cost we incurred to bring the revenue (GWP). It grew by 24% compared to GWP growth of 28% indicating efficiency improvement. This is a fact of increasing renewal premium which is low cost revenue stream. More details are provided on page 37.

24% 
Underwriting and Net Acquisition Cost Increase

OTHER OPERATING, ADMINISTRATION AND FINANCE EXPENSES

Operating, administration and finance expenses increased by 12% compared to previous year. Expense efficiency is increased during the year by recording expense ratio of 19% compared to 22%. More details are provided on page 37.



PROFIT BEFORE TAX

Profit before tax grew by 39% as a result of managing profitable product mix and improvement in other areas such as Operating expenses, Acquisition Expenses etc.



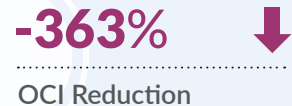
PROFIT AFTER TAX

Profit after tax grew by 38% during 2021 resulting from high GWP growth with profitable product mix (Refer page 41) and other efficiency improvements mentioned above. Profit After Tax includes one off differed tax reversal of Rs 234 mn arise from reduction of tax rates form 28% to 24%.



OTHER COMPREHENSIVE INCOME (OCI)

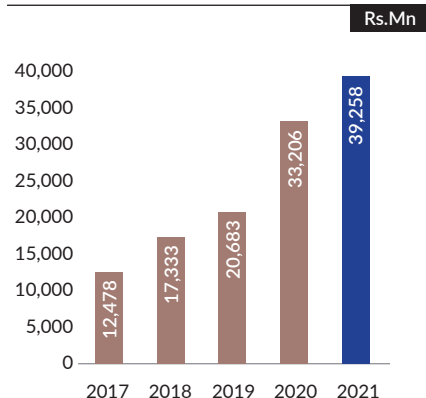
OCI recorded a loss of Rs 515 Mn compared to profit of Rs 196 Mn recorded in 2020. The main contributing factors for the loss is Rs 392 Mn fair value loss recorded from debt instruments classified as FVOCI and Rs 155 Mn fair value loss from FVOCI equity instruments.



FINANCIAL POSITION ANALYSIS

Financial position of the company provide on page 263 and material items of assets and liabilities are analysed below.

**Analysis of total assets
G21-TOTAL ASSET**



COMMENTARY

The Year 2021 ended with Rs. 39.2 Bn, recording a 18% growth compared to Rs. 33.2 Bn in 2020 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. 20 Bn.

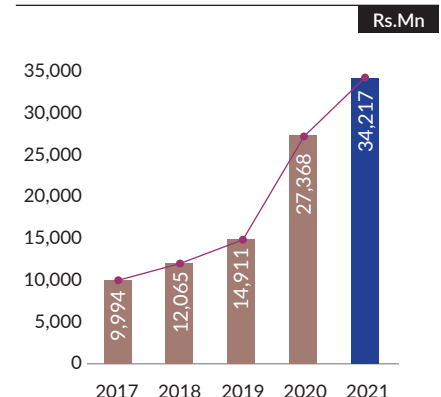
Composition of Assets

Financial investment account for 87% of total assets and balance 13% includes Property plant and equipment, lease assets, Deferred tax assets, receivables, cash and cash equivalents etc.

FINANCIAL INVESTMENT

Financial investment include various type of investment portfolio managed within the company and analysed below.

G22-FINANCIAL INVESTMENT



FINANCIAL CAPITAL



COMMENTARY

Continuing its growth momentum, total financial investments reached the Rs. 34.2 Bn mark in the year 2021, recording a 25% growth over the assets base of Rs. 27.3 Bn achieved in 2020. The financial investments portfolio represents 87% of the total assets of the Company. The table below summarises the nature of the investment portfolio and its contribution.

Table 21 :- Investment portfolio and its contribution

Rs' Mn

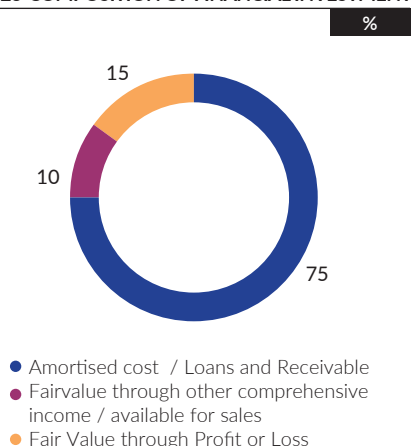
Description	2021	2020	G%	Mix 2021	Mix 2020
Investment in government securities	13,165	12,912	2%	38%	47%
Debentures	8,523	5,958	43%	25%	22%
Equity securities	2,540	2,464	3%	7%	9%
Unit trust	3,940	2,389	65%	11%	9%
Commercial papers	975	1,990	-51%	3%	7%
Securitised Papers	714	-	100%	2%	0%
Bank deposits	4,360	1,655	163%	13%	6%
Policyholder Loans	224	234	-4%	1%	1%
Total	34,441	27,602	25%	100%	100%

The above analysis shows 38% of our investment portfolio representing assets of government securities or assets backed by government emphasizing the quality of our portfolio and carrying low level of risk. The second highest contributor is Debentures which represent 25% of financial investments have also grown by 43% due to focus on yield maximization of new funds. However we assess the quality of the investment from many angles before investing which have explain in detail under financial risk management on page 281. Bank deposit hold 13% stake and Unit trust represent 11% and grew by 163% and 65% respectively mainly due to managing investment in short term assets during low interest rate environment.

Financial investments are reported in the financial statements under three broad categories as per the guidelines of SLFRS 9. Detailed analysis is provided on financial on Page 332.

Graph below represent the composition of investments under each category.

G23-COMPOSITION OF FINANCIAL INVESTMENT



ANALYSIS OF LIABILITIES

Total liability stood at Rs 28.6 Bn by end of 2021 compared to Rs 23.2 Bn recorded in 2020 a growth of 23%. Out of total liabilities 75% is represent by "Insurance Contract Liabilities", 11% represent by "Long term Borrowing" and another 11% by "Other Payables"

G24-INSURANCE CONTRACT LIABILITY

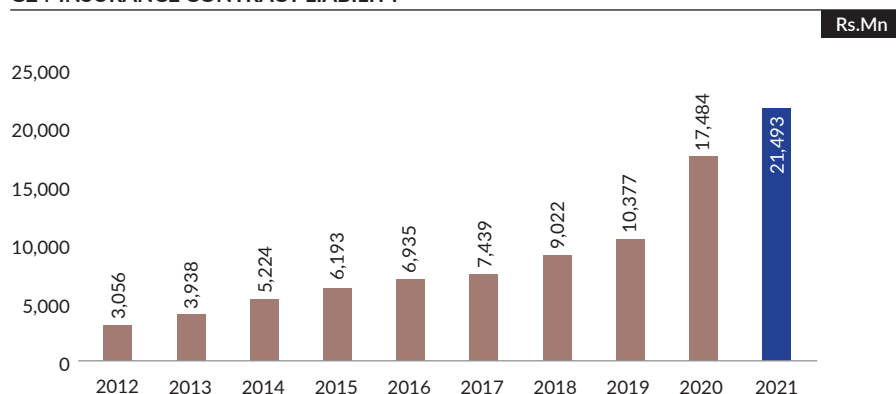


Table 22: Insurance Contract Liabilities

Presented in Rs. Mn	2021	2020	G%
Insurance contract liabilities	19,824	12,242	62%
Surplus Created due to, Change in Valuation method from NPV to GPV - Participating Fund	1,057	1,057	0%
Claims Payables	612	643	-5%
Insurance contract liability without FlnRe	21,493	13,941	54%
Financial Reinsurance arrangement	-	3,542	100%
Total	21,493	17,484	23%

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 stood at Rs. 21.5 Bn in 2021, with a significant increase of 23% compared to 2020.

Actuarial Valuation of Insurance Contract liability

According to the regulatory requirement, insurance contract liabilities are required to be valued by the actuary. 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. Details of the actuarial report appears on Page 254 to this annual report.

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 a 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. Actuary, concluded that there is no requirement to provide additional reserves as the reserve available is sufficient to meet future policyholders' liabilities.

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 effect from 1st January 2022. The Company successfully implemented these standards to ensure full compliance with the requirements. Refer page 279 for more 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 142 of this report.

Risk Management

The Company's robust risk management framework laid out on Page 231 of this report will protect our financial capital from 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 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 Page 54 and Strategy and Resource Allocation process is set out on Page 73 of this report.

Engagement with stakeholders

In our future value creation activities, we 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 Page 65.

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. We have provided detailed explanation of our financials for better understanding on page 373.



HUMAN CAPITAL

STATEMENT OF VALUE CREATION – HUMAN CAPITAL

		Unit	2021	2020	G%	2019
<p>Performance</p>	Gross Written Premium per Employee	Rs Mn	20.5	17.5	17.2	15.6
	Return to Work After Parental Leave	%	93	94	-1	94
	Profit Per Employee*	Rs Mn	2.1	1.7	26.6	2.4
	Average Duration of work with the Company	Years	4.5	4.5	-	4.4
	Staff turnover ratio (M/F)	%	11/7	10/5	1/2	21
	Employee Benefit Liability	Rs Mn	193	182	6	151
<p>Outcome</p>	Employee Retention	%	82	86	-4.7	79
	Average Gross Remuneration Per Employee	Rs Mn	1.1	1.1	2.6	1.22
	Social Welfare Cost Per Employee	Rs	7,908	6,320	25.1	11,598
	Number of New Employees Hires	Employees	261	222	17.6	153
	Training Hours Per Employee	Hours	11.3	2.1	424.3	2
	Training Cost Per Employee	Rs	16,686	6,467	158	42,464

*Adjusted for deferred tax



STEERING TO THE FUTURE

SHORT TERM TARGET

- Improving succession planning and transformation at a senior management level and maintaining a talent pipeline
- Ongoing focus on equal pay for work of equal value as well as gender pay equality
- Improve engagement with employees through “Talk to HR” program
- Providing employee wellness support, education and awareness

MEDIUM TO LONG TERM VIEW

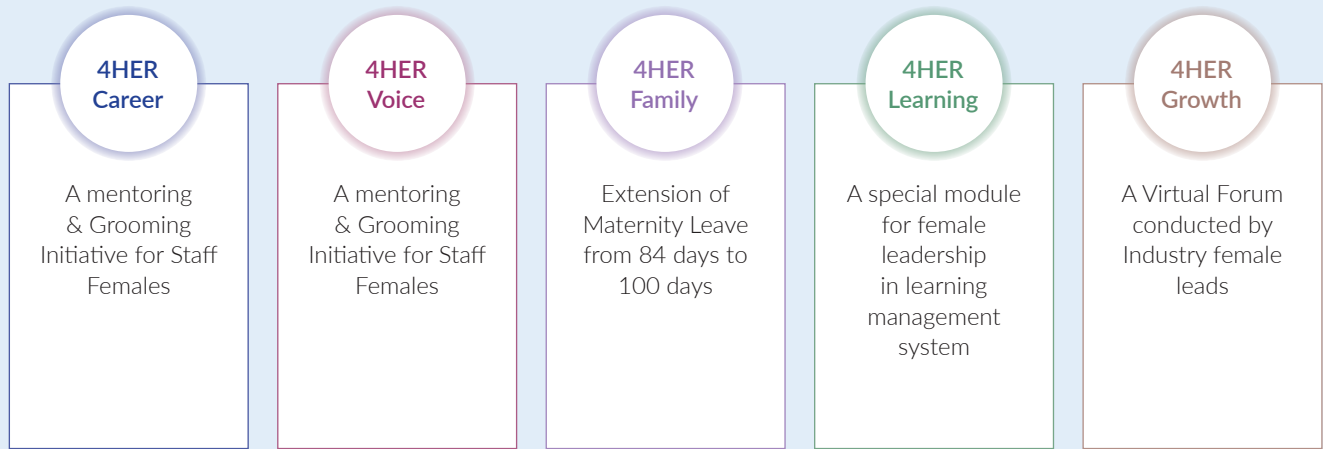
- Building a magnetic employment brand, and be the employer in choice in Sri Lanka.

What includes Our human capital?	How it creates value
Our human capital includes employees who provide their expertise at various capacity and build innovation driven culture.	The knowledge, innovations and experience that our employees utilize within their role help organization to serve our customer better by attracting and retaining them.

'4HER': OUR FOCUS ON GENDER PARITY

A long-term initiative to empower & embolden women in Sri Lanka

Asserting our commitment to enhance the quality of life all Sri Lankans we launched a new 4Her platform in commemoration of International Women's Day 2021. All initiatives taken are aimed at creating the most ideal, growth-oriented work setting that allows female staff members or entrepreneurs to thrive in their careers while better managing their multiple roles in work or home.



COVID-19 RESPONSE AND FLEXIBLE WORKING ARRANGEMENTS TO OUR EMPLOYEES

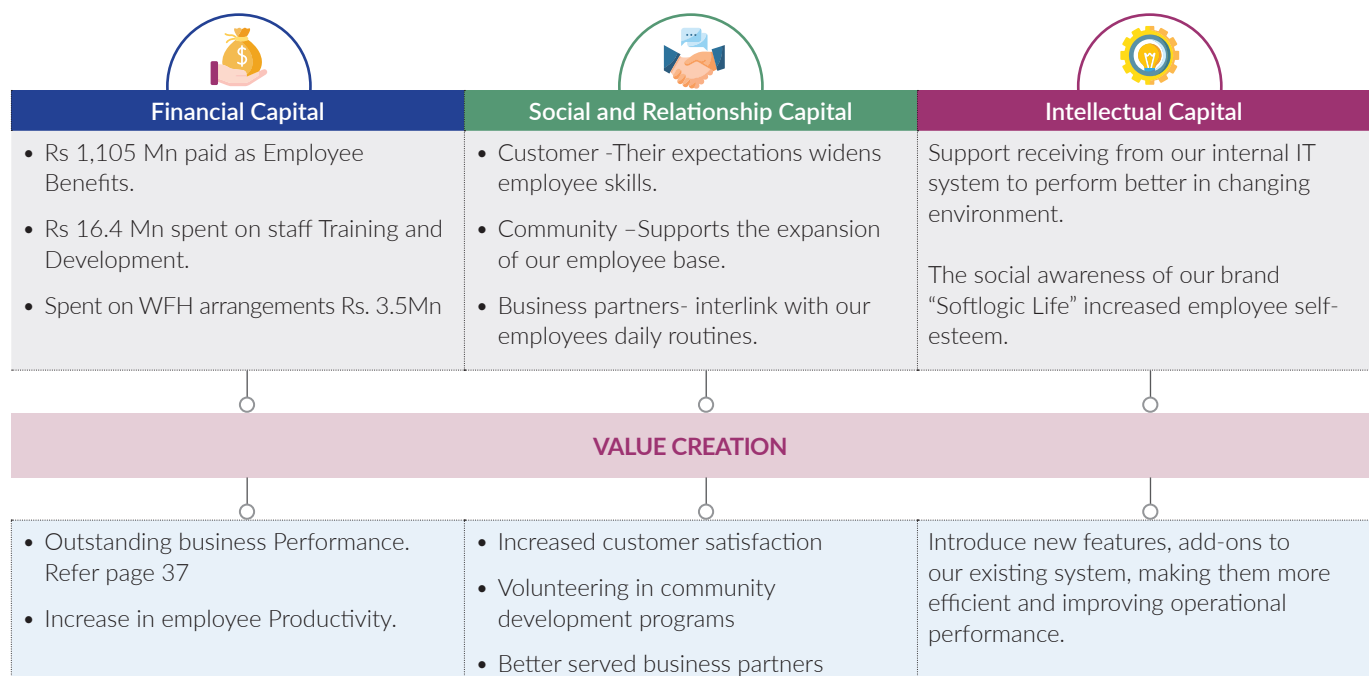
- Initiate talk to HR program where focus group discussions conducted virtually with employees to discuss employment related issues and concerns.
- Conducted periodical virtual activities to enhance employee morale and break anxiety such as E Game Zone, Quiz Thursday, virtual new year program.
- Company optimizes the lockdown and work from home period for up skilling and reskilling employees for post COVID skill requirements.
- Allow to continue work from home facility to the employees who took parental leave during the pandemic for the safety purpose.
- Virtual webinar series were conducted focusing mental and physical wellness of employees who are dealing with anxiety and who in need of home care treatment.
- Set up a central COVID response centre where all information get centrally gathered and acted upon on arranging company paid PCR tests,hospitals and intermediary care facilities, Medicine delivery facility and call a doctor facility etc.

HUMAN CAPITAL

OUR CHALLENGES AND RESPONSES TO MANAGE HUMAN CAPITAL

Workforce Training and Development	Leadership Development	Compliance with human resource related laws and regulation	Retaining talented staff
Promote innovation and knowledge-driven culture to develop our employees to be industry experts. Further arranged online training programs for employees in the pandemic therefore they can participate at their own pace.	It is critical in keeping management team engaged and motivated, and prepares them to take on more responsibilities in the future. We made it a part of our culture by creating opportunities for them to use their strengths every day.	We make sure our employees are in compliance with local labour laws such as hiring practices, to wage payment. Further during the period new regulations placed in order to outbreak pandemic, where we as company took immediate actions to follow for our employees' workplace safety.	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 103.

MATERIAL TRADEOFF BETWEEN HUMAN CAPITAL AND OTHER CAPITALS AND ITS IMPACT TO STAKEHOLDERS



MANAGEMENT APPROACH

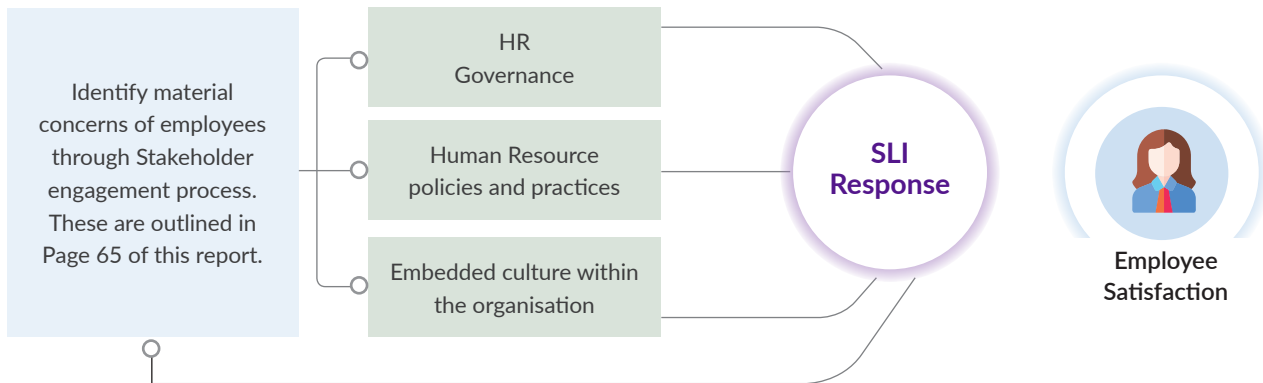
At Softlogic Life, we believe that “our people” are the value creators supporting our business success. Our vision and values guide our efforts in creating a supportive work environment to “LIVE OUR EMPLOYEE LIFE TO THE FULLEST”. Being a service-oriented company, we believe that if our Staff feels happy, they in turn will make our customers happy as - the way our employees feel is the way our customers will feel!

Recognition of our HR practices

Our continuous effort to improve HR practices and policies enable staff to feel more comfortable working in a Softlogic Life. These practices were eternally recognized.



OUR HUMAN CAPITAL VALUE CREATION MODEL (EMPLOYEE ENGAGEMENT MODEL)



HR GOVERNANCE

The HR governance structure ensures that we balance the 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.

HUMAN CAPITAL

GRI 102-8 | 102-17 | 103 | 408-1 | 412-1 | 419-1

<p>Zero tolerance on corruption</p> <p>All employees are informed of mandatory internally developed policies,</p> <p>Staff Hand book–Guide for our employees Code of Ethics Whistle-Blowing Policy IT Security Policy</p> <p>Mitigate the risk of corruption</p> <p>We maintain maximum adherence to all laws applicable within the jurisdiction of Sri Lanka. No fines or monetary sanctions were levied on the company for non-compliance with laws and regulations during 2021.</p>	<p>Ensuring a Safe and Healthy Workplace</p> <p>We develop and implement health and safety management programs designed to promote a safe and healthy work environment, avoid unsafe situations, maintain legal compliance, and respond to incidents and medical emergencies of our employees.</p> <p>No incidents due to workplace related emergencies reported during the year 2021 .</p>	<p>Listening to Employee Grievances</p> <p>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:</p>
<p>Respecting Human Rights, Labour Rights and non Discrimination</p> <p>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 implementing a plan for continuous improvement.</p> <p>Currently there is no labour union in SL.</p>	<p>Compliance with Regulations</p> <p>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.</p>	<p>Child Labour & Forced and Compulsory Labour</p> <p>We have clear policies and processes in place 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.</p> <p>No incidents reported on employment of child labour during the year 2021.</p>

HUMAN RESOURCE POLICIES AND PRACTICES



01. Talent Management Practices

Talent Management is the key aspect about the way we invest in our employees. From recruitment to development, creating the right processes to develop your employees is crucial for your company’s growth and success. Our talent management philosophy build with two key aspects namely Talent acquisition and Talent retention.

Talent Acquisition

We have a recruitment process with series of interview and tests designed to ensure the transparency and the objectivity.

Talent Retention

We maintain healthy retention levels, attesting to the strength of the value Proposition we offer to our employees.

Key Performance Indicator

We have achieved talent management strategy tailored to our organizational goals and assess our company performance regularly as provided below.

Talent Acquisition Process

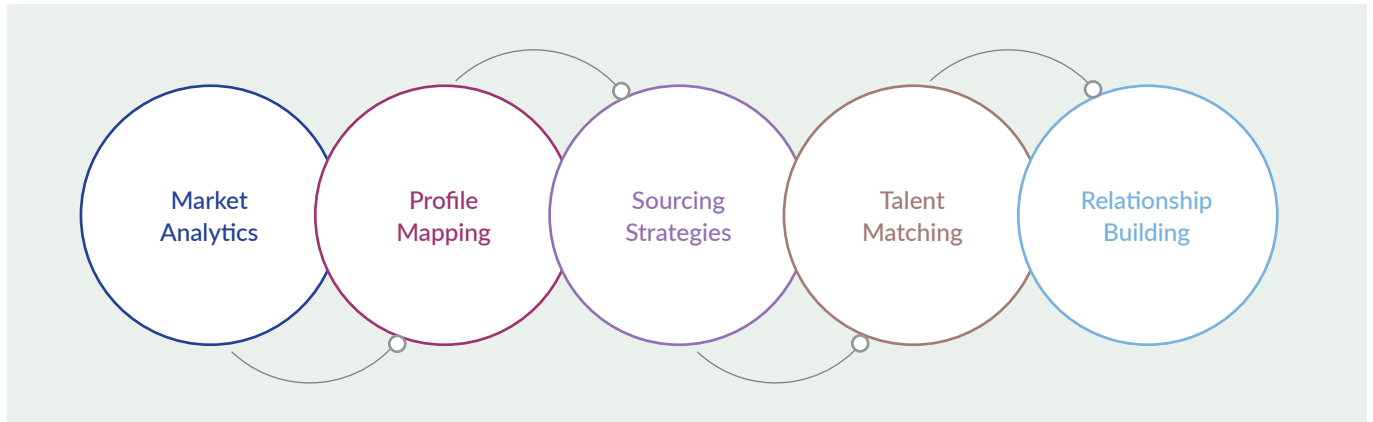
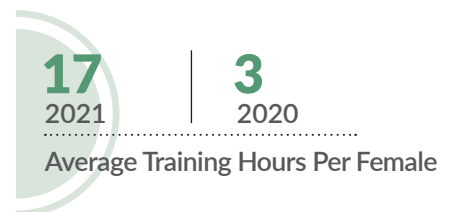
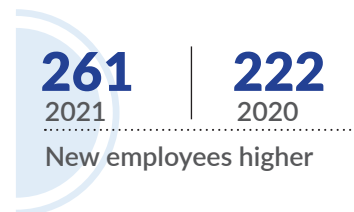
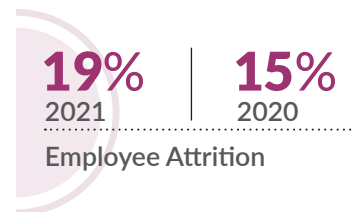


Table 23 :- Details of Return to Work and Retention after Parental Leave (Women)

	2021	2020
Total No. of employees entitled to parental leave	287	261
Employees who took parental leave	17	17
Employees who returned to work after parental leave ended	14	16
Employees who returned to work after parental leave ended and who were still employed 12 months after their return to work	14	14
Employees who took parent leave but leave period not ended as of 31st December.	6	4
Return to Work Rate of employees who took parental leave	93%	94%
Retention rate of employees that took parental leave	75%	88%



02. Training and Professional Development

Building a strong talent pipelines is the core deliverable of the HR team to fulfil talent gaps and enhance employees professional and leadership skills. All the employees are eligible to internal and external training.

During the year we invested Rs. 16.4 million in training and development initiatives and generated a total of 11,100.5 training hours with focus on underwriting, management, sales and marketing staff.

Our training and professional development process provide below which is one of the success factor of employee satisfaction

HUMAN CAPITAL

Training and professional development process.

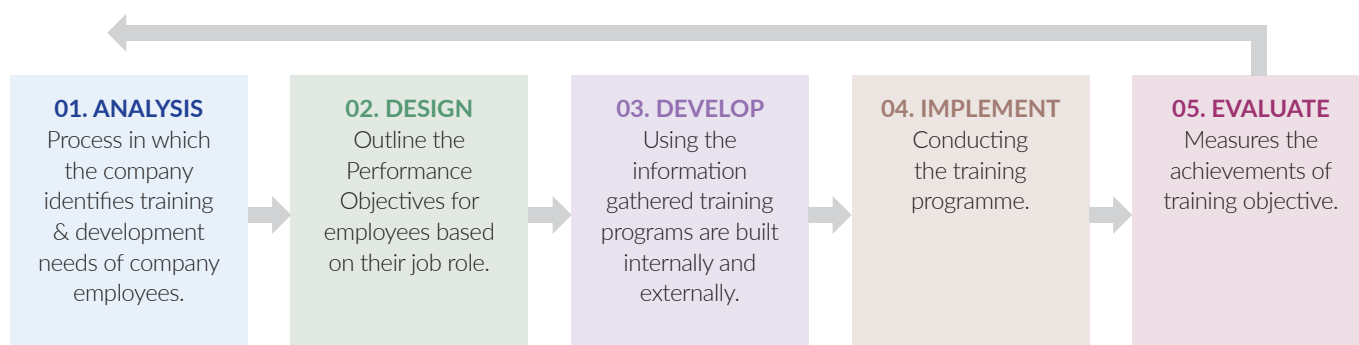
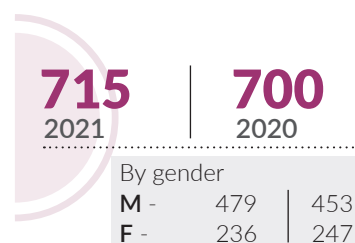


Table 24: Employees' Training Summary for the Year 2021

Focus Area	Total Training Hours
Technical training on insurance aspects	3,441
Skills development in leadership	2,303
Enhancing information technology knowledge	1,993
Training on Customer service	1,208
Strategy, planning and stability	423
Navigating business through COVID 19	348
Enhancing soft skills	330
Finance, Auditing and Taxation	327
Sales & Marketing	199
Induction & Orientation	150
Finance & Auditing	150
Skills development in leadership and communication	107
Training on Compliance & Risk	92
Other	26
Grand Total	11,100

- Our Career Development Initiative
- Learning Management System (LMS)
- Coaching for Career Development
- Strength Engagement Strategy

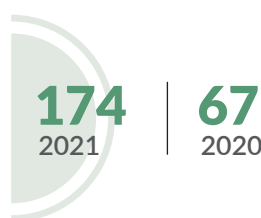
Key Performance Indicator
Staff participated in performance appraisal process



03. Career Development

We have identified that our employees are career conscious and they'll stick to an organization where they feel that they have an opportunity to showcase their talent, grow to the maximum possible level and achieve their objectives. We have initiated a career development process where we considered to achieve both company and employee perspectives.

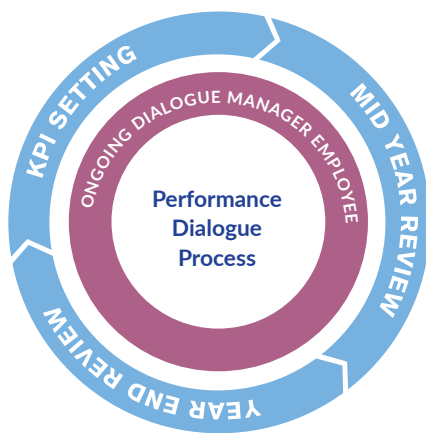
Key Performance Indicator
Staff Promotion



04. Performance Management

We follow a Key Performance Indicator (KPI) setting process where all the permanent employees under go to their best performance ability during the year. One-on-one performance management check-in sessions were encouraged to boost staff morale and provide sufficient support and guidance in the delivery of performance objectives.

Performance Evaluation Process



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.

05. Rewards and Recognition

We always rewarded our employees who go an extra mile pro-actively and develop a talented and dedicated workforce.

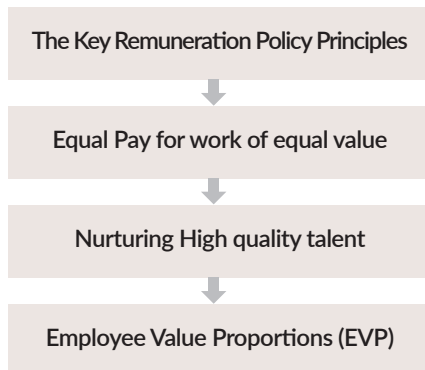
Sales Staff Recognition

A total of 116 awards under 06 categories were rewarded at Alternate Channel Sales Convention held during 2021.



06. Fair pay and other benefits

We participate in and consider market remuneration surveys, and align our remuneration decisions to the principles set out in our remuneration policy/ Our key focus is to offer attractive and competitive remuneration which is designed to attract and retain a highly qualified and experienced workforce.



The company offer various other benefits to 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.

Paid as employee benefits during the year

Rs. 1,105 Mn
2021

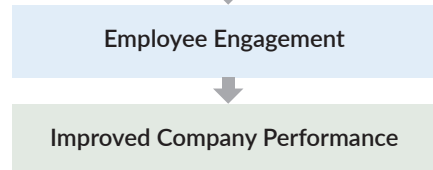
Rs. 985.7 Mn
2020

MONETARY BENEFITS

- Attractive Remuneration
- Fringe Benefits – Educations Reimbursement and Assistance
- Paid Time off
- Retirement Benefits (EPF ETF, Gratuity)

NON MONETARY BENEFITS

- Health and Safety
- Job Security and Enrichment
- Flexibility
- Training Opportunities
- Work/Life Balance
- Employee Empowerment



HUMAN CAPITAL

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.

Defined Contribution	2021	2020
EPF	95	86
ETF	24	22
Defined Plan	41	41

07. Employee Diversity and Equal Opportunity

At Softlogic Life we believe diverse workforce broadens perspectives and enhances performance. Therefore we committed to provide diverse, equability workplace where all employees has a common platform and equal opportunity.

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 2020

Description	2021			2020		
	Male	Female	Total	Male	Female	Total
Employees	693	287	980	636	261	897
Field Staff	2,261	827	3,088	2,233	792	3,025
Outsourced Staff	15	120	135	18	120	138
Total Workforce	2,969	1,234	4,203	2,887	1,173	4,060

Our efforts to improve our commitment on Gender Parity

4Her Program

4HER program had been developed with the intention of empowering women at Softlogic Life and create an opportunity-rich, safe and highly supportive business environment for women in Sri Lanka, enabling them to better contribute to and gain equally from workplaces, communities and country.

The '4Her' platform comprises concerted initiatives crafted by taking into account 04 primary spheres of development; work-life balance, entrepreneurship, education and leadership.

4HER Career- Introduced a mentoring and grooming program for high flying branch staff females to become successful sales agents in the industry.

4HER Voice- An all female panel from group HR will be there to our female employees at the exit interviews

4HER Family- Supporting the journey through motherhood to ensure our employees to strive their dreams, maternity period extended to 100 from 84 days and an additional 03 month work arrangement given to our employees.

4HER Learning- As exciting platform for HER to learn, grow and move towards we introduced a Learning Management System for female employees which will have a special module on female leadership.

4HER Growth- Empowering the amazing women that have the power to take us to the greater heights we target to maintain a minimum 40% female leadership representation.

All initiatives are aimed at creating the most ideal, growth-oriented work setting that allows female staff members or entrepreneurs to thrive in their careers while better managing their multiple roles in work or home.

Embarking the start of this initiative 4HER Growth first session was conducted by Mrs. Renuka Fernando on March 8th, International Women's Day Along with this implementation, a communication video which brought out the message, "as women plays different roles and fulfil duties in life every day, women should be celebrated everyday" was also launched.



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	2021					2020				
	M	F	T	M%	F%	M	F	T	M%	F%
WORKFORCE BY TYPE OF EMPLOYMENT										
Employee	693	287	980	71%	29%	636	261	897	71%	29%
Field Staff	2,261	827	3,088	73%	27%	2,233	792	3,025	74%	26%
Supervised workers	15	120	135	11%	89%	18	120	138	13%	87%
TOTAL WORKFORCE	2,969	1,234	4,203	71%	29%	2,887	1,173	4,060	71%	29%
EMPLOYEES BY REGION										
Central	51	15	66	77%	23%	48	15	63	76%	24%
Eastern	16	9	25	64%	36%	16	7	23	70%	30%
North Central	20	5	25	80%	20%	17	4	21	81%	19%
North Western	58	10	68	85%	15%	48	10	58	83%	17%
Northern	26	6	32	81%	19%	21	4	25	84%	16%
Sabaragamuwa	24	11	35	69%	31%	26	12	38	68%	32%
Southern	56	19	75	75%	25%	53	17	70	76%	24%
Uva	19	7	26	73%	27%	17	8	25	68%	32%
Western	423	205	628	67%	33%	390	184	574	68%	32%
TOTAL NO. OF EMPLOYEES	693	287	980	71%	29%	636	261	897	71%	29%
COMPOSITION OF GOVERNANCE BODY										
41 - 50 years old	1	1	2	50%	50%	0	1	1	0%	100%
51 - 60 years old	6	0	6	100%	0%	7	0	7	100%	0%
61 - 69 years old	0	0	0	0%	0%	1	0	1	100%	0%
TOTAL NO. OF DIRECTORS	7	1	8	88%	13%	8	1	9	89%	11%
EMPLOYEES BY EMPLOYMENT CONTRACT										
Permanent Employment	479	236	715	67%	33%	453	247	700	65%	35%
Probation Employment	53	38	91	58%	42%	48	13	61	79%	21%
Contract Employment	161	13	174	93%	7%	135	1	136	99%	1%
TOTAL NO. OF EMPLOYEES	693	287	980	71%	29%	636	261	897	71%	29%
EMPLOYEES BASED ON EMPLOYMENT CATEGORY AND GENDER										
AGM and above	37	4	41	90%	10%	31	3	34	91%	9%
Asst Manager and above	258	53	311	83%	17%	236	49	285	83%	17%
Executive	210	167	377	56%	44%	195	155	350	56%	44%
Non - Executives	188	63	251	75%	25%	174	54	228	76%	24%
TOTAL NO. OF EMPLOYEES	693	287	980	71%	29%	636	261	897	71%	29%

HUMAN CAPITAL

Gender Parity Disclosure	2021					2020				
	M	F	T	M%	F%	M	F	T	M%	F%
EMPLOYEES BASED ON AGE										
Under 30 years old	155	162	317	49%	51%	159	142	301	53%	47%
30-50 years old	477	123	600	80%	20%	423	117	540	78%	22%
Over 50 years old	61	2	63	97%	3%	54	2	56	96%	4%
TOTAL NO. OF EMPLOYEES	693	287	980	71%	29%	636	261	897	71%	29%
PERMANENT EMPLOYEES BY EMPLOYMENT TYPE										
AGM and above	31	4	35	89%	11%	26	3	29	90%	10%
Asst Manager and above	231	50	281	82%	18%	210	45	255	82%	18%
Executive	163	145	308	53%	47%	158	147	305	52%	48%
Non - Executives	54	37	91	59%	41%	59	52	111	53%	47%
TOTAL NO. OF PERMANENT EMPLOYEES	479	236	715	67%	33%	453	247	700	65%	35%
NEW EMPLOYEE RECRUITS BY AGE										
Under 30 years old	74	83	157	47%	53%	89	17	106	84%	16%
30-50 years old	88	12	100	88%	12%	102	6	108	94%	6%
Over 50 years old	4	0	4	100%	0%	4	4	8	50%	50%
TOTAL NO. OF NEW RECRUITS	166	95	261	64%	36%	195	27	222	88%	12%
NEW EMPLOYEE RECRUITS BY REGION										
Central	8	3	11	73%	27%	16	0	16	100%	0%
Eastern	4	2	6	67%	33%	8	0	8	100%	0%
North Central	5	1	6	83%	17%	8	0	8	100%	0%
North Western	12	2	14	86%	14%	17	0	17	100%	0%
Northern	7	3	10	70%	30%	8	0	8	100%	0%
Sabaragamuwa	1	0	1	100%	0%	11	0	11	100%	0%
Southern	15	1	16	94%	6%	22	2	24	92%	8%
Uva	2	0	2	100%	0%	6	0	6	100%	0%
Western	112	83	195	57%	43%	99	25	124	80%	20%
TOTAL NO. OF NEW RECRUITS	166	95	261	64%	36%	195	27	222	88%	12%
TOTAL NO HOURS OF EMPLOYEE TRAINING BASED ON GENDER										
TOTAL HOURS OF EMPLOYEE TRAINING BASED ON GENDER	6,183	4,917	11,1005	56%	44%	1,182	746.5	1928	61%	39%

M - Male

F - Female

M% - Composition of Male

F% - Composition of Female

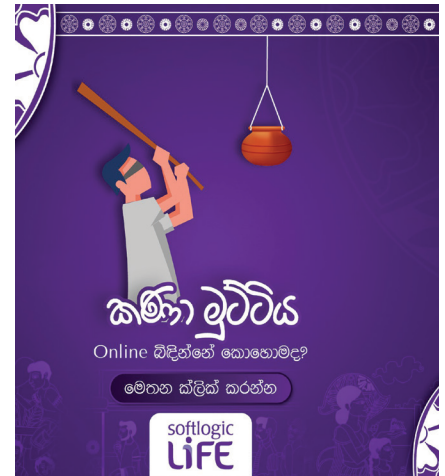
08. Succession Planning

Our company established talent management approach was enhanced with additional assessment processes to refine the approach and create greater momentum in the building of succession talent pools. The company has selected senior management to spearhead the diverse talent pools so as to ensure ready and available talent for critical roles.

OUR CULTURE

The Company has a friendly work culture with an open door concept which everyone feels they belong. The Company carries out many employee engagement activities that bring all staff together which we conducted during the pandemic period through virtual resources to enhance employee moral and break anxiety.

Further nurturing an open culture, the Company has established a strong two-way communication model where we promote and creates a workplace for employees to be well-informed of the Company’s decisions and pays due consideration to their views during the decision-making process

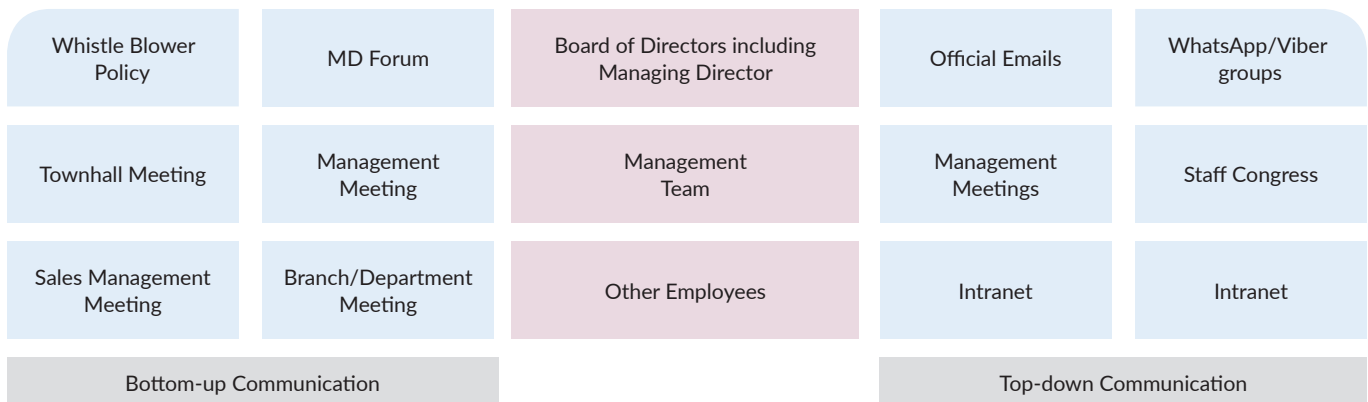


Innovation within the Organization

At Softlogic Life we have a separate digital innovation team who introduced many innovations in IT opportunities for greater employee participation in decision-making.

High value on innovation and pursues it relentlessly belief that the company may grow to its full potential through constant innovation and we are fostering innovation will have a major role to play in future agenda.

Employee Communication Model



HUMAN CAPITAL



GRI

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LOOKING AHEAD

With greater prospect that have our company to grow in the coming years we can foresee the developments that would be needed in our employees in the areas of career development, succession planning, leadership and talent development. The environment we operate is changing rapidly and our operating landscape is challenge by many factors such as technological developments, changing customer needs etc. Accordingly, we have crafted our future strategy as out lined in page 73 of this report and following aspects have been taken in to consideration specially on our human capital.

- **Focus on gender parity**

The Company embarked 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.

- **Innovation**

Innovation is a key pillar of our sustainable growth over last many years. It is paramount important to have people who are agile of changes happening around us and think out of the box to keep this momentum in future. For this purpose, we will be investing on our people to support their innovative ideas and nurture innovation driven culture.

- **Succession Planning**

We intend to initiate more short term to long term strategies to enhance the quality of our company succession planning in future.



SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER

GRI 102-17

STATEMENT OF VALUE CREATION – CUSTOMER

		Unit	2021	2020	G%	2019
 Performance	Market Share	%	16.1	15.2	0.9	14.1
	No of New lives insured	Customers	854,073	588,876	45.0	647,912
	Revenue from New Customers	Rs. Mn	10,713	8,599	24.6	6,011
	Revenue per customer	Rs.	15,142	15,510	-2.4	15,421
	Gross Claims and Benefits Paid	Rs.Mn	6,519	4,202	55.1	3,462
 Outcome	No of New products	No	4	2	100	4
	One Day Claim Settlement Ratio	%	+94	+86	8	+90
	No of Customers	No	1,324,364	1,009,680	31.2	812,626
	No of Policies in force	No	794,870	649,986	22.3	500,374
	No of New policies issued	No	237,453	262,605	-9.6	250,407

*Adjusted for deferred tax



STEERING TO THE FUTURE

Target	Short term target	Medium to Long term view
Insurance coverage as a % of economically active labour force	21%	47%
Total Insurance cover worth (Rs. Million)	4,400	14,000
Number of Customers	1,300,000	2,250,000
Renewal Persistency level improvement	2%	5%
Other targets	Add diversified products to the product portfolio Introduction of customer charter	Becoming the “Most caring Life Insurer of Sri Lanka”

What includes in Customer Capital	How it creates value
<ul style="list-style-type: none"> Individual customers Corporate customers 	<ul style="list-style-type: none"> Customers are the Key value driver in our Sustainable value creation journey

MANAGEMENT APPROACH

Provide innovative life insurance solutions to maximize wellness and fitness of customers, while addressing the 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 focus of customer convenient. We also care for our customers in the time they really need us.

Rs.1.1 Bn
COVID claims paid

Reached 1.3 Mn
Customers & Beneficiaries

1.9
No. of Complains
(Per 1,000 claims)

SOCIAL AND RELATIONSHIP CAPITAL CUSTOMER

We Value our Customer feedback



In a covid driven world Softlogic Instaclaim have been able to serve our employees seamlessly. It helped contactless prescription processing and instant feedback about the uploaded claims. This significantly helped to cut down inefficiencies and dive into the world of automation. **Apart from this another benefit we enjoy is the cashless claim for hospitalization settlements it has improved how we perceive bills.** Nothing of this would have been possible if it were not for Buddhika's tireless effort, his commitment and consistent energy in making sure his customer gets the best service Softlogic has to offer. ”

Kevin Vaz
People and Performance Business Partner



OUR STRATEGY

Excellent customer service is key to client satisfaction and loyalty and it is a key factor which differentiate Softlogic life from other competitors as our main focus is on excellent customer service. We are making delightful engagements with customers to know and understand them better and value our customer's feedbacks as well. To serve our customers better, we are allocating significant funds annually on research and development projects to find new products, innovative and technology driven solutions to serve them better and to enhance customer satisfaction. We stay focus on the rapidly changing business environment and taking quick turnaround to adapt with it.

DURING COVID 19

The Covid-19 created a domineering environment to accelerate our digital agenda, as a result of shifts in customer behaviour. We leveraged technology to bring in hassle-free services for greater transparency and efficiency.

- 100% digitalized sales platform (contact less Customer on boarding process)
- Digitalized claim submission via "CliaMIT" & "InstaClaims"
- Mobile app based claim settlements (WhatsApp/Viber)
- Unconditional COVID death claim acceptance
- Extended credit period
- Special policy revival campaign
- Cashless claim settlement
- Call a Doctor and medicine delivery facility
- Regular customer awareness programmes through social media

TRADEOFF BETWEEN CUSTOMER CAPITAL & OTHER CAPITALS

Capitals used for customer value creation		Value Creation for customer capital
<p>Financial Capital</p>	Net Claims paid Rs. Mn 5,077 Reinsurance expenses Rs. 1,858 Mn Bonus declared to Policy holders Rs. 428 Mn	No of customers 31% growth Enhanced customer satisfaction – Index 95.5 – 2020 (Based on most recent available data) Long term retention of Customers
<p>Human Capital</p>	No of Employees 980 Employee voluntary hours on CSR projects Dedicated 24x7 customer care centre	
<p>Intellectual Capital</p>	Digital Innovations Knowledge & Capabilities of our work force	

HIGHEST CUSTOMER SATISFACTION

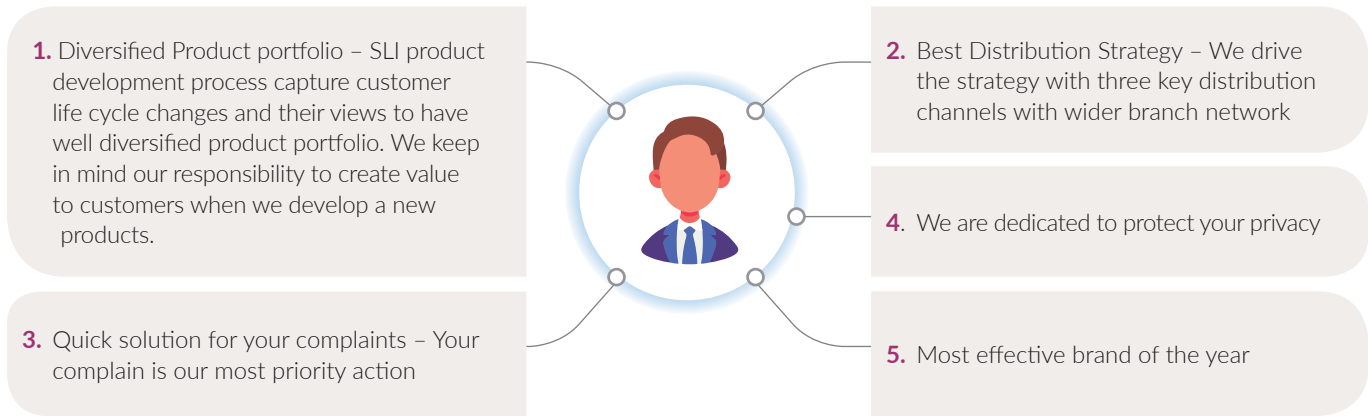
While improving our service standards focusing on customers, the management is also keen to assess customer satisfaction, which provides objective evidence of what customers feel about our customer service.



We also monitor same under financial terms in policy persistency ratios where we have continuously improved the ratio of renewal customers.

	2021	2020	2019
2nd Year persistency	67	65	64
3rd Year persistency	58	52	52

WHY YOU SHOULD BE A PART OF SOFTLOGIC LIFE FAMILY?



1. Diversified Product Portfolio

New Products

1. FAMILY PROTECTOR PLAN
Offers with number of new rider options attached to protect the Children and the Spouse in terms of health, education, and protection. Customers can choose the options based on the affordability and the future needs considering the protection needs required as a Family

2. DOLLAR SAVER
Most important and timely products introduced in year 2021. This product mainly caters the Sri Lankans domiciled overseas doing jobs and businesses who are willing to obtain protection of insurance.

3. SHAKTHI PLAN
This product addresses the retirement need of the customers who are in Urban and Rural areas. Pay a fixed premium to postal network using Softlogic re-load cards

4. ULTIMATE LOAN PROTECTOR
This allows loan borrowers to access easily to an endowment option via the loan institute and paying out the premium under a hassle-free method

The company is providing a diversified product portfolio which address insurance needs of both individual and corporate customers.

SOCIAL AND RELATIONSHIP CAPITAL CUSTOMER

Product portfolio

The Company's base product portfolio is listed below

#	Product name
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
6	Softlogic life online plan
Term cover products	
7	Softlogic life level term plan
8	Decreasing term assurance plan (DTAP)
9	Softlogic life global plan
10	Softlogic life group life plan

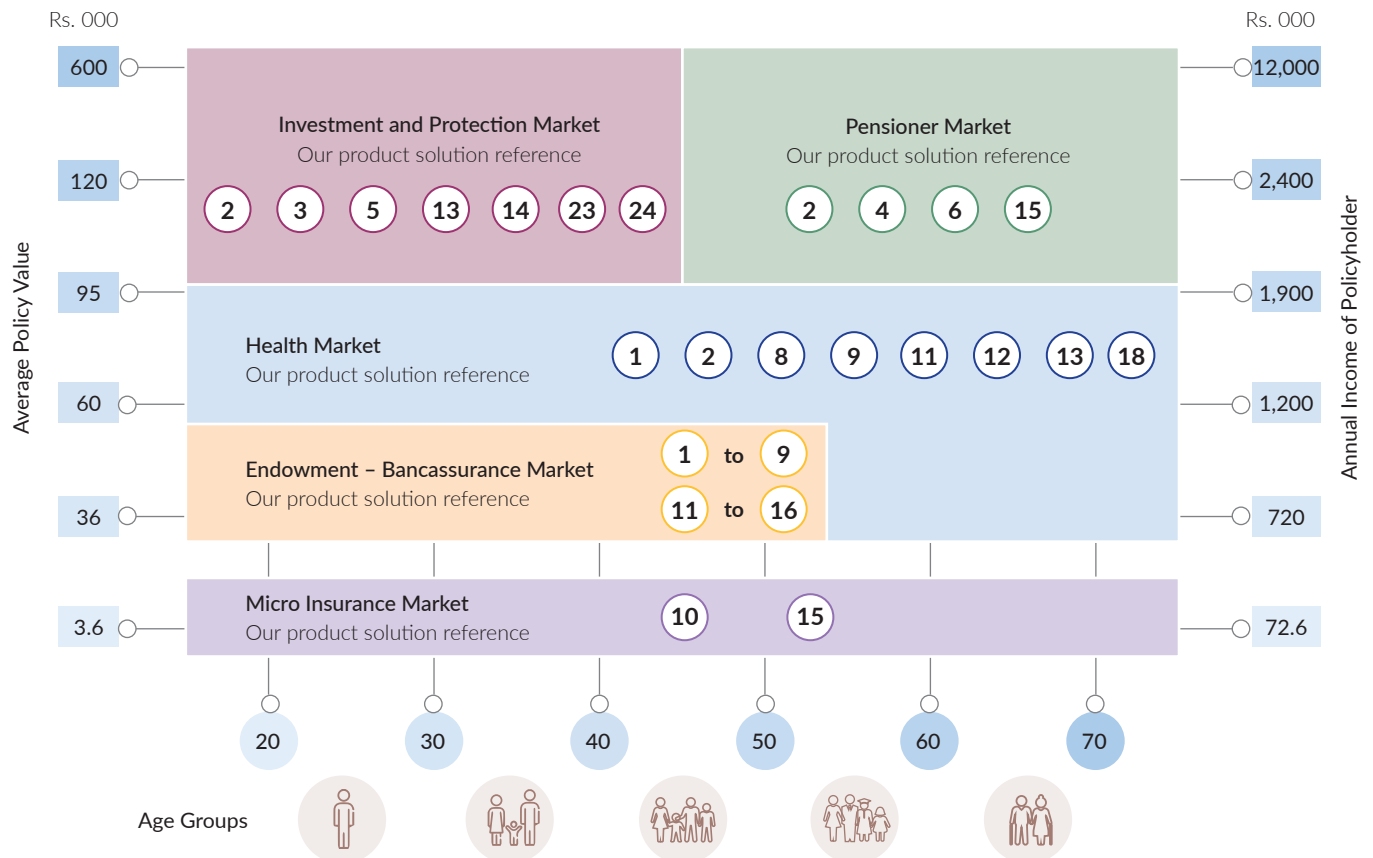
#	Product name
Term cover products	
11	Dialog per day cover
12	Premier health benefit
13	Softlogic life good health series
14	Asiri life plan
15	COVID-19 cover
16	Postal life insurance plan
17	Family Protector Plan
18	Ultimate Loan Protector
Universal life products	
19	Softlogic life universal life plan
20	Softlogic life universal savings plus
21	Softlogic life corporate pension plan
22	Softlogic life legacy plan
23	Dollar Saver
24	Shakthi Plan



More details of SLI product portfolio can be viewed by scanning this QR Code

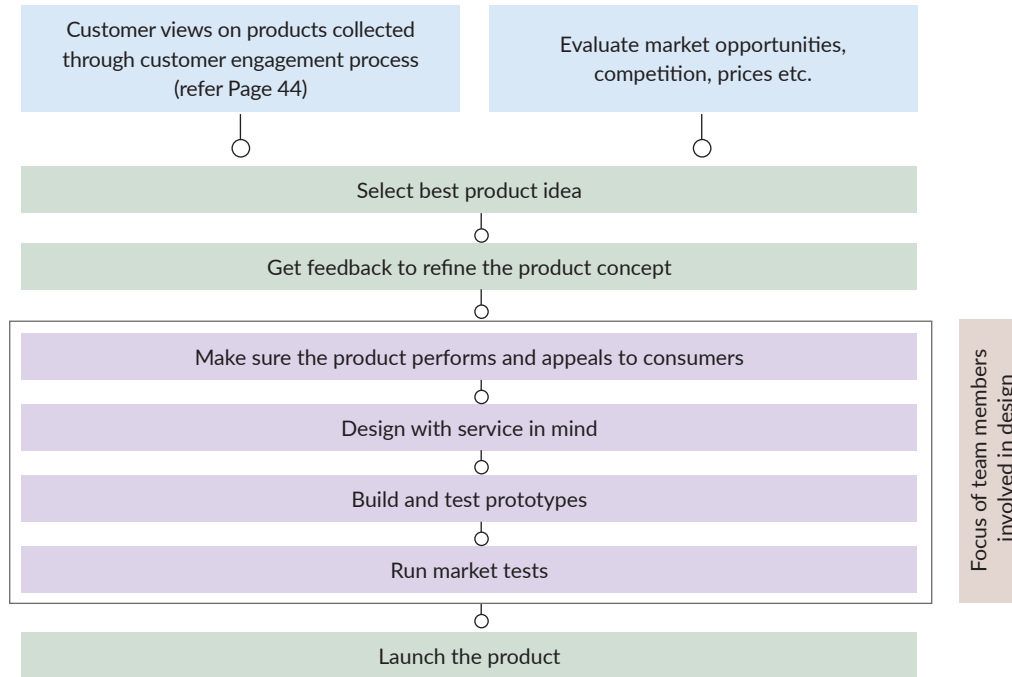
Product portfolio designed on Customer Life cycle

The below figure 1 analyses our product portfolio and the target customer segments we serve in terms of age group and income level of the customers. We serve all customer segments within the social pyramid highlighting our social relevance within the business context



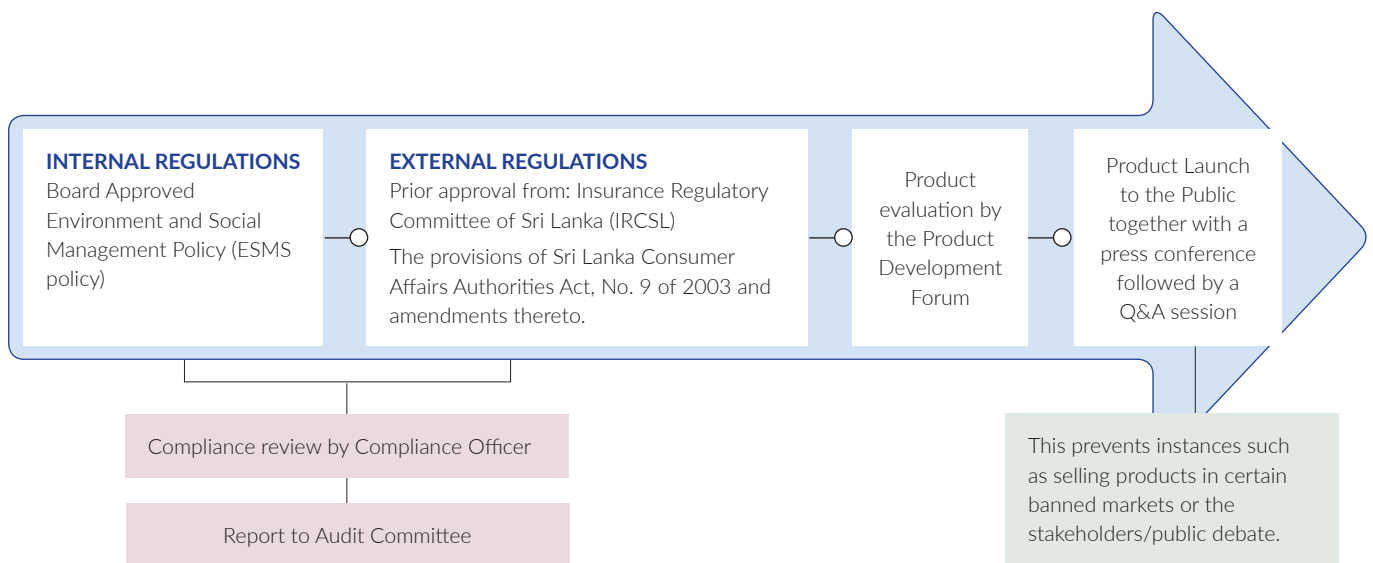
Product development process

To provide a unique product to our customers, we designed our product development process based on Customer views (Ex: Fair pricing, competitive benefits, transparent) & market opportunities, as demonstrated in below figure 2.



Product Responsibility

Softlogic Life promotes responsible customer relationship through clear and transparent communication. Our product designs are governed by internal and external policies and regulations as presented below.



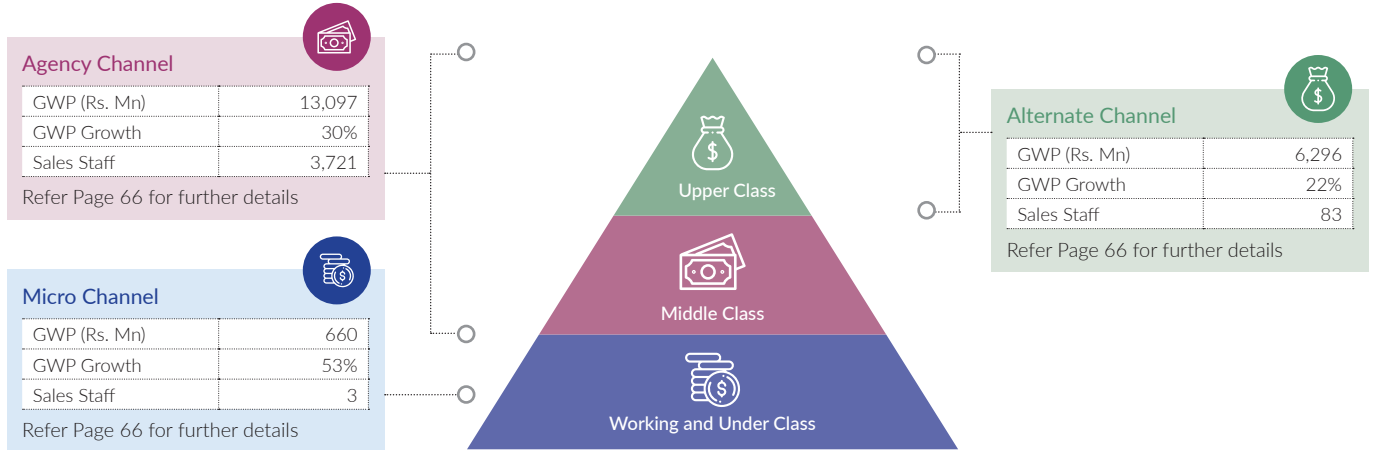
SOCIAL AND RELATIONSHIP CAPITAL CUSTOMER

GRI 102-6 | 102-7 | 102-9 | 103 | 418-1

2. Best Distribution Strategy

SLI's distribution strategy is designed to cater different customer segments in the market. Each market segment is categorised based on the customer group, ensuring customer focus is not diluted to the customer mix. All 03 channels were performed well over past years.

We bring our products to customer through these channels. Agency channel focus on individual at middle to upper class and do one to one selling. Alternate channel sell our products to corporate customers and micro channel use digital platforms such as mobile to sell small ticket items to low income earners.



Wider Branch Network

In order to provide a convenient service to our customers, we maintain an island wide branch network of 101 branches. With a view of service improvement, we opened 03 new branches during the year. Full details of our branch network are available online.

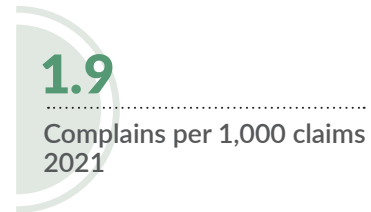
3. Quick Solutions for your Complaints

Customer Complaints Management process

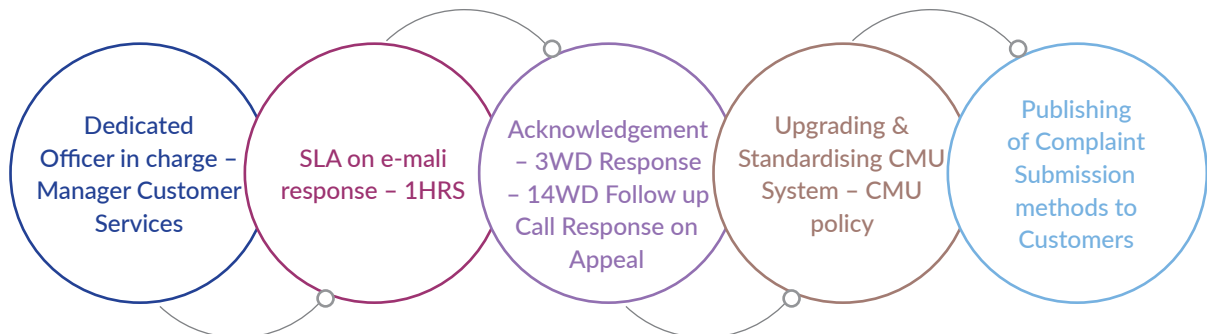
We have a dedicated customer complaint committee to resolve complaints promptly and fairly, as the resolving customer complaints is a key part of delivering our brand promise. customers can submit their complaints via online/social media, over the phone or in person we acknowledge it within a day. The statistics of customer complaints for the year 2021 is as follows.

- Total Complaints received – 195
- Total Complaints resolution – 181
- Acknowledged within 1 day – 100%
- Complaints Resolutions within company:
- Advisor related 94%
- General complaints 91%

Customer Complain	
Resolved	93%
Pending	7%



SLI's customer complaints resolution process is presented in figure 3



04. Data Privacy

We collect large amounts of sensitive information from customers and have the responsibility to protect our customer's data in a highly secure manner. Therefore, SLI has taken many initiatives to ensure that it is in safe hand.

- Comprehensive data privacy policy is in hand
- Regular IT threat assessments (NIL – 2021)
- Annual Budget allocation on Cyber security measures
- Mandatory training on data privacy
- Regular awareness communication to employees
- Annual internal audit is performed on above measures and communicate to Audit committee

Further to above, with the increased usage of technological innovation and digital solutions, Company is highly focusing on cyber security and mitigating strategies for cyber threats and cybercrimes.

There were no any complaints received on breach of data privacy due to leaks, theft or loss of customer data, from any customer or any regulatory body or any other internal or external parties.



05. Our Brand

Softlogic life Brand is known for its efforts to enhance the quality of life of all Sri Lankan's, by providing world class life insurance solutions. In fact, Softlogic Life's customers are proud to be a part of Softlogic Family hence SLI owns a loyal, trusted and relatable customer base. More information on brand could be find on page 128.



LOOKING AHEAD

As our Customers are always at the heart of our Company's operations, and we deliver on our promises to facilitate our customers to live their life to the fullest, we will continue to create value for our customers by empowering them with innovative insurance solutions and digital solutions.

It is important to note that incredibly challenging times like COVID-19 are very difficult for individuals, families, businesses and indeed, society as a whole. The life insurance industry has a pivotal role to play in supporting customers and the country through this crisis and recovery. At its core, the life insurance sector is about managing disruption – death, illness and disability are all disruptions we try to anticipate and provide for with affordable insurance products. Therefore, we will continue to review our existing strategies to offer solutions that are affordable, reliable and convenient. With a history of strong financial performance and unwavering focus on our customers and product

innovation, Softlogic Life will continue to prove its value and status as one of the most valuable Life insurance brands in Sri Lanka.

Softlogic Life, being the most innovative insurer in Sri Lanka, will be the first to incorporate many 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 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 CUSTOMER

 **GRI** 102-2 | 102-12 |

OUR PERFORMANCE

Superior Customer service

“Superior Customer Service” which is one of the strategic pillars of Softlogic Life is executed with many industries first initiatives which were derived through either operational excellence or our digital strategy. The key highlights below are testament to our effort to provide a superior customer service.

OUR
INDUSTRY
1st
TECHNOLOGICAL
AND PROCESS
IMPROVEMENT



100% DIGITALISED SALES PLATFORM

Disrupting the traditional insurance selling mechanism in Sri Lanka, 100% digitalised selling process, “Future Advisor Platform” was initiated. This initiative will facilitate an effective and speedy selling process eliminating all the delays.



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 process was further strengthened by integrating online platforms introduced to claim submission.



AUTOMATED CLAIMS ASSESSMENT – “CLAIMIT”

Customer claims verification with the policy is automated using “Machine Learning” technology. This helps us to improve efficiency in processing the claim with a high level of accuracy.



AUTOMATIC POLICY ISSUANCE

Policy issuance is automated for non-proposal based policies such as DTAP. This provide greater convenience to our Bancassurance partners with minimal documentation while our customers receive speedy service.



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.



SAFEST WAY TO SETTLE THE PREMIUMS

Customers were able to pay online through any debit/credit card by visiting <https://ipg.softlogiclife.lk/onlinepayment/> or use any of our payment options above.



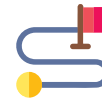
'LIFEUP' APPLICATION

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, request surrender value Certificates, Embassy letters, premium summary reports etc.



CASHLESS CLAIMS SETTLEMENT

Cashless claims settlement process, which was initiated with the Asiri Group of Hospitals a 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 where Softlogic Life settles the claim directly to the hospital on behalf of the customer.



CUSTOMER JOURNEY MAPPING

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



SPEEDY CUSTOMER DISCHARGE

A dedicated unit is available to keep in touch with our customers from the point of admission till discharge from the hospital, keeping their minds free. Further team speed up the customer discharge process coordinating with hospital. The hassle-free discharge is always valued by our customers as they feel the greater convenience the Company offers.



AUTO UNDERWRITING WITH ENHANCED CAPABILITY

Policy proposals received digitally are cross-checked with worldwide accepted underwriting standards and policies passed through get automatically underwriter in the system. Auto underwriting is a supporting function of the Express Digital Policy Issuance concept.



DEDICATED CUSTOMER CARE TEAM

A dedicated customer care team who is available with help around the clock. They do follow up calls to check the health status of customers after discharge and extend their help to book next appointment, remind about appointment, and even arrange the ambulance services as required.



TELE UNDERWRITING

A novel concept introduced to the 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 of their convenience .



VALUE ADDED SERVICES

MEDICINE DELIVERY TO CUSTOMERS' DOORSTEP



AMBULANCE AT CUSTOMERS' DOORSTEP



DOCTORS' VISIT TO CUSTOMERS' DOORSTEP





SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNERS

STATEMENT OF VALE CREATION - BUSINESS PARTNERS

		Unit	2021	2020	G%	2019
<p>Performance</p>	Reinsurance Expense	Rs. Mn	1,858	1,873	-1	991
	Fees, Incentives and commission paid	Rs. Mn	4,050	3,269	24	2,969
	Sales Staff	No	3,088	3,025	2	2,772
	No of Reinsurers	No	06	06	0	05
	No of Suppliers	No	240	282	-15	257
<p>Outcome</p>	MDRT Qualifiers	No	216	169	28	104
	Reinsurance Recoveries	Rs. Mn	551	608	-9	636
	Investment in Training programmes for Insurance Agents	Rs. Mn	11.3	8.9	27	13.1

*Adjusted for deferred tax



STEERING TO THE FUTURE

SHORT TERM TARGET

- Maintaining the long term business relationship with business partners
- Field staff -Increase MDRT members by 20%
- Reinsurers - Optimize the reinsurance arrangements
- Competitors - Proactive in competitive strategy for their action
- 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.

MEDIUM TERM TO LONG TERM VIEW

- 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.

Business Partner	What is includes	How it creates value
Sales Force	<ul style="list-style-type: none"> • Insurance Agents, Advisors and MDRT qualifiers 	Business partners act as one of the key roles in Company's Supply chain management process.
Intermediary parties	<ul style="list-style-type: none"> • Reinsurers providers • Actuarial Partners • Bancassurance partners • Lenders, Banks, asset management firms and other Financial Institutions • IT software and hardware providers • Softlogic Group 	
Regulators	<ul style="list-style-type: none"> • Industry specific regulators (Ex: IRCSL, IASL) • Government institutions (Inland Revenue Department, CSE, Central Bank etc.) • Auditors • Association Memberships providers 	The long term relationship with our strategic business partners are important to continue our value creation process as their contribution is mandatory to continue SLI's key operations tasks.
Other Business Partners	<ul style="list-style-type: none"> • Consultancy providers (Ex: Tax advisors) • Utility providers (Electricity, water, security, and sanitary facility providers) • Media • Security services, Courier services, Other suppliers, rating agencies and Competitors 	

MANAGEMENT APPROACH

Softlogic Life is always striving to build trust and strong ties with business partners, as their role are very critical and vital to the sustainable value creation to the company. 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 and we engage them with a fair and transparent manner to ensure that all strategic business partners are treated equally and fairly.

DURING COVID 19

As many company faces difficulties during COVID 19, SLI take all possible action to continue the strong business relationship with its business partners.

- Developed a 100% virtual platform to continue the sales operations
- Offered an attractive package and growth opportunities for its sales staff
- Conducted Virtual training and development programmes to ensure the professional behaviour, knowledge and outstanding client service.

PERFORMANCE & VALUE CREATED DURING 2021



MDRT Winners

Qualifying Category	2021	2020
TOT Qualifiers	8	5
COT Qualifiers	10	6
MDRT Qualifiers	198	158
Total Qualifiers	216	162



Talent retention

	2021	2020
No of resignations	1221	920
Attrition rate	40%	33%

Promotions to Sales Staff

	2021	2020
No of promotions	62	20

Training and Development on Sales Staff

	2021	2020
No of training programmes	215	182
No of Training hours	2,414	1,911
No of participants	8,234	5,559
Training cost (Rs Mn)	11.3	8.9

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.

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.

OUR BUSINESS PARTNERS

Details of our few of our business partners (based on materiality) have been provided in below pages 114

SALES FORCE

The quality of the sales staff defines the success of the company. Our Sales staff is on the front line and conveys the first impression of the Company’s image to our customers. Therefore, we continue to build their capabilities, personalities and other soft skills they require in the field. The outcome of our effort is showcase below

SOCIAL AND RELATIONSHIP CAPITAL BUSINESS PARTNERS

Awards & Recognition for SLI's sales team

Life Insurance Industry Sales awards 2019/2020 concluded in 2021







Softlogic Life Sales team walked away with 16 prestigious awards which was held in 2021

Award Category	Year 2019/2020		
	Gold	Silver	Bronze
Best Branch Manager	2		
National Level Best Branch Manager	2		
National Level best team/Unit leader	1	1	2
Best team/Unit leader	1	2	1
Best Advisor	1	1	1
National Level Best Advisor	1	1	
Total Awards	8	5	3

REINSURANCE PARTNERS

The Company strategically choose the reinsurance as they are a key stakeholder party and to take extra efforts to 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 07 of the world's largest reinsurers. The evaluation of individual reinsurer is provided in the table above.

OUR REINSURANCE PANEL

Reinsurer	Logo	Credit Rating (A.M. Best)	Profile (As at 31.12.2020)
Munich Re		A+	141 Years of risk expertise Total assets - Euro 298 Bn
SCOR		A+	51 Years of risk expertise Total assets - Euro 46 Bn
Toa Reinsurance Company Limited (Toa Re)		A	81 Years of risk expertise Total assets - Yen 772 Bn
Assicurazioni Generali S.p.A		A	190 Years of risk expertise Total assets - Euro 682 Bn
AXA XL Reinsurance		A+	35 Years of risk expertise Total assets - Euro 858 Bn
Canopus		A	18 years of risk expertise Total assets - \$ 6,659 Mn



Value creation through reinsurance.

As a Risk Management strategy

As a Life Insurance company SLI is vulnerable to an unforeseen risk. Hence, as a risk mitigation strategy we are transferring portion of risk pool to the reinsurance and manage our risk within our risk appetite.

As a guild for product development

Since our chosen reinsurance panel is presenting in many territories around the world they have a vast knowledge on new products and developments, hence we are able to use their knowledge as a source and a guild for our product innovative process

Act as a Key stakeholder in executing Business strategy

We share a significant portion (Please refer pages 41) of our revenue with our reinsurers for the risk they accept on behalf of Softlogic Life. Therefore, reinsurance arrangements indeed a significant part of our business strategy.

ACTUARIAL PARTNERS

Having professionally qualified and well experienced actuarial partners are key to the business as they are providing insights to the product development, pricing, performing liability valuation. These give signals on the strategic decision business need to take in short, medium to long term.

Our Actuarial Partners

Messrs. Willis Towers Watson India Private Limited which is part of Willis Towers Watson global advisory company.

COMPETITORS

There is Intense competition being Sri Lankan Insurance Industry in an Oligopoly market. Low level of product differentiation and the lower level of penetration (0.5%) further increased the competition.

Ethical Competition

The Company is competing with others in an ethical manner by continuously improving core competencies rather than controlling external factors.

Ethical Marketing

We committed to be transparent and customer data privacy, prompt responses to the customer’s concerns, not to make false or exaggerate statements.

ASSOCIATION MEMBERSHIPS

To connect with our competitors and other corporates, we have obtained membership of many associations as listed below

- The National Chamber of Commerce Sri Lanka
- Institute of Chartered Accountants of Sri Lanka
- Insurance Regulatory Commission of Sri Lanka (IRC SL)
- Insurance Association of Sri Lanka (IASL)
- Sri Lanka Insurance Institute (SLII)
- Colombo Stock Exchange (CSE)
- Central Bank of Sri Lanka (CBSL)
- Life Insurance Marketing and Research Association
- Association of Insurance and reinsurers of Developing countries (AIRDC)
- Employee federation of Ceylon (EFC) LIMRA
- Association of Insurance and reinsurers of Developing countries (AIRDC)
- Employee federation of Ceylon (EFC)

This membership helps to resolve industry wide issue like tax related matters and new accounting standards implementation

SOFTLOGIC GROUP

The Softlogic Group is a fastest growing diversified group in the Sri Lankan market, having diversified experience and capabilities through its successful journey.

GROUP SYNERGY

Our critical success factors count the group synergies on which we capitalize our market opportunities.

LOOKING AHEAD

Looking ahead we are planning to improve the engagement with business partners as listed below

FIELD STAFF

Being one of the most significant business partner, we are taking care of our field staff by providing competitive benefit packages and continuously adjusting it whenever necessary. We will continue to provide necessary training and development programmes on timely manner and we are ensuring that our sales team is capable enough to serve the customers better and improve the value created to the company in a sustainable manner. Our future training and development will be focused to generate the highest number of MDRT winners who showcase the quality of the sales force. Career progression will be ensured within the Company for capable individuals.

LENDERS

During 2020, we have entered in to a subordinated debt agreement with Finnfund and Norfund amounting to USD 15Mn to strengthen the tire II Capital of the Company.



SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNERS

With COVID 19, we have arranged many virtual initiatives to continue the relationship with our filed staff. We are planning to further strengthen these initiatives with their feedbacks. 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.

REINSURANCE PANEL

We will continue to improve the relationships with our reinsurance panel in a manner which will result a win-win situation to both parties. Further, we will evaluate our strategy on reinsurance to enhance the value creation to the company by evaluating the knowledge, experience and reputation of the existing reinsurers as well the potential reinsurers. We further expect our reinsurance panel to provide their expertise ideas to develop more innovative products to be competitive in the market.

OTHER BUSINESS PARTNERS

We will continue to act ethically by adhering to the internal regulations as well to the all applicable external rules and regulations. Due to the intense competition among the insurance industry it is a key factor to monitor the competitor behaviour regularly. So we will closely monitor the competitor behaviour in an ethical manner and in a transparent manner. We will continue to choose our other business partners without any bias, a fair and transparent manner as a responsible corporate.

OTHER FACTORS

2021 year gave a chance to have a fresh look on the changes business environment to all the corporates globally. All countries have to develop new rules and regulations, has to change the business model by transforming more to a digital platform and has to look for new ways of doing businesses. We will continue to adhere to the new normal and develop innovative ways to enhance the relationship with business partners. We expect more complex legal and compliance landscape of Sri Lanka impacting from rapid environmental changes due to the existing situation of the country.



SOCIAL AND RELATIONSHIP CAPITAL COMMUNITY

GRI 103 | 413-1 | 413-2

STATEMENT OF VALUE CREATION – COMMUNITY

		Unit	2021	2020	G%	2019
 Performance	Number of CSR Projects	No	13	+10	30	+9
 Outcome	Impact Created	Views/ People	7.7Mn Views	430 People	N/A	1,117 People
	CSR Expenditure	Rs. Mn	4.9	3.3	4.7	8



STEERING TO THE FUTURE

SHORT TERM TARGET

Improve the Investment in community by 10%

- Improve the community Engagements via social media
- Empowering youth
- Enhance the contribution to environmental protection

MEDIUM TERM TO LONG TERM VIEW

Increase the positive impact to society

- The company will be aligning its projects towards the three pillars identified below and execute activities that can impact more people in a more effective way.

What our community includes?	How it creates value
Community includes our relationships and engagements with Society as a whole.	We are investing in community development projects to create value to customers, employees, investors and society as whole. These projects ultimately improve the well-being of the society in socially, financially and mentally.

MANAGEMENT APPROACH TO COMMUNITY DEVELOPMENT PROJECTS

At Softlogic Life, our purpose is to make a difference in people’s lives in terms of education, financial strength, mental health and social well-being. The Company has taken a step forward to provide a safety net to underserved communities and help to improve the quality of the lives significantly. By sharing this sense of purpose with stakeholders, we motivate and connect with our employees, business partners and customers to contribute to the society in a positive manner.

OUR STRATEGY

Our CSR strategy focusses on a progressive model which enables us to contribute to the society through three core verticals;





1. Empowering Youth
2. Community development
3. Environmental Protection.

Below figure summarise our value creation under strategic pillars identified above and detailed thereafter.

SOCIAL AND RELATIONSHIP CAPITAL COMMUNITY

GRI 103 | 413-1 | 413-2

CSR SUMMERY 2021


<p>1. EMPOWERING YOUTH</p> <p>No of activities 02</p> <p>Duration of the project 06 months</p> <p>Mode of Delivery  </p>		<p>Impact Assessment</p> <p>1.2 Mn views</p> <p>It was expected to cover large base of A/L student who don't have proper internet accesses</p>
<p>3. ENVIRONMENTAL PROTECTION.</p> <p>No of Projects 01</p> <p>Impact Assessment</p> <p>No. of claims processed 6,136</p> <p>Claimed paid through Claim IT Rs. 400 Mn</p>		<p>2. COMMUNITY DEVELOPMENT</p> <p>10 No of activities</p> <p>Impact Assessment</p> <p>No of views 6.5Mn</p> <p></p>

COVID IMPACT

In terms of CSR 2021 was yet another challenging year for us. Lock down periods, travel restrictions course by COVID 19 pull us back in going out side and do our usual routine of CSR. Same as 2020 we strategised our activities in a way that focus on real need of the society in the given context as well as benefit large base of people around us.

WHAT WE DID IN 2021

Empowering youth

CSR Project	“ගුරු ගෙදර” Educational Programme	
Why we did this	With the start of the COVID-19 pandemic, the country's education systems were completely disrupted with inability to attend school or tuition classes to continue their lessons, particularly those sitting for crucial Ordinary Level or Advanced Level exams. Majority of the rural students couldn't attend online classes due to lack of facilities.	
What we did	<p>We entered into a strategic partnership with popular radio channel Sitha FM to launch an exceptional radio school named 'Softlogic Life Guru Gedara' to better support GCE A/L students with limited or no access to remote learning tools and opportunities.</p> <p>This is broadcasted every day from 5 am to 6 am on 88.8 Sitha FM, and tackles diverse topics in Biology, Sinhala, Chemistry, Accounting, Media and Communications, and Logic etc:</p>	
Value we created	We were able to conduct around 360 radio classes over 6 months and facilitate learning for the A'level students with limited online access in Sri Lanka No of radio classes conducted 360	

WHAT WE DID IN 2021
Empowering youth

CSR PROJECT	COVID RESPONSE - INSPIRATIONAL VIDEO
Why we did	With the COVID-19 hit, the schools were closed, and the working patterns have been changed. This significantly impacted to the kids. Even they were at home, with the parent's busy work-from-home schedules they did not have proper chances to play at home
What we did	As a brand that inspires people to live a quality of life, we brought the important message of "Keeping alive of hopes and dreams no matter what challenges you may face" through this video.
The Value we created	This was reminder to all the parents who was really busy because of the work from home situation to make sure that they do everything to keep their as well as their kids' hopes and dreams alive during this difficult time period. To watch the video - https://www.facebook.com/watch/?v=1138224203343165 No of Views - 1.2 Mn



Further to this video launch, we had also creatively brought the message of "LET THEM PLAY SAFELY" to outdoor visibility which had gained many both local and global recognition. As we had tapped into a most common problem that was prevailing among that time.



Community Development

CSR Project	Donation of Portable Medical RO Machine for Dialysis Patients
Why we did this	There was an urgent need for portable reverse Osmosis plant to treat kidney patients who are suffering from COVID 19
What we did	The Company extending its appreciative support for unmatched roles of Army personnel in the fight against COVID-19 gifted a portable Medical RO Machine for use of COVID -19-affected Dialysis patients at the Dialysis unit at Colombo Army Hospital
Value we created	This help to save thousands and thousands of lives in Sri Lanka

SOCIAL AND RELATIONSHIP CAPITAL COMMUNITY

Community Development

CSR Project	Digital awareness programme on COVID 19 Impact
Why we did	To protect our all stakeholders including investors, customers and employees
What we did	A social media campaign had been implemented in building awareness and educating society about COVID-19 facts and preventive measures against COVID at home, office etc
The Value we created	We helped to improve the mental well-being of our people by bring a pleasure to their lives

CSR Project	Creating “නෙළ වෙද චරණ” new website to promote traditional medicine treatments
Why we did	We wanted to show that how amazing the traditional medicine techniques and how it helped us a live a good life from our birth.
What we did	We developed a website where people can recommend and enter details about good traditional medicinal doctors in Sri Lanka. Further we published a video clip which showcases different types of remarkable traditional medicine techniques that Sri Lankan culture has. Website - https://wedavaruna.lk/en/ https://fb.watch/bwvk9ciE14/
The Value we created	This had addressed a long standing problem in Sri Lanka which was the lack of good source or rather an available database to find about a traditional doctor or a hospital when needed No of Views - 696,000





CSR Project	Call a doctor Programme
Why we did	To protect our customers and employees during COVID 19
What we did	Call A Doctor was a completely free, 24-hour healthcare service. Customers and employees can consult the expertise of qualified, experienced doctors via a phone call at any time 24X7 and they can get medicine delivered to them in these times of uncertainty through this platform
The Value we created	Medicine delivered to Customers to their doorstep Assistance with locating the nearest hub to conduct PCR tests Reimburse PCR test costs according to policy terms Seek support with hospitalization requirements



Community Development


CSR Project	Inspiring Mini Series - “ලෙඩ් ගිය දුරක්”
Why we did	The ‘new normal’ practices and regulations around work, education, business and social constructs have also affected people in various ways and bringing about stresses that were not previously prevalent. Majority of the people to lose their hopes and dreams as they have a pile of other things to take care.
What we did	As a responsible brand we identified this situation and tried to look for an inspiring solution. As most people were on digital platforms significantly due to lockdown, we created an inspiring miniseries, “ලෙඩ් ගිය දුරක්”
The Value we created	This 10-minute each, 10-episodes series brought forth a diverse array of financial, emotional, physical and social challenges for these adults and children, as they interact with each other and strive hard to cultivate 'Honda Leda' to navigate the complexities brought about the pandemic. No of Views - 151,000


CSR Project	“ මේ රට මගේ රට” remake video Song
Why we did	We need to show the commitment & winning spirit of Sri Lankans who brought the Sri Lankan name into international level even amidst COVID-19. Specially armed forces & health forces working day and night to fight against COVID-19, all others including delivery members doing their duties day night even in rainy days amidst travel restrictions etc.
What we did	The “ මේ රට මගේ රට” remake depicts how Sri Lankans are thriving amidst all the odds. This song shows the commitment & winning spirit of Sri Lankans. https://fb.watch/bwvR1oDkL/ 
The Value we created	No of Views - 2Mn

CSR Project	Father's Day 2021 Video
Why we did	Fathers are silent heroes. They don't directly express their love and affection they have towards us. We wanted to enhance the relationship with children and fathers and to improve the mental health.
What we did	On Father's day we wanted to tell all people out there to understand father's love which is being expressed through his actions, because they do everything in their power to keep us happy and safe. https://fb.watch/bwvNJP1IX2/ 
The Value we created	No of views 902,000

SOCIAL AND RELATIONSHIP CAPITAL COMMUNITY



Community Development

CSR Project	Children's Day 2021
Why we did	The many lockdowns in Sri Lanka brought a complex array of challenges with some unspoken negative mental repercussions for both children and parents.
What we did	<p>On the children's day we invited all parents to awake their inner child even for 5 minutes a day for the mental well-being of themselves as well as their kids.</p> <p>We created a video to show, how awakening inner child in parents can really make the kid happy and helps for her mental happiness as then they get distracted from all those unhealthy screens</p> <p>https://fb.watch/bwvEvvwJao/</p> 
The Value we created	No of views 2.1Mn

CSR Project	Group Exit Day
Why we did	Begin with COVID 19, use of social media applications has increased by 40%. People are engaged with so many social media groups which inactive or unused full. The continuous beep sound affects our mental well-being and this causes a toxic cycle of what psychologists call 'Communication Debt', which is a feeling of anxiety to respond to hundreds of notifications received in multiple messaging groups.
What we did	<p>Softlogic Life has introduced "Group Exit Day" on July 22, as a dedicated day to leave from all inactive and old messaging groups for a little more peace of mind.</p> <p>Now anyone can help declare this as an annual event by signing the online petition on ged.softlogiclife.lk</p> <p>https://fb.watch/bwvJuw7Hbv/</p> <p>No of views 614,000</p>  
The Value we created	We contributed to improve the mental well-being of the people in a positive way.

CSR Project	4HER Program
Why we did	Empowering women at Softlogic Life and create an opportunity-rich, safe and highly supportive business environment for women in Sri Lanka, enabling them to better contribute to and gain equally from workplaces, communities and country
What we did	<p>4HER Career – A mentoring & Grooming Initiative for Staff Females,</p> <p>4HER Voice – All Female Panel at Exit Interviews,</p> <p>4HER Family – Extension of Maternity Leave from 84 days to 100 days, 4HER Learning – A special module for female leadership in learning management system and</p> <p>4HER Growth – A Virtual Forum conducted by Industry female leads.</p> <p>Page 100</p>
The Value we created	All initiatives are aimed at creating the most ideal, growth-oriented work setting that allows female staff members or entrepreneurs to thrive in their careers while better managing their multiple roles in work or home

Environment Protection

CSR Project	"ClaimIT" Platform.	
Why we did	With the COVID-19 hit, many people had to get admitted to hospital with the virus infection and people did not want to stay in hospitals or any other public places for too long because of the risk.	
What we did	<p>Softlogic Life introduced the "ClaimIT" platform which settles claims in just 2 minutes. We brought this message to the mass audience using a humorous video which can be viewed using the below link</p> <p>https://youtu.be/2nDm4FDSeKk</p>  <p>With this innovation, Hospitals send the bills directly to our customer care team by uploading to the system. Then claim is read by a bot and make decision within just a few seconds which reduce the manpower significantly and environmental friendly.</p>	
The Value we created	<p>Customers can submit and get their claims within just 2 minutes which made their life easier</p> <p>No of Claims settled 6,136</p> <p>Claims value Rs. 400Mn</p>	

COMMITMENT TO ANTI-CORRUPTION

Apart from investing in our community, as a responsible business, we adhere to the procedures of zero tolerance to corruption, compliance, non-discrimination, business ethics and our Environmental and Social Risk Policy and all other rules and regulatory governance in Sri Lanka. The company's management's support for anti-corruption is discussed on pages 125.

ANTI-CORRUPTION SAFE GUARDS

The Company's policy on anti-corruption explicitly apply to all employees and directors and they must comply with the policy. Our Internal audit unit handles all internal anti-corruption activities, whereas our compliance officer handles all externality-corruption activities and compliance. The Human Resource team reviews and discusses internal discrimination and corruption further and providing a mandatory training programme to all the employees on anti-corruption to keep the employees updated.

The table below summarizes incidents reported during the year

Complaints Summary				
Type	Category	No. of cases Received	No. of cases settled	Proved as Fraud
Customer Complaints	Misappropriations	13	13	6
	Misconducts /Misleading	54	50	2
Total		67	63	8
Internal Investigations	General Inquiries	23	21	3

ANTI-CORRUPTION INCIDENTS - BUSINESS PARTNERS

The anti-corruption policy is explicitly applying to the agents and advisors (who are not employees but are authorized to act on behalf of the Softlogic Life) and to non-controlled persons or entities that provide good or services under contracts as well.

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.

REGULAR MONITORING ON ANTI-CORRUPTION PROGRAMME

The internal audit department and the compliance officer is regularly monitoring the anti-corruption programme to review the suitability of the programme, adequacy and effectiveness and continuously improve the programme whenever necessary.

SOCIAL AND RELATIONSHIP CAPITAL COMMUNITY

 GRI 103 | 406-1 | 408-1 | 415-1

CHILD LABOUR

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)

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. During the year there were no instances

of significant fines on compliance matters as it is monitored accordingly.

Non-Discrimination

Since the Company has a formal policy on discrimination, there were no incidents reported for discrimination during the year.

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.

CONTINUOUS IMPROVEMENT

The Management take every effort to improve the laid down below policies and practices, continuously.

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.

No monetary losses as a result of legal proceeding associated with marketing and communication of insurance product-related Information during the year.

Contribution to Society

We fulfil 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 on Law Suit

There were no claims on law suits during the year 2021.

Prevention of negative impact from operations

The Company has set its operational goals and KPIs thus preventing negative impact on our social capital.

LOOKING AHEAD

As responsible corporate, Softlogic Life always intend to enhance the quality of the lives and always inspire the well-being of the society with better fitness, nutrition and wellness. So that our people can live their lives to the fullest. As a life insurance company that is essentially requesting the people to place their faith in us to take care of their loved ones, it is important to further enhance their trust in us by means of CSR and Sustainability activities.

Our CSR intent is inspiring all Sri Lankans to contribute towards enhancing the quality of all Sri Lankan lives by lending a helping hand wherever possible. We hope that our customers' souls are enriched further by the knowledge that their Softlogic Life is living by this valuable code.

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.

Our community development projects, environment protection projects and empowerment projects are directed towards well-being of our all stakeholders including our customers, investors and employees. We always demonstrate our commitment to achieve their intent life by assuring the improved quality life.

Softlogic Life's purpose as a brand is to enhance the quality of life of all Sri Lankans and our brand's activities are aimed at doing just that through a PROACTIVE versus REACTIVE stance.

Honouring our promise of enhancing the quality of life of all Sri Lankans, we always try to be there when they needed us most through offering innovation driven, product driven and customer service driven solutions. Thus, we commit to improve lives in terms of physical, Mental & Social well-being, and ultimately drive the nation towards a better quality life.



INTELLECTUAL CAPITAL

STATEMENT OF VALUE CREATION - INTELLECTUAL CAPITAL

	Unit	2021	2020	G%	2019	
<p>Performance</p>	Process Efficiency					
	One day claim Settlement	%	+94	+86	+8	+90
	One day Proposal acceptance	%	76	80	-4	60
	Customer discharge within one hour	%	87	89	-2	88
	Revenue from Exclusive Agency Agreements (Agency Channel Sales)	Rs. Bn	13.1	10.1	30%	9.4
	Financial strength Rating by ICRA Lanka	Rating	A	A	-	A
<p>Outcome</p>	Net book value of capital assets	Rs. Mn	618	661	-7%	675
	Expenditure on R&D	Rs. Mn	32.8	21.0	56%	1.6
	Expenditure on Risk Management	Rs. Mn	4.5	3.7	22%	7.6
	Expenditure on Standards & Certificates	Rs. Mn	8.4	7.7	9%	2.2

HIGHLIGHTS 2021

16.1%
Market Share

04
New Products

NEW SYSTEMS DEVELOPED

- Remote Working Systems
- Robotic Systems
- LifeUp app

CLAIM IT
claimit

2.25Mn
Brand Value

Rs. 32.8 Mn
R&D Cost

SERVICE STANDARDS

- +94 % Claims settled within a day

INSTA CLAIM
softlogic LIFE instaclaim



STEERING TO THE FUTURE

SHORT TERM TARGET

- Further enhance our brand value.
- Introduce more innovative products and improve employees' innovativeness.

MEDIUM TERM TO LONG TERM VIEW

- Enhancing and preserving our employees and organizational knowledge which gives a value addition to our business model
- Step into digitalize systems and Big data analytics
- Implement artificial intelligence technology to day to day operations

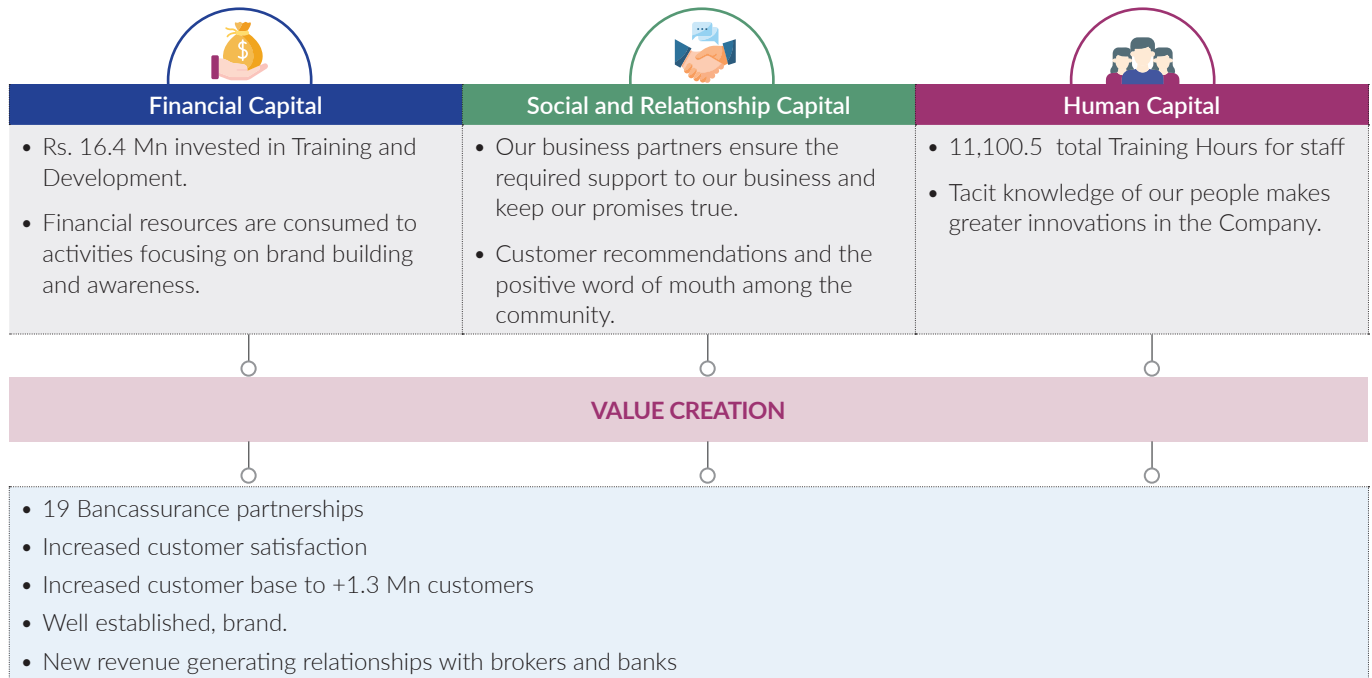
What includes Our Intellectual Capital?

Our intangible assets, includes brand, research and development capabilities, innovation capacity, knowledge and expertise, as well as strategic partnerships.

How it creates value

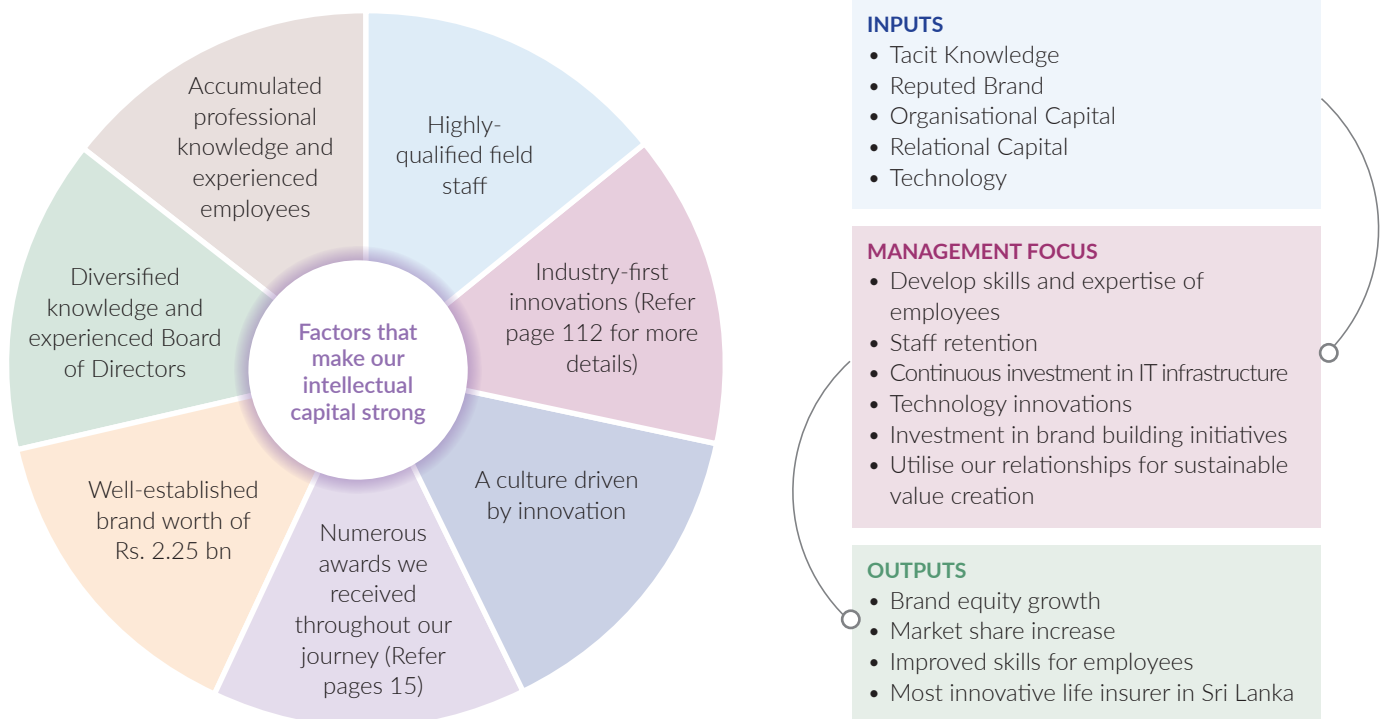
Improve company's performance in areas such as profitability, productivity, and market value.

MATERIAL TRADE OFF BETWEEN INTELLECTUAL CAPITAL AND OTHER CAPITALS AND ITS IMPACT TO STAKEHOLDERS



MANAGEMENT APPROACH

Our Intellectual Capital consisting of our tacit knowledge, trusted brand, systems and processes, and innovative products as the building blocks of new our growth trajectory.











INTELLECTUAL CAPITAL

DIGITAL INFRASTRUCTURE

Our digital infrastructure brings together and interconnects physical and virtual technologies to build the foundation for a company's digital operations. Our digital strategies to enhance performance and use of excellence operation are broadly describe in page 73. Governance impact towards digital infrastructure further elaborate in page 152.

Our Information Technology(IT) Innovation team consisting of experts in the IT sector, consistently undertake and implement the latest developments and upgrade the Company's day to day systems mainly focusing on 04 pillars – data science, artificial intelligence, robotic process automation and research which optimizes the operating model of business model.

			
<p>100% Digitalised Sales Platform for an effective and speedy selling process</p>	<p>Automated Claims Assessment-“claimit” to improve efficiency in processing the claim.</p>	<p>'LIFEUP' App to ease the life of all Softlogic Life policyholders.</p>	<p>Enabling remote working and connected workspaces</p>
			
<p>Back end robotic processes enhanced operational efficiency by automating repetitive work</p>	<p>One Day Claims settlement strengthened by integrating online platforms introduced to claim submission.</p>	<p>Omni Channel Customer Care to improve customer experience and drive better relationships.</p>	<p>Enhancing data security</p>

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.

Details of recently introduced innovative solutions are listed on page 112 of the Social and Relationship Capital.

RELATIONAL CAPITAL

Our Relational Capital mainly consists of elements of relationships that exist between our company, customers and our investors which we referred as our goodwill.

Our relationship with stakeholders and quality of engagement is provided in "Stakeholder Engagement" on page 65.

EMPLOYEES, FIELD STAFF AND OUTSOURCED STAFF

Being a young organization in the industry we have 20% of staff who have more than 8 years of service which proves the experience and knowledge they have added to the growth of the organization. Further we have taken many career progression initiatives to such as MDRT qualifiers to enhance performance strategically

Human Capital 92

Social and Relationship Capital 105

CUSTOMERS

Excellent customer service is key to client satisfaction and loyalty which is a key driver of Softlogic Life Insurance PLC. We have taken many initiatives to give a superior customer service which we have explained further in 112 pages

INVESTORS

Existing and potential investors are considered to be a vital part of our value creation process and "Investor Relations" describes the activities our company undertakes to build and maintain relationship with existing and potential shareholders.

Investor Relation 378

OUR BRAND

Our brand is to enhance the quality of life of all Sri Lankans and our brand's activities are aimed at doing just that through a PROACTIVE versus REACTIVE stance. Honouring our promise of enhancing the quality of life of all Sri Lankans, we always try to be there when they needed us most through offering innovation driven, product driven and customer service driven solutions.

- The brand gets stepped into help the community through its' CSR initiatives according to the need in the current situational need (E.g. Affordable Education Solutions, On Call Doctor Facility)
- Our CSR recipients are twofold; the direct recipient of the relevant CSR activity and the second recipient is our brand core TG & the society as whole who we inspire to take part in the CSR activities and inspire others around them to do so as well. Refer 120 page for CSR projects

Company brand value has slightly reduced to Rs. 2.25 Bn, compared to the previous year as our main force was into CSR projects in the pandemic rather than brand communications through mass media. We have already taken initiatives to level up with our newest campaign focused at enhancing quality of life by inspiring Sri Lankans to live life to the fullest "Live Life, Love Life Everyday"

INTELLECTUAL CAPITAL



BRAND 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.

BRAND COMMUNICATION
 We communicate our brand through

- Mass Media
- Social Media
- Digital channel
- Outdoor visibility

ETHICAL MARKETING
 The Company’s marketing and communications always assess against ethical marketing criteria and present proposals to Managing Director before launching any marketing communication.

There was no monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers.

LOOKING AHEAD

Way forward our main focus to build intellectual capital is to

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 increase the usage of emerging digital trends such as Big Data, Artificial Intelligence, Machine learning etc.

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.

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 92 page.

Brand - We communicate our brand highlighting positive factors in life so that someone’s life could be impacted who is see so many negativisms around them. We will more focus on building our brand to become most respected brand in Sri Lanka.

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.



MANUFACTURED CAPITAL



GRI

103

STATEMENT OF VALUE CREATION - MANUFACTURED CAPITAL

		Unit	2021	2020	G%	2019
 Performance	Number of new Branches	No	3	3	0	8
	Revenue Per Branch	Rs Mn	199	157	27	127
	Fully Depreciated Assets as a % of NBV	%	75	63	12	47
	Underwriting Result Per Branch	Rs Mn	81.6	69.5	17	56.3
	Net book value of capital assets	Rs Mn	618	661	-7	675
 Outcome	Expenditure on R&D	Rs Mn	32.8	21	56%	1.6
	Investment in Fixed Assets	Rs Mn	58	132	-56	154
	Maintenance expense as a % of NBV		15%	13%	2%	9%

What includes Our Manufactured Capital?

Our Manufactured Capital comprise with physical assets ranging from PPE to Branch network and digital channels to IT infrastructure that support our value creation process.

How it creates value

Our Manufactured Capital delivers customer connectivity and operational efficiency towards our business growth.



HOW WE MANAGE MANUFACTURED CAPITAL

	Impact	2021	2020	G%
No. of Branches	✓	101	100	99
GWP per Branch	✓	198,548	156,601	27
ANBP per Branch	✓	50	39	30
Fixed Assets per GWP	✓	32.5	23.7	37



STEERING TO THE FUTURE

SHORT TERM TARGET

- Continue investments in technical infrastructure and strengthening our synergistic ties.
- Expand our branch network island wide to gain customer portfolio.

MEDIUM TERM VIEW

- Enhance investments towards intangible assets to align with the pace of digitalized world and to ensure business sustainability in future operations.

MANUFACTURED CAPITAL

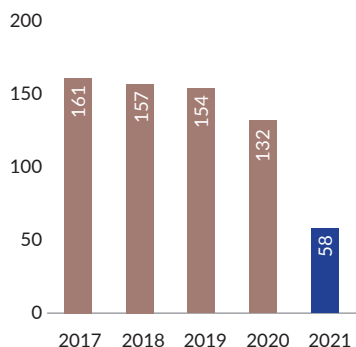
BUILDING OUR MANUFACTURED CAPITAL

Our investments are mainly focused on the outreach of business expansion to increase market value and digitalizing our work processes with IT related infrastructure.

We measure the efficiency of our manufactured capital using following indicators.

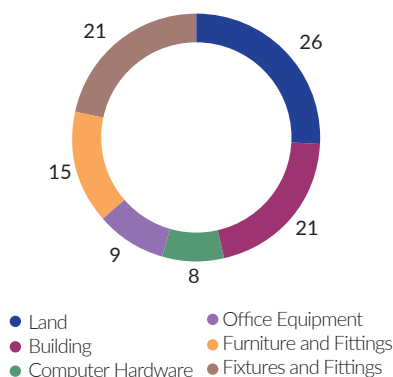
G25-ADDITION TO FIXED ASSETS

Rs.Mn



G26-FIXED ASSET MIX -2021

%



OPERATIONAL AND TECHNOLOGICAL IMPROVEMENTS

Our technology is a key aspect to enhance effectiveness and enabled us to shift gears to implement automation, digitalization and simplifications of process such as tele underwriting, digital proposal etc.

Our technological improvements Page 112

MAINTENANCE AND CERTIFICATION

We make sure to get the maximum value generated from our manufactured capital by obtaining regular maintenance, upgrades and certifications as required. SLI have the following certification in place,

- ISO certified Internet Service Providers from SLT and Dialog
- “ORACLE” as our ERP system which is one of the best among ERP Systems
- “Enterprise User” of Microsoft

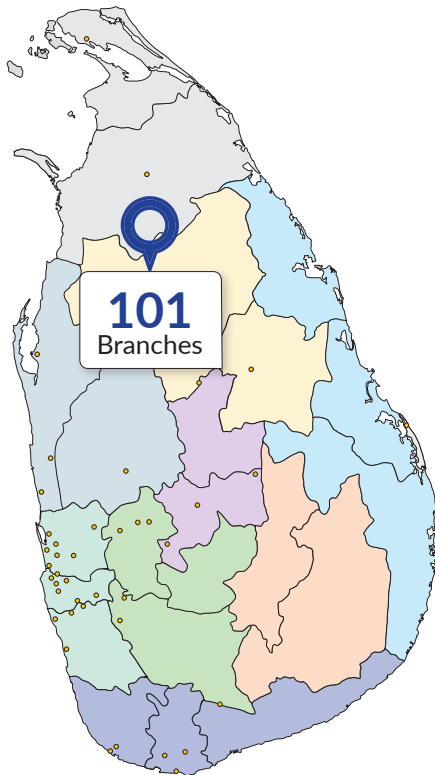
USAGE OF PUBLIC INFRASTRUCTURE

SLI is using the public facilities given by government such as roads, water, waste management etc. In return we are adding value to the community by paying the taxes on time and contributing to the community development projects Page 119

OUR BRANCH NETWORK

Our island wide branch network with 101 branches supports our goal towards the growth of our customer base, improve visibility of our brand while providing employment opportunities to many people of our community. Further we relocated several branches to improve customer accessibility.

The assessment is provided in below table



Analysis of branch network (2021 data to be update)

Row Labels	Sum of Dec 2021 (Rs. Mn)	No of branches	GWP Per Branch (Rs. Mn)	No Agents	GWP Per Agent (Rs. Mn)
Central Province	973	11	88	319	3
Eastern Province	214	3	71	138	2
North Central Province	351	4	88	134	3
North Western Province	1,270	12	106	438	3
Northern Province	385	3	128	157	2
Sabaragamuwa Province	810	5	162	129	6
Southern Province	1,720	13	132	378	5
Uva Province	339	5	68	120	3
Western Province	13,991	45	311	1,275	11
Grand Total	20,053	101	1,155	3,088	37



More details of our branch network are available online. Scan the QR to log in.

LOOKING AHEAD

The Company has ambitious plans in place to further accelerate value addition to the company by expanding, repositioning and upgrading our manufactured capital including all our fixed assets and branch network. Further shift from investing physical assets to intangibles as we expect our future growth and business strategy to be impacted from digitalization



NATURAL CAPITAL



STEERING TO THE FUTURE

SHORT TERM TARGET

- Investment more in green initiatives that are complying with all applicable environmental regulations and use best practices for environmental management

MEDIUM TERM TO LONG TERM VIEW

- Be actively involved in protecting Mother Nature by achieving environmental protection strategies and to support a more sustainable environment.

What includes Our Natural Capital?	How it creates value
Our focus on Natural Capital is on 04 sustainability areas that are critical to us and where we believe we can make a difference in our value creation process	Our environment provide significant quantum of resources that we use within our value creation process

OUR PRIORITIES



INTENSITY RATIOS USED TO MEASURE ENVIRONMENTAL IMPACT

We measure our effort to improve efficiencies on natural capital usage under below KPIs and actions are taken to improve same year on year.

	Measurement	Impact	2021	2020	2019
Water Intensity	m3/gwp	✓	0.0008	0.001	0.0013
Energy Intensity	KJ/gwp	✓	0.30	0.41	0.52

With the goal of protecting Mother Nature we have taken several internal and external measures which impacts positively through environmental protection.

WASTE MANAGEMENT

Our key Initiatives towards Waste Management,

Reduce, Reuse and Recycle

We continue to partner with Amaana Paper Collection to shred our paper waste in an environmental friendly manner and achieve reduction of our paper waste.

Plastic waste reduction

Continued to outsource all the photocopy machines to a third party and get refill the print cartridge and use to maximum possible duration indirectly.

Saved plastic annually through the replacement of refillable water flagons from American Premium Water Systems (Pvt) Limited.

Total savings

22 Grown Trees	41,038 Ltrs Water
1,947 Ltrs Oil	5,160 kwh Electricity
3.3 m3 land Fill	290 kg GHGSreduced

TECHNICAL IMPROVEMENT FOR PAPERLESS OPERATION

As paper is our main form material use in day today operation we have taken initiatives to reduce paper usage and recycling of paper through a certified recycler.

Paperless Work Environment

- Digital Claim Submission
- E-receipting
- VPN Facilities for WFH
- LifeUp App
- App based underwriting (WhatsApp, Uber etc)



ENERGY CONSUMPTION AND CARBON OFFSETTING

Our key energy consumptions are electricity used for office premises and fuel used for business travelling. We continue to focus on enhancing energy efficiency in all aspects of our operations.

	2021	2020
Non Renewable Fuel Consumption (KJ)	525	511
Non Renewable Electricity Consumption (Kilo joules Mn)	5,939	6,402

Our key initiatives to reduce energy consumption

- Timer switches to Air-Conditioners (A/Cs) to our head office which operates in working hours.
- Conducting staff trainings online to reduce commuting energy use and cost.
- Encouraged employees to use electricity and fuel in a responsible manner in their day to day activities.
- Master key switches on all Head Office floors have enabled us to bring about greater energy efficiency

Water Management

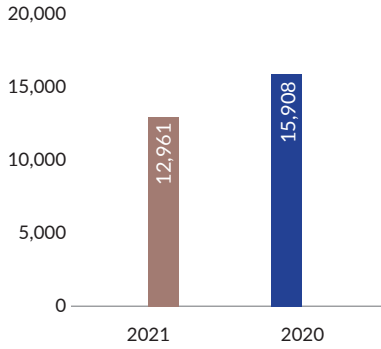
We continued to focus our efforts on reducing our water consumption for the long term; working on recycling and reuse of effluents. As a result we installed sensor taps, created awareness on water conservation aiming water management.

Ground Water Consumption N/A	Pipe Borne Water Consumption 15,198 m3
Total Water Withdrawal 15,461 m3	Mineral Water for Drinking Purposes 263 m3

NATURAL CAPITAL

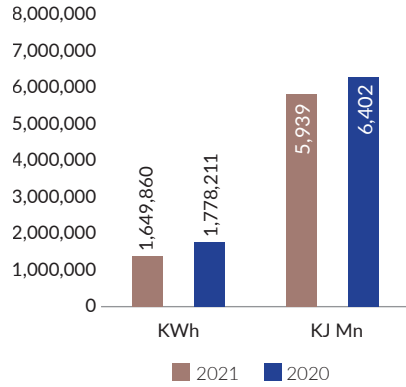
G27-PIPE BORNE WATER

M3



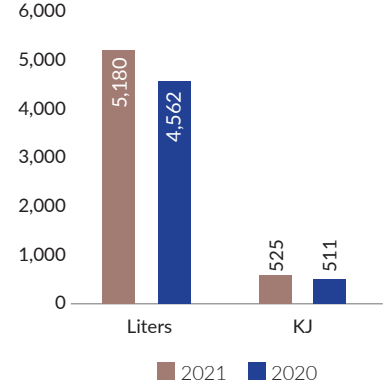
G28-ELECTRICITY

KWH/KJ Mn



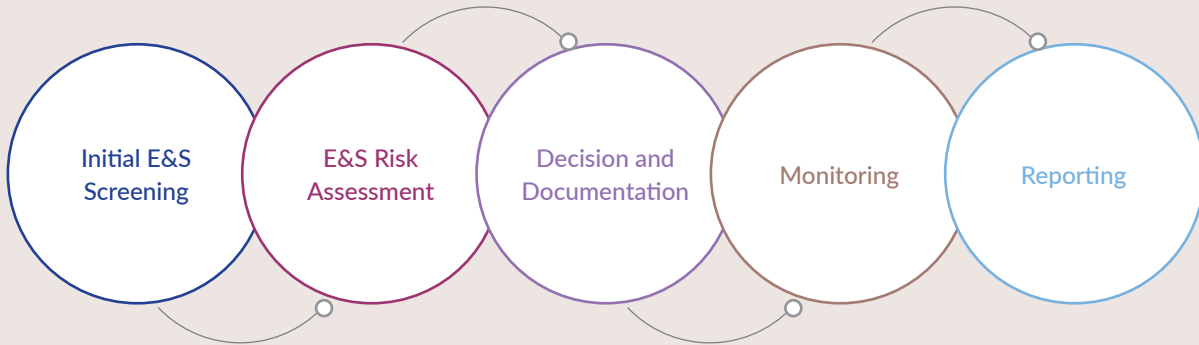
G29-NON RENEWABLE FUEL ENERGY

Liters/KJ



INTERNAL POLICY ON PRESERVING BIO DIVERSITY

We follow a set of environment and social management system procedures comprise of 05 main activities for the management of Environment and Social (E & S) Risk Assessment which pave the way toward more sustainable operation.



LOOKING AHEAD

The way forward we continue to focus on adopting best practices in Energy Management, Water Management, Emission Control and Effluent and Waste Management across our value chain. Whist being a responsible corporate citizen to support more greenery projects towards environmental protection.

INDEPENDENT ASSURANCE REPORT



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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 31st December 2021. The Sustainability Indicators are included in the Softlogic Life Insurance PLC’s Integrated Annual Report for the year ended 31st December 2021 (the “Integrated Report”).

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	24 - 25

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Information provided on following	
Financial Capital	86 - 91
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Intellectual Capital	128 - 132
Manufactured Capital	133 - 135
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OUR CONCLUSIONS

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this integrated 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 31st December 2021 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 31st December 2021, 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 include 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 Integrated Report, as defined above.

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.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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
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R.M.D.B. Rajapakse FCA
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Ms. P.M.K. Sumanasekara FCA

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 FCA

Principals: S R I. Perera FCMA(UK), LL.B, Attorney-at-Law, H.S. Coonewardene ACA, W. A. A. Weerasekara CFA, ACMA, MRICS

INDEPENDENT ASSURANCE REPORT



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 Integrated 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 Integrated 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 Integrated 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
07th March 2022

STEWARDSHIP

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Enhancing





ELEMENTS OF OUR ANNUAL CORPORATE GOVERNANCE REPORT

LEADERSHIP


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



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DISCLOSURE AND EXECUTION OF THE BOARD LEADERSHIP RESPONSIBILITIES





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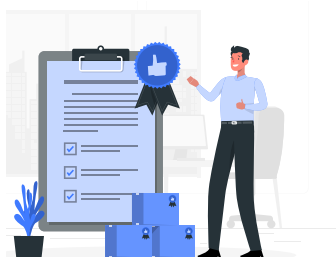


STATEMENT OF COMPLIANCE



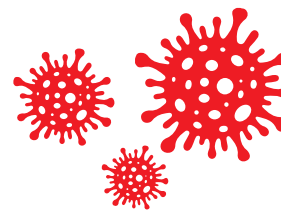
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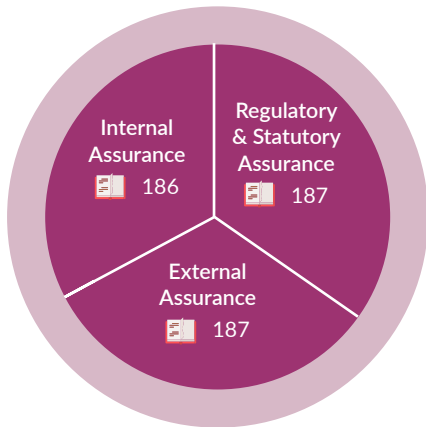
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BOARD OF DIRECTORS



MR. ASHOK PATHIRAGE
Chairman



MR. IFTIKAR AHAMED
Managing Director



MR. HAREESH KAIMAL
Director



MS. FERNANDA LIMA
Director



MR. V. GOVINDASAMY
Director



MR. RAIMUND SNYDERS
Director



MR. SANJAYA MOHOTTALA
Director



MR. LALITH WITHANA
Director

MR. ASHOK PATHIRAGE**Chairman****Skills and Experience**

Mr. Ashok Pathirage, recognised as a visionary leader of Sri Lanka's corporate world, is the founding member and Chairman/Managing Director of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision providing employment to more than 11,000 employees. Mr. Pathirage manages and gives strategic direction to the Group which has a leading market presence in three core verticals, namely Retail, Healthcare Services and Financial Services and in three non-core verticals namely, IT, Leisure & Automobiles. Asiri Hospital chain is the country's leading private healthcare provider which has achieved technological milestones in medical innovation in Sri Lanka's private healthcare services.

Other Current Appointments

Softlogic Holdings PLC, Softlogic Capital PLC, Softlogic Life Insurance PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC where he serves as Chairman/Managing Director are listed companies in the Colombo Stock Exchange. He is the Chairman of NDB Capital Holdings Ltd. He also served as the Deputy Chairman of National Development Bank PLC until completion of his full tenure in terms of the regulatory guidelines. Mr. Pathirage serves as the Chairman of Sri Lankan Airlines Limited and Sri Lankan Catering Limited, an airline where the Government of Sri Lanka is the principle shareholder. He is currently a member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka.

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 as Deputy Chief Executive Officer at Nations Trust Bank PLC, and Senior Associate Director at Deutsche Bank AG.

MR. HARESH KAIMAL**Director****Skills and Experience**

Mr. Hareesh Kaimal is a co-founder of the Softlogic Group and a Director since its inception. With over 3 decades of experience in IT and Operations, he heads the Group IT division which oversees the entire Group requirements in Information Technology covering all sectors.

Other Current Appointment

He is an Executive Director of Softlogic BPO Service (Pvt) Ltd, Director of Softlogic Holdings PLC, Director of Softlogic Finance PLC, Director of Odel PLC, and many other group companies.

MS. FERNANDA LIMA**Director****Skills and Experience**

Ms. Fernanda Lima has over 20 years of experience in financial services and private equity 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 based out of Singapore and a Partner for Leapfrog Investments - LeapFrog has raised over US \$2Bn from global institutional investors, including \$500Mn recently committed by Temasek to LeapFrog and future funds. Ms. Lima joined LeapFrog in 2018, after 9 years at US-based Developing World Markets, where she was a Managing Director in Asia. She has extensive portfolio management expertise including portfolio investments in Sri Lanka, Cambodia, China, India, Indonesia and Vietnam.

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, largest financial conglomerate in the southern hemisphere.

MR. V. GOVINDASAMY**Director****Skills and Experience**

Mr. V. Govindasamy 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.

BOARD OF DIRECTORS

Other Current Appointments

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 Consumer Business, Renewable Energy and Dairy. He is currently the Chairman of the Employers Federation of Ceylon (EFC) and the Vice Chairman of the Ceylon Chamber of Commerce (CCC).

MR. RAIMUND SNYDERS

Director

Skills and 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. He 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 AILCO Limited, both Africa-based insurers.

Previous Appointments

He served as the CEO of Mutual and 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 and 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 multidisciplinary 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.

MR. SANJAYA MOHOTTALA

Director

Skills and Experience

Mr. Sanjaya Mohottala holds a BSc (Hons) from the University of Moratuwa, an MBA from the Anderson School of Management of UCLA (USA), CIMA, Diploma in Marketing and is a Fulbright Scholar.

He has extensive experience in strategy, mergers & acquisitions and investments, restructuring, operational improvement, sales and marketing, digitization and advanced analytics and organization redesign. Mr. Mohottala has led multiple merger discussions and post-merger integration efforts. He has also worked on largescale global transformation efforts.

Other Current Appointments

In addition, he also serves as a board member at Sri Lankan Airlines Limited and the International Chamber of Commerce–Sri Lanka.

Previous Appointments

He was the former Chairman BOI, was a board member at the Export Development Board and Sahasya. He's also was a member of the Presidential Task Force for Economic Revival & Poverty Eradication.

Prior to joining SFLI board, Mr. Sanjaya Mohottala was a core member of the Southeast Asia's Corporate Development and Principal Investors & Private Equity practice at the Boston Consulting Group.

MR. LALITH WITHANA

Director

Skills and Experience

Mr. Withana holds a Master of Business Administration (MBA) Degree from the University of Sri Jayewardenepura, Colombo and a Bachelor of Arts (BA) Hons. Degree from the University of Manchester Metropolitan, UK. He is a fellow member of both Chartered Institute of Management Accountants (FCMA), UK, and the Institute of Chartered Accountants of Sri Lanka (FCA). He is also a Project Management Professional of the Project Management Institute (PMI), USA.

Other Current Appointments

He is currently serving as the founder and the managing director of Agility consulting services (Pvt) Ltd and as a Board Director of Laugfs Gas PLC., Laugfs Maritime Services (Pvt) Ltd., Acuity partners (Pvt) Ltd. and HNB Finance PLC. He serves currently as a Vice president of the Project management Institute, local chapter and as an executive committee member of the National Olympics committee.

Previous Appointments

Mr. Lalith Withana has held management positions in the corporate sector for over 25 years, during which He has held senior management positions in Banking, Manufacturing & Trading for more than 25 years. He has worked with many organizations such as Brandix Group, Ernst & Young, Amsterdam Rotterdam (Amro) Bank, IBM World Trade, Corporation & Carson Cumberbatch, Ceylon Tea Services Limited, Yamaha Corporation in (USA), Sri Lankan Airline and Sri Lankan Catering. He had previously served as an independent director on the Boards of Bank of Ceylon, Dankotuwa Porcelain PLC, Merchant Bank of Sri Lanka PLC, and Seylan Bank. Mr. Withana had also been a Commissioner of the Telecommunication Regulatory Commission.

CORPORATE MANAGEMENT TEAM



IFTIKAR AHAMED
Managing Director



INDU ATTYGALA
Deputy Chief Executive Officer



THILANKA KIRIPORUWA
Chief Corporate Services Officer



AMAL DHARMAPRIYA
Chief Information Officer



SURANGA WADUGE
Chief Actuarial Officer



NUWAN WITHANAGE
Chief Financial Officer



PRANAMA PERERA
Chief Technical Officer



PIYUMAL WICKRAMASINGHE
Chief Distribution Officer - Alternate
Channel



INDIKA BAMUNUSINGHE
Chief Human Resources Officer



RUWANTHA ARUKWATTA
Chief Audit and Compliance
Officer



SARANGA WIJAYARATHNE
Chief Digital Innovation Officer



RUSHIKA BEMUNUGE
Head of Risk



KAVI RAJAPAKSHA
Head of Marketing

THE SENIOR MANAGEMENT

IFTIKAR AHAMED

Managing Director

Please refer Profiles of the Board of Directors on page 145.

INDU ATTYGALA

Deputy Chief Executive Officer

MBA University of Northampton, UK

29 years of experience in Insurance.

THILANKA KIRIPORUWA

Chief Corporate Services Officer

Masters in Business Studies (UOC), CIM (UK), Diploma in Human Resources and a Diploma in Information Technology.

20+ Years experience in Human Resources, Customer Service, Logistics, Administration, Facilities Management, Retail, General Operations and Micro Insurance.

AMAL DHARMAPRIYA

Chief Information Officer

B.Sc. (Applied science), M.Sc. (Computer Science), MBA, CISM (ISACA),

22 years of experience in the IT industry, Specialized in InsurTech, BPA & DX.

SURANGA WADUGE

Chief Actuarial Officer

BSc (Hons), MSc (Mathematics and Statistics), MSc (Actuarial Management).

17 years of experience in the Actuarial and Life Insurance. Vice President of the Actuarial Association of Sri Lanka.

NUWAN WITHANAGE

Chief Financial Officer

Master of Business Administration (MBA) Post Graduate Institute of Management, (University of Sri Jayewardenepura), a Fellow member (FCA) of the Institute of Chartered Accountants of Sri Lanka, Bachelor of Business Management Finance Special from University of Kelaniya, member of Certified Management Accountants of Sri Lanka (ACMA).

He also serves as member of Governing council of Institute of Chartered Accountants of Sri Lanka and Board Member of Integrating Reporting Council of Sri Lanka, Chairman of the Finance and Technical Committee of the Insurance Association of Sri Lanka.

He counts for 17 years of experience in fields of Insurance, Finance, Strategy, Audit, Compliance and General Management.

PRANAMA PERERA

Chief Technical Officer

ACII Chartered Insurer, MBA Manipal University India

26 years of experience in Insurance.

PIYUMAL WICKRAMASINGHE

Chief Distribution Officer - Alternate Channel

B.A (Hons) in Business Management – Middlesex University, London MBA - Cardiff Metropolitan University, Cardiff.

17 years of experience in Insurance.

INDIKA BAMUNUSINGHE

Chief Human Resources Officer

B.Bus (Management and HRM) – La Trobe University, Australia

17 years of experience in Human Resource Management in Insurance and Retail Sectors in Sri Lanka, Australia and Hong Kong.

RUWANATHA ARUKWATTA

Chief Audit and Compliance Officer

ACA

16 years of experience in public Accounting Practices and Internal Audit.

SARANGA WIJAYARATHNE

Chief Digital Innovation Officer

MBCS, PgISM University of Colombo.

17 years of experience in Information Technology specialised in Insurance.

RUSHIKA BEMUNUGE

Head of Risk

Masters in Financial Economics, University of Colombo. BSc. Economics, London School of Economics.

14 Years of experience in Risk Management with specialist focus on Market Risk Management in Banking and Insurance.

KAVI RAJAPAKSHA

Head of Marketing

BSc Chemistry Special (First Class Hons) University of Colombo, BSc Chemistry Special (First Class Hons) College of Chemical Sciences, MBA Cardiff Metropolitan University, Postgraduate Diploma in Professional Marketing (CIM-UK) (ACIM)

Executive Committee Member of Sri Lanka Institute of Marketing and alumna of Miami Ad School Bootcamp.

11 years of experience in brand building and marketing management in the fields of FMCG, Life Insurance, Mutual Funds and Non-Banking Financial Industry.

SALES MANAGEMENT TEAM



SANDAMAL HETTIARACHCHI
Senior General Manager -
National Distribution



KAPILA SURIYAARACHCHI
Senior General Manager -
National Distribution



SUSANTHA ABEYTUNGE
General Manager



UPUL JAYASEKARA
General Manager



SUSIL ATAPATTU
General Manager



PRIYASHANTHA SIRIWARDENA
General Manager



HIRAN GUNAWARDENA
Deputy General Manager -
Business Development



NISHANTHA BANDARA
Deputy General Manager



NIHAL PERERA
Assistant General Manager



VIRANGA GUNATHILAKA
Assistant General Manager



SUMITH JAYAWEEERAGE
Assistant General Manager



CHAMINDA WEERAKKODY
Assistant General Manager

SALES MANAGEMENT TEAM

SANDAMAL HETTIARACHCHI

Senior General Manager - National Distribution

Diploma in Aviation Maintenance, Diploma in Marketing, Diploma in HR, Higher Diploma in Sales Management.

34 years of experience in the Insurance industry and 5 years in Aeronautical Engineering.

KAPILA SURIYAARACHCHI

Senior General Manager - National Distribution

Marketing Diploma – National Institute of Business Management.

33 years of experience in the Insurance industry.

SUSANTHA ABEYTUNGE

General Manager

CIAM -Chartered Insurance Agency Manager/LIMRA International USA, LUTCF -Fellow,Underwriting training Council,USA, FAIQ- Financial Advisers international Qualification/Chartered Insurance Institute,UK.

37 years of experience in the Insurance industry.

UPUL JAYASEKARA

General Manager

Bsc (Physical Science) at University of Colombo, Diploma in Business Management at NIBM.

22 years of experience in the Insurance industry.

SUSIL ATAPATTU

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) Master of Business Administration - MBA - Azteca University - Chalco, Mexico.

27 years of experience in the Life Insurance industry.

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).

30 years of experience in the Insurance industry.

HIRAN GUNAWARDENA

Deputy General Manager - Business Development

BA (Defence Studies) - Kothalawala Defence University, CIAM (USA), CFM (USA)LUTCF (USA) Dip in Life Insurance Marketing (USA), Certified NLP Business Practitioner (India).

11 years of experience in Defence services and 25 years in the Insurance industry.

NISHANTHA BANDARA

Deputy General Manager

Master of Business Administration at London Metropolitan University, The Programme of “ Middle Level Executives “at National Insurance Academy , Pune, India, The Oriental Life Insurance Seminar 2006 November in Tokyo., OLIS ASIA 2007 - Kuala Lumpur on Marketing at the Malaysian Insurance institute. The Oriental Life Insurance Seminar 2010 Autumn in Tokyo.

32 years in the Insurance industry.

NIHAL PERERA

Assistant General Manager

Higher National Diploma in Accountancy, LUTCF (USA), LIM “Dip” (USA).

34 years in the Insurance industry.

VIRANGA GUNATHILAKA

Assistant General Manager

BA University of Ruhuna.

27 years of experience in the Insurance industry.

SUMITH JAYAWEEARAGE

Assistant General Manager

30 years of experience in the Insurance industry.

CHAMINDA WEERAKKODY

Assistant General Manager

BSc (sp) Hons AGRIC. -University of Peradeniya, Post Graduate Diploma in Business Management- University of Peradeniya, Diploma in Insurance SLII -Sri Lanka Insurance Institute MBA London Metropolitan University – UK, CPM- (Asia Marketing Federation), AWF- CII.UK Award in Financial Planning -Chartered Insurance Institute UK.

25 years of experience in the Financial Services Industry comprising 6 years in Investment/ Merchant banking & Finance, 20 years in Insurance.

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 & TRANSPARENCY

The accolades we received in 2021 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 was awarded with 6 awards at the prestigious 56th Annual Report awards organized by CA Sri Lanka including gold award for Insurance sector and silver award for overall excellence in annual reporting.

Softlogic Life was also crowned at the CMA Integrated Reporting awards with 5 awards including gold award for overall excellence in Integrated Reporting and gold award for the Insurance sector.

Further, the company was placed among the top 10 companies in Sri Lanka for transparency in reporting Anti-Corruption practices and policies.

The company also obtained external assurance on Integrated Reporting reflecting our commitment to enhancing transparency. This assurance report is provided in pages 139-140.

OUR PHILOSOPHY

Good governance is the guiding principle that promotes and maintains transparency, accountability, responsibility, reliability and impartiality, creating an effective and sustainable governance culture within the organisation.

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 sets the overall objectives of the Company and fully supports the management, to whom they have delegated the responsibility of the day-to-day operations, while monitoring their performance to ensure that the Company is in line with the set strategy.

LEADING AMID COVID-19

The impact of COVID-19 pandemic which came in waves affecting the economy as well as the normal way of life, created significant change to the business and the lives of all stakeholders. However, the company and the leadership was able to face head-on to the new challenges created by the pandemic and was able to maintain solid governance practices throughout the year of 2021. More details are disclosed in page 161.

WAY FORWARD

The Company continuously analyse 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 2023. The current progression and the expected future plans of the governance framework for SLFRS 17 is provided on page 160.

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 and regulatory requirements. The details of the compliance environment at Softlogic Life is provided in page 155, 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.












(Sgd.)

Ashok Pathirage
Chairman

07th March 2022

GOVERNANCE HIGHLIGHTS 2021

Table: Governance Highlights during 2021

LEADERSHIP IN DECISION MAKING AND MONITORING EXECUTION	
Decision Making and Execution 	The Board approved the Corporate Plan for 2022-2024 and set clear direction for company's objectives.
	The Board met at Board Meetings and Sub-Committee meetings to execute their responsibilities. Details in Page 170.
	Executive Management team met and executed delegated responsibilities to them by the Board. Refer the Management Committee meetings for more details on page 176.
PROVIDING LEADERSHIP IN ACHIEVING STRATEGIC OBJECTIVES	
Most Caring Life Insurer 	The Board has reviewed multiple Customer experience enhancement initiatives. More details on pages 112-113.
	195 Customer complaints reported in 2021, out of which 181 resolved during the year. More details on page 110.
Smart IT Digitisation 	Softlogic Life sales platform was 100% digitized to successfully meet the challenges of the pandemic situation in the country. More details on page 112.
Kings of Data 	Company has utilized Data Analytics and Machine Learning capabilities to develop the Automated Claims Assessment (ClaimIT) and Auto underwriting platforms which has processed 6,136 claims and underwritten 68% of total policies respectively during 2021. More details in page 76.
Phenomenal Sales 	The company produced 216 MDRT members. More details on page 114.
	715 performance appraisals held. More details on page 98.
Lean and Fast 	Maintained 94% One-day Claim Settlement ratio. More details on page 144.
	Rs. 16.4 Mn spent on staff training and development. More details on page 87.
MAINTAINING GOVERNANCE REQUIREMENTS AND ADOPTING BEST PRACTICES	
Statement of Compliance 	Duly complied with mandatory regulations and voluntary best practices on Corporate Governance. More details available in the Statement of Compliance in page 155.
	Reviewed and monitored compliance on internal governance policies and frameworks such as the Manual of Financial Authority (MoFA), IT, Fraud related policies. More details on page 156.
GOVERNANCE INITIATIVES AND WAY FORWARD	
Initiatives and Outlook 	Governance initiatives of Softlogic Life were carried out effectively during 2021, with the direction of the Board. These Initiatives and their future outlook is presented in pages 158-159.
	Governance framework on the implementation of SLFRS-17 has been disclosed in page 60.
RISK MANAGEMENT AND PERFORMANCE REVIEW	
Risk & Performance Review 	Reviewed effectiveness of the Risk Management strategy, policies and risk appetite of the company. Provided feedback on identified risks in areas such COVID-19 impact on business operations. More details on page 210.
	Overall performance review of financials, operations and sales were conducted via Board Meetings. More details on page 170.
MANAGING AND COMMUNICATING WITH STAKEHOLDERS	
Managing Stakeholder demands 	The board held the 2021 AGM and kept shareholders informed as per the listing Rules of CSE. More details on page 189.
	The Board effectively engaged with stakeholders such as customers, government, regulators, community, suppliers and reinsurers. More details on page 190.
LEADING EFFORTS ON SUSTAINABILITY AND CSR	
Sustainability & CSR 	The board executed their responsibility on adapting and maintaining sustainable practices, reviewed and assessed the execution of sustainable practices and initiatives. More details on page 119.
	The Board also took lead on CSR initiatives during 2021. More details on page 121.

ANNUAL CORPORATE GOVERNANCE REPORT

OUR APPROACH TO CORPORATE GOVERNANCE

Softlogic Life's approach to Corporate Governance is built on a strong, comprehensive and integrated structure, creating an environment that enables the Company and its stakeholders to maintain rigorous standards of corporate governance at all times.

Softlogic Life is pledged to uphold its ethics and values. We are deeply committed to creating a culture of transparency and trust, holding ourselves accountable to every stakeholder even as we continue on a trajectory of sustainable growth.

We believe in going the extra mile; demonstrating our commitment to being a good corporate citizen by going beyond the requirements of regulatory compliance and our fiduciary duties. We have enhanced our framework of control with voluntary and best practice corporate governance codes to ensure that we remain an icon of good governance in all that we do.

We have built a future-focused, performance-driven culture which includes a comprehensive and efficient system of internal controls combined with an effective control environment designed to protect the interests of every stakeholder of the company.

We also maintain an efficient decision-making process in a setting of accountability, taking ownership of our responsibilities in order to deliver our strategic objectives without compromising our code of ethics or the control framework of the company.

The management of Softlogic Life ensures that adherence to the governance framework is prioritised at all times, providing all the resources required to foster a culture of good governance and best practice throughout the company, thus enhancing stakeholder confidence while keeping our corporate journey steady and sustainable.

Core Principles of Our Governance Framework

The governance framework of Softlogic Life follows three core principles as shown below:

Leadership

This refers to the governance of the company's leadership. The Board of Directors is responsible for the overall strategic direction of the Company which they delegate to the executive management of the Company for execution and then evaluate their performance.

Accountability and Assurance

This refers to the proper governance of the assurance framework and the regulatory assurance environment, as well as operational effectiveness and completeness in the execution of the governance practices of the organisation.

Stakeholder Engagement

This refers to governance in relation to the effective participation, communication and management of stakeholders who are impacted by the various aspects and operations of the Company.

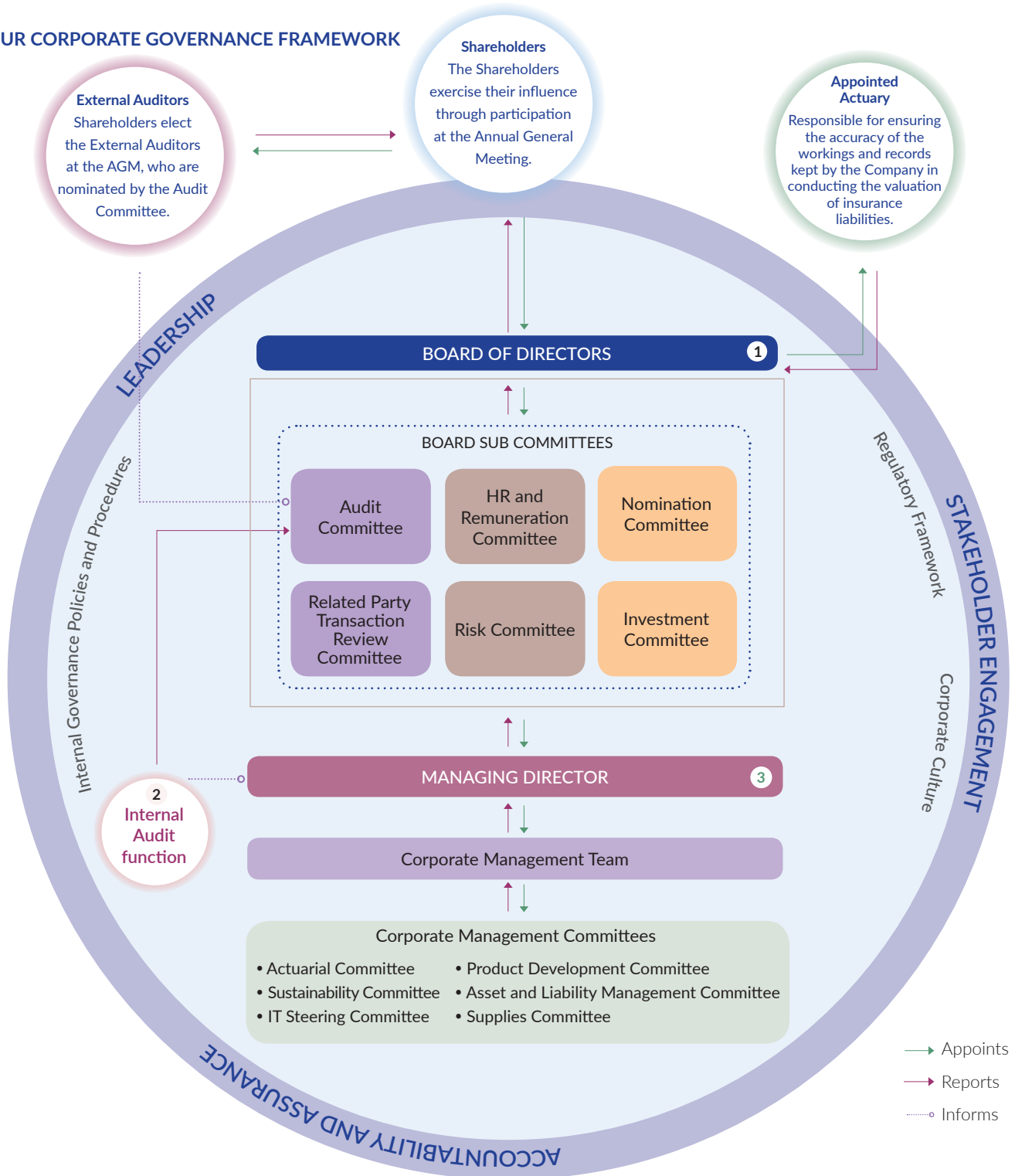
Objectives of the Core Principles of Our Governance Framework

Figure: Core Principles of our Governance Framework



CORPORATE GOVERNANCE

OUR CORPORATE GOVERNANCE FRAMEWORK



1. The Nominations Committee nominates suitable candidates to be appointed to the Board. Shareholders elect the Board of Directors at the AGM. The Board has an overarching responsibility for managing the affairs of Softlogic Life in the interests of the Company and shareholders.
2. The Internal Audit function reports directly to the Board Audit Committee.
3. The Managing Director is responsible for execution of the Board strategy in keeping with external rules and regulations.

STATEMENT OF COMPLIANCE

The 2021 integrated annual report includes the audited Financial Statements for the year ended 31st December 2021, which are provided on pages 261 to 365 while the Independent Auditors' Report is provided on pages 258-260.

This Report is prepared in accordance with the Integrated Reporting <IR> framework (www.theiirc.org) published by the International Integrated Reporting Council's (IIRC) and GRI Standards published by the Global Reporting Initiative. The Company has obtained an Assurance report on both <IR> reporting and the Sustainability Indicators of GRI Reporting as provided on page 381.

The Board wishes to confirm that the Company has been compliant during the year under review with the relevant sections of the Companies Act No.07 of 2007 and has satisfied all its statutory payment obligations to the Government and other regulatory bodies. The Company complied with the Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto. All the Directions issued 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).

The Annual Report of the Board of Directors as at 31st December 2021 is presented on pages 191-199. The Directors' statement of Internal Control is disclosed on pages 204-205. The Chairman's declaration of compliance with the Code of Business Conduct and Ethics for Directors and compliance with related regulations is given on page 151.

The level of compliance in preparing the Financial Statements has been declared by the Board of Directors on pages 200-201 in the Statement of Directors' Responsibility for Financial Reporting. 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 is given on pages 223-230.

Compliance Status

Principles	Status	Page
Companies Act No.07 of 2007-Content of Annual Report	✓	191-199
Regulation of Insurance Industry (RII) Act No. 43 of 2000	✓	222
Regulations, Directions and circulars issued by Insurance Regulatory Commission of Sri Lanka (IRCSL)	✓	191-199
Recommended Best Practice (RBP) for Corporate Governance	✓	191-199
CSE Listing Rules		
- Content of Annual Report- Rule 7.6	✓	380
- Corporate Governance-Rule 7.10		220-221
- Related Party Transactions-Rule 9		221
Financial Transaction Reporting Act No.06 of 2006 and Circular No.03/13 issued by FIU of Central Bank of Sri Lanka	✓	197
Direction 17- on Corporate Governance Framework for Insurance Companies by IRCSL	✓	222
Code of Best Practice on Corporate Governance by CA Sri Lanka	✓	223-230
GRI Content index	✓	382
Independent Assurance on Integrated Reporting	✓	139-140
Independent Auditors Report on Financial Statements	✓	258-260
Assurance Report of Integrated Reporting	✓	139-140

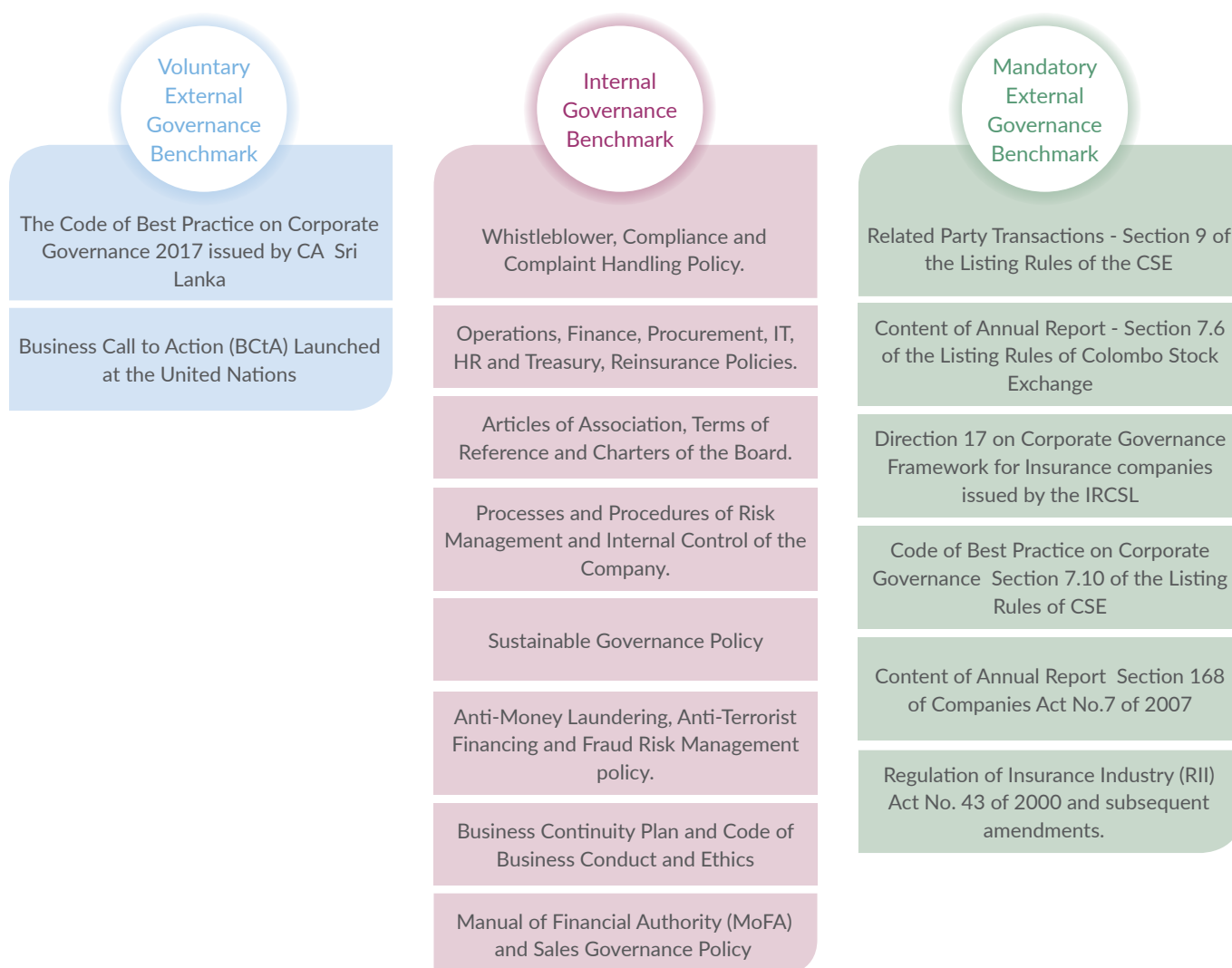
Circular No.03/13 -->Prevention and Suppression of Terrorism and Terrorist Financing
 Obligation of Reporting
 FIU -->Financial Intelligence Unit

Governance Benchmarks of the Company

The Company operates within its internal governance benchmarks while complying with both mandatory and voluntary external governance requirements. A visualisation of the Internal Governance Benchmarks as well as both mandatory and voluntary external governance benchmarks is shown in page 156.

CORPORATE GOVERNANCE

Figure: Governance Benchmark of the Company







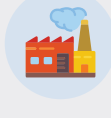

VALUE CREATION FROM GOVERNANCE FRAMEWORK

The Governance Framework of the organisation is embedded in to it's core business activities and has become a part of the value creation process of the organisation.

The company has six value driving capitals (refer pages 86-138). These capitals are assisted by the Governance Framework to drive value creation activities.

The company has adopted the external governance frameworks of statutory, regulatory and voluntary frameworks, along with the internal governance policy framework (refer pages 155-156), governance execution methods (refer pages 177-185) and the assurance framework (refer pages 186-188). Further, the Board of Directors and Board sub-committees (refer pages 206-219), Corporate management and management committees of the company (refer pages 174-176) enable the governance framework to create value to the organisation.

Table: How Governance framework components create value for the company

Value driving capital	Key objectives of Governance Framework	Governance framework components linked to value creation
 <p>Financial Capital</p>	Promote shareholder confidence and establish integrity in financial reporting and operations.	<ul style="list-style-type: none"> • Board of Directors and Corporate Management • Audit, Investment and Risk Board sub-committees • Regulatory governance codes • Manual of Financial Authority (MoFA) • Actuarial, Investment and Operations Governance
 <p>Human Capital</p>	Build an ethical and fair framework, which can be relied on by the workforce to achieve the company goals.	<ul style="list-style-type: none"> • HR & Remuneration Board Sub-committee • Code of Business Conduct and Ethics • HR Governance and Performance Governance • Whistle Blower policy
 <p>Social and Relationship Capital</p>	Identify and manage all stakeholder interests and build stakeholder confidence, which in turn would create sustainable growth.	<ul style="list-style-type: none"> • Sustainability Governance • Business Call to Action (BCtA) • Anti-Money Laundering and Anti-Terrorist Financing policies
 <p>Intellectual Capital</p>	Promote governance practices without hindering the innovation driven developments in the company	<ul style="list-style-type: none"> • Operations, Performance Governance and IT Governance • Product Development and IT Steering committees
 <p>Manufactured Capital</p>	Utilise effective governance to manage, protect and effectively distribute company assets.	<ul style="list-style-type: none"> • Business Continuity Plan • Code of Business Conduct and Ethics • Supplies Management committee
 <p>Natural Capital</p>	Govern and lead a sustainable and eco-friendly culture with these governance practices and initiatives.	<ul style="list-style-type: none"> • Sustainability Governance • Sustainability Management committee

How the Company Maintains Governance in Remuneration to Establish Value Creation

The Company ensures that remuneration and incentives are aligned with the Company's value creation process in the short, medium and long term. A core component of the remuneration policy is that remuneration and incentives are performance-based and will be instrumental in the improvement of performance in achieving objectives of the Company.

Board Remuneration
Refer Pages 174

Corporate Management Remuneration
Refer Pages 175

Value creation with performance based remuneration culture
Refer Pages 185

CORPORATE GOVERNANCE

GOVERNANCE INITIATIVES AND WAY FORWARD

Softlogic Life introduced many governance initiatives from 2017 onwards, which have been disclosed in each annual governance report. The Company used these initiatives to enhance its governance practices and to maximise stakeholder objectives. Below, we have provided a brief description and action update for 2021 for each initiative.

Fund level accounting in Oracle

The Company consecutively sustained clear segregation of assets and liabilities for Participating, Non-participating, Universal Life and Shareholders segment in the Oracle Accounting System which is designed to improve transparency to stakeholders.

2021 Update: The Company maintained same fund level accounting segregation for 2021 and keep separate ledgers for the Participating policyholder, Non-Participating policy holder, Shareholder and Universal Life segments.

Ring-Fencing of Investment Assets

The Company opened separate custodian accounts in order to carry out fund wise investment activities. This initiative further strengthened transparency and helped to evaluate fund level performance and allocate precise benefits to policyholders, based on performance of the fund.

2021 Update: The Company has continued to maintain the ring-fence asset portfolio and reported Rs. 34.2 Bn of Financial investment as 31 Dec 2021 (2020 - Rs. 27.4 Bn)

Asset share analysis - Declare an accurate bonus

The Company has developed an initial asset share for participating business by engaging the Wills Towers Watson India Private Limited which is a globally recognised actuarial firm and the Company has been able to distribute bonuses to participative policyholders on a fair basis and maximise policyholders' wealth in 2021.

2021 Update: The Company has declared a bonus of Rs. 428 Mn to participating policyholders in 2021 and this has been certified by the external Actuary Towers Watson India Private Limited. The report is provided in page 254.

Expense study – Appropriate expense allocation

Engaged with Wills Towers Watson India Private Limited. The Company initiated an expense allocation framework to allocate expenses properly and to enhance the appropriateness of expense attribution and quality of assumption. Through this, the Company can ensure transparency in allocating expenses to its policyholders.

2021 Update: The Company has allocated the expenses as per the expense study and the results have been factored into the Life fund valuation and the financial statements.

Surplus Analysis

This initiative constantly analyses the different components contributing to the surplus/ profit with actuarial analysis and provides a value addition to the shareholders by maximising returns. At the same time, it enhances the quality of the products we offer to our customers by charging fair premiums.

2021 Update: The management is regularly analysing surplus and decide necessary actions to secure the surplus which added value to shareholders. The Company has continuously monitored the surplus analysis and was able to report 38% growth in Profit After tax compared to 2020.

Publication of Quarterly Audited Financial Statements

The Company has published audited Interim Financial Statements for each quarter of 2021 within the statutory deadline at the Colombo Stock Exchange, through the CSE website. This initiative brings greater transparency to our Financial Reporting process and has a positive impact on the company's financial governance.

2021 Update: Softlogic Life is the only insurance Company to publish quarterly audited financial statements in the CSE on quarterly basis.. This process ensures transparency of the Company's financial position and all stakeholders can clearly see the certified financial results on a quarterly basis.

Capital Projection Model

This is a comprehensive model to analyse the Company's capital position and it can be considered a key corporate governance initiative. This model has the capability to incorporate different stress scenarios and sensitivity analyses which have been embedded to add more value to decisions. Management can predict different scenarios and know the expected results in advance. This is a critical factor for success in the long-term governance practices of the Company.

2021 Update: The capital projection model has been prepared in 2021 and the Company has taken necessary steps to analyse Capital Position of the Company. A Capital Projection Framework has been developed to project long term Capital Adequacy Ratio (CAR) with scenario testing and stress testing, which enable better decision making.

Reinsurance Study

Softlogic Life has numerous reinsurance arrangements that cover the range of products sold by the Company, such as individual life business, credit life products, group life products, etc. With the implementation of this study the Company can assess whether any revisions or new arrangements are required to optimise the cost of reinsurance in 2021. The study focused on key indicators such as profitability, volatility of cash flows, capital requirement and return of capital. This process provides assurance to the Management's commitment to sustainable governance practices within the company's operations.

2021 Update: The Company monitors the Reinsurance expense as a percentage to GWP, at fund level as well as product class level, while accurately managing the portfolio risk through reinsurance arrangements and optimizing the portfolio. During the year company paid Rs. 1,858 Mn as reinsurance expenses and recovered Rs.554 Mn as reinsurance recoveries from reinsurers.



Membership to Business Call to Action (BCtA)

The Company promotes the fair treatment to policyholders by engaging 'Business Call to Action' which 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).

2021 Update: The Company promotes and continued fair treatments to existing policyholders and potential customers by engaging Business Call to Action (BCtA) and bringing affordable life and health insurance to low-income earners in Sri Lanka.

Embedded Value (EV) and Appraisal Value (AV)

Embedded Value ("EV") measures the value of the insurer by adding today's value of the existing business (i.e. future profits) to the market value of net assets (i.e. accumulated past profits). Willis Towers Watson India Private Limited reviews the "EV" of Softlogic Life in order to assess the long term position of the Company.

2021 Update: Willis Towers Watson India Private Limited reviews the EV position of Softlogic Life in 2021 and provides the comprehensive report on the EV position of the Company.

External Assurance on Integrated Reporting

We are the first Company in Sri Lanka to obtain external assurance on our Integrated Reporting practices—reflecting our commitment to transparent and objective reporting to shareholders and other key stakeholders. The Company obtained Independent Assurance on Integrated Reporting for the second consecutive year in 2021.

2021 Update: The external assurance obtained on Integrated Reporting and the sustainability indicators are provided on Pages 139-140.

Financial Reinsurance Transaction with Munich-Re

Softlogic Life entered into a Financial Reinsurance transaction valued at USD 15 million with MunichRe—one of the top providers of reinsurance, primary insurance and insurance related risk solutions in the world. This will help the Company's growth trajectory which has advanced at a CGAR of 29% over the past five years. Combined with a high rate of new business, this arrangement has further strengthened the Company's stability.

2021 Update: The Company has monitor the underlying factors relevant to Fin Re transaction and asses the Fin Re position of the Company on regular basis and settle the relevant liabilities on timely manner. Refer page 349 for additional disclosures.

Raising Tier II Capital through Finn fund and Nor fund

In 2020, the Company achieved a landmark transaction with the Finnish Fund for Industrial Cooperation Ltd (Finn Fund) and the Norwegian Investment Fund for Developing Countries—an investment valued at USD 15 million which strengthened the Company's capital structure as Tier II subordinated debt capital. And more significantly, this transaction is being executed amidst the ongoing COVID-19 pandemic that has impacted the entire world and this is a testament to the good corporate governance framework adopted by the Company.

2021 Update: The Company has settled the outstanding dues and provide the required information to the Finn Fund and Nor Fund on timely basis. Refer page 356 for additional disclosures.

FUTURE OUTLOOK AND WAY FORWARD

[IMPLEMENTATION OF SLFRS 17]

SLFRS 17 will create a valuable opportunity for the company to reflect the finance results by enhancing of collaboration between actuaries and accountants. Moreover, SLFRS 17 provides prospects to enhance company governance towards the actuarial system and will be enabled to capitalization of financial acumen for achieving better business growth. Therefore, SLFRS 17 implementation will enhance the policyholder and investor confidence which will eventually drive to maximize the value of the company.

Management of the company is required to assess challenges & risks which will be associated with SLFRS 17 implementation and essentials to develop a sound governance framework, which is illustrated on pages 374-375 notes to the financial risk management to manage challengers and risk connected with the implementation of SLFRS 17.

The company has obtained key initiatives listed below during 2021 with the view of expediting the SLFRS 17 project execution for complying with the implementation deadline that has been announced by IASB.

- Assessed the impact to the Company's Financial Statements and it has explained on page 374-375.
- Launched a technical publication that explains implications to the company with SLFRS 17 implementation & created a protected cloud drive folder as a backup to the project credentials.
- Conducted knowledge-sharing sessions & position paper discussions with the consultant and identified key policy decisions, management judgments for preparing the Business Required Document (BRD) for commencing the system vendor selection.
- Decided to obtain the Willis Towers Watson support for SLFRS 17 implementation, in addition to the KPMG workarounds.

CORPORATE GOVERNANCE

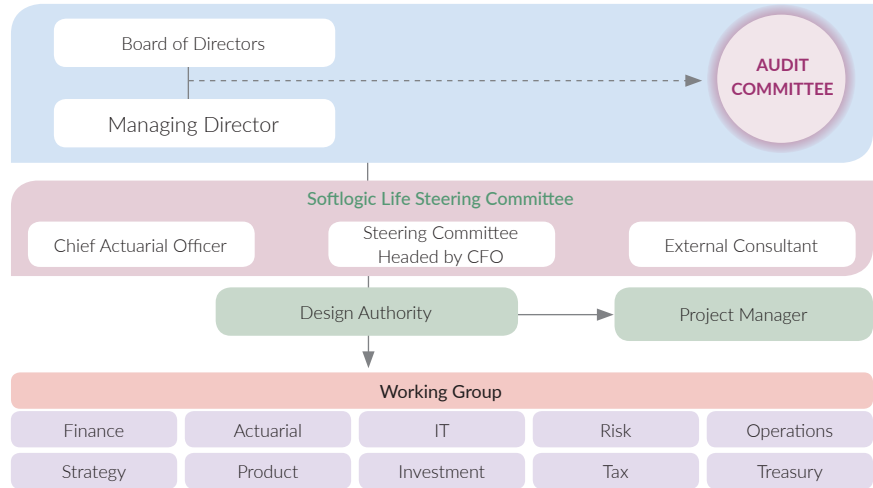
IMPLEMENTATION OF SLFRS 17

Introduction

SLFRS 17 set to replace the interim SLFRS 4, which was published by the International Accounting Standard Board and important accounting standard for the whole insurance industry across the globe. 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. Steering committee role in relating to the management of risk associated with SLFRS 17 implementation and how it links to ERM has been illustrated in the page 374-375.

Governance Structure of SLFRS 17

Figure: Governance Structure of SLFRS 17 Implementation



Update on Implementation and Project Plan

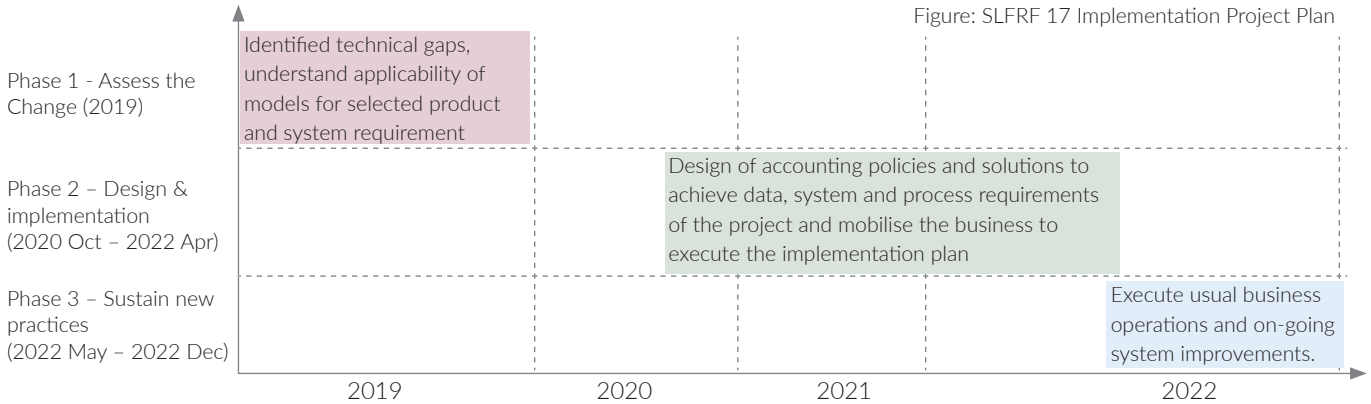
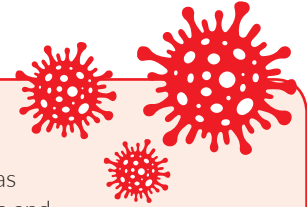


Figure: SLFRS 17 Implementation Project Plan

Key Governance considerations in the implementation of SLFRS 17

Project planning and management	The Company has a clear plan for implementation of SLFRS 17 and this is governed by its Steering Committee, headed by the Chief Financial Officer of the Company. The implementation plan has 3 main phases with specific time frames
Managing the transition	The Company has been able to monitor and manage transition impacts to key stakeholders at the initial stage and throughout the project and identify gaps between current and future practices.
Business processes, systems, and data	By analysing the Gap report, the Company understands the applicability of models for selected products and the high level system requirement phase and can assess data quality issues.
Financial reporting and controls	The Company is analysing adequacy of the system of governance around the accounting policies, new illustration formats, accounting judgments and estimates changes with the implementation of SLFRS 17.
Business impact	The project team should understand the activities for alignment with business and key stakeholder objectives. Assessing the adequacy of the system of governance around the internal practices, accounting policies, investment policies, the operating model and its effectiveness
Stakeholder communications	From the beginning of this project, the Company has continuously updated stakeholders through Annual Reports and we are planning to have series of workshops to educate shareholders on SLFRS 17 as well. In 2017, the company published a video to educate stakeholders.
Internal control environment changes	The Company will review the new guidelines and is planning to have discussions with the relevant committees. We also intend to modify the Company's Internal Control and governance framework to comply with the requirements of SLFRS 17.
Investors' Confidence	The implementation of the more consistent and comparable accounting principles of SLFRS 17 has the potential to provide greater transparency to insurers' profitability and financial performance, which will build investor confidence in reporting.

BEST MANAGEMENT PRACTICES DURING THE COVID-19 PANDEMIC



COVID-19 has set a new reality in the corporate environment, with focus of the society at the corporate citizenship of the leadership.

Working under the pressure of managing the sharper expectations of different stakeholders, the ability to maintain good governance within the Company and execute corporate responsibilities defined the leadership of the company.

In mid-2021, the Delta variant crippled the Sri Lankan economy, forcing another lockdown on the country.

However, Softlogic Life persevered in maintaining and executing its Governance Framework without fail during this turbulent period.

Role of IT Governance

IT governance was a catalyst enabling seamless connection between all the employees. We were able to facilitate remote working conditions whilst maintaining proper policyholder engagement.

- Digitising customer services for safety and convenience.
- Facilitating Board Meetings and employee connectivity via Virtual Meetings.
- Providing computing devices and software to enable Work From Home (WFH) arrangements.

Role of Risk Governance

Pandemic-related risk was identified and the Board was provided with strategies on how to manage such risk. Information on the financial and business operations impacts was also provided to the Board in a timely manner and was discussed by the Board Risk sub-committee.

Executing Leadership responsibilities

Board and Board sub-committee meetings

The Board gathered virtually for Board Meetings as well as Sub-Committee meetings and made sure that their duties and responsibilities discharged without exception.

Strategy execution by the Corporate Management team

The Managing Director liaised with the Corporate Management through the Management Committee meetings, which consists of relevant Head of Departments.

These committee meetings facilitated the effective decision making in a timely manner while balancing the interests of different stakeholder and the proper execution strategy setting for each decision including decision making with regarding to COVID-19 related issues.

The Corporate management team made sure to maintain the integrity of information collected and provided to the Board amid the pandemic situation and the WFH and remote working environment, which enable proper decision making capabilities.

Impact on Assurance Framework

Limited access to information and supervision

Due to travelling restrictions and remote working arrangements the usual control environment maintained was significantly impacted. However, even amid the unfavourable circumstances, the Company was able to maintain proper controls via connecting and gathering information virtually. This was evident by the increased number of Audit Assurance and Forensic Reviews performed during 2021 compared to 2020. More details available on page 286.

Managing stakeholder relationships

Annual General Meeting 2021

22nd AGM was held in 2021 and shareholders were kept informed in a timely manner while giving the opportunity to participate the virtual AGM.

Maintaining communication with policyholders and other stakeholders

The Board ensure that the Company has properly managed all the key stakeholder interests through various communication modes such as traditional media and social media outlets. This effort on maintaining communication with all stakeholders ensure the long-term sustainability in stakeholder management.

Keeping the workforce informed

The Company also maintained proper communication with the employees on working conditions and management decisions on different regulatory restrictions.

LEADERSHIP



Mr. Ashok Pathirage
Chairman
Age: 57 (Appointed 9 July 2011)
Non – Executive Director

Skills and Experience:
Experience in managing over 50 companies in Retail, Healthcare, Services, Telecommunications, Financial Services, IT, Leisure, Aviation and Automotive Industry.



Mr. Iftikar Ahamed
Managing Director
Age: 59 (Appointed 9 July 2011)
Executive Director

Skills and Experience:
More than 30 years of experience in Financial Services and Banking industries in Sri Lanka as well as overseas.



Mr. Haresh Kaimal
Director
Age: 56 (Appointed 7 March 2018)
Non – Executive Director

Skills and Experience:
His experience spans over 30 years in ICT sector in management of IT and Operations.



Ms. Fernanda Lima
Director
Age: 49 (Appointed 21 December 2018)
Non – Executive Director

Skills and Experience:
Her experience includes Financial Services and investment in emerging markets for over 20 years.



Mr. V. Govindasamy
Director
Age: 57 (Appointed 16 January 2020)
Independent Non – Executive Director

Skills and Experience:
He has experience in management in the sectors of Plantations, FMCG, Renewable Energy and Telecommunications.



Mr. Raimund Snyders
Director
Age: 57 (Appointed 2 May 2020)
Non – Executive Director

Skills and Experience:
He has management experience of over 28 years in Financial Services, Wealth and Investment Management.



Mr. Sanjaya Mohottala
Director
Age: 45 (Appointed 01 July 2021)
Independent Non – Executive Director

Skills and Experience:
He has experience in Corporate Finance, Automation, Digitisation, Sales and Marketing.



Mr. Lalith Withana
Director
Age: 60 (Appointed 01 July 2021)
Independent Non – Executive Director

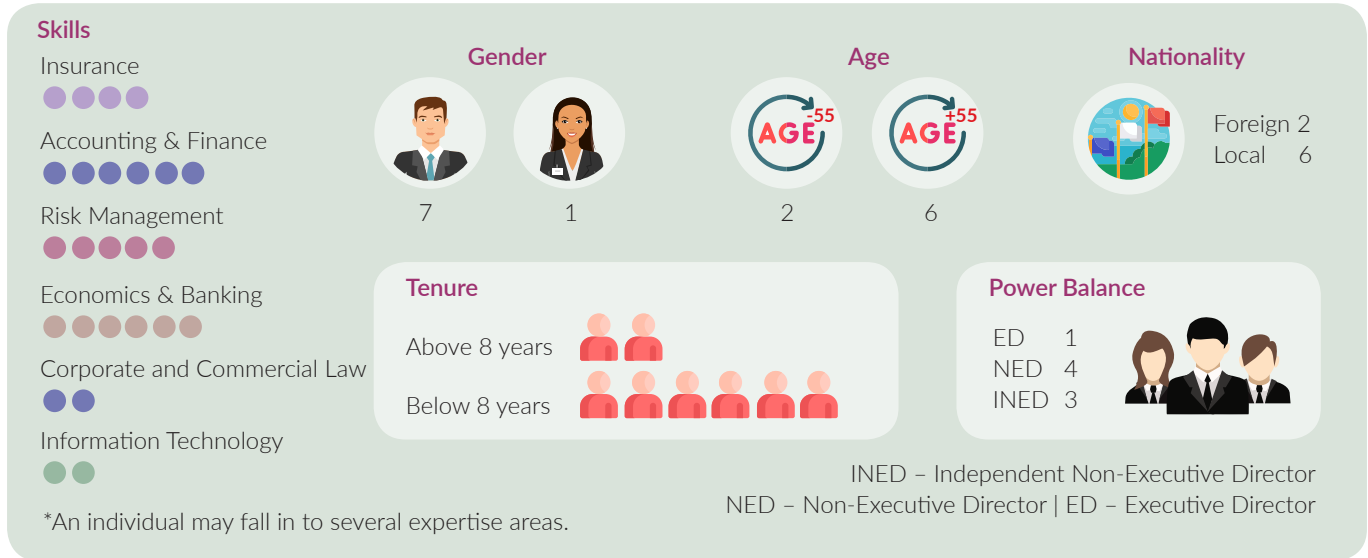
Skills and Experience:
He has Management experience of over 25 years in Banking, Manufacturing & Trading sectors.

- Board Audit Committee
- Board Risk Committee
- Board Investment Committee
- Board Nomination Committee
- Board HR and Remuneration Committee
- Board Related Party Transaction Review Committee
- C – Chairman

BOARD OF DIRECTORS

Board Composition

Figure: Board Composition



The Board of Softlogic Life Insurance PLC has a combination of independent and non-independent Directors with a diverse as well as complementary skill set, experience and vision that enable them to discharge their individual and collective responsibilities to:

- Maintain good governance and compliance
- Provide a strong leadership to the Company
- Maintain accountability to the shareholders

Power Balance of the Board

A majority of the Board (7 out of 8) is comprised of Non-Executive Directors. This ensures that their views and opinions have significant influence.

Further, 1/3 of the Board are Independent Non-Executive Directors, whose judgment is not influenced by the Company and its elements. Further details on the role of Independent Non-Executive Directors are stated on page 164.

Separation of the roles of Chairman and CEO

The Board has taken further steps to balance the decision making power and authority as well as accountability of the roles of the Chairman and Managing Director by having a separate Chairman and a Managing Director, thus ensuring that no one Board member has unfettered power on the Board. The roles of Chairman and Managing Director are provided in detail on page 164.

Financial Acumen of the Board

The Board is comprised of multiple board members who have solid financial acumen spanning the areas of Audit, Financial reporting and Corporate Finance as well as Investment Banking.

Senior Independent Director (SID)

The Board also includes a Senior Independent Director, whose appointment further empowers the voice of independence on the Board, as well as making way for unbiased opinions and objective criticism. More details mentioned under Code of Best Practices in page 222.

Powers, 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.

Refer pages 200-201 for the Statement of Directors' Responsibility, for Financial Reporting.

The Board is given significant yet appropriate levels of power, to execute the responsibilities assigned to them.

The Board has also been allowed to seek and utilise 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 hold 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).

CORPORATE GOVERNANCE

Roles of the Board

The Role of Chairman

- Provides firm and objective leadership to the Board.
- Facilitates the effective discharge of the duties pertaining to the Board.
- Maintains order and smooth functioning of the Board.
- Presides 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.
- Promotes and carries out responsibilities in the best interest of good governance.

The Chairman of the Board
Mr. Ashok Pathirage

A full profile of the Chairman is available on page 145.

The Role of Managing Director

- Takes leadership in the execution of the Strategy outlined by the Board of Directors.
- Manages the Executive Management in day-to-day operations.
- Reviews and oversees the implementation of key initiatives to meet the objectives of the company.
- Leads the Executive Management in achieving the corporate objectives set by the board and included in the corporate plan of the company.

The Managing Director
Mr. Iftikar Ahamed

A full profile of the MD on available in page 145.

The Role of Independent Non – Executive Directors

- Act as the element of independence and unbiased opinions in the Board.
- Provide 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.
- Provide corporate credibility due to their extensive experience in leadership roles in various organisations.
- Improve governance standards by becoming members of Board sub-committees.

Three Independent Non-Executive Directors are serving on the Board of Softlogic Life:

Mr. V. Govindasamy
Mr. Lalith Withana
Mr. Sanjaya Mohottala

Refer page 145-146 for their profiles.

The Role of Company Secretary

- Supports the Board by ensuring a proper flow of information.
- Ensures that the meetings are conducted in accordance with the Articles of Association, the Board Charter and relevant legislations.
- Formulates meeting agendas with the Chairman, MD and other directors.
- Coordinates with the management on Board papers, memoranda or presentations for the meetings.
- Ensures that all proceedings of the meetings are duly recorded in the Minutes.
- Maintains statutory registers and files statutory returns.
- Promptly communicates with regulators & shareholders facilitating a healthy relationship with the Company.
- Facilitates access to legal advice in consultation with the Board, where necessary.

Company Secretary for Softlogic Life:

P. R. Secretarial Services (Pvt) Ltd
59, Gregory's Road,
Colombo 7, Sri Lanka.

Responsibilities of the Board

In order to achieve the strategic objectives of the Company and to properly utilise the input from the Board, the members of the Board have been assigned responsibilities as shown below.

	Responsibility	2021 Update
Strategic Decision	Setting Strategic Targets & New Initiatives	The Board set and reviewed Strategic Targets and new initiatives. Details on Strategic targets under each capital: pages 86-138. New initiatives for 2021: pages 86-138.
	Deciding the Risk Appetite & Risk Governance Review of the Company	The Company Risk Management Policy was discussed and reviewed by the Board. Details given in pages 231-250.
	Effective use and discharge the duties of Board Sub-Committees	Board Sub Committee Meetings were held and discharged duties in 2021. Further details available in page 168.
	Integrating sustainable business developments into Company strategy and promoting integrated reporting	Various CSR and sustainability initiatives were reviewed by the Board. Refer pages 119-127 for details.
Execution and Operating Governance	Guiding and providing input to the Corporate Management to execute their strategic duties	Guidance was given to Corporate Management to prepare the Corporate Plan 2022-2024 and evaluate the strategies implemented by the Corporate Management.
	Succession Planning for MD and Key Management Personnel (KMP)	Succession planning was executed by the HR & Remuneration Board Committee. Refer pages 212-213.
	Reviewing Company's values, standards and encouraging compliance with regulations	The Company's values and standards were discussed by the Board including the adaptation of the new accounting standards. Refer pages 206-209.
	Appointing of MD and Evaluation of their strategy of the Corporate Management.	The Board evaluated the performance of the MD and KMP's during 2021. Refer Page 174 for details.
	Evaluating of Annual Budget, Major Capital Expenditure, financial delegation, appointment of auditors and other Board reserved duties	The Board reviewed various major capital expenditure and budgets through various resolutions passed in 2021.
	Considering all stakeholder interests in decision making.	The Board has analysed the impact on various stakeholders of the company. Refer pages 65-69 for details.
Continuous Monitoring	Monitoring execution of the Strategic Plan and risks faced by the Company	The Board evaluated and monitored the execution of the strategic plan and risks faced via Board Risk committee.
	Monitoring periodic financial performance report publishing of the Company	Financial Performance, KPI and budget achievements were reviewed at Board meetings during the year 2021.
	Assessing the effectiveness of the Board via Self-evaluation	The Board carried out self-evaluations in 2021. Refer pages 172-173 for more details.
Reporting and Compliance	Complying with laws, governing body (IRCSL) regulations and ethical standards	A compliance and Legal review was monitored and discussed through Board Meetings. Refer Audit committee report for more details on pages 206-209.
	Reporting to shareholders on their stewardship	The Corporate Governance section on pages 162-176 provides a detailed approach to the stewardship activities.
	Ensuring the integrity of financial information, internal controls, risk management and Business Continuity as well as code of conduct.	The Board reviewed the integrity of financial information, effectiveness of control and risk management environment. Refer details on respective areas on pages 206-211.
	Reviewing & approving interim and annual financial statements for publication.	Declarations of the Annual Report and Financial Statements can be found on pages 206.

CORPORATE GOVERNANCE

MAINTAINING THE INDEPENDENCE OF THE BOARD

Submission of Independence Declaration

The formal declaration of independence which is made annually has been submitted by all Directors in 2021.

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 issued in 2017.

Assessment of independence

Directors have been given the duty of self-assessment, to examine any compromises of independence for potential/ actual conflict of interest arising from interest in material matters of personal or professional relationships which may impair unbiased judgment.

Review and Dealing with Conflict

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 on Board independence

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 and available with the Company Secretary 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.

Three-way approach to eliminate conflict of interest

Figure: 3-step approach to eliminate conflict of interest

New Director Appointments:

Prior to appointing a new Director, their various conflicting interests are reviewed by the Board.

Existing Directors:

Directors must notify the Chairman of any changes in their position or any changes in other interests which may compromise their independence and subsequently be reviewed by the Board.

Directors who have an interest in a matter under discussion:

Excuse themselves from discussing the matter and refrain from voting on the matter as well as properly Minute such actions.

Criteria in determining the Independence of the Board of Directors:

1. Has not been employed by the Company during the period of two years immediately preceding appointment as Director.
2. Currently has no material business relationship with the Company directly or indirectly, nor had any during the period of two years.
3. Does not have any close family member/s who is a Director or CEO or key management personnel in the Company.
4. Does not have a significant shareholding in the Company nor associated directly with, a significant shareholder of the Company.
5. Has not been served on the Board of the Company continuously for a period exceeding nine years from the date of the first appointment.
6. 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.
7. Not a Director of another company in which majority of the other directors are employed / directors or have any significant shareholding.
8. 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.

Independence of Directors as at 31st December 2021

Table: Independence of Directors as at 31st December 2021

	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. Iftikar Ahamed	✗	✓	✓	✓	✗	✗	✗	✓
Mr. Haresh Kaimal	✓	✓	✓	✓	✓	✓	✗	✗
Ms. Fernanda Lima	✓	✓	✓	✓	✓	✓	✗	✓
Mr. Raimund Snyders	✓	✓	✓	✓	✓	✓	✗	✓
Mr. V. Govindasamy	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Sanjaya Mohottala	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Lalith Withana	✓	✓	✓	✓	✓	✓	✓	✓

✓ - Complied with the criteria for independence | ✗ - Not complied with the criteria for independence

PROFESSIONAL DEVELOPMENT OF THE BOARD

The Board regularly reviews the requirement of continuous development to expand their knowledge and expertise. The Directors have access to:

- Seek independent professional advice at the Company's expense, if considered appropriate and necessary at any time.
- Company secretaries, Corporate and Sales Management, External and Internal Auditors, experts and other external professional service providers.
- Information such as financial plans, including budgets and forecasts and periodic performance reports as necessary.
- Updates on regulations, best practices as relevant to the business and other matters which warrant Board attention.
- Regular presentations carried out by the Corporate Management and external experts on the business environment of the Company.

Latest Professional Development Events Held

The Board was presented a demonstration of 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.

Furthermore, a comprehensive induction program which introduces the newly appointed directors to Softlogic Life's businesses and its Corporate and Sales management is provided. This facilitates the Director's familiarization on the Company's strategy, risk appetite, operational and internal controls.

During the year newly appointed Directors attended the Company Strategy Meetings and were presented by the Management on key areas ranging from Actuarial, Sales Distribution, Finance, Life Operations and all the other critical areas, thereby enhancing the Directors' knowledge about the Company and how it operates.

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 specialised issues with strong governance.
- 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.

Each sub-committee has its own terms of reference and activities included in sub-committee reports from pages 206-219.

CORPORATE GOVERNANCE

Functioning of Sub-Committees

The Company maintains six Board Sub-Committees consisting delegated functions, responsibilities and powers of the Board. The Sub-Committee Chairmen are accountable for effective functioning and report to the Board on the Sub-Committee activities, highlighting matters for attention. The Board Secretary acts as the Secretary to each of the Sub-Committees.

Table: Board Sub-Committee details

Board Sub-Committee	Sub-Committee Objectives	Members	Committee Attributes
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.	<ul style="list-style-type: none"> Mr. Lalith Withana (CHR-INED) Mr. V. Govindasamy (INED) Mr. Raimund Snyders (NED) 	100% Attendance 67% Independent Directors Refer pages 206-209 for details
Risk Committee	Design and implementation of an effective Risk Management Framework, Risk measurement, monitoring and management, Compliance with regulatory and internal prudential requirements	<ul style="list-style-type: none"> Mr. Raimund Snyders (CHR-NED) Ms. Fernanda Lima (NED) Mr. Iftikar Ahamed (ED) 	94% Attendance 67% Non-Executive Directors Refer pages 210-211 for details
Human Resources and Remuneration Committee	Organisation values and code of conduct, Compliance with labour laws, Organisational Structure, HR policies on recruitment, remuneration, benefits and talent management of the Company's employees	<ul style="list-style-type: none"> Mr. V. Govindasamy (CHR-INED) Mr. Lalith Withana (INED) Mr. Ashok Pathirage (NED) 	100% Attendance 67% Independent Directors Refer pages 212-213 for details
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.	<ul style="list-style-type: none"> Mr. Lalith Withana (CHR-INED) Mr. V. Govindasamy (INED) Mr. Raimund Snyders (NED) 	100% Attendance 67% Independent Directors Refer pages 216-217 for details
Investment Committee	Design an appropriate investment strategy, monitor investment performance and ensure compliance with investment regulations	<ul style="list-style-type: none"> Mr. Ashok Pathirage (CHR-NED) Mr. Sanjaya Mohottala (INED) Mr. V. Govindasamy (INED) Ms. Fernanda Lima (NED) Mr. Raimund Snyders (NED) Mr. Iftikar Ahamed (ED) 	100% Attendance 83% Non-Executive Directors Refer pages 214-215 for details
Nomination Committee	Selection and appointment of Directors and KMPs as well as maintaining gender diversity, identifying expertise gaps and succession planning.	<ul style="list-style-type: none"> Mr. V. Govindasamy (CHR-INED) Mr. Lalith Withana (INED) Mr. Ashok Pathirage (NED) 	100% Attendance 67% Independent Directors Refer pages 218-219 for details

CHR – Committee Chairman | INED – Independent Non-Executive Director | NED – Non-Executive Director
 ED – Executive Director

BOARD MEETINGS

The Board of Directors convenes at the Board Meetings where they may bring their diverse knowledge and experience to bear on various topics under discussion.

The Board is informed about all Board Meetings at the beginning of each year and every Director is given the opportunity to include matters of concern in the agenda.

Information Supply to the Board

Information provided to the Board is of required quality and substance that will enable them to adequately discharge their duties.

Information for the Board is uploaded into a mobile application, on a monthly basis, through which Directors are able to view the Board packs and Board papers provided by the management, request additional information and provide their comments and feedback.

All Directors have independent access to the Company Secretary and the discretion to obtain external advice.

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.

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 to the ordinary Board meeting process.

Figure: Board Meeting Preparation Process

1. The Chairman prepares the agenda for the meeting in consultation with the Managing Director, Directors and Company Secretary.
2. The Notice of Meeting, Agenda and Board Papers are circulated among the Board members, seven days in advance by the Company Secretary.
3. Board members utilise the period of the advance notice to review the information, request additional information, study the agenda and prepare for the Board meeting.

Meeting Agenda Circulation

Board meetings and all sub-committee meetings receive their agendas one week prior to the meeting date with the exception of the Board Risk sub-committee meeting, for which, agendas are given two weeks in advance.

During the Board Meeting

The Board takes on issues under consideration and has access to Key Management Personnel during the Board meeting, who are called in by the Board for matters relating to their respective areas.

The Directors are also able to join virtually via telephone or video conference calls.

The Chairman facilitates constructive dialogue between all Directors at Board meetings while maintaining a balance of power between Executive and Non-Executive Directors. He also ensures effective participation and contribution from all the Directors within their respective capabilities.

The Sub-Committee Chairmen provide updates on the matters discussed at the Sub Committee meetings.

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 developments, as required.

The Company Secretary attends the Board meetings, ensures that the applicable rules and regulations are complied with and records the Board meeting Minutes.

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 familiarised in any areas of the business operation if the requirement arises.

Any absentee for a meeting would be briefed on the meeting proceeds via circulation of the Board meetings which is done two weeks after the Board meeting took place, by the Company Secretary.

CORPORATE GOVERNANCE

Board Attendance during 2021

The Board met four (4) times during the year. The Board is aware of its Directors' other commitments and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities at Softlogic Life effectively.

Table: Director Participation in Board Meetings and Sub-Committee Meetings

	Board Meetings	Audit Committee	Risk Committee	HR and Remuneration Committee	Related Party Committee	Investment Committee	Nomination Committee
Independent Non- Executive Directors							
Mr. Sujeewa Rajapakse ²	2/2	2/2		1/1	2/2	2/2	1/1
Mr. Ray Abeywardena ³	2/2	2/2	3/3	1/1	2/2	2/2	1/1
Mr. Sanjaya Mohottala ⁴	2/2					2/2	
Mr. Lalith Withana ⁵	2/2	2/2		N/A	2/2		N/A
Mr. V. Govindasamy	4/4	2/2		N/A	2/2	4/4	N/A
Non-Executive Directors							
Mr. Ashok Pathirage	4/4			1/1		4/4	1/1
Mr. Haresh Kaimal	4/4						
Ms. Fernanda Lima	4/4		5/5			4/4	
Mr. Raimund Snyders	4/4	4/4	4/5		2/2	4/4	
Executive Directors							
Mr. Iftikar Ahamed	4/4		5/5			4/4	
Mr. Chula Hettiarachchi ¹	1/2						

 Member  Chairman

Total Meeting Attendance	97%	100%	94%	100%	100%	100%	100%
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¹ Mr. Chula Hettiarachchi left the Board due to his demise on the 31-May-2021.

² Mr. Sujeewa Rajapakse retired from the Board w.e.f. 30-Jun-2021.

³ Mr. Ray Abeywardena retired from the Board w.e.f. 30-Jun-2021.

⁴ Mr. Sanjaya Mohottala was appointed to the Board w.e.f. 01-Jul-2021.

⁵ Mr. Lalith Withana was appointed to the Board w.e.f. 01-Jul-2021.

Key Activities of the Board during 2021

- Corporate Strategy planning

- Financials review

- Performance and Operations review

- Risk and Control framework review

- Legal and Compliance review

- Human Resources review

- Sales and Marketing review

- IT and digital strategy review

- Macro and Micro environment review

APPOINTMENT, RE-ELECTION AND RESIGNATION OF DIRECTORS

Appointment

New Board appointments are carried out in a formal and transparent process and are governed by the Articles of Association and the Company Policy.

STEP 1: Current Status

The Nominations Committee annually evaluates the combined experience, expertise and diversity of the current Board, in order to identify if additional attributes are required for the Board.

STEP 2: Requirement

A new appointment of a Director may be decided based on the requirement to acquire skills, expertise and experience required/ not adequately currently represented for the Strategic Vision of the Company as well as to enhance the Board performance and overall effectiveness.

STEP 3: Evaluation

The Nominations Committee evaluates suitable candidates and checks their existing directorships and other

commitments to make sure that sufficient time is available to discharge their duties at Softlogic Life Insurance PLC.

STEP 4: Recommendation

The Nomination Committee make its recommendations through the nominations of the selected candidates to the Board of Directors, via a transparent and formal procedure.

STEP 5: Selection

The final selection will be a transparent, formal appointment of the new director which is subject to the approval of the Board and shareholders as well as the regulatory body (IRCSL).

STEP 6: Announcement

The appointment of the new Director to the Board will be communicated to the Colombo Stock Exchange (CSE) and the shareholders via press release which will include a brief resume of the newly appointed Director, Shareholding of the Company by the new Director and the Status of Independence of the new Director.

Reasoning behind new Board appointments:

- Skills, expertise and experience necessary to meet the strategic vision of the business.
- Means to enhance 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.

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 giving the reason for the resignation.

Summary of Board appointments, retirements and resignations during 2021

Table: Changes in the Board during 2021

Change to the Board	Director Name	Nature of the Directorship	Date of appointment/retirement	Shares held
Appointments	Mr. Lalith Withana	Independent Non-Executive Director	01-Jul-2021	Nil
	Mr. Sanjaya Mohottala	Independent Non-Executive Director	01-Jul-2021	Nil
Retirements	Mr. Sujeewa Rajapakse	Independent Non-Executive Director	30-Jun-2021	Nil
	Mr. Ray Abeywardena	Independent Non-Executive Director	30-Jun-2021	Nil
Demise	Mr. Chula Hettiarachchi	Executive Director	31-May-2021	Nil

Mr. Ray Abeywardena and Mr. Sujeewa Rajapakse retired from the Board as they have completed 9 years on the Board, complying with Direction 17 issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

CORPORATE GOVERNANCE

Board Induction

There is a comprehensive induction programme available for all newly appointed directors, which is facilitated by the Company Secretary.

Figure: Process of Board Induction



Step 1

The newly-appointed Directors were introduced to Softlogic Life's business and Senior Management team.



Step 2

The new Directors were apprised of the Company values, culture and the Code of Conduct.



Step 3

Introduction to the regulatory directions of the IRCSL and the governance framework including the Articles of Association, Charters, Policies and procedures were communicated to the new Directors.



Step 4

The responsibilities the Directors should be undertaking in the prevailing legislative environment were also informed.



Step 5

Familiarity in the operations of the Company including the Company strategy, risk appetite and internal controls were provided to the Directors.

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.

The 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 subject 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 31st March 2022, please refer the Notice of the Meeting on page 388.

Apart from the induction programme the newly appointed Director will be a participant at Company strategy meetings where the Management will present information about 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.

BOARD COMPETENCY EVALUATION

The Board periodically appraise their performance in order to ensure that they adequately meet the responsibilities as set out in the Board Charter.

The assessment of the Board is carried out as a Self-Assessment by the Board of Directors. The Nominations Committee has been given the responsibility of evaluation of the self-appraisals of the Directors and provides its recommendation to the board.

Board Evaluation Process

STEP 1: Self-Evaluations carried out by each Board member.

STEP 2: Evaluations are compiled and presented to the Nominations Committee by the Company Secretary.

STEP 3: The Nomination Committee analyses the compiled information.

STEP 4: Nominations Committee recommends to the Board, the initiatives and actions required to enhance Board effectiveness.

Evaluation of the CEO/Managing Director

The performance of the Managing Director is appraised by the Board at the end of the year. The Board, with the consultation of the MD, determines the annual targets given to the MD at the beginning of the year.

These annual targets are comprised of both financial and non-financial targets that are in line with the short, medium and long-term objectives of the corporate strategy.

Evaluation of Board-Sub Committees

The Company continued the process of evaluating Board Sub-Committees to ensure they function effectively and efficiently while discharging all their responsibilities as outlined in the Charters.

Board sub-committee evaluations for year 2021 are available on pages 206-219.

CODE OF CONDUCT AND ETHICS FOR DIRECTORS

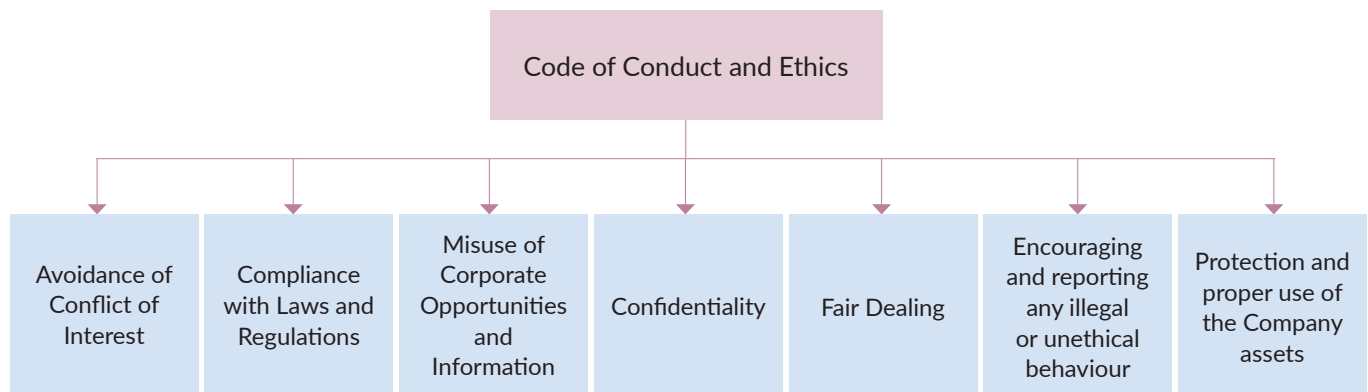
All employees of the Company including the Board are mandated to comply without exception the Code of Conduct and Ethics at all times including;

- When on official duty at office or at external events and at public settings representing the Company.
- When on personal business where the actions of an individual can reflect on the Company.

Code of conduct includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information.

The Board's compliance with the Code of Conduct is declared by the Chairman of the Board on page 151.

Figure: Code of Conduct and Ethics of the Company



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

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.

Misuse of Corporate Opportunities and Information

Directors are expected to refrain from using opportunities discovered through use of corporate property, information or property, for personal gain or to compete with the Company directly or indirectly at any given time.

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 authorised or legally required. This principle applies to all communications, whether oral, written or electronic.

Fair Dealing

The Board should deal fairly with all stakeholders such as customers, employees, suppliers, shareholders, etc. and should not take unfair advantage through unfair dealing practices.

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.

Protection and proper use of the Company assets

All Directors must protect the Company's assets and ensure their efficient use.

CORPORATE GOVERNANCE

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BOARD REMUNERATION

The Company has established a robust remuneration procedure which enables the Company to attract and retain valuable insight and input of the Directors, in realising corporate strategic goals.

The Company has established a formal and transparent procedure for the remuneration for individual Directors.

The Human Resource and Remuneration Board Sub-committee was set up to make recommendations to the Board within agreed terms of reference, on the remuneration of Executive directors and Non-Executive Directors.

The committee consults the Chairman and MD regarding setting remuneration and seeks professional advice as and when deemed necessary with respect to setting the Executive Directors' remuneration.

The committee is chaired by an Independent Non-Executive Director and comprise a majority (2/3) of Independent Directors. This composition retains the independent decision making power of the committee. More details about the committee are available on pages 212-213.

The remuneration of the members of the Remuneration Committee is determined by the other members of the Board, thereby eliminating any potential for conflict of interest. These processes ensure that no Director is involved in deciding his/her own remuneration.

Level and structure of remuneration

The HR and Remuneration committee ensure that the remuneration paid is sufficient to attract and retain high calibre professionals to the Board. They also seek the assistance of professionals in structuring the remuneration and benchmarking with market on a regular basis.

The remuneration paid to Board members is commensurate with their skills, experience, knowledge and involvement in Board activities.

The Company have been defined, Directors (including Executive and Non-Executive Directors) as Key Management Personnel of the Company.

Remuneration and benefits of the KMPs are however determined in accordance with the remuneration policies of the Company.

Disclosure of remuneration

The breakdown of remuneration paid to Directors is disclosed among the other disclosures regarding remuneration on page 317 in the Annual Report.

For further details regarding the Remuneration policy and other key aspects relating to the remuneration of the Directors, please refer to the Human Resources and Remuneration Committee Report on pages 212-213.

CORPORATE MANAGEMENT

Corporate Management team of Softlogic Life Insurance holds executive power delegated to them by authority of the Board of Directors and shareholders.

This group of individuals operates at the higher level of the organisation and have day-to-day responsibility for managing other individuals and responsibility for maintaining key business functions.

The Organisational structure is available on page 17.

The profiles of Corporate Management team are available on pages 147-148.

Performance Evaluation of the Managing Director and Corporate Management team

The Managing Director's performance evaluation is available on page 172.

Performance evaluations for the rest of the Corporate Management team are carried out by the Managing Director.

Performance objectives are given at the beginning of the year, based on achieving the objectives set by the Board for the year.

All performance evaluations of the Corporate Management team are based on the achievement of given objectives while taking into account the operating and economic environment of the country.

Setting Annual Targets for the MD/CEO

The Board, in consultation with the MD/ CEO, sets reasonable financial and non- financial targets in line with the short-term, medium-term and long-term objectives of the Company, which are to be achieved by the MD/CEO during the year.

These corporate objectives are included in the Corporate Plan for the year, which is reviewed and approved by the Board. The main focus areas of the Corporate Plan for the year were:

- Market Share
- Gross Written Premium
- Underwriting results
- Profitability
- Premium persistency
- Dividend payout
- Remuneration of employees
- Sustainability

Code of Conduct for Corporate Management

The Corporate Management is also required to comply with the Code of Conduct of the company which is described in detail on page 173.

Remuneration of the Corporate Management Team

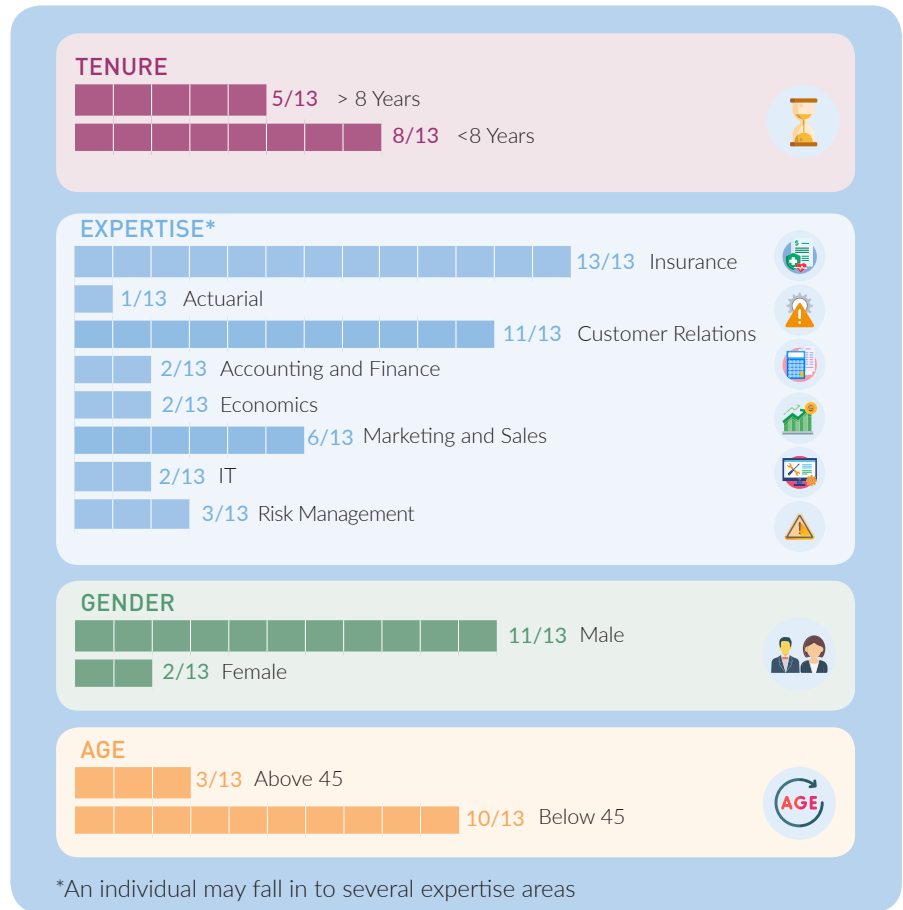
The structure of remuneration is designed to be competitive, in order to retain talent in its team members and within the Company. The remuneration package also includes a variable component based on the achievement of performance objectives during the year.

Corporate Management Team Composition

Diversity plays a key role in keeping the Company moving steadily forward on its journey of growth.

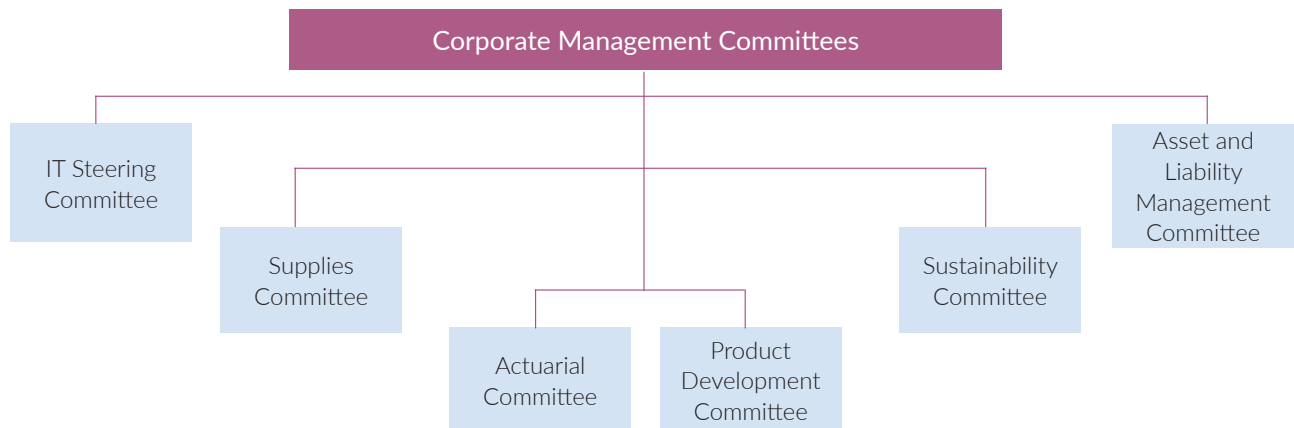
Softlogic Life's Corporate Management team reflects such diversity in many aspects, ranging from industry expertise, age, tenure and gender, as shown in the figure to the right.

Figure: Corporate Management Composition



Corporate Management Committees

In pursuit of its strategic objectives, the Company has formed various management committees to maintain and enhance performance and governance under the leadership of the Managing Director. A summary of the key objectives, members and frequency of these meetings is shown below.



CORPORATE GOVERNANCE

Table: Management Committee details

Management Committee	Committee Objectives	Members	Meeting Frequency	Meetings Held/Planned
Actuarial Committee	Continuously monitor performance of the life fund, product portfolio, and valuation of life fund, expense allocation and regulatory requirements.	<ul style="list-style-type: none"> Managing Director Consultant Actuary Chief Technical Officer Chief Actuarial Officer Chief Financial Officer 	Monthly	12/12
Product Development Committee	Focus on revamping SLI's existing products in order to compete with prominent products in the industry. Suggestions for new product development are analysed, acting as a medium to convey information from sales.	<ul style="list-style-type: none"> Deputy Chief Executive Officer Chief Corporate Services Officer Chief Distribution Officer - Alternate Chief Actuarial Officer Chief Technical Officer Chief Financial Officer 	Quarterly	4/4
Sustainability Committee	Communicate our responsibilities with regards to the policies and practices that relate to the sustainable and holistic growth of the Company, to our stakeholders.	<ul style="list-style-type: none"> Managing Director Deputy Chief Executive Officer Chief Financial Officer Chief Corporate Services Officer 	Monthly	12/12
Asset and Liability Management Committee	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.	<ul style="list-style-type: none"> Managing Director Chief Technical Officer Chief Actuarial Officer Chief Financial Officer Head of Risk Head of Investment (Group) 	Monthly	12/12
IT Steering Committee	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.	<ul style="list-style-type: none"> Managing Director Deputy Chief Executive Officer Chief Distribution Officer - Alternate Chief Information Officer Chief Financial Officer 	Monthly	12/12
Supplies Committee	Selecting the right supplier after considering the quality, price and delivery date.	<ul style="list-style-type: none"> Deputy Chief Executive Officer Chief Corporate Services Officer Chief Financial Officer 	Biannually	2/2

ACCOUNTABILITY AND ASSURANCE

GOVERNANCE EXECUTION

Highlights on seven Governance Execution practices during 2021

 Actuarial Governance	 Investment Governance
 Risk Governance	 IT Governance
 Sustainability Governance	 Operations Governance
 Performance Governance	

Actuarial Governance

- Total Insurance Contract Liabilities grew by 23% in 2021 compared to 2020.
- Capital Adequacy Ratio is 395% in 2021 (2020 – 302%).
- Rs. 428 Mn was allocated as Policyholder Bonus as at 2021, while complying with requirements and gaining the necessary certifications of the appointed actuaries.

Refer pages 178 for details

Investment Governance

- While complying with Regulatory and Internal Risk Management requirements, the total financial assets base grew by 25% while total Investment income increased by 44% compared to 2020.
- Compliance with regulatory requirements for investments in Government Securities are disclosed on page 188.

Refer pages 179 for details

Risk Governance

- Risk performance highlights for 2021 are presented in page 239.
- Risk Appetite Statement as at 31st December 2021 - refer page 239.
- Investment Risk Management – refer pages 243-245.
- Life Insurance Business Risk Management – refer pages 241-243.
- Risk management during COVID-19 - refer page 236.

Refer pages 179 for details

IT Governance

- The IT Steering Committee met 12 times during 2021 to discuss IT related matters.
- Lead the response to the COVID-19 related lockdown and Work from Home environment, by facilitating the digital environment required. More details on page 161.
- Details of innovations and digitisation of processes which add value to customers as well as Company operations are presented on pages 112-113.

Refer pages 179 for details

Sustainability Governance

- Managing the risks and opportunities relating to sustainability.
- Reporting on Environmental & Social Sustainability.
- Details on Sustainability initiatives that affects the:
 - Society – available on pages 119-127 under Social and Relationship Capital.
 - Environment - available on pages 136-138 under Natural Capital.

Refer pages 181 for details

Operations Governance

- The Company was awarded with The Great Place to Work in Asia accolade in 2021, after being Great Place to Work in Sri Lanka for 5 consecutive times.
- One Day Claim Settlement Ratio of 94% and customer discharge within one hour at 87% maintained during 2021.
- Among the top 10 companies in Sri Lanka for transparency in reporting Anti- Corruption practices and policies.

Refer pages 183 for details

Performance Governance

- Produced 216 MDRT qualifiers during 2021.
- Employee Productivity increased by 17% in 2021 compared to 2020.
- 715 staff participated in the Performance Appraisal process in 2021.

Refer pages 185 for details

CORPORATE GOVERNANCE

EFFECTIVE GOVERNANCE EXECUTION AND THE EXPECTED OBJECTIVES

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 minimising the risk of failure.

The Company's governance execution is implemented by focusing on 7 main areas and the Company wishes to achieve specific objectives from each execution area.



ACTUARIAL GOVERNANCE

Actuarial governance is considered a critical activity as Insurance Contract Liabilities represent 75% of the total liabilities in the Balance Sheet.

Objectives:

- Protection of policyholders' funds.
- Treating policyholders' equitably while maintaining transparency.
- Value creation to the Company.

Board Involvement in Actuarial Governance

The Board oversees Actuarial governance through the Risk and Investment sub-committees.

The Actuary's Report is disclosed on page 254 which includes the Actuarial Valuation of the Long-Term business.

The report of the Liability Adequacy Test (LAT) is available on page 255.

Treating Policyholders Transparently Precise bonus allocation to policyholders

The Company has implemented proper guidelines for allocating bonuses for participating policyholders and relevant protocols have been placed to ensure the participating policyholders are receiving the maximum benefit from their policies.

The transparency of this process has been improved by the development of an initial asset share for participating businesses by engaging with appointed Actuary, Messrs. Willis 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

Expense Allocation Framework has been developed and certified by appointed Actuary, Messrs. Willis Towers Watson India Private Limited. The objective of this framework is to maintain consistency in the allocation of expense between different funds within the insurance contract liabilities.

This process ensures that 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.

Protection of Policyholders' Funds Valuation of Insurance Contract Liabilities

The actuarial valuation provides the total amount to be reserved to meet future benefits to be paid to policyholders. An actuarial valuation was performed on a regular 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 performs actuarial valuations and received certification from appointed Actuary on all 4 quarters.

Quarter	Certified Date
Q1	11-May-2021
Q2	11-August-2021
Q3	11-November-2021
Q4	14-February-2022

Managing the long-term solvency position of the Company

A Capital Projection Framework has been developed to project long term Capital Adequacy Ratio (CAR) with scenario based testing and stress testing, which enable better decision making. The model is concluded by the appointed Actuary Messrs. Willis Towers Watson India Private Limited.

Value Creation to the Company Profitability Analysis

The analysis of the profitability of different insurance products has been set out as a core function under actuarial governance. These inputs are used to make Management decisions about product strategy and the profitability of market segments. Further details on new product development refer pages 119-127.

Asset and Liability Management Framework

The objective of this framework is to manage overall risk tolerance, risk - return requirements, solvency position and liquidity requirements. Hence, it provides a balance between shareholder profitability and strengthening the long term solvency position of the Company.



INVESTMENT GOVERNANCE

The long term policyholders' benefits are backed by the investment portfolio. Hence, investment governance is a vital element under governance execution.

Objective:

Balancing Value Creation and Risk Management.

Board Involvement in Investment Governance

The Board has delegated investment governance duties to the Investment Committee – Refer pages 214-215 for the Committee Report.

The Board Risk Committee maintains and manages risks faced by the company, including capital market related risks.

A comprehensive three-step approach is followed to ensure balance between value creation and risk management under investment governance.

Figure: 3-step approach to balance value creation and risk management.

All the operational level investment strategies, are designed by the ALCO and presented to the Investment Committee for approval.



The risk management division duly analyses these policies and procedures to minimise long term risk.



All critical investment decisions are approved at the Board Investment Committee at Board Meeting level.

Mitigating Negative Impacts for Stakeholders Whilst Ensuring Opportunities Are Maximised

The key objective of risk governance is to identify particular events or circumstances relevant to the organisation's objectives (risks and opportunities), to assess them in terms of likelihood and magnitude of impact and to determine a response strategy and monitor progress, so that the Company may protect and create value for all the affected stakeholders.



IT GOVERNANCE

The Company IT Governing practices incorporate the interests and inputs of a wide range of stakeholders while bearing in mind the impact on external parties connected to the Company systems and devices.

Objectives

To align IT strategy with the Company's strategic direction and execution - **Strategic Focus**.

Improve Company operations via IT integration, management and development - **Operational Focus**.

To manage all cybersecurity threats and risks faced - **Risk Management Focus**.

Board Involvement in IT Governance

The Board has delegated IT Governance related matters to the Board Risk Committee – refer pages 210-211 of the Risk Committee report.



RISK GOVERNANCE

Softlogic Life adopts an Enterprise Risk Management (ERM) approach based on ISO 31000:2018 International Standard. The Risk landscape of the Company covers insurance risk, market risk, operational risk, regulatory risk, strategic risk and reputation risk.

Objective

Mitigating negative impacts on stakeholders whilst ensuring that opportunities are maximised.

Board Involvement in Risk Governance

The Board has delegated risk management duties to the Board Risk Committee – refer pages 210- 211 for the Committee Report.

The Integrated Risk Management Framework of Softlogic Life Insurance PLC – Refer pages 231-250.

Balancing Value Creation and Risk Management

The company has clear segregation of duties between the following:

- Treasury Front-Office which analyse the market and make investment related decisions.
- Treasury Middle-Office, which monitor the compliance and risk management aspects of the Treasury function.
- Treasury Back-office function, which execute the transactions and update the General Ledger.

Further, the Risk Management function monitors the compliance of the Investment portfolio against the;

- Internal Treasury Middle Office Investment Policy
- Regulatory guidelines such as Determination and Risk Based Capital compliance requirements published by IRCSL.

CORPORATE GOVERNANCE

Strategic Focus

IT strategy aligns with business strategy

A detailed assessment is done at each planning cycle to validate the IT strategy.

Value Delivery - Applicable IT policies and procedures have been established to achieve the corporate objectives leading to value delivery.

Integration - IT operations are integrated with the business operations to ensure a well-controlled flow of information across departments, allowing smooth running of the business operations.

User Connectivity - Policies and standards have been established to control access to data and connectivity to the Company's network by the devices and systems that are in use.

Operational Focus

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.

Regulatory Requirements on IT

Risk, Legal and Internal Audit departments communicate the regulatory requirements that should be adopted to the IT department, which ensures that the system controls are embedded appropriately.

Impact on Group IT

Since Softlogic Life is part of the Softlogic Group, the IT environment of the Company affects the Group IT environment as well.

Therefore, Group IT Risk department is independently involved in evaluating applicable security threats and possible mitigating strategies periodically.

Development of IT policies

All the IT Policies, Standards, Procedures and Guidelines are developed as per the ISO 27001:2013 standard.

Involvement of the Board and KMPs

All IT Policies are reviewed and signed off by the IT Steering Committee and Audit Committee depending on the relevance to each committee.

- The Chief Information Officer (CIO) leads the IT Steering Committee which is a dedicated management committee, focussed on improving and managing IT interests of the company.
- The IT Steering Committee is delegated with the authority to ensure the proper implementation of the IT Governance Framework.
- Further, the CIO reports to the Risk Committee with regular updates on IT related issues and material IT projects including governance-related matters.
- The Risk Committee in turn ensures that the risk monitoring and assurance procedures have the capacity to adequately address the risks.

Prudent Expenditure

All IT expenditure falls within the approved budget and in line with the strategic objectives of the business.

Data Analytics

The Governance framework also encourages the use of data for improved analysis and forecasting activities, which will contribute to the automation and digitisation of operations.

System Development and Modification

All in-house system developments and modifications are made according to well-defined change management procedures. "Softlogic Life Insurance PLC Software Development Policy" contains the procedures to be followed during software development, software change management, software testing and live deployment.

Risk Management Focus

Life Insurance companies generally deal with vast amounts of confidential data belonging to policyholders such as their health-related information and financial information.

Risk Management focus of IT Governance is therefore ensuring the security of the sensitive data of policyholders as well as security of information systems and the digital devices of the organisation.

Communication and Awareness

All the Softlogic Life IT Security policies, standards, procedures and guidelines are published on the Company intranet and users have been requested to read and comply with them.

Regular emails are circulated to the employee base creating awareness of cybersecurity threats.

In the event a cybersecurity risk emerges, the IT security division:

- Takes necessary preventive actions to send a special communication across the Company wide employee base to enhance awareness.

- Informs 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 mitigation actions are exercised by the IT Security unit in coordination with the IT technical teams.

Independent Periodic Review of Security

- The Company annually gets security assessments from 3 third-party independent consultancy firms. Based on the consultancy reports provided by these 3 firms, the IT department along with their technical and security units takes remedial actions.
- A post-implementation review is also carried out by these firms which is presented to the Management with regard to the progress of the remedial actions taken.

Security against Threats

- Core Firewall to control and monitor network access.
- Regular server and security scans.
- Up-to-date anti-virus software and Spam filtering.
- Limited access to external storage devices.

Data Backup and Disaster Recovery (DR)

- Periodic data backup facility.
- Real-time data replication at SLT-IDC for DR.



SUSTAINABILITY GOVERNANCE

The Company recognises the impact of financial and non-financial issues related to sustainability and the importance of managing these issues in our quest to create long-term value to the company, shareholders and the community.

Objectives:

- Integrating sustainability into the strategy and execution.
- Managing the risks and opportunities derived from issues relating to sustainability.
- Report and disclose sustainability related matters.

Board Involvement in Sustainability Governance

The Board has disclosed their responsibility on sustainable practices presented in the annual report – Refer page 11.

Further, a reasonable assurance is given for the financial highlights on pages 24-25 and limited assurance on sustainability indicators are presented on pages 139-140.

Integrating sustainability to Company strategy and execution

Sustainability and related topics are regularly discussed in the Management Committee, which is comprised of Managing Director and Corporate Management personnel of each department, through which the tone is set at the top level; that recognition and management of Sustainability and CSR issues are top priority for the Company.

Further the Company has aligned the business activities with “The Sustainable Development Goals (SDGs)”, set by United Nations Sustainability Goals (UNSDG) – refer pages 71-72 for details.

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 the Company expects less volatility in the long run as a result of such action.
- As a responsible corporate citizen, the Company is obliged to take anticipatory action to prevent harm of any kind, emphasising our responsibility to society.
- The Company follows a principle of “open, informed, and democratic” and “must include affected parties” for all the decisions taken by the Company underlining the importance of a precautionary approach in sustainability governance.

Fair Opportunities to All Stakeholders to Provide Feedback

In keeping with the standards of a democratically operated and transparent organisation, the Board established many mechanisms for the Company’s stakeholders to submit ideas or provide feedback to the Board of Directors. Refer page Annexure 2 for details.

CORPORATE GOVERNANCE

Managing the risks and opportunities relating to sustainability

Environmental and Social Risk Policy

The Company has established an Environmental and Social Risk Policy, which enables the assessment of Environmental and Social risks that impact the sustainability of the company, in the existing Risk Management procedure. Further details on this policy are given on page 126.

Managing Risks and turning them into Opportunities to improve Sustainability

Table: Improving Sustainability by converting risks into opportunities

Risk to Company Sustainability	How we Manage the Risk	Opportunity created to improve Sustainability
Carbon Footprint and Impact on the Environment and Natural Resources.	Changed the way the Company operated, in order to improve Eco Efficiency. Refer pages 136-138 under Natural Capital for details.	Increased eco-friendliness and decreased the Company's carbon footprint, leading to sustainable shareholder goodwill and interest in company equity.
Negative Market conditions that threaten the balance of shareholder interests and Social Responsibility.	Proper management of resources between CSR and Business Strategies to improve profitability. Refer pages 119-127 under Social and Relationship Capital – Community for details.	Increased involvement as a corporate citizen will create more sustainable positive public relations and reputation which will in turn increase the value of the brand.
Managing Employee Work-Life balance while contributing to Community and Social improvement activities.	Creating a dedicated Sustainability committee and Corporate Culture encouraging CSR. Refer pages 119-127 under Social and Relationship Capital – Community for details.	As employees increasingly involve themselves in improving communities, their motivation and satisfaction will create a sustainable relationship, leading to a loyal and dedicated employee base.

Reporting and Disclosure of Sustainability related matters

Sustainability reporting is the disclosure and reporting of sustainability-related information in a way that is comparable with financial reporting and moving the focus from the bottom line to improving the environment and the society.

Softlogic Life uses the Global Reporting Initiatives (GRI) in accordance with core guidelines for our sustainability reporting.

Refer pages 382 for the GRI content index which provides page references for this report, fulfilling the disclosures required by GRI standards.

The company aligns the business with the Sustainable Development Goals (SDGs) set by United Nations Sustainability Goals (UNSDG).

Refer details disclosed on pages 71-72.

The Company obtains an external assurance report from Messrs. KPMG for sustainability reporting – refer pages 139-140.

The company also follows the guidance on ESG reporting issued by Colombo Stock Exchange (CSE).

The Company also follows the Gender Parity reporting standards issued by the Institute of Chartered Accountants of Sri Lanka, disclosed on page 101.

The process of assessing the materiality of transactions, integrating the GRI and UNSDG sustainability principles is shown on page 73.

Reporting on Environmental Sustainability

The Company is aware of its direct and indirect impact on the environment and constantly strives to minimise its carbon footprint. We have also launched several new initiatives to improve our levels of eco-friendliness. Further details on these matters are available under Natural Capital, on pages 136-138.

Reporting on Social Sustainability

The Company also considers the impact and responsibility it has on the stakeholders in the society as detailed below:

Table: Social Sustainability impact and Response by the Company

Area of Impact	Response of the Company and Reporting Provided
Impact on the Community	
Our Impact on the Community and Community Engagement	The Company is dedicated to improving conditions and creating a positive impact for the community. For more details, refer pages 119-127 under Social and Relationship Capital
Sustainable Development of the company	The Company has established a strategic objective of delivering sustainable growth. For more details, refer pages 86-91 under Financial Capital
How we support Fair Competition	We continue to compete ethically in terms of Products, Sales and Customer Service while monitoring competitor actions that affect our sustainability. For more details, refer pages 119-127 under Social and Relationship Capital.
Impact on Customers	
Building Relationships and Engagement with our Customers	The company strives to deliver an exceptional customer service experience and build a long-term sustainable relationship. More details are available in pages 119-127 under Social and Relationship Capital.
Maintaining a Responsible Product Portfolio	The Company develops its products based on the interests of its customers. More details are available on pages 119-127 under Social and Relationship Capital.
Impact on Employees	
Equal Opportunity at Softlogic Life	The Company cares about its employees' concerns and responds to their needs. More details are available on pages 92-104 under Human Capital.
Career Development & Training Provided	
Reward & Recognition of the Employees	
Conditions of Work at Softlogic Life	
Work-Life Balance of our Employees	
Impact on Suppliers and Service Providers	
Working with Suppliers & Service Providers who care about Sustainability	We make sure our suppliers and service providers maintain the standards we expect, which include issues of sustainability. More details are available on pages 119-127 under Social and Relationship Capital.

 **OPERATIONS GOVERNANCE**

<p>Operations governance focuses on a significant responsibility towards maintaining transparency for policyholders, employees and shareholders.</p> <p>Objectives:</p> <ul style="list-style-type: none"> Protect and add value to policyholders. Promote ethical behaviour within the organization. 	<p>Board Involvement in Operations Governance</p> <p>Fair treatment and reporting of corruption and unethical behaviour are core components of the Code of Ethics, with which the Board is compliant.</p> <p>Further, the protection of customers by maintaining proper internal controls, risk management and regulatory compliance is supervised by the Audit Committee.</p>	<p>For further details in;</p> <ul style="list-style-type: none"> Fair treatment of employees and sales force – refer page 95. Protecting and adding value to customers – refer pages 105-113. For Code of Ethics - refer page 173. For the Whistle Blower Policy – refer page 184.
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CORPORATE GOVERNANCE

Protect 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 in order to ensure customer protection and fair treatment.

The Company has followed the internal policies appropriately and has complied with the applicable provisions relating to customer protection under the Regulation of Insurance Industry Act No. 43 of 2000 and the rules, regulations, determinations and directions issued by the Insurance Regulatory Commission of Sri Lanka.

Promoting Ethical Behaviour within the Organisation

The company has set up policies to promote ethical behaviour within the organisation, including the following policies:

Code of Ethics

All employees of the Company must abide by the Code of Ethics of the Company, further details of which are available on page 173.

Employee Grievances

The company has established a proper employee grievances handling process, accessible for all employees. Further details of this are available on page 96.

Whistle Blower Policy

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 victimisation.

Methods of communication:

The company ensured that appropriate means are available for stakeholders of the Company to blow the whistle discreetly and confidentially.

Any stakeholder can voice their concerns/complaints via letters and email or the dedicated Whistleblower 24x7 hotline available in voice call, SMS, WhatsApp and Viber.

Report fraud, financial crimes and misconduct

077 2 344 640

Available 24 x 7

Contact Points:

The whistle-blower could bring up their concerns to designated Independent officers:

*The Chairman of the Board Audit Committee

*Group Director - Human Capital & Taxation.

Concerns can also be addressed to the management team, or the Chief Audit and Compliance Officer.

Investigation Process:

An independent investigation is carried out/coordinated by the Chief Audit and Compliance Officer with the assistance of Department Heads where necessary.

The Final report on such an investigation will be submitted to the Audit Committee Chairman or the Corporate Management Team as appropriate, 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.

The company took the initiative of circulating whistleblower policy awareness and contact details via a monthly email circulation to all employees.

During 2021 no concerns were received to the Whistleblower hotline.



SPEAK OUT AGAINST FRAUD AND MISCONDUCT! IT'S THE RIGHT THING TO DO

Observe and report to our whistleblower hotline **0772 344 640**

You can direct your concerns to the following "Independent" officials in addition to our Whistleblower hotline and other channels of Softlogic Life Insurance PLC

Mr. Lalith Withana
Chairman of the Board Audit Committee

Mob: 0777 739 091
lalith.withana@gmail.com

Ms. Natasha Fonseka
Group Director - Human Capital and taxation
Softlogic Holdings PLC, No 14, De Fonseka Place, Colombo 13.

Tp: 0777 771 883
natasha@softlogic.lk



PERFORMANCE GOVERNANCE

The Company believes that performance governance is a critical activity to ensure the Company's long term sustainability. The performance governance culture is integral for all employees of the Company.

Objectives:

- Creating a performance-driven culture in the company to improve transparency and integrity.
- Fair treatment to all employees and sales force.

Board Involvement in Performance Governance:

The Board has delegated performance management duties to the Human Resources and Remuneration Committee – Refer pages 212-213 in the Committee Report.

For HR Governance at Softlogic Life -refer pages 95-104.

Creating a performance-driven culture in the company to improve transparency and integrity.

The Company uses performance as a critical factor when determining the remuneration and career advancement of all Company employees, including the sales force and KMPs as well as the Executive Directors.

The Human Resource and Remuneration Committee is empowered to determine the compensation and benefits for members of the Board of Directors and Key Management Personnel (KMP), based on the achievement of targets.

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 driven culture exist among sales force

Sales incentives are entirely based on structured incentive schemes designed to achieve agreed corporate objectives at the beginning of each year. This mechanism helps us to retain a quality sales force, while adding value to the Company.

Further details on the performance-driven culture of the employees and sales force are available on pages 99-100 and 114-118 respectively.

Fair Treatment to All Employees and Sales Force

The Company has set up appropriate policies for a clear recruitment process, training and development, clear communication, reporting structure, performance evaluation, fair opportunities for career progression, talent management and succession planning.

Softlogic Life's sales force is governed by performance driven incentive structures and career development. There are established guidelines for recruiting quality sales advisors, training and knowledge management, sales driven compensation and for investigation procedures and complaint handling.

Performance Objective Setting Process

Figure: The Process of Performance Objective Setting



CORPORATE GOVERNANCE

ASSURANCE FRAMEWORK

The Board uses two types of assurance namely internal assurance (internal audit) and external assurance (external audit), who evaluate whether the policies and procedures implemented by the management of the Company are being carried out effectively. Further, the Audit Committee have been delegated the responsibility of reviewing and managing the process and effectiveness of the company's risk management and internal controls.

INTERNAL ASSURANCE (INTERNAL AUDIT)

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 with each function and report to responsible parties with mitigating plans.
- Make cost efficient SMART recommendations to the management and audit committee.
- Promote the continuous professional education and career development of audit staff.
- Improve the quality of reports by enhancing the accuracy, completeness and timeliness of audit reports.
- Improve the whistleblowing and fraud prevention awareness within the Company.
- Ensure that all recommendations given by auditors are implemented by the respective departments/ functions within the agreed time frame.

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 Chief Audit and Compliance Officer and do not have reporting lines to front-line units or senior management.

Internal audit function provides the Audit Committee with independent and objective assurance of 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 Audit Highlights in 2021

Audit & Assurance Reviews

43 Assignments
43 Audit and assurance assignments were carried out in 2021

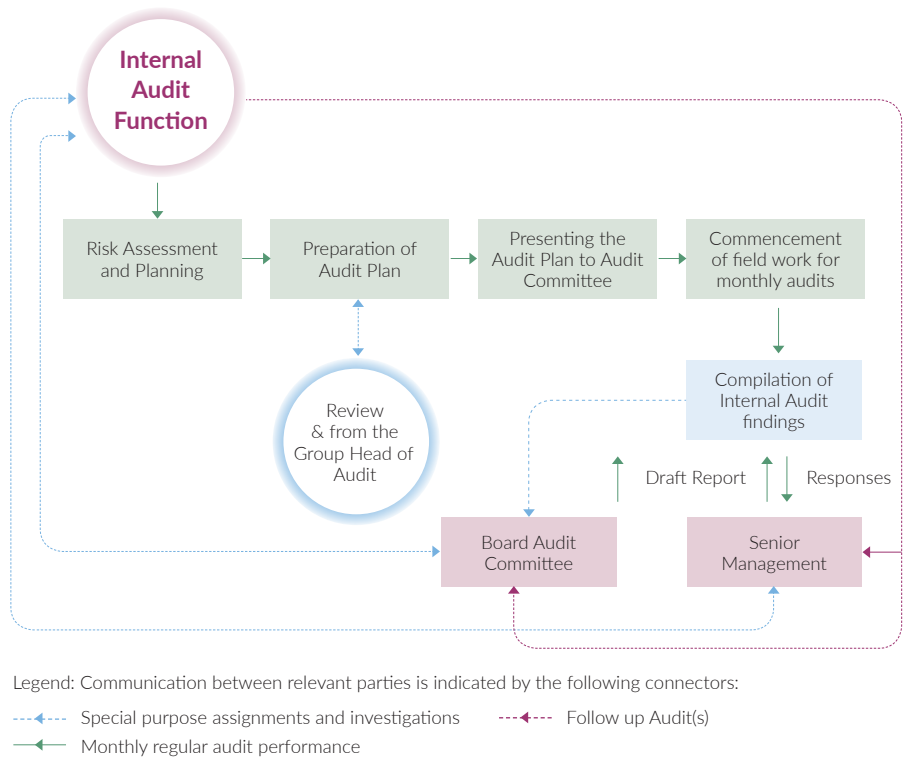
Fraud & Forensic Reviews

705 Assignments
705 Fraud & Forensic assignments were carried out in 2021

Branch Audits Conducted

27 Branch Visits
27 Branch audit assignments were carried out in 2021

Figure: Internal Audit Process



Internal Auditing Framework

Internal Audit function of Softlogic Life Insurance 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.

The internal audit function provides the Audit Committee with independent and objective assurance of 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 Audit Operating Methodology

The Internal Audit Function of Softlogic Life operates as two primary units namely the "Audit and Assurance Unit" and "Fraud and Forensic Unit".

Audit and Assurance Unit

Carries out planned reviews with the objectives of:

- Assessing the appropriateness and effectiveness of the internal control environment of the Company.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

Fraud and Forensic Unit

Focuses on spot /surprise reviews in order to assist the management to detect and deter potential frauds and misappropriations.

Most of the reviews that are carried out are based on Computer Aided Auditing Techniques (CAAT). This team is unique because it is equipped with specialist software and a dedicated IT audit expert.

Apart from this, the Internal Audit function also carries out several value added services, such as internal controls advisory, branch reviews and driving Whistle Blowing and fraud awareness.

EXTERNAL ASSURANCE (EXTERNAL AUDIT)

Appointment of Auditors and their Responsibilities

The Company's External Audit function is carried out by Messrs. KPMG, Chartered Accountants. The Audit Committee recommends the appointment of the External Auditors and their remuneration to the Board of Directors, subject to shareholder approval. 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 and also prescribe any corrective measures that need to be taken by the Company, based on the audit findings.

The Board re-appointed Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorised the directors to determine their remuneration at the 2021 AGM.

Evaluation of the Independence of External Auditors

The Board Audit Committee also carries out an annual evaluation of the independence and objectivity of the External Auditors. 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 Interim Financial Statements in the Colombo Stock Exchange for all four quarters in 2021. 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 in the long run.

REGULATORY AND STATUTORY GOVERNANCE

Softlogic Life engages the services of an in-house Compliance Officer in relation to regulatory and statutory governance.

Reporting Structure

The Compliance Officer has a direct line of reporting to the Managing Director and a dotted line reporting to the Group Head of Compliance. This process also fulfils the requirements of the Financial Transaction Reporting Act No. 6 of 2006.

Compliance Process at Softlogic Life

Softlogic Life's compliance mechanism involves two main processes. One is to analyse new statutory/ regulatory requirements and assess the impact of such regulations to the Company. The other is to monitor and ensure that the statutory/ regulatory deadlines are properly achieved.

CORPORATE GOVERNANCE

Process for new regulation:

1. Compliance Officer obtains information on new regulations
2. Assess the impact analysis from new regulations
3. Informs relevant department head and Managing Director
4. Provide update on all the new regulations to the Audit Committee on a quarterly basis

Process for monitoring the compliance status:

1. Compliance Officer maintains the regulatory requirements and respective deadlines.
2. Inform relevant departments on the regulatory requirement in advance.
3. Coordinate with the relevant department heads and ensures the deadlines are met.
4. Provide an update on a monthly basis to the Managing Director.

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 compliance with:

- All provisions in the regulation of Insurance Industry Act No.43 of 2000, rules, regulations, determinations, directions issues by "IRC"
- All orders made by the Ministry of Finance and Planning under the regulation of Insurance Industry Act, No. 43 of 2000, including terms and conditions pertaining to reinsurance placements issued by IRCSL in terms of section 31(1).

- Conditions pertaining to co-insurance issued by IRCSL
- All applicable circulars issued by IRCSL.

Compliance Certification B Certifies compliance with:

- All provisions in the Financial Transactions Reporting Act, No. 6 of 2006.
- 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.
- Guidelines on Anti Money Laundering Program for Insurers issued by IRCSL.

Summary of Compliance Requirements and Compliance Status of the Company

Category	Compliance Requirement	2021 Highlight	Status
Investment Governance	Investment in Government Securities should be a minimum of 30% of the Long Term Insurance Fund.	41% invested in government securities	Complied
	Regulatory Determination ratio should be a minimum of 100%	114% in 2021	Complied
Meeting Policyholder Obligations	Maintain a Capital Adequacy Ratio ("CAR") of a minimum of 120%	395% in 2021	Complied
	Life Insurance liabilities should be validated by an independent external actuary in accordance with the Regulation of Insurance Industry Act	The Actuary's report is available on page 254.	Complied
Risk Assessment	The 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 2021.	Complied
Reinsurance Agreement	Insurance companies must enter into reinsurance arrangements with companies which at a minimum have a rating of BBB	All placements are rated above BBB.	Complied
Rules on Treatment of One-off Surplus	"Restricted Regulatory Reserve"* must be matched with the specified class of assets (at market value) equal to the said reserved amount on a continuing basis.	Restricted Regulatory Reserve of Rs. 798 Mn and Corresponding Assets are Rs. 868 Mn.	Complied

*"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. 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.

STAKEHOLDER ENGAGEMENT

MANAGING SHAREHOLDER RELATIONSHIPS

The Board and the Senior Management acknowledge their responsibility to represent the interests of all shareholders and to maximise shareholder value of the Company. Shareholders expect the Board and Senior Management to:

- Create sustainable return on their investment
- Adequate and timely communication
- Comply with statutory and regulatory requirements concerning shareholders
- Manage risk, facilitate transparency, maintain fairness and protect the rights of shareholders.

Details on how the Company addresses shareholder expectations can be found on page 66.

Communication with Shareholders

The Company has implemented multiple channels of communication to maintain an effective relationship with the shareholders of the Company.

Figure: Most frequent communication methods available to communicate with Stakeholders.



Access to company financial reports:

Annual and Quarterly reports are available on the company website as well as the CSE website.

Access to Shareholder Inquiries:

The Company Secretary brings any significant concerns raised by shareholders to the attention of the Board.

Shareholders are encouraged to maintain direct communication with the Board of Directors 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

 P. R. Secretarial Services (Pvt) Ltd
59, Gregory's Road,
Colombo 7, Sri Lanka.

Institutional Shareholders

The Company makes additional efforts to maintain a constant dialogue with institutional investors, brokers and financial analysts, in order to improve their understanding of our operations, strategy and plans-therby enabling them to raise any concerns which may in turn affect their perceived value of the Company.

However, the Board and Management strictly adhere to statutory and ethical guidelines regarding their responsibility to maintain the confidentiality of price sensitive information.

Individual Shareholders

Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.

Furthermore, Individual shareholders are encouraged to participate in the AGM and exercise their voting rights.

Annual General Meeting (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.

The Chairman makes sure that the Chairmen of Board Sub-Committees such as the Audit, Nominations, HR & Remuneration Committee as well as the Senior Independent Director 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 in compliance with the Companies Act, along with instructions on the voting procedure, including the process for voting via a proxy.

Voting Process at the AGM

Separate resolutions are proposed for each substantially separate issue. Shareholders can vote, "for", "against" or withhold the vote. Votes withheld are not counted as votes for the calculation.

Voting via Proxy

Each resolution will carry a proxy appointment form, which the shareholder can utilise for voting decisions. The Company makes arrangements to ensure that each valid proxy vote is collected, counted and recorded.

CORPORATE GOVERNANCE

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.

22nd AGM held in 2021

The Company held a virtual AGM due to pandemic situation on the 31st March 2021 at Level 16, One Galle Face Tower, Colombo 02.

Matters discussed at the AGM included:

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 2020 and the Report of the Auditors thereon.
2. To re-elect Mr. Mohan Ray Abeywardena 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-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.

Vote results for the resolutions at the AGM held on 31st March 2021

The voting results of the AGM were published on the CSE website by the Company Secretary on the same day.

All resolutions in the agenda as detailed above were unanimously passed.

Shareholder Communications during 2021

March 2021:

- Dividend Notice and AGM Notice.

June 2021

- Demise of Director Mr. Chula Hettiarachchi.

July 2021

- Retirement of Directors : Mr. Ray Abeywardena and Mr. Sujeewa Rajapakse
- Appointment of Directors : Mr. Lalith Withana and Mr. Sanjaya Mohottala

November 2021

- IRCSL approval of the appointment of 2 new directors to the board.

ENGAGEMENT WITH OTHER STAKEHOLDERS

The company addresses the concerns and interests of all stakeholders impacted by the organisation through the governance framework.

Stakeholders Benefited by Effective Execution of Corporate Governance

Through the governance execution framework, the company bring significant value addition to different stakeholder groups. The following illustration shows different stakeholders who benefited from the governance execution framework.



More details on stakeholder engagement strategy and engagement are available on pages 66-69.

ANNUAL REPORT OF BOARD OF DIRECTORS

The Directors have pleasure in presenting to the shareholders the Integrated Annual Report of Softlogic Life Insurance PLC (“the Company”) together with the Audited Financial Statements for the year ended 31st December 2021 and the Independent Auditors’ Report on those Financial Statements conforming to all relevant statutory requirements.

This Report, where applicable is presented in accordance with the Guiding Principles and Content elements as stipulated by the International Framework <IR> issued by the International Integrated Reporting Council (IIRC) and GRI Standards published by the Global Reporting Initiative, reflecting our commitment to transparent and objective reporting towards shareholders and other key stakeholders.

The Company was the first to obtain an external assurance on both the “Integrated Report” and “GRI Sustainability Indicators” which is provided on page 139 and 140 respectively.

This Report provides the information and disclosures as required by the Companies Act No. 07 of 2007, Insurance Industry Act No. 43 of 2000 and amendments thereto, Directions issued by Insurance Regulatory Commission of Sri Lanka, Listing Rules issued by the Colombo Stock Exchange (CSE), the Recommended Best Practices and other relevant regulations.

The Board of Directors of the Company are responsible for 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 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.

This Report has been structured to effectively communicate the Company’s efforts to create value to all its stakeholders through the business model on page 18 and identified trends and developments that are likely to impact the value creation process of the business. These trends and developments are categorised into risks and opportunities to the Company. The Board has established strategic imperatives through its annual strategic planning exercise and continued to execute the required strategies to mitigate risks and exploit opportunities. The Board of Directors reviewed the Company’s business plan and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

The Company is a Licensed Insurance Company registered under the Insurance Industry Act No. 43 of 2000 (IIR) incorporated on 21st April 1999 under the Companies Act No 17 of 1982 and was re-registered under the Registration No. PQ 31, according to the requirements of the Companies Act No. 07 of 2007 on 6th July December 2007. The registered office of the Company is situated at Level 16, One Galle Face Tower, Colombo 2, Sri Lanka. 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, While Softlogic Capital PLC [Parent Company] holds 51.72% as at 31st December 2021.

The extent of compliance with the requirements of Section 168 of the Companies Act No. 7 of 2007 and amendments thereto and other relevant statutes is disclosed in detail on pages 191 to 199.

The Company was the first to obtain an external assurance on both the “Integrated Report” and “GRI Sustainability Indicators”

Governance Guidelines:

- ✓ The Companies Act No. 07 of 2007 – [C.A]
- ✓ Insurance Industry Act No. 43 of 2000 and amendments thereto – [RII]
- ✓ Listing Rules of the Colombo Stock Exchange – [L.R]
- ✓ Recommended Best Practices – [RBP]
- ✓ Directions, Guidelines and Circulars issued by Insurance Regulatory Commission of Sri Lanka
- ✓ Circulars issued by Central Bank Of Sri Lanka (Financial Transaction Reporting Act No.06 of 2006 and Circular by FIU of Central Bank of Sri Lanka)
- ✓ The Report was approved by the Board of Directors on 07th March 2022.

ANNUAL REPORT OF BOARD OF DIRECTORS

	Requirement	Statutory reference	Implication for the Softlogic Life Insurance PLC	Page reference
1	Nature of the business of the Company and changes during the period	Section 168 (1) (a) – C.A	The principal business activity of the Company is Life Insurance business which has remained unchanged during the financial year. Refer “About Us”.	12-17
2	Complete and signed Financial Statements of the Company	Section 168 (1) (b) – C.A Section 150 & 151	Financial Statements of the Company for the year ended 31 December 2021 have been prepared accordance with the relevant accounting standards (SLFRSs and LKASs) and other regulatory requirements which are duly certified by the Chief Financial Officer and approved by the Chairman and the Managing Director. Refer Managing Director’s Chief Financial Officer’s Responsibility Statement. Refer Financial Statements.	202 261 365
3	Auditors report on Financial Statements	Section 168 (1) (c) – C.A	Refer “Independence Auditors’ Report”.	258-260
4	Any changes in accounting policies of the Company	Section 168 (1) (d) – C.A	Significant accounting policies are adopted in the preparation of the Financial Statements of the Company. There were no changes to the Accounting Policies used by the Company. Refer “Notes to the Financial Statements”.	266-365
5	Particulars of entries in the Interests Register made during the accounting period	Section 168 (1) (e) – C.A	Conforming to the provisions of the Companies Act No.07 of 2007, the Company has maintained an Interest Register during the accounting period under review. All Directors of the Company have disclosed their interest with the company and in other Companies to the Board and those interests are recorded in the register. 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. Refer “Directors Interest in Contract with the Company”.	203
6	Remuneration and other benefits of Directors	Section 168 (1) (f) – C.A	The amount of the Directors’ fees and Remuneration paid during the year was Rs. 74.51 million. The Executive Director remuneration is decided by the Board with the recommendation of the Human Resource and Remuneration Committee, taking into consideration individual and Company performance. Refer “Note 21” to the Financial Statements. Refer the “Human Resource and Remuneration Committee Report”.	317 210-211
7	Total amount of donations made by the Company	Section 168 (1) (g) – C.A	There were no donations made by the Company during the period.	
8	Information on the Directorate of the Company during and at the end of the period	Section 168 (1) (h) – C.A	The Board Profiles – Information on Directors as at 31 Dec 2021. Appointment, Re-election and resignation of Directors.	144-146 171-172
9	Audit fee and fees for other services rendered during the year	Section 168 (1) (i) – C.A	Refer “Note 21” to the Financial Statements.	317

C.A --> Companies Act No 07 of 2007, RII --> Insurance Industry Act No. 43 of 2000, RBP --> Recommended Best Practices, L.R --> Listing Rules issued by CSE, IRCSL-->Insurance Regulatory Commission of Sri Lanka, CBSL -->Central Bank of Sri Lanka

	Requirement	Statutory Reference	Implication for the Softlogic Life Insurance PLC	Page Reference
10	Auditors' relationship or any interest with the Company	Section 168 (1) (j) – C.A	The Auditors do not have any other relationship or interest in contracts with the Company other than being the Auditors for the Company. Refer Item no. 52 in the Annual Report of Board of Directors.	196
11	Acknowledgement of the contents of this Report	Section 168 (1) (k) – C.A	The Board of Directors have acknowledged the contents of this Annual Report as disclosed.	191
12	Vision, Mission and Corporate Conduct	RBP	The business activities of the Company are conducted while 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. "Refer About Us".	12-17
13	Principle Activity and any changes to Nature of the Business	Section 12 (4) - RII and L.R.7.6 (ii)	Refer item 1 in the Annual Report of Board of Directors.	192
14	Review of Operations of the Company	RBP	Refer "Chairman's Message". Refer "Management Discussion and Analysis". Refer "Note 44 to the financial statements: Operating segments".	29-32 37-82 358
15	Future outlook and development of the Company	RBP	Refer "Future outlook and way forward". Refer Chairman Message.	81-82 29-32
16	Names of Directors of the Board	L.R.7.6 (i)	Refer The Board Profiles – Information on Directors as at 31 Dec 2021.	144-146
17	Board meetings and Board Sub Committee Meetings	RBP	Refer "Board and Sub-Committee Meetings".	206-219
18	New appointments to the Board	L.R. 8	Refer New Appointment to the Board.	171
19	Retirements and Re-election	L.R. 8 and Direction -17 B (a), B (b) by IRCSL	Refer Retirement and Re-election to the Board.	171-172
20	Review performance of the Board		Refer "Board Competency Evaluation".	172
21	Disclosure of Directors' dealing in Shares	L.R.7.6 (v)	The Board ensures that none of Director hold shares of the company for the year ended 31st December 2021. Refer "Directors' Shareholding" in "Investor Relations".	379
22	Disclose Directors interest in Contracts with the Company		Refer "Directors Interest in Contract with the Company".	203
23	A loan granted to a Director of the Company	Section 29 (1) – RII	The Company shall not grant any loan, other than a loan on mortgage of a policy of a life insurance issued by the Company to Directors.	362

ANNUAL REPORT OF BOARD OF DIRECTORS

	Requirement	Statutory Reference	Implication for the Softlogic Life Insurance PLC	Page Reference
24	Directors' Insurance	Section 218 C.A	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.	163
25	Directors Responsibility in preparation of the Financial Statements	Section 150 and 151 - C.A	Refer "Statement of Directors' Responsibilities" for Financial Reporting.	200-201
26	Declaration of Statutory payments	RBP	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.	
27	Gross Income	RBP	Refer Note 8 to the Financial Statement.	309
28	Reserves and appropriations	RBP	Refer Note 36 to the Financial Statement.	345
29	Dividend paid on Ordinary Shares	RBP	Refer Note 24 to the Financial Statement.	320
30	Taxation		Refer Note 22 to the Financial Statement.	317
31	Financial Investments	Section 25 (1) - RII	The Company has invested 41% from the life fund in Government Securities and that is well above of minimum requirement of 30% as set by the Act throughout the year.	
32	Capital Commitment		Details of capital commitments as at 31st December 2021 are provided in note 46 to the Financial Statements.	363
33	The Company has legal title and ownership of all assets	Section 30 - RII	The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of services for administrative purposes and are expected to be used for more than one year.	322
34	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties.	L.R.7.6 (viii)	All land and buildings owned by the Company were revalued. Specific information is given in Notes 26 to the Financial Statements.	322
35	Market value of properties		The revaluation process for the land and buildings of the Company was carried out in accordance with the Sri Lanka Financial Reporting Standards and the International Valuation Standards published by the International Valuation Standards Committee (IVSC) by a professional qualified independent valuer, Messrs, P.B Kalugalagedera and assessed fair value of land and building as at 31st December 2021 for financial reporting purposes.	326

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	Requirement	Statutory Reference	Implication for the Softlogic Life Insurance PLC	Page Reference
36	Qualifications of Valuer	Circular 30 by IRSCl	Messrs. P.B Kalugalagedera is a Chartered Valuation Surveyor of the Royal Institute of Chartered Surveyors, United Kingdom and a Fellow member of the Institute of Valuers of Sri Lanka.	326
37	Significant changes in the entity's fixed assets and the market value of land	L.R.7.6 (xii)	The Company has revalued its own land and buildings during the year. Revaluation surplus from the building has been disclosed in Notes 26.15 to Financial Statements.	325
38	Intangible Assets		Refer Note 25 to the Financial Statements.	320
39	Number of shares representing the entity's stated capital	L.R.7.6 (ix)	The Stated Capital of the Company as at 31st December 2021 was Rs. 1,062,500,000 comprising 375,000,000 fully paid ordinary shares.	345
40	Any public issue, rights issue, and private placement during the year	L.R.7.6 (xiii)	The Company has not issued any shares during the year to raise new capital in any form either by public issue, rights issue or private placement. Refer Notes 35 to the Financial Statements.	345
41	Distribution schedule of Shareholding	L.R.7.6 (x)	Refer "Shareholder Base" in Investor Relations.	378
42	Substantial Shareholdings	L.R.7.6 (iii)	Refer "Twenty Largest Shareholders" in Investor Relations.	379
43	Public Shareholding	L.R.7.6 (iv)	The percentage of shares held by the public as at 31 December 2021 was 10.23 % (31 December 2020 - 10.27 %) and the number of public shareholders as at 31 December 2021 was 2,795. (31 December 2020 -2,146). Refer "Public Shareholding" in Investor Relations.	379
44	Information on earnings, dividend, net assets, and market value per share		Refer "Information on Shares Trading".	376-377
45	List of ratios and market price information	L.R.7.6 (xi)	Market value of a share and valuation related ratios are given in the section on Investor Relations. Refer "Information on Shares Trading".	377
46	Equitable treatment to Shareholders	RBP	The Company has ensured at all times that all Shareholders are treated equitably.	189
47	Maintain a Capital Adequacy Ratio ("CAR") of a minimum of 120%	Section 26 (1) - RII	The Company has maintained a Risk-based Capital Adequacy Ratio of 395% as at 31st December 2021.	253
48	Maintain Total Available Capital ("TAC") of a minimum of rupees Five Hundred Million	Section 26 (1) - RII	Total Available Capital (TAC) as per solvency margin (Risk Based Capital) rules 2015 with effect from 01st January 2016. The Company maintains Rs. 27 Bn as at 31st December 2021 which is well above the minimum requirement.	302
49	Issue of Tier II subordinate debt capital		The Finnish Fund for Industrial Cooperation Ltd - Finn fund and The Norwegian made an investment of USD 15 Mn to strengthen the company's capital structure as Tier II subordinate debt capital. The Company paid an interest of Rs.230 Mn to the facilitator during the year.	356

ANNUAL REPORT OF BOARD OF DIRECTORS

	Requirement	Statutory Reference	Implication for the Softlogic Life Insurance PLC	Page Reference
50	Financial Reinsurance		<p>The Company entered into a USD 15 Mn financial reinsurance arrangement with MunichRe, one of the top providers of reinsurance. The Company has entered this transaction in 2020 and this is first Financial Reinsurance transaction performed in Sri Lanka.</p> <p>In 2021, the Company has continuously monitored the key elements of Financial Reinsurance and complied with the operational and reporting activities related to the Financial Reinsurance. Refer the financial disclosure of Financial Reinsurance.</p>	349
51	Appointment of Auditors and their remuneration	RBP	<p>Messrs KPMG, Chartered Accountants re-appointed as Auditors of the Company at the 22nd AGM held in 31st March 2021 and to authorize the Directors to determine their remuneration. 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 2021.</p> <p>Expenses incurred in respect of Audit Fees and Fees for other services rendered during the accounting period are given in Note 21 to the Financial Statements.</p>	189-190
52	Auditors' Independence	Section 163 (3) C.A	In connection with the audit for the year ended 31st December 2021 KPMG confirmed that they are 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 issued by CA Sri Lanka.	187
53	Auditors' statement on the Financial Position of the Company	Section 47 (2) - RII	Refer "Independent Auditor's Report".	206-209
54	Employment Policy	RBP	<p>A brief description of the Company's HR Policy and the Remuneration Methodology is given in the Human Resources and Remuneration Committee Report.</p> <p>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 2021 was 980. (2020 - 897). 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.</p>	212-213 92-104
55	Material issues pertaining to employees and industrial relations of the entity	L.R.7.6 (vii)	No material issues identified during the year and the Company was ranked as one among the Best Large Workplaces in Asia during 2021.	92-104

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ANNUAL REPORT OF BOARD OF DIRECTORS

	Requirement	Statutory Reference	Implication for the Softlogic Life Insurance PLC	Page Reference
66	Outstanding Litigation	RBP	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.	
67	Going Concern	RBP	The Directors have made an assessment of the Company's ability to continue as a going concern and are 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. While the COVID-19 pandemic caused serious damage to the policyholders' economic prospects, the Company extended various benefits to pay Rs. 1.1 Bn COVID-19 claims, looking to the best interests of its customers.	
68	Sustainability	RBP	The Company was an early champion of adopting sustainability practices and sustainability reporting. The Company has considered these sustainability aspects when formulating its business strategies.	
69	Environmental Protection	RBP	The Company, to the best of its knowledge, has not engaged in any activity which was detrimental to the environment. Specific measures taken to protect the environment are detailed in Natural Capital.	136-138
70	Corporate Social Responsibility (CSR)	RBP	The CSR initiatives of the Company are detailed in Social and Relationship Capital in the Management Discussion and Analysis. Refer "Statement of Value Creation – Community".	119-127
71	Operational Excellence	RBP	Operational efficiency is one of the key aspects that insurers need to rethink especially with regard to the Work from Home context. 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.	128-132
72	Technology	RBP	As encapsulated in the Corporate Strategy, our business processes are underpinned by technology. All 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. Our business context is greatly strengthened by our technologies and therefore the recent travel restrictions and uncertainties in the country did not cause any disruption to the Company's operations. Softlogic Life was able to leverage its existing IT infrastructure to maintain efficiency while working remotely, thus continuing smooth operations while maintaining the rules of social distancing.	128-132

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	Requirement	Statutory Reference	Implication for the Softlogic Life Insurance PLC	Page Reference
73	Preparation of Annual Report of the Company	Section 166 (1)- C.A	The Board prepared and published the Annual Report for the year ended 31st December 2021, within 6 months from the end of accounting period.	
74	Send a copy of Annual report to every Shareholder	Section 167 (1) – C.A	The Board was able to distribute its Annual Report to all Shareholders 15 working days before the AGM.	
75	Annual General Meeting and Notice of Meetings	Section 133 and 135 (a) C.A	The Twenty Third (23rd) Annual General Meeting of the Company will be held on, 31st March 2022 at 10.00 a.m. at Level 16, One Galle Face Tower (Shangri-La Office Tower), Colombo 02. Refer the notice of Annual General Meeting.	388

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, Sri Lanka
07th March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

This Statement outlines the Directors' responsibilities in relation to Softlogic Life Insurance PLC's Financial Statements. The responsibilities of the External Auditors in relation to the Financial Statements are outlined on pages 258- 260 of the 'Auditors' Report.

In accordance with Sections 150 (1) and 151 of the Companies Act No. 07 of 2007, the Company's Board of Directors is responsible for ensuring that the Company keeps proper books of account of all transactions and prepares Financial Statements that give a true and fair view of the Company's financial position as at the end of each financial year and of the Company's financial performance for each financial year and presents them to a general meeting.

The Financial Statements comprise of the Statement of Financial Position as at 31st December 2021, the Statement of Income Statement 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 2021; and
- The financial performance of the Company for the financial year ended.

Compliance Report

The Board of Directors also wishes to confirm that:

- a. Appropriate Accounting Policies have been selected and applied in preparing the Financial Statements are provided on pages 266-365 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 2021, are prepared and presented in this Annual Report 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 and amendments thereto.
- 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 (IRCSL) for the preparation of Annual Financial Statements of Insurance Companies.

- d. The Directors of the Company 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 206-209.

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. The Board of Directors 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 204-205 of this Annual Report.
- h. As required by Section 56 (2) of the Companies Act No. 07 of 2007, they have authorised distribution of the dividends paid and proposed upon being satisfied that the Company satisfies the solvency test after such distributions are made in accordance with section 57 of the Companies Act No. 07 of 2007 and have obtained in respect of dividends paid and proposed, and also for which approval is now sought, necessary certificates of solvency from the External Auditors.

- i. As required by Sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, the company have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who has expressed a desire to receive a hard copy or a soft copy (online HTML version) is available on the CSE website “www.cse.lk” and company’s official website “www.softlogiclife.lk” 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. 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 by the CA Sri Lanka, the Board of 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.
- 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 263 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 258-260.
- 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, Sri Lanka
07th March 2022

MANAGING DIRECTOR'S/CEO AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Softlogic Life Insurance PLC (the Company) as at 31st December 2021 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 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.

The Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants and their Report is given on pages 258-260. 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 the 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 206-209.

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 48 on pages 364-365 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 2021 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.

(Sgd.)
Iftikar Ahamed
Managing Director / Chief Executive Officer

(Sgd.)
Nuwan Withanage
Chief Financial Officer

Colombo, Sri Lanka
07th March 2022

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 where the Chairman or a Director of the Company is the Chairman or a Director of such entities. Also, this complies with the disclosure requirements 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
Ashok Pathirage	C/MD	Softlogic Holdings PLC
	C/MD	Asiri Hospitals Holdings PLC
	C/MD	Asiri Surgical Hospital PLC
	C/MD	Central Hospital Limited
	C/MD	Softlogic Retail (Private) Limited
	C/MD	Ceysand Resorts Limited
	C	Softlogic Capital PLC
	C	Softlogic Properties (Private) Limited
	C	Softlogic Australia (Pty) Limited
	C	Softlogic City Hotels (Private) Limited
	C	ODEL PLC
	C	Softlogic Supermarkets (Private) Limited
	C	NDB Capital Holdings Limited
	C	Sri Lankan Airlines Limited
	C	Sri Lankan Catering Limited
	D	Odel Properties One (Private) Limited
	D	Asiri A O I Cancer Centre (Private) Limited
	D	Softlogic Retail Holdings (Private) Limited
D	Softlogic Healthcare Holdings Limited	
Haresh Kaimal	D	Softlogic Holdings PLC
	D	Softlogic International (Pvt) Ltd
	D	Softlogic Information Technologies (Pvt) Ltd
	D	Softlogic Australia (Pty) Limited
	D	Softlogic Computers (Pvt) Ltd
	D	Softlogic BPO Services (Pvt) Ltd
	D	Softlogic Mobile Distribution (Pvt) Ltd
	D	Softlogic Finance (Pvt) Ltd
	D	Softlogic Retail Holdings (Private) Limited
	D	Softlogic Restaurants (Private) Limited
	D	Silk Route Foods (Pvt) Ltd
	D	Softlogic City Hotels (Pvt) Ltd
	D	Softlogic Supermarkets (Pvt) Ltd
	D	Softlogic Corporate Services (Pvt) Ltd
	D	Odel PLC
	D	Softlogic Brands (Pvt) Ltd
D	Odel Properties One (Pvt) Ltd	
D	Saber Travel Network Lanka (Pvt) Ltd	
D	Cotton Collection (Pvt) Ltd	
Fernanda Lima	D	Tumalon Katak Salahkar PTE LTD (Singapore)

Name	Position	Company
Iftikar Ahamed	MD	Softlogic Capital PLC
	ED	Softlogic Stockbrokers (Private) Limited
	ED	Softlogic Corporate Services (Private) Limited
	ED	Softlogic Asset Management (Private) Limited
V. Govindasamy	Group M/D	Sunshine Holdings PLC
	C	Sunshine Consumer Lanka Ltd.
	D	Healthguard Pharmacy Ltd
	D	TATA Communications Lanka Ltd
	D	Watawala Plantations PLC
	D	Watawala Dairy Ltd
	Alternate Director	Sunshine Healthcare Lanka Ltd.
	D	Sunshine Foundation for Good.
	D	TAL Lanka Hotels PLC
	D	Sunshine Wilmar Private Limited
	D	Ceylon Property Development Ltd
	D	Century Properties Ltd
	D	Akbar Pharmaceuticals Ltd
	D	Daintee Ltd
D	Century Property Development Limited	
R. Snyders	D	AIICO PLC
	D	Nigerian Insurance Group
	D	miLife Insurance
	D	Ghanaian Insurance Company
	D	Cenfri (Non profit South African Company)
	D	Broadway East Investments (South Africa)
Mr. Sanjaya Mohottala	D	Sri Lankan Airlines Limited
	D	International Chamber of Commerce – Sri Lanka
	D	1976 Corp Pvt Ltd
Mr. Lalith Withana	D	Agilitv Consulting Services (Private) Ltd.
	D	Serendipity Leisure (Private) Ltd.
	D	Acuity Partners (Private) Limited
	D	HNB Finance PLC
	D	Laugfs Gas PLC
	D	Laugfs Maritime Services (Pvt) Ltd

Related party disclosures as per the Sri Lanka Accounting Standard – LKRS 24 on “Related Party Disclosures” are disclosed in Note 45 to the Financial Statements on pages from 361-363 of this Annual Report.

C - Chairman, MD - Managing Director, ED - Executive Director, D - Director

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

INTRODUCTION

The following statement fulfils the requirement to publish the Directors' statement on internal controls as per the Code of Best Practices on Corporate Governance issued by the CA Sri Lanka.

RESPONSIBILITY

The Board of Directors ("Board") is accountable for ensuring the adequacy and effectiveness of internal controls in order to protect shareholders' investments and Company assets. The Board has established an enterprise risk management approach to identify the most significant risks to the business and management's mitigation efforts.

However, such a 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 light of this, 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 created an ongoing process for detecting, evaluating, and managing the Company's major risk, which includes upgrading the Company's internal control system as the business environment and regulatory rules evolve. The Board, through its Audit Committee and Risk Management Committee, with the cooperation of the Internal Auditors, involves setting this process for the year and reviews it on a regular basis.

- 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 who liaises with the internal audit, external audit and other external experts contracted by the Company. In addition to the above, the External Auditors review 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 were 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 pages 210-211 of the Annual Report.

The management assists the Board in implementing policies and procedures relating to 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 the 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 and 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.
- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core areas of business. These committees include the Assets and Liability Management Committee, the Internal Investment Committee, the Information Technology Steering Committee, the Internal Risk Management Committee, The 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 connected with the 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 in processes to comply with the new requirements of recognition, measurement, classification and disclosures 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 that 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.

- 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 highlights 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 206-209.

On behalf of the Board;

(Sgd.)

Ashok Pathirige
Chairman

(Sgd.)

Iftikar Ahamed
Managing Director

(Sgd.)

Lalith Withana
Chairman – Audit Committee

Colombo, Sri Lanka
07th March 2022

AUDIT COMMITTEE REPORT

“The Committee assists the Board in discharging its responsibilities by satisfying the Board oversight responsibilities for financial reporting, internal controls and risk management, compliance with legal and regulatory requirements, external audits and the adequacy and performance of the Internal Audit function of the Company.”

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Audit Committee (“the BAC”) consists of three Non- Executive Directors, a majority of whom are independent and in line with the composition requirements specified by the regulator. The attendance and Directorship status are given in the below table.

Name	Directorship Status	Membership Status	Attendance
Mr. Lalith Withana <i>(Appointed w.e.f.22nd July 2021)</i>	Independent Non-Executive Directors	Chairman	2/2
Mr. Raimund Snyders <i>(Appointed w.e.f. 15th February 2021)</i>	Non- Independent Non-Executive Directors	Member	4/4
Mr. V. Govindasamy <i>(Appointed w.e.f. 22nd July 2021)</i>	Independent Non-Executive Directors	Member	2/2
Mr. Sujeewa Rajapakse <i>(Retired w.e.f. 30th June 2021)</i>	Independent Non-Executive Directors	Former Chairman	2/2
Mr. Ray Abeywardena <i>(Retired w.e.f. 30th June 2021)</i>	Independent Non-Executive Directors	Member	2/2

Regular Attendees by invitation

Managing Director
 Chief Financial Officer
 Chief Audit and Compliance Officer
 Group Head of Internal Audit and Risk

Secretary to the Committee

Messrs. P.R. Secretarial Services (Pvt) Ltd

EXPERTISE OF THE COMMITTEE

The Chairman of the committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of UK.

He is a Management Consultant with over 25 years of experience in organisation development, business transformation, finance, human resources, manufacturing, supply chain, market development, public sector and project management.

The Committee members also bring a wide range of expertise and knowledge to the Audit Committee, which enables the effective conduct of operations.



Further information on the Committee members’ experience, qualifications and expertise are provided in the brief profiles included on pages 144-146 of the Annual Report.

CHARTER OF THE COMMITTEE

The Charter of the BAC approved by the Board, clearly defines the Terms and Reference of the committee and is annually reviewed to ensure that new developments relating to the committee’s functions are addressed. The Charter of the Committee was last reviewed and approved by the Board in October 2021

The Committee has the cooperation of the management and complete access to information and may invite any Director or executive officer to attend its meetings.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Committee recognises the need to keep its knowledge up to date and members have attended internal and external presentations and seminars on important themes.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The composition, role and the functions of the Board Committee are further regulated by the rules on Corporate Governance under the “Listing of the Colombo Stock Exchange”, “Code of Best Practice on Corporate Governance”, issued by The Institute of Chartered Accountants of Sri Lanka and the Regulation of Insurance Industry Act, No.43 of 2000. Refer pages 155-156 for statement of Compliance.

OBJECTIVES

The Committee is empowered by the Board of Directors to:

- 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.
- Review the appropriateness of the accounting policies and ensure adherence to statutory and regulatory compliance requirements and applicable accounting standards.
- Examine the appropriateness, efficacy, and efficiency of risk management, internal controls, and governance systems established to prevent, mitigate, or transfer present and evolving risks.
- Ensure that the conduct of the business follows the applicable laws and regulations of the country and falls within the policies and procedures of the Company.
- Ascertain that the Company adopts and follows strong corporate governance standards, Confirming the highest ethical standards and best industry practices in the best interests of all Stakeholders.
- Monitoring all areas of internal and external audits in order to provide findings and recommendations to management.
- Prior to submission to the Board, review the Company's Interim Financial Statements and Annual Financial Statements to ensure the integrity of the financial statements prepared for disclosure.
- Ensure that the impact of new accounting standards are discussed and disclosures.
- Monitoring and reviewing the activities and performance of the internal, external and out-sourced auditor /s, including monitoring their independence and objectivity.

ACTIVITIES IN 2021

01. Meetings:

The Audit Committee conducted four (4) meetings during the year. The attendance by the Committee members at each of these meetings is given in the page 170. Representatives of the Company's External Auditor, Messrs. KPMG also participated at 4 meetings by invitation. The Committee also invited Senior Management of the Company to participate in the meetings from time to time as required.

2. 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 the Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgemental matters. The Committee also discussed with the External Auditors and management the matters communicated by the External Auditors in their reports to the Committee on the audit for the year.

The Committee reviewed the following areas, in consultation with the External Auditors and the management where necessary:

- Reviewed the Interim Financial Statements of all four (04) quarters and the Annual Financial Statements for the year 2021 prior to publication including the acceptability of the accounting principles, Listing Rules, Companies Act No 7 of 2007, Regulation of Insurance Industry Act, SoRP and the reasonableness of significant estimates and judgements.
- Reviewed the impact of new Accounting standards and Significant accounting and reporting issues.

03. Progress in Implementation of SLFRS 17

During the year, the Committee continuously monitored progress of the implementation of the SLFRS 17 Insurance Contracts which will become effective in the preparation of Financial Statements from 1st January 2023.

The following areas were addressed by the Committee:

- Assessment and data validation during the dry run.
- Assistance in clarification of system logic to the system vendor.
- Highlight the accounting policy choices available on transition.
- Equity reconciliation, review of disclosure and Notes to the accounts.

04. Review of impairment on Financial Investments

The Committee reviewed the policy manual of principles and methodologies including Expected Credit Losses (ECL) computations under SLFRS 9 – "Financial instruments" adopted by the management during the year. Further, the Committee reassessed the impairment relating to Debenture investments, Unit Trust Investments, Sovereign bonds and Sri Lanka development bonds.

05. Review of the impact of COVID-19 on business operations and Financial Reporting

The Committee has reviewed the financial and operational impact of the COVID-19 pandemic on the entity during the year 2021.

06. Cybersecurity Review

Softlogic Life has implemented numerous technical solutions and operational enhancements in response to the cyber security threats. The COVID-19 Pandemic significantly increased the use of information and communication technology as the company move to a Work-From-Home

AUDIT COMMITTEE REPORT

model. This in turn led to increase the potential of cyberattacks due to the larger number of operations that were moved from physical space to cyberspace. The committee assessed the actions taken to mitigate cyber security risk of the company to ensure the risk levels are maintained at an acceptable Level.

07. Compliance Update

The Committee reviewed the report on the Compliance status and appointed a new Compliance Officer w.e.f. 1st July 2021.

08. Internal Audit, Risks and Control

The Committee monitors the effectiveness of the internal audit function and is responsible for ensuring the effectiveness of the internal control systems of the Company.

During the year, the Committee reviewed the internal audit plan and recommended changes, the progress were monitored on regular basis.

Internal auditing involves all functions of the Head Office as well as all branch activities and includes an evaluation of the adequacy, effectiveness and efficiency of internal controls, as well as the actions taken to minimise operational and business risks. In addition, Internal auditing monitors and reports on compliance with statutory regulations and the Company's accounting and operational policies. The internal audit representatives are present at the Audit Committee meetings when discussions are conducted with regard to their respective audit reports.

The Committee was assured that the Internal Audit function is independent and that its audit functions are performed with impartiality, competency and with professional care.

The Committee annually evaluates the independence and resources of the Internal Audit Function. The Internal Audit Strategy which comprises of progress, key audit findings, results

of the implementation of audit recommendations and other key initiatives of the Internal Audit Function is assessed every quarter.

High risk audit findings are discussed in detail at each Committee meeting with the associated recommendations and the responses from the management. During the period, 43 internal audit assurance reports were summarised and 705 reviews of areas susceptible to fraud were completed.

Operational deficiencies risk together with recommendations were discussed at the Audit Committee.

09. External Audit

The Audit Committee assists the Board in assessing independence, evaluating the performance of the External Auditors and making recommendations for engagement of Auditors.

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

The following activities were carried out by the Audit Committee during 2021;

- Discussed the audit plan, scope and the methodology proposed for adoption in conducting the audit with the Auditors prior to commencement of the annual audit.
- The External Auditors were given adequate access to the Audit Committee as well as to all relevant information required discussed matters relating to the scope of the audit and auditors' independence.
- Reviewed the follow up action points taken by the Management in improving the financial reporting based on the 2020 Management Letter by the external auditor Messrs. KPMG.

- Reviewed the External Auditors' Management Letter and the Management's responses thereto before it was submitted to the Board and Insurance Regulatory Commission of Sri Lanka.
- Discussed all relevant matters arising from the interim and final audits, and any other matters that the Auditor wished to discuss, including matters that needed to be discussed in the absence of Key Management Personnels. The Committee members evaluated the Scope, Deliverables, Resources and Quality Assurance Initiatives of the External Auditor, Messrs. KPMG for the year.

INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITORS

The Audit Committee executed an annual assessment of the external auditor's independence and objectivity, including the audit process' efficacy. Auditors having no relationship (other than that of Auditors) with the Company, as far as the Audit Committee is aware.

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 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 auditors to ensure that the provision of these services does not impair the External Auditor's independence and objectivity.

The Committee set out the following guidelines for the engagement of the Auditor to provide non-audit services.

- Skills and experience in providing non-audit services.
- The nature of non-audit services, the related fee levels individually and in aggregate, relative to the audit fee.

The Board Audit Committee considered these guidelines for the engagement of the 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 is in charge of recommending to the Board the appointment, reappointment, or removal of the External Auditor in accordance with professional standards and legislative requirements.

The Audit Committee has recommended that Messrs. KPMG, Chartered Accountants be reappointed as Auditors for the financial year ending December 31, 2022, subject to shareholder approval at the Annual General Meeting. Furthermore, the Committee has presented a recommendation to the Board on the remuneration of the 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 the adoption of the new and revised Sri Lanka Accounting Standards applicable to the Company and made recommendations to the Board of Directors. The committee would continue to monitor compliance with the 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 210-211

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 is compliant with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

ETHICS, GOOD GOVERNANCE AND WHISTLE BLOWING

The Committee continuously emphasises the importance of staff members' ethical values. In this regard, a Code of Ethics and a Whistle Blower's Charter was established and implemented with the aim of informing and encouraging all employees to use whistle-blowing as a means of reporting wrongdoing or other irregularities. Corporate governance at the highest level was ensured, as was adherence to the Company's Code of Ethics.

All appropriate procedures were in place to conduct independent investigations into incidents reported through whistle-blowing or identified through other

means. The Whistle-Blower's Charter guarantees strict confidentiality of the whistle-blowers' identity.

COMMITTEE EVALUATION AND PROFESSIONAL DEVELOPMENT

An independent evaluation of the Committee's effectiveness was carried out by the other members of the Board during the year. After considering the overall conduct of the Committee and its contribution to the overall performance of the Company, the Committee was rated as highly effective.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview.

CONCLUSION

The Audit Committee concludes that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively, and that they give reasonable assurance that the Company's assets are protected and that the financial statements are accurate. Throughout the year, the Company's External Auditors have been effective and independent.

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 conduct 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.)

Mr. Lalith Withana
Chairman - Audit Committee

Colombo, Sri Lanka
07th March 2022

RISK COMMITTEE REPORT

“The Committee reviewed the adequacy and effectiveness of existing controls on Market Risk, Strategic and Operational Risk and Asset and Liability Management and disseminated advice on how to strengthen the management of these risks.”

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Risk Committee (“the Committee”) consists of two Non-Executive Directors and one Executive Director. The attendance and Directorship status are given in the below table.

Name	Directorship Status	Membership Status	Attendance
Mr. Raimund Snyders	Non-Independent Non-Executive Director	Chairman	4/5
Mr. Iftikar Ahamed	Managing Director	Member	5/5
Ms. Fernanda Lima	Non-Independent Non-Executive Director	Member	5/5
Mr. Ray Abeywardena <i>(Retired w.e.f. 30th June 2021)</i>	Independent Non-Executive Director	Member	3/3

Regular Attendees by invitation

Chief Operating Officer
 Head of Group Investments
 Chief Corporate Services Officer
 Chief Distribution Officer
 Chief Information Officer
 Chief Actuarial Officer
 Chief Financial Officer
 Chief Audit and Compliance Officer
 Head of Risk

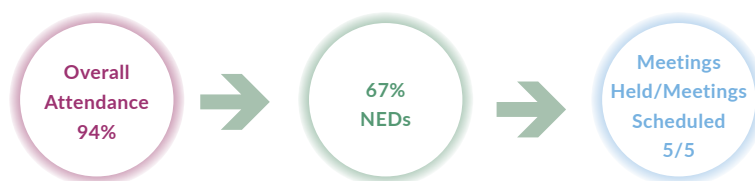
Secretary to the Committee

Messrs. P.R. Secretarial Services (Pvt) Ltd

CHARTER OF THE COMMITTEE

The Board Risk Committee (“the Committee”) is appointed by the Board of Directors. The profiles of the Committee members are given on pages 144-146.

This Committee has supervisory functions over risk management, the risk profile and the enterprise-wide Risk Management Framework of the Company and any other risk related matters determined by the Board.



The Committee reports formally to the Board on its proceedings whenever there are major decisions taken, whilst making recommendations to the Board it deems appropriate.

Authority

The Risk Committee is a subcommittee of the Board of Directors it has been empowered to have direct access to, and receive regular reports from, Senior Management, and be provided with any information it requests with regard to responsibilities. The Committee has the authority to engage independent professional advisors on matters within its purview.

OBJECTIVES

- 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 The 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 regulations.
- 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.

ACTIVITIES IN 2021

- Reviewed the adequacy and effectiveness of the Company’s existing risk management controls.
- Committee Reviewed the risk limits for 2021 and approved the proposed Risk Limits for 2021 subject to certain inclusions and edits.

- Approved the Company's risk Policy.
- Annual Review and Approval of the Following Policies:
 - Capital Management Policy.
 - Business Continuity Plan.
 - Treasury Middle Office Policy.
 - Operational Risk Management Policy.
 - Environmental and Social Policy.
 - IT Risk Framework.
 - Remote Access Policy.
 - Fraud Risk Policies.
- Reviewed the adequacy and effectiveness of existing controls on Market Risk, Strategic and Operational Risk and Asset and Liability Management and disseminated advice on how to strengthen the management of these risks.
- Reviewed the business impact on the Company's operations as a result of COVID-19.
- Committee reviewed the progress of Implementing the "M Vision" for Softlogic Life, which will minimise unauthorised access threats for mobile devices.
- Reviewed the Software Development policy of the company and recommended certain improvements to the Policy in order to comply with Industry Best Practices as well as specifics required for Softlogic Life.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Committee recognises the need to maintain its knowledge up to date, and members have attended internal and external presentations and seminars on important themes.

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.)

Raimund Snyders

Chairman - Risk Committee

Colombo, Sri Lanka
07th March 2022

HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

“The Board of Directors appoints the Human Resource and Remuneration Committee to assist the Board in carrying out its obligations for the development and remuneration of the Company’s directors, executive officers and other key management professionals.”

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Human Resource and Remuneration Committee (“the Committee”) consists of three Non- Executive Directors, a majority of whom are independent and in line with the composition requirements specified by the regulator. The profiles of the Board Human Resources and Remuneration committee are given on pages 144 to 146. The attendance and Directorship status are given in the below table.

Name	Directorship Status	Membership Status	Attendance
Mr. V. Govindasamy (Appointed w.e.f. 01st July 2021)	Independent Non-Executive Director	Chairman	N/A
Mr. Ashok Pathirage	Non-Executive Director	Member	1/1
Mr. Lalith Withana (Appointed w.e.f. 01st July 2021)	Independent Non-Executive Director	Member	N/A
Mr. Sujeewa Rajapakse (Retired w.e.f. 30th June 2021)	Independent Non-Executive Director	Former Chairman	1/1
Mr. Ray Abeywardena (Retired w.e.f. 30th June 2021)	Independent Non-Executive Director	Member	1/1

Regular Attendees by invitation

Managing Director*
Chief Human Resources Officer

* The Managing Director took part in all deliberations except when his own interest, performance and compensation were discussed.

Secretary to the Committee

Messrs. P.R. Secretarial Services (Pvt) Ltd



THE KEY OBJECTIVES, RESPONSIBILITIES, AND DUTIES OF THE COMMITTEE.

Determining the remuneration of the Chairman, Deputy Chairman, Managing Director and other members of the Board of Directors of the Company, while ensuring that no Director is involved in setting his or her own compensation.

- Determining the compensation and benefits of the KMP and establishing performance parameters in setting their individual goals and targets.
- Formulating guidelines, policies and parameters for the remuneration structures for all Executive Staff of the entity and overseeing the implementation thereof.
- Reviewing information related to executive pay from time to time, to ensure same it is on par with the market/ industry rates or as per the strategy of the Company.
- Evaluating the performance of the Managing Director and KMP against the pre-agreed targets and goals.
- Making recommendations to the Board of Directors from time about time, of the additional/new expertise required by the Company.
- Assessing and recommending promotions of KMP to the Board of Directors, addressing succession planning and issues connected to the organisational structure.
- Approving annual increments, bonuses and changes in prerequisites and incentives.
- Making sure that employee remuneration packages of employees are linked to individual performance, responsibility, expertise and contribution to team and overall Company objectives.

CHARTER OF THE COMMITTEE

The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors, any matter that may influence the Human Resource Management of the entity and shall particularly incorporate.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE SUB COMMITTEE

The Board established the Remuneration Committee in accordance with Rule 7.10.5 of the Colombo Stock Exchange’s Listing Rules, and its composition and powers are in accordance with the Listing Rules.

ACTIVITIES IN 2021

- Bonus payable for 2021 performance was determined by the Committee according to the Variable Pay Plan (VPP) for Executive staff.
- The Committee also approved the annual increments to the Executive staff based on their performance during 2021.
- The Committee reviewed the performance of the Corporate Management members (KMPs) including that of the Managing Director and Chief Operating Officer for the financial year ended 2022.

POLICY

The Remuneration Policy of the Company aims to attract, motivate and retain Executive Directors, KMP 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 talent from other industries as well.

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 are disclosed in Note 45 on page 361 in this report.

REMUNERATION PACKAGE OF MD/ CEO

The Remuneration Committee 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. The Managing Director is entitled to retirement benefits but not company loans. The Company also does not have a share option plan for the Managing Director.

REMUNERATION PACKAGE OF EMPLOYEES

The remuneration packages of employees consist of a fixed component, a variable component and other benefits as noted below:

a) Fixed Components

Basic salary and Fixed Allowances are the fixed component in the package which is based on the scope and complexity of the role and this is reviewed annually. Annual performance appraisals are conducted, and increments and promotions are granted 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 to 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 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 2021, 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 and Remuneration structures for its KMP 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.)

V. Govindasamy

Chairman – Human Resource and Remuneration Committee

Colombo, Sri Lanka
07th March 2022

INVESTMENT COMMITTEE REPORT

“The Board of Directors has formally created the Investment Committee as one of its sub-committees. The Committee will oversee investment activities by assisting and guiding them, evaluating the strategic relevance and financial sustainability of various investment proposals and monitoring the Company’s various investment activities in compliance with the Company’s investment policies.”

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Investment Committee (“the Committee”) consists of Managing Director and five Non- Executive Directors, The attendance and Directorship status are given in the below table.

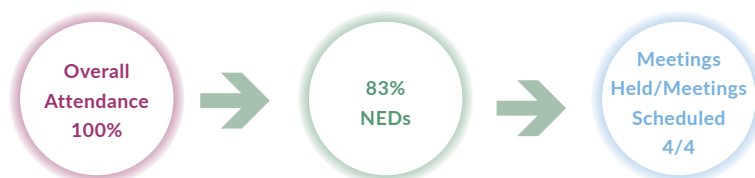
Name	Directorship Status	Membership Status	Attendance
Mr. Ashok Pathirage	Non-Executive Director	Chairman	4/4
Mr. Iftikar Ahamed	Managing Director	Member	4/4
Ms. Fernanda Lima	Non- Independent Non-Executive Director	Member	4/4
Mr. V. Govindasamy	Independent Non-Executive Director	Member	4/4
Mr. Raimund Snyders	Non- Independent Non-Executive Director	Member	4/4
Mr. Sanjaya Mohottala (Appointed w.e.f. 22nd July 2021)	Independent Non-Executive Director	Member	2/2
Mr. Ray Abeywardena (Retired w.e.f. 30th June 2021)	Independent Non-Executive Director	Member	2/2
Mr. Sujeewa Rajapakse (Retired w.e.f. 30th June 2021)	Independent Non-Executive Director	Member	2/2

Regular Attendees by invitation

Managing Director
Chief Financial Officer
Chief Audit and Compliance Officer
Group Head of Internal Audit and Risk

Secretary to the Committee

Messrs. P.R. Secretarial Services (Pvt) Ltd



Directors as deemed necessary and for establishing investment guidelines in furtherance of those policies.

The committee reviews the written reports from the appointed Treasury/ Fund management team. Based on these reports, from time to time committee would issue instructions to Treasury/ Fund management team and the executive management of the company on investment related activities

EXPERTISE OF THE COMMITTEE

The committee possess in depth expertise and knowledge of Investments, Finance and Risk Management as well as being industry experts which is vital in performing its functions. Refer pages 144-146 for profiles.

CHARTER OF THE COMMITTEE

The Investment Committee (“the Committee”) will assist the Board of Directors in fulfilling their oversight responsibility for the Investments of the Company. The Investment Committee is responsible for formulating the overall investment policies of the Company, subject to approval by the Board of

ROLES AND RESPONSIBILITY OF THE COMMITTEE

The Committee’s responsibilities comprise recommending an investment policy to the Board for approval, ensuring that investments are made in accordance with the policy, and monitoring performance on a quarterly basis.

METHODOLOGY ADOPTED BY THE COMMITTEE

The Committee meets quarterly basis and reviews progress of strategic and significant investment decision of the company, market development and economic outlook of the markets it operates in and new investment strategies.

PROFESSIONAL ADVICE

The Investment Committee will decide if and when expert external advice is necessary and seek such advice when required.

ACTIVITIES IN 2021

- The Committee reviewed data on the current economic conditions, outlook for the economy, industry growth sectors, inflation and interest rates.

- The Committee evaluated and assessed the impact on the performance of the Company's investment portfolio and interest rates, due to COVID-19.
- The Committee reviewed the Investment Portfolio, Performance of Fixed Income Securities, Performance of Equity Securities, Fund Wise Performance and Strategic Aspects.

COMMITTEE EVALUATION

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. After taking into consideration the overall conduct of the Committee and its contribution to the overall performance of the Company, the Committee was rated as highly effective.

THE YEAR AHEAD

The Committee would continue to make decisions and recommendations which meet the risk, ALM and other applicable parameters for investments and ensure acceptable implementation of risk/reward strategies to achieve budgeted returns for the year. The Committee focus during the year will be on product and fund wise asset and liability management while maximising the yields on the investments

(Sgd.)

Ashok Pathirage

Chairman – Investment Committee

Colombo, Sri Lanka

07th March 2022

THE RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

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.

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Related Party Transaction Review Committee (“the committee”) consists of three Non- Executive Directors, a majority of who are independent. The profiles of the Related Party Transaction Review Committee are given on pages 144 to 146.

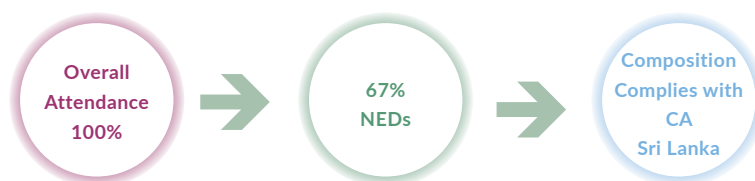
Name	Directorship Status	Membership Status	Attendance
Mr. Lalith Withana (Appointed w.e.f.22nd July 2021)	Independent Non-Executive Director	Chairman	2/2
Mr. V. Govindasamy (Appointed w.e.f. 22nd July 2021)	Independent Non-Executive Director	Member	2/2
Mr. Raimund Snyders (Appointed w.e.f. 22nd July 2021)	Non-Independent Non-Executive Director	Member	2/2
Mr. Sujeewa Rajapakse (Retired w.e.f. 30th June 2021)	Independent Non-Executive Director	Former Chairman	2/2
Mr. Ray Abeywardena (Retired w.e.f. 30th June 2021)	Independent Non-Executive Director	Member	2/2

Regular Attendees by invitation

Managing Director
Chief Audit and Compliance Officer
Chief Financial Officer

Secretary to the Committee

Messrs. P.R. Secretarial Services (Pvt) Ltd



CHARTER OF THE COMMITTEE

The Related Party Transactions (RPT) 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 which required mandatory compliance with effect from 1st January 2016.

The Committee is responsible for independent reviewing of transactions between the Company and its Related Parties, 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, save and except transactions exempted under the CSE Rules.

THE OBJECTIVES, RESPONSIBILITIES, AND DUTIES OF THE COMMITTEE

- Reviewing all transactions between the Company and its Related Parties, 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.
- Assessing whether the transactions are in the best interests of the Company and its shareholders as a whole.
- Evaluating whether the transactions fall within the ambit of a normal business relationship and determining whether transactions that are to be entered in to by the Company require the approval of the Board or Shareholders.
- Advising the Board in making immediate market disclosures on applicable RPT as required by Section 9.3.1 of the Listing Rules of the CSE.

- Advising the Board in making appropriate disclosures on RPT in the Annual Report as required by Section 9.3.2 of the Listing Rules of the CSE.

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 and 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 in its task of reviewing Related Party Transactions by the Management's confirmation reports 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 arm's 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 RPT 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.

ACTIVITIES IN 2021

The Committee met four (04) times during the financial year ended 31st December 2021, and the proceedings of the Committee meetings have been regularly reported to the Board of Directors during the financial year.

There were no non recurrent or recurrent RPT that exceeded the respective thresholds mentioned in the Listing Rules of the CSE.

The annual review of the RPT policy was carried out during the year 2021, and same has been submitted for the Board approval.

Reviewed all Related Party Transactions for four quarters and confirmed that such transactions occurred at arm's length price.

Reviewed and approved the management's confirmation reports on Related Party Transactions for all four quarters.

Details of other RPT's entered into by the Company during the above period are disclosed in Note 45 to the Financial Statements.

RELATED PARTY TRANSACTIONS/ DISCLOSURES DURING THE YEAR PROFESSIONAL ADVICE

The value of non-recurrent RPTs during the year was below the threshold for immediate disclosure in terms of Rule 9.3.1 of the Listing Rules or disclosure in the Annual Report as per Rule 9.3.2 (a) of the Listing Rules.

The aggregate value of recurrent Related Party Transactions entered into during the year was below the threshold for disclosure in the Annual Report as per Rule 9.3.2(b) of the Listing Rules.

The aggregate value of all RPTs during the year is disclosed in Note 45 to the Financial Statements in terms of LKAS 24 – Related Party Disclosures.

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.

GUIDING PRINCIPLES OF THE COMMITTEE

The RPT 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 RPT.

DECLARATION

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to related party transactions is given on page 380 of the Annual Report.

THE YEAR AHEAD

The Committee will continue to review RPT in order to ensure the Company is in compliance with its stipulated framework governing Related Party Transactions.

(Sgd.)

Lalith Withana

Chairman – Related Party Transactions Review Committee

Colombo, Sri Lanka
07th March 2022

NOMINATION COMMITTEE REPORT

“The Nomination Committee will oversee the Board appointment process and provide recommendations to the Board of Directors, as well as assisting the Board of Directors to carry out its corporate governance responsibilities related to the appointment and termination of Directors.”

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Nomination Committee (“the Committee”) consists of three Non- Executive Directors, a majority of who are independent. The profiles of the Nomination Committee are given on pages 144 to 146. The attendance and Directorship status are given in the below table.

Name	Directorship Status	Membership Status	Attendance
Mr. V. Govindasamy (Appointed w.e.f. 01st July 2021)	Independent Non-Executive Director	Chairman	N/A
Mr. Ashok Pathirage	Non-Executive Director	Member	1/1
Mr. Lalith Withana (Appointed w.e.f. 01st July 2021)	Independent Non-Executive Director	Member	N/A
Mr. Sujeewa Rajapakse (Retired w.e.f. 30th June 2021)	Independent Non-Executive Director	Former Chairman	1/1
Mr. Ray Abeywardena (Retired w.e.f. 30th June 2021)	Independent Non-Executive Director	Member	1/1

Regular Attendees by invitation

Managing Director

Secretary to the Committee

Messrs. P.R. Secretarial Services (Pvt) Ltd



CHARTER OF THE COMMITTEE

The Board Nominations Committee was established by the Board of Directors to ensure the Board’s oversight and control over the selection of Directors, Chief Executive Officer (MD), and Key Management Personnel of the Company.

THE TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference state the purpose of the Committee, its composition, authority, scope and scheduling of meetings.

The Nomination Committee was established to consider and make recommendations to the Board of the suitability of a Director’s appointment and/or re-election as a Director to the Board.

The recommendation of the Committee on new appointments will cover areas such as qualifications, competencies, independence, relationships which have potential to give rise to conflict vis-a-vis the business of the Company, etc.

ACTIVITIES IN 2021

The Committee has recommended the Directors who are up for re-election, to be re-elected at the 23rd

AGM to be held on 31st March 2022 based on their performance and the contribution made by them towards the overall discharge of the Board’s responsibilities.

The committee was also responsible for recommending the appointment of Mr. Sanjaya Mohottala and Mr. Lalith Withana as Independent Non-Executive

directors of the company w.e.f. July 01,2021 with the retirement of Mr. Sujeewa Rajapakse and Mr. Mohan Ray Abeywardena (Former Independent Non-Executive Directors) w.e.f. June 30, 2021 upon the completion of nine years as Independent Non-Executive Directors in terms of Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka and Listing Rules issued by the Colombo Stock Exchange [CSE] on Corporate Governance. The Committee obtained declarations from all the Directors through a prescribed format confirming their status of independence, potential to give rise to conflict vis-a-vis the business of the Company, etc.

OBJECTIVES, RESPONSIBILITIES AND DUTIES

- 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 considering their performance and the contribution made by them towards the overall discharge of their responsibilities on the Board and Board appointed committees.
- To set criteria such as qualifications, competencies, experience, independence, conflict of interest and other key attributes required for eligibility for appointment or promotion to the post of 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 of decisions relating to his own appointment.
- To consider and recommend from time to time the succession planning arrangement for retiring Directors and Key Management Personnel.
- To make recommendations on any other matter/s referred to the Committee by the Board of Directors.

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 Personnel 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 Nomination Committee will lead the process for Board appointments and make recommendations to the Board and will assist the Board of Directors in fulfilling its corporate governance responsibilities regarding all matters related to the appointment and termination of the Directors, their performance evaluation, training, etc.

(Sgd.)

Ashok Pathirige

Chairman – Nomination Committee

Colombo, Sri Lanka

07th March 2022

LISTING RULES ISSUED BY COLOMBO STOCK EXCHANGE [CSE] ON CORPORATE GOVERNANCE AND RELATED PARTY TRANSACTIONS

Principle	Compliance and Implementation	Page No.	Status
7.10	CORPORATE GOVERNANCE		
7.10.1	Two or one third of Directors whichever is higher, should be Non – Executive Directors		
	The Board is consists of Eight [8] Directors and a majority [7/8] are Non-Executive Directors. Refer the Board Composition.	163	✓
7.10.2	Two or one third of Non-Executive Directors whichever is higher, should be Independent and submit annual declarations about their independency to the Board		
	The Board comprises of Seven [7] NEDs, of whom Three [3] are independent. Each NED annually submitted a declaration about their independence under specific criteria as defined in 7.10.4 of the Listing rules. Refer the Board Composition.	163	✓
	Refer the Determination of Independence of Directors.	166	
7.10.3	Disclosures relating to Directors		
	<ul style="list-style-type: none"> The names of Non-Executive Directors determined to be ‘independent’: The Board of Directors is inclusive of multifarious expertise, and they annually determine their independence and submit a declaration to the Board. Refer the Determination of Independence of Directors. 	166	✓
	<ul style="list-style-type: none"> In the event a Director does not qualify as ‘independent’ Mr. Sujeewa Rajapakse & Mr. Ray Abeywardena retired from office as they had completed their term of nine [9] years of service as Independent Directors during the year. All other Independent Directors are determined to be “Independent” as specified in the rule. 		
	<ul style="list-style-type: none"> A brief resume of each Director Refer Board of Directors' Profile. 	144-166	
	<ul style="list-style-type: none"> In the event of an appointment of a new Director A public announcement was made in the CSE website with regard to the new appointments to ensure effective stakeholder engagement. Refer New Appointment of Directors. 	171	
7.10.4	Criteria for defining “Independence”		
	Refer Criteria Used in Determining the Independence of the Board of Directors.	166	✓
7.10.5	Remuneration Committee		
	<ul style="list-style-type: none"> Composition of the Committee: The Remuneration Committee consists of Three [3] NEDs, a majority of whom [2/3] are independent. Refer the Remuneration Committee Report. 	213	✓
	<ul style="list-style-type: none"> Remuneration of Executive Director/Managing Director: The remuneration policy of the Company aims to attract, motivate and retain Executive Directors, KMPs and employees with appropriate professional and expertise to achieve the corporate objectives of the Company. 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. Refer the Remuneration Policy in the Remuneration Committee Report. 	213	
	<ul style="list-style-type: none"> Disclosures: The names of the Directors in the Remuneration Committee and the Statement of the Remuneration Policy are given in the Remuneration Committee Report. Refer Note 21 for total fees and Remuneration paid to all Directors. 	317	

Principle	Compliance and Implementation	Page No.	Status	
7.10.6	Audit Committee			
	<ul style="list-style-type: none"> Composition of the Committee: <p>The Audit Committee comprises of Two [2] Independent NEDs and one [1] NINED. During the year the Committee met four [4] times with participation of the Managing Director, CFO and Chief Audit and Compliance Officer by invitation.</p>		✓	
	<ul style="list-style-type: none"> The Chairman should be a member of a recognised professional accounting body: <p>The Chairman of the Committee is a fellow member of both Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of United Kingdom.</p>			
	<ul style="list-style-type: none"> Functions of the Committee: <p>The scope, functions and responsibilities are set out in the terms of reference of the Committee report which has been affirmed by the Board and is reviewed annually or as and when necessary.</p>			
	Refer Key Functions performed and reviewed by the Committee.	168		
	<ul style="list-style-type: none"> Disclosures: <p>Names of Directors comprising of the Audit Committee and the report by the Committee setting out the manner of compliance in relation to financial reporting are discussed in detail in the Audit Committee Report.</p>			
	Refer Independence and Objectivity of External Auditor and determination of the independence of the auditor.	187		
9	RELATED PARTY TRANSACTION REVIEW COMMITTEE			
9.2.1	Review of Related Party Transactions			
	Except for the transaction set out in Rule 9.5 all other RPTs have been reviewed by the Committee.		✓	
9.2.2	Composition of the Committee			
	The Committee comprises of Two [2] Independent NEDs and one [1] NINED. The Managing Director and Chief Financial Officer are regularly attend to meetings by invitation.		✓	
	Refer Committee Composition and Attendance.	170		
9.3.2	Disclosures in the Annual Report			
	There were no non-recurrent related party transactions which exceeded aggregate value of 10% of the Equity or 5% of the Total Assets, whichever is lower during the year. There were no recurrent related party transactions which exceeded aggregate value of the 10% of the gross revenue/income (or equivalent term in the Income Statement) during the year. The Board confirms that the Company has disclosed transactions with Related Parties in terms of Sri Lanka Accounting Standard (LKAS 24) and has complied with all requirements as per the CSE Listing Rules.		✓	
	Refer the Related Party Transaction Review Committee Report.	216-217		
	Refer Related Party Disclosures in Note 45 to Financial Statements.	361		

DIRECTION ON CORPORATE GOVERNANCE FOR INSURERS

ISSUED BY THE INSURANCE REGULATORY COMMISSION OF SRI LANKA

The 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 (updated 3rd Feb 2022). The Company has already complied with the directive as shown in the table below.

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
A.	Adherence of the Code of Best Practice on Corporate Governance 2017		
	Refer the Code of Best Practice on Corporate Governance.	222-230	✓
B.1	A minimum of two Directors of the Board must be citizens and residents of Sri Lanka		
	The Board comprises of [Eight]8 Directors, and [Six] 6 of them are citizens and residents of Sri Lanka.		✓
	Refer The Composition of the Board.	163	
B.2	Total service period of a Non-Executive Director [NED] shall not exceed nine [9] years		
	During the year, Mr. Sujeewa Rajapakse & Mr. Ray Abeywardena retired from office completed their term of nine [9] years of service. All other NEDs excepting the Chairman have not exceeded 9 years of service.		✓
	Mr. Ashok Pathirage [Chairman] is considered a Major Corporate Shareholding Director of the Company with more than a 50% shareholding and this rule shall not be applicable to him.		
	Refer The Composition of the Board.	163	
B.3	Age of a person who serves as a Director of the Company, shall not exceed 75 years		
	The Directors who serve on the Board are not older than 75 years.		✓
	Refer The Composition of the Board .	163	
B.4	Adherence to the Section 7.10 of the Listing Rules of the CSE		
	Refer "Listing Rules Issued by the Colombo Stock Exchange [CSE] on Corporate Governance and Related Party Transactions.	220-221	✓
B.5	Appointments in Other Boards		
	The Directors of the Company do not hold directorship of more than 20 companies/entities/ institutions, inclusive of subsidiaries or associate companies. Of such 20, a maximum of 10 companies shall be classified as Specified Business Entities.		✓
	Refer Directors' Interest in Contracts with the Company.	203	
B.6	Disclosed compliance status as required in 7.10 of the Listing Rules of the CSE		
	Refer "Listing Rules Issued by the Colombo Stock Exchange [CSE] on Corporate Governance and Related Party Transactions".	220-221	✓
B.7	Any non-compliance status in respect of principle B of this direction		
	Compliance requirements set by the "IRCSL Direction 17" specific to Principle B as mentioned above on Corporate Governance are successfully achieved as required.		✓
B.8	In the case of a Director older than 70 years continuing in service		
	None of the Directors on the Board are older than 70 years and if any Director wishes to serve beyond the age of 70, the Company should provide a certification and written confirmation through the Company Secretary to the IRCSL, which has been duly approved by passing a resolution at the general meeting and/or not prohibited by the Articles of Association of the Company.		✓

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 and how the Company complied with each requirement of the code, in this section.

Table: Code of Best Practice on Corporate Governance

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
A	DIRECTORS		
A.1	The Board		
	The Board of Directors provides leadership and strategic direction to the Company, within the parameters of a prudent and effective governance framework as the representatives of the shareholders.		✓
A.1.1	Board Meetings		
	The Board met 4 times during the year to discuss matters related to different areas such as strategy, compliance, performance, risk management and resource allocation. Refer Board Meetings and Attendance.	163	✓
A.1.2	Roles & Responsibilities		
	The Board of Directors have multiple roles which are in line with the requirements of the Code, in order to achieve the targeted performance and to bring their valuable input to the decision-making process of the Company.		✓
	Ensure formulation and implementation of a sound business strategy: 2022 - 2024 a three-year plan has been approved by the Board at the end of 2021.		
	Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy: The Managing Director & Senior Corporate Management team which include 13 members of professionally qualifiers with having sufficient knowledge, skills and experience are giving utmost direction to implement strategies in-favor of achieve ultimate objectives.		
	Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy: Talent management approach of the Company was enhanced with additional processes to refine the approach and create greater momentum in the building of succession talent pools.		
	Approving budgets and major capital expenditure: The Budget and the Corporate plan for the year 2021 was evaluated and approved within the 1st Quarter of the year.		
	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 the Manual of Financial Authority (MoFA), which is revised by the Board on an annual basis also falls within the purview of the Board.		
	Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management: The Company has established a sound internal audit process, Risk management process and ensures that IT Controls are properly established. Refer the Statement of Compliance.	155	
	Ensuring all stakeholder interests are considered in corporate decisions: The Board considers the views/impact on all Stakeholders when making decisions.		
	Recognising 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 performance is discussed regularly at Board Meetings. The Company adopts "Integrated Reporting" in its Annual Reports. Refer Key Activities in the Board during the year 2021.	170	

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
A.1.2	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 is responsible for the preparation of financial statements whilst the Audit Committee ensures compliance with the financial regulations of the financial statements.		✓
	Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks: The Board has met 4 times during the year to evaluate overall performance and financial performance. Throughout the year the Board and its sub-committee has continuously reviewed and monitored the progress of the business.		
	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, on the CSE and company websites.		
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned: The Board is capable of providing the right direction; the Board comprises of members who have expertise in different areas.		
A.1.3	Act in accordance with the laws of the Country		
	The Board has confirmed that the Company has been compliant with the provisions set by the Companies Act No. 07 of 2007, Regulation of Insurance Industry (RII) Act No. 43 of 2000, 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.	155-156	✓
	Refer Statement of Compliance		
A.1.4	Access to advice and services of the Company Secretary		
	P. R. Secretarial Services (Pvt) Ltd ensures that Board procedures are compliant and in accordance with the relevant applicable rules and regulations.	164	✓
	The Company has paid an insurance premium in respect of an insurance policy for the benefit of the Directors of the Company.		
	Refer The Role of Company Secretary.		
A.1.5	Independence judgment		
	The Board consists of diverse high-calibre professionals, capable of exercising independent judgment in the effective discharge of their duties and responsibilities on matters of strategy, compliance, performance and resource allocation.		✓
A.1.6	Dedicate adequate time and effort to matters of the Company		
	The Board of Directors are committed to discharging their duties as Directors of the Company and ensuring that adequate time and attention is given in the Board meetings to make an effective contribution in the decision making process.	170	✓
	Refer "The Board Meetings and Attendance"		
	Refer "Roles & Responsibilities of the Board"	165	
A.1.7	Procedures relating to Directors' Matters in the best interests of the Company		
	Procedures are in accordance with the specific provisions set out by the Articles of Association of the Company and the Code for best practice on Corporate Governance.		✓

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
A.1.8	Board induction and training		
	The Company Secretary facilitates a comprehensive induction program for newly appointed Directors while the Board regularly reviews the requirement for continuous development and knowledge-enhancement for existing Directors.		✓
	Refer Board induction and training.	172	
A.2	Position of Chairman and CEO/MD vested by separate persons		
	The position of the Chairman and MD have been separated in line with the code and their roles and responsibilities are clearly defined in order to maintain balance of power and authority.		
	The Chairman of the Company is Mr. Ashok Pathirage and the MD of the Company is Mr. Iftikar Ahamed.		
A.3	Chairman's Role in preserving Good Corporate Governance:		
	The Chairman provides leadership to the Board and facilitates the effective discharge of duties in the best interests of the Board; maintains smooth functioning of the Board, presides at the Directors' and Shareholders' meetings to ensure Director participation and proper execution of Board proceedings and promotes and carries out his responsibilities in the best interests of good governance.		✓
	Refer The Chairman's Message on Corporate Governance.	151	
	Refer The Chairman's role in the Conduct of Board Meetings.	164	
A.4	Financial Acumen and Knowledge		
	All the Directors have extensive experience and financial acumen, although their experience lies in different industries. Mr. Lalith Withana is a Director newly appointed to the Board who has extensive knowledge and experience in financial services. He is a Fellow member of both the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of United Kingdom.		✓
A.5	The Board Balance		
	The Board consists of Seven [7] NEDs. Three [3] of them are independent. An annual declaration was submitted by each Director about their independence, based on certain criteria as set out in Schedule K of the Code and the CSE Listing Rules 7.10.4. Mr. Sujeewa Rajapakse acted as the Senior Independent Director of the Company until he retires from office as a Director and made himself available for confidential discussions with other Directors.		✓
	The Chairman holds meetings with the NEDs as and when necessary, and any matter which cannot be resolved unanimously is recorded in the Board Minutes by the Secretary of the Company during the year. All matters discussed at the Board meetings have the consent of each Director.		
	During the year Mr. Iftikar Ahamed [ED] appointed as an Alternate Director to the Mr. Chula Hettiarachchi [ED] and ceased the office with the demise of Mr. Hettiarachchi was disclosed to shareholders and published in CSE website.		
	Refer the Section on Directors Independence.	166	
	Refer the Composition of the Board on page.	163	
	Refer Senior Independence Director.	163	

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
A.6	Supply of Information		
	The Management provides appropriate and timely information to the Directors not less than seven [7] days prior to the meetings. Meeting Minutes are circulated within 14 days from the meeting date. A complete and comprehensive update on the Operational and Financial performance of the Company was submitted to the Senior Management of the company including the Managing Director [MD].		✓
A.7	Appointment to the Board		
	The Nomination Committee annually assesses the experience, expertise and diversity of the current Board and recommends suitable candidates to the Board through a formal and transparent process which is governed by the Articles of Association and which complies with company policy.		✓
	During the year two New Directors were appointed to the Board and such appointments were published in CSE website.		
	Refer New Appointments to the Board.	171	
	Refer Nomination Committee Report.	218-219	
A.8	Re-election and Resignation of Directors		
	The re-election of Directors is governed by the Articles of Association and is performed at the AGM. The offices of Chairman and MD are not subject to retirement by rotation. Two Directors retired during the year under review as they had completed 9 years of service as Directors on the Board. No Director terminated his office prior to the completion of his term but the demise of an Executive Director during the year was notified to the Board and shareholders.		✓
	Refer the section on Resignation of Directors	171	
A.9	Appraisal of Board performance		
	The Board and Committees conduct their performance evaluation annually to review the participation, contribution and engagement of each Director in discharging their duties and responsibilities satisfactorily. Outcomes identified during the process were submitted to the Nomination Committee to make further improvements in Board effectiveness.		✓
	Refer the section on "Board Competency Evaluation".	172	
A.10	Disclose Information in respect of Directors as specified in the Code		
	Profiles including qualifications, expertise, and appointments.	145-146	✓
	Material business interests of Directors.	203	
	Whether Executive, Non-Executive and/or Independent Director.	162	
	Total number of Board seats held by each director in other companies.	206	
	Number/percentage of Board meetings of the Company attended during the year.	170	
	Members of Committees and attendance at Board meetings and committee meetings.	170	
A.11	Appraisal of the Chief Executive Officer[CEO]/MD		
	The performance of the MD is evaluated annually based on the agreed objectives set by the Board in consultation with MD.		✓
	Refer the section on Performance Evaluation of the MD.	172	

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
B	DIRECTORS REMUNERATION		
B.1	Remuneration Procedure		
	The Human Resource and Remuneration committee [consisting of two [2] INEDs and one [1] NED] is responsible for establishing the remuneration framework for Directors of the Company and for recommending and assisting the Board with regards to the remuneration policy for Executive and Corporate Management. No remuneration is paid to the NEDs other than fees paid for the attendance of each Director at Board and Board Sub-Committee meetings.		✓
	Refer Board remuneration.	174	
	Refer the Human Resource and Remuneration Committee Report.	212-213	
B.2	The level and make-up of remuneration		
	The Board is mindful of the fact that the remuneration of Executive Director and KMPs should reflect market expectations as compared to other companies, in order to attract and retain high-calibre personnel for the long-term success of the Company. The Remuneration committee possesses extensive knowledge with regards to setting the best levels of remuneration in the Company, taking into consideration the performance and risk factors associated with the job. The remuneration levels of the NEDs are also based around their time commitment and the responsibilities of their role. No Director has been granted share options as part of his remuneration. Other issues such as the approach taken in cases of early termination, where the initial contract does not explicitly provide for compensation, commitment and involvement in designing a scheme of performance-related remuneration and best practices applied throughout the process, are discussed in the Human Resource and Remuneration Committee report.		✓
	Refer the Human Resource and Remuneration Committee report.	212-213	
B.3	Disclosure of Remuneration Policy		
	Refer the Human resource and remuneration committee report.	212-213	✓
	Remuneration paid to Board of Directors – refer Note 21 to Financial Statements.	317	
C	RELATIONS WITH SHAREHOLDERS		
C.1	Constructive use of the Annual General Meeting [AGM] and conduct of General Meetings		
	The Notice of the AGM and instructions for voting procedures, including the process for voting via a proxy, are circulated to all shareholders within a minimum of 15 days prior to the AGM. Separate resolutions are proposed for each substantially separate issue, including the adoption of the Financial Statements. The Chairmen of Sub-Committees and SID were encouraged to participate and make themselves available at the AGM to respond to queries made by the shareholders. The Secretary of the Company is responsible for recording and counting all valid votes properly.		✓
	Refer the section on Company's Notice of Meeting and Annexure.	388	
	Refer the Form of proxy.	Annexure 1	
C.2	Communication with Shareholders		
	The Company has implemented multiple channels of communication with its shareholders. The Secretary of the Company acts as a median/ contactable body with regard to responding to queries raised by shareholders and brings the attention of the Board to significant issues. Important announcements are published through multiple channels to disseminate accurate information in a timely manner, in order to maintain an effective relationship with the shareholders.		✓
	Refer the Communication with Shareholders.	189	

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
C.3	Disclosure of major and material transactions		
	Complying with Section 185 of the Companies Act No.07 of 2007 all major transactions to be approved by shareholders through a special resolution. During the year there were no any major and material transactions which affected the Company's net asset base and all related party transactions as defined in the LKAS 24 are disclosed in the Annual Report. Refer the Communication on Significant Material Transactions.	216-217	✓
D	ACCOUNTABILITY AND AUDIT		
D.1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects		
	The Board has made every effort and taken responsibility for ensuring that the Annual Report, including the Financial Statements, 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 requirements have been complied with in the Annual Report and the Company's governance practices have been disclosed. The following disclosures as required by the code are included in the Annual Report;		✓
	Management Discussion and Analysis.	36-140	
	Annual Report of the Board of Directors.	191-199	
	Statement of Directors' Responsibility .	200-201	
	Directors' Statement on Internal Controls.	204-205	
	Managing Director's/CEO and Chief Financial Officer's Responsibility Statement.	202	
	The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Auditors Report.	258-260	
	Note 45 to Financial Statements- Related Party Disclosures.	361	
	Periodically report the progress of remedial action being taken in the event the Company's net assets fall below 50% of the value of the Shareholders funds.	Not Applicable	
D.2	Risk management and internal control to safeguard shareholders' investments and Company assets.		
	The Board of Directors is responsible for maintaining effective and sound internal controls to safeguard the shareholders' investments and Company assets. The Board has structured an enterprise risk management process to identify the principle risks which impact the business and take mitigating actions while forecasting and analysing the future performance, solvency and liquidity of the Company. The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company. The Audit committee in consultation with the in-house Internal Audit department, periodically reviews the effectiveness of internal controls over financial reporting. Refer Risk Governance and Management.	179	✓
	Refer the Audit Committee Report.	206-209	
	Refer Internal Assurance [Internal Audit].	186	

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
D.3	Audit Committee		
	The Audit Committee consists of 2 [Two] Independent Non-Executive Directors and 1 [one] Non-independent Non-Executive Director. The Audit Committee assists the Board in executing its oversight responsibility for the integrity of the financial statements of the Company. The Audit Committee also ensures internal control and risk management systems of the Company and its compliance with legal and regulatory requirements and assesses the external auditors' performance, qualifications and independence.		✓
	Refer the Audit Committee Report.	206-209	
	Refer Internal Assurance.	186	
D.4	Related Party Transaction Review Committee		
	The Committee consists of 2 [Two] Independent Non-Executive Directors and 1 [one] Non-independent Non-Executive Director. The core objective of the Related Party Transactions Review Committee is to ensure that the interests of shareholders are taken into consideration when entering into related party transactions and that the Company is compliant with the rules. The Company carried out transactions in the ordinary course of business on an arm's length basis with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24.		✓
	Refer the Related Party Transaction Committee report.	216	
	Refer Note 45 on Financial Statements.	361	
D.5	Adoption of Code of Business Conduct and Ethics for Directors and all other employees		
	All Directors, KMPs and employees are bounded by the Code of Business Conduct and Ethics in order to act ethically and integrity in the best interest of the company. Establishing an accurate reporting framework, fair and transparent procurement practice interpret the effectiveness of internal controls and accuracy of Financial statements. The Company ensured that they avoid conflict of interest, discrimination, harassment, bribery and corruption while maintain compliance with all applicable laws and regulations. The Company has placed a process to identify and report material and price sensitivity information in accordance with relevant regulations.		✓
	All Directors, KMPs and employees are required to disclose details of any share purchase or shareholding positions in the Annual Report.		
	Refer the Code of conduct and ethics for Directors.	173	
	Refer the Chairman's Statement on Corporate Governance.	151	
	Refer Directors Shareholding.	362	
D.6	Corporate Governance Disclosures		
	Softlogic Life follows an Integrated Corporate Governance framework which ensures that the Company maintains the best interests of all stakeholders and keeps to the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance, Direction 17 on Corporate Governance for insurance companies and Listing Rules 7.10 published by CSE and relevant provision of Companies Act.		✓
	Refer the Annual Corporate Governance Report .	142-250	

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
E	INSTITUTIONAL INVESTORS		
	Shareholders have been identified as key players in our prioritisation matrix. The Company makes every effort to maintain a constant dialogue with institutional investors in order to improve their understanding of Company operations, strategies and performance. Individual investors are encouraged to get adequate analysis or seek advice on investing/divesting decisions. Also, they are summoned to exercise their voting rights at the AGM.		✓
	Refer Investor Relations.	376-380	
F	OTHER INVESTORS		
	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. Notice of AGM is circulated to all shareholders along with instructions on the voting procedure and including the process for voting via a proxy.		✓
	Refer the Annual Financial Statements.	258-365	
	Refer the Form of proxy.	Annexure 1	
G	INTERNET OF THINGS AND CYBER SECURITY		
	The Board ensures that the required level of expertise is available, and that management and technical controls are established for the connectivity of any device configured by the IT department. A separate IT Security system implemented within the Company is reviewed periodically to assure the effectiveness of system controls and compliance with regulatory requirements. All IT risks are discussed and engaged with appropriate actions by the Risk Committee. Regulatory requirements where system controls can be incorporated 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.		✓
	Refer IT Governance.	179	
	Refer the Risk Committee Report.	210-211	
H	ENVIRONMENT, SOCIETY AND GOVERNANCE		
	The Board of Directors regularly assesses the Company's internal strength and weakness along with environmental and social factors to identify the extensive impact of risk and opportunities on the performance of the Company. Risk strategy and risk management objectives rely on the Company's Risk Governance structure, which manages risks in all aspects of ESG.		✓
	Refer the Management Discussion and analysis.	36-140	
	Refer the Risk Governance structure.	154	
	Refer Integrated Risk Management.	231-250	

INTEGRATED RISK MANAGEMENT

Risk Management is considered a key function at Softlogic Life Insurance PLC and is used as a mechanism to protect the value of its business and ensure achievement of its strategic plans and day to day business activities by enabling the business to make informed decisions based on the defined risk appetite and manage expected returns.

Softlogic Life's true journey in Risk Management began in August 2014, when a complete revamp of processes and risk vision was established and the Risk Management process that one sees today has been built by laying a solid foundation that has been specialized further by adding unique layers to address the requirement and strategy of the Company. It is a 100% "Home Grown" process built bottom up that has evolved over the years and validated as "Appropriate" for the Business by credit rating agencies.

COVID-19 resulted in significant impacts globally, forcing companies to rethink business strategies with most businesses understanding the value of an additional layer of protection to its operations. It resulted in truly testing the strength of risk management frameworks in force. As this "Uncertainty" became the "New Normal", the same was true in 2021 as the world was brutally made aware of the fact that the pandemic was not going anywhere and more strains lockdowns dominated the headlines during while the looming economic struggles exacerbated by the pandemic and erratic policy decisions took prominence during the second half of the year. As such, 2021 became the year of assessment of the reliability as well as the agility of the risk management framework adopted.

The result and key learning in both 2020 and 2021 was that companies with effective Risk Management Frameworks and Comprehensive Business Continuity Plans became the differentiating factors between companies that did well and otherwise.

Softlogic Life was no exception to the trials and turbulence experienced globally in the last two years. However, Softlogic Life was able to withstand the sudden storm of COVID -19 perfectly in 2020 and experience an even smoother journey in 2021.

We believe that this was mainly due to the Risk Management Framework and Risk Principles at Softlogic Life which resulted in the Company being "risk ready" and enabling the business to be aware of potential risks faced on a continuous basis, which also led to a Risk Culture that was embraced and inculcated similar thinking within core business units. Being risk ready resulted in the workforce being equipped with better knowledge and practical experience of the processes relevant to Business Continuity Planning (BCP) in a disruptive scenario, which allowed for a smooth transition to Working from Home.

The un-interruption of the Business Operation enabled the Company to maintain its superior customer experience service levels and further learn and improve through the 2020 experience to provide an improved overall value to the multitude of stakeholders compared in 2021

The superior financial and operational results reflected in this annual report, and the countless awards received by Softlogic Life stand testimony to the resilience of the Company that enabled to overcome the uncertainty, complexity, ambiguity and the vulnerability that represented the overall business and economic environment in 2021.

Given the importance played and the success of the Company's Risk Principles and Risk Management Framework the report will initially shed light on the same after which aim to educate the reader on how risks related specifically to COVID-19 were managed. The Report will also address and detail the key milestones of Softlogic Life's Risk Management journey.

Figure: Key Factors addressed in the Integrated Risk Management Report

1. Softlogic Life's approach to Risk Management
2. Softlogic Life's Risk Management Principles and Objectives
3. Risk Management Framework
4. Management of Risks specifically related to COVID - 19
5. Softlogic Life's Risk Management Journey
6. Identifying Softlogic Life's Risk Environment and aligning its Risk Management Strategy with Strategic Objectives
- 7 Risk Performance and Highlights at Softlogic Life through 2021
- 8 Risk Appetite and Tolerance
- 9 Risk Landscape of the Company
- 10 Key Risks predicted in 2022 and beyond

INTEGRATED RISK MANAGEMENT

1. Softlogic Life's approach to Risk Management

Softlogic Life Insurance PLC believes in five core risk principles and adopts an Integrated Enterprise Risk Management (ERM) framework based on the ISO 31000:2018 International Standard. This Framework is backed by a firm Governance Structure. This together with the Company's risk management principles 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.

2. Softlogic Life's Risk Management Principles and Objectives

2.1 Risk Management Principles

a) An Independent Risk Function

- 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.

b) Linking Risk Appetite to Strategy

- The risk appetite statement determines the 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.

c) A Comprehensive approach to all risks

- It is vital to have the capacity to draw up and adhere to, a plan for the management and control of all risks.
- 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.

d) Driving and ingraining a Risk Culture

- 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.

e) Review and Monitoring Mechanism

- 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.

f) Regular reporting and adapting best practices

- 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 constantly evaluates gaps in the existing risk processes adopted in comparison to international best practices of

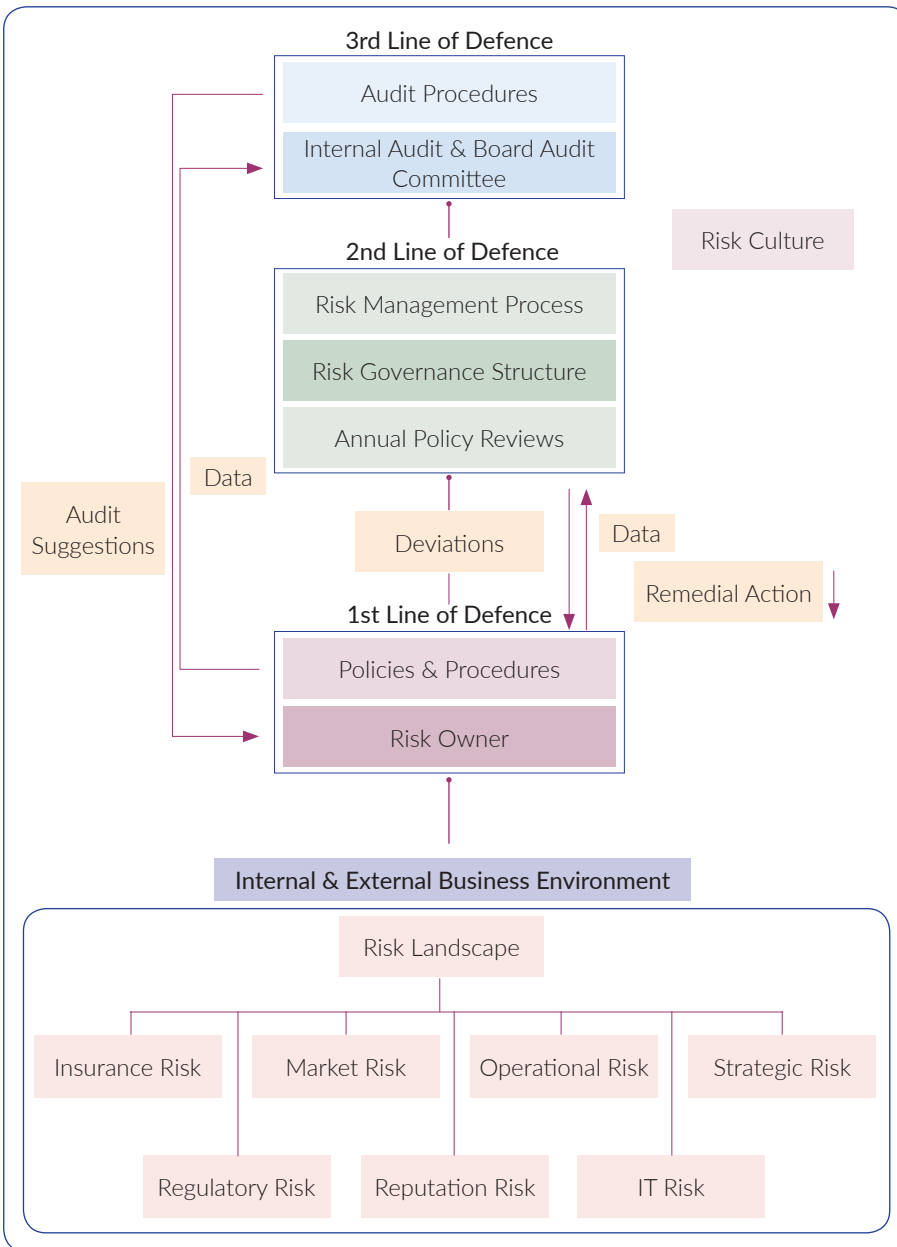
leading international insurers as well as in the Banking, Finance and Insurance sector as a whole and looks to improve its processes.

2.2 Risk Management Objectives

The Company's risk management objectives to ensure the efficient management of risks are as follows;

- 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

3. Risk Management Framework



3.1 Risk Governance Structure

A highly effective, prudent as well as a robust risk management system with a high governance standard relies heavily on the architecture of the risk management system. At Softlogic Life, the risk governance structure consists of the Board of Directors, Board Sub Committees, Internal Committees, Ultimate risk owners and

the Risk Management Unit. As per this governance structure, the authority has been delegated by the Board of Directors to the board sub committees and so forth. This ensures accountability of risk across all the layers of the organization so that the risk is managed effectively in order to create value sustainably for all its stakeholders. The interplay of these individual functions

and the bodies within the overall system is vital for the efficiency of the risk management system.

A) Board of Directors

Equipped with diverse and extensive knowledge, one of the main responsibilities of the Board includes ensuring proper performance management, internal controls and risk management with regard to the Company. This would include determining the overall risk appetite of the Company in comparison to its strategic goals. However, the Board has delegated this responsibility of oversight in terms of risk management to the Board Risk Committee. Please refer page 163 for more details of the Board of Directors.

B) Board Risk Committee

The Risk Management Committee (the "Committee") of Softlogic Life Insurance PLC assists the Board in fulfilling its responsibility with regards to the Company's risk strategy, risk management framework and procedures and its risk appetite.

This Committee is equipped with supervisory functions over the risk management, the risk profile, and the enterprise wide risk management framework of the Company and any other risk related matters determined by the Board of Directors.

Oversight and advise by a dedicated Board Risk Committee on risk management allows for;

- the Board of Directors to deal more effectively with complex or specialized issues with strong governance
- better dialogue between committee members and Senior Management on specific topics
- deep dive into risk related issues presented to the committee for expert opinion

INTEGRATED RISK MANAGEMENT

C) Internal Risk Committees

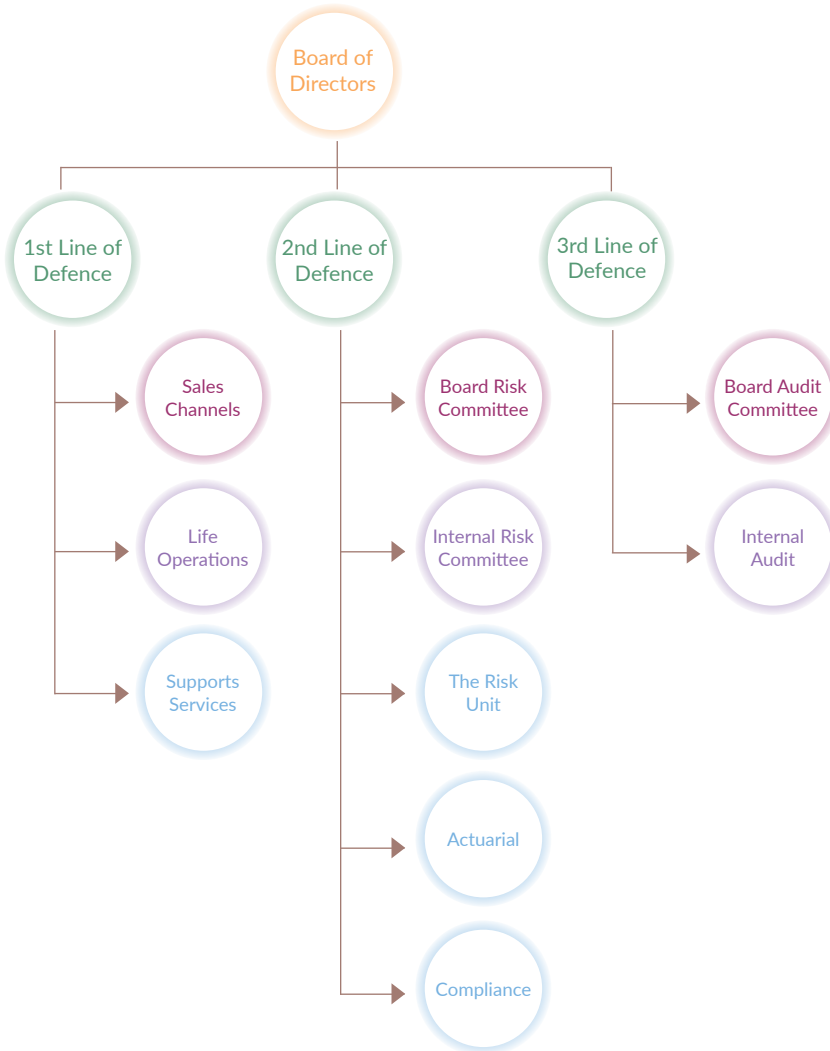
At the management level, the Company has established internal committees such as Internal Risk Committee, Asset and Liability Management Committee, etc in order to execute the decisions taken at the Board Sub Committee and the Board. These committees which have different agendas, objectives and responsibilities, meet frequently in order to assess the level of risk under varying aspects of the Company and decide on prudent actions required to mitigate the risks.

D) The Risk Management Unit

The Risk Management Unit operates independently within the second line of defence, monitoring the required compliance by the first line of defence through varying policies and risk limits. Reporting on these risk limits is carried out based on a hierarchy system as and when required.

The effective discharge of responsibilities by the unit ensures that the Senior Management, the Board Risk Committee and the Board of Directors is informed of the Company’s overall risk profile and thereby allow for strategic decision making and sustainable value creation.

Figure: Risk Governance Structure



3.2 Risk Management Process

The Company has a comprehensive process to ensure the risk management objectives. The following diagram reflects the 04 main pillars of the risk management process of the Company.

Figure: Risk Management Process



A) Risk Identification

Identification of risks may occur in one or more ways listed below;

- a) Direct Observations
- b) Incident Analysis
- c) Scenario Analysis
- d) Structured What – If Analysis

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.

B) Risk Measurement/ Scoring

a) Severity of Risk Impact:

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 loss of business portfolio. As such the levels of severity have also been defined as Marginal, Significant, Critical and Catastrophic.

b) Probability of Occurrence:

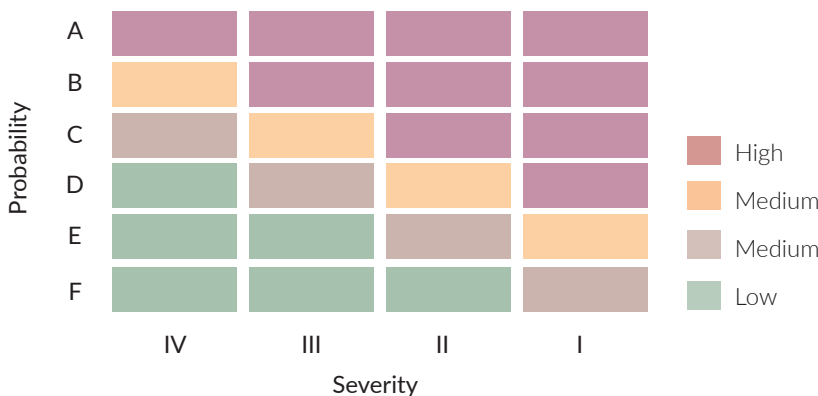
The likelihood of the occurrence of the risk is examined based on the historical experience and probabilities of occurrence under current market and economic conditions. The matrix defines the probability of occurrence as the likelihood of an event occurring in a particular time period. As such we have defined six probabilities from very high (frequency is less than 1 week) to almost impossible (frequency is once in 100 years)

	Risk that affect business continuity			
	IV - Marginal	III - Significant	II - Critical	I - Catastrophic
Life Operations	x < 1 Hour	1 Hour < x < 5 Hours	5 Hours < x < 1 Day	x > 1 Day
Call Centre	x < 5 Minutes	> 5 Minutes < 15 Minutes	> 15 Minutes < 30 Minutes	> 30 Minutes
Other 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
Total Equity	x < Rs. 500 Mn	Rs. 500 Mn < x < Rs. 750 Mn	Rs. 750 Mn < x < Rs. 1,500 Mn	x > Rs. 1,500 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. 2,500 Mn	Rs. 2,500 Mn < x < Rs. 4,500 Mn	Rs. 4,500 Mn < x < Rs. 5,700 Mn	x > Rs. 5,700 Mn

These risks once rated according to the above are plotted on the traffic light matrix below.

Figure: Risk traffic light matrix



C) Risk Control

The ownership of the identified risks lies 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.

Control is brought about by the establishment of risks guidelines through the following policies under each risk pillar

Strategic Risk	Risk Management Policy
	Risk Limits and Risk Matrix
	Environmental and Social Policy
Market Risk	Treasury Middle Office Policy
	Asset and Liability Management Policy
	Capital Management Policy
Operational Risk	Operational Risk Policy
	IT Risk Management Framework
	Fraud Risk Policy
Insurance Risk	Identified Risk Factors via the Risk Appetite Statement
	Product Development Policy (by Life Operations)
Business Continuity	Business Continuity Plan
	IT Disaster Recovery Plan

D) Risk Monitoring

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.

E) Risk Reporting

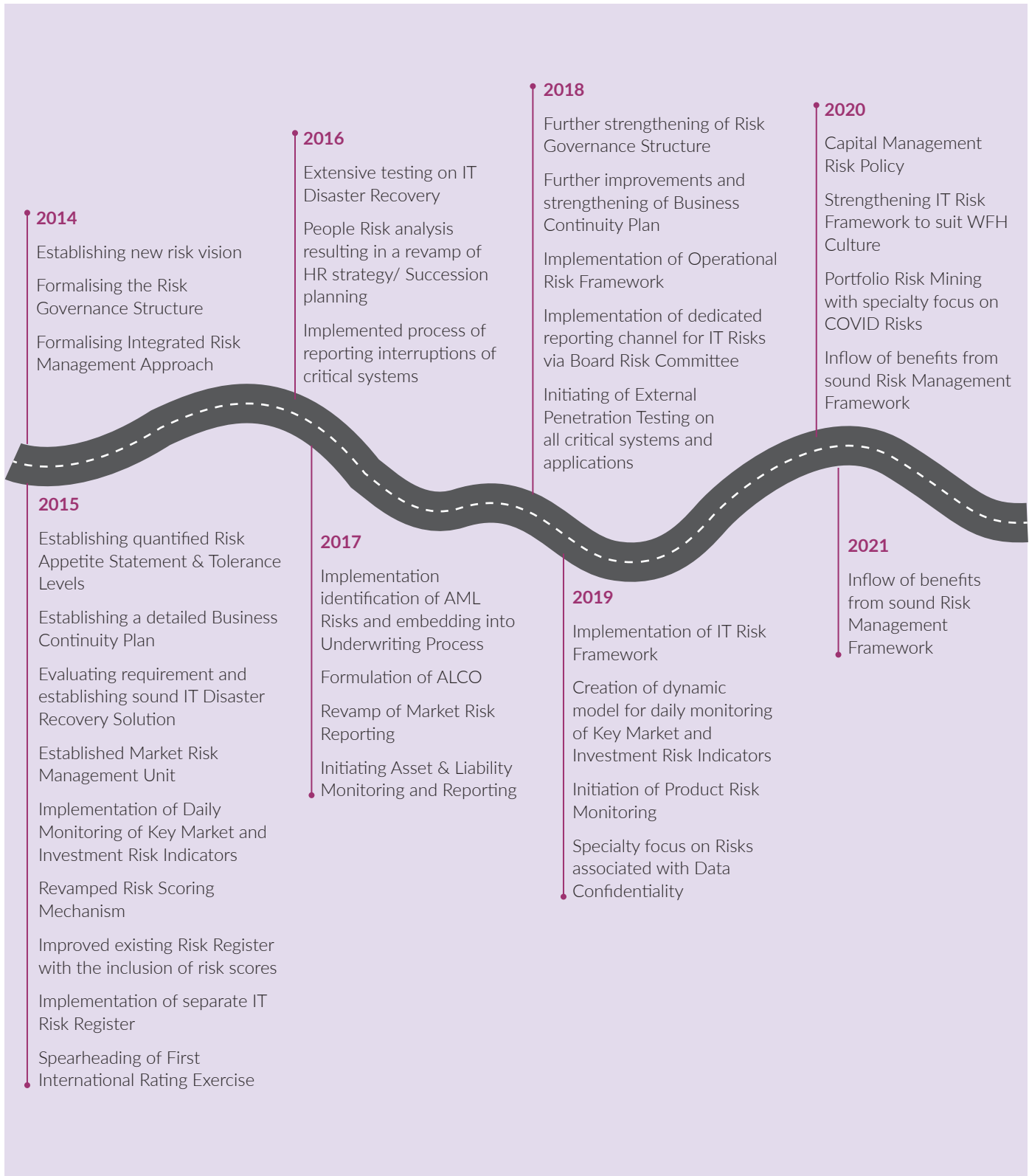
Reporting is carried out via varying tools such as the Market Risk Report, Strategic and Operational Risk Report, IT Risk Report and other ad-hoc reports to both the Internal Risk Committee and Board Risk Committee of the Company on a quarterly basis.

INTEGRATED RISK MANAGEMENT

4. Management of Risks specifically related to COVID - 19

Key Risk faced in 2021	Mitigation Action	Successful Management (Yes/No)
COVID Claims	The Risk Unit performed detailed scenario analysis of potential claims expenses starting March 2020 and 2021 on a continuous basis which enabled the Company to be prepared for varying levels of infection and death rates affecting the Company's Portfolio.	✓
	It also enabled the Company to make a confident and bold strategic decision to cover all health claims owing to COVID -19 on an ex-gratia basis.	
	The Company was able to manage the risk effectively and paid over Rs. 1 Bn in COVID Claims in 2021.	
Disruptions in Continuity to Business Operations	The early activation of the BCP ensured seamless business continuity as well as the well-being of our employees, while servicing our customers at full capacity and meeting key stakeholder expectations.	✓
	The company's Business Continuity Plan, which is reviewed, tested and approved by the Board Risk Committee annually, had several pre-identified critical business functions that were absolutely essential for the company's sustenance in the event of a crisis situation.	
	Constant awareness, together with compulsory annual awareness sessions for all critical teams identified and routine Physical and IT Disaster Recovery Simulations ensured employee familiarity with BCP protocols.	
Disruptions in Mobility of Sales Agents	There was continuous disruptions to sales channels due to limitations imposed on mobility. However, the importance of a virtual sales platform was eminent post 2020 and resulted in the Company being equipped with one of the best applications developed in house towards catering all the requirements of sales personnel in the Company.	✓
	This 100% paperless process ensured that the restrictions in mobility were mitigated and aided in the sales force achieving their targets.	
Market Risks	Continuous and Dynamic Market Risk Management involved the monitoring of movements of key global and local economic indicators and frequent stress testing carried out as part of Market Risk Mitigation, enabled the Risk Unit to pre-warn the company on impacts arising from extreme volatilities of key economic indicators.	✓
	Assessing the sensitivity to the said volatilities also enabled the company to understand the resulting impact on the Company's; <ul style="list-style-type: none"> • Investment Portfolio • Unrealized / realized losses via the same • Impacts via the existing Asset and Liability mismatch • Capital Adequacy Ratio 	
Increase in Data Confidentiality Risks owing to dependency on WFH and Mobile Working Environment	The WFH Platform enabled by the IT Team was further strengthened and secured through the existing IT Risk Framework and via IT Security Practices and Guidelines designed specifically for WFH through the remote access policy.	✓
	Given the increase in remote access of all platforms external penetration testing was conducted on all critical systems and applications and issues highlighted were brought to management and resolved. Of all issues highlighted in 2021 – only 1 mitigation remained pending as at 31st December 2021 .	
Lapse Risk	Scenario/stress testing and sensitivity analysis of key Insurance Risks also allowed the company to understand the impact that could arise in the event of extreme lapses.	✓
	This resulted in a focused renewal campaign and actively adding varying payment methodologies and platforms that were available 24/7 to help customers pay insurance premiums even in times of lockdowns.	

5. Softlogic Life's Risk Management Journey



INTEGRATED RISK MANAGEMENT

6. Identifying Softlogic Life's Risk Environment and aligning its Risk Management Strategy with Strategic Objectives

6.1 Softlogic Life's Risk Environment

Environment	Risks
Idiosyncratic Environment (Anything within Softlogic Life that can influence the way in which risk will be managed.)	<ul style="list-style-type: none"> • Strategic Risk • Insurance Risk • Market Risk • Operational Risk
Systematic Environment (External environment in which Softlogic Life seeks to achieve its objectives)	<ul style="list-style-type: none"> • Global economic risk • Domestic economic risk • Global political risk • Domestic political risk • Competitor Risk • Technological Risk • Regulatory Risk • Reputation Risk
Note: Risk Control is brought about by the establishment of risks guidelines through the policies that govern the risk pillar under which each of the above risks are clustered. Details of this maybe found below.	

6.2 Aligning Risk Management Strategy with Strategic Objectives

Given the importance of Risk Management, the Company considers risk management to be a focal point in its strategic planning and a method of protecting the value of the business and business activities by enabling the business 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;

Strategic Objectives	Risk Management Strategy	Description
Most Caring Life Insurer	Setting appetites for Claims Service Standard and ensuring Business Continuity under various scenarios.	Refer Risk Appetite in pages 239-240 which provides the quantification of the risk management.
Smart IT Digitalization	Identifying Critical Systems and understanding of RTO's and performing frequent DR Simulations.	
King of Data	IT Risk Framework which supports various protocols for ensuring Data protection and Confidentiality within the business.	
	Routine external penetration testing. Implementation of methodologies to safeguard data stored on mobile devices of identified users.	
Phenomenal Sales	Setting Risk Limits for Sales Agent Quality and Productivity.	
Lean and fast	Stringent Appetites for Expense Management and UW Margins by Channel.	

7. Risk Performance and Highlights at Softlogic Life through 2021

a) Continuous Strengthening of IT Risk Management

- Focused improvement on awareness amongst end users on IT security aspects with regards to the Safe use of official email and official mobile devices.
- 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.
- External Penetration Testing was carried out on selected servers of the Company by TechCert, whilst testing on all mobile applications used by PwC, and the vulnerabilities assessed were reported to the Risk Committee and mitigated through the year.

b) Enhanced Mitigation of Operational Risks

- Operational Risk framework strengthened by adopting a combination of manual and automated procedures and aligned to routine audit procedures to combat operational irregularities.

c) Enhanced Insurance Analysis

- Detailed stress and scenario testing on potential strain from COVID Claims were evaluated with every wave experienced in the island.
- Infection and Death Rates of the country were mapped against the Company's portfolio to understand the potential impact via Death and Health claims.

d) Strengthening of Investment Risk Management

- The Treasury Middle office model was improved to increase efficiencies and model risk was minimized.

- Detailed Duration Analysis on a quarterly basis.

8. Risk Appetite and Tolerance

The Company's risk appetite and tolerance levels are discussed and set by the Internal Risk Committee and approved by the Board Risk Committee. The Board Risk Committee reviews these levels annually whilst, 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.

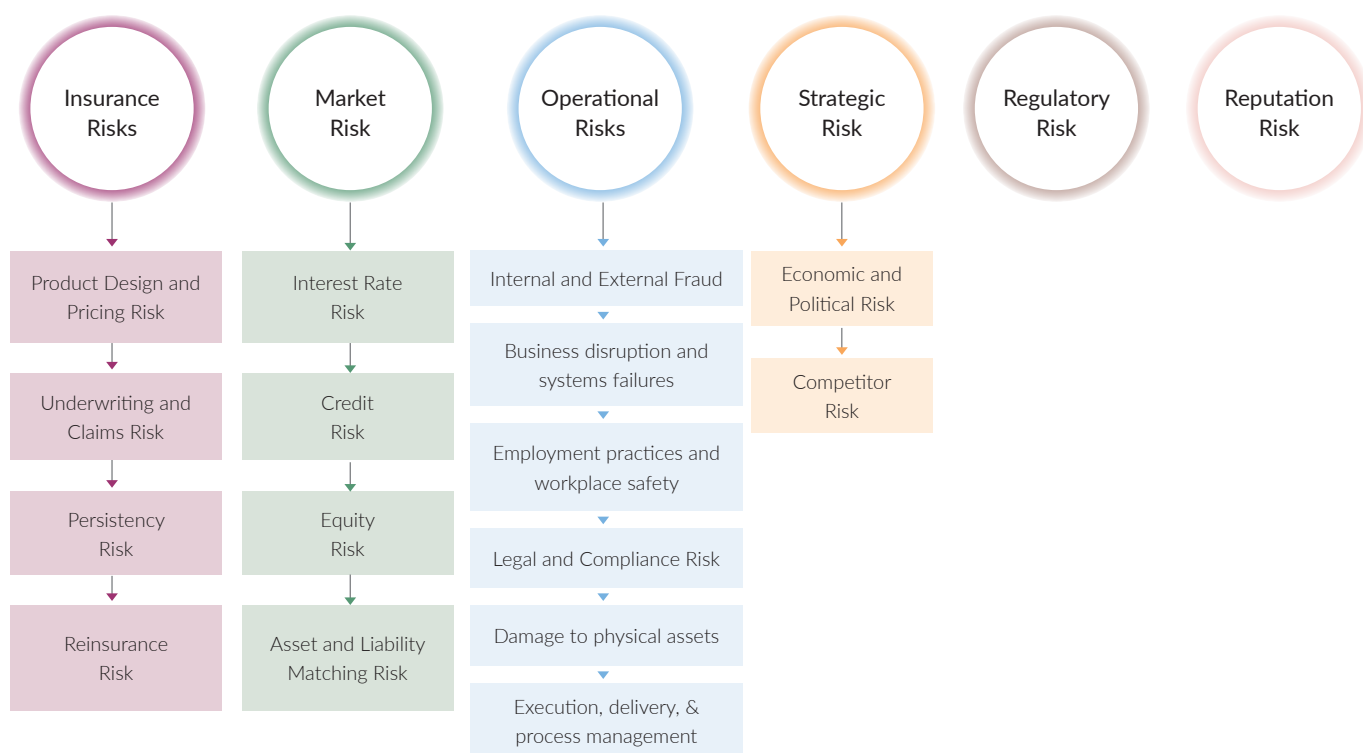
The limits are set considering global best practices, regulatory requirements, industry benchmarks and internal benchmarks based on the Company's strategic business objectives and is reviewed annually.

Risk Indicator		31st December 2021	31st December 2020	31st December 2019
Strategic Risk				
1.	Growth in comparison to Industry	1.3X	1.4X	2.4X
2.	Return on Equity	23%	21%	38%
Regulatory Risks				
3.	Total Available Capital	Rs. 27,082 Mn	Rs. 19,941 Mn	Rs. 8,151 Mn
4.	Capital Adequacy Ratio	395%	302%	182%
5.	Determination	114%	118%	109%
6.	Compliance with other Statutory Requirements	On time submission	On time submission	On time submission
Insurance Risks				
7.	Average value per new policy	Rs. 138,983	Rs. 136,852	Rs. 137,032
8.	Claims Servicing Standards	94%	86%	90%
9.	Expense Ratio	19%	21%	26%
10.	UW Profit Margin	41%	44%	44%
11.	Persistency Rates (Total) – Based on Gross Premium			
	a) 1st Year	85%	83%	85%
	b) 2nd Year	64%	65%	67%
	c) 3rd Year	52%	52%	58%

INTEGRATED RISK MANAGEMENT

Risk Indicator		31st December 2021	31st December 2020	31st December 2019
12.	Operational Risks (Reputation, Fraud, data security incidents)	0.00%	0.01%	0.02%
13.	Number of Incidents:	1	0	2
	Downtime of critical system per annum			
14.	Life Sales - Turnover	16%	18%	25%
15.	Non - Sales Staff Turnover	10%	10%	15%
16.	Government Securities (as a % LF)	41%	54%	42%

9. Risk Landscape of the Company



9.1 Risk Analysis of 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. Based on the materiality, analysis of risk landscape will be described in following manner.

a) Analysis of Insurance Risk

Mortality Risk

The risk of 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.

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20																		
<ul style="list-style-type: none"> The Company uses standard mortality tables to derive the expected mortality rates and prices products accordingly to mitigate the potential mortality risk at the product designing stage. Expected Mortality rates defined in the risk management policies are monitored on a quarterly basis to understand if there are significant variances, and repricing of products are required. 	<p>The sensitivity analysis carried out details that a +10% change in mortality assumptions result in a liability increase of Rs. 652 Mn in 2021 compared to the Rs. 442 Mn reported in 2020, whilst a -10% results in a liability decrease of Rs. 525 Mn in 2021 compared to Rs. 394 in 2020.</p> <p>The following graph depicts how mortality risk sensitivity has moved over the past five years.</p> <p>SENSITIVITY OF INSURANCE CONTRACT LIABILITIES</p> <table border="1"> <caption>SENSITIVITY OF INSURANCE CONTRACT LIABILITIES (Rs. Mn)</caption> <thead> <tr> <th>Year</th> <th>+10% in Mortality Assumption</th> <th>-10% in Mortality Assumption</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>137</td> <td>(138)</td> </tr> <tr> <td>2018</td> <td>187</td> <td>(188)</td> </tr> <tr> <td>2019</td> <td>278</td> <td>(287)</td> </tr> <tr> <td>2020</td> <td>442</td> <td>(394)</td> </tr> <tr> <td>2021</td> <td>652</td> <td>(525)</td> </tr> </tbody> </table>	Year	+10% in Mortality Assumption	-10% in Mortality Assumption	2017	137	(138)	2018	187	(188)	2019	278	(287)	2020	442	(394)	2021	652	(525)	●	●
Year	+10% in Mortality Assumption	-10% in Mortality Assumption																			
2017	137	(138)																			
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2021	652	(525)																			

Morbidity Risk

The Risk of losses arising due to the adverse deviation on the actual health experience versus the expected experience at the product design stage. This risk will vary based on the product portfolio sold over the years.

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20
<ul style="list-style-type: none"> The Company uses incident rates to obtain the expected morbidity rates at the product designing stage. 	<p>The sensitivity analysis carried out details +10% change in morbidity assumptions result in a liability increase of Rs. 226 Mn in 2021 compared to the Rs. 150 Mn reported in 2020. A deviation of -10% results in a liability decrease of Rs. 111 Mn in 2021 compared to Rs. 103 in 2020.</p>	●	●

● Low Risk ● Medium Risk ● High Risk

INTEGRATED RISK MANAGEMENT

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20																		
<ul style="list-style-type: none"> Expected Mortality rates by product are also included in the Risk Appetite Statement and monitored on a quarterly basis to understand if there are significant variances, and repricing of products are required. 	<p>The following graph shows how morbidity risk sensitivity has moved over the past 4 years .</p> <p>SENSITIVITY OF INSURANCE CONTRACT LIABILITIES</p> <table border="1"> <caption>SENSITIVITY OF INSURANCE CONTRACT LIABILITIES (Rs.Mn)</caption> <thead> <tr> <th>Year</th> <th>+ 10% in Morbidity Assumption</th> <th>- 10% in Morbidity Assumption</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>379</td> <td>(374)</td> </tr> <tr> <td>2018</td> <td>270</td> <td>(267)</td> </tr> <tr> <td>2019</td> <td>382</td> <td>(386)</td> </tr> <tr> <td>2020</td> <td>150</td> <td>(103)</td> </tr> <tr> <td>2021</td> <td>226</td> <td>(111)</td> </tr> </tbody> </table>	Year	+ 10% in Morbidity Assumption	- 10% in Morbidity Assumption	2017	379	(374)	2018	270	(267)	2019	382	(386)	2020	150	(103)	2021	226	(111)		
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2017	379	(374)																			
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2021	226	(111)																			

Underwriting Risk

Risks arising due to the inaccurate assessments of risk entailed when underwriting the policy. Underwriting risk mainly comprises of the risk transferred from the policyholder’s behaviour to the Company.

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20												
<ul style="list-style-type: none"> The mitigation of the above is carried out mainly via the Company’s underwriting philosophy and the guidelines dictated through reinsurance arrangements negotiated. Additionally, all Anti Money Laundering requirements that require adhering to via Underwriting, are provided through the AML policy. 	<p>The Western Province shows major concentration and accounts for 70% of GWP in 2021 in comparison to the 71% in 2020.</p> <p>The following graph depicted the top 3 province wise GWP.</p> <table border="1"> <caption>Top 3 Province wise GWP (%)</caption> <thead> <tr> <th>Province</th> <th>2021</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Western</td> <td>70%</td> <td>71%</td> </tr> <tr> <td>Southern</td> <td>9%</td> <td>9%</td> </tr> <tr> <td>North Western</td> <td>6%</td> <td>6%</td> </tr> </tbody> </table>	Province	2021	2020	Western	70%	71%	Southern	9%	9%	North Western	6%	6%	●	●
Province	2021	2020													
Western	70%	71%													
Southern	9%	9%													
North Western	6%	6%													

● Low Risk ● Medium Risk ● High Risk

Reinsurance Risk

Risks arising 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.

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20												
<ul style="list-style-type: none"> 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. 	<p>The Company is exposed to the following re-insurer receivable amounts as at 31 December 2021</p> <p>REINSURANCE EXPOSURE - RI RATING</p> <p>Rs. Mn</p> <table border="1"> <caption>REINSURANCE EXPOSURE - RI RATING (Rs. Mn)</caption> <thead> <tr> <th>RI Rating</th> <th>2021</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>AA</td> <td>181</td> <td>193</td> </tr> <tr> <td>AA-</td> <td>28</td> <td>58</td> </tr> <tr> <td>A+</td> <td>23</td> <td>72</td> </tr> </tbody> </table>	RI Rating	2021	2020	AA	181	193	AA-	28	58	A+	23	72	●	●
RI Rating	2021	2020													
AA	181	193													
AA-	28	58													
A+	23	72													

b) Analysis of Investment Risk

Interest Rate Risk

Interest rate risk on financial instruments arises primarily from the Company's investments in debt securities exposed to the risk of adverse changes in fair values or future cash flows because of a change in market interest rates and changes in the value of Liabilities owing to changes in interest rates.

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20																								
<ul style="list-style-type: none"> The Treasury Middle Office (TMO) continues to identify, measure and manage all Investment and Market Specific Risks on the Company's Asset portfolio on a day to day basis. 	<p>The Company is exposed to the following interest rate risk as at 31 December 2021</p> <table border="1"> <thead> <tr> <th rowspan="2">In Rs. Mn</th> <th colspan="4">2021</th> </tr> <tr> <th>Variable Interest Rate</th> <th>Fixed Interest Rate</th> <th>Non-Interest Bearing</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Financial assets</td> <td>7,172</td> <td>24,506</td> <td>2,540</td> <td>34,218</td> </tr> <tr> <td>Financial liabilities</td> <td>(3,356)</td> <td>-</td> <td>-</td> <td>(3,356)</td> </tr> <tr> <td>Exposure to interest rate risk</td> <td>3,816</td> <td>24,506</td> <td>2,540</td> <td>30,862</td> </tr> </tbody> </table>	In Rs. Mn	2021				Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Financial assets	7,172	24,506	2,540	34,218	Financial liabilities	(3,356)	-	-	(3,356)	Exposure to interest rate risk	3,816	24,506	2,540	30,862	●	●
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● Low Risk ● Medium Risk ● High Risk

INTEGRATED RISK MANAGEMENT

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20																								
<ul style="list-style-type: none"> The Treasury Middle Office has established market risk limits in line with the overall risk appetite of the Company on various parameters, and carries out daily monitoring of all limits set. 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. 	<table border="1"> <thead> <tr> <th rowspan="2">In Rs. Mn</th> <th colspan="4">2020</th> </tr> <tr> <th>Variable Interest Rate</th> <th>Fixed Interest Rate</th> <th>Non-Interest Bearing</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Financial assets</td> <td>4,787</td> <td>20,117</td> <td>2,464</td> <td>27,368</td> </tr> <tr> <td>Financial liabilities</td> <td>(3,078)</td> <td>-</td> <td>-</td> <td>(3,078)</td> </tr> <tr> <td>Exposure to interest rate risk</td> <td>1,709</td> <td>20,117</td> <td>2,464</td> <td>24,290</td> </tr> </tbody> </table>	In Rs. Mn	2020				Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Financial assets	4,787	20,117	2,464	27,368	Financial liabilities	(3,078)	-	-	(3,078)	Exposure to interest rate risk	1,709	20,117	2,464	24,290		
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	In Rs. Mn		2021		2020																						
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Foreign Exchange Risk

Losses arising from Exchange rate volatilities. The Company is exposed to foreign exchange risk through all reinsurance arrangements, the Fin Re transaction and Tier II Capital transactions. The exposure is invested in USD Assets, minimising any FOREX risk as a result of exchange rate volatility, whilst all reinsurance transactions are negotiated in LKR equivalent terms minimising any FOREX risk.

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20									
<ul style="list-style-type: none"> The Treasury Middle Office (TMO) continues to identify, measure and manage all Investment and Market Specific Risks on the Company's Asset portfolio on a day to day basis. The risk unit has also established risk limits specific to each foreign exchange transaction in order to minimize any losses per transaction. Regular review of the timing of foreign currency cash inflows and outflows and proactive decision taking on reinvestments given the forecasted rates and scenarios also takes place when required. 	<p>The Company is exposed to the following foreign exchange risk as at 31 December 2021</p> <table border="1"> <thead> <tr> <th>In Rs. Mn</th> <th>Assets</th> <th>Liabilities</th> </tr> </thead> <tbody> <tr> <td>USD</td> <td>33.8 Mn</td> <td>18.6 Mn</td> </tr> <tr> <td>LKR</td> <td>6,790 Mn</td> <td>3,724 Mn</td> </tr> </tbody> </table>	In Rs. Mn	Assets	Liabilities	USD	33.8 Mn	18.6 Mn	LKR	6,790 Mn	3,724 Mn	●	●
In Rs. Mn	Assets	Liabilities										
USD	33.8 Mn	18.6 Mn										
LKR	6,790 Mn	3,724 Mn										

● Low Risk ● Medium Risk ● High Risk

Equity Risk

The potential loss that could arise due to changes in the price of equity held. The measure of risk used in the equity markets is typically the standard deviation of a security's price over a number of periods. 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.

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20																																																											
<ul style="list-style-type: none"> The Treasury Middle Office (TMO) continues to identify, measure and manage all Investment and Market Specific Risks on the Company's Asset portfolio 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 on various parameters, and carries out daily monitoring of all limits set. 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. 	<p>The Company's market value of its equity investments as at 31st December 2021 was Rs. 2.3 Bn in comparison to 2020 of Rs. 2.2 Bn.</p> <p>The Portfolio diversification of equity investments (Sector analysis) of the Company is as follows.</p> <table border="1"> <thead> <tr> <th rowspan="2">In Rs. Mn</th> <th colspan="2">2021 Exposure</th> <th colspan="2">2020 Exposure</th> </tr> <tr> <th>Amount</th> <th>%</th> <th>Amount</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Banks</td> <td>1,233</td> <td>54%</td> <td>1,144</td> <td>52%</td> </tr> <tr> <td>Capital goods</td> <td>191</td> <td>8%</td> <td>152</td> <td>7%</td> </tr> <tr> <td>Consumer durables and apparels</td> <td>14</td> <td>1%</td> <td>61</td> <td>3%</td> </tr> <tr> <td>Diversified financials</td> <td>237</td> <td>10%</td> <td>197</td> <td>9%</td> </tr> <tr> <td>Food beverage and tobacco</td> <td>30</td> <td>1%</td> <td>99</td> <td>5%</td> </tr> <tr> <td>Healthcare equipments and services</td> <td>486</td> <td>22%</td> <td>516</td> <td>23%</td> </tr> <tr> <td>Materials</td> <td>16</td> <td>1%</td> <td>-</td> <td>-</td> </tr> <tr> <td>Transportation</td> <td>63</td> <td>3%</td> <td>-</td> <td>-</td> </tr> <tr> <td>Energy</td> <td>-</td> <td>-</td> <td>13</td> <td>1%</td> </tr> <tr> <td>Total</td> <td>2,270</td> <td>100%</td> <td>2,182</td> <td>100%</td> </tr> </tbody> </table>	In Rs. Mn	2021 Exposure		2020 Exposure		Amount	%	Amount	%	Banks	1,233	54%	1,144	52%	Capital goods	191	8%	152	7%	Consumer durables and apparels	14	1%	61	3%	Diversified financials	237	10%	197	9%	Food beverage and tobacco	30	1%	99	5%	Healthcare equipments and services	486	22%	516	23%	Materials	16	1%	-	-	Transportation	63	3%	-	-	Energy	-	-	13	1%	Total	2,270	100%	2,182	100%	●	●
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● Low Risk ● Medium Risk ● High Risk

c) Analysis of 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 2021, exposure to credit risk was Rs. 27.8 Bn in comparison to Rs. 26.9 Bn as of 31st December 2020.

INTEGRATED RISK MANAGEMENT

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20																																																																													
<ul style="list-style-type: none"> 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. The Treasury Middle Office has established market risk limits in line with the overall risk appetite of the Company on various parameters, and carries out daily monitoring of all limits set. 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. Limiting concentrations of exposure to counterparties, industries, and by issuer, credit rating band and market liquidity. 	<p>The Company is exposed to credit risk derived through the following categories of financial assets.</p> <table border="1"> <thead> <tr> <th rowspan="2">In Rs. Mn</th> <th colspan="2">2021 Exposure</th> <th colspan="2">2020 Exposure</th> </tr> <tr> <th>Amount</th> <th>%</th> <th>Amount</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Financial investments</td> <td>31,594</td> <td>92%</td> <td>24,852</td> <td>92%</td> </tr> <tr> <td>Premium receivables</td> <td>984</td> <td>4%</td> <td>856</td> <td>3%</td> </tr> <tr> <td>Cash at bank</td> <td>691</td> <td>2%</td> <td>548</td> <td>2%</td> </tr> <tr> <td>Reinsurance receivables</td> <td>232</td> <td>1%</td> <td>323</td> <td>1%</td> </tr> <tr> <td>Loans to life policyholders</td> <td>224</td> <td>1%</td> <td>234</td> <td>1%</td> </tr> <tr> <td>Receivables and other assets</td> <td>66</td> <td>0%</td> <td>67</td> <td>0%</td> </tr> <tr> <td>Maximum exposure to credit risk</td> <td>33,780</td> <td>100%</td> <td>26,881</td> <td>100%</td> </tr> </tbody> </table> <p>The table below provides information regarding the credit risk exposure on investments of the Company 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. No credit exposure limits were exceeded by the Company during the year.</p> <table border="1"> <thead> <tr> <th></th> <th>2021</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Government Guaranteed</td> <td>13,165</td> <td>12,912</td> </tr> <tr> <td>Debt instruments having credit ratings</td> <td></td> <td></td> </tr> <tr> <td>AAA</td> <td>1,097</td> <td>410</td> </tr> <tr> <td>AA+ to AA-</td> <td>5,207</td> <td>2,864</td> </tr> <tr> <td>A+ to A-</td> <td>7,732</td> <td>5,652</td> </tr> <tr> <td>BBB+ to BBB-</td> <td>501</td> <td>678</td> </tr> <tr> <td>CC</td> <td>35</td> <td>-</td> </tr> <tr> <td>Unit trust</td> <td></td> <td></td> </tr> <tr> <td>A+ to A-</td> <td>3,857</td> <td>2,337</td> </tr> <tr> <td>Total</td> <td>31,594</td> <td>24,852</td> </tr> </tbody> </table>	In Rs. Mn	2021 Exposure		2020 Exposure		Amount	%	Amount	%	Financial investments	31,594	92%	24,852	92%	Premium receivables	984	4%	856	3%	Cash at bank	691	2%	548	2%	Reinsurance receivables	232	1%	323	1%	Loans to life policyholders	224	1%	234	1%	Receivables and other assets	66	0%	67	0%	Maximum exposure to credit risk	33,780	100%	26,881	100%		2021	2020	Government Guaranteed	13,165	12,912	Debt instruments having credit ratings			AAA	1,097	410	AA+ to AA-	5,207	2,864	A+ to A-	7,732	5,652	BBB+ to BBB-	501	678	CC	35	-	Unit trust			A+ to A-	3,857	2,337	Total	31,594	24,852	●	●
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● Low Risk ● Medium Risk ● High Risk

d) Analysis of 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.

Mitigation Strategies Adopted	Financial Impact	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20					
<ul style="list-style-type: none"> Regular review by the Company's asset and liability management committee Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows. Adhering to defined limits on maturity gaps as per approved risk limits and adhering to compositions of investments as per the investment policy 	The following table provides maturity analysis.		●	●				
	In Rs. Mn.	No maturity	Less than 1 year	1- 3 years	More than 3 years	Total		
	Financial Assets	6,480	8,838	5,151	13,749	34,217		
	Loans to life policyholders	-	-	-	224	224		
	Reinsurance receivables	-	232	-	-	231		
	Premium receivables	-	984	-	-	984		
	Other financial assets	-	66	-	-	66		
	Total Financial Assets	6,480	10,119	5,151	13,973	35,722		
	Insurance contract liabilities	-	297	1499	13095	14,891		
	Reinsurance payable	-	1040	-	-	1,040		
	Loans and borrowing	-	54	-	3011	3,065		
	Lease liabilities	-	218	328	107	653		
	Other financial liabilities	-	1014	-	-	1,023		
	Bank overdraft	-	291	-	-	291		
	Total financial liabilities	-	2,923	1,827	16,213	20,963		

● Low Risk ● Medium Risk ● High Risk

INTEGRATED RISK MANAGEMENT

Mitigating strategies for key risks faced by the company

	Mitigation Strategies Adopted	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20
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. 	●	●
	<ul style="list-style-type: none"> 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. 	●	●
	<ul style="list-style-type: none"> Implementation of a market intelligence force to ensure timely gathering of competitor activity 		
	<ul style="list-style-type: none"> 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 	●	●
	<ul style="list-style-type: none"> Communication through 2021 was approached via a Top Down method, where all staff were informed of the Company's Plans through their Heads of Departments via e flyers circulated through email and WhatsApp groups. 		
Regulatory Risk			
Minimum Capital Adequacy Ratio	<ul style="list-style-type: none"> Capital Management Policy and Limits specific to capital adequacy implemented in 2021. 	●	●
	<ul style="list-style-type: none"> Forecasted internal capital model to ensure capital adequacy are above regulatory requirements. 		
	<ul style="list-style-type: none"> 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. 	●	●
	<ul style="list-style-type: none"> 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. 		

● Low Risk ● Medium Risk ● High Risk

	Mitigation Strategies Adopted	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20
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. <p>All customer complaints are handled in line with the guidelines issued by IBSL on complaint management</p>	●	●
Operational Risk			
Business Continuity	<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. 	●	●
Business Continuity of Critical Systems	<ul style="list-style-type: none"> 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 2021 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 both Health and Safety in relation to COVID-19 and procedures to be followed in the event of a Fire. Fire Wardens have been also briefed on procedures to be carried out in such an event. Given that, physical fire drills were not conducted during the year due to lockdowns / working in teams, a mandatory virtual Drill was conducted for staff at Head Office, virtually, where the impact of Fire Risk was the Highest and achieved a success rate of 71%. 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. 	●	●

● Low Risk ● Medium Risk ● High Risk

INTEGRATED RISK MANAGEMENT

	Mitigation Strategies Adopted	Risk Rating as at 31.12.21	Risk Rating as at 31.12.20
Staff Turnover	The following strategies that were initiated to reduce Non-Sales Staff Turnover at the beginning of the year and have continued through the year.	●	●
	<ul style="list-style-type: none"> Recruiting Branch staff with prior exposure to customer service and those that possess a higher set of skills. Additionally, HR changed the probation period from 6 months to 12 months allowing them more time to settle down in their new role and perform. A mechanism was introduced to monitor and exit underperforming employees who do not deliver agreed KPI's before ending probation period 		
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. 	●	●
	<ul style="list-style-type: none"> 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 		
	<ul style="list-style-type: none"> The completion rate / adoption rate of all suggestions and recommendations remains at approximately 95%-100% as at the above date. 		

10. Key Risks predicted in 2022 and beyond

The Risk unit is of the view that the following challenges will be most prevalent in 2022 and has actively begun and / or improving mitigation actions to deal with the same.

Given that most risks are economic and political risk, the details of the same maybe found in detail in the economic report in pages 55-56.

Prevalent COVID -19 Risk	●
Supply Chain Disruptions	●
Volatile Energy Prices	●
Food Scarcity	●
Inflation	●
Increasing Interest Rates	●
FOREX Risk	●
Lower Disposable Income of end Consumer	●
Climate Risks	●

● Low Risk ● Medium Risk ● High Risk

FINANCIAL STATEMENTS

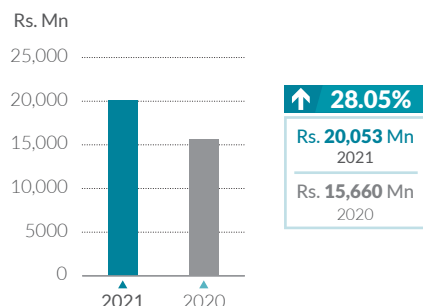
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Financial Calendar - 2021 and 2022 [256](#) | Financial Statement Table of Contents [257](#) | Independent Auditor's Report [258](#) |
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Expanding

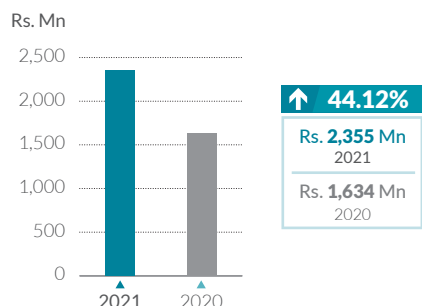


FINANCIAL HIGHLIGHTS

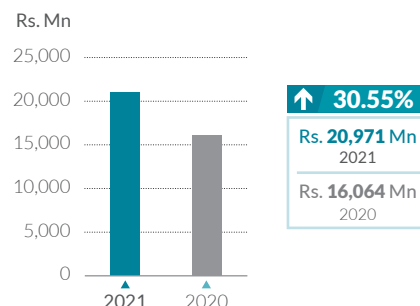
Gross Written Premiums



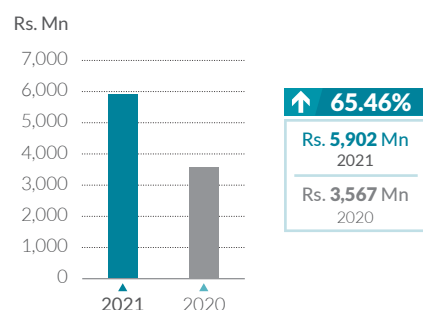
Net Finance Income



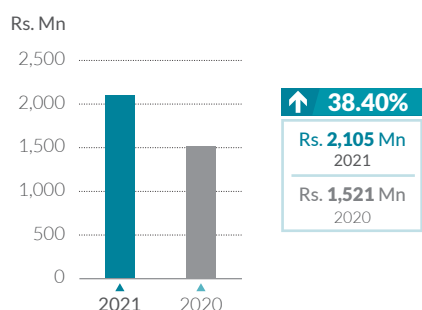
Total Net Revenue



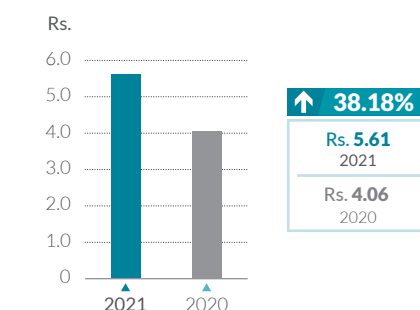
Net Insurance Benefits and Claims



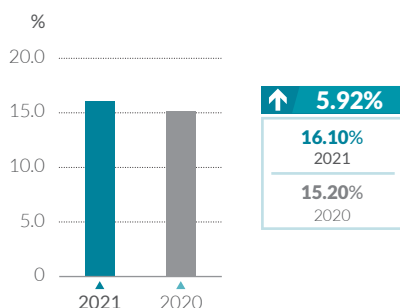
Profit After Taxation



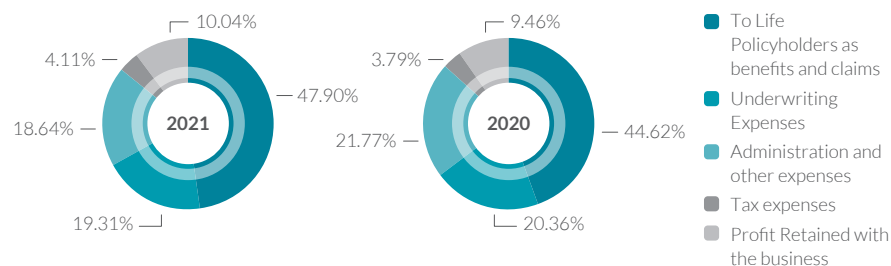
Earnings per Share



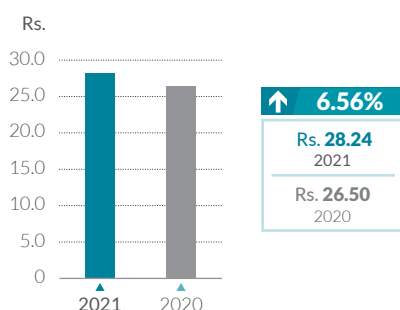
Market Share



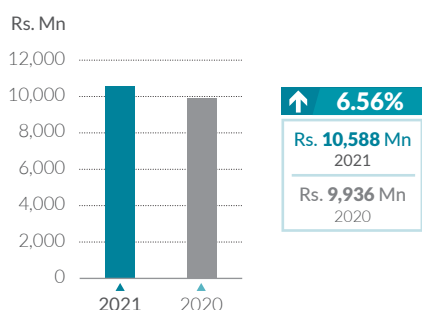
Utilization of Income



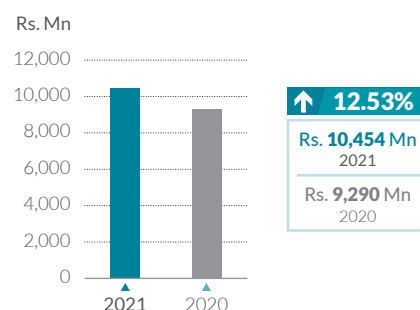
Net Asset per Share



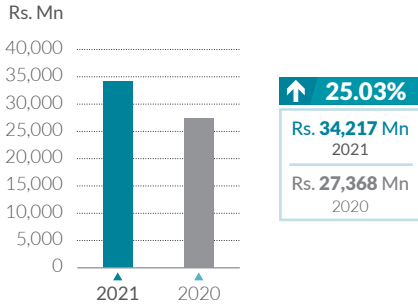
Total Equity



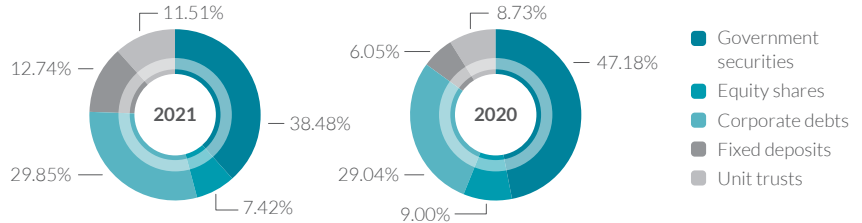
Retained Earnings



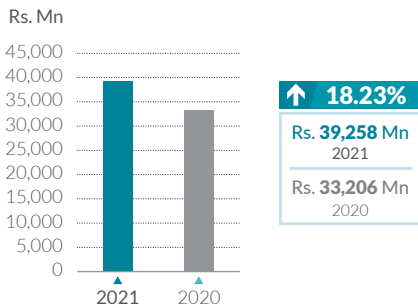
Financial Investments



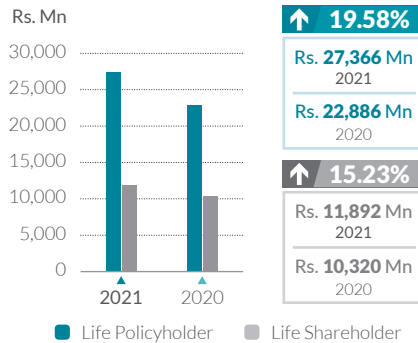
Financial Investments - Asset Class wise



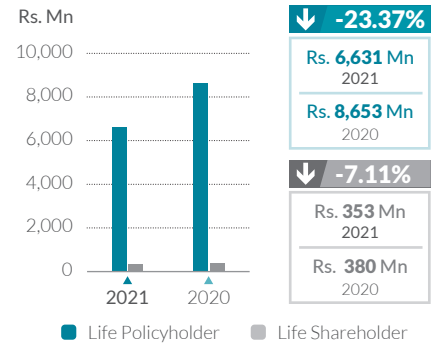
Total Assets



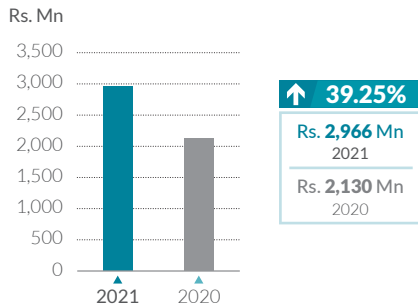
Segment Total Assets



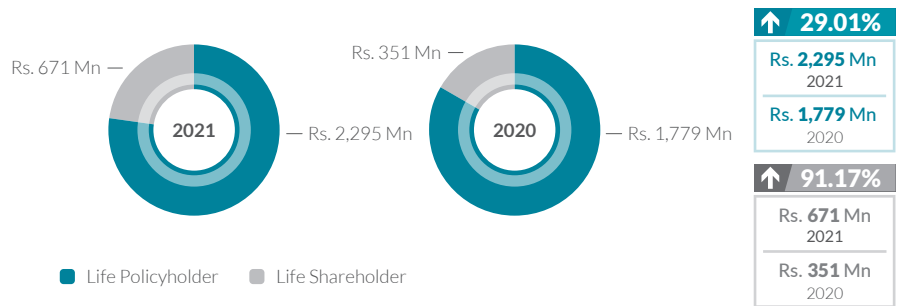
Segment Operating Cash flows



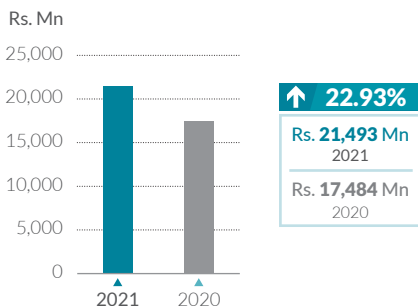
Profit Before Taxation



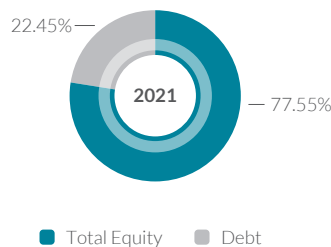
Segment Profit Before Taxations



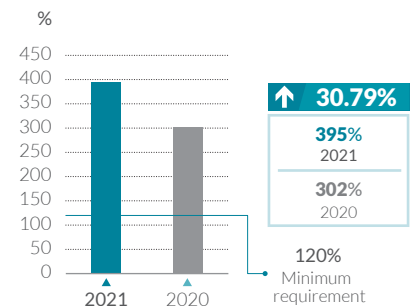
Insurance Contract Liabilities



Capital Structure



Capital Adequacy Ratio (CAR)



ACTUARY'S REPORT



7 March 2022

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 2021;
- (e) that the Surplus amount distributed / approved to transfer from the non-participating fund to shareholder fund for the period 1 January 2021 to 31 December 2021 amounted to LKR 2,295 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 428 million as at 31 December 2021.

Name and address of actuary with phone number and e-mail:

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India,
WTW
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:

7 March 2022

Willis Towers Watson India Private Limited

Registered Office:
Unitech Business Park 2nd floor
Tower-B, South City 1, Sector 41
Gurgaon-122001
India

T: +91 124 4322800
F: +91 124 4322801
E: TW.Fin.India@willistowerswatson.com
W: www.wtwco.com
CIN – U67190HR1996PTC051336

REPORT ON THE LIABILITY ADEQUACY TEST (LAT)



7 March 2022

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 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 are used as a starting point to assess the actuarial liability published by Softlogic Life in its financial statements. Adjustments made to and differences between the regulatory liability under the risk-based capital framework and the accounting liability under SLFRS basis have been suitably considered in providing this certification.
- 1.3. The projections are based on in-force policies and riders as at 31 December 2021.
- 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 2021 is in excess of the liabilities computed in the above mentioned manner.

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India,
WTW

Signature:
Place:
Date:

Gurugram, India
7 March 2022

Willis Towers Watson India Private Limited

Registered Office:
Unitech Business Park 2nd floor
Tower-B, South City 1, Sector 41
Gurgaon-122001
India

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F: +91 124 4322801
E: TW.Fin.India@willistowerswatson.com
W: www.wtwco.com
CIN – U67190HR1996PTC051336

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING (AGM) CALENDAR

Annual Report and Accounts signed/to be signed



For the year 2021

For the year 2022

On March 7, 2022

In March 2023

ANNUAL GENERAL MEETING TO BE HELD

Annual General Meeting to be held



For the year 2021

For the year 2022

On March 31, 2022

In March 2023

INTERIM FINANCIAL STATEMENTS CALENDAR



	2021 Submitted on	2022 To be submitted
For the three months ended/ ending March 31	12-May-21	13-May-22
For the six months ended/ending June 30	12-Aug-21	15-Aug-22
For the nine months ended/ ending September 30	12-Nov-21	15-Nov-22
For the year ended/ending December 31	9-Feb-22	28-Feb-23

DIVIDEND CALENDAR



	2021	2022
First interim dividend for the year payable	In March 2022	In March 2023



Trilingual financial statements are provided online. Scan me for digital access.



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INDEPENDENT AUDITOR'S REPORT



KPMG
(Chartered Accountants)
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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, 2021, 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 261 to 365.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, 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 268) and Note 39 (page 347) to these financial statements

Risk Description	Our Response
<p>The Company has recognized insurance contract liabilities amounting to Rs. 21.493 billion as at 31st December 2021.</p> <p>The Company's insurance contract liabilities represents 75 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 discount rate, inflation, and operating assumptions including mortality, morbidity, future claims administration expenses, fund yield and persistency are key inputs used to estimate the long-term liabilities.</p>	<p>Our procedures among others included;</p> <ul style="list-style-type: none"> 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 controls adopted (including IT related controls) by the Company in providing accurate and complete information to the independent appointed actuary for the purpose of the policy holders liability valuation. Reconciling the movements in policyholder liabilities during the year with the movements in the financial results reported in separate funds. Testing management controls over the accuracy of data used in the life fund valuation and reconciling the data used to the underlying systems.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

M. R. Mihular FCA	P. Y. S. Perera FCA	C. P. Jayatilake FCA
T. J. S. Rajakarier FCA	W. W. J. C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W. K. D. C. Abeyrathne FCA	S. T. D. L. Perera FCA
G. A. U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R. H. Rajan FCA	M.N.M. Shameel FCA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA	Ms. P.M.K. Sumanasekara FCA	

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W. A. A. Weerasekara CFA, ACMA, MRICS

Risk Description	Our Response
<p>Further these liabilities are measured on a market consistent basis with appropriate assumptions by the appointed actuary.</p> <p>Accordingly, due to the value of the liability balance relative to the total liabilities and subjectivity of the significant judgments involved and estimate uncertainty associated with the valuation, we considered Insurance contract liabilities as a Key Audit Matter.</p>	<ul style="list-style-type: none"> • Using a engaged KPMG specialist to Assess and challenge the key methods/models and assumptions, used in driving the value of the insurance liabilities by, <ul style="list-style-type: none"> o Comparing the assumptions to expectations based on, current trends and our own industry knowledge, o Evaluating the level of prudence applied and compared this to prior periods, o Applying their industry knowledge to benchmark the Company's reserving methodologies assumptions, and estimates of losses. • Assessing the adequacy of the disclosures in the financial statements.

IT Systems and controls

Risk Description	Our Response
<p>Many financial reporting controls of the Company depend on the correct functioning of operational and financial IT 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 inappropriate 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 and accordingly identified as a Key Audit Matter.</p>	<p>We used our own IT audit specialists to assist us in performing procedures in this area which included:</p> <ul style="list-style-type: none"> • Assisting the audit team in obtaining an understanding of the entity's IT environment and entity's processes including the identification of process risk points for account balances associated with a risk of material misstatement. • Assisting the audit team in identifying automated controls that the entity uses to address those process risks points for accounts associated with a risk of material misstatement and linking the identified automated controls to the appropriate layer of technology. • Assisting the audit team in identifying the Risk Arising from IT for each layer of technology and determining effective and efficient strategies for selecting an appropriate combination of manual controls, automated controls, and general IT controls to test. • Evaluating the design, implementation, and operating effectiveness of relevant general IT controls, automated controls including testing the completeness and accuracy of key reports used in the operation of a control that addresses process risk points related to accounts with a risk of material misstatement.

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.

INDEPENDENT AUDITOR'S REPORT



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 1798.

Chartered Accountants
Colombo, Sri Lanka

March 7th, 2022

INCOME STATEMENT

For the year ended 31 December	Note	Page	2021 Rs. '000	2020 Rs. '000	Change %
Gross written premiums	8	309	20,053,302	15,660,116	28
Premiums ceded to reinsurers	9	309	(1,857,795)	(1,872,616)	(1)
Net written premiums	10	310	18,195,507	13,787,500	32
Other revenue					
Net finance income	11	310	2,355,097	1,634,453	44
Net realised gains	12	311	392,206	171,253	129
Net fair value gains	13	312	7,560	464,044	(98)
Other operating income	14	312	20,766	6,364	226
Total other revenue			2,775,629	2,276,114	22
Total net revenue			20,971,136	16,063,614	31
Net benefits, claims and expenses					
Net insurance benefits and claims paid	15	313	(5,965,164)	(3,545,807)	68
Net change in insurance claims outstanding	16	313	63,096	(20,990)	(401)
Change in insurance contracts liabilities	17	314	(4,143,426)	(3,599,969)	15
Underwriting and net acquisition cost (Net of reinsurance)	18	315	(4,050,033)	(3,269,454)	24
Other operating and administration expenses	19	315	(3,726,366)	(3,324,870)	12
Finance cost	20	316	(183,569)	(172,177)	7
Total benefits, claims and expenses			(18,005,462)	(13,933,267)	29
Profit before tax	21	317	2,965,674	2,130,347	39
Income tax expenses	22	317	(860,806)	(608,864)	41
Profit for the year			2,104,868	1,521,483	38
Profit attributable to;					
Owners of the Company			2,104,868	1,521,483	
Non controlling interest			-	-	
			2,104,868	1,521,483	38
Earnings per share					
Basic earnings per share (Rs.)	23	319	5.61	4.06	38
Diluted earnings per share (Rs.)	23	319	5.61	4.06	38

The accounting policies and notes appearing on pages 266 to 365 form an integral part of these Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Note	Page	2021 Rs. '000	2020 Rs. '000	Change %
Profit for the year			2,104,868	1,521,483	38
Other comprehensive income					
Items that will not be reclassified to income statement					
Equity investments at FVOCI - net change in fair value	38.1	346	(127,603)	(235,618)	
Equity investments at FVOCI - net change in fair value - Life fund	38.1	346	(27,637)	125,442	
Re-measurement gains / (losses) on defined benefit liabilities	40.6	355	(10,102)	4,648	
Gains on revaluation of land and building	38.2	346	37,025	-	
Related tax / deferred tax			-	-	
			(128,317)	(105,528)	22
Items that are or may be reclassified subsequently to income statement					
Debt investments at FVOCI - net change in fair value	38.1	346	(43,380)	31,221	
Debt investments at FVOCI - net change in fair value - Life fund	38.1	346	(348,601)	255,885	
Debt investments at FVOCI - reclassified to income statement	38.1	346	5,113	14,267	
Related tax / deferred tax			-	-	
			(386,868)	301,373	(228)
Total other comprehensive income for the year, net of tax			(515,185)	195,845	(363)
Total comprehensive income for the year, net of tax			1,589,683	1,717,328	(7)
Total comprehensive income attributable to:					
Owners of the Company			1,589,683	1,717,328	
Non - controlling interests			-	-	
			1,589,683	1,717,328	(7)

The accounting policies and notes appearing on pages 266 to 365 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2021 Rs. '000	2020 Rs. '000
Assets				
Intangible assets	25	320	1,356	404
Property, plant and equipment	26	322	617,745	660,928
Right of use assets	27	327	616,417	752,393
Deferred tax assets	28	329	675,164	1,621,904
Financial investments	29	332	34,217,429	27,367,792
Loans to life policyholders	30	342	224,198	234,462
Reinsurance receivables	31	342	231,587	323,288
Premium receivables	32	343	983,657	856,281
Receivables and other assets	33	344	993,325	834,388
Cash and cash equivalents	34	344	696,920	554,362
Total assets			39,257,798	33,206,202
Equity and liabilities				
Equity				
Stated capital	35	345	1,062,500	1,062,500
Retained earnings	36	345	10,453,584	9,290,347
Restricted regulatory reserve	37	345	798,004	798,004
Other reserves	38	346	(1,725,658)	(1,214,604)
Total equity			10,588,430	9,936,247
Liabilities				
Insurance contract liabilities	39	347	21,492,757	17,483,705
Employee benefit liabilities	40	354	192,629	182,332
Loans and borrowings	41	356	3,064,994	2,852,245
Reinsurance payables	42	357	1,040,255	636,060
Other liabilities	43	357	2,588,183	1,890,223
Bank overdraft	34	344	290,550	225,390
Total liabilities			28,669,368	23,269,955
Total equity and liabilities			39,257,798	33,206,202
Net asset per share (Rs.)			28.24	26.50
Net asset per share (Rs.) - excluding one-off surplus			26.11	24.37

The accounting policies and notes appearing on pages 266 to 365 form an integral part of these Financial Statements.

Certification

These Financial Statements are in compliance with the requirements of the Companies Act No 07 of 2007.

Sgd.

Nuwan Withanage

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.

Sgd.

Ashok Pathirage

Chairman

Sgd.

Iftikar Ahamed

Managing Director

Colombo

7th March 2022

STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital Rs. '000	Retained earnings Rs. '000	Restricted regulatory reserve Rs. '000	Other reserves		Total Rs. '000
					Fair value reserve Rs. '000	Revaluation reserve Rs. '000	
Balance as at 31 December 2019		1,062,500	7,764,216	798,004	(1,498,509)	92,708	8,218,919
Profit for the year		-	1,521,483	-	-	-	1,521,483
Other comprehensive income for the year							
Equity investments at FVOCI - net change in fair value	38.1	-	-	-	(235,618)	-	(235,618)
Equity investments at FVOCI - net change in fair value - Life fund	38.1	-	-	-	125,442	-	125,442
Re-measurement gains on defined benefit liabilities	40.6	-	4,648	-	-	-	4,648
Debt investments at FVOCI - net change in fair value	38.1	-	-	-	31,221	-	31,221
Debt investments at FVOCI - net change in fair value - Life fund	38.1	-	-	-	255,885	-	255,885
Debt investments at FVOCI - reclassified to income statement	38.1	-	-	-	14,267	-	14,267
Total other comprehensive income, net of tax		-	4,648	-	191,197	-	195,845
Total comprehensive income for the year		-	1,526,131	-	191,197	-	1,717,328
Transaction with owners of the Company							
Contributions and distributions							
Dividend - 2019	24.3	-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-
Balance as at 31 December 2020		1,062,500	9,290,347	798,004	(1,307,312)	92,708	9,936,247
Profit for the year		-	2,104,868	-	-	-	2,104,868
Other comprehensive income for the year							
Equity investments at FVOCI - net change in fair value	38.1	-	-	-	(127,603)	-	(127,603)
Equity investments at FVOCI - net change in fair value - Life fund	38.1	-	-	-	(27,637)	-	(27,637)
Equity investments at FVOCI - reclassified to retained earnings	38.1	-	5,971	-	(5,971)	-	-
Re-measurement losses on defined benefit liabilities	40.6	-	(10,102)	-	-	-	(10,102)
Gains on revaluation of land and building	38.2	-	-	-	-	37,025	37,025
Debt investments at FVOCI - net change in fair value	38.1	-	-	-	(43,380)	-	(43,380)
Debt investments at FVOCI - net change in fair value - Life fund	38.1	-	-	-	(348,601)	-	(348,601)
Debt investments at FVOCI - reclassified to income statement	38.1	-	-	-	5,113	-	5,113
Total other comprehensive income, net of tax		-	(4,131)	-	(548,079)	37,025	(515,185)
Total comprehensive income for the year		-	2,100,737	-	(548,079)	37,025	1,589,683
Transaction with owners of the Company							
Contributions and distributions							
Interim dividend - 2020	24.3	-	(937,500)	-	-	-	(937,500)
Total transactions with owners of the Company		-	(937,500)	-	-	-	(937,500)
Balance as at 31 December 2021		1,062,500	10,453,584	798,004	(1,855,391)	129,733	10,588,430

The accounting policies and notes appearing on pages 266 to 365 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2021 Rs. '000	2020 Rs. '000
Cash flows from operating activities				
Profit before taxation			2,965,674	2,130,347
Adjustments for :				
Depreciation of property, plant and equipment	26.1	324	137,928	147,038
Amortisation of intangible assets	25.1	321	248	146
Depreciation of right of use asset	27.1	328	245,827	195,008
Interest expenses on lease liabilities and loans and borrowings	20	316	292,964	124,028
Provision for employee benefit liabilities	40.4	355	40,744	40,834
Gain on sale of property, plant and equipment	14	312	(12,161)	-
Net realised gains	12	311	(392,206)	(171,253)
Net fair value gains	13	312	(7,560)	(464,044)
Net unrealised gain on foreign currency transactions	20	316	(180,388)	(18,272)
Net amortisation of financial investments	29.5	341	(837,057)	(363,338)
Provision / (reversal) for impairment losses on financial investments	29.2.3	336	(37,540)	104,453
			2,216,473	1,724,947
Change in operating assets				
(Increase) / Decrease in loans to life policyholders			10,264	(9,790)
(Increase) / Decrease in reinsurance receivables			91,701	(135,157)
Increase in premium receivables			(127,376)	(112,732)
Increase in receivables and other assets			(269,420)	(428,817)
			(294,831)	(686,496)
Change in operating liabilities				
Increase in insurance contract liabilities			4,009,052	7,106,603
Increase in reinsurance payables			404,195	207,503
Increase in other liabilities			919,860	685,762
			5,333,107	7,999,868
Net cash generated from operations			7,254,749	9,038,319
Gratuity paid	40.4	355	(40,549)	(4,881)
Interest paid	41.1	356	(230,388)	-
Net cash flows from operating activities			6,983,812	9,033,438
Cash flows from investing activities				
Acquisition of investment securities	29.5	341	(32,522,481)	(28,726,008)
Proceeds from sale of investment securities			26,847,462	17,379,095
Acquisition of property, plant and equipment	26.1	324	(58,041)	(132,498)
Proceeds from the sale of property and equipment			12,482	-
Acquisition of intangible assets	25.1	321	(1,200)	(106)
Net cash flows used in investing activities			(5,721,778)	(11,479,517)
Cash flows from financing activities				
Dividend paid to equity holders	24.3	320	(937,500)	-
Proceeds from long term borrowings	41.1	356	-	2,772,300
Payment of lease liabilities	43.4	357	(247,136)	(198,071)
Net cash flows (used in)/ from financing activities			(1,184,636)	2,574,229
Net increase in cash and cash equivalents			77,398	128,150
Net cash and cash equivalents as at 1 January			328,972	200,822
Net cash and cash equivalents as at 31 December			406,370	328,972
Analysis of cash and cash equivalents				
Cash in hand and at bank	34.1	344	696,920	554,362
Bank overdrafts	34.1	344	(290,550)	(225,390)
Total cash and cash equivalents as at 31 December	34.1	344	406,370	328,972

The accounting policies and notes appearing on pages 266 to 365 form an integral part of these Financial Statements.

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. The Financial Statements of parent and ultimate parent of the entity is available for public use.

1.3 Principal activities and nature of operations of the Company

The principal business activity of the Company is providing Life Insurance solutions for both individual and corporate customers. 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 31 December 2021 is 980 (2020 was 897).

1.5 Financial statements

The Financial Statements as at and for the year ended 31 December 2021 comprise “the Company” referring to Softlogic Life Insurance PLC only.

Corporate information is given in page 385 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 (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry (RII) Act, No 43 of 2000 and amendments thereto, rules and regulations of the Insurance Regulatory Commission of Sri Lanka and Statement of Recommended Practice (SoRP) issued by CA Sri Lanka and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

These SLFRSs and LKASs are available at the website of CA Sri Lanka www.casrilanka.com.

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Company has not adopted any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of these Financial Statements.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledge their responsibility for Financial Statements as set out in the ‘Annual Report of the Board of Directors’, ‘Statement of Directors’ Responsibility’ for the financial reporting and the certification on the Statement of Financial Position on pages 191, 200 and 263 respectively.

These Financial Statements include 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 261 and 262).
Statement of Financial Position	Providing the information on the financial position of the Company as at the year-end (Refer page 263).
Statement of Changes in Equity	Depicting all changes in shareholders’ equity during the year under review of the Company (Refer page 264).
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 page 265).
Notes to the Financial Statements comprising significant accounting policies and other explanatory information (Refer pages 266 to 365).	

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31 December 2021 (including comparatives for 2020), were approved and authorised for issue by the Board of Directors on 7th March 2022.

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	At fair value	29.4	339
	Financial instrument measured at fair value through other comprehensive income	At fair value	29.3	337
	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	26.17	326
Liabilities	Employee benefits liabilities	Actuarially valued and recognised at present value of the defined benefit obligation	40	354
	Insurance contract liabilities	Appointed Actuary determined values based on the guidelines issued by Insurance Regulatory Commission of Sri Lanka (IRCSL) and Sri Lanka Accounting standards (SLFRS)	39	347

2.5 Going concern basis of accounting

In determining the basis of preparing the Financial Statements for the year ended 31 December 2021, based on all available information, the management has considered the consequences of COVID-19 pandemic, other events, and conditions. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern due to the improving operating environment despite the ongoing effects of the pandemic.

Further, in determining the going concern, the management performed multiple stress tested scenarios considering cost management practices, ability to continue operations under lockdown situation, cash reserves, ability to secure additional funding to finance the adverse effects to the cash flows, ability to secure required human resources, expected revenue streams, credit and collection management practices and ability to defer non-essential capital expenditures.

Accordingly, the Management has assessed its ability to continue as a going concern and is satisfied that it has adequate 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). Accordingly, these Financial Statements including supplementary information are presented in Sri Lankan Rupees (LKR), the Company's functional and presentation currency.

There was no change in the Company's presentation and functional currency during the year under review.

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 practice (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'.

NOTES TO THE 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 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 1 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 366 to 388 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 for the twelve months period ended and as at 31 December 2021.

2.13 Comparative information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements 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.

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 recognised prospectively.

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:

3.1 Significant accounting judgements

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.

Critical judgements	Note	Page
Classification of financial assets	3.1.1	268
Impairment assessment of financial investments	3.1.2	269
Lease terms - extension options	3.1.3	269
Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	39.2	347
Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition	4.2.12.3	276
Assessment of impact from COVID-19 pandemic	6.7	301

Accounting Judgements

3.1.1 Classification of financial assets

The significant accounting policies of the Company provides scope for financial assets to be classified and subsequently measured into different categories,

- Amortised Cost (AC)
- Fair Value through Other Comprehensive Income (FVOCI)
- 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 4.2.3.1 on page 272.
 - The contractual cash flow characteristics of the financial assets as set out in Note 4.2.3.2 on page 273.

Refer Notes 29.2, 29.3 and 29.4 on pages 333 to 341 for more information on classification of financial assets.

3.1.2 Impairment assessment of financial investments

The measurement of impairment losses across the 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. Accordingly, the Company reviews its financial investments 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.

3.1.3 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.

3.2 Accounting assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments for the year ended 31 December 2021 are included in the following notes.

Critical accounting assumptions and estimation uncertainties	Note	Page
Insurance contract liabilities and key actuarial assumptions	39.9 & 3.2.1	350 & 269
Fair value of financial instruments with significant unobservable inputs	3.2.2	270
Impairment measurement of financial assets: determination of inputs into the ECL measurement model, including key assumptions and incorporation of forward-looking information	3.2.3	270
Fair value of land and buildings	3.2.4	270

Critical accounting assumptions and estimation uncertainties	Note	Page
Useful life-time of the property, plant and equipment	3.2.5	270
Measurement of defined benefit obligation: key actuarial assumptions	3.2.6 & 40.3	270 & 354
Recognition of deferred tax asset	3.2.7	271
Estimating the incremental borrowing rate for lease liabilities	3.2.8	271
Provisions for liabilities, commitments and contingencies	3.2.9	271
Modifications to the discount rate used for valuation of insurance contract liabilities	39.10	350
Impairment of non-financial assets	4.4	278
Going concern basis	2.5	267
Liability Adequacy Test (LAT)	39.16	351

Assumptions and estimation uncertainties

3.2.1 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 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 in Notes 39.9 to 39.10 on page 350.

For those contracts that ensure risk related to longevity and prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to lifestyle, 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. Discount rates are based on current market rates by considering timing and liquidity nature of the insurance liabilities.

The valuation of the long-term insurance contract liabilities as at 31 December 2021 was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited based on the assumptions set out in Note 39.9 to the Financial Statements on page 350.

NOTES TO THE FINANCIAL STATEMENTS

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 39.16 to the Financial Statements on page 351.

Carrying amount of Insurance contract liabilities, assumptions and estimates used to determine Insurance contract liabilities are disclosed in Note 39 on pages 347 to 353.

Refer Table 3 on page 282 for sensitivity analysis.

3.2.2 Fair value of financial instruments with significant unobservable inputs

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 7 on page 303.

3.2.3 Impairment measurement of financial assets

The measurement of impairment losses 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.

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, effect from COVID-19 pandemic, etc.).

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

Refer Notes 4.2.13, 29.2.3 and 29.3.3 on pages 276, 336 and 339 for further details.

3.2.4 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 on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, land and building were classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the land and building, and sensitivity analysis are provided in Note 26.18 on pages 326.

3.2.5 Useful life-time of the property, plant and equipment

The Company reviews the residual values, useful lives, and methods of depreciation of property, plant and 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.

Refer Note 26 on page 322 for more details.

3.2.6 Measurement of defined benefit obligation

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. 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. The Company engages independent professional actuary Mr. M. Poopalanathan, AIA of Messrs. Actuarial & Management Consultants (Pvt) Ltd to measure defined benefit obligation.

Refer Note 40.3 on pages 354 for the assumptions used to determine the defined benefit obligations.

Sensitivity analysis to key assumptions is disclosed in Note 40.9 on page 355.

3.2.7 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 28 on page 329 for estimate and assumption used by the company in assessing recoverability of deferred tax assets.

3.2.8 Estimating the incremental borrowing rate

As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Company estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

3.2.9 Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. The 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.

Refer Note 48 on page 364 for provision for liabilities and contingencies.

4 SIGNIFICANT ACCOUNTING POLICIES

Change in 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.

There have been no changes to the significant accounting policies which would required to disclose in these Financial Statements.

Set out below is an index of the significant accounting policies.

Significant accounting policies	Note	Page
General		
Foreign currency transactions	4.1	272
Statement of cash flows		
Cash flow statements	4.5	279
Recognition of income and expenses		
Gross written premiums	8	309
Premiums ceded to reinsurers	9	309
Net finance income	11	310
Net realised gains	12	311
Net fair value gains	13	312
Other operating income	14	312
Benefits, claims and expenses	15	313
Underwriting and net acquisition cost	18	315
Other operating and administration expenses	19	315
Finance cost	20	316
Income tax expense	22	317
Shareholder related		
Basic Earning Per Share (EPS)	23	319
Diluted Earning Per Share (EPS)	23	319
Dividend Per Share (DPS)	24	320
Recognition of assets and liabilities		
Financial assets – Initial recognition, classification and subsequent measurement	4.2	272
Financial liabilities – Initial recognition, classification and subsequent measurement	4.3	277
Fair value of financial instruments	7	303
Identification and measurement of impairment of financial assets	4.2.11	275
Impairment of non - financial assets	4.4	278
Intangible assets	25	320
Property, plant and equipment	26	322
Right of use assets	27	327
Deferred tax assets	28	329
Loans to life policyholders	30	342
Reinsurance receivables	31	342
Premiums receivables	32	343
Receivables and other assets	33	344
Cash and cash equivalents	34	344
Insurance contract liabilities	39	347
Insurance and investment contracts	39.2	347
Actuarial valuation of life insurance fund	39.16	351
Employee benefit liabilities	40	354
Loans and borrowings	41	356
Reinsurance payables	42	357
Other liabilities	43	357
Operating segments	44	358
Events after the reporting date	47	364
Provisions and contingencies	48	364

NOTES TO THE FINANCIAL STATEMENTS

4.1 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the date of each transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency as at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate as 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. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences are generally recognised in Income Statement.

4.2 Financial assets – Initial recognition, classification and subsequent measurement

4.2.1 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.

4.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. Refer Notes 29 further details on classification 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.

4.2.2.1 “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 income statement when the inputs become observable, or when the instrument is derecognised.

4.2.3 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Company classifies all its financial assets based on the business model for managing the assets and the assets’ contractual terms measured at either;

- Amortised Cost (AC) - (Refer Note 29.2 on page 333 for detail accounting policy)
- Fair Value through Other Comprehensive Income (FVOCI) - (Refer Note 29.3 on page 337 for detail accounting policy)
- Fair Value through Profit or Loss (FVTPL) - (Refer Note 29.4 on page 339 for detail accounting policy)

The subsequent measurement of financial assets depends on their classification. Refer Note 29.2, 29.3 and 29.4 on pages 333 to 339.

4.2.3.1 Business model assessment

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.

4.2.3.2 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.

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:

- 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 29.2, 29.3 and 29.4 on pages 333 to 339 for details on different types of financial assets recognised on the Statement of Financial Position.

4.2.4 The Company's existing non-derivative financial assets and their classifications

Financial asset	Category		
	FVTPL	AC	FVOCI
Treasury bonds	√	√	√
Treasury bills	√	-	-
Corporate debts*	-	√	-
Perpetual debentures	√	-	-
Commercial papers	-	√	-
Term deposits	-	√	-
Repurchase agreements	-	√	-
Unit trusts	√	-	-
Quoted shares	√	-	√
Unquoted shares	-	-	√
Securitised papers	-	√	-
Loans to life policyholders	-	√	-
Staff and advisor receivables	-	√	-
Cash and cash equivalents	-	√	-
Reinsurance receivables	-	√	-
Premium receivables	-	√	-
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.

4.2.5 Reclassification of financial assets

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.

4.2.5.1 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.

NOTES TO THE FINANCIAL STATEMENTS

4.2.5.2 Measurement of reclassification of financial assets

Reclassification from	Reclassification to amortised cost	Reclassification to FVOCI	Reclassification to FVTPL
Fair Value through Profit or Loss	The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.	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 are recognised in OCI.	N/A
Fair Value through Other Comprehensive Income	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.	N/A	The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.
Amortised Cost	N/A	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.	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.

4.2.6 Derecognition of 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 income statement.

However, cumulative gain / loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in income statement on derecognition of such securities. 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 Statement of Financial Position, 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.

4.2.7 Modification of 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.

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 income statement.

4.2.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position 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.

4.2.9 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.

4.2.10 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 7 on pages 303 to 308.

4.2.11 The following table presents financial assets by categories in accordance with SLFRS 9.

As at 31 December	Note	2021				
		Carrying value				Total fair value Rs. '000
		FVTPL Rs. '000	Amortised cost Rs. '000	FVOCI Rs. '000	Total carrying value Rs. '000	
Financial investments	29.1	5,234,184	25,600,336	3,382,909	34,217,429	33,069,039
Loans to life policyholders	30	-	224,198	-	224,198	224,198
Reinsurance receivables	31	-	231,587	-	231,587	231,587
Premium receivables	32	-	983,657	-	983,657	983,657
Receivables and other assets	33	-	65,607	-	65,607	65,607
Cash and cash equivalents	34	-	696,920	-	696,920	696,920
Total financial assets		5,234,184	27,802,305	3,382,909	36,419,398	35,271,008

As at 31 December	Note	2020				
		Carrying value				Total fair value Rs. '000
		FVTPL Rs. '000	Amortised cost Rs. '000	FVOCI Rs. '000	Total carrying value Rs. '000	
Financial investments	29.1	4,104,034	19,213,703	4,050,055	27,367,792	27,253,226
Loans to life policyholders	30	-	234,462	-	234,462	234,462
Reinsurance receivables	31	-	323,288	-	323,288	323,288
Premium receivables	32	-	856,281	-	856,281	856,281
Receivables and other assets	33	-	66,792	-	66,792	66,792
Cash and cash equivalents	34	-	554,362	-	554,362	554,362
Total financial assets		4,104,034	21,248,888	4,050,055	29,402,977	29,288,411

NOTES TO THE FINANCIAL STATEMENTS

4.2.12 Identification and measurement of impairment of financial assets

4.2.12.1 Overview of the ECL principles

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.

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.

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%.

Details of the ECL calculation are given in Note 29.2.3 on page 336.

4.2.12.2 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 (LTECL). (Refer table - 17 on page 293 for credit impaired financial assets.)

4.2.12.3 Significant increase in credit risk

Key judgements and assumptions adopted by the Company in addressing the requirements of SLFRS 9

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:

- 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.

Exposures which have one or more of the above indicators are treated as 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.

4.2.12.4 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”.

4.2.12.5 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. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

4.2.13 Impairment charges

4.2.13.1 Impairment charges as per SLFRS 9

The Company recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial investments at amortised cost
- Debt instruments at fair value through other comprehensive income
- Other financial assets measured at amortised cost

No impairment loss is recognised on equity investments.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions, and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should consider the time value of money.

4.2.13.2 Impairment charges on financial investments

Impairment charges on financial investments include ECL on debt instruments at FVOCI and financial assets at amortised cost

The Company does not have historical loss experience on debt instruments at amortised cost and debt instruments at FVOCI. Thus, the Company considers PDs published by the external sources. (i.e. Bloomberg and S & P).

LGD for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%. However, LGD for foreign currency denominated securities [Sri Lanka Development Bonds (SLDBSs) and International Sovereign Bonds (ISBs)] issued by the Government of Sri Lanka is considered as 20% and for all other instruments LGD is considered as 45% in accordance with the guideline issued by the Central Bank of Sri Lanka.

EAD of a debt instrument is its gross carrying amount.

4.2.13.3 Forward-looking information

The Company incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Quantitative economic factors are based on economic data and forecasts published by CBSL and other reliable sources.

Quantitative drivers of credit risk	GDP growth
	Exchange rate
	PDs published by the external sources
Qualitative drivers of credit risk	Regulatory impact
	Government policies

4.2.13.4 The calculation of ECLs

The Company measures loss allowance at an amount equal to LTECL, except for following, which are measured as 12 months ECL

- Debt instruments on which credit risk has not increased significantly since the initial recognition
- Debt instruments that are determined to have low credit risk at the reporting date

The Company considers a debt instrument to have a low credit risk when they have an “investment grade” credit risk rating.

4.2.13.5 Financial assets that are not credit impaired at the reporting date

The Company calculates 12-months ECL allowance based on the expectation of a default occurring in the 12-months following the reporting date. These expected 12-month default probabilities are applied to exposure at default (EAD) and multiplied by the economic factor adjustment, expected LGD and discounted by an approximation to the original EIR. When financial assets shown a significant increase in credit risk since origination, the Company records an allowance for LTECLs based on PDs estimated over the lifetime of the instrument.

4.2.13.6 Financial assets that are credit-impaired at the reporting date

Impairment allowance on credit-impaired financial assets assessed on individual basis is computed as the difference between the asset’s gross carrying amount and the present value of estimated future cash flows. The expected future cash flows are based on the estimates made by the Company as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. The Company regularly reviews the assumptions for projecting future cash flows. Further, financial assets identified as credit impaired are provided in Note 6.5.2.1.g on Page 293 were assessed for impairment with 100% PD.

4.2.13.7 Write-off of financial assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

4.2.13.8 Impairment of reinsurance receivables

Reinsurance assets are reviewed for impairment based on the expected loss model at each reporting date. When computing the probabilities of default, the company consider the external credit rating of the reinsureds and use PD’s published by external source (i.e S&P) LGD is assumed to be at 45% in accordance with CBSL guidelines. The impairment loss is recorded in income statement.

4.2.13.9 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.

4.3 Financial liabilities – Initial recognition, classification and subsequent measurement

4.3.1 Initial recognition and measurement

Financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs except in the case of financial liabilities at fair value through profit or loss as per SLFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

4.3.2 Classification

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.

4.3.3 Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in income statement.

The Company does not have financial liabilities classified at fair value through profit or loss as at the reporting date.

4.3.4 Subsequent measurement - Financial liabilities measured at amortised cost

All other financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Gain or loss on derecognition, interest expense and foreign exchange gains and losses are recognised in Income Statement.

4.3.5 Reclassification of financial liabilities

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

4.3.6 Derecognition of financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

4.3.7 Modification of 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 income statement.

4.3.8 The following table presents financial liabilities by categories in accordance with SLFRS 9.

As at 31 December	Note	2021	
		Amortised cost	
		Carrying value Rs. '000	Fair value Rs. '000
Loans and borrowings	41.1	3,064,994	3,064,994
Reinsurance payable	42	1,040,255	1,040,255
Bank overdraft	34.1	290,550	290,550
Other liabilities	43	1,676,763	1,676,763
Total financial liabilities		6,072,562	6,072,562

As at 31 December	Note	2020	
		Amortised cost	
		Carrying value Rs. '000	Fair value Rs. '000
Loans and borrowings	41.1	2,852,245	2,852,245
Reinsurance payable	42	636,060	636,060
Bank overdraft	34.1	225,390	225,390
Other liabilities	43	1,497,282	1,497,282
Total financial liabilities		5,210,977	5,210,977

4.4 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 group 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 recognised 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 other 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 amortisation, if no impairment loss had been recognised.

4.5 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 34.1 on page 344.

The Statement of Cash Flows is given on page 265.

5. NEW ACCOUNTING STANDARDS NOT EFFECTIVE AT THE REPORTING DATE

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

5.1 SLFRS 17 Insurance Contracts

SLFRS 17 is effective for annual periods beginning on or after 01st January 2023. 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.

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 change 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 data and implementing actuarial and finance system changes.

Please refer pages 374 to 375 for detailed analysis of SLFRS 17.

5.2 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS

5.3 The following new and amended standards are not expected to have a significant impact on the company's financial statements.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37).

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The Company does not anticipate this amended to have a significant impact.

Annual Improvements to SLFRS Standards 2018–2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022

As part of its process to make non-urgent but necessary amendments to accounting Standards, the IASB International Accounting Standards Board (the Board) has issued the Annual Improvements to SLFRS Standards 2018–2020. Key Aspects covered is as follows.

SLFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of SLFRS 1 for a subsidiary that becomes a first-time adopter of SLFRS Standards later than its parent. The Company does not anticipate this amended to have a significant impact.

SLFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Company does not anticipate this amended to have a significant impact.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16). The amendment applies to annual reporting periods beginning on or after 1 January 2022

This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The Company does not anticipate this amended to have a significant impact.

Reference to Conceptual Framework (Amendments to SLFRS 3). The amendment applies to annual reporting period beginning on or after 1 January 2022

Key amendments are as follow:

- add to SLFRS 3 a requirement that, for transactions and other events within the scope of LKAS 37 or IFRIC 21, an acquirer applies

LKAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. The Company does not anticipate this amended to have a significant impact.

- add to SLFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The Company does not anticipate this amended to have a significant impact.

Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 1 January 2023

The amendments in Classification of Liabilities as Current or Non-current (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those item

The Key amendments are as follows:

- the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Company does not anticipate this amended to have a significant impact.

Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies (Amendments to LKAS 1).

The amendment applies to annual reporting period beginning on or after 1 January 2023.

The key amendments include,

- requiring companies to disclose their material accounting policies rather than their significant accounting policies.
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. The Company does not anticipate this amended to have a significant impact.

6 RISK AND CAPITAL MANAGEMENT

Overview

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 are 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.

Disclosure requirement under SLFRS 4 - Insurance contracts and SLFRS 7 - Financial instruments

As required by SLFRS 4 and SLFRS 7, this note presents qualitative and quantitative information about the Company's exposure to each of the Insurance risks, Financial risks, Operational risk and the Company's objectives, policies and processes for measuring and managing such risks.

Risk management objectives, policies and process

Refer integrated risk management report on page 231 to 250 of this report to obtain a complete overview of the risk landscape that Softlogic Life Insurance PLC is exposed to and its objectives, policies, process and methodologies adopted for managing those risks.

Table - 1 Contents of risk management disclosures

	Note	Page
Risk management framework	6.1	281
Risk landscape of Softlogic Life Insurance PLC	6.2	282
Life insurance business risk	6.3	282
Underwriting risk	6.3.1	283
Product design risk	6.3.2	283
Reinsurance risk	6.3.3	285
Claim risk	6.3.4	285
Determination of the life insurance contract liabilities	6.4	285
Financial risk management	6.5	286
Investments concentration risk	6.5.1	286
Credit risk	6.5.2	287
Liquidity risk	6.5.3	294
Market risk	6.5.4	296
Operational risks	6.6	299
Risk associated with change in new accounting standard (SLFRS 17) and risk mitigation actions	6.6.1	300
Impact of COVID-19 Pandemic to the Financial Statements	6.7	301
Capital management	6.8	301

6.1 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.

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 amendments thereto to ensure that the Company is satisfactorily managing its 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.

Compliance with regulatory framework

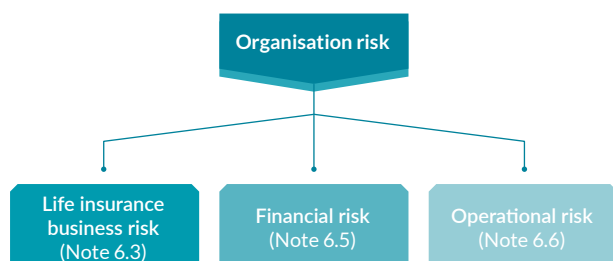
Refer Note 6.8 on page 301 for the compliance status of the Company under RBC Rules..

NOTES TO THE FINANCIAL STATEMENTS

6.2 Risk landscape of Softlogic Life Insurance PLC

Overview of the risk faced by the Company

The risk landscape of the Company provided in following:



6.3 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.

6.3.a Risk response

Life insurance business risk exposure is mitigated by;

- Careful selection and implementation of underwriting strategy guidelines
- External reinsurance
- Robust reserving processes
- Diversification of insurance contracts across the geographical areas

Refer page 282 to 286 for more details on risk management procedures adopted by the Company to manage insurance risk.

6.3.b 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 insurance contract 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 explained in below table.

Refer Note 6.3.1.a on page 283 for concentration of underwriting risk.

Table - 2 Mix of the insurance contract liabilities

As at 31 December	2021		2020	
	Insurance contract liabilities Rs. '000	%	Insurance contract liabilities Rs. '000	%
Maximum exposure,	21,492,757		17,483,705	
Participating fund	8,716,889	41	7,675,648	44
Non-participating fund	11,377,710	52	8,677,360	50
Universal life fund	1,398,158	7	1,130,697	6
Total	21,492,757	100	17,483,705	100

6.3.c Risk response to life insurance concentration risk

The Company has adopted following strategies to manage concentration of life insurance risk.

- Product development (Refer page 38 for more details)
- Market segmentation (Refer page 110 for more details)
- Ensure compliance (solvency margin RBC) requirements imposed by the regulator (IRCSL) (Refer Table-33 on page 302 for more details)
- Continuously monitor maturity analysis of assets and liabilities in order to meet future cash flows requirements.

Refer Notes 6.5.1 on page 286 for Investment concentration risk analysis.

6.3.d 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 variables held constant, showing the impact on liabilities and profit before tax. The method used for deriving sensitivity information and significant assumptions made has not change from the previous period.

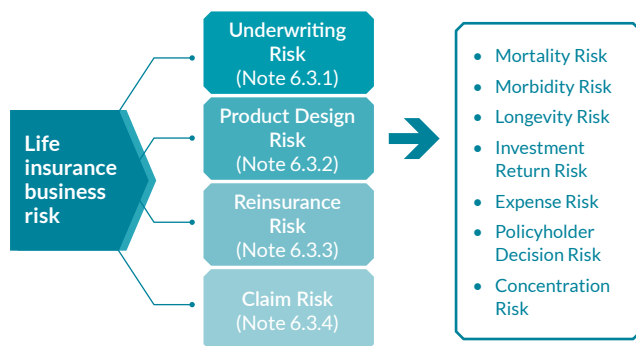
Table - 3

As at 31 December	2021	
	Change in assumptions	Impact on liabilities Rs. '000
Mortality	+10%	652,236
	-10%	(525,444)
Morbidity	+10%	226,003
	-10%	(110,609)
Other liabilities	+50 basis points	(1,293,831)
	-50 basis points	1,430,409
Expenses	+10%	631,905
	-10%	(620,671)

Table - 3 Sensitivity to the assumption change of the life insurance contract liabilities. (Contd.)

As at 31 December	2020	
	Change in assumptions	Impact on liabilities Rs. '000
Mortality	+10%	442,563
	-10%	(393,968)
Morbidity	+10%	149,640
	-10%	(102,981)
Other liabilities	+50 basis points	(1,061,181)
	-50 basis points	1,131,889
Expenses	+10%	490,577
	-10%	(518,498)

The main risks exposed in life insurance business are summarised in the following diagram.



6.3.1 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.

6.3.1.a Concentrations of underwriting risk

The following table sets out the gross written premium of the Company by province of issue.

Table - 4 GWP by province

For the Year ended 31 December Province	2021	2020
	Rs. '000	Rs. '000
Western province	13,991,185	11,063,056
Southern province	1,719,797	1,362,015
North western province	1,269,853	1,011,952
Central province	973,263	729,832
Sabaragamuwa province	810,445	661,479
Uva province	339,171	269,853
Northern province	384,535	219,918
North central province	350,637	214,296
Eastern province	214,416	127,715
Total	20,053,302	15,660,116

6.3.1.b 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
- Comply with the money laundering policies

6.3.1.c 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 (CTO). 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.

6.3.2 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.

NOTES TO THE FINANCIAL STATEMENTS

The fundamental assumptions used in product development are explained below.

Table - 5 Assumptions used in product development

Risk	Description	Assumptions used / risk response
Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected.	Use of standard table A 67/70 mortality rates with adjustments to reflect the Company's mortality experience.
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.	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.
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 31 December 2021 based on the expenses incurred during 2021.
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. Introduction of convenient premium payment methods and option to active lapsed policies less medical requirements.
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. Developing a proper product mix in line with the Company strategy.
Lapse 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

6.3.2.a 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.

Table - 6 Overall risk mitigation approach in traditional life insurance

Product	Key Risk	Risk Mitigation
Traditional participating	<ul style="list-style-type: none"> Market risk: Investment return on underlying items falling below guaranteed minimum rates 	<ul style="list-style-type: none"> Management discretion to determine amount and timing of policyholder bonuses (within limits)
Non participating	<ul style="list-style-type: none"> Market risk: Insufficient fees to cover cost of guarantees and expenses 	<ul style="list-style-type: none"> Derivative hedging programme Surrender penalties
Universal life	<ul style="list-style-type: none"> Policyholder behaviour risk Interest rate risk: Differences in duration and yield of assets and liabilities Investment credit risk 	<ul style="list-style-type: none"> Matching of asset and liability cash flows Investing in investment grade assets

Concentration of the participating, non Participating and universal life funds position is given in Note 6.3.b (Table-2) on page 282.

6.3.3 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.

6.3.3.a 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.

The Company's premium ceded to reinsures is approximately 9% - 12% of gross written premium.

Table - 7 Reinsurance exposure

For the year ended 31 December	2021		2020	
	Rs. '000	%	Rs. '000	%
Gross written premiums	20,053,302		15,660,116	
Reinsurance	(1,857,795)	9	(1,872,616)	12
Net written premiums	18,195,507		13,787,500	

The Company has recovered approximately 8% - 16% of gross claims paid from reinsurers during the period under review.

Table - 8 Reinsurance recoveries

For the year ended 31 December	2021		2020	
	Rs. '000	%	Rs. '000	%
Gross claims paid	6,519,061		4,202,426	
Claims recovered from reinsurers	(553,897)	8	(656,619)	16
Net claims paid	5,965,164		3,545,807	

Refer Note 6.5.2.3 on page 293 for analysis of credit risk relating to reinsurance receivables.

6.3.3.b 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.

Refer page 294 for rating analysis of reinsurance receivables.

6.3.4 Claim risk

The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

6.3.4.a Risk response to claims risk

- Obtaining adequate reinsurance cover.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- CTO closely monitors claim reserves.

6.4 Determination of the Life Insurance Contract Liabilities

Gross premium valuation methodology, has been used for calculating the insurance contract liabilities as at 31 December 2021. 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.

Judgments and assumptions are required in determining the insurance contract liabilities. Assumptions are evaluated on a continuous basis to ensure realistic and reasonable valuation of insurance contract liabilities.

6.4.a Risk response

The valuation model is reviewed by Messrs. Towers Watson India Private Limited and 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.

6.4.b Key assumptions and sensitivity analysis

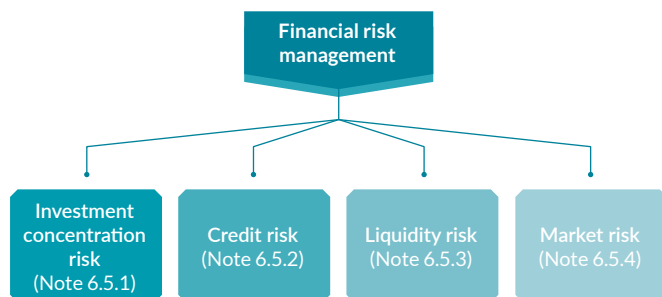
Refer Note 39.9 and 6.3.d on page 350 and 282 for key assumptions used in determining the insurance contract liabilities and sensitivity analysis.

NOTES TO THE FINANCIAL STATEMENTS

6.5 Financial risk management

Overview

The Financial Risk refers to multiple types of risk associated with financing. The Company is exposed to following financial risks.



6.5.1 Investment concentration risk

Investment concentration risk is arising due to concentration of a single counterparty, sector, one geographic area or one type of security. It also may be defined as less diversification of investment portfolio.

6.5.1.a Risk response

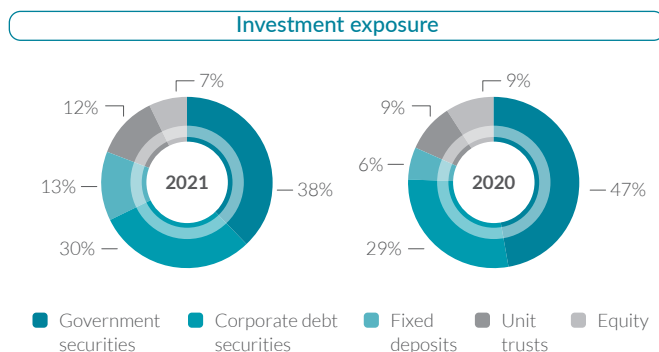
- Clearly defined single party limits are continuously monitored and periodically reviewed.
- Assets allocation limits are regularly reviewed by the Risk Officer.
- The Company ensures that an acceptable level of risk diversification is maintained on an ongoing basis.

Maximum exposure to investment concentration risk and diversification of investment portfolio is summarised in below table.

Table - 9 Investment exposure

As at 31 December	2021		2020	
	Rs. '000	%	Rs. '000	%
Maximum exposure to investment concentration risk	34,217,429		27,367,792	
Government securities				
Treasury bond	3,679,832		4,179,822	
Treasury bill	-		956,035	
Sri Lanka development bonds	3,418,242		2,796,206	
International sovereign bonds	3,175,861		2,723,500	
Reverse repo	2,890,755		2,255,937	
	13,164,690	38	12,911,500	47

As at 31 December	2021		2020	
	Rs. '000	%	Rs. '000	%
Corporate debt securities				
Banks	5,275,392		3,904,297	
Capital goods	381,465		381,088	
Diversified financials	3,985,907		3,128,231	
Food baverage and tobacco	34,771		-	
Insurance	100,476		100,280	
Telecommunication	409,141		409,143	
Trading	25,097		25,047	
	10,212,249	30	7,948,086	29
Fixed deposits				
Licensed commercial banks	2,213,248		1,020,069	
Licensed Specialised Banks	1,096,982		634,768	
Licensed finance companies	1,050,202		-	
	4,360,432	13	1,654,837	6
Unit trusts				
Debt securities	3,856,820		2,337,384	
Equity securities	82,967		51,948	
	3,939,787	12	2,389,332	9
Investment in equity				
Banks	1,503,621		1,425,655	
Capital goods	190,872		152,048	
Consumer durables and apparels	13,588		60,884	
Diversified financials	237,001		196,536	
Energy	-		13,552	
Food baverage and tobacco	29,773		99,350	
Healthcare equipments and services	486,099		516,012	
Materials	15,900		-	
Transportation	63,417		-	
	2,540,271	7	2,464,037	9
Total exposure	34,217,429	100	27,367,792	100



6.5.2 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet their contractual obligations.

The Company is exposed to credit risk from its operating activities and from its investment activities, including debt securities with banks and financial institutions, foreign exchange transactions and other financial instruments.

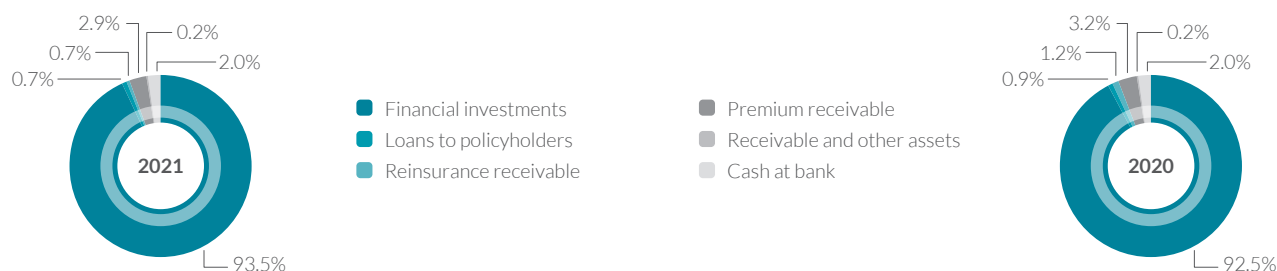
6.5.2.a Maximum exposure to credit risk

The Company is exposed to credit risk derived through the following categories of financial assets.W

Table - 10 Credit risk exposure

As at 31 December	Note	2021		2020	
		Rs. '000	%	Rs. '000	%
Financial investments	6.5.2.1	31,594,191	93.5	24,851,807	92.5
Loans to life policyholders	6.5.2.2	224,198	0.7	234,462	0.9
Reinsurance receivables	6.5.2.3	231,587	0.7	323,288	1.2
Premium receivables	6.5.2.4	983,657	2.9	856,281	3.2
Receivables and other assets	6.5.2.5	65,607	0.2	66,792	0.2
Cash at bank	6.5.2.6	690,675	2.0	548,441	2.0
Maximum exposure to credit risk		33,789,915	100	26,881,071	100

Total Exposure to Credit Risk



6.5.2.b Management of credit 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.
- 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.
- Continually reviewing and assessing credit risk.

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.c Concentration of credit risk

The Company monitors concentrations of credit risk by industry / sector wise. The Company ensures that an acceptable level of risk diversification is maintained on an ongoing basis and the limits are reviewed by the Risk Officer.

The following tables demonstrate the sector wise maximum exposure to credit risk in respect of each item of financial assets in the Statement of Financial Position as at 31 December 2021 and 31 December 2020.

Table - 11 Diversification

As at 31 December	2021					2020				
	Total assets exposure to credit risk Rs. '000	Diversified areas				Total assets exposure to credit risk Rs. '000	Diversified areas			
		Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000		Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000
Amortised cost										
Debentures	7,757,716	-	6,806,766	950,950	-	5,442,447	-	4,627,171	815,276	-
Treasury bonds	2,308,100	2,308,100	-	-	-	2,350,518	2,350,518	-	-	-
Sri Lanka development bonds	3,418,242	3,418,242	-	-	-	2,796,206	2,796,206	-	-	-
International sovereign bonds	3,175,861	3,175,861	-	-	-	2,723,500	2,723,500	-	-	-
Commercial papers	975,266	-	975,266	-	-	1,990,258	-	1,990,258	-	-
Securitised Papers	713,964	-	713,964	-	-	-	-	-	-	-
Fixed deposits	4,360,432	-	4,360,432	-	-	1,654,837	-	1,654,837	-	-
Reverse repo	2,890,755	2,890,755	-	-	-	2,255,937	2,255,937	-	-	-
Loans to life policyholders	224,198	-	-	-	224,198	234,462	-	-	-	234,462
Reinsurance receivables	231,587	-	-	-	231,587	323,288	-	-	-	323,288
Premium receivables	983,657	-	-	-	983,657	856,281	-	-	-	856,281
Receivable and other assets	65,607	-	-	-	-	66,792	-	-	-	66,792
Cash at bank	690,675	-	690,675	-	-	548,441	-	548,441	-	-
	27,796,060	11,792,958	13,547,103	950,950	1,439,442	21,242,967	10,126,161	8,820,707	815,276	1,480,823
Fair value through OCI										
Treasury bonds	1,189,245	1,189,245	-	-	-	1,586,018	1,586,018	-	-	-
	1,189,245	1,189,245	-	-	-	1,586,018	1,586,018	-	-	-
Fair value through P&L										
Treasury bonds	182,487	182,487	-	-	-	243,286	243,286	-	-	-
Treasury bills	-	-	-	-	-	956,035	956,035	-	-	-
Unlisted perpetual debenture	765,303	-	765,303	-	-	515,381	-	515,381	-	-
Unit Trusts	3,856,820	-	3,856,820	-	-	2,337,384	-	2,337,384	-	-
	4,804,610	182,487	4,622,123	-	-	4,052,086	1,199,321	2,852,765	-	-
Total financial assets exposure to credit risk	33,789,915	13,164,690	18,169,226	950,950	1,439,442	26,881,071	12,911,500	11,673,472	815,276	1,480,823

6.5.2.1 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 the indication of the financial stability of the investment.

Table - 12 Credit quality analysis of financial investments

As at 31 December	2021				2020			
	Amortised costs Rs. '000	FVOCI Rs. '000	FVTPL Rs. '000	Total Rs. '000	Amortised costs Rs. '000	FVOCI Rs. '000	FVTPL Rs. '000	Total Rs. '000
Maximum exposure to credit risk,	25,600,336	1,189,245	4,804,610	31,594,191	19,213,703	1,586,018	4,052,086	24,851,807
Government securities	11,792,958	1,189,245	182,487	13,164,690	10,126,161	1,586,018	1,199,321	12,911,500
Debt instruments having credit ratings								
AAA	1,096,980	-	-	1,096,980	409,737	-	-	409,737
AA+ to AA-	4,442,112	-	765,303	5,207,415	2,348,241	-	515,381	2,863,622
A+ to A-	7,732,214	-	-	7,732,214	5,651,589	-	-	5,651,589
BBB+ to BBB-	501,301	-	-	501,301	677,975	-	-	677,975
CC	34,771	-	-	34,771	-	-	-	-
Unit trust								
A+ to A-	-	-	3,856,820	3,856,820	-	-	2,337,384	2,337,384
Total	25,600,336	1,189,245	4,804,610	31,594,191	19,213,703	1,586,018	4,052,086	24,851,807

As at 31 December 2021 debt instruments comprise 43% (2020-35%) of the total investments, out of which 96% (2020 - 93%) were rated "A" or better.

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.

6.5.2.1.a Collateral held 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. 3,219 million worth of treasury bills and treasury bonds as collateral to support reverse repo investments amounting to Rs. 2,891 million.

The Company has not sold securities received as collaterals for the period ended 31 December 2021 - (2020 - Nil).

6.5.2.1.b Risk response to credit risk on financial investments

- The Company's investment policy prohibits non-graded investments, unless specifically authorised.
- Regularly review credit worthiness of counterparties and take necessary actions if required.
- Clearly defined single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.
- Appropriate actions are implemented when the investments are expected to be high credit risk.

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.1.c Maximum exposure to credit risk by risk rating (as per SLFRS 9)

The following table sets out information about the credit quality of financial investments measured at amortised cost, measured at FVOCI and measured at FVTPL.

Table - 13 Credit risk by risk rating

As at 31 December 2021		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	ECL			Total	Total net carrying amount
				12 months ECL	Life time ECL - Not credit impaired	Life time ECL - credit impaired		
		Rs. '000	Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost								
Risk free investments								
Treasury bonds		2,308,100	-	-	-	-	-	2,308,100
Sri Lanka development bonds		-	3,459,087	(40,845)	-	-	(40,845)	3,418,242
International sovereign bonds		-	3,213,789	(37,928)	-	-	(37,928)	3,175,861
Reverse repo		2,890,755	-	-	-	-	-	2,890,755
		5,198,855	6,672,876	(78,773)	-	-	(78,773)	11,792,958
Debentures								
AAA to AA-	Low Risk	-	2,425,020	(7)	-	-	(7)	2,425,013
A+ to A-	Low Risk	-	5,197,488	(32)	-	-	(32)	5,197,456
BBB+ to BBB-	Moderate Risk	-	100,477	(2)	-	-	(2)	100,475
CCC+ to C	High Risk	-	38,008	-	(3,236)	-	(3,236)	34,772
		-	7,760,993	(41)	(3,236)	-	(3,277)	7,757,716
Commercial paper								
A+ to A-	Low Risk	-	574,438	-	-	-	-	574,438
BBB+ to BBB-	Moderate Risk	-	400,830	(2)	-	-	(2)	400,828
		-	975,268	(2)	-	-	(2)	975,266
Securitised paper								
A+ to A-	Low Risk	-	713,968	(4)	-	-	(4)	713,964
		-	713,968	(4)	-	-	(4)	713,964
Deposits								
AAA to AA-	Low Risk	-	3,114,082	-	-	-	-	3,114,082
A+ to A-	Low Risk	-	1,246,354	(4)	-	-	(4)	1,246,350
		-	4,360,436	(4)	-	-	(4)	4,360,432
		5,198,855	20,483,541	(78,824)	(3,236)	-	(82,060)	25,600,336
Fair value through other comprehensive income								
Risk free investments								
Government securities		1,189,245	-	-	-	-	-	1,189,245
		1,189,245	-	-	-	-	-	1,189,245
Fair value through profit or loss								
Risk free investments								
Government securities		182,487	-	-	-	-	-	182,487
Unlisted perpetual debenture		765,303	-	-	-	-	-	765,303
Unit trusts		3,856,820	-	-	-	-	-	3,856,820
		4,804,610	-	-	-	-	-	4,804,610
Maximum exposure to credit risk		11,192,710	20,483,541	(78,824)	(3,236)	-	(82,060)	31,594,191

Table - 13 Credit risk by risk rating (Contd.)

As at 31 December 2020		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	ECL			Total	Total net carrying amount
				12 months ECL	Life time ECL - Not credit impaired	Life time ECL - credit impaired		
		Rs. '000	Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost								
Risk free investments								
Treasury bonds		2,350,518	-	-	-	-	-	2,350,518
Sri Lanka development bonds		-	2,830,579	(34,373)	-	-	(34,373)	2,796,206
International sovereign bonds		-	2,756,960	(33,460)	-	-	(33,460)	2,723,500
Reverse repo		2,255,937	-	-	-	-	-	2,255,937
		4,606,455	5,587,539	(67,833)	-	-	(67,833)	10,126,161
Debentures								
AAA to AA-	Low Risk	-	1,659,052	(410)	-	-	(410)	1,658,642
A+ to A-	Low Risk	-	3,611,690	(3,593)	-	-	(3,593)	3,608,097
BBB+ to BBB-	Moderate Risk	-	175,997	(289)	-	-	(289)	175,708
CCC+ to C	High Risk	-	46,375	-	-	(46,375)	(46,375)	-
		-	5,493,114	(4,292)	-	(46,375)	(50,667)	5,442,447
Commercial paper								
A+ to A-	Low Risk	-	1,488,723	(732)	-	-	(732)	1,487,991
BBB+ to BBB-	Moderate Risk	-	502,267	-	-	-	-	502,267
		-	1,990,990	(732)	-	-	(732)	1,990,258
Deposits								
AAA to AA-	Low Risk	-	1,099,337	-	-	-	-	1,099,337
A+ to A-	Low Risk	-	555,868	(368)	-	-	(368)	555,500
		-	1,655,205	(368)	-	-	(368)	1,654,837
		4,606,455	14,726,848	(73,225)	-	(46,375)	(119,600)	19,213,703
Fair value through other comprehensive income								
Risk free investments								
Government securities		1,586,018	-	-	-	-	-	1,586,018
		1,586,018	-	-	-	-	-	1,586,018
Fair value through profit or loss								
Risk free investments								
Government securities		1,199,321	-	-	-	-	-	1,199,321
Unlisted perpetual debentures		515,381	-	-	-	-	-	515,381
Unit trusts		2,337,384	-	-	-	-	-	2,337,384
		4,052,086	-	-	-	-	-	4,052,086
Maximum exposure to credit risk		10,244,559	14,726,848	(73,225)	-	(46,375)	(119,600)	24,851,807

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.1.d Reconciliations from the opening balance to the closing balance of the gross carrying amounts by class of financial instruments.

The company is not exposed to credit risk on financial investment classified at FVOCI since this class consists of risk-free government securities and investment in equity securities. Therefore, following note presents the reconciliation of financial investment at amortised cost.

Table - 14 Movement of financial investments (AC)

As at 31 December	2021				2020			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial investments at amortised cost								
Balance at 1 January	19,213,703	-	-	19,213,703	6,490,295	79,295	-	6,569,590
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	(79,295)	79,295	-
Net remeasurement of loss allowance	(5,599)	(3,236)	46,375	37,540	(71,533)	-	(32,920)	(104,453)
New assets originated or purchased	22,419,943	46,375	-	22,466,318	26,649,939	-	-	26,649,939
Financial assets derecognised	(17,311,118)	(9,275)	(46,375)	(17,366,768)	(14,252,059)	-	(46,375)	(14,298,434)
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates	442,579	-	-	442,579	24,756	-	-	24,756
Amortisation Adjustment	806,056	908	-	806,964	372,305	-	-	372,305
Balance as at 31 December	25,565,564	34,772	-	25,600,336	19,213,703	-	-	19,213,703

6.5.2.1.e Reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instruments.

The company has not exposed to credit risk on financial investment classified at FVOCI since this class consists of risk-free government securities and investment in equity securities. Therefore, no impairment provision has been recognised in the Financial Statements in respect of financial investments at FVOCI.

Table - 15 ECL movement

As at 31 December	2021				2020			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial investments at amortised cost								
Balance at 1 January	73,225	-	46,375	119,600	1,743	13,404	-	15,147
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	(13,404)	13,404	-
Net remeasurement of loss allowance	1,393	-	-	1,393	1,860	-	32,971	34,831
New assets originated or purchased	16,721	3,236	-	19,957	69,981	-	-	69,981
Financial assets derecognised	(12,515)	-	(46,375)	(58,890)	(359)	-	-	(359)
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates	-	-	-	-	-	-	-	-
Balance as at 31 December	78,824	3,236	-	82,060	73,225	-	46,375	119,600

Overview of the ECL principles and key inputs were disclosed in Note 4.2.13 on page 276.

No loan commitments or financial guarantee contract as at the reporting date (2020 - Nil).

6.5.2.1.f Sensitivity of ECL to future economic conditions

The Company has estimated the impairment provision on financial investments as at 31 December 2021, subject to various assumptions. The following table demonstrates the sensitivity of the impairment provision of the Company as at 31 December 2021 and 2020 to a feasible change in following variables assuming all other variables remain constant.

Table - 16 Sensitivity of ECL

As at 31 December	2021		2020	
	Effect on SoFP Rs. '000	Effect on PBT Rs. '000	Effect on SoFP Rs. '000	Effect on PBT Rs. '000
Change in PD				
+10%	(8,313)	(8,313)	(20,276)	(20,276)
-10%	8,299	8,299	12,176	12,176
Change in macro economic variable				
10% increase	41,518	41,518	6,755	6,755
10% decrease	(41,308)	(41,308)	(6,928)	(6,928)

6.5.2.1.g Credit-impaired financial assets

Following table presents the reconciliation of changes in the net carrying amount of lifetime ECL credit impaired (Stage 3) financial investment.

Table - 17 Credit-impaired financial assets.

As at 31 December	2021 Rs. '000	2020 Rs. '000
As at 1 January	46,375	-
Debenture impairment	-	46,375
Reversal of impairment	(46,375)	-
Balance as at 31 December	-	46,375

6.5.2.2 Credit risk relating to loans to life policyholders

Credit risk arise due to non settlement of loans obtained by policyholders.

The credit risk exposure arising from loans granted to life policyholders are as follows.

Table - 18 Credit risk exposure

As at 31 December	2021 Rs. '000	2020 Rs. '000
Maximum exposure to credit risk	224,198	234,462
Total	224,198	234,462
Impaired	Nil	Nil

6.5.2.2.a Risk response to credit risk on loans to life policyholders

- Loan granted amount is limited to surrender value of the insurance policy. As at the reporting date, the value of policy loans granted amounted to Rs. 224 million (2020 - Rs. 234 million) and its related surrender value is Rs. 341 million (2020 - 347 million).
- 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.

6.5.2.3 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.

Table - 19 Age analysis of reinsurance receivable

As at 31 December	2021			
	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Up to 180 days	105,945	40,559	146,504	63
Over 180 days	65,874	19,209	85,083	37
Maximum exposure to credit risk	171,819	59,768	231,587	
Past due but not impaired	Nil		Nil	

As at 31 December	2020			
	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Up to 180 days	194,846	62,788	257,634	80
Over 180 days	65,654	-	65,654	20
Maximum exposure to credit risk	260,500	62,788	323,288	
Past due but not impaired	Nil		Nil	

6.5.2.3.a Risk response to credit risk on reinsurance receivables

- Management assesses the credit worthiness 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.

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Table - 20 Rating analysis of credit risk on reinsurance receivables

As at 31 December	Rating agency	2021					2020			
		Rating	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Munich Re	Fitch	AA	129,461	51,787	181,248	78	145,261	47,576	192,837	60
RGA Reinsurance Company	S&P	AA-	-	-	-	-	9,350	1,291	10,641	3
SCOR Re	Fitch	AA-	5,573	6,570	12,143	5	37,434	10,357	47,791	15
TOA Re	S&P	A+	-	1,368	1,368	1	18,562	1,775	20,337	6
Assicurazioni Generali S.P.A.	Fitch	A-	21,365	43	21,408	9	49,893	1,789	51,682	16
AXA PPP Healthcare Limited	Fitch	AA-	15,420	-	15,420	7	-	-	-	-
Total			171,819	59,768	231,587	100	260,500	62,788	323,288	100

6.5.2.4 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. However, the Company is exposed to credit risk on premium receivables from intermediary institutions. Please refer Note 32 in page 343 for more information.

6.5.2.4.a Risk response to credit risk relating to premium receivables

- Regular follow ups for outstanding receivables balance.
- Entering into agreements with intermediary institutions committing them to settle dues within a specified time period.

6.5.2.5 Credit risk relating to receivables and other assets

Financial losses could arise due to non settlement of amounts due from counter parties.

6.5.2.5.a Risk response to credit risk relating to receivables and other assets

- Regularly review credit worthiness of counterparties and take necessary actions if required.

6.5.2.6 Credit risk relating to cash at bank

6.5.2.6.a Risk response to credit risk relating to cash at bank

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.

Following table presents rating strength of the financial institutions of which the Company held cash and cash equivalents.

Table - 21 Rating strength

As at 31 December	2021		2020	
	Amount Rs. '000	%	Amount Rs. '000	%
AAA to AA-	548,841	80	383,603	70
A+ to A-	51,168	7	160,265	29
BBB+ to BBB-	90,666	13	4,573	1
Maximum exposure to credit risk	690,675	100	548,441	100

6.5.3 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.

The Company's objective when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

6.5.3.a Management of liquidity risk

- Regular review by the Company's asset and liability management committee.
- 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.
- Availability of stand by overdraft facility to be used in the event of an emergency.

Table - 22 Maturity analysis of financial assets and liabilities

As at 31 December	2021					2020				
	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
Maximum exposure to liquidity risk	-	2,922,842	1,826,826	16,213,710	20,963,378	-	2,244,646	1,186,243	14,095,029	17,525,918
Financial assets										
Amortised cost	-	8,838,018	5,150,619	11,611,699	25,600,336	-	7,241,189	3,320,813	8,651,701	19,213,703
Fair value through other comprehensive income	2,193,664	-	-	1,189,245	3,382,909	2,464,037	-	-	1,586,018	4,050,055
Fair value through profit or loss	4,286,394	-	-	947,790	5,234,184	2,389,332	956,035	-	758,667	4,104,034
Loans to life policyholders	-	-	-	224,198	224,198	-	-	-	234,462	234,462
Reinsurance receivables	-	231,587	-	-	231,587	-	323,288	-	-	323,288
Premium receivables	-	983,657	-	-	983,657	-	856,281	-	-	856,281
Other financial assets	-	65,607	-	-	65,607	-	66,792	-	-	66,792
Total financial assets	6,480,058	10,118,869	5,150,619	13,972,932	35,722,478	4,853,369	9,443,585	3,320,813	11,230,848	28,848,615
Financial Liabilities										
Insurance contract liabilities -										
Maturities	-	296,557	1,498,776	13,095,483	14,890,816	-	383,706	774,923	11,156,312	12,314,941
Reinsurance payable	-	1,040,255	-	-	1,040,255	-	636,060	-	-	636,060
Loans and borrowing	-	53,744	-	3,011,250	3,064,994	-	52,495	-	2,799,750	2,852,245
Lease liabilities	-	218,398	328,050	106,977	653,425	-	200,781	411,320	138,967	751,068
Other financial liabilities	-	1,023,338	-	-	1,023,338	-	746,214	-	-	746,214
Bank overdraft	-	290,550	-	-	290,550	-	225,390	-	-	225,390
Total financial liabilities	-	2,922,842	1,826,826	16,213,710	20,963,378	-	2,244,646	1,186,243	14,095,029	17,525,918
Excess assets/(liabilities)	6,480,058	7,196,027	3,323,793	(2,240,778)	14,759,100	4,853,369	7,198,939	2,134,570	(2,864,181)	11,322,697

6.5.3.b Financial assets available as collateral to support future funding

Financial assets available as collateral represents the assets owned by the shareholders of the Company and assets owned by the policyholders of the Company are restricted as collateral for future funding.

The table below summarises assets available as collateral to support future funding (Assets owned by the shareholders of the Company).

Table - 23 Assets available as collateral

As at 31 December	2021				2020			
	Available as collateral	Restricted as collateral	Pledged as collateral	Total	Available as collateral	Restricted as collateral	Pledged as collateral	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial investments at,								
Amortised cost	8,666,173	16,934,163	-	25,600,336	4,775,858	14,437,845	-	19,213,703
Fair value through other comprehensive income	1,364,549	2,018,360	-	3,382,909	1,201,697	2,848,358	-	4,050,055
Fair value through profit or loss	678,672	4,555,512	-	5,234,184	2,082,137	2,021,897	-	4,104,034
Loans to life policyholders	-	224,198	-	224,198	-	234,462	-	234,462
Reinsurance receivables	-	231,587	-	231,587	-	323,288	-	323,288
Premium receivables	-	983,657	-	983,657	-	856,281	-	856,281
Receivables and other assets	15,759	49,848	-	65,607	15,759	51,033	-	66,792
Cash and cash equivalents	1,784	688,891	-	690,675	118,389	430,052	-	548,441
Total	10,726,937	25,686,216	-	36,413,153	8,193,840	21,203,216	-	29,397,056

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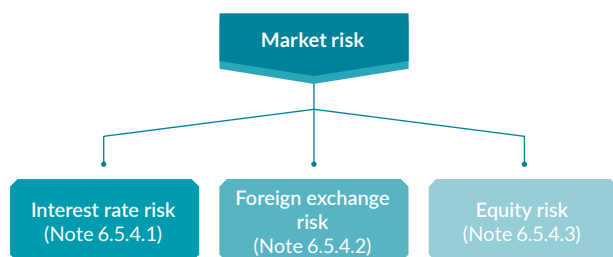
6.5.3.c Unutilised bank overdraft facilities

Unutilised bank overdraft facilities as at 31 December 2021 amounted to Rs. 134.6 million (2020 - Rs. 21.2 million).

6.5.4 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.

Table - 24 Exposure to market risk

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Financial assets exposure to,			
Interest rate risk	6.5.4.1	34,217,429	27,367,792
Foreign exchange risk	6.5.4.2	6,790,251	5,714,850
Equity risk	6.5.4.3	2,270,015	2,182,609
Financial liabilities exposure to,			
Interest rate risk	6.5.4.1	(3,355,544)	(3,077,635)
Foreign exchange risk	6.5.4.2	(3,724,314)	(3,227,738)

6.5.4.a 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 to the Company's asset and liability committee (ALCO).

The following policies and procedures are in place within the Company to mitigate the Company's exposure to market risk.

- The ALM framework seeks to match assets liability cash flows while achieving the optimum long-term investment return on its financial investments for an acceptable level of risk.

- Setting limits both for each type of risk in aggregate across the Company and for individual portfolios.
- Monitoring market risk on a day-to-day basis by Treasury Middle Officer.

6.5.4.b Sensitivity analysis

Assumptions and method

- All other variables are remain constant at the time of preparing sensitivity analysis.
- The sensitivity of the Statement of Financial Position item mainly relates to debt and equity instruments.
- The sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks.
- The analysis is based on the carrying value of the financial assets and financial liabilities as at the reporting date.

The Company has used same method and assumptions in preparing sensitivity analysis for both current and comparative period.

Sensitive analysis are provided in Note 6.5.4.1.b, 6.5.4.2.b and 6.5.4.3.b.

6.5.4.1 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.

6.5.4.1.a Risk response to 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.
- 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 Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions.

The following table summarises the exposure to the interest rate risk.

Table - 25 Exposure to interest rate risk

As at 31 December	2021				2020			
	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 at,								
Amortised cost	2,466,455	23,133,881	-	25,600,336	1,882,029	17,331,674	-	19,213,703
Fair value through other comprehensive income	-	1,189,245	2,193,664	3,382,909	-	1,586,018	2,464,037	4,050,055
Fair value through profit or loss	4,705,090	182,487	346,607	5,234,184	2,904,713	1,199,321	-	4,104,034
	7,171,545	24,505,613	2,540,271	34,217,429	4,786,742	20,117,013	2,464,037	27,367,792
Financial liabilities								
Loans and borrowing	(3,064,994)	-	-	(3,064,994)	(2,852,245)	-	-	(2,852,245)
Bank overdraft	(290,550)	-	-	(290,550)	(225,390)	-	-	(225,390)
	(3,355,544)	-	-	(3,355,544)	(3,077,635)	-	-	(3,077,635)
Maximum exposure to interest rate risk	3,816,001	24,505,613	2,540,271	30,861,885	1,709,107	20,117,013	2,464,037	24,290,157

6.5.4.1.b Sensitivity analysis

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 following financial assets. Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.

Table - 26 Sensitivity

As at 31 December	2021				2020			
	Fixed-rate		Variable-rate		Fixed-rate		Variable-rate	
	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000
Increase in 100 basis points Financial assets/liabilities at,								
Amortised cost	-	-	13,930	13,930	-	-	12,893	12,893
Fair value through other comprehensive income	-	(74,182)	-	-	-	(121,623)	-	-
Fair value through profit of loss	(11,152)	(11,152)	78,496	78,496	(26,004)	(26,004)	-	-
Financial liabilities at amortised cost	-	-	(22,296)	(22,296)	-	-	(28,110)	(28,110)
	(11,152)	(85,334)	70,130	70,130	(26,004)	(147,627)	(15,217)	(15,217)
Decrease in 100 basis points Financial assets/liabilities at,								
Amortised cost	-	-	(13,898)	(13,898)	-	-	(12,901)	(12,901)
Fair value through other comprehensive income	-	83,119	-	-	-	138,888	-	-
Fair value through profit of loss	12,298	12,298	(78,496)	(78,496)	28,208	28,208	-	-
Financial liabilities at amortised cost	-	-	22,296	22,296	-	-	28,110	28,110
	12,298	95,417	(70,098)	(70,098)	28,208	167,096	15,209	15,209

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6.5.4.2 Foreign exchange risk

The risk of an investment's value changing due to changes in currency exchange rates. Foreign exchange risk primarily arises when transaction with reinsurers and investment in foreign currency denominated securities.

6.5.4.2.a Mitigation strategies

- The Treasury officer analyses the market condition of foreign exchange and analyse the utilisation of cash flows.
- Regularly review timing of foreign currency cash in flows and outflows and takes decisions on whether to reinvest the foreign cash flows or utilise to make the foreign currency payments.
- Looking out forward contract possibilities.

Table - 27 Exposure to foreign exchange risk

As at 31 December	2021		2020	
	Amount in USD '000	LKR amount Rs. '000	Amount in USD '000	LKR amount Rs. '000
	USD Assets	33,824	6,790,251	30,618
USD Liabilities	(18,552)	(3,724,314)	(17,293)	(3,227,738)
Maximum exposure to foreign exchange risk	15,272	3,065,937	13,325	2,487,112

Closing average exchange rate as at 31 December 2021 is Rs.200.75 (2020 Rs.186.65).

6.5.4.2.b Sensitivity to foreign exchange risk

The following table shows the estimated impact on profitability an equity by fluctuation of exchange rates assuming that all other variables remain constant.

Table - 28 Sensitivity

As at 31 December	2021		2020	
	Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000
	5% - Increase in exchange rate USD			
Financial investments	339,513	339,513	285,742	285,742
Financial liabilities	(186,216)	(186,216)	(161,387)	(161,387)
	153,297	153,297	124,355	124,355
5% - Decrease in exchange rate USD				
Financial investments	(339,513)	(339,513)	(285,742)	(285,742)
Financial liabilities	186,216	186,216	161,387	161,387
	(153,297)	(153,297)	(124,355)	(124,355)

6.5.4.3 Equity risk

The Company's exposure to equity risk arises from its investments in equity securities and collective investment schemes that invest in equities. Equity risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices.

6.5.4.3.a 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 from investment committee.
- Reports on the equity portfolio are submitted to the Company's senior management on a regular basis.

Table - 29 Listed equity investments

As at 31 December	2021		2020	
	Amount Rs. '000	%	Amount Rs. '000	%
	Policyholder fund	1,294,652	57	1,424,838
Shareholder fund	975,363	43	757,771	35
Maximum exposure to equity risk (Table - 30)	2,270,015	100	2,182,609	100

Table - 30 Portfolio diversification of listed equity investments (Sector analysis)

As at 31 December	2021		2020	
	Amount Rs. '000	%	Amount Rs. '000	%
Banks	1,233,365	54	1,144,227	52
Capital goods	190,872	8	152,048	7
Consumer durables and apparels	13,588	1	60,884	3
Diversified financials	237,001	10	196,536	9
Food beverage and tobacco	29,773	1	99,350	5
Healthcare equipments and services	486,099	22	516,012	23
Materials	15,900	1	-	-
Transportation	63,417	3	-	-
Energy	-	-	13,552	1
Total	2,270,015	100	2,182,609	100

6.5.4.3.b Sensitivity analysis of equity risk

The following table shows the estimated impact on profitability an equity by fluctuation of stock market prices at the reporting date, assuming that all other variables remain constant.

Table - 31 Sensitivity

As at 31 December	Type of classification	2021		2020	
		Type of classification Rs. '000	Impact on equity Rs. '000	Net impact to PBT Rs. '000	Impact on equity Rs. '000
10% decline in stock prices	FVOCI	-	(192,341)	-	(218,261)
10% Increase in stock prices	FVOCI	-	192,341	-	218,261
10% decline in stock prices	FVTPL	(34,661)	(34,661)	-	-
10% Increase in stock prices	FVTPL	34,661	34,661	-	-

6.6 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 of operational risk to the Risk Committee, the committee is responsible for the development and implementation of controls to address operational risk.

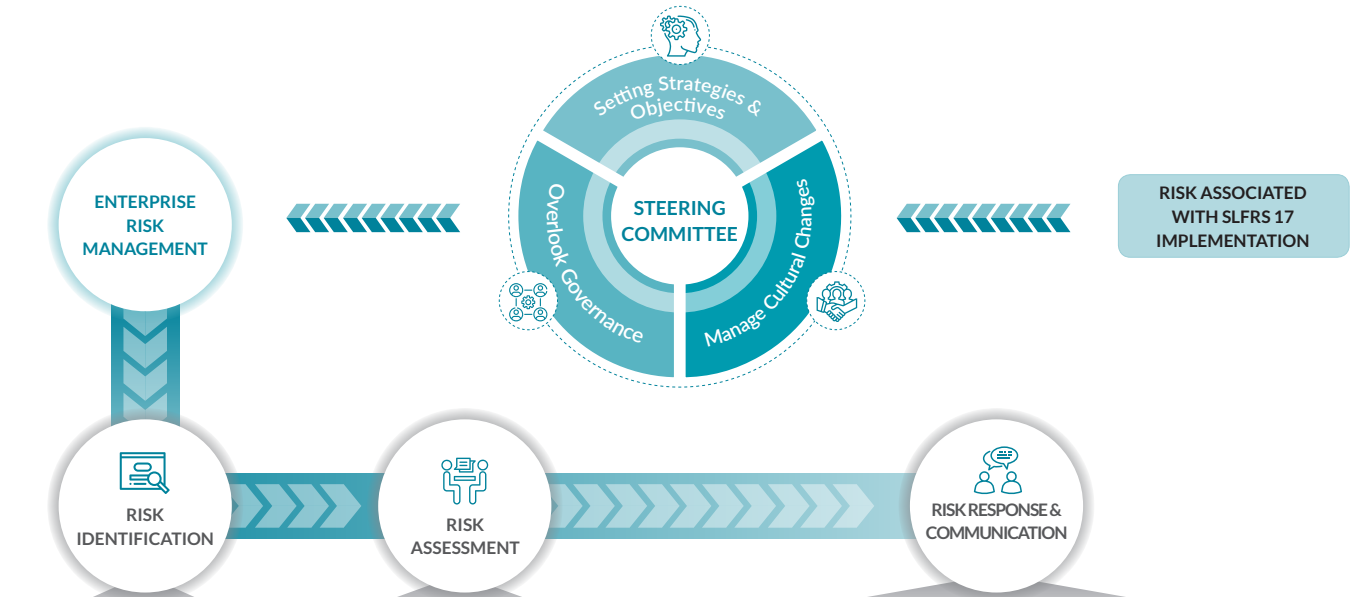
6.6.a Management of operational risk

- Segregation of duties, including the independent authorisation of transactions;
- Reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

6.6.1 Risk associated with change in new accounting standard (SLFRS 17) and risk mitigation actions

It is clear that operational risk associated with SLFRS 17 implementation will extend beyond the process, people and technology. Therefore it has a significant influence on the organization's risk management framework and its role. Following diagram illustrates that steering committee is responsible for manage the risk associated with SLFRS 17 implementation with comply to the Enterprise Risk Management (ERM) framework of the company and corresponding risk need to be communicated to the respective teams to enhance their management focus towards each risk type.



Risk Type	Management Focus	Risk Source	Risk Description	Risk Mitigation Action
Operational Risk	Change Management	Data	Data Management	Develop a secured data room & limited access to authorized persons Enter to non-disclosure agreement where necessary
		System	Risk of new IT system	Determine criteria for evaluate vendors Deployment of appropriate expertise to sign off the BRD (Business Required Document) Perform UAT (User Acceptance Testing)
		Process	Changes in actuarial & accounting process	Analyse options available under standard & assess the impact on actuarial & accounting practices Identify system modifications & take necessary actions to redesign the existing data field.
		People	Lack of Capabilities	Formulate the project team representing necessary people Obtain consultancy Service from expertise Conduct extensive workshops to focus groups
		Project Management	Uncertain time-lines	Develop a grant chart with relevant time-lines & continuous monitoring
Financial Risk	Financial Management	Financial Stability	Increased Balance Sheet Volatility	Formulate a clear capital management framework and select best transition approach. Re-look the financial assets classifications at the point of transition.
		Financial Performance	Risk of lower profits	Change the product features of onerous contracts in order to convert them into profitable. Apply a transition approach which will maximize the value of the company. Conduct proper asset liability management.
Strategic Risk	Strategic Management	Investor Confidence	Increased of Investor Scrutiny and Pressure	Develop BRD by incorporating corporate key priorities Educate investors regarding key financial metrics which impacted with SLFRS 17 Implementation
		Performance Management	Change of prevailing KPIs	Proactive communication about new KPIs and impacted to their existing KPIs. Identify new KPIs & develop them in line with the organisational objectives
Regulatory Risk	Stakeholder Management	Regulator	Increase influence and governance	Identify changes for the regulatory reporting framework and approach relevant authorities to obtain required clearance. Redesign data fields in system to support changes in Risk-Based Capital
		Competitors	Comparison of financial statements	Maintain consistency of policies which will use for SLFRS 17 implementation. Drive towards common industry level consistence metrics for every insurer.

SLFRS 17 implementation effect on Company's financial statements has been explained in Supplementary Information from page 374 to 375.

6.7 Impact of COVID-19 Pandemic to the Financial Statements

The COVID-19 pandemic and measures taken to prevent its spread has significantly impacted to Sri Lankan business industries, disrupting their operations, financial, risk management and internal control systems for the year ended 31 December 2021. At the time of publication of this Annual Report, the COVID-19 pandemic continues to evolve and develop. Given these uncertainties, the Company had to consider additional assumptions, estimates and judgements in relating to COVID-19 pandemic in preparing the Financial Statements for the year ended 31 December 2021.

This Note provide comprehensive analysis on impact of COVID-19 pandemic to the Company's Financial Statements.

The company has evaluated implications to financial statements due to the COVID-19 outbreak considering the key areas in the Financial Statements for the year ended 31 December 2021 as disclosed below.

- Financial instruments
- Fair value measurement of financial assets
- Impairment of assets
- Recognition of deferred taxes
- Going concern – (Refer Note 2.5 on page 267)
- Insurance contract liabilities – (Refer Note 39 on page 347)

6.7.1 Financial instruments

6.7.1.a Impairment of financial assets (ECL)

The Company considered the Probability of Default (PD), Loss Given Default (LGD) and Macro Economic Factors in order to estimate the Expected Credit Loss (ECL) as at 31 December 2021. There were no material changes to the existing impairment model of corporate debts compared to previous year though it was realigned to reflect the revised credit ratings of the instruments. The Company make the adjustments to existing impairment model to reflect the COVID 19 impact on the impairment of financial assets.

6.7.1.b Credit risk

To respond the credit risk under COVID-19 pandemic, the management has established following credit risk policy,

- Unit trust investments should only be made into Unit trust funds with a weighted average credit rating of A- or above.
- Internal Limits were set on limiting investments rated below BBB+

6.7.1.c Liquidity risk

The Company has taken action to mitigate the impact on liquidity due to COVID-19 pandemic, including regularly monitoring cash inflows and outflows through cash flow matching approach. The Company holds cash and undrawn committed facilities to manage the Company's liquidity risk.

6.7.1.d Foreign exchange risk

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar continually due to back of economic turmoil in global, regional, and local markets resulting from the COVID-19 pandemic. The Company exposed to foreign currency-denominated transactions are adversely impacted to undue fluctuations in exchange rates. Exposures to Foreign exchange risk, risk response and sensitivity analysis provided in Note 6.5.4.2.b.

6.7.1.e Impairment of non-financial assets

This assessment has become even more critical with the COVID-19 condition and measurement of recoverable amount involves certain level of estimates and judgment. The Board of Directors has assessed the potential impairment loss on non-financial assets due to COVID-19 pandemic. The assessment was carried out through multiple scenario basis, up to date available information and business continuity plan. Based on the assessment, the Company has not identified any indications of Impairment due to impact on COVID-19 pandemic as at the reporting date.

6.7.2 Recognition of deferred taxes

COVID-19 could have impacted the entity's future profits and in turn impact the amount of deferred tax assets and recoverability. Therefore, the Board of Directors assess the effect of changes in COVID-19 environment on the recoverability of deferred tax assets. In this assessment, the Board of Directors considered potential impact from COVID-19 in a very conservative manner and performed sensitivity analysis to assess the impact on recoverability within the specified period.

Refer Note 28 on page 329 for more information.

6.8 Capital management

6.8.a Objectives, policies and processes for capital management

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
- to maintain required capital levels of the Company
- to support new business growth of the Company

The Company management committee uses regulatory capital ratios to monitor the Company's capital base.

6.8.b Regulatory capital - Risk Based Capital (RBC) Framework

As a regulator of the industry, Insurance Regulatory Commission of Sri Lanka has implement a Risk Based Capital (RBC) Framework to monitor insurance companies in the country.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

6.8.c 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

6.8.d Risk response to capital management

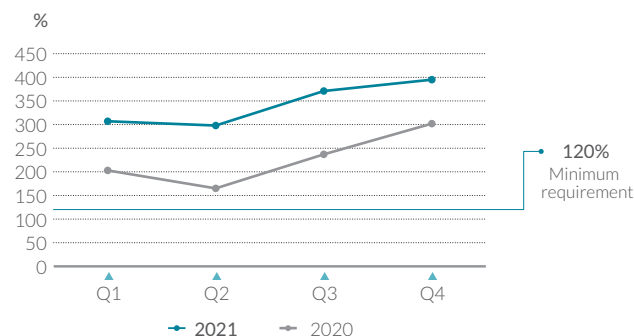
- Continuous training provided to the staff of the Company
- Compliance with recommended action plans are supported by periodic reviews undertaken by the Head of Actuarial of the Company.
- Further, in preparation for the adoption of the RBC Framework, the Company already uses appointed actuary's service.
- Closely follow up RBC guideline issued by IRCSL.

Summary of Company's compliances to the Risk Based Capital (RBC) framework describe as following table.

Table - 33 Solvency position

As at 31 December	2021 Rs. '000	2020 Rs. '000
Total Available Capital (TAC)	27,081,811	19,940,661
Risk Based Capital requirement (RCR)	6,851,316	6,610,769
Risk-based Capital Adequacy Ratio (CAR)	395%	302%
Minimum Capital Requirement (MCR)	500,000	500,000
Capital Adequacy Satisfied?	Yes	Yes

Quarterly Capital Adequacy Ratio (CAR)



6.8.e Sensitivity analysis position

The following table shows the estimated impact on CAR ratio due to various predicted scenario testing

Variable	Change in assumptions	Estimated CAR Ratio (Regulatory)
Expenses	+10%	384%
	-10%	406%
Discount Rate	+0.50%	406%
	-0.50%	383%
	+0.25%	401%
	-0.25%	389%
First 3 years Termination	Up	389%
First 3 years Termination	Down	401%
Mass Termination	Up	347%
Mass Termination	Down	464%
Mortality	+10%	385%
	-10%	403%
Morbidity	+10%	381%
	-10%	409%

7 FAIR VALUES MEASUREMENT

Accounting policy

Fair value is the amount for which an asset could be exchanged, or a liability is 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 number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 29 : Financial instruments;

Note 26 : Freehold property measured at fair value.

7.1 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:

- quoted prices in active markets for similar instruments,
- quoted prices for identical or similar instruments in markets that are considered to be less active, or
- 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.

Objective of the valuation

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.

NOTES TO THE FINANCIAL STATEMENTS

Fair value measurement

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 bill & 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 unlisted redeemable units	Published Net Assets Values (NAV)	Level 2
Corporate debt		
Listed	Published Market Prices	Level 2*
Unlisted perpetual debentures	Adjusted interest rate for Illiquidity	Level 3
Land and Building	Market Comparable Method and Investment Method	Level 3

*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.

Valuation techniques used in measuring Level 2 and 3 fair values

Same valuation techniques as mentioned on the above table have been used by the Company in measuring Level 2 and 3 fair values for current and comparative financial period.

Financial assets and liabilities not considered for fair value measurement

It is assumed that the carrying amount of following financial assets and liabilities are 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	Other liabilities (Excluding government levies and accruals)
Reverse repo	Reinsurance creditors
Loans to life policyholders	
Reinsurance receivables	
Premium receivables	

Carrying amounts of the Company's financial assets and financial liabilities

Carrying amounts and classification of the Company's financial assets and financial liabilities are given in Note 4.2.11 and 4.3.8 on page 275 and 278.

7.2 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. Significant valuation issues are reported to the Audit Committee.

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.
- 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.

7.3 Assets measured at fair value and fair value hierarchy

The following table provides an analysis of assets measured at fair value in the Statement of Financial Position and the level in the fair value hierarchy.

Fair value hierarchy

As at 31 December	Note	Page	2021				2020			
			Level 1	Level 2	Level 3	Total fair value/ carrying value	Level 1	Level 2	Level 3	Total fair value/ carrying value
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-financial assets										
Land and building	26.1	324	-	-	288,132	288,132	-	-	258,544	258,544
Total non-financial assets at fair value			-	-	288,132	288,132	-	-	258,544	258,544
Financial assets										
Financial investments - (FVTPL)										
Equity shares	29.4.1	340	346,607	-	-	346,607	-	-	-	-
Treasury bonds	29.4	340	182,487	-	-	182,487	243,286	-	-	243,286
Treasury bills	29.4	340	-	-	-	-	956,035	-	-	956,035
Perpetual debentures	29.4	340	-	-	765,303	765,303	-	-	515,381	515,381
Unit trusts	29.4.2	341	-	3,939,787	-	3,939,787	-	2,389,332	-	2,389,332
			529,094	3,939,787	765,303	5,234,184	1,199,321	2,389,332	515,381	4,104,034
Financial investments - FVOCI										
Treasury bonds	29.3	338	1,189,245	-	-	1,189,245	1,586,018	-	-	1,586,018
Equity shares listed	29.3.1	338	1,923,408	-	-	1,923,408	2,182,609	-	-	2,182,609
Equity shares unlisted	29.3	338	-	-	270,256	270,256	-	-	281,428	281,428
			3,112,653	-	270,256	3,382,909	3,768,627	-	281,428	4,050,055
Total financial assets at fair value			3,641,747	3,939,787	1,035,559	8,617,093	4,967,948	2,389,332	796,809	8,154,089
Total assets at fair value			3,641,747	3,939,787	1,323,691	8,905,225	4,967,948	2,389,332	1,055,353	8,412,633

Transfer between levels

There were no transfers made in between the levels in 2021 (2020 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

7.4 Level 3 fair value measurement

Reconciliation of fair value measurements of level 3 financial instruments

The Company carries unquoted equity shares, unquoted perpetual debentures and land and building in Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements except for the land and building is summarised below:

Land and building at level 3 in the fair value hierarchy

Reconciliation from the opening balance to the ending balance and revaluation reserve pertaining to the Land and Building in Level 3 of the fair value hierarchy is available in Note 26.1 on page 324 and Note 38.2 on page 346 respectively.

As at 31 December	2021		2020	
	Equity shares (Unlisted) Rs. '000	Unquoted debenture Rs. '000	Equity shares (Unlisted) Rs. '000	Unquoted debenture Rs. '000
Balance at 1 January	281,428	515,381	303,506	-
Purchase / (disposal)	-	200,000	-	500,000
Fair value gains / (losses)				
Recognised in income statement - In net fair value gains	-	49,922	-	15,381
Recognised in OCI - In equity investments at FVOCI - net change in fair value	(11,172)	-	(22,078)	-
Net amount reclassified to income statement	-	-	-	-
Transfers into / out of Level 3	-	-	-	-
Balance at 31 December	270,256	765,303	281,428	515,381

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorised in Level 3 of the fair value hierarchy.

As at 31 December	Fair value		Valuation technique	Range of estimates (weighted average) for significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
	2021 Rs. '000	2020 Rs. '000			
Debt securities					
Perpetual debentures	765,303	515,381	Adjusted interest rate for illiquidity	Credit spread - 3% to 5%	Estimated fair value would increase/ (decrease) if credit spread would (decrease) / increase
Equity securities					
Unlisted equity securities	270,256	281,428	Adjusted net asset for illiquidity	Illiquidity premium 5% - 10%	Estimated fair value would increase/ (decrease) if Illiquidity premium would (decrease) / increase
Land and building	288,132	258,544	Refer Note 26.18 on page 326	Refer Note 26.18 on page 326	Refer Note 26.18 on page 326

Significant unobservable inputs are developed as follows.

Debt securities	Credit spreads are derived from internally developed model and adjustments have been made to reflect the illiquidity condition of the instruments.
Unlisted equity securities	When deciding illiquidity premium the company has considered the fact that recent acquisition of finance companies had taken place at more than the net asset value of target investee.
Land and Building	Refer Note 26.18 on page 326

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 and significant unobservable inputs.

As at 31 December Change in variables	Significant unobservable input	2021			2020		
		Impact on income statement	Impact on OCI	Impact on equity	Impact on income statement	Impact on OCI	Impact on equity
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unlisted Equity Securities							
1% Increase in adjustment for illiquidity	Illiquidity premium	-	(2,844)	(2,844)	-	(2,926)	(2,926)
1% Decrease in adjustment for illiquidity	Illiquidity premium	-	2,844	2,844	-	2,926	2,926
Perpetual debentures							
1% Increase in credit spread	Credit spread	(8,305)	-	(8,305)	(5,862)	-	(5,862)
1% Decrease in credit spread	Credit spread	8,493	-	8,493	5,998	-	5,998

Sensitivity analysis of land and building classified at Level 3 is given in Note 26.18 on page 326.

7.5 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 carried at amortised cost are estimated by using daily 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 31 December	Note	2021					2020				
		Level 1	Level 2	Level 3	Total fair value	Total carrying value	Level 1	Level 2	Level 3	Total fair value	Total carrying value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets											
Financial investments – Amortised cost											
Treasury bonds	29.2	1,898,838	-	-	1,898,838	2,308,100	2,350,518	-	-	2,350,518	2,350,518
Sri Lanka development bonds	29.2	-	3,459,087	-	3,459,087	3,418,242	-	2,830,579	-	2,830,579	2,796,206
International sovereign bonds	29.2	2,300,773	-	-	2,300,773	3,175,861	2,504,879	-	-	2,504,879	2,723,500
Debentures*	29.2	-	7,852,820	-	7,852,820	7,757,716	-	5,511,028	-	5,511,028	5,442,447
Fixed deposits	29.2	-	-	-	4,360,436	4,360,432	-	-	-	1,655,205	1,654,837
Commercial paper	29.2	-	-	-	975,268	975,266	-	-	-	1,990,991	1,990,258
Securitised Papers	29.2	-	-	-	713,969	713,964	-	-	-	-	-
Reverse Repo	29.2	-	-	-	2,890,755	2,890,755	-	-	-	2,255,937	2,255,937
Other financial assets											
Cash and cash equivalents	34	-	-	-	696,920	696,920	-	-	-	554,362	554,362
Loans to life policyholders	30	-	-	-	224,198	224,198	-	-	-	234,462	234,462
Reinsurance receivables	31	-	-	-	231,587	231,587	-	-	-	323,288	323,288
Premium receivables	32	-	-	-	983,657	983,657	-	-	-	856,281	856,281
Receivable and other assets	33	-	-	-	65,607	65,607	-	-	-	66,792	66,792
Total financial assets not at fair value		4,199,611	11,311,907	-	26,653,915	27,802,305	4,855,397	8,341,607	-	21,134,322	21,248,888
Financial liabilities											
Loans and borrowings	41	-	-	-	3,064,994	3,064,994	-	-	-	2,852,245	2,852,245
Reinsurance payables	42	-	-	-	1,040,255	1,040,255	-	-	-	636,060	636,060
Other liabilities	43	-	-	-	1,676,763	1,676,763	-	-	-	1,497,282	1,497,282
Bank overdraft	34	-	-	-	290,550	290,550	-	-	-	225,390	225,390
Total financial liabilities not at fair value		-	-	-	6,072,562	6,072,562	-	-	-	5,210,977	5,210,977

*Listed Debentures have been classified under level 2 in fair value hierarchy since there is no active market for these instruments even though such instruments are listed.

8 GROSS WRITTEN PREMIUMS

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.

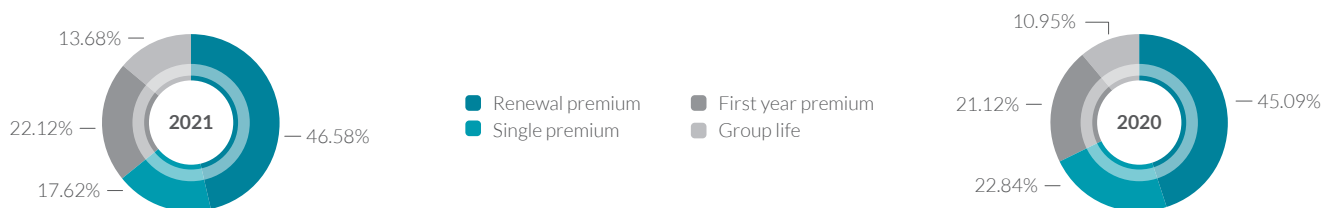
Gross written premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30-day grace period are considered as due). Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognise 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 products 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 31 December	2021			2020		
	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000
Renewal premium	9,340,286	-	9,340,286	7,060,870	-	7,060,870
Single premium	3,533,437	-	3,533,437	3,576,710	-	3,576,710
First year premium	4,436,261	-	4,436,261	3,306,851	-	3,306,851
Group life premium	-	2,743,318	2,743,318	-	1,715,685	1,715,685
Total gross written premiums	17,309,984	2,743,318	20,053,302	13,944,431	1,715,685	15,660,116

Gross Written Premiums - Mix



9 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 31 December	2021 Rs. '000	2020 Rs. '000
Treaty	1,854,567	1,870,790
Facultative	3,228	1,826
Total premiums ceded to reinsurers	1,857,795	1,872,616

NOTES TO THE FINANCIAL STATEMENTS

10 NET WRITTEN PREMIUMS

This represents the net written premiums for the financial year subsequent to the deduction of reinsurance premium from gross written premiums.

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Gross written premium	20,053,302	15,660,116
Less: Premiums ceded to reinsurer	(1,857,795)	(1,872,616)
Total net written premiums	18,195,507	13,787,500

11 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 recognised 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 credit impaired. For credit-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 calculation of interest income of credit-impaired financial assets does not revert to a gross basis, even if the credit risk of the asset improves.

Investment related expenses consist of costs relating to investment such as custodian fee, bank guarantee fee and brokerage fee, etc. These expenses are recognised on an accrual basis.

Effective interest rate (EIR)

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. For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

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.

Dividend income

Dividends on equity investments are recognised 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'.

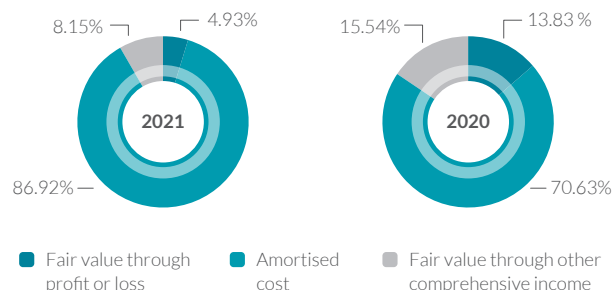
Dividends are presented under net finance income in the Income Statement.

Interest income presented in the Income Statement include:

- Interest income on financial assets measured at fair value through profit or loss (FVTPL) is calculated using EIR method.
- Interest income on financial assets measured at amortised cost is calculated using EIR method.
- Interest income on financial assets measured at fair value through other comprehensive income (FVOCI) is calculated using EIR method.

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Interest income from,			
Financial assets classified at FVTPL	11.1.a	105,499	226,045
Financial assets classified at amortised cost	11.1.c	2,047,399	1,154,113
Financial assets classified at FVOCI	11.1.d	131,459	136,203
		2,284,357	1,516,361
Dividend Income From,			
Equity shares classified at FVTPL	11.1.b	10,764	-
Equity shares classified at FVOCI	11.1.e	59,976	118,092
		70,740	118,092
Total net finance income		2,355,097	1,634,453

Net Finance Income



11.1 Analysis of net finance income

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
a. Interest income from financial assets classified at FVTPL		
Treasury bonds	20,764	218,970
Treasury bill	25,424	3,376
Debentures	59,311	3,699
	105,499	226,045
b. Dividend income - Equity shares	10,764	-
Total net finance income from financial assets classified at FVTPL	116,263	226,045
c. Interest income from financial assets classified at amortised cost		
Debentures	786,352	582,649
Commercial papers	156,283	170,922
Securitised Paper	18,969	-
Term deposits	94,236	119,927
Sri Lanka development bonds	167,843	107,089
Sovereign bonds	516,083	68,993
Reverse repurchase agreements	99,632	56,699
Loans to life policyholders	37,746	34,363
Treasury bonds	170,255	13,471
Total net finance income from financial assets classified at amortised cost	2,047,399	1,154,113
d. Income from financial assets classified at FVOCI		
Interest income from treasury bonds	131,459	136,203
e. Dividend income - Equity shares	59,976	118,092
Total net finance income from financial assets classified at FVOCI	191,435	254,295
Total net finance income	2,355,097	1,634,453

12 NET REALISED GAINS

Accounting policy

Realised gains and losses recorded in the Income Statement on investments include gains and losses on disposal of financial assets except for equity instruments classified at Fair Value through Other Comprehensive Income (FVOCI).

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 reclassified to the Income Statement.

On derecognition of equity investments classified at fair value through other comprehensive income, the cumulative gain or loss previously recognised in other comprehensive income is transferred to retained earnings from fair value reserve in the Equity Statement.

NOTES TO THE FINANCIAL STATEMENTS

Analysis of realised gains / (losses)

For the year ended 31 December	2021			2020		
	Realised gains Rs. '000	Realised losses Rs. '000	Net realised gains / (losses) Rs. '000	Realised gains Rs. '000	Realised losses Rs. '000	Net realised gains / (losses) Rs. '000
Financial assets classified at fair value through profit or loss						
Unit trusts	332,799	-	332,799	167,327	-	167,327
Treasury bonds	-	-	-	4,728	-	4,728
Treasury bills	-	(424)	(424)	-	-	-
Quoted equity securities	72,038	-	72,038	-	-	-
	404,837	(424)	404,413	172,055	-	172,055
Financial assets classified at fair value through comprehensive income						
Treasury bonds	-	-	-	-	(802)	(802)
Sale of equity shares purchase rights	216	-	216	-	-	-
	216	-	216	-	(802)	(802)
Financial assets classified at amortised cost						
Treasury bonds	-	(12,423)	(12,423)	-	-	-
	-	(12,423)	(12,423)	-	-	-
Total net realised gains	405,053	(12,847)	392,206	172,055	(802)	171,253

13 NET FAIR VALUE GAINS

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 31 December	2021	2020
	Rs. '000	Rs. '000
Financial investments at FVTPL		
Treasury bonds	(61,063)	347,636
Unit trusts	(4,782)	104,448
Debentures	35,612	11,682
Treasury bills	(278)	278
Equity securities	38,071	-
Total net fair value gains	7,560	464,044

14 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.

Gains or losses 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 at the time of the disposal) is recognised as 'Other Income' in the Income Statement in the year in which the Company transfers control of the asset to the buyer. When revalued assets are sold, any related amount included in the revaluation reserves are transferred to retained earnings.

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Gain on sale of property, plant and equipment	12,161	-
Miscellaneous income	8,605	6,364
Total other income	20,766	6,364

15 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, accident, hospitalisation and surrenders are recorded on the basis of notifications received.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Claims		
Gross claims paid	5,630,741	3,421,706
Claims recovered from reinsurers	(553,897)	(656,619)
	5,076,844	2,765,087
Benefits		
Gross benefits paid	888,320	780,720
Benefits recovered from reinsurers	-	-
	888,320	780,720
Total net insurance benefits and claims paid	5,965,164	3,545,807

Analysis of net insurance benefits and claims paid

For the year ended 31 December	2021			2020		
	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000
Claims						
Death, disability and other riders - Endowment	2,561,197	(431,286)	2,129,911	1,544,118	(598,912)	945,206
Death and hospitalisation - Group life	1,709,100	(105,394)	1,603,706	1,036,716	(42,976)	993,740
Death - Decreasing Term Assurance (DTA)	1,360,444	(17,217)	1,343,227	840,872	(14,731)	826,141
	5,630,741	(553,897)	5,076,844	3,421,706	(656,619)	2,765,087
Benefits						
Policy maturities / surrenders - Investment products	84,723	-	84,723	145,458	-	145,458
Policy maturities - Endowment	605,878	-	605,878	299,279	-	299,279
Policy surrenders - Endowment products	197,719	-	197,719	335,983	-	335,983
	888,320	-	888,320	780,720	-	780,720
Total net insurance benefits and claims Paid	6,519,061	(553,897)	5,965,164	4,202,426	(656,619)	3,545,807

16 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	2021			2020		
	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000
Claims						
Death, disability and other riders - Endowment	(18,435)	11,911	(6,524)	(93,117)	52,035	(41,082)
Death and hospitalisation - Group life	(21,958)	1,246	(20,712)	1,330	(1,489)	(159)
Death - Decreasing Term Assurance (DTA)	(25,384)	(10,298)	(35,682)	67,658	(2,205)	65,453
	(65,777)	2,859	(62,918)	(24,129)	48,341	24,212
Benefits						
Policy maturities / surrenders - Investment products	-	-	-	(452)	-	(452)
Policy maturities - Endowment	(178)	-	(178)	(2,821)	-	(2,821)
Policy surrenders - Endowment products	-	-	-	51	-	51
	(178)	-	(178)	(3,222)	-	(3,222)
Total net change in insurance claim and benefits outstanding	(65,955)	2,859	(63,096)	(27,351)	48,341	20,990

16.1 Total net insurance claims and benefits expense

For the year ended 31 December	2021			2020		
	Gross claims and benefits Rs. '000	Recovery from reinsurers Rs. '000	Net claims and benefits Rs. '000	Gross claims and benefits Rs. '000	Recovery from reinsurers Rs. '000	Net claims and benefits Rs. '000
Claims						
Death, disability and others riders - Endowment	2,542,762	(419,375)	2,123,387	1,451,001	(546,877)	904,124
Death and hospitalisation - Group life	1,687,142	(104,148)	1,582,994	1,038,046	(44,465)	993,581
Death - Decreasing Term Assurance (DTA)	1,335,060	(27,515)	1,307,545	908,530	(16,936)	891,594
	5,564,964	(551,038)	5,013,926	3,397,577	(608,278)	2,789,299
Benefits						
Policy maturities / surrenders - Investment products	84,723	-	84,723	145,006	-	145,006
Policy maturities - Endowment	605,700	-	605,700	296,458	-	296,458
Policy surrenders - Endowment products	197,719	-	197,719	336,034	-	336,034
	888,142	-	888,142	777,498	-	777,498
Total net insurance claim and benefits expenses	6,453,106	(551,038)	5,902,068	4,175,075	(608,278)	3,566,797

17 CHANGE IN VALUATION OF INSURANCE CONTRACT LIABILITIES

Accounting policy

Note 39.8 to these Financial Statements explain in detail about methodology of valuation of the insurance contract liabilities. Changes in the valuation of insurance contract liabilities are recognised in the Income Statement under change in contract liabilities.

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.

17 CHANGE IN VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTD.)

For the year ended 31 December	Note	2021			2020		
		Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000
Premiums written	8	20,053,302	(1,857,795)	18,195,507	15,660,116	(1,872,616)	13,787,500
Insurance benefits and claims incurred	16.1	(6,453,106)	551,038	(5,902,068)	(4,175,075)	608,278	(3,566,797)
Underwriting and net acquisition costs (including reinsurance)	18	(4,278,246)	228,213	(4,050,033)	(3,455,451)	185,997	(3,269,454)
Other operating, selling and administrative expenses attributable to policyholders		(3,676,734)	-	(3,676,734)	(3,275,953)	-	(3,275,953)
Investment and other income attributable to policyholders		1,871,754	-	1,871,754	1,703,473	-	1,703,473
Surplus from life insurance fund transferred to Life shareholder's fund	39.13	(2,295,000)	-	(2,295,000)	(1,778,800)	-	(1,778,800)
Change in contract liabilities - Life fund	39.5	5,221,970	(1,078,544)	4,143,426	4,678,310	(1,078,341)	3,599,969

The Appointed Actuary's report is provided on page 254.

A reconciliation of the change in insurance contract liabilities is reflected in Note 39.5 to these Financial Statements.

18 UNDERWRITING AND NET ACQUISITION COST (NET OF REINSURANCE)
Accounting policy

All acquisition costs are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

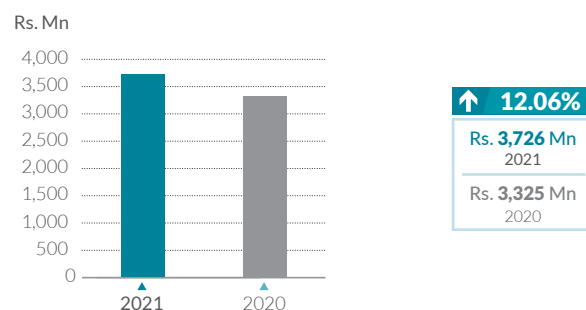
For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Underwriting and policy acquisition cost	4,278,246	3,455,451
Reinsurance commission including profit commission	(228,213)	(185,997)
Total underwriting and net acquisition cost	4,050,033	3,269,454

19 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 the 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 31 December	Note	2021 Rs. '000	2020 Rs. '000
Employee benefits expenses			
Short term employee benefits	19.1	1,064,131	944,915
Long term employee benefits - Defined benefit plan cost	40.5	40,744	40,834
Other long term employee benefits and termination benefits		-	-
Total employee benefits expenses		1,104,875	985,749
Administration and establishment expenses		2,223,554	1,971,377
Selling expenses		397,937	367,744
Total other operating and administration expenses		3,726,366	3,324,870

Other operating and administration expenses


NOTES TO THE FINANCIAL STATEMENTS

19.1 Short Term 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 are 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.

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Contributions to defined contribution plans			
EPF	40.1	95,915	86,265
ETF	40.1	23,979	21,519
		119,894	107,784
Staff remuneration		799,289	717,003
Staff welfare		7,747	5,669
Training and development expenses		16,353	5,802
Other short term employee benefits expenses	19.2	120,848	108,657
Total short term employee benefits expenses		1,064,131	944,915

19.2 Other short term employee benefits expenses

This includes expenses such as staff bonus, overtime expenses, staff allowances and recruitment, etc.

19.3 Impairment losses on financial instruments

The Company recognised impairment allowances / reversal of impairment losses under administration and establishment expenses in the Income Statement. Refer Notes 4.2.12 and 4.2.13 on page 276 for accounting policy and related information on impairment allowances and Note 29.2.3 on page 336 for the amount of impairment allowances recognised in the Financial Statements.

19.4 Write-downs

There were no write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversal of such write-downs.

19.5 Impairment on revalued assets

During the period, there were no impairment losses or reversal on revalued assets (2020 - Nil).

20 FINANCE COST

Accounting policy

Interest cost 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 includes lease interest expense, interest expenses on long-term borrowing and other interest expenses. As at the reporting date, the Company classified all financial liabilities at amortised cost category.

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Financial liabilities at amortised cost,			
Interest expenses on lease liabilities	43.4	70,744	71,533
Interest expenses on long term borrowings	41.1	222,220	52,495
Other interest expenses		70,993	66,421
Net exchange (gains) / losses on financial assets and financial liabilities measured at amortised cost		(180,388)	(18,272)
Total finance cost		183,569	172,177

21 PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following.

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Director fee and emoluments	45.6.1	74,517	83,753
Auditors remuneration			
Auditor's fees and related expenses		1,600	2,725
Audit related services and related expenses		5,045	3,248
Non audit services and related expenses		6,105	496
Costs of Employee Benefits			
Defined contribution plan cost - EPF	40.1	95,915	86,265
Defined contribution plan cost - ETF	40.1	23,979	21,519
Defined benefit plan cost	40.4	40,744	40,834
Staff training and development cost		16,353	5,802
Other staff expenses		927,884	831,329
Provision / reversal for impairment of			
Financial instruments	29.2.3	(37,540)	104,453
Loans to life policyholders		-	-
Other			
Legal fees		29,556	14,162
Depreciation of property, plant and equipment	26.1	137,928	147,038
Depreciation of right of use of assets	27.1	245,827	195,008
Amortisation of intangible assets	25.1	248	146
Research and development costs		-	-
(Profit) / loss on sale of property, plant and equipment & intangible assets	14	12,161	-
CSR expenses		4,900	3,330
Donation		-	-
Operating lease		-	-

21.1 Director fee and emoluments

Directors' emoluments represent the salaries paid to both Executive and Non-Executive Directors of the Company.

21.2 Utilisation of Income

Graphical presentation for utilisation of income is given in financial highlight section on page 252.

22 INCOME TAX EXPENSES

Accounting policy

Income tax expense comprises current tax and deferred tax and is recognised in the Income Statement. 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.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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. Current tax assets and liabilities are offset only if certain criteria are met.

The gains and profits from the Life Insurance Business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by Inland Revenue (Amendment) Act, No. 10 of 2021. Accordingly, gains and profits on which tax is payable is the aggregate of;

Taxable income source	Applicable tax rate
Surplus distributed to shareholders from the Life Insurance policyholders fund as certified by the actuary	24%
Investment income of the shareholder fund less any expenses incurred in the production of such income	24%
Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance	24% (from 01st April 2018 to 31st March 2021 applicable rate was 14%)

Impact on change in applicable income tax rate

As per the Inland Revenue (Amendment) Act, No. 10 of 2021, Income tax rate of a company is changed from 28% to 24% and implemented to the Act with effect from 1 January 2020. Accordingly, the income tax rate of 24% was applied for current tax and deferred tax computation for the year ended 31 December 2021 and accordingly, the Company reversed deferred tax assets of Rs.231.7 Mn for the period ended 31 December 2021.

The proposed changes to the Inland Revenue Act No. 24 of 2017 on Change in the income tax rate of a company from 28% to 24% has been approved and implemented to Act with effect from 1 January 2020.

NOTES TO THE FINANCIAL STATEMENTS

Tax exposures

In determining the amount of current tax and deferred tax, the Company considers the impact of tax exposures, including whether additional taxes and penalties are due. Finalisation of the tax liability with authorities may change the position already recorded in the Financial Statements and such changes to tax liabilities could impact the tax expense in the period in which such a determination is made either as an over or under provision.

Deferred tax

Accounting policy and detail analysis relating to deferred tax is disclosed in Note 28 on page 329.

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 1 April 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.

22.1 Amount recognised in the Income Statement

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Current tax expense			
Income tax on current year's profits		-	-
Notional tax (reversal) / write off (shareholder fund)		-	-
Adjustments for prior year		-	-
Deferred tax expenses			
Origination of deferred tax assets		-	-
Reversal of deferred tax assets	28.3	860,806	608,864
Deferred taxation		860,806	608,864
Income tax expense recognised in income statement		860,806	608,864
Other comprehensive income			
Deferred tax charge / (reversal)			
Relating to origination and reversal of temporary differences		-	-
Income tax expense recognised in other comprehensive income		-	-
Income tax expense recognised in income statement		860,806	608,864

22.2 Reconciliation of the accounting profit to income tax expense

For the year ended 31 December	2021		2020	
	%	Rs. '000	%	Rs. '000
Accounting profit before tax		2,965,674		2,130,347
Tax using the Company's domestic tax rate	24	711,762	28	596,497
Income exempt from tax	(4)	(130,078)	(2)	(43,677)
Other Income	(0.1)	(1,608)	-	-
Aggregate allowable expenses	-	-	-	309
Aggregate disallowed expenses	1.7	49,029	3	55,735
Reversal of deferred tax assets	7.8	231,701	-	-
Income tax expense recognised in the Income Statement at the average effective income tax rate	29.03	860,806	28.58	608,864

22.3 Income tax computation as per IRD Act No 24 of 2017 and amendment to Act, No. 10 of 2021

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Surplus distributed to shareholder from the Life Insurance policyholders fund	39.13	2,295,000	1,778,800
Investment income of the shareholder fund		868,266	551,703
Business income		3,163,266	2,330,503
Deductions Under Section 19 of the IRD Act	28.5	(2,621,273)	(2,174,515)
Income exempt from tax	22.3.1	(541,993)	(155,988)
Total assessable income		-	-
Tax liability		-	-

22.3.1 Income exempt from tax

As per the Inland Revenue (Amendment) Act, No. 10 of 2021, Investment Income from Sri Lanka Government International Sovereign Bond and Sri Lanka Development Bond denominated in foreign currency and interest income received from Savings and Fixed deposits which are denominated in foreign currency have been considered as exempt income.

Dividend Income received to the extent that dividend income is attributable to or derived from, another dividend received by the relevant dividend paid company or another resident company such dividend income shall be exempted from Income tax under the section 09 of the Inland revenue act, no 24 of 2017.

Accordingly, the Company has considered the above investment income in Life Shareholder fund as exempt income for the purpose of computation of income tax liability for the year ended 31 December 2021.

Dividend income received which withholding tax has already been deducted shall be a final withholding payment under section 88 of the Inland Revenue Act no 24 of 2017 hence will not be taxed again.

22.3.2 IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

IFRIC - 23 interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. 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.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the interpretation had an impact on

its financial statements. The Company of the view that it is probable that its tax treatments will be accepted by the taxation authorities hence the interpretation did not have an impact on the Financial Statements of the Company. The Company reviewed its income tax treatments and concluded that no additional provisions required and disclosures relating to contingent liabilities have been made under Note 48.

22.3.3 Surcharge Tax

The Government of Sri Lanka in its Budget proposals 2022 has proposed a one-time tax, to be called as 'Surcharge Tax' at the rate of 25% to be imposed on companies earned a taxable income in excess of Rs. 2,000 Mn for the Year of Assessment 2020/2021. If the aggregate taxable income of a group of companies exceeds Rs. 2,000 Mn, each company of the group of companies will be liable for surcharge tax. The proposed tax shall be deemed to be an expenditure in the Financial Statements of 2020.

The Bill introducing the proposed tax was published on 7th February 2022. Accordingly, the proposed tax has not been substantively enacted by the end of the reporting period. Therefore, the Financial Statements have not been adjusted to reflect the consequences of this proposal.

23 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 year.

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.

23.1 Basic earnings per share

For the year ended 31 December	2021	2020
Amount used as the numerator:		
Profit attributable to ordinary shareholders of the Company (Rs. 000)	2,104,868	1,521,483
Number of ordinary shares used as the denominator:		
Weighted average number of ordinary shares as at 31 December ('000)	375,000	375,000
Basic earnings per share - (Rs.)	5.61	4.06

23.2 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 23.1.

NOTES TO THE FINANCIAL STATEMENTS

24 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 an event after the reporting period in accordance with the Sri Lanka Accounting Standard – LKAS 10 on “Events after the reporting period”.

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.

24.1 Dividend declared from recorded profit

For the year ended 31 December	2021	2020
Dividend declared per share (Rs.)	2.80	2.50
Number of ordinary shares ('000)	375,000	375,000
Total dividend declared (Rs. '000)	1,050,000	937,500

Interim dividend declared

The Board of Directors has declared a payment of an interim dividend of Rs. 2.80 per share (2020-Rs. 2.50 per share) for the financial year 2021 on 2nd March 2022 complied with Direction No. 1 of 2021 issued by IRCSL. In accordance with Sri Lanka Accounting Standards LKAS 10 - Events after the Reporting Period, this interim dividend has not been recognised as a liability as at 31 December 2021.

24.2 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. A statement of solvency duly completed and signed by the Directors on 15th February 2022 have been reviewed by Messrs. KPMG.

24.3 Dividend paid during the year

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Gross Interim Dividend for 2020 - Rs. 2.50 (2019 - Nil)	937,500	-
Withholding tax deducted at source	-	-
Net dividend paid to the ordinary shareholders	937,500	-

24.4 Non-cash assets distributed to owners

During the period ended 31 December 2021, the Company did not distributed non cash assets to its owners (2020 - Nil).

25 INTANGIBLE ASSETS

Accounting policy

Recognition

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’.

Basis of measurement - 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 accumulated 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.

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.

Treatment of 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.

Useful economic life, amortisation and impairment

Intangible assets with finite lives

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 of an intangible asset with a finite useful life are reviewed at each reporting date and 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.

Amortisation expenditure

The amortisation expense on intangible assets with finite lives is recognised in the Income statement under other operating and administration expenses.

Estimated useful life, residual values and amortisation method of intangible assets with finite lives for the current and comparative periods is as follows,

Intangible assets	Estimated useful life / amortisation period	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 lives

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets 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 does not have intangible assets with indefinite useful life as at the reporting date. (2020 - Nil).

Internally-generated intangible assets and separately acquired intangible assets

As at the reporting date, the Company does not have development costs capitalised as an internally-generated intangible assets and those acquired through business combinations. Following represents separately acquired intangible assets.

25.1 Reconciliation of carrying amounts of intangible assets

As at 31 December	2021 Rs. '000	2020 Rs. '000
Computer software		
Cost		
Balance as at 1 January	91,805	91,699
Acquisition during the year	1,200	106
Balance as at 31 December	93,005	91,805
Accumulated amortisation and impairment losses		
Balance as at 1 January	91,401	91,255
Amortisation for the year	248	146
Balance as at 31 December	91,649	91,401
Carrying value as at 31 December	1,356	404

25.2 Other changes to intangible assets

Other than disclosed in Note 25.1, there were no other changes to the intangible assets during the period under review (2020 - Nil).

25.3 Acquisition of intangible assets during the year

During the financial year, the Company paid Rs. 1.2 million (2020 - Rs. 0.1 million) to purchase intangible assets.

25.4 Fully amortised intangible assets in use

Fully amortised intangible assets in use as at reporting date were Rs. 91.2 million. (2020: Rs. 91.1 million).

25.5 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.

25.6 Intangible assets pledged as securities

There were no items pledged as securities for liabilities as at the reporting date (2020 - Nil).

25.7 Assessment of impairment of intangible assets

The Board of Directors has assessed potential impairment loss of intangible assets as at 31 December 2021. 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 (2020 - Nil).

25.8 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 2021 (2020 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

25.9 Individually material / significant intangible assets

There are no individual intangible assets that are material to the Financial Statements as at 31 December 2021 (2020 - Nil).

25.10 Amount of contractual commitment for acquisition of intangible assets

There are no contractual commitment for acquisition of intangible assets as at the reporting date.

25.11 Intangible assets acquired by way of government grants

As at reporting date, the company has not acquired Intangible assets by way of government grants.

26 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Recognition and measurement

The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant and 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 and 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 measurement - Cost model

The Company applies the cost model to all property, plant and 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.

Subsequent measurement - 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.

Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of same are given in Note 26.18 on page 326.

Date of Revaluation

Latest revaluation was carried out by the Company for its all freehold land and freehold building as at 31 December 2021 (Next revaluation date will be due on 31 December 2023).

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 the Income Statement as incurred.

Accounting policy (Contd.)

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.

Cost of dismantling

The estimated costs of dismantling, removing, or restoring items of property, plant and equipment is Zero.

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 recognised in the Income Statement.

The residual values of assets that are not insignificant are reassessed annually.

All classes of property, plant, and 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 26.1.

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.

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. Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation. Land is not depreciated.

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 other operating and administration expenses in the Income Statement.

Useful economic lives, depreciation rate and residual values

The estimated useful lives of the property, plant and equipment for the current and comparative period are as follows:

Class of asset	Depreciation percentage 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 and fittings	10%	10 Years	Nil
Fixtures and fittings	20%	05 Years	Nil
Motor vehicle	25%	04 Years	Nil

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. A qualifying asset is an asset which takes a substantial period to get ready for its intended use or sale. Other borrowing costs are recognised in the Income Statement in the period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

26.1 Reconciliation of gross carrying amount of property, plant and equipment

	Freehold land	Freehold building	Computer hardware	Office equipment	Furniture and fittings	Fixtures and fittings	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost / revaluation								
Balance as at 1 January 2020	160,000	106,000	153,732	242,381	186,306	428,634	16,751	1,293,804
Additions during the year	-	-	26,211	9,658	8,050	88,579	-	132,498
Surplus on revaluation	-	-	-	-	-	-	-	-
Transferred of accumulated depreciation on revalued assets	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-
Balance as at 31 December 2020	160,000	106,000	179,943	252,039	194,356	517,213	16,751	1,426,302
Balance as at 1 January 2021	160,000	106,000	179,943	252,039	194,356	517,213	16,751	1,426,302
Additions during the year	-	-	17,800	13,125	7,271	19,845	-	58,041
Surplus on revaluation	-	37,025	-	-	-	-	-	37,025
Transferred of accumulated depreciation on revalued assets	-	(14,893)	-	-	-	-	-	(14,893)
Disposals during the year	-	-	(104)	-	(357)	(201)	(16,657)	(17,319)
Balance as at 31 December 2021	160,000	128,132	197,639	265,164	201,270	536,857	94	1,489,156

	Freehold land	Freehold building	Computer hardware	Office equipment	Furniture and fittings	Fixtures and fittings	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accumulated depreciation and impairment losses								
Balance as at 1 January 2020	-	-	106,223	148,278	76,591	270,493	16,751	618,336
Depreciation for the year	-	7,456	20,061	32,352	16,564	70,605	-	147,038
Transferred of accumulated depreciation on revalued assets	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-
Balance as at 31 December 2020	-	7,456	126,284	180,630	93,155	341,098	16,751	765,374
Balance as at 1 January 2021	-	7,456	126,284	180,630	93,155	341,098	16,751	765,374
Depreciation for the year	-	7,437	21,403	28,905	16,492	63,691	-	137,928
Transferred of accumulated depreciation on revalued assets	-	(14,893)	-	-	-	-	-	(14,893)
Impairment loss	-	-	-	-	-	-	-	-
Disposals during the year	-	-	(65)	-	(125)	(151)	(16,657)	(16,998)
Balance as at 31 December 2021	-	-	147,622	209,535	109,522	404,638	94	871,411
Carrying value as at 31 December 2021								
Carrying value as at 31 December 2021	160,000	128,132	50,017	55,629	91,748	132,219	-	617,745
Carrying value as at 31 December 2020	160,000	98,544	53,659	71,409	101,201	176,115	-	660,928

26.2 Other changes to property, plant and equipment

Other than disclosed in Note 26.1 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 31 December 2021.(2020 - Nil).

26.3 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.

26.4 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 58 million (2020 - Rs. 132.5 million) by means of cash.

26.5 Capitalisation of borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2021 (2020 - Nil).

26.6 Amount of contractual commitment for acquisition of property, plant and equipment

Refer Note 46 for contractual commitment for acquisition of property, plant and equipment as at the reporting date.

26.7 Temporarily Idle property, plant and equipment

There are no temporarily idle property, plant or equipment as at the reporting date. (2020 - Nil)

26.8 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of PPE as at 31 December 2021 by considering the impact from the COVID-19 pandemic as well. 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 (2020 - Nil).

26.9 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 as at the reporting date.

26.10 Fair value of property, plant and equipment

The carrying amount of property, plant and equipment disclosed in Note 26.1 approximate their fair value as at the reporting date.

26.11 Property, plant and equipment under construction

As at the reporting date, there was no property, plant and equipment under construction (2020 - Nil).

26.12 Property, plant and equipment pledged as security for liabilities

None of the property, plant and equipment have been pledged as securities for liabilities as at the reporting date (2020 - Nil).

26.13 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 (2020 - Nil).

26.14 Permanent fall in value of property, plant and equipment

There has been no permanent fall in the value of property, plant and equipment which require an impairment provision recognised in the Financial Statements as at 31 December 2021 (2020 - Nil).

26.15 Fully depreciated property, plant and equipment in use

As at 31 December	2021 Rs. '000	2020 Rs. '000
Computer hardware	91,795	74,297
Office equipment	120,881	104,794
Furniture and fittings	35,996	31,179
Fixtures and fittings	216,711	189,983
Motor vehicle	94	16,732
Total	465,477	416,985

26.16 Fair value hierarchy

The fair value of the land and 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 land and building. 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 26.18.

NOTES TO THE FINANCIAL STATEMENTS

26.17 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	Number of land & buildings	Extent perches (Land)	Square feet (Building)	Method of valuation	Effective date of valuation	Name of the independent professional valuer / location and address	Revalued amount		Net book value before revaluation of		Revaluation gain on	
							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	1 1	8 -	- 11,824	Market comparable method and Investment Method	31 December 2021	Mr. P. B Kalugalagedara Chartered Valuation Surveyor No.521/7, Thimbirigasyaya Road, Colombo 5.	160,000	128,132	160,000	91,107	-	37,025

26.18 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.

Property	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 (Situated at No. 283, R. A De Mel Mawatha, Colombo - 03)	31.12.2021	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 Million (Estimated price per perch)	Positive correlated sensitivity	Estimated fair value would increase/ (decrease) if price per perch would increase/ (decrease)
Building (Situated at No. 283, R. A De Mel Mawatha, Colombo - 03) (Number of Building - 01)	31.12.2021	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 building	Rs.120-Rs.300 (Estimated price per square foot)	Positive correlated sensitivity	Price per square foot would increase/ (decrease) if gross annual rentals would increase/ (decrease)

26.19 Investment Properties

As at the reporting date, the Company has not invested in investment properties (2020 - Nil)

26.20 Revaluation surplus

As at 31 December	2021		
	Land Rs. '000	Building Rs. '000	Total Rs. '000
Revalued amount	160,000	128,132	288,132
Carrying value (prior to revaluation)	160,000	91,107	251,107
Revaluation surplus for 2021 Recognised in OCI	-	37,025	37,025
Revaluation surplus for 2021 Recognised in Income Statement	-	-	-

No revaluation was carried out as at 31 December 2020 in respect of land and building. Hence no gain or loss was recognised in the Income Statement or OCI for the year ended 31 December 2020.

26.21 If Land and building were stated at historical cost, the amounts would have been as follows;

As at 31 December	2021		2020	
	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Cost	85,620	57,279	85,620	92,955
Accumulated depreciation	-	(41,955)	-	(35,676)
Carrying value	85,620	15,324	85,620	57,279

26.22 The effect of revaluation of freehold buildings on the Income Statement in the subsequent period is as follows;

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Depreciation charge per annum after revaluation	7,456	7,456
Depreciation charge per annum prior to revaluation	6,279	6,279
Decrease in profit in subsequent period	1,177	1,177

27 RIGHT OF USE ASSETS

Accounting policy

Recognition

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.

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.

ROU assets

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

Depreciation expenses has been charged to income statement under other operating and administration expenses.

Lease Liabilities

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. Incremental borrowing rate ranges between 5.8% to 17.40%.

NOTES TO THE FINANCIAL STATEMENTS

27 RIGHT OF USE ASSETS (CONTD.)

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.

Interest expenses on lease liabilities

Interest expense is calculated by using the effective interest rate method and is recognised as finance expenses in the Income Statement.

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 within '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.

27.1 Right-of-Use assets

Information about leases for which the Company is a lessee is presented below.

Nature of the leasing activities

The Company has lease contracts for branches and motor vehicles, typically made in between 1 to 5 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Reconciliation of carrying amounts of Right-of-Use assets

As at 31 December	2021			2020
	Building	Motor Vehicle	Total	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 January	752,393	-	752,393	408,044
Additions to right-of-use assets	91,006	27,000	118,006	552,420
Depreciation charge for the year	(243,015)	(2,812)	(245,827)	(195,008)
Derecognition of right-of-use assets	(8,155)	-	(8,155)	(13,063)
Change in fair value	-	-	-	-
Balance as at 31 December	592,229	24,188	616,417	752,393

27.2 Amounts recognised in profit or loss

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Interest expense on lease liabilities	70,744	71,533
Variable lease payments not included in the measurement of lease liabilities	-	-
Depreciation of right-of-use assets	245,827	195,008
Income from sub-leasing right-of-use assets presented in other operating income	-	-
Expenses relating to short-term leases	-	2,691
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-
	316,571	269,232

27.3 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 did not receive cash from leases as the Company is the lessee.

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Total cash out flow for leases	247,136	198,071

27.4 Sale-and-Lease back transactions

The Company does not have sale and leased back transactions as at the reporting date.

27.5 Sub leases

The Company does not have sub leased properties as at the reporting date.

27.6 Lease Terms - Extension Options

Refer Note 3.1.3 on page 269.

27.7 Impairment of ROU assets

As at the reporting date, No impairment loss has been recognised by the Company in respect of impairment of right of use assets due to the COVID-19 pandemic since as each business unit is operating under the business continuity plans as per the Company risk management strategy, to the extent possible, whilst strictly adhering to and supporting government directives.

27.8 Lease liabilities and related disclosures

The information relating to the movement of lease liabilities, maturity analysis and other related disclosures are provided in Notes 43.4, 43.5 and 43.7 respectively.

27.9 Lease commitment for short term leases

As at the reporting date, there were no commitment for short term leases

27.10 Restrictions and covenants imposed by the leases.

There were no restrictions or covenants imposed under lease agreements which required to be disclosed in these financial statements.

28 DEFERRED TAXATION

Accounting policy

Deferred tax is recognised 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 assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

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

Deferred tax assets are recognised 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 recognised a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans.

Deferred 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 realised; such reduction are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

28 DEFERRED TAXATION (CONTD.)

Deferred tax liabilities

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

As explained in Note 22 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 24% ;

Investment income of the shareholder fund less any expenses incurred in the production of such income at a rate of 24% ;

Surplus distributed to a Life Insurance policy holders at a rate of 24% (from 01st April 2018 to 31st March 2021 applicable rate was 14%)

Accordingly, the Directors are of the view that there will not be material temporary differences arising which will result in Deferred tax liabilities to be recognised as at reporting date (2020 - Nil).

Offsetting

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.

Accounting judgements estimates and assumptions

Assessment of recoverability of deferred tax assets

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 recently prepared internal budgets and plans after considering the potential impact from COVID-19 and going concern in a very conservative manner.

In this assessment, the Directors note the composition of the carried forward tax loss as given in the note 28.4. According to the recent budgets and plans of the Company, deferred tax assets can be fully recovered before the end of year 2022.

Further the management carried out sensitivity analysis to enhance the assumption of the recoverability of the deferred tax assets and according to 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 the year 2022.

According to the provision of act No. 24 of 2017, the Company can claim tax losses until 31 March 2024 in legal terms.

Recognition of deferred tax assets

The Company recognised a deferred tax asset consequent to the changes in the Inland Revenue No. 24 of 2017 described in Note 22. As per the Inland Revenue act No. 24 of 2017 which is effective from 1 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 31 December 2021, the cumulative business losses amounted to Rs. 2,813 million. Accordingly, a deferred tax of Rs. 675 million was recognised as at 31 December 2021.

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 as change in accounting estimates.

Impact from change in corporate income tax rate

Change in the income tax rate of a company from 28% to 24% has been approved and implemented to Act with effect from 1 January 2020. Accordingly, the income tax rate of 24% was applied for current tax and deferred tax computation for the year ended 31 December 2021 and accordingly, the Company reversed deferred tax assets of Rs.231.7 Mn for the period ended 31 December 2021.

28.1 Deferred taxation

As at 31 December	2021 Rs.'000	2020 Rs.'000
Deferred tax assets	675,164	1,621,904
Deferred tax liabilities	-	-
Net deferred tax asset	675,164	1,621,904

28.2 Analysis of recognised deferred tax assets / liabilities in the Statement of Financial Position

As at 31 December	2021		2020	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Deferred tax assets on,				
Carry forward tax losses	2,813,183	675,164	5,792,514	1,621,904
Other deductible temporary differences	-	-	-	-
	2,813,183	675,164	5,792,514	1,621,904
Deferred tax liabilities on,				
Taxable temporary differences	-	-	-	-
Net recognised deferred tax assets	2,813,183	675,164	5,792,514	1,621,904

28.3 Movement of deferred tax assets and liabilities

As at 31 December	2021						
	Balance as at 1-Jan Rs. '000	Recognised in income statement Rs. '000	Recognised in OCI Rs. '000	Utilised against tax on bonus declared to Participating policyholders* Rs. '000	Net balance Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000
Deferred tax assets on,							
Carry forward tax losses	1,621,904	(860,806)	-	(85,934)	675,164	675,164	-
Other deductible temporary differences	-	-	-	-	-	-	-
Deferred tax liabilities on,							
Taxable temporary differences	-	-	-	-	-	-	-
Net recognised deferred tax assets	1,621,904	(860,806)	-	(85,934)	675,164	675,164	-

As at 31 December	2020						
	Balance as at 1-Jan Rs. '000	Recognised in income statement Rs. '000	Recognised in OCI Rs. '000	Utilised against tax on bonus declared to Participating policyholders* Rs. '000	Net balance Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000
Deferred tax assets on,							
Carry forward tax losses	2,230,768	(608,864)	-	-	1,621,904	1,621,904	-
Other deductible temporary differences	-	-	-	-	-	-	-
Deferred tax liabilities on							
Taxable temporary differences	-	-	-	-	-	-	-
Net deferred tax assets / (liabilities)	2,230,768	(608,864)	-	-	1,621,904	1,621,904	-

NOTES TO THE FINANCIAL STATEMENTS

* As explained in Note 22, the Company has recognised taxes on surplus distributed to a Life Insurance policy holders at a rate of 24% (from 01st April 2018 to 31st March 2021 applicable rate has 14%). Accordingly, tax payable amount of Rs.86 million on surplus distributed to a Life Insurance policy holder for the period ended 31 December 2021 has been recognised in the Financial Statements and created tax liability was set off against deferred tax assets as at 31 December 2021.

Temporary difference

As per tax base explained in Note 22, 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 (2020 - Nil).

28.4 Analysis of tax losses

The composition of the tax losses as follows

As at 31 December Description	2021 Rs. '000	2020 Rs. '000
Tax losses up to year of assessment 2009/10	1,966,664	1,966,664
Tax losses subject to tax assessments	8,312,766	8,312,766
Tax losses within the time bar	868,802	868,802
Tax losses utilised against taxable Income (cumulative) excluding tax on PAR bonus	(7,976,991)	(5,355,718)
Tax losses utilised against tax on PAR bonus	(358,058)	-
Total carried forward tax losses as at 31 December	2,813,183	5,792,514
Unrecognised tax loss for deferred tax	-	-
Carried forward tax losses for deferred tax as at 31 December	2,813,183	5,792,514

28.5 Movement of tax losses

As at 31 December	2021 Rs. '000	2020 Rs. '000
Opening balance 01 January	5,792,514	7,967,029
Recognised tax loss during the year	-	-
During the year utilised tax loss against income tax liability	(2,621,273)	(2,174,515)
Tax losses utilised against tax on PAR bonus	(358,058)	-
Closing balance 31 December	2,813,183	5,792,514

28.5 a Expiry date of carried forward tax loss

Expiry date of carried forward tax loss as per the Inland Revenue Act. No. 24 of 2017, maximum of six years and this period end on 31 March 2024.

28.6 Unrecognised deferred tax liabilities

As at the reporting date there is no unrecognised deferred tax liabilities (2020 - Nil).

28.7 Deferred tax and income tax on items directly recognised in equity

During the period ended 31 December 2021 the Company did not recognise deferred tax and income tax expenses on transactions which are directly recorded in equity (2020 Nil).

28.8 Unrecognised deferred tax assets

As at the reporting date there is no unrecognised deferred tax assets (2020 - Nil).

28.9 Unrecognised tax losses and unused tax credits

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 (2020 - Nil) and there was no unused tax credit for which no differed tax assets is recognised.

29 FINANCIAL INVESTMENTS

Accounting policy

Refer Notes 4.2 for the Accounting Policies on pages 272 to 277.

Collateral for financial investments

Refer page 289 for collateral details for reverse repo investment held at the reporting date.

Investments supporting restricted regulatory reserve

Refer Note 37.1 on page 346 for composition of investments supporting the restricted regulatory reserve as per the direction issued by the IRCSL dated 20 March 2018.

Fair value of financial instruments

Methodologies and assumption used to determine the fair value of the financial investments are disclosed in Note 7 on pages 303 to 308 of these Financial Statements.

Disclosure of financial risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 6.5 on pages 286 to 299 of these Financial Statements.

Analysis of financial investments based on characteristics

Following notes provide disclosure of the Financial Investments based on characteristics of the each class of Instruments.

29.1 The following table compare the fair values of the financial investments to their carrying values:

As at 31 December	Note	2021		2020	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Amortised Cost (AC)	29.2	25,600,336	24,451,946	19,213,703	19,099,137
Fair Value Through Other Comprehensive Income (FVOCI)	29.3	3,382,909	3,382,909	4,050,055	4,050,055
Fair Value through Profit or Loss (FVTPL)	29.4	5,234,184	5,234,184	4,104,034	4,104,034
Total financial investments		34,217,429	33,069,039	27,367,792	27,253,226

29.2 Financial assets measured at amortised cost

Accounting policy

Recognition

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.

Initial measurement

Financial Instruments classified as amortised cost are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of such instrument.

Subsequent measurement

After initial measurement, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment).

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 Income Statement and losses arising from impairment are recognised as other operating and administration expenses in the Income Statement.

Gain or loss on derecognition

Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

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 Statement of Financial Position 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.

Financial investments - Amortised cost

As at 31 December	Note	2021		2020	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Fixed deposits	29.2.1	4,360,432	4,360,436	1,654,837	1,655,205
Debentures	29.2.2	7,757,716	7,852,820	5,442,447	5,511,028
Treasury bonds		2,308,100	1,898,838	2,350,518	2,350,518
Sri Lanka development bonds		3,418,242	3,459,087	2,796,206	2,830,579
International sovereign bonds		3,175,861	2,300,773	2,723,500	2,504,879
Commercial papers		975,266	975,268	1,990,258	1,990,991
Securitised Papers		713,964	713,969	-	-
Reverse Repo		2,890,755	2,890,755	2,255,937	2,255,937
Total		25,600,336	24,451,946	19,213,703	19,099,137

Gross and net carrying amount of above financial investments are given in Note 29.2.3 on page 336.

NOTES TO THE FINANCIAL STATEMENTS

29.2.1 Fixed deposits

As at 31 December	2021		2020	
	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Licensed commercial banks	2,213,248	2,213,249	1,020,069	1,020,297
Licensed specialised banks	1,096,982	1,096,982	634,768	634,908
Licensed finance companies	1,050,202	1,050,205	-	-
Total	4,360,432	4,360,436	1,654,837	1,655,205

29.2.2 Debentures

As at 31 December	Issue Rating	Maturity Date	Interest Rate %	No. of Debentures	2021		2020	
					Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Banks								
Commercial Bank of Ceylon PLC	AA-	8-Mar-21	10.75	500,000	-	-	50,896	51,924
Commercial Bank of Ceylon PLC	AA-	27-Oct-21	12.00	243,100	-	-	23,907	22,399
Commercial Bank of Ceylon PLC	AA-	22-Jul-28	12.50	1,267,000	133,705	133,729	133,704	133,729
DFCC Bank PLC	A-	29-Mar-25	13.00	2,000,000	219,436	219,732	219,220	219,732
DFCC Bank PLC	A-	23-Oct-25	9.00	5,500,000	559,007	559,357	558,463	559,357
DFCC Bank PLC	A-	9-Nov-23	12.75	500,000	50,527	50,658	50,327	50,658
DFCC Bank PLC	A+	28-Mar-29	13.90	1,564,100	172,709	172,968	172,540	172,969
DFCC Bank PLC	A-	29-Mar-23	12.60	500,000	54,724	54,646	54,679	54,646
Hatton National Bank PLC	AA-	28-Mar-21	11.25	1,000,000	-	-	106,812	109,368
Hatton National Bank PLC	AA+	29-Aug-23	8.00	185,256	16,515	18,668	15,321	17,065
Hatton National Bank PLC	AA-	23-Sep-26	12.80	1,077,200	111,298	111,460	111,299	111,460
Hatton National Bank PLC	A	28-Jul-31	9.50	10,357,600	1,076,708	1,077,814	-	-
Hatton National Bank PLC	AA-	1-Nov-23	13.00	370,200	37,476	40,495	37,331	40,473
Hatton National Bank PLC	AA+	14-Dec-24	8.33	500,000	49,997	37,694	49,995	37,694
National Development Bank	A+	24-Sep-25	9.50	3,000,000	307,377	307,652	307,009	307,652
Nations Trust Bank PLC	BBB+	8-Nov-21	12.80	225,900	-	-	22,868	23,010
Nations Trust Bank PLC	BBB+	20-Apr-23	13.00	1,500,000	163,370	163,624	163,210	163,624
Nations Trust Bank PLC	BBB+	23-Dec-26	12.90	1,500,000	150,400	150,424	150,252	150,424
Nations Trust Bank PLC	A	9-Jul-26	9.15	2,891,600	301,554	301,845	-	-
Nations Trust Bank PLC	BBB+	23-Dec-24	12.80	1,500,000	150,396	150,421	150,249	150,421
Sampath Bank PLC	A	10-Jun-21	12.75	500,000	-	-	53,055	53,563
Sampath Bank PLC	A	21-Dec-22	12.50	2,920,000	295,511	324,390	297,745	324,390
Sampath Bank PLC	A	28-Feb-24	13.90	2,000,000	223,058	251,946	223,002	252,022
Sampath Bank PLC	A	20-Mar-23	12.50	450,000	46,511	46,351	46,454	46,351
Seylan Bank PLC	BBB+	18-Apr-24	15.00	1,500,000	167,473	173,343	168,003	190,503
Seylan Bank PLC	BBB+	29-Mar-25	13.20	1,000,000	103,340	103,364	103,246	103,364
Seylan Bank PLC	BBB+	15-Jul-23	13.75	626,000	67,374	66,585	67,750	68,451
Seylan Bank PLC	BBB+	29-Mar-23	12.85	500,000	51,623	51,542	51,579	51,542
					4,510,089	4,568,708	3,388,916	3,466,791

29.2.2 Debentures (Contd.)

As at 31 December	Issue Rating	Maturity Date	Interest Rate %	No. of Debentures	2021		2020	
					Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Capital Goods								
Hayleys PLC	A+	26-Aug-24	13.00	3,651,100	381,465	351,212	381,088	351,212
				3,651,100	381,465	351,212	381,088	351,212
Diversified Financials								
Citizens Development Business								
Finance PLC	A-	3-Jun-21	12.75	500,000	-	-	50,380	51,244
First Capital Holdings PLC	A	7-Feb-26	9.00	2,188,300	236,327	236,474	-	-
First Capital Treasuries PLC	A-	30-Jan-25	12.75	500,000	52,676	52,690	52,624	52,690
HNB Finance Limited	A	30-Dec-24	13.20	1,000,000	100,034	100,036	99,976	100,036
LOLC Holdings PLC	A	24-Feb-31	12.00	8,000,000	880,822	891,375	-	-
LOLC Holdings PLC	A	31-Jul-22	13.00	1,000,000	105,422	105,829	105,318	105,829
LOLC Holdings PLC	A	27-Sep-24	15.00	3,000,000	311,508	356,322	311,203	321,642
People's Leasing & Finance PLC	A+	16-Nov-21	12.60	1,000,000	-	-	101,023	101,553
People's Leasing & Finance PLC	A+	18-Apr-23	12.80	2,505,200	272,692	273,098	272,424	273,098
Singer Finance PLC	A-	25-Jun-26	8.96	2,000,000	209,081	209,278	-	-
Siyapatha Finance PLC	A	20-Sep-21	13.50	168,000	-	-	17,036	17,434
Siyapatha Finance PLC	BBB+	8-Aug-24	13.33	500,000	52,548	57,023	52,497	56,648
Siyapatha Finance PLC	A	7-Jul-23	11.25	717,600	75,567	75,567	75,492	75,675
					2,296,677	2,357,692	1,137,973	1,155,849
Food Beverage & Tobacco								
Kotagala Plantation PLC	C	31-Aug-22	7.50	92,750	9,034	9,508	-	-
Kotagala Plantation PLC	C	31-Aug-23	7.50	92,750	8,596	9,508	-	-
Kotagala Plantation PLC	C	31-Aug-24	7.50	92,750	8,577	9,508	-	-
Kotagala Plantation PLC	C	31-Aug-25	7.50	92,750	8,564	9,508	-	-
					34,771	38,032	-	-
Insurance								
Softlogic Capital PLC	BBB+	2024-12-19	15.00	1,000,000	100,476	102,493	100,280	102,493
					100,476	102,493	100,280	102,493
Telecommunication								
Sri Lanka Telecom PLC	AA+	2028-04-19	12.75	2,250,000	244,757	245,120	244,758	245,120
Sri Lanka Telecom PLC	AA+	2028-04-19	12.75	1,603,700	164,384	164,460	164,385	164,460
					409,141	409,580	409,143	409,580
Trading								
Abans PLC	BBB+	2024-12-19	12.50	250,000	25,097	25,103	25,047	25,103
					25,097	25,103	25,047	25,103
Total					7,757,716	7,852,820	5,442,447	5,511,028

NOTES TO THE FINANCIAL STATEMENTS

29.2.3 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.

Movement in ECL allowance during the year 2021

As at 31 December	2021							
	Gross carrying amount Rs. '000	ECL						As at 31 December 2021 Rs. '000
As at 1 January 2021 Rs. '000		Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000			
Financial investment at amortised cost								
Fixed deposits	4,360,436	368	(364)	-	-	(364)	4	4,360,432
Debentures	7,760,993	50,667	(4,251)	3,236	(46,375)	(47,390)	3,277	7,757,716
Treasury bonds	2,308,100	-	-	-	-	-	-	2,308,100
Sri Lanka development bonds	3,459,087	34,373	6,472	-	-	6,472	40,845	3,418,242
International sovereign bonds	3,213,789	33,460	4,468	-	-	4,468	37,928	3,175,861
Commercial papers	975,268	732	(730)	-	-	(730)	2	975,266
Securitised Paper	713,968	-	4	-	-	4	4	713,964
Reverse Repo	2,890,755	-	-	-	-	-	-	2,890,755
Total	25,682,396	119,600	5,599	3,236	(46,375)	(37,540)	82,060	25,600,336

Movement in ECL allowance during the year 2020

As at 31 December	2020							
	Gross carrying amount Rs. '000	ECL						As at 31 December 2020 Rs. '000
As at 1 January 2020 Rs. '000		Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000			
Financial investment at amortised cost								
Fixed deposits	1,655,205	113	255	-	-	255	368	1,654,837
Debentures	5,493,114	14,811	2,885	(13,404)	46,375	35,856	50,667	5,442,447
Treasury bonds	2,350,518	-	-	-	-	-	-	2,350,518
Sri Lanka development bonds	2,830,579	-	34,373	-	-	34,373	34,373	2,796,206
International sovereign bonds	2,756,960	-	33,460	-	-	33,460	33,460	2,723,500
Commercial papers	1,990,990	223	509	-	-	509	732	1,990,258
Reverse Repo	2,255,937	-	-	-	-	-	-	2,255,937
Total	19,333,303	15,147	71,482	(13,404)	46,375	104,453	119,600	19,213,703

Sensitivity analysis

Effect of significant changes in the gross carrying amount

The following table illustrates the impact to loss allowance due changes in the gross carrying amounts of financial instruments.

As at 31 December 2021	Increase/ (decrease) in loss allowance			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
5 % increase in gross carrying amount	(3,941)	(162)	-	(4,103)
5 % decrease in gross carrying amount	3,941	162	-	4,103

As at 31 December 2020	Increase/ (decrease) in loss allowance			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
5 % increase in gross carrying amount	(3,702)	-	-	(3,702)
5 % decrease in gross carrying amount	3,702	-	-	3,702

Refer page 293 for sensitivity of ECL to future economic conditions.

Reconciliations to gross carrying amounts by class of financial instrument and impairment allowances.

Refer Notes 6.5.2.1.d and 6.5.2.1.e on page 292 for reconciliation.

Re-classification of financial Instruments at amortised cost

During the year the Company did not re-classify any financial instruments from / to this category.

Maturity analysis

The maturity analysis of financial assets measured at amortised cost is given in Note 6.5.3.a (Table-22) on page 295.

29.3 Financial investments - Fair value through other comprehensive income

Accounting policy

Recognition

FVOCI include 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).

Initial measurement

Financial Instruments classified as FVOCI are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of such instrument.

Subsequent measurement

Debt instruments at FVOCI

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.

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.

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.

Gain or loss on derecognition of equity instruments designated at FVOCI

Gains and losses on these equity instruments are never recycled to Income Statement instead directly transferred to retained earnings from fair value reserve at the time of derecognition.

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Financial investments - Fair value through other comprehensive income (FVOCI)

As at 31 December	Note	2021		2020	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Treasury bonds		1,189,245	1,189,245	1,586,018	1,586,018
Equity securities	29.3.1	2,193,664	2,193,664	2,464,037	2,464,037
Total		3,382,909	3,382,909	4,050,055	4,050,055

29.3.1 Equity securities

As at 31 December	2021 Market price Rs.	2020 Market price Rs.	2021		2020	
			No. of Shares	Carrying value / Fair value Rs. '000	No. of Shares	Carrying value / Fair value Rs. '000
Unlisted						
Banks						
Cargills Bank Limited	-	-	26,600,000	270,256	26,600,000	281,428
				270,256		281,428
Listed						
Banks						
National Development Bank PLC	68.90	78.10	17,900,796	1,233,365	12,269,086	958,216
Commercial Bank of Ceylon PLC	-	80.90	-	-	1,335,526	108,044
Sampath Bank PLC	-	135.60	-	-	574,978	77,967
				1,233,365		1,144,227
Diversified financials						
Softlogic Finance PLC	13.00	11.70	15,688,030	203,944	15,688,030	183,550
People's Leasing & Finance PLC	-	12.40	-	-	1,047,244	12,986
				203,944		196,536
Healthcare equipments & services						
Asiri Hospitals PLC	32.50	34.50	14,956,877	486,099	14,956,877	516,012
				486,099		516,012
Capital goods						
John Keells Holdings PLC	-	149.60	-	-	298,243	44,616
Access Engineering PLC	-	24.60	-	-	2,028,927	49,912
Lanka Tiles PLC	-	143.80	-	-	400,000	57,520
				-		152,048
Consumer durables and apparels						
Teejay Lanka PLC	-	38.00	-	-	1,602,215	60,884
				-		60,884
Energy						
Lanka IOC PLC	-	22.40	-	-	605,000	13,552
				-		13,552
Food beverage & tobacco						
Melstacorp PLC	-	52.00	-	-	1,204,686	62,644
Ceylon Cold Stores PLC	-	704.60	-	-	52,095	36,706
				-		99,350
Total investments in equity securities				2,193,664		2,464,037

29.3.2 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 investment as at 31 December 2021 is Rs.270 million.

Please Refer Note 7.4 on page 306 for valuation method and technique followed by the Company in determining the fair value unlisted financial instruments as at reporting date.

29.3.3 Impairment of financial investments - Fair value through other comprehensive income

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 banking sector consolidation multiplier of 1.5 times as recommended by CBSL.

29.3.4 De-recognition of equity investments classified at FVOCI

During the period ended 31 December 2021, the Company de-recognised Rs. 532 million equity (fair value) investments classified at FVOCI and Cumulative gain of Rs. 5.9 million on derecognition has been transferred to retained earning from fair value reserve.

29.3.5 Re-classification of financial investments at fair value through other comprehensive income

During the financial year, the Company has not re-classified any financial instruments from or to this category.

29.3.6 Provision for impairment

No impairment provision is required to be made in the Financial Statements as at the reporting date in respect of financial investments at fair value through other comprehensive Income since investment in FVOCI comprises of risk-free government securities and equity investments (2020 - Nil).

29.3.7 Maturity analysis

The maturity analysis of financial assets recognised through other comprehensive income is given in Note 6.5.3.a (Table-22) on page 295.

29.4 Financial investments - Fair Value through Profit or Loss (FVTPL)

Accounting policy

Recognition - Financial assets measured at FVTPL

All financial assets other than those classified at amortised cost or FVOCI are classified 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.

Initial measurement

These investments are initially recorded at fair value.

Subsequent measurement

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 Net finance income using the Effective Interest Rate (EIR). Dividend income is recorded in the "Net Finance Income" when the right to the payment has been established.

Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss

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.

Certain investments are designated as at FVTPL because their performance is actively monitored and they are managed on a fair value 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.

NOTES TO THE FINANCIAL STATEMENTS

The Company has not designated any financial assets upon initial recognition as fair value through profit or loss as at the end of the reporting period.

As at 31 December	Note	2021		2020	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Equity securities	29.4.1	346,607	346,607	-	-
Treasury bonds		182,487	182,487	243,286	243,286
Treasury bills		-	-	956,035	956,035
Unlisted perpetual debentures		765,303	765,303	515,381	515,381
Unit trust	29.4.2	3,939,787	3,939,787	2,389,332	2,389,332
Total		5,234,184	5,234,184	4,104,034	4,104,034

Maturity analysis

The maturity analysis of financial assets at fair value through profit or loss is given in Note 6.5.3.a (Table-22) on page 295.

Fair value measurement

Methodologies and assumption used to determine the fair value of the financial instruments are disclosed in Note 7 on page 303 to the Financial Statements.

29.4.1 Equity securities (FVTPL) - listed

As at 31 December	2021			2020		
	Market price Rs.	No. of shares	Carrying / fair value Rs. '000	Market price Rs.	No. of shares	Carrying / fair value Rs. '000
Listed			-			-
Capital goods						
John Keells Holdings PLC	150.00	355,508	53,326	-	-	-
Lanka Tiles PLC	110.00	285,000	31,350	-	-	-
Hayleys PLC	130.00	288,000	37,440	-	-	-
Royal Ceramics Lanka PLC	78.10	666,667	52,067	-	-	-
Richard pieris PLC	24.60	324,903	7,992	-	-	-
Hemas Holdings PLC	66.90	130,000	8,697	-	-	-
			190,872			-
Consumer durables and apparels						
Teejay Lanka PLC	44.40	306,043	13,588	-	-	-
			13,588			-
Diversified financials						
LOLC Holdings PLC	1,162.00	28,448	33,057	-	-	-
			33,057			-
Food baverage & tobacco						
Lanka Milk Food PLC	268.75	110,782	29,773	-	-	-
			29,773			-
Materials						
Alumex PLC	15.90	1,000,000	15,900	-	-	-
			15,900			-
Transportation						
Expolanka Lanka PLC	375.25	169,000	63,417	-	-	-
			63,417			-
Total investments in listed equity shares			346,607			-

29.4.2 Unit trusts

As at 31 December	2021 Unit price Rs.	2020 Unit price Rs.	2021		2020	
			No. of units	Fair value / carrying value Rs. '000	No. of units	Fair value / carrying value Rs. '000
Un-listed						
Capital Alliance - Investment Grade Fund	21.18	19.74	66,728,224	1,412,970	37,303,919	736,375
First Capital - Money Market Fund	2,040.49	1,896.88	366,854	748,562	410,203	778,106
Softlogic Equity Fund	166.08	103.99	499,547	82,967	499,547	51,948
Softlogic Money Market Fund	111.25	103.71	15,238,266	1,695,288	4,489,212	465,565
NAMAL - High Yield Fund	-	24.63	-	-	14,506,779	357,338
Total investment in unit trusts				3,939,787		2,389,332

29.5 Movement of financial investments

	Amortised cost Rs. '000	Fair value through other comprehensive income Rs. '000	Fair value through profit and loss Rs. '000	Total Rs. '000
As at 1 January 2020	6,569,590	3,644,795	4,696,359	14,910,744
Purchases	24,299,421	225,214	4,201,373	28,726,008
Maturities	(7,395,995)	-	-	(7,395,995)
Disposals	(6,902,439)	(466,977)	(2,442,431)	(9,811,847)
Re classification	2,350,518	475,838	(2,826,356)	-
ECL adjustment as per SLFRS 09	(104,453)	-	-	(104,453)
Foreign exchange gain	24,756	-	-	24,756
Fair value gains recorded in the Income Statement	-	-	464,044	464,044
Fair value gains recorded in the Other Comprehensive Income	-	191,197	-	191,197
Amortisation adjustment	372,305	(20,012)	11,045	363,338
As at 31 December 2020	19,213,703	4,050,055	4,104,034	27,367,792

As at 1 January 2021	19,213,703	4,050,055	4,104,034	27,367,792
Purchases	22,466,318	554,555	9,501,608	32,522,481
Maturities	(16,066,662)	-	(1,732,676)	(17,799,338)
Disposals	(1,300,106)	(663,717)	(6,686,340)	(8,650,163)
Re classification	-	-	-	-
ECL adjustment as per SLFRS 09	37,540	-	-	37,540
Foreign exchange gain	442,579	-	-	442,579
Fair value gains recorded in the Income Statement	-	-	7,560	7,560
Fair value gains recorded in the Other Comprehensive Income	-	(548,079)	-	(548,079)
Amortisation adjustment	806,964	(9,905)	39,998	837,057
As at 31 December 2021	25,600,336	3,382,909	5,234,184	34,217,429

NOTES TO THE FINANCIAL STATEMENTS

30 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. 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.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Balance as at 01 January	234,462	224,672
Loans granted during the year	57,026	62,068
Repayments during the year	(94,284)	(78,456)
Change in interest receivable	26,994	26,178
Balance as at 31 December	224,198	234,462

30.1 Maturity analysis

Maturity analysis of loans to policyholder is given in Note 6.5.3.a (Table-22) on page 295.

30.2 Collateral details

The surrender value of the policy loans granted to policyholders as at 31 December 2021 amounted to Rs. 341 million. (2020 - Rs. 347 million).

30.3 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 6.5.2.2 on page 293.

30.4 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.

30.5 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.

30.6 Number of policy loans

Number of policy loans due as at 31 December 2021 was 1,344 (2020 - 1,462).

30.7 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 31 December 2021. 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.

31 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.

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 31 December	2021 Rs. '000	2020 Rs. '000
Reinsurance receivable on outstanding claims	59,768	62,788
Reinsurance receivable on settled claims net of dues	171,819	260,500
Total Reinsurance Receivables	231,587	323,288

31.1 Reinsurance receivable on outstanding claims

This includes reinsurance reserves on claims that has not been paid and the reinsurance receivable has not been received.

31.2 Collateral details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

31.3 Impairment of reinsurance receivables

The Board of Directors has assessed potential impairment loss of reinsurance receivables as at 31 December 2021. 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.

31.4 Fair value of reinsurance receivables

The carrying value of reinsurance receivables approximate the fair value at the reporting date.

31.5 The age analysis of the reinsurance receivable on settled claims is as follows,

As at 31 December	2021 Rs. '000	2020 Rs. '000
Up to 180 days	105,945	194,846
More than 180 days	65,874	65,654
Total	171,819	260,500

31.6 Reinsurance receivable past due but not impaired (on paid claims)

As at 31 December 2021, there were no reinsurance receivable past due but not impaired (2020 - Nil). These relate to parties where there were no recent history of default.

31.7 Risk management practices

Risk management practices on reinsurance receivables are discussed under Note 6.5.2.3 on page 293.

32 PREMIUMS RECEIVABLE

Accounting policy

Premiums receivable are recognised when due and measured on initial recognition at the fair value of the consideration 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 recognised 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 31 December	Note	2021 Rs. '000	2020 Rs. '000
Premiums receivable from;			
Non related parties		747,664	733,732
Related parties	32.1	235,993	122,549
Total premiums receivable		983,657	856,281

32.1 Premium receivables from related parties

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Premium receivables from,			
Parent company -			
Softlogic Capital PLC	45.13	220	62
Ultimate parent company			
- Softlogic Holdings PLC	45.13	1,114	411
Other related parties	45.6.3 & 45.13.1	234,659	122,076
Total		235,993	122,549

32.2 Impairment of premiums receivable

The Board of Directors has assessed potential impairment loss of premium receivables of the Company as at 31 December 2021. Based on the assessment, impairment loss of Rs. 12 million was recognised in the financial statements as at 31 December 2021 (2020 - Rs. 18 million) in respect of premium receivables.

32.3 Collateral details

The Company does not hold any collateral as security against potential default by policyholders.

32.4 Fair value of premiums receivable

The carrying value disclosed above approximates the fair value at the reporting date.

32.5 Risk management initiatives relating to premiums receivable

Risk management practices on premium receivables are discussed under Note 6.5.2.4 on page 294.

NOTES TO THE FINANCIAL STATEMENTS

33 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.

All other receivables and other assets excluding inventories are recognised at cost less accumulated impairment losses.

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Financial assets			
Refundable deposits		65,207	66,792
Receivable from related parties		-	-
Receivable from Fairfirst Insurance Ltd		400	-
Total financial assets		65,607	66,792
Non financial assets			
Inventories		9,655	8,468
Write-down of inventories		-	-
Tax recoverable	33.2	99,814	111,073
Advances and prepayments		711,197	519,760
Others		107,052	128,295
Total non financial assets		927,718	767,596
Total receivables and other assets		993,325	834,388

33.1 Maturity analysis

Refer Note 6.5.3.a (Table-22) on page 295 for maturity analysis of other assets.

33.2 Tax recoverable

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
WHT receivable		99,814	99,813
Notional tax recoverable	33.2.1	-	11,260
		99,814	111,073

33.2.1 Notional tax on government securities

As at 31 December	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	11,260	40,236
Notional tax addition during the year	-	-
Notional tax utilised during the year	(11,260)	(40,322)
Write back / (Write off) of notional tax recoverable	-	11,346
Balance as at 31 December	-	11,260

33.3 Fair value of receivables and other assets

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.

33.4 Loans granted to directors

No loans have been granted to the Directors of the Company.

33.5 Security for liabilities

None of the inventories have been pledged as securities for liabilities as at the reporting date (2020 - Nil).

33.6 Impairment of receivables and other assets

The Board of Directors has assessed potential impairment loss of receivable and other assets as at 31 December 2021. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of receivable and other assets (2020-Nil).

34 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.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Cash in hand	6,245	5,921
Cash at bank	690,675	548,441
Total cash and cash equivalents	696,920	554,362

34.1 Cash and cash equivalent in the Statement of Cash Flows

As at 31 December	2021 Rs. '000	2020 Rs. '000
Cash in hand and at bank	696,920	554,362
Bank overdrafts used for cash management purpose	(290,550)	(225,390)
Cash and cash equivalents in the Statement of Cash Flows	406,370	328,972

34.2 Fair value of cash and cash equivalents

The carrying amounts disclosed above reasonably approximate to fair value at the reporting date.

34.3 Risk management initiatives relating to cash and cash equivalents

Refer Note 6.5.2.6 on page 294 for risk management initiatives relating to cash and cash equivalents.

34.3 Unutilised bank facilities

Refer note 6.5.3.c for Unutilised bank facilities that are available as at the reporting date. There is no restrictions on the use of these facilities.

35 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.

35.1 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

As at 31 December	No. of Shares	Amount Rs. '000
Fully paid ordinary shares		
As at 1 January 2020	375,000,000	1,062,500
Share issue / Re purchase	-	-
Own shares acquired in the year	-	-
As at 31 December 2020	375,000,000	1,062,500
Share issue / Re purchase	-	-
Own shares acquired in the year	-	-
As at 31 December 2021	375,000,000	1,062,500

Refer share information section in page 378 for more information on the composition of shares in issue as at 31 December 2021.

35.2 Tier II Capital

On 24th August 2020, the Company entered Tier II Subordinated debt transaction to provide funding to future development of the business objectives of the Company. Details on Tier II capital is given in Note 41 on page 356.

36 RETAINED EARNINGS

As at 31 December	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	9,290,347	7,764,216
Realised gain on equity instruments directly recognised in equity	5,971	-
Profit for the year	2,104,868	1,521,483
Defined benefit plan actuarial gain / (losses) on net of tax	(10,102)	4,648
Dividend paid	(937,500)	-
Balance as at 31 December	10,453,584	9,290,347

37 RESTRICTED REGULATORY RESERVE

Nature and purpose of reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20 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 31 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 39.20 are met. As required by the said direction, the Company received the approval for this transfer on 29 March 2018.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	798,004	798,004
Transfer of One-off Surplus from policyholder fund	-	-
Balance as at 31 December	798,004	798,004

NOTES TO THE FINANCIAL STATEMENTS

37.1 Composition of investments supporting the restricted regulatory reserve

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 31 December 2021 as follows.

Asset category	Face value	Market value
	2021 Rs.	2021 Rs. '000
ISIN No		
LKB03044A010	100,000,000	118,930
LKB01534I155	50,000,000	45,622
LKB01534I155	50,000,000	45,622
LKB01534I155	50,000,000	45,622
LKB01534I155	50,000,000	45,622
LKB01528I017	100,000,000	104,365
LKB01529E014	50,000,000	55,091
LKB01529E014	50,000,000	55,091
LKB01529E014	50,000,000	55,091
LKB00322K152	200,000,000	197,275
Deposits		
National Savings Bank		100,018
Total market value of the assets		868,349
Restricted regulatory reserve		798,004
Excess assets		70,345

38 OTHER RESERVES

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Fair value reserve	38.1	(1,855,391)	(1,307,312)
Revaluation reserve	38.2	129,733	92,708
Total other reserve		(1,725,658)	(1,214,604)

38.1 Fair value reserve

Nature and purpose of fair value reserve

The Company has adopted SLFRS 9 Financial Instruments Accounting Standard with effect from 1 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 1 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.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	(1,307,312)	(1,498,509)
Net fair value gains / (losses) on remeasuring financial assets at FVOCI;		
Equity instruments	(155,240)	(110,176)
Debt instruments	(391,981)	287,106
Reclassification from OCI to income statement - Debt instruments	5,113	14,267
Reclassification of realised gain from fair value reserve to retained earning - Equity instruments	(5,971)	-
Balance as at 31 December	(1,855,391)	(1,307,312)

38.2 Revaluation reserve

Accounting policy

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings as at the date of revaluation.

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January		92,708	92,708
Gain on revaluation of land and building	26.15	37,025	-
Balance as at 31 December		129,733	92,708

38.2.1 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 written down 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.

39 INSURANCE CONTRACT LIABILITIES

Accounting policy

39.1 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 (RBC) with effect from 1 January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

As per RBC rules w.e.f 1 January 2016 the value of the life insurance liabilities are determined as follows;

Life insurance liabilities = Best Estimate long term Liability (BEL) + Risk Margin for adverse deviation (RM)

Best estimate liability is measured sum of the present value of all future best estimate cash flows calculated as per the RBC principles and the discount rate estimated as per the clarification note issued by CA Sri Lanka for financial reporting.

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
- Persistency rates
- Morbidity rates
- Expense and future inflation
- Participating fund yield
- Discount rates

Assumptions are estimated on a realistic basis at the end of financial year with 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). However any negative liabilities that arise have been zeroed at product level when determining the aggregate liability.

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.

39.2 Accounting judgements, estimates and assumptions

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 an 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

39.2 Accounting judgements, estimates and assumptions (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.

Refer Notes 39.9, 39.10 for more information on use of judgements, estimates and assumptions relating to insurance contract liabilities

Insurance contract liabilities

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Life insurance fund		19,823,775	15,784,544
Surplus created due to change in valuation method from NPV to GPV	39.17	1,056,535	1,056,535
Life fund with one-off surplus	39.5	20,880,310	16,841,079
Claims payables / Unclaimed benefits	39.22	612,447	642,626
Total insurance contract liabilities		21,492,757	17,483,705

39.3 Impact of COVID-19 outbreak

There is no material impact on the insurance contract liabilities due to COVID-19 outbreak as at 31 December 2021 since insurance contract liabilities are determined by using the discount rate and methodology as disclosed in Note 39.10. However, COVID-19 outbreak has impacted to insurance business. Refer integrated risk management report on page 236 for more details on the risk and risk management initiatives.

39.4 Details of policy liabilities for the participating and non-participating funds are provided as follows.

As at 31 December	2021			2020		
	Participating Rs. '000	Non-participating Rs. '000	Total Rs. '000	Participating Rs. '000	Non-participating Rs. '000	Total Rs. '000
Policy liabilities	7,562,640	12,261,135	19,823,775	6,529,867	9,254,677	15,784,544
One-off surplus	1,056,535	-	1,056,535	1,056,535	-	1,056,535
Total policy liabilities	8,619,175	12,261,135	20,880,310	7,586,402	9,254,677	16,841,079

39.5 Movement in life insurance fund

As at 31 December	Note	2021			2020		
		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 1 January		18,721,916	(1,880,837)	16,841,079	10,541,576	(802,496)	9,739,080
Premiums received	10	20,053,302	(1,857,795)	18,195,507	15,660,116	(1,872,616)	13,787,500
Liabilities released for payments on death, surrender and other terminations in the year	16.1	(6,453,106)	551,038	(5,902,068)	(4,175,075)	608,278	(3,566,797)
Net finance and other income		1,871,754	-	1,871,754	1,703,473	-	1,703,473
Net acquisition and other expenses		(7,954,980)	228,213	(7,726,767)	(6,731,404)	185,997	(6,545,407)
Surplus distributed to shareholders	39.13	(2,295,000)	-	(2,295,000)	(1,778,800)	-	(1,778,800)
Change in contract liabilities life fund		5,221,970	(1,078,544)	4,143,426	4,678,310	(1,078,341)	3,599,969
Financial reinsurance arrangement	39.7	-	-	-	3,542,352	-	3,542,352
Tax on policyholder bonus		(104,195)	-	(104,195)	(40,322)	-	(40,322)
Balance as at 31 December		23,839,691	(2,959,381)	20,880,310	18,721,916	(1,880,837)	16,841,079

39.6 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 certified by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India Private Limited as at 31 December 2021.

39.7 Financial reinsurance arrangement

Accounting policy

Recognition of initial commission

Reinsurance commission income is recognised in the Income Statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. Accordingly, initial commission income generated from life quota share agreement recognised when it is received or due in full.

Subsequent amortisation

Initially the Company made one off release from the initial reinsurance commission to absorb the new business strain arising from newly launched non-participating universal life product. The remaining unallocated surplus arising from initial commission of reinsurance agreement will be released to the Income statement over the period (as best estimate duration) of quota share agreement on an equal instalment.

39.8 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 31 December 2021. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

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 on accounting standards purpose in arriving to surplus calculation.

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" using a discount rate	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 Life Non-Participating products	Discounting "Net Cash Flows" using a discount rate Max (account value, discounted cash flow liability)	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

39.9 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	
Discount rate	Top down approach has been used and discount rate assumptions are disclosed in Note 39.10
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 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 expenses incurred during 2021.
	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 5.0% p.a. The expense inflation assumption has remained unchanged since previous valuation. The assumption is in line with the expectations for a long-term inflation target of Central Bank of Sri Lanka which is understood to be in the range of 4% to 6%.
Bonus rates	Bonus rate scale assumed has been arrived based on bonus declared as at 31 December 2021, 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.

Accounting judgements, estimates and assumptions

39.10 Discount rate

Insurance contract liabilities shall be measured in term of SLFRS 4 by applying current market interest rates where any changes to be recognised in income statement. In arriving at such rates, CA Sri Lanka has issued a guidance note allowing insurers to apply professional judgment in applying the current market interest rates by way of considering timing and liquidity nature of the insurance liability.

Methodology

Noting the potential difficulties in establishing an appropriate 'liquid risk free yield curve' from the observable Sri Lankan market data, a 'top-down approach' is proposed for the determining the appropriate discount rates. Under such an approach, the yield curve is constructed to represent yields implicit in a fair value measurement of a reference portfolio of assets whilst attempting to eliminate any factors that are not relevant to the insurance contracts.

Assumption	Description
Choice of reference portfolio	The current assets backing the Life Fund are taken as the initial reference portfolio. Assets within the Life Fund are split between participating, universal life and non-participating funds.
Rates of return implicit in a fair value measurement of the reference portfolio	Fair value of existing assets for the purpose of discount rate construction is assessed on a consistent basis as the fair value assessed for these assets in the Statement of Financial Position. Implied returns for existing assets are taken as the yields that would be required that would result in the discounted present value of asset flows to be equal to the reported fair value in the Statement of Financial Position.
Adjustment for credit risk	Fair value of corporate bonds include an allowance for potential credit risk of the issuer. Allowance for risk of default within the corporate bond spreads has been removed from the implied yields as it is not relevant for valuation of the insurance contracts. Total spread is assumed to comprise a spread for default risk and illiquidity – the spread in respect of default risk is estimated by isolating the illiquidity premium.
Assets representing future (re)investments	The initial reference portfolio of existing assets is then extended to include future (re)investments of net positive future cash-flows that would be required to meet any subsequent shortfalls. These (re)investments are assumed to yield a risk-adjusted return determined by having regard to historic mean reversions of the published government bond yields over the short to medium term and to a long term 'ultimate forward rate' over the long term assuming a convergence period of 40 years for the historic average yields in the short/medium term to converge to ultimate forward rate in the long term.
Yield curve	A complete term structure is derived based on the effective overall 'time-weighted rate of return' for the reference portfolio assets.

39.11 Sensitivity analysis

Sensitivity analysis of life insurance fund is provided in Note 6.3.d on page 282.

39.12 Analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance

As at 31 December	2021 Rs. '000	2020 Rs. '000
< 1 year	296,557	383,706
1 to 3 years	1,498,776	774,923
> 3 years	13,095,483	11,156,312
Total	14,890,816	12,314,941

39.13 Recommendation of surplus transfer

The valuation of life insurance fund as at 31 December 2021 was made by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India Private Limited. Based on the recommendation, the Company transferred surplus from policyholder fund to shareholder fund as follows:

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Participating life insurance fund to shareholder fund	-	-
Non-Participating life insurance fund to shareholder fund	2,295,000	1,778,800
Total	2,295,000	1,778,800

Subsequent to the transfer the surplus of Rs. 2,295 million, life fund stands as Rs. 20,880 million as at 31 December 2021, including the liability in respect of bonuses and dividends declared up to and including for the year 2021 as well as surplus created due to change in valuation method of policy liabilities from NPV to GPV in the participating fund.

39.14 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 24% from 01st April 2021 (from 01st April 2018 to 31st March 2021 applicable rate was 14%). 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. 428 million (Please refer point (f) of the Actuarial report provided in page 254) 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.

39.15 Solvency margin

The Company maintains a Capital Adequacy Ratio (CAR) 395% on regulatory basis and Total Available Capital (TAC) of Rs. 27,082 million as at 31 December 2021, 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.

39.16 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 sufficient 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 31 December 2021. 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 31 December 2021.

No additional provision was required against the LAT as at 31 December 2021.

Details of LAT reports is provided in page 255 to this report.

NOTES TO THE FINANCIAL STATEMENTS

39.17 Surplus created due to change in valuation method - One-off surplus zeroed at product level

Accounting policy

Refer note 39.1 for accounting policy

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	Non-participating fund	Total
	Rs. '000	Rs. '000	Rs. '000
Value of Insurance contract liability based on Independent Actuary - NPV as at 31 December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31 December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 1 January 2016	1,056,535	798,004	1,854,539

39.18 Transfer of one-off surplus from non participating fund to shareholder fund

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on "Guidelines/Directions for Identification and Treatment of One-off Surplus" and has instructed all life insurance companies to comply with the direction. Based on the guidelines life insurance companies are directed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Shareholder Fund as at the reporting year ended 31 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.

Further distribution of One-off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements (Refer Note 39.20) stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-off Surplus in the Shareholder Fund will remain invested in government debt securities and deposits as disclosed in Note 37.1 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 Shareholder Fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

39.19 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 31 December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31 December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to change in valuation method - One-off surplus as at 1 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)
Remain One-off Surplus in insurance contract liabilities as at 31 December 2021	1,056,535	-	1,056,535

39.20 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 Shareholder 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.

39.21 Disclosures as required by Direction 16 issued by IRCSL

Disclosure in financial statements	Compliance with the requirement	Note	Page
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'.	Complied	-	264
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.	N/A for current year	-	-
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	39.20	353
The basis of computation of one - off surplus. Any deviation from the direction in respect of determining the 'minimum one - off surplus'.	Complied	39.17	352
One-off surplus relating to participating and other than participating should be disclosed separately	Complied	39.17	352
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	-	263
Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied	37.1	346

39.22 Direction 18 - Unclaimed benefits of long term insurance business

Unclaimed benefits of long term insurance business are recorded in the life insurance fund. There were no transfer of any unclaimed benefits from Policyholder Fund to Shareholders Fund during the period ended 31 December 2021 (31 December 2020 - Nil).

As at 31 December	2021 Rs. '000	2020 Rs. '000
Unclaimed benefits	268,706	302,662
Other claim payables	343,741	339,964
Total	612,447	642,626

NOTES TO THE FINANCIAL STATEMENTS

40 EMPLOYEE BENEFIT LIABILITIES

Accounting policy

Refer Note 19.1 for accounting policy

40.1 Defined contribution plans

Following contributions have been made to Employees Provident Fund and Employee Trust Fund during the year.

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Employees' provident fund		
Employer's contribution (12%)	95,915	86,265
Employees' contribution (8%)	63,943	57,510
Employees' trust fund		
Employer's contribution (3%)	23,979	21,519

40.2 Defined benefit plans - Provision for employee benefit liabilities

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 and is a final salary defined benefit plan.

Recognition of actuarial gain / (losses), current services cost and interest cost

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in the 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.

When the benefits of a plan are changed or when a plan is curtailed, resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Valuation of employee benefit liabilities

An actuarial valuation of the retirement gratuity payable as at 31 December 2021 was carried out 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'.

The actuarial valuation involves making assumptions. Further, the Company has considered the impact from COVID-19 pandemic on the defined benefit obligations. Due to the complexity of the valuation and the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The defined benefit plans in typically expose the Company to following risks.

Interest risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to long term interest rate. Accordingly, a decrease in the long-term interest rate will increase the plan liability.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

40.3 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 19% were used in the actuarial valuation carried out as at December 31st 2021. (2020 - 15% 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. (60 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 10.5% p.a. (2020 - 8% 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. (2020 - 8% p.a.) has been used in respect of the active employees.

40.4 Movement in the present value of employee benefit liabilities

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Present value of unfunded obligation		192,629	182,332
Defined benefit obligations as at 1 January		182,332	151,027
Expenses recognised in income statement	40.5	40,744	40,834
Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income	40.6	10,102	(4,648)
Other			
Gratuity payments during the year		(40,549)	(4,881)
Defined benefit obligations as at 31 December		192,629	182,332

40.5 Expenses recognised in income statement

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Interest cost	14,587	16,613
Current service costs	26,157	24,221
Total expenses recognised in income statement	40,744	40,834

During 2021, the pension arrangements were adjusted to reflect new legal requirements in the country regarding the retirement age. A corresponding past service credit was recognized in profit or loss during 2021.

40.6 Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Actuarial (gain) / loss arising from;		
Change in demographic assumptions	80	1,256
Change in financial assumptions	(1,768)	4,724
Change in experience adjustment	11,790	(10,628)
Total	10,102	(4,648)

40.7 Expected contributions to defined contribution and defined benefit plan

For the year ended 31 December	2022 Rs. '000
Employees' provident fund	
Employer's contribution (12%)	105,506
Employees' contribution (8%)	70,337
Employees' trust fund	
Employer's contribution (3%)	26,376
Defined benefit plans	40,270

40.8 Maturity analysis of the payments

As at 31 December	2021 Rs. '000	2020 Rs. '000
Within next 12 months	46,287	57,278
Between 1 to 2 years	47,762	37,573
Between 2 to 5 years	43,309	40,039
Between 5 to 10 years	41,079	27,754
Beyond 10 years	14,192	19,688
Total expected payments	192,629	182,332
Weighted average duration of defined benefit obligation	4.37 years	4.44 years

40.9 Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the discount rate and salary increment rates assuming all other variables held constant in the employment benefit liability measurement.

As at 31 December	2021	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000
Discount rate		
1% increase in discount rate	(7,332)	185,297
1% decrease in discount rate	7,987	200,616
Salary increment rate		
1% increase in salary increment rate	8,857	201,486
1% decrease in salary increment rate	(8,273)	184,356

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2020	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000

Discount rate

1% increase in discount rate	(7,218)	175,114
1% decrease in discount rate	7,936	190,268

Salary increment rate

1% increase in salary increment rate	8,634	190,966
1% decrease in salary increment rate	(7,995)	174,337

40.10 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. The Company used "Projected Unit Credit method (PUC)" when calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions as at 31 December 2021.

The methods and types of assumptions used in preparing the sensitivity analysis has not change compared to the prior period.

40.11 Employee benefits for key management personnel

Employee benefits of key management personnel is disclosed in Note 45.6.1.

41 LOANS AND BORROWINGS

Accounting policy

Refer Note 4.3 for accounting policy

41.1 Loan movement

As at 31 December	2021 Rs. '000	2020 Rs. '000
Balance as at 01 January	2,852,245	-
Cash movement		
Loans obtained	-	2,772,300
Capital repayments	-	-
Interest payments	(230,388)	-
Non cash movement		
Interest expenses	222,220	52,495
Exchange rate adjustments	220,917	27,450
Balance as at 31 December	3,064,994	2,852,245

41.1.a Current and Non Current Portions

As at 31 December	2021 Rs. '000	2020 Rs. '000
Repayable within one year	53,744	52,495
Repayable after one year	3,011,250	2,799,750
	3,064,994	2,852,245

41.2 Nature and purpose the transaction

Softlogic Life Insurance PLC entered into a long-term financing agreement with the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and the Norwegian Investment Fund for Developing Countries for USD 15 million Tier II subordinated debt transaction to provide funding to future development of business objectives of the Company. The facility was signed on 24 August 2020.

41.3 Defaults and breaches

The Company did not have any defaults of principal or interest or other breaches with respect to its loans and borrowings during the years ended 31 December 2021 and 31 December 2020.

41.4 Security and repayment terms

Nominal Interest rate	6 month LIBOR based plus margin
Repayment terms	The loan shall be repaid in full on the maturity date
Carrying value of collaterals	None of assets have been pledged as securities for these liabilities
Interest payable frequency	Bi annually
Allotment date	02-10-2020
Maturity Date	02-10-2025
Interest rate of comparable government security	6.71%

41.5 Tier II capital securities

Tier 2 capital securities are either perpetual or dated subordinated securities on which there is an obligation to pay coupons. According to the RBC rule, the Company's subordinated debt securities are included within the Company's regulatory capital base as Tier 2 capital.

41.6 Maturity analysis

The maturity analysis of loans and borrowings is given in Note 6.5.3.a (Table-22) on pages 295.

42 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 31 December	2021 Rs. '000	2020 Rs. '000
As at 1 January	636,060	428,557
Arose during the year	1,857,795	1,872,616
Utilised during the year	(1,453,600)	(1,665,113)
Balance as at 31 December	1,040,255	636,060

43 OTHER LIABILITIES

Accounting policy

Financial liabilities

Refer Note 4.3 for accounting policy relating to financial liabilities.

Other liabilities

Other liabilities include accruals and advances, and these liabilities are recorded at the amounts that are expected to be paid.

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Financial liabilities			
Commission / Incentive payable	43.2	739,173	552,966
Premium deposit		218,082	157,162
Amounts due to related parties	43.3	20,109	18,729
Other payables		45,974	17,357
Lease liabilities	43.4	653,425	751,068
Total financial liabilities		1,676,763	1,497,282
Non financial liabilities			
Accruals		821,908	356,645
Tax and other statutory payables	43.8	89,512	36,296
Total non financial liabilities		911,420	392,941
Total other liabilities		2,588,183	1,890,223

43.1 Maturity Analysis

Maturity schedules of other financial liabilities are disclosed in Note 6.5.3.a (Table 22).

43.2 Commission / Incentive payable

Provisions

As at 31 December	2021 Rs. '000	2020 Rs. '000
As at 01 January	552,966	427,484
Provision made during the year	4,061,809	3,101,661
Payments made during the year	(3,875,602)	(2,976,179)
Balance as at 31 December	739,173	552,966

43.3 Amounts due to related companies

Amounts due to related companies represents fund management fees and rent payable to group companies as follows.

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Softlogic Capital PLC	45.13	10,533	18,729
Softlogic Asset Management (Pvt) Ltd	45.14	9,576	-
Total		20,109	18,729

43.4 Lease liabilities

Please refer Note 27 for accounting policy relating to leases under SLFRS 16.

As at 31 December	2021			2020
	Leasehold properties Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000	Leasehold properties Rs. '000
Lease liabilities as at 1 January	751,068	-	751,068	368,435
Recognition of new lease agreement during the period*	72,124	15,000	87,124	523,707
Interest Expenses	70,238	506	70,744	71,533
Payment of lease liabilities	(244,766)	(2,370)	(247,136)	(198,071)
De-recognition	(8,375)	-	(8,375)	(14,536)
Cumulative lease liabilities as at 31 December	640,289	13,136	653,425	751,068

*Rent prepayments has been recognised as RoU assets and therefore additions to lease liabilities are not equivalent to newly recognised RoU assets.

NOTES TO THE FINANCIAL STATEMENTS

43.5 Maturity analysis – Contractual undiscounted cash flows

As at 31 December	2021 Rs. '000	2020 Rs. '000
Less than one year	280,143	251,616
Between one and five years	455,970	599,282
More than five years	-	-
Total undiscounted lease liabilities as at 31 December	736,113	850,898
Lease liabilities included in the Statement of Financial Position as at 31 December	653,425	751,068
Undiscounted cash flows		
Current	280,143	251,616
Non current	455,970	599,282
Total	736,113	850,898

Lease liabilities included in the Statement of Financial Position as at 31 December.

43.6 Maturity Analysis – Discounted cash flows

Refer Note 6.5.3.a (Table-22) on page 295.

43.7 Sensitivity analysis of lease liabilities

The following table demonstrate the impact arising from the possible changes in the incremental borrowing rate on the lease liabilities of the Company as at 31 December 2021 and 2020 assuming all other variables are remain constant.

As at 31 December	2021		2020	
	Effect on PBT Rs. '000	Estimated lease liabilities Rs. '000	Effect on PBT Rs. '000	Estimated lease liabilities Rs. '000
1% increase in discount rate	(8,807)	644,618	(12,349)	738,719
1% decrease in discount rate	8,993	662,418	12,727	763,795

43.8 Tax and other statutory payables

As at 31 December	2021 Rs. '000	2020 Rs. '000
CGIF levy payable	50,133	-
Crop insurance levy	8,689	9,457
EPF / ETF payable	15,561	14,385
CESS payable	10,458	6,691
PAYE tax payable	2,191	3,331
Other	2,480	2,432
Total	89,512	36,296

44 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 revenue 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 chief 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 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 and known as the Life Insurance Fund.
Shareholder fund	Shareholder fund represents the investment income and their attributable profits

Aggregation

No operating segments have been aggregated to form the above reportable segments.

Graphical representation of segment information are provided in financial highlights on page 253.

44.1 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.

44.2 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.

44.2.1 Summary of segment financial performances and reconciliation of information on reportable segments to the amounts reported in the Financial Statements

For the year ended 31 December	2021				2020			
	Policyholder fund Rs. '000	Shareholder fund Rs.'000	Unallocated/ eliminations Rs. '000	Consolidated revenue Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs.'000	Unallocated/ eliminations Rs. '000	Consolidated revenue Rs. '000
Segment revenue								
External revenues								
Net written premiums	18,195,507	-	-	18,195,507	13,787,500	-	-	13,787,500
Interest income	1,434,429	849,928	-	2,284,357	1,211,784	304,577	-	1,516,361
Other revenue	437,325	53,947	-	491,272	491,689	268,064	-	759,753
Total external revenues	20,067,261	903,875	-	20,971,136	15,490,973	572,641	-	16,063,614
Inter-segment revenue	-	-	-	-	-	-	-	-
Total net revenue	20,067,261	903,875	-	20,971,136	15,490,973	572,641	-	16,063,614
Interest expense / finance cost	37,885	(221,454)	-	(183,569)	(119,944)	(52,233)	-	(172,177)
Depreciation and amortisation	(250,453)	(133,550)	-	(384,003)	(202,464)	(139,728)	-	(342,192)
Net Insurance claims and benefits	(5,902,068)	-	-	(5,902,068)	(3,566,797)	-	-	(3,566,797)
Change in contract liabilities	(4,143,426)	-	-	(4,143,426)	(3,599,969)	-	-	(3,599,969)
Other expenses	(7,514,199)	121,803	-	(7,392,396)	(6,222,999)	(29,133)	-	(6,252,132)
Total claims, benefits and other expenses	(17,772,261)	(233,201)	-	(18,005,462)	(13,712,173)	(221,094)	-	(13,933,267)
Segment profit before tax	2,295,000	670,674	-	2,965,674	1,778,800	351,547	-	2,130,347
Income tax expenses	(550,800)	(310,006)	-	(860,806)	(498,064)	(110,800)	-	(608,864)
Segment profit/ (Loss) after tax	1,744,200	360,668	-	2,104,868	1,280,736	(240,747)	-	1,521,483

Evaluation of segment performance

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

44.2.2 Summary of segment financial position and reconciliation of information on reportable segments to the amounts reported in the Financial Statements

As at 31 December	2021				2020			
	Policyholder fund Rs. '000	Shareholder fund Rs.'000	Unallocated / eliminations Rs. '000	Consolidated assets and liabilities Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs.'000	Unallocated / eliminations Rs. '000	Consolidated assets and liabilities Rs. '000
Assets								
Intangible assets	-	1,356	-	1,356	-	404	-	404
Property, plant and equipment	288,132	329,613	-	617,745	258,544	402,384	-	660,928
Right of use assets	592,229	24,188	-	616,417	752,393	-	-	752,393
Deferred tax assets	-	675,164	-	675,164	-	1,621,904	-	1,621,904
Financial investments	23,508,035	10,709,394	-	34,217,429	19,308,100	8,059,692	-	27,367,792
Loans to life policyholders	224,198	-	-	224,198	234,462	-	-	234,462
Reinsurance receivables	231,587	-	-	231,587	323,288	-	-	323,288
Premium receivables	983,657	-	-	983,657	856,281	-	-	856,281
Receivables and other assets	843,125	150,200	-	993,325	717,616	116,772	-	834,388
Cash and cash equivalents	694,886	2,034	-	696,920	435,723	118,639	-	554,362
Total assets	27,365,849	11,891,949	-	39,257,798	22,886,407	10,319,795	-	33,206,202
Equity and liabilities								
Equity								
Stated capital	-	1,062,500	-	1,062,500	-	1,062,500	-	1,062,500
Retained earnings	(37,347)	10,490,931	-	10,453,584	(27,245)	9,317,592	-	9,290,347
Restricted regulatory reserve	-	798,004	-	798,004	-	798,004	-	798,004
Other reserves	(369,401)	(1,356,257)	-	(1,725,658)	(29,252)	(1,185,352)	-	(1,214,604)
Total equity	(406,748)	10,995,178	-	10,588,430	(56,497)	9,992,744	-	9,936,247
Liabilities								
Insurance contract liabilities	21,492,757	-	-	21,492,757	17,483,705	-	-	17,483,705
Employee benefit liabilities	192,629	-	-	192,629	182,332	-	-	182,332
Loans and borrowings	-	3,064,994	-	3,064,994	-	2,852,245	-	2,852,245
Reinsurance payables	1,040,255	-	-	1,040,255	636,060	-	-	636,060
Other liabilities	4,756,406	(2,168,223)	-	2,588,183	4,415,417	(2,525,194)	-	1,890,223
Bank overdraft	290,550	-	-	290,550	225,390	-	-	225,390
Total liabilities	27,772,597	896,771	-	28,669,368	22,942,904	327,051	-	23,269,955
Total equity and liabilities	27,365,849	11,891,949	-	39,257,798	22,886,407	10,319,795	-	33,206,202
Capital expenditure	-	59,241	-	59,241	-	132,604	-	132,604

44.2.3 Summary of segment cash flows

For the year ended 31 December	2021			2020		
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000
Cash flows from,						
Operating activities	6,630,876	352,936	6,983,812	8,653,303	380,135	9,033,438
Investing activities	(6,189,737)	467,959	(5,721,778)	(8,444,403)	(3,035,114)	(11,479,517)
Financing activities	(247,136)	(937,500)	(1,184,636)	(198,071)	2,772,300	2,574,229

44.3 Major customers

The Company doesn't have any major customers.

44.4 Impairment

For the year ended 31 December	2021			2020		
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000
Impairment losses / (reversal) recognised in profit or loss	265	(37,805)	(37,540)	37,646	66,807	104,453

Financial assets pledged as collateral for liabilities

There was no financial investment pledged as collateral for liabilities or contingent liabilities

45 RELATED PARTY DISCLOSURE

Accounting policy

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'.

45.1 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.

45.1.1 Guarantees

No guarantees given or received during the period.

45.2 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 31 December 2021 audited financial statements, which required additional disclosures in the 2021 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.

45.3 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 2021 audited financial Statements, which required additional disclosures in the 2020 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.

45.4 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.

45.4.1 Ultimate parent of the group

The group does not have an identifiable parent of its own.

45.5 Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures", 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.

45.6 Transactions with KMP

Please refer Note 45.1 for terms and conditions of transactions.

45.6.1 Compensation of KMP

For the year ended 31 December	2021	2020
Nature of transactions	Rs. '000	Rs. '000
Short term employment benefits	56,124	63,287
Post-employment benefits	5,595	6,180
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Fees paid	12,798	14,286
Total	74,517	83,753

NOTES TO THE FINANCIAL STATEMENTS

45.6.2 Transactions with KMP recorded in Income Statement

For the year ended 31 December		2021	2020
Nature of transactions	Note	Rs. '000	Rs. '000
Insurance premiums		2,207	10,692
Professional charges		-	-
Compensation to KMP	45.6.1	74,517	83,753
Total		76,724	94,445

45.6.3 Transactions with KMP Recorded in statement of financial position

As at 31 December		2021	2020
Nature of transactions		Rs. '000	Rs. '000
Assets			
Insurance premiums receivable		-	2,121
Total		-	2,121

As at the reporting date, no Impairment losses have been recorded against balances outstanding from KMP.

45.6.4 Loans to directors

No loans have been granted to the Directors of the Company.

45.7 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 IFM of KMP of the Company during the year (2020 - Nil).

45.12 Transactions with parent and ultimate parent

Please refer Note 45.1 for terms and conditions of transactions

Transactions recorded in income statement

For the year ended 31 December	Transactions with parent (Softlogic Capital PLC)		Transactions with ultimate parent (Softlogic Holdings PLC)	
	2021	2020	2021	2020
Nature of transactions	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Insurance premiums	731	1,429	7,424	12,622
Receiving of services	202,626	194,225	697	666
Interest income	14,999	15,042	39,789	43,106

45.8 Share-based transactions of KMP and their Immediate Family Members (IFM)

As at 31 December	2021	2020
Number of ordinary shares held	Nil	Nil
Dividends paid (in Rs. '000) during the year	Nil	Nil

45.9 During the year, the following directors were appointed to the Board of the Company

Name of the director	Effective date of appointment	Directorship
Mr. P. L. P. Withana	1st July 2021	Independent Non Executive Director
Mr. S. W. Mohottala	1st July 2021	Independent Non Executive Director

45.10 Following Directors have been retired from the Board of Directors after completing their term of nine (9) years of service as an Independent Non-Executive Directors.

Name of the director	Effective date of retirement	Directorship
Mr. Sujeewa Rajapakse	30th June 2021	Independent Non-Executive Director
Mr. Ray Abeywardena	30th June 2021	Independent Non-Executive Director

45.11 Director has demised on the 31 May 2021

Name of the director	Directorship
Mr. H.C.Hettiarachchi	Executive Director

Transactions recorded in statement of financial position

For the year ended 31 December	Transactions with parent (Softlogic Capital PLC)		Transactions with ultimate parent (Softlogic Holdings PLC)	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Nature of transactions				
Dividend paid	484,552	-	439	-
Investments	100,476	100,280	400,829	502,267
Insurance premium receivable	220	62	1,114	411
Other payable	10,533	18,729	9,576	-
Other receivable	-	-	-	-

Impairment

During the period, the Company recognised impairment loss of Rs. 1,398 on above investment (2020 - Rs. 197,708).

45.13 Transactions with other related entities

45.13.1 Transactions with subsidiary companies of the Parent and Ultimate Parent

Please refer Note 45.1 for terms and conditions of transactions

Nature of the relationship

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 page 203.

Transactions recorded in income statement

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Nature of the transaction		
Insurance premiums	209,967	263,606
Dividend received	31,410	11,966
Claims paid	16,971	7,985
Expenses	157,896	76,336
	416,244	359,893

Transactions recorded in statement of financial position

As at 31 December	2021 Rs. '000	2020 Rs. '000
Nature of the transaction		
Investments	690,043	699,562
Insurance premium receivable	234,659	119,955
Purchases of property plant and equipment	7,699	20,342
Other payable / receivable	-	-
	932,401	839,859

No Impairment losses have been recorded against above outstanding balances from other related entities.

45.14 Purchase of its own shares

The Company has not purchased its own shares from related parties during the period ended 31 December 2021 (2020 - Nil).

46 CAPITAL AND OTHER 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 31 December	2021 Rs. '000	2020 Rs. '000
Approved and contracted for	16,572	3,360
Total capital commitments	16,572	3,360

Bank guarantees

Following Bank Guarantees have been provided as at 31 December 2021.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Relating to tax	114,692	98,743
Relating to others	11,345	4,761

NOTES TO THE FINANCIAL STATEMENTS

47 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.

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements other than disclosed below.

Non adjusting events after reporting date

47.1 Proposed Dividend

The Board of Directors of the Company has declared a interim dividend of Rs. 2.80 per share on 2nd March 2022 complied with Direction No. 01 of 2021 issued by IRCSL for the financial year ended 31 December 2021.

As required by the Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57 prior to declaring the interim dividend. A statement of solvency duly completed and signed by the Directors on 15th February 2022 has been reviewed by Messrs. KPMG.

In accordance with Sri Lanka Accounting Standard – LKAS 10 on “Events after the Reporting Period”, the interim dividend has not been recognised as a liability in the Financial Statements as at 31 December 2021.

47.2 Surcharge Tax

The Government of Sri Lanka in its Budget proposals 2022 has proposed a one-time tax, to be called as 'Surcharge Tax' at the rate of 25% to be imposed on companies earned a taxable income in excess of Rs. 2,000 Mn for the Year of Assessment 2020/2021. If the aggregate taxable income of a group of companies exceeds Rs. 2,000 million, each company of the group of companies will be liable for surcharge tax.

The proposed tax shall be deemed to be an expenditure in the Financial Statements of 2020.

The Bill introducing the proposed tax was published on 7th February 2022. Accordingly, the proposed tax has not been substantively enacted by the end of the reporting period. Therefore, the Financial Statements have not been adjusted to reflect the consequences of this proposal.

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements of the Company, other than those disclosed above.

48 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 Income Statement.

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”.

Use of judgements and estimates provisions and contingencies

Refer Note 3.2.9 for use of judgements and estimates relating to provisions and contingencies.

The contingent liability of the Company as at 31 December 2021, relates to the followings;

Assessment in Respect of Value Added Tax (VAT)

1) The Company has been issued with VAT assessments by 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.

Assessment in Respect of Value Added Tax on Financial Services (VAT on FS)

2) The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2014/15 and 2016/17 amounting to Rs. 68.7 million and Rs. 28.0 million respectively in favour of the Commissioner General of Inland Revenue and the Company is in the process of hearing the appeals with Tax Appeals Commission.

3) The Company has been issued with assessments by the Department of Inland Revenue under the Value Added Tax Act, in relation to the Y/A 2017/18 and 2018/19 amounting to Rs.102.4 million and Rs. 72.6 million respectively. The Company has filed an appeal to the Commissioner General of Inland Revenue 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 30 December 2019 under the Nation Building Tax Act, in relation to the taxable period ended 31 December 2017 amounting to Rs. 13.7 million.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 13 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.

Economic Service Charge (ESC)

5) The Company has been issued with an assessment by the Department of Inland Revenue on 27 August 2020 under the Economic Service Charge Act, in relation to the taxable period ending 31 December 2017 amounting to Rs. 7.3 million.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 16 October 2020 on the basis that the underlying computation includes items which are out of scope of the ESC Act. The Company is awaiting the CGIR determination.

Life Insurance Taxation

6) 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 decision of the Court of appeal.

7) The Tax Appeals Commission issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2012/13 amounting to Rs. 12.4 million, in favour of CGIR and The Company 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 decision of the Court of appeal.

8) 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, 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 813.3 million along with penalty, in favour of the Commissioner General of Inland Revenue and the Company is in the process of hearing the appeals with Tax Appeals Commission.

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 and no provision has been made in the financial statements.

49 COMPARATIVE INFORMATION

The presentation and classification of Notes to the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

50 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 200 to 201 of the Statement of Directors' Responsibility for Financial Reporting.

SUPPLEMENTARY INFORMATION

Statement of Financial Position-Life Insurance Fund [367](#) | Insurance Revenue Account [367](#) | Notes to the Statement of Financial Position of the Life Insurance Fund [368](#) | Quarterly Analysis [370](#) | Decade at a Glance - Financial Performance [371](#) | Decade at a Glance - Financial Position [372](#) | Simplified Insurance Financials [373](#) | SLFRS 17 Implementation effect on Company's Financial Statements [374](#) | Investor Relations [376](#) | GRI - Content Index [381](#) | Glossary of Insurance Terms [383](#) | Corporate Information [385](#) | Notes [386](#) | Notice of Meeting [388](#) | Form of Proxy - Annexure 1 | Investor/Stakeholder Feedback Form - Annexure 2

Progressing



STATEMENT OF FINANCIAL POSITION-LIFE INSURANCE FUND

As at 31 December	Note	Page	2021 Rs. '000	2020 Rs. '000
Assets				
Property, plant and equipment	1	368	288,132	258,544
Right of use assets	2	368	592,229	752,393
Financial investments	3	368	23,508,035	19,308,100
Loans to life policyholders	30	342	224,198	234,462
Reinsurance receivables	31	342	231,587	323,288
Premium receivables	32	343	983,657	856,281
Receivables and other assets	4	369	843,125	717,616
Cash and cash equivalents	5	369	694,886	435,723
Total assets			27,365,849	22,886,407
Equity and liabilities				
Equity				
Other reserves			(406,748)	(56,497)
Total equity			(406,748)	(56,497)
Liabilities				
Insurance contract liabilities	39	347	21,492,757	17,483,705
Employee benefit liabilities	40	354	192,629	182,332
Reinsurance payables	42	357	1,040,255	636,060
Other liabilities	6	369	4,756,406	4,415,417
Bank overdraft	34	344	290,550	225,390
Total liabilities			27,772,597	22,942,904
Total equity and liabilities			27,365,849	22,886,407

INSURANCE REVENUE ACCOUNT

For the year ended 31 December	Note	Page	2021 Rs. '000	2020 Rs. '000
Life insurance - Policyholder fund				
Gross written premiums	8	309	20,053,302	15,660,116
Premiums ceded to reinsurers	9	309	(1,857,795)	(1,872,616)
Net written premiums	10	310	18,195,507	13,787,500
Other revenue				
Finance and other income			1,871,754	1,703,473
Net benefits and claims expenses	16.1	314	(5,902,068)	(3,566,797)
Change in insurance contract liabilities	17	315	(4,143,426)	(3,599,969)
Underwriting and net acquisition costs (Including reinsurance)	18	315	(4,050,033)	(3,269,454)
Expenses			(3,676,734)	(3,275,953)
Surplus from life insurance fund			2,295,000	1,778,800
Income tax on surplus			(550,800)	(498,064)
Surplus after tax			1,744,200	1,280,736
Shareholder fund				
Finance and other income not attributable to policyholders			903,875	572,641
Reversal / (expenses) not attributable to policyholders			(233,201)	(221,094)
Profit before tax - shareholder fund			670,674	351,547
Income tax on shareholder profit	22	317	(310,006)	(110,800)
Profit from shareholder fund			360,668	240,747
Profit for the year - Company			2,104,868	1,521,483

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

1 PROPERTY, PLANT AND EQUIPMENT

Refer accounting policies set out in Note 26 on page 322.

	Freehold land	Freehold building	Total 2021 Rs. '000	Total 2020 Rs. '000
Cost / Revaluation				
Balance as at 1 January 2020	160,000	106,000	266,000	266,000
Additions during the year	-	-	-	-
Surplus on revaluation	-	37,025	37,025	-
Transferred of accumulated depreciation on revalued assets	-	(14,893)	(14,893)	-
Balance as at 31 December 2021	160,000	128,132	288,132	266,000
Accumulated depreciation and impairment losses				
Balance as at 1 January 2020	-	7,456	7,456	-
Depreciation for the year	-	7,437	7,437	7,456
Transferred of accumulated depreciation on revalued assets	-	(14,893)	(14,893)	-
Balance as at 31 December 2021	-	-	-	7,456
Carrying value as at 31st December 2021			288,132	
Carrying value as at 31st December 2020				258,544

2 RIGHT OF USE ASSETS

Refer accounting policies set out in Note 27 on page 327.

Reconciliation of carrying amounts of Right-of-Use assets

As at 31 December	2021 Building Rs. '000	2020 Building Rs. '000
As at 1 January	752,393	408,044
Additions to right-of-use assets	91,006	552,420
Depreciation charge for the year	(243,015)	(195,008)
Derecognition of right-of-use assets	(8,155)	(13,063)
Change in fair value	-	-
Balance as at 31 December	592,229	752,393

3 FINANCIAL INVESTMENTS

Refer accounting policies set out in Note 4.2 on page 272.

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Amortised Cost (AC)	3.1	16,934,163	14,437,845
Fair Value Through Other Comprehensive Income (FVOCI)	3.2	2,018,360	2,848,358
Fair Value through Profit or Loss (FVTPL)	3.3	4,555,512	2,021,897
Total financial investments		23,508,035	19,308,100

3.1 Amortised Cost (AC)

Refer accounting policies set out in Note 29.2 on page 333.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Debentures	5,986,790	4,779,448
Treasury bonds	1,791,785	2,350,518
Sri Lanka development bonds	3,280,806	2,796,206
Fixed deposits	2,451,255	1,200,348
Securitized paper	371,250	-
Commercial papers	363,386	1,487,992
Reverse repo	2,688,891	1,823,333
Total	16,934,163	14,437,845

3.2 Fair Value Through Other Comprehensive Income (FVOCI)

Refer accounting policies set out in Note 29.3 on page 337.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Equity - quoted	948,044	1,424,839
Treasury bonds	1,070,316	1,423,519
Total	2,018,360	2,848,358

3.3 Fair Value through Profit or Loss (FVTPL)

Refer accounting policies set out in Note 29.4 on page 339.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Equity	346,607	-
Treasury bills	-	669,225
Unlisted perpetual debenture	765,303	515,380
Unit trust	3,443,602	837,292
Total	4,555,512	2,021,897

4 RECEIVABLES AND OTHER ASSETS

Refer accounting policies set out in Note 33 on page 344.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Financial assets		
Refundable deposits	49,448	51,033
Receivable from Fairfirst Insurance Ltd (Net of provisions)	400	-
Total financial assets	49,848	51,033
Non financial assets		
Tax recoverable	35,970	47,230
Advances and prepayments	757,307	619,353
Total non financial assets	793,277	666,583
Total receivables and other assets	843,125	717,616

5 CASH AND CASH EQUIVALENTS

Refer accounting policies set out in Note 34 on page 344.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Cash in hand	5,995	5,671
Cash at bank	688,891	430,052
Total cash in hand and at bank	694,886	435,723

6 OTHER LIABILITIES

Refer accounting policies set out in Note 43 on page 357.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Financial liabilities		
Commission / Incentive payable	739,173	552,966
Premium deposit	218,082	157,162
Amounts due to related parties	18,124	17,604
Other payables	2,251,512	2,585,362
Lease liabilities	640,289	751,068
Total financial liabilities	3,867,180	4,064,162
Non financial liabilities		
Accruals	808,403	351,255
Tax and others statutory payables	80,823	-
Total non financial liabilities	889,226	351,255
Total other liabilities	4,756,406	4,415,417

QUARTERLY ANALYSIS

2021	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 2021 Rs. '000
Gross written premiums	4,761,243	4,422,232	5,149,289	5,720,538	20,053,302
Premiums ceded to reinsurers	(440,391)	(440,664)	(485,221)	(491,519)	(1,857,795)
Net written premiums	4,320,852	3,981,568	4,664,068	5,229,019	18,195,507
Other revenue					
Net finance income	575,408	549,668	569,896	660,125	2,355,097
Net realised gains	82,718	95,019	91,197	123,272	392,206
Net fair value gains / (losses)	(11,533)	(8,046)	9,833	17,306	7,560
Other operating income	958	2,214	14,289	3,305	20,766
Total other revenue	647,551	638,855	685,215	804,008	2,775,629
Total net revenue	4,968,403	4,620,423	5,349,283	6,033,027	20,971,136
Net benefits, claims and expenses					
Net insurance benefits and claims	(1,199,388)	(1,159,849)	(1,690,493)	(1,915,434)	(5,965,164)
Net change in insurance claims outstanding	2,883	(18,054)	28,510	49,757	63,096
Change in insurance contracts liabilities	(1,125,175)	(977,378)	(943,096)	(1,097,777)	(4,143,426)
Underwriting and net acquisition cost (Net of reinsurance)	(1,055,840)	(899,348)	(1,125,570)	(969,275)	(4,050,033)
Other operating and administration expenses	(868,106)	(844,113)	(900,725)	(1,113,422)	(3,726,366)
Finance cost	94,957	(85,300)	(98,891)	(94,335)	(183,569)
Total benefits, claims and expenses	(4,150,669)	(3,984,042)	(4,730,265)	(5,140,486)	(18,005,462)
Profit before tax	817,734	636,381	619,018	892,541	2,965,674
Income tax expenses	(401,532)	(132,464)	(128,240)	(198,570)	(860,806)
Profit for the year	416,202	503,917	490,778	693,971	2,104,868

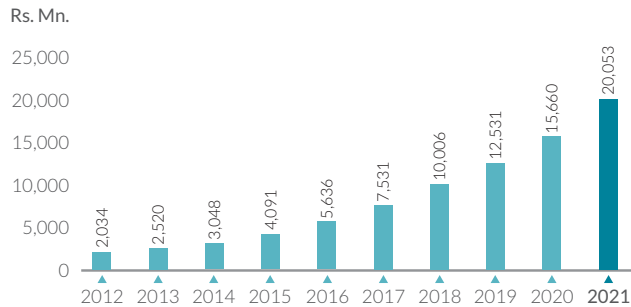
2020	1 Quarter Jan - Mar Rs. '000	2 Quarter Apr - Jun Rs. '000	3 Quarter July - Sep Rs. '000	4 Quarter Oct - Dec Rs. '000	Total 2020 Rs. '000
Gross written premiums	3,481,549	2,951,455	4,458,900	4,768,212	15,660,116
Premiums ceded to reinsurers	(439,891)	(429,565)	(526,722)	(476,438)	(1,872,616)
Net written premiums	3,041,658	2,521,890	3,932,178	4,291,774	13,787,500
Other revenue					
Net finance income	394,967	365,220	370,869	503,397	1,634,453
Net realised gains	10,566	137,825	-	22,862	171,253
Net fair value gains / (losses)	146,133	284,527	19,485	13,899	464,044
Other operating income	1,035	1,544	1,349	2,436	6,364
Total other revenue	552,701	789,116	391,703	542,594	2,276,114
Total net revenue	3,594,359	3,311,006	4,323,881	4,834,368	16,063,614
Net benefits, claims and expenses					
Net insurance benefits and claims	(912,702)	(483,845)	(1,131,633)	(1,017,627)	(3,545,807)
Net change in Insurance claims outstanding	47,173	(140,358)	101,041	(28,846)	(20,990)
Change in insurance contracts liabilities	(614,083)	(712,843)	(1,679,697)	(593,346)	(3,599,969)
Underwriting and net acquisition cost (Net of reinsurance)	(679,170)	(811,735)	(938,800)	(839,749)	(3,269,454)
Other operating and administration expenses	(767,517)	(982,325)	(601,376)	(973,652)	(3,324,870)
Finance cost	(824)	(86,217)	(47,262)	(37,874)	(172,177)
Total benefits, claims and expenses	(2,927,123)	(3,217,323)	(4,297,727)	(3,491,094)	(13,933,267)
Profit before tax	667,236	93,683	26,154	1,343,274	2,130,347
Income tax expenses	(187,413)	(40,277)	(22,686)	(358,488)	(608,864)
Profit for the year	479,823	53,406	3,468	984,786	1,521,483

DECADE AT A GLANCE - FINANCIAL PERFORMANCE

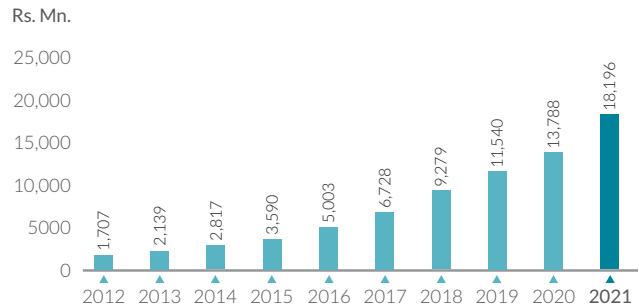
For the year ended 31 December	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014* Rs. '000	2013* Rs. '000	2012* Rs. '000
Gross written premiums	20,053,302	15,660,116	12,531,283	10,005,733	7,530,935	5,635,701	4,091,042	3,048,148	2,520,283	2,034,084
Net Written Premiums	18,195,507	13,787,500	11,539,828	9,279,175	6,728,473	5,002,748	3,589,571	2,816,593	2,138,666	1,707,103
Other revenue	2,775,629	2,276,114	1,584,114	953,383	1,069,179	753,005	867,754	1,477,322	709,271	347,434
Net income	20,971,136	16,063,614	13,123,942	10,232,558	7,797,652	5,755,753	4,457,325	4,293,915	2,847,937	2,054,537
Net insurance benefits and claims	(5,902,068)	(3,566,797)	(2,996,112)	(2,339,004)	(1,222,501)	(1,072,166)	(433,732)	(312,491)	(214,101)	(143,116)
Net acquisition cost	(4,050,033)	(3,269,454)	(2,968,714)	(2,044,220)	(1,830,773)	(1,580,473)	(992,572)	(714,531)	(603,629)	(509,727)
Expenses	(3,909,935)	(3,497,047)	(3,385,862)	(3,253,983)	(2,322,492)	(1,848,586)	(1,072,007)	(1,173,695)	(754,513)	(694,476)
Operating surplus before transfer to insurance provision - Life	7,109,100	5,730,316	3,773,254	2,595,351	2,421,886	1,254,528	1,959,014	2,093,198	1,275,694	707,218
Change in insurance contracts liabilities	(4,143,426)	(3,599,969)	(1,169,696)	(1,500,589)	(517,365)	(287,685)	(966,452)	(1,253,098)	(842,119)	(551,339)
Profit before tax	2,965,674	2,130,347	2,603,558	1,094,762	1,904,521	966,843	992,562	840,100	433,575	155,879
Income tax (expenses) / reversal	(860,806)	(608,864)	(430,715)	2,241,483	420,000	-	-	-	-	-
Profit for the year	2,104,868	1,521,483	2,172,843	3,336,245	2,324,521	966,843	992,562	840,100	433,575	155,879

*Represents life insurance segment result when composite company.

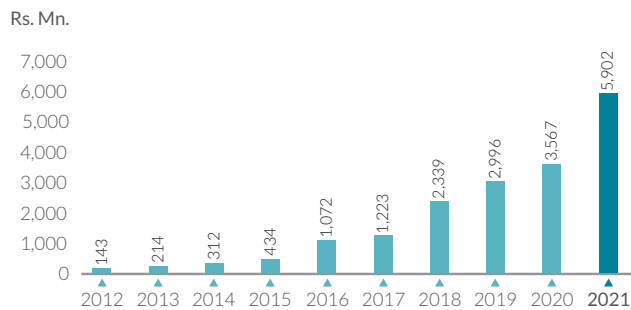
Gross written premiums



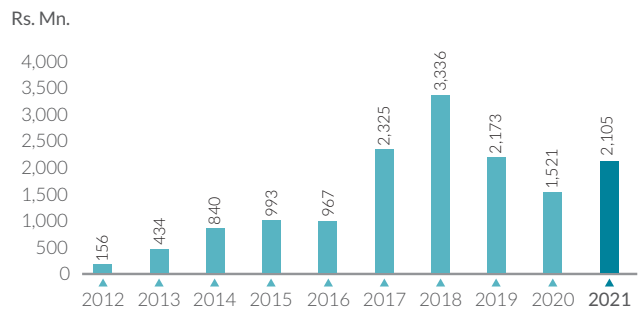
Net written premiums



Net insurance benefits and claims



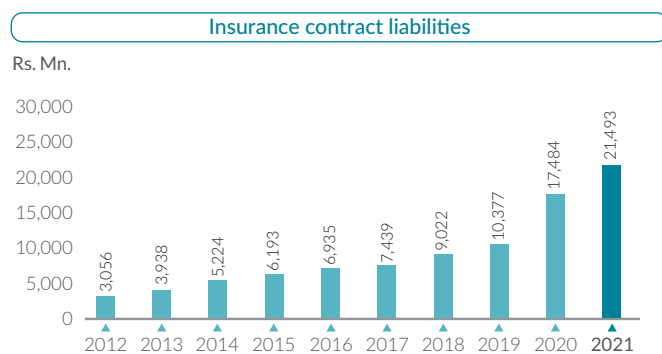
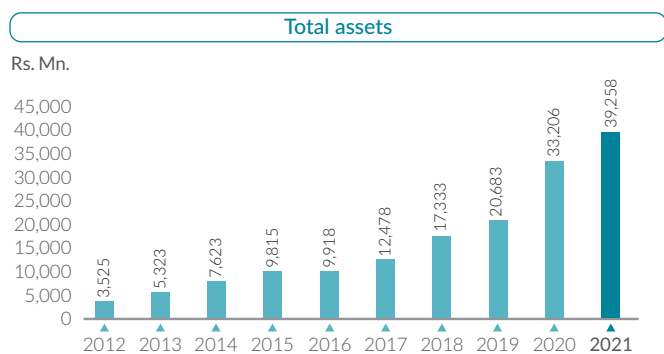
Profit for the year



DECADE AT A GLANCE - FINANCIAL POSITION

As at 31 December	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014* Rs. '000	2013* Rs. '000	2012* Rs. '000
Assets										
Intangible assets	1,356	404	444	2,089	7,145	13,236	21,982	15,009	-	-
Property, plant and equipment	617,745	660,928	675,468	619,059	577,705	485,014	427,519	289,725	92,820	70,073
Right of use assets	616,417	752,393	408,044	-	-	-	-	-	-	-
Deferred tax assets	675,164	1,621,904	2,230,768	2,750,962	420,000	-	-	-	-	-
Investments in subsidiary	-	-	-	-	-	-	800,000	100,000	-	-
Financial investments	34,217,429	27,367,792	14,910,744	12,065,241	9,994,488	8,218,287	7,744,020	6,642,677	4,826,752	3,143,117
Loans to life policyholders	224,198	234,462	224,672	161,001	140,385	162,448	143,640	134,352	106,618	79,794
Reinsurance receivables	231,587	323,288	188,131	154,802	149,548	85,940	62,643	73,316	61,774	61,140
Premium receivables	983,657	856,281	743,549	507,434	290,821	92,318	67,274	50,169	46,085	7,679
Receivables and other assets	993,325	834,388	923,961	691,109	579,409	627,810	355,424	212,805	95,046	72,128
Cash and cash equivalents	696,920	554,362	377,093	381,270	318,945	232,554	192,118	105,028	94,254	90,663
Total assets	39,257,798	33,206,202	20,682,874	17,332,967	12,478,446	9,917,607	9,814,620	7,623,081	5,323,349	3,524,594
Equity and liabilities										
Equity										
Stated capital	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	500,000	500,000	-
Retained earnings	10,453,584	9,290,347	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	798,004	798,004	-	-	-	-	-
Other reserves	(1,725,658)	(1,214,604)	(1,405,801)	(1,464,958)	(916,620)	(1,323,610)	(470,220)	453,206	103,319	36,552
Total equity	10,588,430	9,936,247	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	21,492,757	17,483,705	10,377,102	9,021,521	7,438,592	6,935,047	6,192,615	5,223,695	3,938,030	3,055,723
Employee benefit liabilities	192,629	182,332	151,027	107,404	86,693	73,436	45,796	25,724	20,502	14,851
Loans and borrowings	3,064,994	2,852,245	-	-	-	-	-	154,483	50,000	-
Reinsurance payables	1,040,255	636,060	428,557	320,824	236,265	139,262	92,972	14,704	81,989	25,103
Other liabilities	2,588,183	1,890,223	1,330,998	841,833	754,027	676,230	414,338	654,217	249,722	323,513
Current tax liabilities	-	-	-	-	-	-	269,700	-	-	-
Bank overdraft	290,550	225,390	176,271	370,422	76,740	131,466	361,264	146,871	47,588	68,852
Total liabilities	28,669,368	23,269,955	12,463,955	10,662,004	8,592,317	7,955,441	7,376,685	6,219,694	4,387,831	3,488,042
Total equity and liabilities	39,257,798	33,206,202	20,682,874	17,332,967	12,478,446	9,917,607	9,814,620	7,623,081	5,323,349	3,524,594

*Represents life insurance segment result when composite company.



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	Note	2021 Rs. '000
Gross written premiums	A	20,053,302
Less: Premium ceded to reinsurers	B	(1,857,795)
Net written premiums	C	18,195,507
Net insurance benefits and claims	D	(5,902,068)
Increase in Life fund	E	(4,143,426)
Net acquisition cost	F	(4,050,033)

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

Liabilities	Note	2021 Rs. '000
Life Insurance Fund		19,823,775
Surplus created due to change in valuation method from NPV to GPV	G	1,056,535
Claim Payable	H	612,447
Life Insurance Contract Liabilities		21,492,757

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

Gross written premiums NOTE A

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.

Premium ceded to reinsurers NOTE B

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'.

Net written premiums NOTE C

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.

Net insurance benefits and claims NOTE D

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.

Net acquisition cost NOTE E

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

Increase in Life fund NOTE F

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.

Life Insurance Fund NOTE G

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.

Surplus created due to change in valuation method from NPV to GPV NOTE H

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.

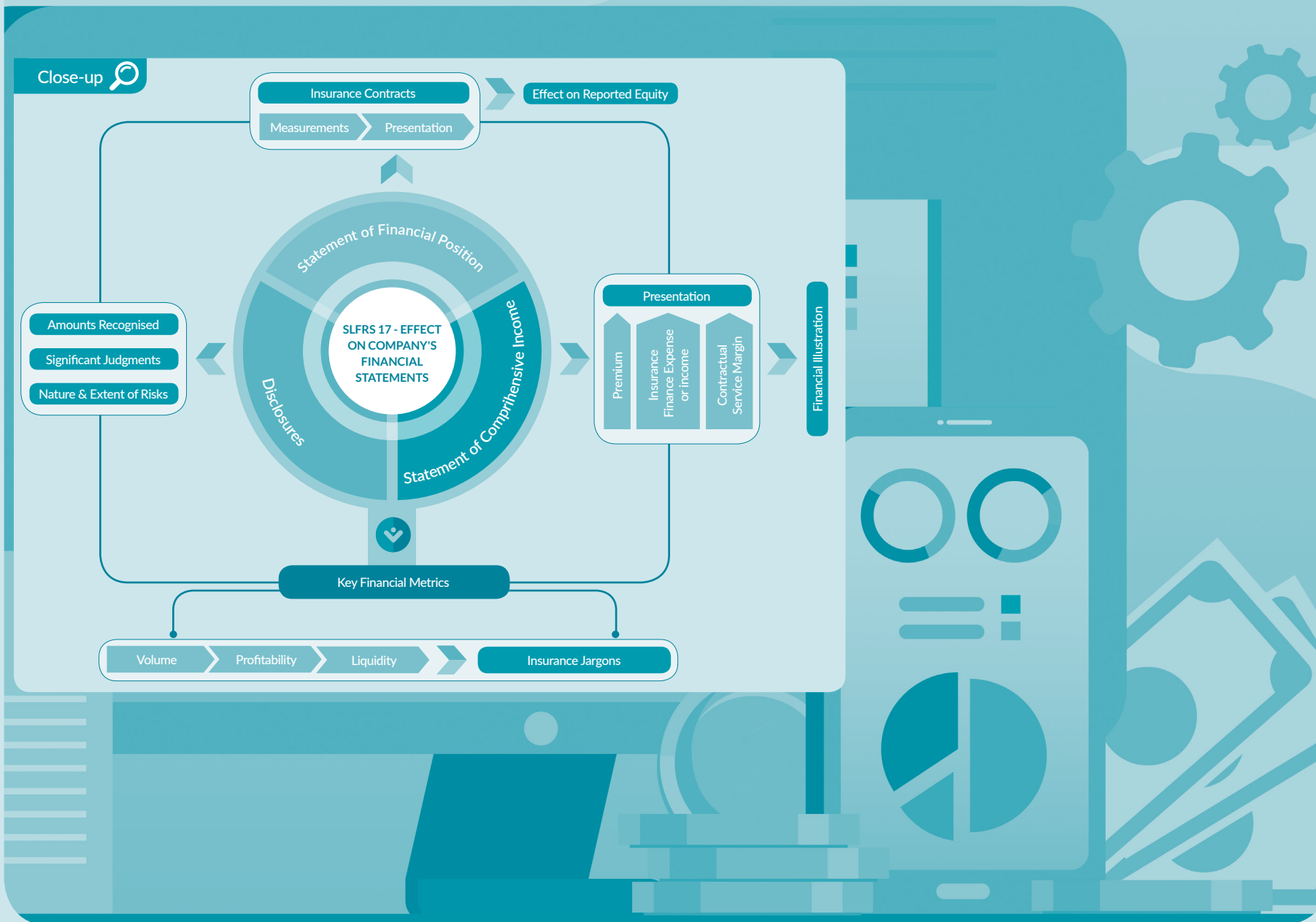
However, as at 31st December 2021, Life fund only includes One-off surplus relating to the participating fund.

SLFRS 17 IMPLEMENTATION

EFFECT ON COMPANY'S FINANCIAL STATEMENTS

This section re-presents SLFRS 17 implementation effect on the company's statement of financial position, statement of comprehensive Income, disclosure notes, and key financial metrics.

Detailed description and link to each section with below close-up have been illustrated on pages 374 to 375.



EFFECTS ON THE STATEMENT OF FINANCIAL POSITION



This section discusses the effects on the statement of financial position on measurement of insurance contracts, presentation of insurance contracts, and the effect on reported equity with insurance contract liabilities valuation as per SLFRS 17.



EFFECTS ON THE STATEMENT OF COMPREHENSIVE INCOME



This section reflects the effects on the statement of comprehensive income components of presentation of premium, presentation of insurance finance expense, recognition of contractual service margin and presentation.



EFFECTS ON DISCLOSURE NOTES



This section has explained the disclosure requirements that is listed mainly under three categories, namely explanation on amounts recognized in financial statements, significant judgments made, and nature and extent of the risk arising from insurance contracts.



EFFECTS ON KEY FINANCIAL METRICS



This section focuses on enhancing the investors' acknowledgment regarding the SLFRS 17 impact on key financial metrics which assist to measure the volume, profitability, and liquidity of the company. Further to that essential insurance jargon that has impacted with SLFRS 17 implementation.



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SLFRS 17 IMPLEMENTATION EFFECT ON COMPANY'S FINANCIAL STATEMENTS

EFFECTS ON THE STATEMENT OF FINANCIAL POSITION

SCENARIO			EXPECTED EFFECTS OF SLFRS 17	
			Insurance contract liabilities	Equity
Current or historical Assumptions	Discount rate currently used	Historical rate, lower than current rate	↓ Decrease	↑ Increase
		Historical rate, higher than current rate	↑ Increase	↓ Decrease
Risk Margins	Risk margin currently used	Risk margin higher than risk adjustment in SLFRS 17	↓ Decrease	↑ Increase
		Risk margin lower than risk adjustment in SLFRS 17	↑ Increase	↓ Decrease
Financial options and guarantees	Current value of minimum interest rate guarantees	Not fully reflect in measurement of insurance contracts	↑ Increase	↓ Decrease
		Fully reflect in measurement of insurance contracts	↔ Low effect	↔ Low effect
Acquisition Cost	Existing treatment of acquisition costs	Expense as incurred	↓ Decrease	↑ Increase
		Deferred and amortised	Depend	Depend

Indicator	Caption	SLFRS 4	SLFRS 17
↔	Insurance contract liabilities	Present separately	• Present separately
↔	Reinsurance contract assets	Net with insurance contract liabilities	• Present separately on the balance sheet
✓	Reinsurance contract liabilities	Net with reinsurance contract assets	• Present separately on the balance sheet
X	Deferred acquisition costs		• Include under Insurance contract liabilities & provide a reconciliation from the opening to closing balances of insurance acquisition cash flows (CFS) as a disclosure note.
	Value of business acquired	Present separately	• Include in the measurement of insurance contracts & disclose value of contracts acquired on initial recognition. Subsequently, this value will be included within the contractual service margin.
X	Policy loans		• Include in the measurement of insurance contracts & disclose if they are a key metric for the company financial statement users.
	Premiums receivable	Present separately as financial assets	• Include in the measurement of insurance contracts & disclose premiums received for insurance contracts issued in a reconciliation from the opening to closing balances of insurance contracts.
	Unearned premiums	Present separately for non-life insurance contracts	• Include in the measurement of insurance contracts and are disclosed as specified in premium receivable.
	Claims payable	Present separately as financial liabilities	• Include in the measurement of insurance contracts & disclose claims paid in a reconciliation from the opening to closing balances of insurance contracts.
↔	Line items unchanged (for presentation purposes)		✓ Expected 'new' line items X Line items not required by either SLFRS 4 or SLFRS 17

Increase RE	• Acquisition costs are currently expensed as incurred.
	• Insurance contracts are currently measured using historical interest rates that are lower than market rates when first applying SLFRS 17.
Decrease RE	• Profits are currently recognised at contract inception.
	• Aggregation of onerous and profitable contracts is currently permitted.
Increase RE	• Value of guaranteed rates (ie both time value and intrinsic value) is currently not fully included in the measurement of insurance contract liabilities.
	• Insurance contracts are currently measured using historical interest rates that are higher than market rates when first applying SLFRS 17.
Decrease RE	• Risk margins currently used are higher than risk adjustments used to apply SLFRS 17.
	• Risk margins currently used are lower than risk adjustments used to apply SLFRS 17.

EFFECTS ON THE STATEMENT OF COMPREHENSIVE INCOME

	SLFRS 4	SLFRS 17
The Presentation of Premium	<ul style="list-style-type: none"> Deposit component: Include within premiums (as income) and within 'change in insurance contract liabilities' (as expense) Insurance Revenue: Gross written premium represents the insurance revenue 	<ul style="list-style-type: none"> Exclude from insurance revenue and from incurred claims and other expenses Insurance revenue including components of: Allocation of CSM, release of risk adjustment for non-financial risk, release of expected CFS, recovery of insurance Acquisition CFS (If available based on deferral)
The presentation of insurance finance expense	Time value of money: When relevant, include within 'change in insurance contract liabilities'	Accretion of interest on insurance contract liabilities include within insurance finance expenses and maybe a part record in OCI based on accounting policy choice.
The recognition of the contractual service margin and risk adjustment	Contractual Service Margin: Release with 'change in insurance contract liabilities.'	Recognize the contractual service margin in profit or loss over the coverage period based on the coverage units, reflecting the expected duration and size of the contracts benefits in the group.
	Risk Adjustment: Include an implicit risk margin and release it with 'change in insurance contract liabilities.'	Include an explicit risk adjustment which reflects company's own assessment of risk and release as a part of insurance revenue.

Changes to the financial assumptions		
Effects of changes in discount rates	Scenarios	
	Increase in risk-free rate	Increase in asset default risk
Value of financial assets measured at fair value	↓ Decrease	↓ Decrease
Value of insurance contract liabilities	↓ Decrease	↔ No change
Effect on profit—SLFRS 4	↓ Decrease	↓ Decrease
Effect on profit—SLFRS 17	↔ No effect if matched	↓ Decrease
Treatment for estimation changes in fulfilment CFs		
Effects of changes in estimation of fulfilment CFs	Initial Recognition	Subsequent Measurement
Results Net Outflow (Onerous contracts)	Charge loss immediately to the Profit or Loss (P&L)	Recognize additional losses to the Profit or Loss (P&L)
Results net inflow (Profitable & contracts can become onerous subsequently)	Recognise a Contractual Service Margin releases it to the P&L based on coverage units over the period.	Adjust contractual service margin and if it becomes zero, additional charge recognise to Profit or Loss (P&L).

SLFRS 4		SLFRS 17	
Premiums	xx	Insurance revenue	xx
Investment income	xx	Incurred claims and other expenses	(xx)
Incurred claims	(xx)	Insurance service result	xx
Change in insurance contract liabilities	xx	Investment income	xx
Profit or loss	xx	Insurance finance expenses	xx
Other comprehensive income	-	Net financial result	xx
Comprehensive income	xx	Profit or loss	xx
		Other comprehensive income	
		Comprehensive income	xx

EFFECTS ON DISCLOSURE NOTES

Disclosure requirements	What's new?
Insurance Contract Liabilities Reconciliation of the net carrying amounts of contracts analysed by: • The net liabilities (assets) for remaining coverage excluding the loss component • Any loss component • The liabilities for incurred claims • The estimates of the present value of the future cash flows • The risk adjustment for non-financial risk • The CSM	•
Insurance Finance Income or Expense (IFI or IFE) Explanation of the relationship between insurance finance income or expenses and the investment return on assets	•
Assets for insurance acquisition cash flows Reconciliation of assets for insurance acquisition cash flows including: • Recognition of impairment losses and reversals • Quantitative disclosure of when the entity expects to derecognise an asset for insurance acquisition cash flows in appropriate time bands	•
Contracts not measured under the PAA • An analysis of insurance revenue • An analysis of the effect of contracts initially recognised in the period • Quantitative disclosure of when the entity expects to recognise the remaining CSM in profit or loss in appropriate time bands	•
Direct participating contracts • The composition of underlying items and their fair value • The effect of the risk mitigation option • For any change in the basis for disaggregating IFI or IFE (Why change is required, amount of adjustment, impact on carrying amount)	•
Transition amounts For contracts measured under the modified retrospective approach or the fair value approach • Reconciliation of the CSM • Amounts of insurance revenue separately under each approach • How the entity determined the measurement of the contracts at the date of transition • If IFI or IFE are disaggregated between profit or loss (P&L) and OCI, a reconciliation of the cumulative amounts included in OCI for related financial assets at FVOCI	•

Disclosure requirements	What's new?
Insurance risk Information about the effect of the regulatory frameworks if contracts are included within the same group as a result of law or regulation Information about risk concentrations For each type of risk: • The exposures to risks, how they arise and changes therein • The entity's objectives, policies and processes for managing the risks, methods used to measure the risks and changes therein • Summary quantitative information about exposure to the risk at the reporting date, based on information provided internally to key management personnel or, when this is not provided, based on the specific disclosure requirements provided	•
Insurance and market risks For insurance risk, a sensitivity analysis that shows the effect for insurance contracts issued, before and after risk mitigation by reinsurance Methods and assumptions used in preparing the sensitivity analyses, changes therein and the reasons for such changes If an entity discloses an alternative sensitivity analysis in place of any of those specified above, explanations of the method used and its objective, the main parameters and assumptions, and any limitations that may result in the information provided For each type of market risk, a sensitivity analysis that explains the relationship between the sensitivities from insurance contracts and those from financial assets	•

EFFECTS ON KEY FINANCIAL METRICS

Metric	Common method of calculation	Effects - SLFRS 17	Explanation
Earned premiums (SLFRS 4) and insurance revenue (SLFRS 17)	As reported in financial statements (measurement methods vary when applying SLFRS 4)	•	Depends on existing insurance accounting practices. For companies that currently include within earned premiums any deposit component on long-term insurance contracts, when they apply SLFRS 17, insurance revenue is expected to be significantly lower.
Gross premiums (or premiums written)	Premiums expected to be collected over the contracts' duration (ie not only premiums already received)	•	This metric could be disclosed in the notes to the financial statements, but is not permitted to be presented on the face of the statement of comprehensive income as a measure of insurance revenue.
Premiums due	Invoiced or receivable premiums, which are unconditionally due to the insurer	•	The premiums due metric is similar to the premiums received in a period. When applying SLFRS 17, premiums received for insurance contracts issued are required to be disclosed in the notes to the financial statements, but are not permitted to be presented on the face of the statement of comprehensive income as a measure of insurance revenue.
Contractual service margin added from new contracts	Contractual service margin initially recognised in the period	▲	This will be a new metric, provided by all insurers in a consistent manner. SLFRS 17 requires its disclosure in the notes to the financial statements. This metric is similar to the value added from new business, a metric provided by some insurers within their embedded value reporting.
Insurance service result	As reported applying SLFRS 17	▲	This will be a new metric comprising insurance revenue less insurance service expenses.
Profit or loss	As reported applying SLFRS Standards	•	Depends on the existing insurance accounting practices applied by a company.
Return On Equity (ROE)	Profit or loss / Equity	•	Depends on the effects on profit or loss and on equity, which depend on the existing insurance accounting practices applied by a company.
Earnings Per Share (EPS)	Profit or loss / Number of shares outstanding	•	Depends on the effects on profit or loss, which depend on the existing insurance accounting practices applied by a company. SLFRS 17 does not change the denominator.
Net investment return	Investment return less insurance finance expenses	▲	The investment margin earned in the period will be presented in the statement of comprehensive income and will provide an important new profitability measure.
Operating profit and underlying profit	Various methods—earnings from ordinary activities before income taxes, excluding earnings from investments	•	The effects of applying SLFRS 17 will depend on the existing insurance accounting practices applied by a company and on the nature of the adjustments made to profit or loss reported applying SLFRS Standards.
Combined ratio	Incurred claims and other expenses / Earned premiums	•	Incurred claims will be reported discounted and adjusted for risk. The change in ratio will depend on particular facts and circumstances.
Net operating cash flow	Various methods—cash flow from operating activities does not include cash related to equity and borrowing	•	Insurers are expected to review the cash flow classification in their operating, financing and investing activities in the light of the changes introduced by SLFRS 17 in the presentation of information about insurance contracts in the statement of comprehensive income.

THE ESSENTIAL INSURANCE JARGONS					
SLFRS 4	SLFRS 17	SLFRS 4	SLFRS 17	SLFRS 4	SLFRS 17
Claim or loss reserves	Liability for incurred claims-LIC	Value in force-VIF	Contractual service margin-CSM	Unearned premium reserves-UPR	Liability for remaining coverage-LRC
Underwriting profit	Insurance service result	New business profit	Contractual service margin-CSM	Experience variances -life	Experience adjustments and change in estimates
Earned premiums	Insurance revenue	Premiums due	Premiums received	Premiums written	Present value of new business premiums

INVESTOR RELATIONS

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.

We at Softlogic Life always value our investors and responsible to convey company's fundamentals in terms of Operational results, Financial performance and Compliance status. In this segment of the report, we provide relevant and sufficient information of the shareholding and performance of the company's listed share in the reporting year which enhances loyalty and confidence of the investors.

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.

SUBMISSION OF FINANCIAL STATEMENTS TO THE CSE

The audited Company Income Statements for the year ended 31 December 2021 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 31 December 2021 were submitted within stipulated time lines.

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 page 191 to 199.

THE PRINCIPAL 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 01 in accounting policies on page 266.

STOCK MARKET PERFORMANCE

Colombo Stock Exchange performed exceptionally well in 2021 and ended a splendid year at record levels. All Share Price Index (ASPI) recorded a Year on Year gain of 80.5% in 2021 compared to a 10.5% gain in 2020. This growth amounted to a staggering increase of 5,451.8 points in absolute terms during the year to help the index close at 12,226.0. Meanwhile the more liquid S&P20 index too recorded a gain of 60.5% to end the year at 4,233.3, an increase of 1,595.2 points Year on Year. This was especially a remarkable feat given the decline of 299 points (10.2% drop YoY) recorded under the index during 2020. It has to be noted that these impressive results were recorded despite a bleak backdrop signified by serious economic obstacles triggered by the ongoing pandemic.

This remarkable performance of Colombo Stock Exchange during the year was mainly driven by domestic investors. The Colombo bourse ended the year with an average daily turnover of LKR 4,879.1 million

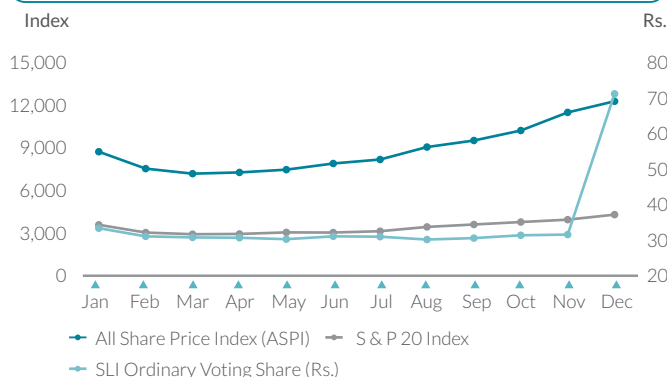
(USD 24.3 million) as opposed to LKR 1,890 million (USD 10.2 million) recorded in 2020, a growth of over two times increase Year on Year. However, despite all these superior statistics in 2021, foreign investors were leaving the Sri Lankan Stock Market. This resulted in Colombo bourse recording a net foreign outflow of LKR 51.6 billion (USD 257.3 million) during 2021.

PERFORMANCE OF SOFTLOGIC LIFE SHARE

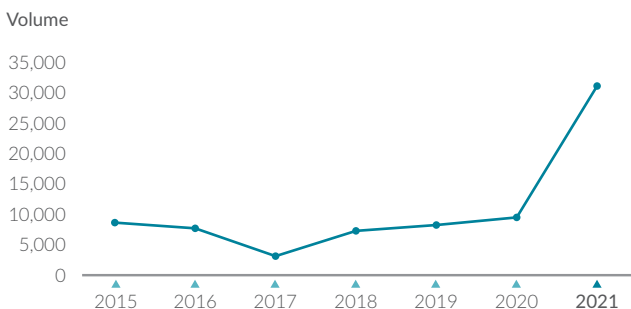
Despite the adverse economic situation in the country during 2021, Softlogic Life Insurance (SLI) achieved impressive results both financially as well as non-financially in comparison to the rest of the industry players. As a result, company's share performed exceptionally well in the Colombo Stock Exchange where the share price reached a high of Rs. 73.50 (31st December) and a low of Rs. 29.00 (23rd September) during 2021.

During December 2021, the Company's share price started a rapid rally and as a result the company share price closed at Rs. 71.00 as at 31st December 2021 compared to Rs. 34.80 as at 31st December 2020. Moreover, the number of share transactions recorded a remarkable increase with 30,946 transactions in 2021 against 9,325 in 2020. However, number of shares traded was 64.0 million in 2021 compared to 108.9 million in the previous year. Similarly, the total turnover of traded shares reported Rs. 2,726 million in 2021 against Rs. 3,935 million in the previous year. Furthermore, the market capitalization of SLI reached Rs. 26,625 million as at 31st December 2021 compared to Rs. 13,050 million as at 31st December 2020, which was two times increase compared to the previous year.

Performance of the Softlogic Life Insurance PLC's Ordinary Share with market performance in 2021



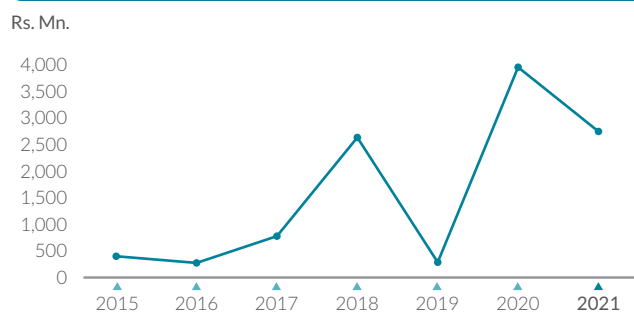
Number of Share Transactions



Number of Shares traded



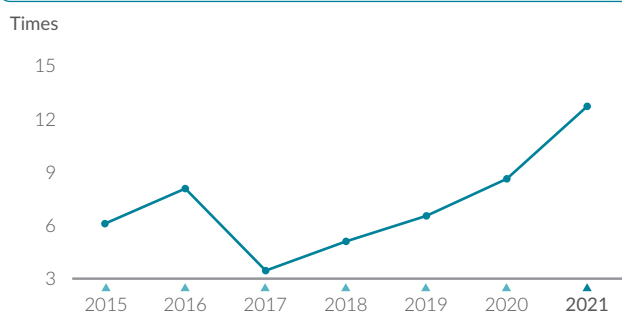
Value of shares traded



Market Capitalisation



Price Earning Ratio



The details relating to the performance of the share are given below.

For the year ended 31 December	2021	2020
MARKET VALUE		
Highest Price (Rs.)	73.50	38.60
Lowest Price (Rs.)	29.00	20.00
Year-end price (Rs.)	71.00	34.80
TRADING STATISTICS		
Number of shares traded	63,977,595	108,892,374
Value of Shares traded (Rs. million)	2,726.44	3,934.77
Number of Share transactions	30,946	9,325
Market Capitalization – SLI (Rs. million)	26,625	13,050
Percentage of total market capitalization	0.49%	0.44%
VALUATION RATIOS		
Number of shares as at 31 December	375,000,000	375,000,000
Basic earnings per share (Rs.)	5.61	4.06
Net Assets per share (Rs.)	28.24	26.50
Price per book Value (Times) – per share	2.51	1.31
Return on Equity (%)*	23.1	21.3
Price Earnings Ratio (Times)	12.7	8.6
Earning yield	7.9	11.7
Dividend per Share (Rs.)	2.50	-
Dividend payout (%)	44.6	-
Dividend yield (%)	3.5	-
Debt to Asset Ratio (%)	7.8	8.6
Debt to Equity Ratio (%)	28.9	28.7
Interest Cover (Times)	17.9	14.2
Equity Asset Ratio (%)	27.0	30.0

*Adjusted for deferred tax

BASIC EARNINGS PER SHARE

Earnings per Share of the company has recorded Rs. 5.61 in 2021 whereas Rs. 4.06 in 2020. This is a 38.18% increase comparison to previous year.

PRICE EARNINGS RATIO

Price earnings ratio of the company has improved to 12.66 times in 2021 compared with 8.57 times recorded in 2020. There is a 47.65% increase in Price Earnings Ratio in 2021 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 10.23% in 2021. (2020 - 10.27%).

FLOAT ADJUSTED MARKET CAPITALIZATION

As at 31 December 2021 the Float Adjusted Market Capitalization of SLI is Rs. 2,723,737,500

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.

INVESTOR RELATIONS

SHAREHOLDER BASE

Softlogic Life has a diversified shareholder base, both geographically and in the ratio of individual to institutional investors. The total number of shareholders increased to 2,800 as at 31 December 2021 from 2,151 as at 31 December 2020. On 31 December 2021, Softlogic Life had 2,624 registered individual shareholders, representing 93.7% of the total shareholders. Institutional shareholders represent approximately 92.8% of Softlogic Life's ordinary share capital. The vast majority of company's individual shareholders are residents of Sri Lanka. Number of registered resident shareholders are 2,777 as at 31st December 2021 representing 99.2% of total shareholders. 51.8% of the shareholders hold less than 1,000 shares. The top twenty shareholders hold 93.43% of Softlogic Life's shares capital.

Shareholders' Categorised Summery Report as at 31st December 2021

No of Shares	As at 31 December 2021			As at 31 December 2020		
	No. of share holders	No. of shares	% of Total Holding	No. of share holders	No. of shares	% of Total Holding
1-1,000	1,451	453,434	0.12	1,166	345,746	0.09
1,001-10,000	891	3,601,863	0.96	705	2,718,047	0.72
10,001-100,000	388	12,400,043	3.31	220	7,109,965	1.90
100,001-1,000,000	65	18,816,821	5.02	52	16,206,186	4.32
1,000,001 & Over	5	339,727,839	90.59	8	348,620,056	92.97
Total	2,800	375,000,000	100.00	2,151	375,000,000	100.00

Shareholders' Categorised Summery Report (Resident & Non Resident) as at 31st December 2021

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	11	5,560	0.00	1,440	447,874	0.12
1,001-10,000	3	4,846	0.00	888	3,597,017	0.96
10,001-100,000	4	184,650	0.05	384	12,215,393	3.26
100,001-1,000,000	2	256,842	0.07	63	18,559,979	4.95
1,000,001 & Over	3	145,782,079	38.88	2	193,945,760	51.72
Total	23	146,233,977	39.00	2,777	228,766,023	61.00

Composition of Shareholders

Resident / Non Resident Distribution

Composition	As at 31 December 2021			As at 31 December 2020		
	No. of share holders	No. of shares	% of Total Holding	No. of share holders	No. of shares	% of Total Holding
Resident	2,777	228,766,023	61.00	2,128	228,555,080	60.95
Non Resident	23	146,233,977	39.00	23	146,444,920	39.05
Total	2,800	375,000,000	100.00	2,151	375,000,000	100.00

Individual / Institutional

Composition	As at 31 December 2021			As at 31 December 2020		
	No. of share holders	No. of shares	% of Total Holding	No. of share holders	No. of shares	% of Total Holding
Individual	2,624	26,978,726	7.19	2,011	15,905,863	4.24
Institutional	176	348,021,274	92.81	140	359,094,137	95.76
Total	2,800	375,000,000	100.00	2,151	375,000,000	100.00

Public Shareholding

Composition	As at 31 December 2021			As at 31 December 2020		
	No. of share holders	No. of shares	% of Total Holding	No. of share holders	No. of shares	% of Total Holding
Public Shareholding - Ordinary Voting	2,795	38,378,690	10.23	2,146	38,503,690	10.27
Public Shareholding - Ordinary - Non-Voting	Nil	Nil	Nil	Nil	Nil	Nil

Directors' Shareholding

Name	As at 31 December 2021		As at 31 December 2020	
	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. H. K. Kaimal - Director	Nil	Nil	Nil	Nil
Ms. Fernanda Lima - Director	Nil	Nil	Nil	Nil
Mr. V. Govindasamy - Director	Nil	Nil	Nil	Nil
Mr. R. Snyders - Director	Nil	Nil	Nil	Nil
Mr. P. L. P. Withana - Director	Nil	Nil	Nil	Nil
Mr. S. W. Mohottala - Director	Nil	Nil	Nil	Nil

Twenty Largest Shareholders

As at 31 December, Name of Shareholder	2021	
	No. of Shares	%
Softlogic Capital PLC	193,945,760	51.72
Milford Ceylon (Pvt) Ltd	71,250,000	19.00
Dalvik Inclusion Private Limited	71,250,000	19.00
Pershing Llc S/A Averbach Grauson & Co.	3,282,079	0.88
Mr. J.H.M.L. Fernando	988,893	0.26
Mr. G.C. Goonetilleke	979,765	0.26
Mr I.S.P Perera	911,826	0.24
Mr. A.P.P.M. Abeyrathne	893,034	0.24
Mr. W.A.A.T.M Jayawickrama	782,100	0.21
Commercial Bank of Ceylon PLC	750,000	0.20
Hatton National Bank PLC/Porage Don		
Thushantha Mahesh Kumara	687,156	0.18
Mrs. H.N.R Bharati	622,881	0.17
Miss.H.J.K.U Wijerame	605,000	0.16
Deutsche Bank AG- National Equity Fund	583,318	0.16
Mr. G.B.D Tilakarathne	558,077	0.15
Mr. D.H.J.P Chamith Kumara	542,102	0.14
Mrs. W.M.D.M.G Andradi	482,622	0.13
Mr. S. Vasudevan	451,300	0.12
Mr. V.S.P. Wickramesooriya	403,049	0.11
Mr. H.M.D.D. Arunakumara	400,493	0.11
	350,369,455	93.43
Other Shareholders	24,630,545	6.57
Total Shareholders	375,000,000	100

As at 31 December, Name of Shareholder	2020	
	No. of Shares	%
Softlogic Capital PLC	193,820,760	51.69
Milford Ceylon (Pvt) Ltd	71,250,000	19.00
Dalvik Inclusion Private Limited	71,250,000	19.00
Sampath Bank PLC / Dr. T . Senthilvel	5,000,000	1.33
Pershing Llc S/A Averbach Grauson & Co.	3,282,079	0.88
J.B Cocosshell (Pvt) Ltd	2,017,217	0.54
Seylan Bank PLC / ARRC Capital (Pvt) Ltd	2,000,000	0.53
People's leasing & Finance PLC / B.S.Navarathna	1,000,000	0.27
Seylan Bank PLC / Andaradeniya Estate (Pvt) Ltd	1,000,000	0.27
Mr. Goonetilleke Gajath Chrysantha	964,765	0.26
Mr. Madanayake Nirmal Anrudha	955,138	0.25
Mr. Ananda Rajapaksha Rathnayaka Sarath	861,255	0.23
Amaliya Private Limited	805,902	0.21
Seylan Bank PLC/ W.D.N.H.Perera	600,000	0.16
Sanasa General Insurance Company Ltd	600,000	0.16
Deutsche Bank AG- National Equity Fund	583,318	0.16
Mr. De Mel Ashantha Lakdasa Francis	571,606	0.15
Phoenix Ventures Private Limited	560,000	0.15
Perera and Sons Bakers (Pvt) Limited	520,000	0.14
Mr. Perera Illangage Shantha Prasad	339,000	0.09
	357,981,040	95.46
Other Shareholders	17,018,960	4.54
Total Shareholders	375,000,000	100

INVESTOR RELATIONS

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.

Risk Description	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 Pages 191-199)	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 266)	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 2021 is provided on "Investor relation" Information Section	Complied
7.6. iv	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders provided in Share Information section	
	No of Foreign Currency denominated Shares listed on the Exchange, public holding percentage (%) and the number of public shareholders	There are no foreign currency denominated shares listed on the exchange.	
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 379)	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 Pages 231-250)	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 2021	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 326)	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 345)	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 378)	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 220)	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 Page 361)	Complied

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GLOSSARY OF INSURANCE TERMS

A

ACQUISITION EXPENSES

Direct and indirect variable outlays incurred by an insurer at the time of selling or underwriting an insurance contract (both new and renewal). The costs may be in the form of brokerage, underwriting costs or medical expenses etc.

ACTUARY

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

ACTUARIAL VALUATION

A determination by an actuary at a specific date of the value of a Life Insurance Company's asset and its liabilities. The purpose of a valuation is to determine if the Company holds adequate assets to fund the Company's liabilities.

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.

ANNUALIZED NEW BUSINESS PREMIUM

The regular premium policies are annualized to allow comparisons of new business achieved in a specific period.

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

AVERAGE PREMIUM PER POLICY

Measures of Total premium divided by number of policies. This is a measure to understand market segment company is accessing.

B

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.

C

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)

$$\frac{\text{Net claims incurred}}{\text{Net written premiums}}$$

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.

COMBINED RATIO

Measure of profitability used by an insurance company to gauge how well it is performing in its daily operations. OR

Calculated by taking the sum of incurred losses and expenses and then dividing them by the earned premium.

D

DIVIDEND COVER

Profits after tax divided by Dividend measures the number of times dividends are covered by distributable profits for the period.

DETERMINATION RATIO

Life fund backed by admissible assets (Admissible assets classified as per IRCSL)

E

EARNINGS 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.

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.

EXPENSE RATIO

Measure of profitability calculated by dividing the expenses associated with acquiring, underwriting, and servicing premiums by the net premiums earned by the insurance company.

F

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.

G

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.

I

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.

GLOSSARY OF INSURANCE TERMS

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.

INVESTMENT CONTRACT

A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance

L

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 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.

M

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.

N

NET ASSETS PER SHARE

Net assets attributable to Shareholders' equity divided by the number of Ordinary shares issued.

NET COMBINED RATIO

Net Claims Incurred + Other Expenses

NON-PARTICIPATING BUSINESS

Life Insurance business where policyholders are not entitled to share in the surplus of the relevant life fund.

P

PARTICIPATING BUSINESS

Life Insurance business where the policy holders are contractually entitled to share in the surplus of the relevant life fund.

PERSISTENCY RATIO

The ratio of life insurance policies receiving timely premiums in the year and the number of net active policies.

POLICY

The printed document issued to the policyholder by the Company stating the terms of the insurance contract.

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.

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 CEDED TO REINSURERS

The premium paid by the ceding Company to the reinsurer in consideration for all or part of the risk assumed by the reinsurer.

R

REINSURANCE

Transfer of all or part of the risk assumed by an insurer under one or more insurances to another insurer, called the reinsurer

REINSURANCE COMMISSION

Commission received or receivable in respect of premium paid or payable to a reinsurer.

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.

RETENTION

That part of the risk assumed which the insurer/reinsurer does not reinsure/ retrocede, i.e. retained net for own account.

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 ADEQUACY RATIO (CAR)

The capital adequacy ratio (CAR) is a measurement of available capital expressed as a percentage of risk-weighted credit exposures.

$RCAR = (\text{Total Available Capital} / \text{Risk Based Capital Required}) * 100$

S

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.

T

TOTAL AVAILABLE CAPITAL (TAC)

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

U

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.

UNDERWRITING MARGIN

Consists of the earned premium remaining after Claims/benefits have been paid and administrative expenses have been deducted. It does not include any investment income earned on held premiums.

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
 Iftikar Ahamed - Managing Director/Executive Director
 Haresh Kumar Kaimal - Non-Independent Non-Executive Director
 Fernanda Lima - Non-Independent Non-Executive Director
 Visvanathamoorthy Govindasamy - Independent Non-Executive Director
 Raimund Synders - Non-Independent Non-Executive Director
 Lalith Withana - Independent Non-Executive Director
 Sanjaya Mohottala - Independent Non-Executive Director

BOARD SUB COMMITTEES

Board Audit Committee

Lalith Withana - Chairman - Independent Non-Executive Director
 Raimund Synders
 Visvanathamoorthy Govindasamy

Board Risk Committee

Raimund Synders- Chairman - Non Executive Director
 Iftikar Ahamed
 Fernanda Lima

Board HR & Remuneration Committee

Visvanathamoorthy Govindasamy - Chairman - Independent Non-Executive Director
 Ashok Pathirage
 Lalith Withana

Board Investment Committee

Ashok Pathirage - Chairman - Non Executive Director
 Iftikar Ahamed
 Visvanathamoorthy Govindasamy
 Fernanda Lima
 Raimund Synders
 Sanjaya Mohottala

Board Related Party Transactions Review Committee

Lalith Withana - Chairman - Independent Non-Executive Director
 Raimund Synders
 Visvanathamoorthy Govindasamy

Board Nomination Committee

Visvanathamoorthy Govindasamy - Chairman - Independent Non-Executive Director
 Ashok Pathirage
 Lalith Withana

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

Pranama Perera

Compliance Officer

Ruwantha Arukwatta

Lawyers

Paul Rathnayake Associates
 Nithya Partners

Reinsurance Panel

Munich Re
 SCOR Re
 TOA Re
 AXA PPP Healthcare Limited

Bankers

Bank of Ceylon
 Cargills Bank
 Commercial Bank PLC
 Deutsche Bank
 DFCC Bank PLC
 Hatton National Bank PLC
 HDFC Bank
 Merchant Bank of Sri Lanka & Finance PLC
 National Development Bank PLC
 National Savings Bank
 Nations Trust Bank PLC
 Pan Asia Banking Corporation PLC
 People's Bank
 Regional Development Bank
 Sampath Bank PLC
 Sanasa Development Bank PLC
 Seylan Bank PLC
 State Mortgage and Investment Bank

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

NOTICE OF MEETING

NOTICE OF THE VIRTUAL 23RD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Virtual Twenty Third (23rd) Annual General Meeting of SOFTLOGIC LIFE INSURANCE PLC (the Company) will be held on Thursday, 31st March 2022 at 10.00 a.m. via an online platform at Level 16, One Galle Face Tower (Shangri-La Office Tower), Colombo 02 for the following purposes;

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 2021 and the Report of the Auditors thereon.
2. To re-elect Mr. Haresh Kaimal 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. P.L.P. Withana, who was appointed to the Board on 01st July 2021 is to retire in terms of Articles 103 of the Articles of Association of the Company and being eligible, offers himself for re-election.
4. To re-elect Mr. S.W. Mohottala who was appointed to the Board on 01st July 2021 is to retire in terms of Articles 103 of the Articles of Association of the Company and being eligible, offers himself for re-election.
5. 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 07th March 2022

Notes:

- A shareholder entitled to attend and vote at the virtual meeting, is entitled to appoint a Proxy to attend and vote instead of him/her.
- A Proxy need not be a shareholder of the Company.
- A Form of Proxy accompanies this notice
- The completed Form of Proxy must be forwarded via e mail to info@prsslk.com or 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.

FORM OF PROXY

Annexure 1

FORM OF PROXY- VIRTUAL 23RD ANNUAL GENERAL MEETING

I/We..... of
 being Member / Member* of the above
 named Company, hereby appoint (1) of failing him / her.

- | | | | |
|------------------------------|----------------|-------------------------|----------------|
| (2) Mr. A. K. Pathirage | or failing him | (6) Mr. V. Govindasamy | or failing him |
| (3) Mr. T. M. Iftikar Ahamed | or failing him | (7) Mr. Raimund Snyders | or failing him |
| (4) Mr. H.K. Kaimal | or failing him | (8) Mr. P.L.P. Withana | or failing him |
| (5) Ms. Fernanda Lima | or failing her | (9) Mr. S.W. Mohottala | or failing him |

As my / our* Proxy to represent me / us* and vote and speak for me / us* on my / our* behalf at the **Virtual Twenty Third (23rd) Annual General Meeting of the Softlogic Life Insurance PLC to be held on Thursday 31st March 2022 at 10.00 a.m.** Via an online platform at Level 16, One Galle Face Tower (Shangri-La Office Tower), Colombo 02 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 2021 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Haresh Kaimal 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. P.L.P. Withana , who was appointed to the Board on 01st July 2021 is to retire in terms of Articles 103 of the Articles of Association of the Company and being eligible, offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. S.W. Mohottala who was appointed to the Board on 01st July 2021 retires is to retire in terms of Articles 103 of the Articles of Association of the Company and being eligible, offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
5. 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"/>

.....
 Signature of shareholder Signed this day of 2022.

Note:

- (i) Please delete the inappropriate words.
- (ii) Instructions for completion of Proxy are noted below.
- (iii) A Proxy need not be a shareholder of the Company.
- (iv) Please mark "X" in appropriate cages, to indicate your instructions as to voting.

FORM OF PROXY

Instructions as to completion

1. Kindly perfect the Form of Proxy by filling 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 forwarded via e mail to info@prsslk.com or deposited at P.R. Secretarial Services (Pvt) Ltd , No. 59, Srimath R. G. Senanayake Mawatha, Colombo 07, Sri Lanka on not less than 48 hours before the time appointed for the holding of the meeting to ensure that the proxies reaches the Company's Registrars before the date of the AGM. No registration of proxies shall be accommodated after the deadline.
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.

INVESTOR/STAKEHOLDER FEEDBACK FORM

Annexure 2

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
 F - +94 (11) 2327257

Email : investor.relations@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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INVESTOR/STAKEHOLDER FEEDBACK FORM

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

.....
.....



Softlogic Life Insurance PLC,
Level 16, One Galle Face Tower,
Colombo 2, Sri Lanka.

www.softlogiclifelk