

# Reimagining



softlogic  
**LIFE**

**SOFTLOGIC LIFE INSURANCE PLC**  
Integrated Annual Report 2022



# Reimagining

*“When you change the way you look at things, the things you look at change”*

- Wayne Dyer -

At Softlogic Life, we believe that when we transform our perspective, we hold the power to change the future as we know it. That’s why over the years we have continued to drive innovation and seek new opportunities — factors that have enabled us to become one of the fastest growing life insurers today.

The year ahead may seem as challenging as the year just past, and yet, your Company remains confident in the certainty that together, we can achieve the seemingly impossible. As we embark on a journey that will take us to distant shores, we are emerging from the chaos, and envisioning a future of transformation and growth.

**We’re reimagining the future.**

softlogic  
**LIFE**



Scan the QR code with  
your smart device to  
view this report online

## REVOLUTIONISING...

We're revolutionising the industry in which we serve.

**100%**

Digital Sales platform



Auto Underwriting Capabilities

## REALIGNING...

We're realigning ourselves to reach new heights.

**2<sup>nd</sup>**  
largest insurer

**Only insurer** to maintain consistence market share growth over last 5 years

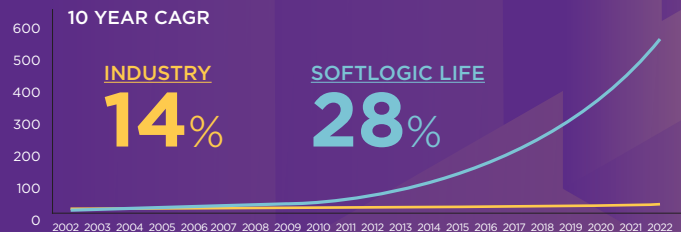
## RESPONDING...

We're responding to the challenges around us.

Despite the negative Sri Lanka's GDP growth of 8.7%, the Company recorded a GWP growth of 15% in 2022 where the industry grew only by 9.2%

**Double the GWP growth**

Softlogic Life 10 year CAGR is 28% where industry CAGR is 14%.



## VISION

To revolutionise 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.

## REVITALISING...

We're revitalising the communities in which we work.

Serving

# 1.3Mn



customers

# Rs. 8.3Bn

of claims paid to the customers

Sri Lanka's first Micro Insurance provider in life Insurance market to protect low income earners

## REGULATING...

We're regulating the way we manage our business and resources.

Awards received for  
**transparency, accountability ,  
governance and sustainability**



## REWARDING...

We're continuously rewarding our stakeholders with long-term value.



Investors: **>20% ROE** for the 6th consecutive year.



Customers: **Over 95%** one day claims settlement



# VALUES

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

# CONTENTS

INTEGRATED REPORT (page 6 to 85)

## ABOUT US

### About Our integrated report

- Our Reporting Universe/ 6
- About Our Integrated Report/ 8

### Softlogic Life at a Glance

- Overview of Softlogic Life/ 13
- Softlogic Life in Context/ 14
- Our Value-Creating Business Model/ 20
- Financial Highlights/ 24
- Year at a Glance/ 26
- Our History/ 28

## MANAGEMENT DISCUSSION & ANALYSIS

### Unfolding Our Success Story

- Reflections from our Chairman/ 30
- Reflections from our Managing Director/ 34
- Reimagining the future through results of today/ 36
- Stakeholder value creation/ 55

### Creating value in a sustainable manner through our strategy

- Our Operating Environment/ 59
- Managing Our Risk Strategically/ 64
- Realizing Opportunities/ 66
- Managing Stakeholder Interest/ 69
- Material Matters Addressed Through Our Strategy/ 74
- Our Strategy and Resource Allocation/ 78
- Our Future/ 84
- Independent Assurance Report on Integrated Report/ 85

### Creating and Harnessing of value of our resources

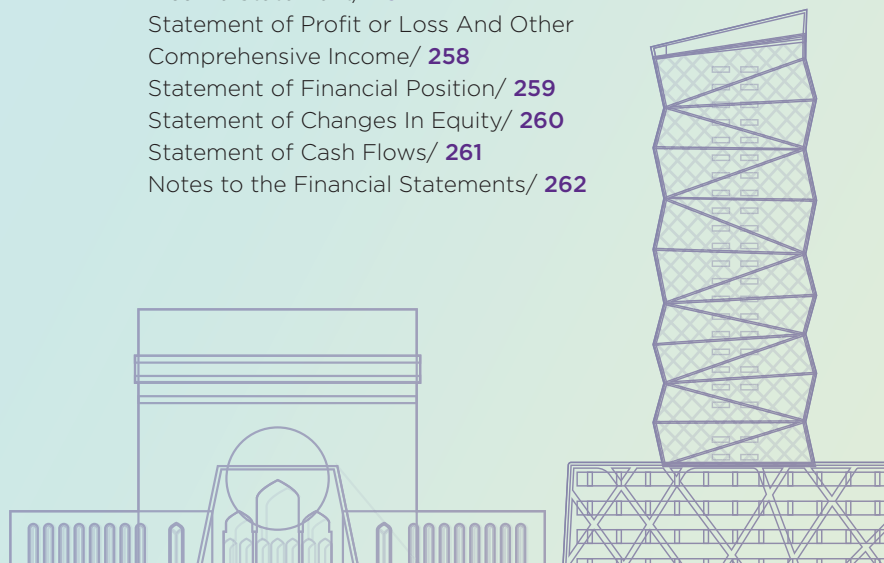
- Financial Capital/ 88
- Human Capital/ 94
- Social and Relationship Capital/ 106
- Customer/ 107
- Business Partners/ 115
- Community/ 121
- Intellectual Capital/ 128
- Manufactured Capital/ 134
- Natural Capital/ 137
- Independent Assurance Report on Sustainability Report/ 143

## STEWARDSHIP

- Chairman's Statement/ 146
- Our Approach to Governance/ 147
- Value Creation from Governance Framework/ 148
- Statement of Compliance/ 150
- Governance Structure and Leadership/ 151
- Board of Directors/ 153
- Corporate Management Team/ 156
- Sales Management Team/ 158
- Ethics & Integrity Practices/ 174
- Annual Report of The Board of Directors/ 185
- Statement of Directors' Responsibility for Financial Reporting/ 194
- MD and CFO's Responsibility Statement/ 196
- Directors' Interest in Contracts with the Company/ 197
- Directors' Statement on Internal Controls/ 198
- Audit Committee Report/ 200
- Risk Committee Report/ 205
- Human Resource and Remuneration Committee Report/ 207
- Investment Committee Report/ 209
- Related Party Transaction Review Committee Report/ 211
- Nomination Committee/ 213
- Listing Rules Issued by Colombo Stock Exchange / 215
- Direction on Corporate Governance Issued by IRCSL/ 217
- Code of Best Practice on Corporate Governance Issued By CA Sri Lanka/ 218
- Integrated Risk Management/ 226

## FINANCIAL INFORMATION

- Financial Calendar/ 252
- Financial Statement Table of Contents/ 253
- Independent Auditor's Report/ 254
- Income Statement/ 257
- Statement of Profit or Loss And Other Comprehensive Income/ 258
- Statement of Financial Position/ 259
- Statement of Changes In Equity/ 260
- Statement of Cash Flows/ 261
- Notes to the Financial Statements/ 262



## SUPPLEMENTARY INFORMATION

Statement of Financial Position-Life Insurance Fund/ **361**

Insurance Revenue Account/ **361**

Notes to the Statement of Financial

Position of the Life Insurance Fund/ **362**

Quarterly Analysis/ **364**

Decade at a Glance - Financial

Performance/ **365**

Decade at a Glance - Financial Position/ **366**

Simplified Insurance Financials/ **367**

Investor Relations/ **368**

Horizontal and vertical analysis of statement of financial position over five years/ **372**

Horizontal and vertical analysis of Income

Statement over five years/ **374**

GRI - Content Index/ **375**

Glossary of Insurance Terms/ **377**

SLFRS 17 Implementation effect on

Company's Financial Statements/ **380**

Corporate Information/ **387**

Notice of Meeting/ **388**

Form of Proxy/ **Annexure 1**

Investor/Stakeholder Feedback

Form/ **Annexure 2**



# 17

Our  
Commitment  
Towards  
UNSGD

# 07

A more  
digitally  
enabled report  
for a more  
digital world

# 367

Simplified Insurance Financials

# 78

Strategize the  
future with KPI's

# 97

Prioritising Gender Balance

# 52

Segmental  
Information



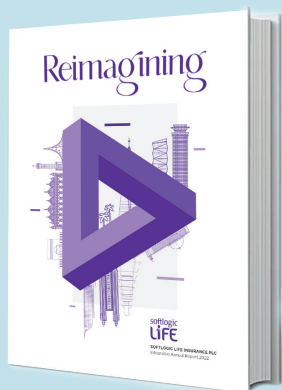
## OUR REPORTING UNIVERSE



### UNLOCKING THE UNIVERSE

Softlogic Life has been on a market leading digital transformation journey over the past few years. Our 2022 report has been designed for enhanced digital experiences and ease of use as our stakeholders increasingly engage with information in a more digital manner.

In our 2022 value creation story, we have introduced a range of additional information in more digitalized manner to feed the diverse information needs of our stakeholders, available at our website [www.softlogiclife.lk](http://www.softlogiclife.lk)

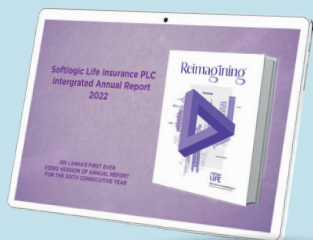


### INTEGRATED ANNUAL REPORT

The Integrated Reporting journey 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 10th consecutive year and 23rd year of its operations. This report is prepared "in accordance" with the international integrated reporting framework of the International Integrated Reporting Council (IIRC) and amendment thereto, together with our regular financial reporting.

**Historical Focus :-** The report focuses on unfolding the value creation story of Softlogic Life Insurance (SLI) provided under its seven strategic pillars. How we manage these seven strategic pillars and its results have been provided to explain our past operating performance.

**Future Focus :-** We have analysed the external and internal environment to understand the risk and opportunities arises on our strategic pillars and set the future strategy accordingly. these information provided in this report combining with KPIs where applicable to provide greater understanding of our ability to create future value and stakeholders to have a formal track on our performance.



### SRI LANKA'S 1ST EVER VIDEO VERSION OF ANNUAL REPORT

We have compressed our value creation story to video version of our annual report which provide key insights to our report 2022. You can access our video version of annual report for the sixth consecutive year by scanning below QR.



# A MORE DIGITALLY ENABLED REPORT FOR A MORE DIGITAL WORLD



## CREATE CONTENT SPECIFIC REPORT

Over the past few years we identified that many stakeholders refer our annual report for various purposes. In order to provide them only relevant information they want we added new feature to our online report. Now you can download content – specific reports available at “Generate your own report” section of our website “softlogiclifellk”



## INVESTOR INFORMATION

We have set out in interactive dashboard, allow our stakeholders to interact with data in ease manner by tracking analysing, monitoring, and displaying key business metrics

Available at our website – [Softlogiclifellk](http://Softlogiclifellk)>Financials>Financial Highlights



## READ 2022 ANNUAL REPORT ON LIFEUP

We have enabled access to our integrated report through “Life up” app. Any person using Life up app can view, download our integrated report 2022 and periodical publications.



## QUARTERLY REPORTS



Provide key accounting and financial data of the company, is a summary or collection of unaudited financial statements, such as balance sheets, income statements, and cash flow statements, issued in every quarter to investors and analyst.



New

## SHAREHOLDERS MEETING

Our notice of AGM and form of proxy provide valuable information to shareholders who want to vote at the 24th AGM of Softlogic Life.



Also provides supporting information for shareholders to see the agenda and its approval rate in the past AGMs.

Available at our website – [Softlogiclifellk](http://Softlogiclifellk)>Financials> Shareholder Information

ENGLISH  
සිංහල  
தமிழ்

## TRILINGUAL EXECUTIVE STATEMENTS AND FINANCIAL STATEMENTS



We provide Chairman and MD statement along with financial statement in Sinhala and Tamil languages in order to serve wider base of stakeholders. This is one of our initiative to enhance inclusivity and equal opportunity.

# ABOUT OUR INTEGRATED REPORT

## WELCOME TO OUR 10TH INTEGRATED ANNUAL REPORT

Softlogic Life is proud to present its 10th Integrated Annual Report for the year ended 31st December 2022, which provides Company’s financial and non-financial performance. Our report sets out the progress we have made towards achieving our strategic priorities and our progress is evaluated against our strategic value drivers.

This report also provides an assessment of the opportunities, risks and impacts influencing our ability to create and preserve sustainable value, and guard against value erosion, as we deliver our purpose. As well as 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 10th consecutive year and 23rd year of its operations.

This report is prepared “in accordance” with the international integrated reporting framework of the International Integrated Reporting Council (IIRC) and amendment thereto, together with our regular financial reporting.

## OUR INTEGRATED THINKING

We apply INTEGRATED THINKING to identify matters that could influence our ability to create value over time. These matters inform our strategy to manage risks and maximise opportunities that present themselves.



## 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.

## NON-FINANCIAL INFORMATION

Creating a wider understanding of the 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 2021. Where necessary reclassifications and restatements have done for better presentation and complying with regulations.

**ICON NAVIGATION** ⌵

**CAPITALS**

Financial

Manufactured

Natural

Human

---

Intellectual

Social and Relationship

**STAKEHOLDERS**

Investors

Customers

Employees

Sales Staff

---

Re-Insurers

Government & Regulator

Suppliers

Community

---

Environment

**OUR STRATEGIC PILLARS**

Most Caring Life Insurer

Smart IT Digitalisation

King of Data

Phenomenal Sales

---

Lean and Fast

Governance

Risk Management

**BOUNDARY AND SCOPE**

This Integrated Annual Report covers the performance of Softlogic Life for the 12-month period ended 31st December 2022 and material events up to the approval of the report by the Company’s Board of Directors on 7th March 2023. The scope of the annual report spans to matters arising in the external environment and stakeholder engagement.

INTEGRATED REPORTING BOUNDARY		FINANCIAL REPORTING BOUNDARY	
Our Operating Context ➔ 59	Our Strategy ➔ 78	Aligns with our financial statements reporting boundary	
Our Business Model and Impact on the six capitals ➔ 20	Stakeholder Engagements ➔ 69	➔ 262	

SLI is a Public listed Company in the Colombo Stock Exchange (CSE) and currently doesn’t own a subsidiary as at the reporting date. During the period under review, there were no significant changes in the organization type, structure, ownership and no changes on reporting financial or non-financial information.

**Defining Report Content**

We regularly improve the content of our annual report in order to provide comprehensive, balanced and relevant information. We have assessed our report content against the guiding principles provided in IR framework and the quality of the information is assured through internal controls and processes defined to ensure Transparency, Accountability, Governance and Sustainability

**GUIDING PRINCIPLES (IR FRAMEWORK)**

- ➔ Conciseness
- ➔ Reliability and completeness
- ➔ Consistency and comparability
- ➔ Strategic focus and future orientation
- ➔ Connectivity of information
- ➔ Stakeholder relationships
- ➔ Materiality (Refer page 74 materiality determination process)

**OTHER MEASURES (SLI INTERNAL CONTROLS)**

- ➔ Transparency - Obtaining external assurance (Page 143 and 85), adoption of many voluntarily reporting frameworks
- ➔ Accountability - Board assurance on accountability (Page 185)
- ➔ Governance - governance to ensure compliances and fair and balance reporting
- ➔ Sustainability - Board commitment for sustainability (Page 166)

**FUTURE REPORTING PERIODS**

When we report on our story, we have reported many information into three reporting periods namely “Short term” and “Medium term” to “Long term” where applicable. For this purpose, the management considered year 2023 as Short term future, year 2024 and 2025 as Medium term and beyond 2025 as Long term.

## ABOUT OUR INTEGRATED REPORT

### 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
<b>FINANCIAL REPORTING</b> <ul style="list-style-type: none"> <li>Sri Lanka Accounting Standards (SLFRSs/LKASs)</li> <li>The Regulations of Insurance Industry Act No.43 2000 and amendments thereto.</li> <li>Statement of Recommended Practice (SoRP)</li> <li>Regulations and directions issued by the of Insurance Regulatory Commission of Sri Lanka (IRCSL).</li> <li>Companies Act No. 07 of 2007 and amendments thereto.</li> </ul>	<b>INTEGRATED REPORTING</b> <ul style="list-style-type: none"> <li>International Integrated Reporting Council’s (IIRC) Integrated Reporting &lt;IR&gt; and amendment thereto (www.theiirc.org).</li> <li>A Preparer’s Guide to Integrated Reporting (CA Sri Lanka)</li> <li>The guidelines for presentation of Annual Reports 2022 (CA Sri Lanka).</li> <li>Handbook on Integrated Corporate Reporting (CA Sri Lanka)</li> </ul>
<b>CORPORATE GOVERNANCE REPORTING</b> <ul style="list-style-type: none"> <li>Listing Rules of the Colombo Stock Exchange</li> <li>Laws and Regulations of the Companies Act No. 7 of 2007</li> <li>Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended).</li> <li>Corporate governance framework for insurers issued under Section 96A of the Regulations of the Insurance Industry Act No. 43 of 2000 (IRCSL).</li> </ul>	<ul style="list-style-type: none"> <li>Code of best practices on Corporate Governance 2017 (CA Sri Lanka).</li> <li>Integrated Risk Management Framework is crafted based on the guidelines provided in ISO 31000:2018.</li> </ul>
<b>ASSURANCE</b> <ul style="list-style-type: none"> <li>Sri Lanka Auditing Standards (SLAuSs)</li> <li>Sri Lanka Standard on Assurance Engagements SLSAE 3000; Assurance Engagements other than Audits or Review of Historical Financial Information (CA Sri Lanka).</li> <li>Internal Auditing Framework of Institute of Internal Auditors</li> </ul>	<b>SUSTAINABILITY REPORTING</b> <ul style="list-style-type: none"> <li>GRI Standards published by the Global Reporting Initiative, sustainability reporting standards.</li> <li>Guidance on ESG Reporting by the Colombo Stock Exchange.</li> <li>Sustainable Development Goals (SDGs) and UNGC of United Nations.</li> <li>Disclosure on Gender Parity Reporting (CA Sri Lanka)</li> <li>Sustainability Accounting Standard by SASB (Sustainability Accounting Standard Board) - Insurance sector.</li> </ul>



- **Improvements to the Content**
  - Improve each content by linking to Strategic Pillars for higher understanding of the business,
  - Company Strategy for next 3 years is presented with KPI comparing past 3 years.
  - All relevant future information provided in a systematic way to arrive at Company Strategy

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- **Improvements to the User-friendliness**
  - Launch video version of 2022 annual report for the sixth consecutive year.
  - Improvement to the graphical & pictorial presentation.
  - Improve Icon navigation & Page references to improve the user-friendliness.
  - Chairman’s Review, Managing Director’s Review and primary financials statements have been provided in three languages. (English, Sinhala and Tamil)

\*Used more digitalized options to distribute our annual report (page 6)

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- **Improvements to the Transparency**
  - Obtained the External Assurance for Integrated Reporting for the third 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).



## PROCESS DISCLOSURES

The following processes were employed in the preparation and approval of our reports:

- An expert reporting project team ensures that a mature and effective report preparation process is followed. Detailed debriefing together with internal and external feedback on processes and content, <IR> Framework application in the prior year's reporting was used to improve this integrated report.
- Oversight and guidance of the processes, particularly in the reporting approach and content planning, is provided by executives and senior management across the company.
- The comprehensive strategy setting process and company risk management framework enables the determination of material matters which are foundational to the preparation of the integrated report. Issues that are material are reviewed, finalised and approved by the board under annual corporate planning cycle.
- Information included in this report is sourced from interviews with leadership team, data collected through internal process setup to comply with requirements of local and international reporting frameworks and guidelines
- The company's leadership team is accountable to the board for preparing the integrated report. The board is review and approve the content of the annual report before publishing.

## 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 254 to 256, limited assurance on the Integrated reporting is provided on pages 85 to 86. Reasonable and limited assurance in respect of the sustainability indicators including the financial highlights on pages 24 to 25, stakeholder value creation on page 15 and capital reports on pages 88 to 141 is presented on page 143 to 144. 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.withanage@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 has applied collective mind to the preparation and presentation of this Integrated Report and believes to the best of our knowledge that this Integrated Report fairly discusses all material issues.

Sgd  
**Nuwan Withanage**  
Chief Financial Officer

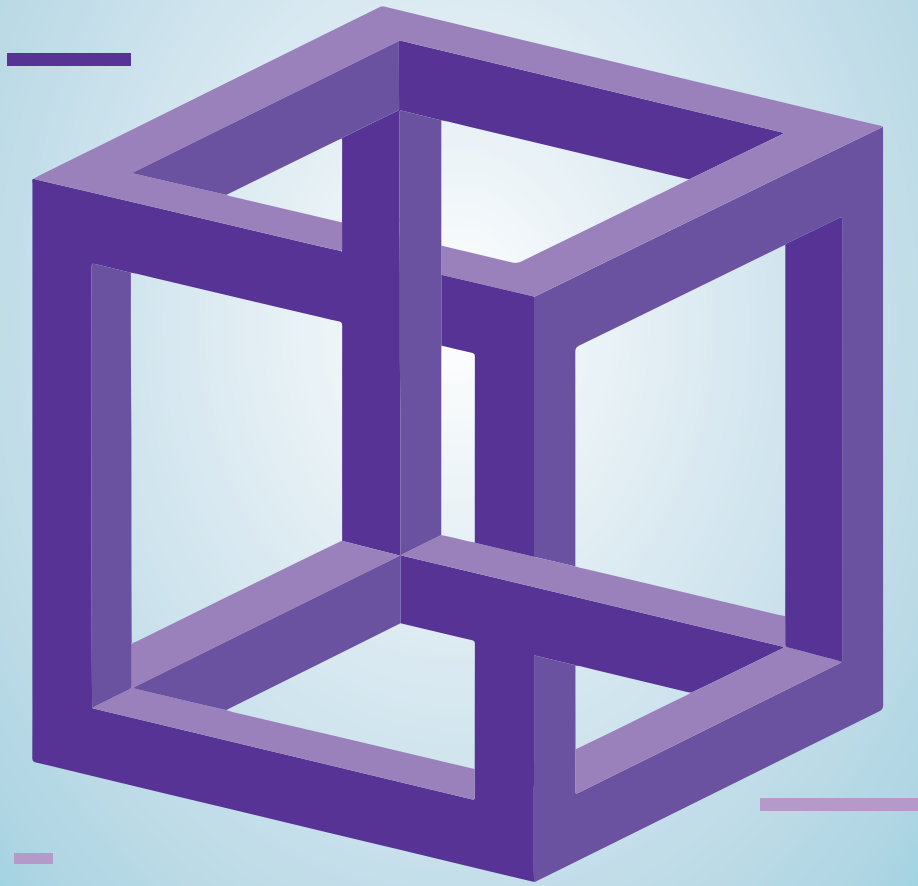
Sgd  
**Iftikar Ahamed**  
Managing Director

Sgd  
**Ashok Pathirage**  
Chairman

(On behalf of the Board of Directors)

# Reimagining Structures

At Softlogic Life, we believe in thinking outside the box, and redefining the structures that confine us.



## SOFTLOGIC LIFE AT A GLANCE

Overview of Softlogic Life **13** | Softlogic Life in Context **14** | Our Value-Creating Business Mode **20**  
Key Performance Indicators **8** | Year at a Glance **26** | Our History **28**

## OVERVIEW OF SOFTLOGIC LIFE

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 second largest Life insurer in the island. We drive the industry forward year on year, setting new industry standards by embracing creativity and disruptive innovation. Below is balance scorecard to provide key insights into our organization.

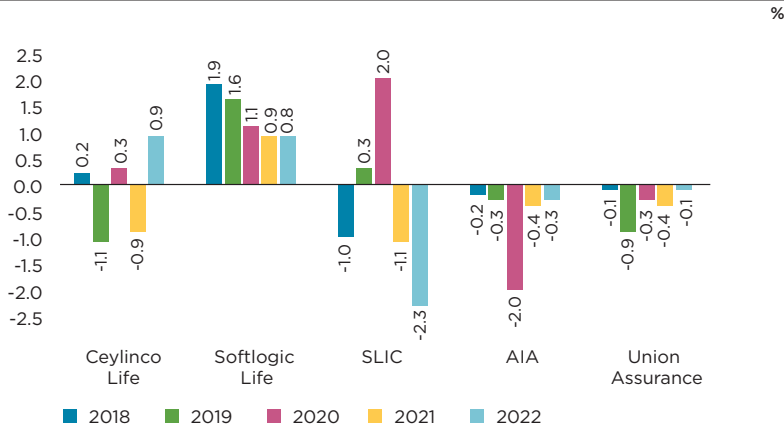


# SOFTLOGIC LIFE IN CONTEXT

Softlogic Life Insurance PLC (SLI) created a history in Sri Lanka's life insurance industry in terms of exceptional growth, world-class innovation and superior efficiency and many other areas. This success is mainly a outcome of our tireless effort to innovate our business in every angle. This also supported by lean organizational structure, organizational culture and management philosophy followed by executives of the organization.

SLI maintained its growth momentum over past 10 years becoming the second largest insurer within a shorter period of time. Accordingly we have maintained a growth of twice the industry growth in order to achieve this. We currently own 16.9% of market share and was able to increase it every year despite the negativities existing in the external environment.

**G1-MARKET SHARE MOVEMENT OF TOP FIVE PLAYERS IN THE INDUSTRY**



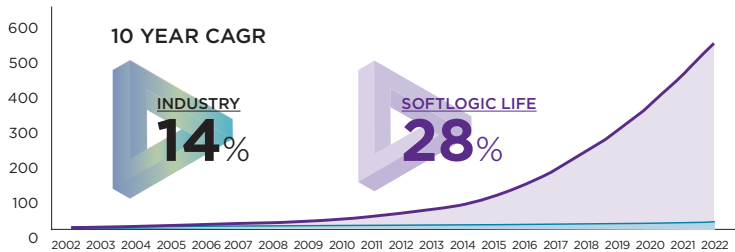
SLI is the only insurer (within top five life insurers) in the industry to maintain market share growth consistently over last five years

**G8-MARKET SHARE**



SLI shifted its market position from 5 to 2 within a shorter period of five years.

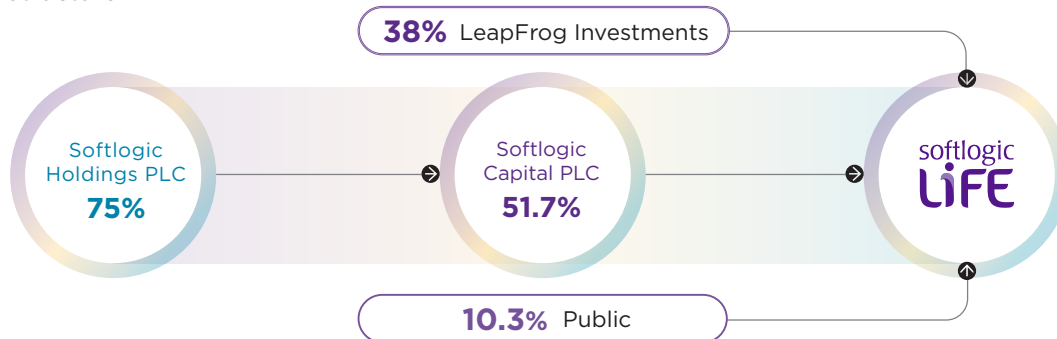
## SLI Growth vs Industry Growth



SLI growth trajectory is clearly showcased in this graph. Taking 2002 as the base year we have grown by 142 times where as industry grew by 15 times. During past 10 years we have maintained 2 times exponential growth than the industry.

Our growth momentum started after 2001 subsequent to acquisition by the Softlogic Group. This demarcates the focus and purposeful drive of the Company based on its performance pre and post-acquisition. This turnaround resulted to attract some foreign shareholders for Softlogic Life. Therefore it is important to have correct ownership to drive for success and our ownership structure is provided below.

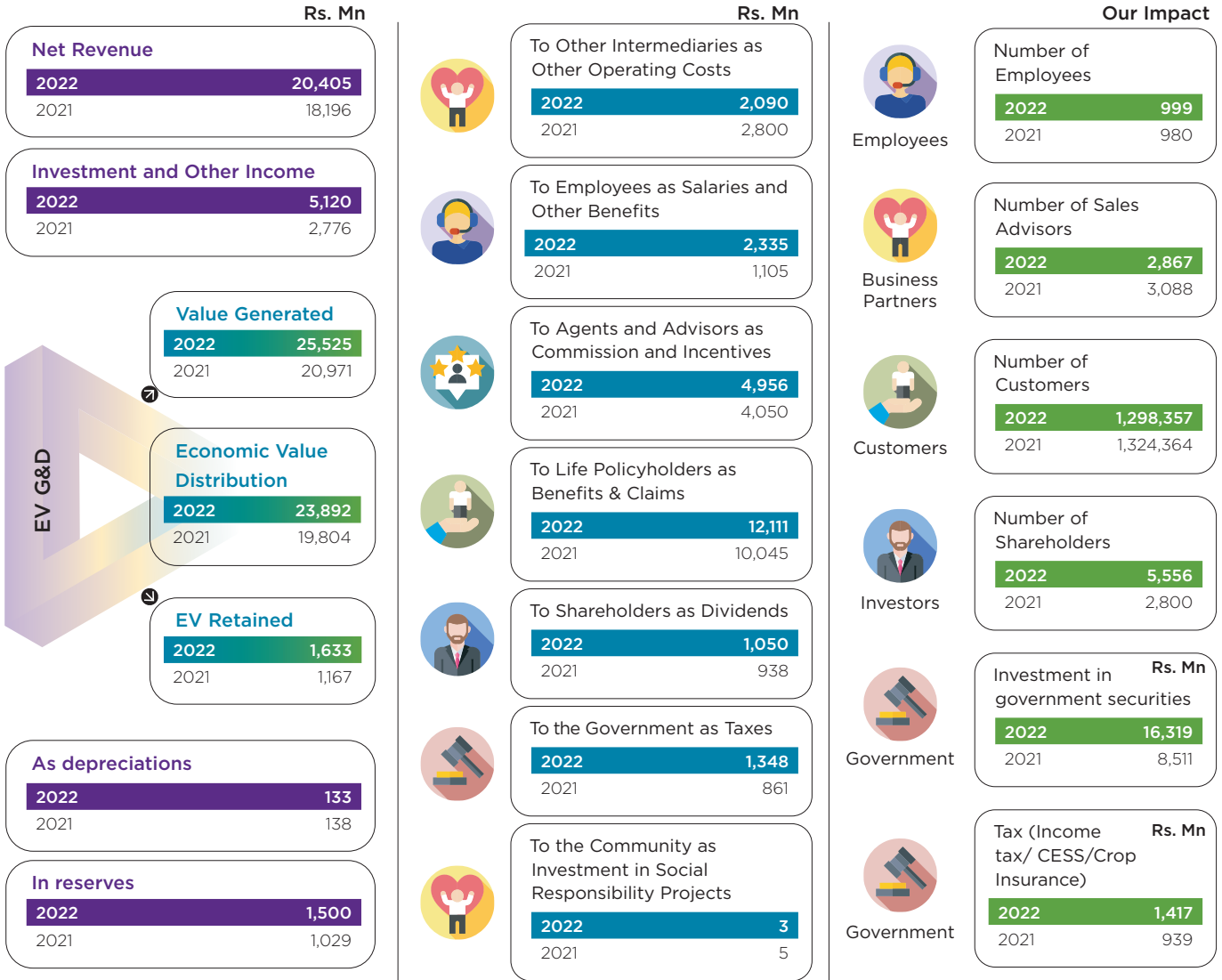
## Ownership Structure



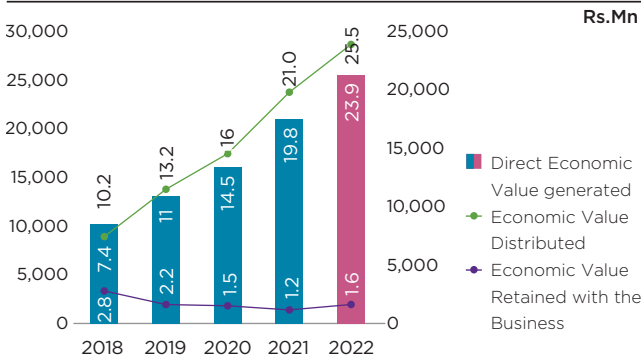


**HOW WE CREATE AND DISTRIBUTE VALUE TO OUR STAKEHOLDERS AND ECONOMY**

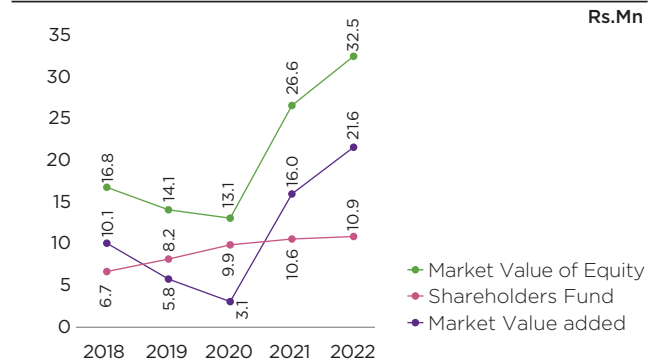
The creation and the distribution of the Economic Value Generated and Distributed (EV G&D) provide the economic profile of Softlogic Life and shows how the Company has created and distributed the wealth to its stakeholders. We are contributing to national economic development while managing the interests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



**G3-ECONOMIC VALUE ADDED**



**G4-MARKET VALUE ADDED**



## SOFTLOGIC LIFE IN CONTEXT

### WHAT DIFFERENTIATES SOFTLOGIC LIFE

Softlogic Life one of the largest life insurance provider in Sri Lanka, has many characteristics that set it apart from its peers. These include the following.

CUSTOMER CENTRIC INNOVATION	DIGITALISATION
<p>We use innovation to provide unique experience to our customers.</p> <p><b>One Day Claims Settlement</b> Game changing, One-day claims settlement process is introduced for the first time in Sri Lanka to settle our customer claims within one day. The process was further strengthened by integrating online platforms introduced to claim submission.</p>	<p>Digitalize processes to improve customer service and improve productivity</p>
<p><b>Speedy customer discharge</b> 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.</p>	<p><b>'LifeUp' Application</b> The 'LifeUp' smartphone 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.</p>
<p><b>Customer Journey Mapping</b> 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 taken into management consideration and required changes made.</p>	<p><b>Automatic Policy Issuance</b> Policy issuance is automated for no proposal-based policies such as DTAP. This provide greater convenience to our Bancassurance partners with minimal documentation while our customers receive speedy service.</p>
<p><b>Omni Channel Customer Care</b> The Company has built cross channel content strategy to improve customer experience and drive better relationships with customers across points of contact.</p>	<p><b>100% Digital Sales Platform</b> 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.</p>
<p><b>Cashless Less Claims Settlement</b> Cashless claims settlement process, which was initiated with the Asiri Group of Hospitals and 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.</p>	
<p><b>Tele Underwriting</b> 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.</p>	

HIGH TECH

Invest in latest technology to increase business value creation.



**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.



**Auto underwriting with enhanced capability**

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

The differentiation factors discussed above also created unique value proposition in the market gaining Softlogic Life competitive edge. SLI also enjoy the benefit being the first in the market in terms of market segments, products as well as innovative solutions for customers. Below we have highlighted a few such successful market segments we touched creating value to company as well as our Customers.

**BEST HEALTH INSURER IN SRI LANKA**

Softlogic Life is the first life insurer in Sri Lanka to introduce health insurance combined with life insurance policy.

**21%**

Softlogic Life is the market leader in group health market and it currently owns 43% of health segment of life insurance market.

**FASTEST CLAIM SETTLEMENT IN SRI LANKA**

Softlogic Life introduced one day claims settlement process to life insurance industry targeting to enhance customer convenient.

**95%**

Softlogic life currently settle 95% of its claims within one day

**SRI LANKA'S FIRST MICRO INSURANCE PROVIDER**

Softlogic Life introduced micro insurance to the life insurance industry as a telco platform-based product.



This is one of our efforts to protect low income community with insurance and provide financial backup when they need assistance.

**EXPANDING OUR PROTECTION TO LOW INCOME COMMUNITY**



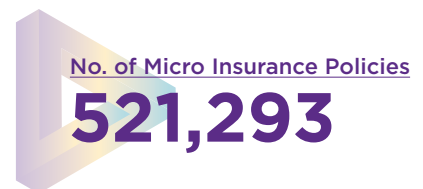
As responsible corporate in Sri Lanka we took bold decision to extend life insurance business to low income population in order to provide them financial support when they need it. Accordingly we launched per day insurance partnering with Dialog Axiata where end to end process is operate on mobile platform.

Taking further step under our sustainability strategy we took membership of UNSDG and agreed to navigate our strategy to achieve below targets. Our efforts aligned to below theme.

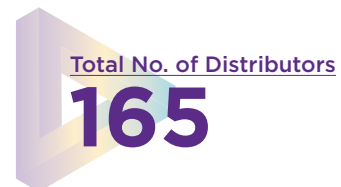
"Enhance quality of lives of Sri Lankans by providing them with relevant, innovative and affordable life insurance solutions and livelihood opportunities."

**OBJECTIVES**

Enabling access to a life Insurance policy to 2.4 million low-income people in Sri Lanka in 2024



Provide livelihood opportunities to extra 3,000 low-income people as distributors of Insurance Policies in Sri Lanka



Further our business strategies are aligned to achieve below UNSDG targets.

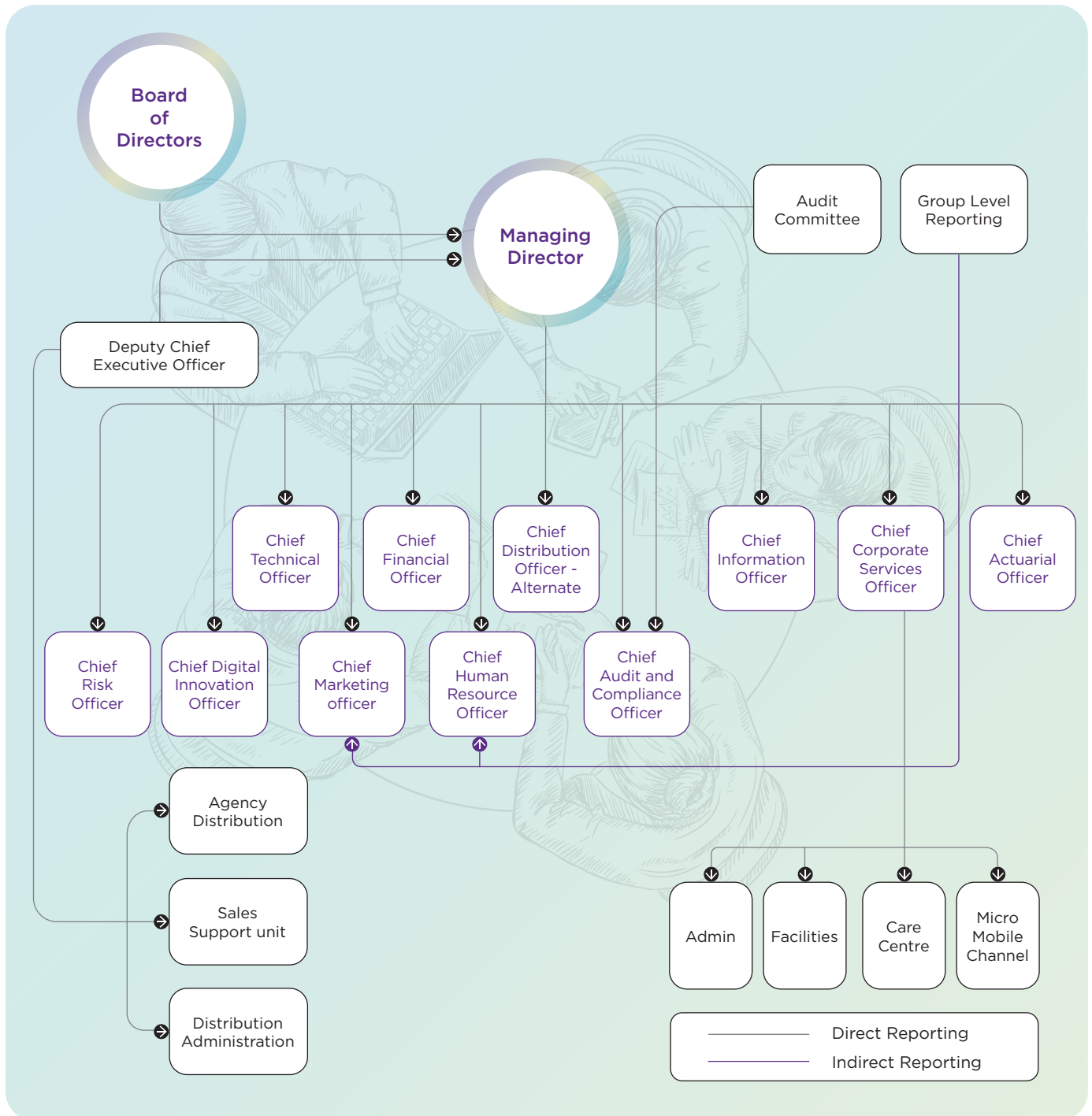


## SOFTLOGIC LIFE IN CONTEXT

### ORGANIZATIONAL 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.



# AWARDS AND ACCOLADES

The unique business model we operate brings us great results. Accordingly this unmatched profile of Softlogic Life being awarded in many prestigious events in Sri Lanka for its success. We consider below group of awards as external endowment to assess our success in every angle.



## CA Sri Lanka

- Overall Excellence corporate reporting- Silver award
- Insurance sector- Gold award
- Intergrated report Silver award
- Most Transformative and digitalized annual report-Silver award

## CMA Sri Lanka

- Overall Excellence corporate reporting – Silver
- Best Integrated Report - Insurance Sector
- Best Disclosure on strategic Focus
- Special award for Integrated Thinking
- Among top five integrated reports in Sri Lanka

## SAFA Best Presented Annual Report Awards

- Insurance sector- Silver award
- Best Integrated Report – Silver award

## South Asian Business Excellence Award

- Best Insurance Company in the Private Sector
- Best use of IT and Technology

## SLIM Brand Excellence

- Innovative Brand – Gold
- Best New Entrant – Gold
- Service Brand – Silver
- Local Brand – Silver

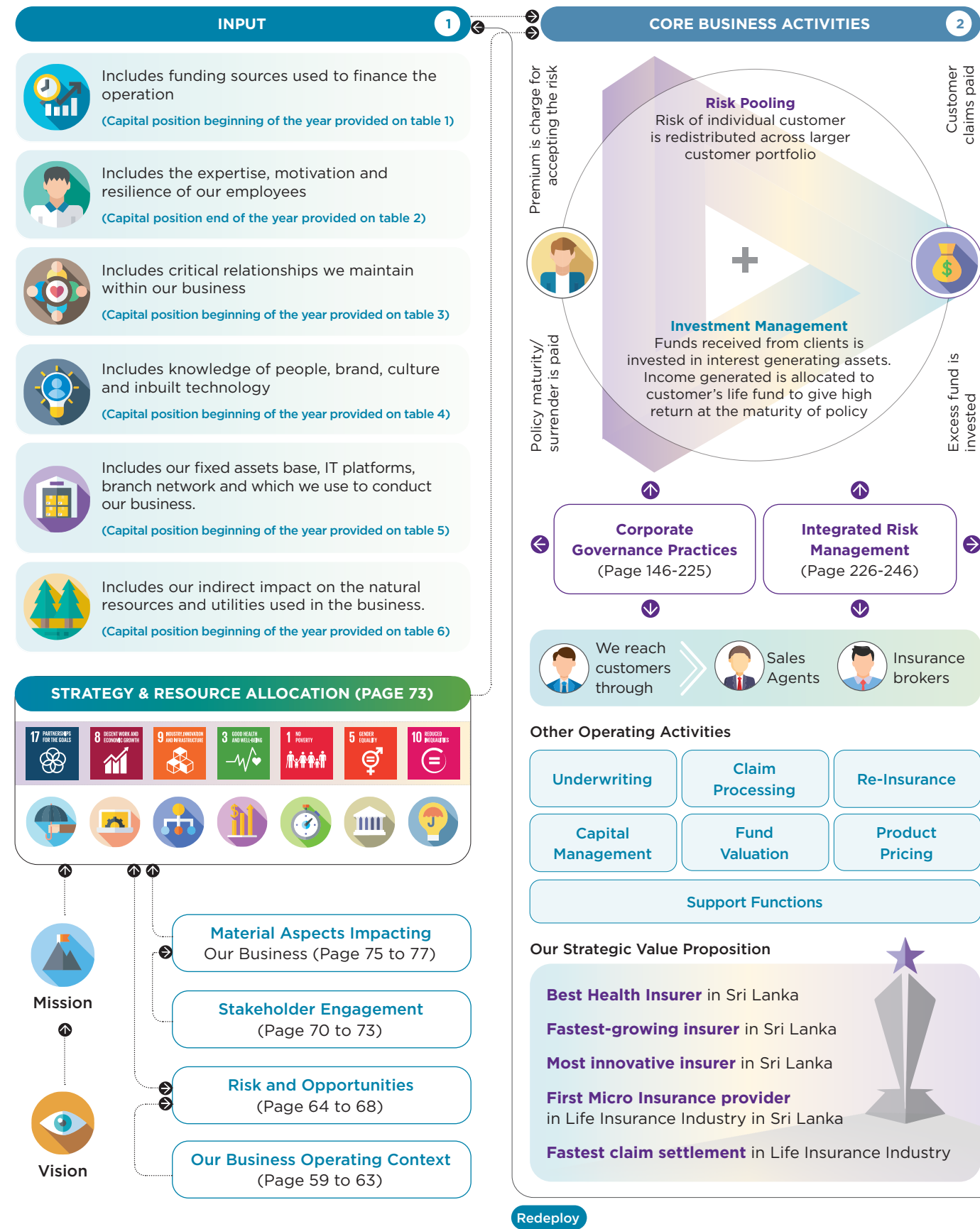
## SLIM DIGIS 2.2

- Cross Digital Platform Integration – Silver
- Insurance Category – Silver
- Best use of Branded Content – Silver
- Best use of Branded Content – Merit
- Cross Media Platform Integration – Merit

## Dragons of Asia 2022

- Best Campaign in Sri Lanka
- Best Brand Building Awareness Campaign
- Best Use of Media

# OUR VALUE CREATING BUSINESS MODEL



**Financial Capital - Statement of capital position Table 1**

Measurement Criteria	Unit	Outcome 31.12.2022	Input 31.12.2021	G%
Total Equity	Rs Mn	10,873	10,588	3
Financial investments	Rs Mn	42,600	34,217	25
Market capitalisation	Rs Mn	32,475	26,625	22
Total Assets	Rs Mn	48,248	39,258	23
Insurance contract liabilities	Rs Mn	25,339	21,493	18

**Human Capital - Statement of capital position Table 2**

Measurement Criteria	Unit	Outcome 31.12.2022	Input 31.12.2021	G%
No of employees	No	999	980	2
% of Female employees	%	29	29	-
No of senior management employees	No	368	352	5

**Social & Relationship Capital-Statement of capital position Table 3**

Measurement Criteria	Unit	Outcome 31.12.2022	Input 31.12.2021	G%
No of customers	No	1,298,357	1,324,364	(2)
No of policies in force	No	844,398	794,870	6
No of new policies issued	No	133,872	237,453	(44)
Sales staff	No	2,867	3,088	(7)
MDRT qualifiers	No	263	216	22
No of reinsurers	No	6	6	0
No of suppliers	No	228	240	(5)
Value of lives covered	Rs Bn	1,238	2,960	(58)

**Intellectual Capital - Statement of capital position Table 4**

Measurement Criteria	Unit	Outcome 31.12.2022	Input 31.12.2021	G%
Our employees	No	999	980	2
Brand Value	Rs Mn	2.4	2.3	6
Investment in intangible assets	Rs Mn	1.8	1.2	50

**Manufactured Capital - Statement of capital position Table 5**

Measurement Criteria	Unit	Outcome 31.12.2022	Input 31.12.2021	G%
Number of branches	No	103	101	2
Net book value of capital assets	Rs Mn	579	618	(6)

**Natural Capital - Statement of capital position Table 6**

Measurement Criteria	Unit	Outcome 31.12.2022	Input 31.12.2021	G%
Paper Recycled	Kg	362	1,290	(71.9)
Electricity Consumption	KJMN	5,700	5,939	(4.0)
Water Consumption	M3	12,147	15,461	(21.4)

## Our action to preserve value for future

- Financial Capital**
  - Accelerated Gross Written Premium growth
  - Maintained healthy capital structure
  - Continue to increase our market share and market position
  - Fair dividend policy to support the growth
- Human Capital**
  - Continued to drive an inclusive employee culture that fosters tolerance and embraces diversity.
  - Implemented successful succession plan for key individuals identified within sales and support functions
  - Additional financial support to off set the impact from hyperinflation
  - Continued to build employee loyalty through engagement, recognition and development.
- Social and Relationship Capital**
  - Improved service standards for customers
  - Financial support for field staff when sales were dropped due to market conditions
  - Introduce micro insurance product in driving inclusivity
  - Ensured regulatory compliance and strengthened cyber security capabilities
- Intellectual Capital**
  - Continued to invest in technology across customer touchpoints.
  - Artificial Intelligence base processes inbuilt in to claims processing
  - Dedicated division to implement digital drive if the company focusing on Big data, AI and RPA
  - Introduction of robotic process automation for some back end processes
- Manufactured Capital**
  - Distribution network of 103 branches
  - Performance base process to identify branch relocation and upgration
- Natural Capital**
  - Started to measure carbon emission of the company and will set carbon reduction targets in 2023
  - ESG policy revisited and amendments incorporated as required.



As a Life Insurer, the company's business model is to accept, manage and sharing of risk. We deploy latest technology within our business process to assure we assess and accept the risk within our risk appetite. We share the risk with reinsurers in while securing customers claims and benefit. We also do continues innovation to enhance customer experience and raise the bar higher everyday. We have introduced many digital options to customers to reach us when they need our service.

The successful execution of this business model will create value for the company's primary stakeholders, notably shareholders, customers and employees, and other stakeholders including suppliers, financiers and the regulators. The business model, underpinned by the business philosophies which encompass its operating segments, distinguishes the company from its industry peers, with its unique DNA thereby providing a sustainable, competitive advantage



## OUR VALUE CREATING BUSINESS MODEL

Sharing 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 is 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.

In order to perform above key activities there are a number of sub activities we need to perform within our business process. Managing these activities are critical to execute our strategies and achieve KPIs linked to each strategic pillar. Below analysis showcase key activities need to perform under each strategic pillar and supported with relevant KPIs we regularly monitor

	Risk assessment and product development	Re-insurance	Investment management												
 <b>RISK MANAGEMENT</b>	<p><b>What we do:-</b> Analyse market needs, design product features, decide on risk pooling mechanism and get regulatory approval to launch the product. IT systems are modified as required.</p> <p><b>Value Creation:-</b> Customer gets comprehensive protection at competitive price / Revenue increase due to market acceptability of the product.</p> <p><b>Impact to:-</b></p> 	<p><b>What we do:-</b> Excess risk to Company's risk appetite on policyholders is reinsured with the reinsurance panel. The arrangement could be Facultative arrangement or Treaty arrangement.</p> <p><b>Value creation:-</b> Financial backup for unexpected risks, Customer comfort on claim recovery</p> <p><b>KPI:-</b> Financial Rating "A" or above</p> <table border="1"> <tr> <td><b>100%</b></td> <td><b>100%</b></td> <td><b>67%</b></td> </tr> <tr> <td>2022</td> <td>2021</td> <td>2020</td> </tr> </table> <p><b>Impact to :-</b></p> 	<b>100%</b>	<b>100%</b>	<b>67%</b>	2022	2021	2020	<p><b>What we do:-</b> Matching assets to liability on short, medium and long term and generate adequate yield on investment fund</p> <p><b>Value creation:-</b> Regulatory compliance and comfort on recoverability of the investment</p> <p><b>KPI:-</b> Minimum investment in Government Securities 30% (From Life fund)</p> <table border="1"> <tr> <td><b>67%</b></td> <td><b>41%</b></td> <td><b>54%</b></td> </tr> <tr> <td>2022</td> <td>2021</td> <td>2020</td> </tr> </table> <p><b>Impact to :-</b></p> 	<b>67%</b>	<b>41%</b>	<b>54%</b>	2022	2021	2020
	<b>100%</b>	<b>100%</b>	<b>67%</b>												
2022	2021	2020													
<b>67%</b>	<b>41%</b>	<b>54%</b>													
2022	2021	2020													

	Prospecting	Customer need analysis
 <b>MOST CARING LIFE INSURER</b>	<p><b>What we do:-</b> Understand background of prospective customers, conduct sales interview to design best suited product and relevant documentation.</p> <p><b>Value creation:-</b> Customer covered his risk appropriately</p> <p><b>Impact to:-</b></p> 	<p><b>What we do:-</b> Understand customer insurance need and financial capacity to match suitable product.</p> <p><b>Value Creation:-</b> Provide best suited product to his satisfaction</p> <p><b>Impact to:-</b></p> 



 <b>PHENOMENAL SALES</b>	<b>Sales through distribution channel</b>												
	<p><b>What we do:-</b> Sell our products through field staff, banks, mobile platform of Dialog, Sri Lanka Postal Department and Insurance brokers.</p> <p><b>Value creation:-</b> Revenue generation and income for field staff and distributors</p> <p><b>KPI:-</b> Achieving the sales targets</p> <table border="1"> <tr> <td><b>98%</b></td> <td><b>107%</b></td> <td><b>94%</b></td> </tr> <tr> <td>2022</td> <td>2021</td> <td>2020</td> </tr> </table> <p><b>Impact to:-</b>   </p>		<b>98%</b>	<b>107%</b>	<b>94%</b>	2022	2021	2020					
<b>98%</b>	<b>107%</b>	<b>94%</b>											
2022	2021	2020											
 <b>SMART IT DIGITALISATION AND KINGS OF DATA</b>	<b>Underwriting</b>	<b>Claim processing</b>											
	<p><b>What we do:-</b> Assess policyholder risk profile and Ensure appropriate price is charged</p> <p><b>Value creation:-</b> Regulatory compliance and comfort on recoverability of the investment</p> <p><b>KPI:-</b> Underwrite 75% of proposals within one day (%)</p> <table border="1"> <tr> <td><b>68%</b></td> <td><b>76%</b></td> <td><b>77%</b></td> </tr> <tr> <td>2022</td> <td>2021</td> <td>2020</td> </tr> </table> <p><b>Impact to :-</b>  </p>	<b>68%</b>	<b>76%</b>	<b>77%</b>	2022	2021	2020	<p><b>What we do:-</b> Validate claim with policy criteria, real-time processing of claim payments</p> <p><b>Value creation:</b> Customer gets financial assistance when it is really required and customer satisfaction</p> <p><b>KPI:-</b> More than 80% one day claim settlement (%)</p> <table border="1"> <tr> <td><b>95%</b></td> <td><b>94%</b></td> <td><b>86%</b></td> </tr> <tr> <td>2022</td> <td>2021</td> <td>2020</td> </tr> </table> <p><b>Impact to :-</b>  </p>	<b>95%</b>	<b>94%</b>	<b>86%</b>	2022	2021
<b>68%</b>	<b>76%</b>	<b>77%</b>											
2022	2021	2020											
<b>95%</b>	<b>94%</b>	<b>86%</b>											
2022	2021	2020											
 <b>GOVERNANCE</b>	<b>Capital management</b>	<b>Fund valuation</b>											
	<p><b>What we do:-</b> Maintaining adequate capital as per the guidelines issued by IRCSL</p> <p><b>Value creation:-</b> Ensure liquidity of the business</p> <p><b>KPI:-</b> Capital Adequacy Ratio (CAR) above 120%</p> <table border="1"> <tr> <td><b>287%</b></td> <td><b>395%</b></td> <td><b>302%</b></td> </tr> <tr> <td>2022</td> <td>2021</td> <td>2020</td> </tr> </table> <p><b>Impact to :-</b> </p>	<b>287%</b>	<b>395%</b>	<b>302%</b>	2022	2021	2020	<p><b>What we do:-</b> Appointed external Actuary to value the Life fund and difference between experience in assumptions used in previous valuation and current valuation is recognized as surplus</p> <p><b>Value creation:-</b> Ensure future ability to generate profits</p> <p><b>KPI:-</b> New business margin percentage and embedded value</p> <p><b>Impact to :-</b> </p>					
<b>287%</b>	<b>395%</b>	<b>302%</b>											
2022	2021	2020											

### 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 pages 16 to 17.

### INNOVATION AND ADOPTABILITY

Adoptability of our business model is proved through maintaining continuous growth despite the challenges in external environment. We have created

an innovation driven culture within our organization and was able to introduce many industry first innovations as listed on page 16 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 challenges of tomorrow. Our effort development is discussed in detailed under Human Capital on page 94.

### ENGAGE OUR STAKEHOLDERS

We are aware that our action will directly affect our stakeholders in many ways. Therefore we have established a structured process to regularly engage with our stakeholders which is described in detail on page 69 of this report.

## FINANCIAL HIGHLIGHTS

Financial Performance and Ratios		2022	2021	2020	(%)
Gross Written Premium	Rs.million	<b>23,083</b>	20,053	15,660	15.1
Net Earned Premium	Rs.million	<b>20,405</b>	18,196	13,788	12.1
Underwriting results (Operating profit)	Rs.million	<b>7,055</b>	8,243	6,951	(14.4)
Earnings Before interest, tax, depreciation & amortization (EBITDA)**	Rs.million	<b>5,106</b>	3,643	2,597	40.2
Profit Before Taxation (PBT)	Rs.million	<b>4,030</b>	2,966	2,130	35.9
Income Tax Expense/ (Income)	Rs.million	<b>1,348</b>	861	609	56.5
Profit After Taxation (PAT)	Rs.million	<b>2,683</b>	2,105	1,521	27.5
Dividend Paid	Rs.million	<b>1,050</b>	937.5	-	12.0
Retained Profits	Rs.million	<b>1,633</b>	1,167.5	1,521	39.9
<b>Financial Position as at the Year End</b>					
Financial Investments	Rs.million	<b>42,600</b>	34,217	27,368	24.5
Total Debt	Rs.million	<b>5,644</b>	3,065	2,852	84.1
Total Assets	Rs.million	<b>48,248</b>	39,258	33,206	22.9
Equity and Reserves	Rs.million	<b>10,873</b>	10,588	9,936	2.7
Retain Earning	Rs.million	<b>12,113</b>	10,454	9,290	15.9
Insurance Contract Liabilities	Rs.million	<b>25,339</b>	21,493	17,484	17.9
Total Liability	Rs.million	<b>37,375</b>	28,669	23,270	30.4
<b>Share Information</b>					
Market value per share					
- Highest value recorded during the year	Rs.	<b>249.0</b>	73.5	38.6	238.8
- Lowest value recorded during the year	Rs.	<b>27.0</b>	29.0	20.0	(6.9)
- Value as at end of the year	Rs.	<b>86.6</b>	71.0	34.8	22.0
No of shares in issue	million	<b>375</b>	375	375	-
Market Capitalisation	Rs.million	<b>32,475</b>	26,625	13,050	22.0
<b>Profitability Ratios</b>					
Underwriting Margin /Gross Profit/Operating Profit Margin	%	<b>30.6</b>	41.1	44.4	(10.5)
Return on Total Assets	%	<b>6.2</b>	6.0	6.1	0.2
Return on Capital Employed* (ROCE)**	%	<b>23.6</b>	22.1	26.8	1.5
Investment Yield	%	<b>13.3</b>	8.9	10.7	4.4
<b>Liquidity Ratios</b>					
Current Ratio	Times	<b>2.8</b>	5.7	6.5	(50.6)
Quick Assets Ratio	Times	<b>2.8</b>	5.7	6.5	(50.8)
<b>Equity Ratios</b>					
Net Assets value Per Share	Rs.	<b>26.9</b>	26.1	24.4	2.9
Basic Earnings per share (EPS)/ Diluted Earning Per Share	Rs.	<b>7.2</b>	5.6	4.1	27.5
Dividend per share (DPS)	Rs.	<b>2.8</b>	2.5	-	12.0
Effective Dividend rate (Dividend Yield)	%	<b>3.2</b>	3.5	-	(0.3)
Dividend Payout Ratio	%	<b>39.2</b>	44.6	-	(5.4)
Dividend cover	Times	<b>2.6</b>	2.2	-	13.8
Price Earnings Ratio	Times	<b>12.1</b>	12.7	8.6	(4.3)
Earning Yield Ratio	%	<b>8.3</b>	7.9	11.7	0.4
Return on Equity**	%	<b>25.8</b>	23.1	21.3	2.7

Financial Performance and Ratios		2022	2021	2020	(%)
<b>Efficiency Ratios</b>					
Total Asset Turnover Ratio	Times	<b>0.59</b>	0.60	0.64	(1.6)
Fixed Asset Turnover Ratio	Times	<b>38.6</b>	31.4	23.4	23.0
<b>Debt Ratios</b>					
Debt to Asset Ratio	%	<b>11.7</b>	7.8	8.6	3.9
Debt to Equity Ratio	%	<b>51.9</b>	28.9	28.7	23.0
Interest cover**	Times	<b>7.8</b>	10.2	15.1	(23.4)
Equity Assets Ratio	%	<b>22.5</b>	27	30	(5)
<b>Industry Specific Ratios</b>					
Capital Adequacy Ratio (Minimum requirement 120%)	%	<b>287</b>	395	302	(108)
Determination Ratio (Minimum requirement 100%)	%	<b>126</b>	114	118	11.8
Investment in Government Securities (Minimum 30%)	%	<b>67</b>	41	54	25.7
Premium Growth Ratio	%	<b>15.1</b>	28.1	25.0	(13)
Investments, Supporting One-off Surplus (Restricted Regulatory Reserve) - Minimum requirement Rs. 798 Mn	Rs.million	<b>839</b>	868	839	(3.3)
Net Claim Ratio (Net Claims/ Net Earned Premium )	%	<b>41.1</b>	32.4	25.9	8.7
Total Expense ratio (Expense to NEP)	%	<b>45.6</b>	42.7	47.7	2.9
Combined Ratio**	%	<b>86.8</b>	75.1	73.6	11.6
Acquisition cost to GWP	%	<b>21.5</b>	20.2	20.9	1.3
Operational Expenses Ratio	%	<b>18.9</b>	18.6	21.2	0.3
Reinsurance Expense Ratio	%	<b>11.6</b>	9.3	12.0	2.3
Reinsurance claim recovery Ratio (Re-insurance recovery/ Gross Claims)	%	<b>8.2</b>	8.5	14.6	(0.3)
<b>Key Value Drivers</b>					
Annualised New Business Premium	Rs.million	<b>5,887</b>	5,083	3,880	15.8
Average Premium Per Policy (Endowment)	Rs.	<b>169,090</b>	138,983	136,852	21.7
Premium Persistency Ratio Year 1	%	<b>84</b>	85	83	(1)
Premium Persistency Ratio Year 2	%	<b>66</b>	67	65	(1)
Premium Persistency Ratio Year 3	%	<b>58</b>	58	52	0
Annualised New Business Premium per Agent	Rs.million	<b>2.0</b>	1.7	1.3	

## FINANCIAL GOALS AND ACHIEVEMENTS

Indicator (%)	Goal	Achievement		
		2022	2021	2020
Gross Written Premium Growth	Over 20%	<b>15</b>	28	25
Annualised New Business Premium Growth	Over 25%	<b>16</b>	31	-2
Profit After Tax Growth	Over 15%	<b>27</b>	38	-30
Return On Equity	Over 20%	<b>25.8</b>	23.1	21.3

\* Adjusted for deferred tax

\*\* 2021 figures are updated to reflect the calculation method used for 2022

# YEAR AT A GLANCE

## FEBRUARY

### E- GAME ZONE

Introduction of E-game zone to enhance employee engagement and collaboration while they work from home



## MARCH

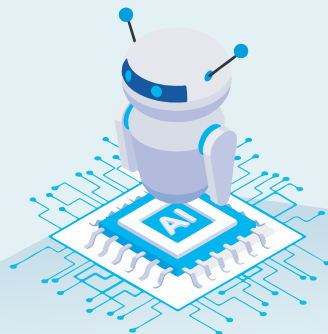
### 4 HER

Conducted 4Her Inspirational session with Deshika Rodrigo on how she can lead and succeed in the corporate world.



### INTRODUCTION OF AUTOMATED CHAT BOT TO ANSWER CUSTOMER QUERIES

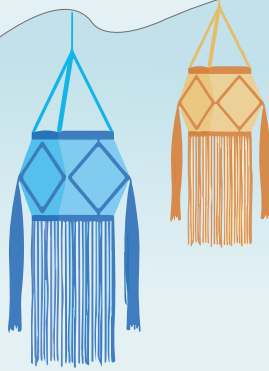
As part of our digital journey we introduced automated bot to answer customers queries. This was introduced under "Most Caring Life Insurer" strategic pillar



## MAY

### VESAK DECORATION COMPETITION

Another employee engagement activity to keep them motivated while they work.



## JUNE

### GLOBAL STANDARDS IN LOCAL MARKET

Our very own sales team member, Sajeewa Pushpitha became the only Sri Lankan to be short listed among the top 5 in Asia at the 7th Asia Trust Life Agents & Advisors Awards 2022.



## JULY

### HOME GARDENING PROJECT

Launched home gardening programme and distributed starter pack of seeds to our employees. We also conducted online training sessions with a participation of experts in this areas.



## AUGUST

### LIFT SRI LANKA PROJECT

Initiated "Lift" programme to encourage our staff members travelling on private vehicle to provide lift to people need travelling facility.



SEPTEMBER



**SOUTH ASIAN BUSINESS EXCELLENCE AWARDS 2022**

SLI was recognized as best life insurance company in south asia and best use of IT in Sri Lanka life insurance industry



**SALES CONGRESS 2022**

We held sales congress to recognize our best performing sales staff.



OCTOBER



**HOME GARDENING**

We started gardening project in bare land in Colombo city to encourage our surrounding community



DECEMBER



**SUPPORTING A/L STUDENTS**

Supported A/L students by giving exam tips through our social media platform.



**TREE MADE OUT OF TREES**

Softlogic Life made Sri Lanka's first ever Christmas tree made out of trees. We distributed all the plants used to make x'mas tree to general public free of charge.



**AWARDS**

Softlogic Life bagged bunch of awards from well recognized institutions nationally and internationally.

- CA Sri Lanka annual report awards
- CMA Sri Lanka integrated report awards
- SLIM brand excellence

**MOST SIGNIFICANT EVENT OF THE YEAR**

Softlogic Life became second largest insurer in Sri Lanka in 2022. The growth momentum we consistently maintained last 10 years resulted SLI to come up 4 industry positions during shorter period of 5 years. Softlogic Life is the youngest brand in the industry to have such miraculous journey.

**PRODUCED HIGHEST NO OF MDRT MEMBERS**

SLI produced record breaking MDRT members in the industry

**REACHING HIGHER YEAR ON YEAR**

**263**

## OUR HISTORY

We, Softlogic Life Insurance PLC marked all-inclusive itemization of the most important historical events and achievements in the journey to become the 2nd largest Life Insurance Company in Sri Lanka.



### 1999

Launch of Softlogic Life Insurance PLC (Formerly known as Asian Alliance Insurance PLC)



### 2000

Commencement of Life Insurance Business



### 2011

Acquisition of the Company by the Softlogic Group



### 2012

DEG and FMO invested for a stake of 19% each



### 2016

Divestment of General Insurance business and rebranding of the Company as Softlogic Life



### 2017

Launch of Sri Lanka's first video version of the Annual Report



### 2018

Crossed GWP mark of Rs. 10 Bn and became fastest to reach within 19 years.

"Leapfrog Investments" invested 19% stake.



### 2019

Softlogic Life positioned as the 4th largest entity in the Life Insurance industry by achieving the topline of Rs. 12.5 Bn.

Softlogic Life made it to the Forbes Asia's "Best Under A Billion 2019" list



### 2020

Ranked 3rd largest entity in the Life Insurance Industry by achieving the highest GWP of Rs. 15.6 Bn.

USD 30Mn (LKR 5.6Bn) invested towards Softlogic Life's growth by Finnfund, NorFund and Munich Re.

"Leapfrog Investments" increase its investment to 38% stake by taking ownership from DEG.



### 2021

Launches "Dollar Saver" Sri Lanka's first foreign currency insurance solution.

Winning the trust of over 2 Mn Customers

Fastest to reach 20 Bn GWP in Sri Lankan Insurance Industry



### 2022

Ranked as the 2nd largest entity in the Life Insurance Industry by achieving the highest GWP of Rs. 23.1 Bn

Recorded Highest ever PBT of Rs. 4 Bn



# Reimagining Potential

Armed with an expansive mindset, we remain unconstrained  
by the limits that surround us.



## UNFOLDING OUR SUCCESS STORY

Reflections from our Chairman **30** | Reflections from our Managing Director **34** | Reimagining the future  
through results of today **36** | Stakeholder value creation **55**

## REFLECTIONS FROM OUR CHAIRMAN



As a result of embracing digitalisation in a substantial manner, we were placed in a very strong position to overcome the headwinds during 2022. ”

Dear Stakeholders,

It gives me great pleasure to welcome you to the 24th Annual General Meeting of the Company and to place before you the Annual Report and Audited Financial Statements for 2022. The year gone by was probably one of the most disruptive and extremely volatile years in Sri Lanka's history, especially with regard to the full-blown economic and political crisis that unfolded. Nevertheless, we are happy to say that as a company we have weathered that storm to achieve strong results by the end of the 2022 financial year. It gives me immense pride to highlight the most exceptional achievement by Softlogic Life, which is to have leapfrogged over an insurance giant to now command the second place in the overall life insurance market. Softlogic Life has surpassed the large competitor in existence for 60 years within a much shorter period of time. Indeed, this is an exceptional achievement in a challenging environment and one that the company and its stakeholders should be very proud of.

### OPERATING ENVIRONMENT AND CHALLENGES

The disastrous events in the year under review including the forex shortage, fuel and cooking gas crisis, mile-long queues and a civil riot proved very disruptive and their effects continued to be felt as the year progressed, resulting in inflation rising to about 48.2% which led to increases in prices of essential goods, thus impacting the cost base of companies substantially.

Our commitment is to our policyholders and keeping in mind the pressure on disposable incomes due to high-inflation, we continued to add value by settling customer claims on time despite high medical inflation and numerous other challenges, so that policyholders could depend on our support as their insurer in their time of need.

The foreign exchange crisis in the country also impacted reinsurance



premium payments. In this regard, we are extremely grateful for the cooperation shown by our reinsurers. Since they have operated in this market for a long time and value the relationship they have with Softlogic Life, they supported us throughout the crisis. The Company progressively made payments during the year as and when market conditions improved. The understanding and the support that was extended by reinsurers at the height of the crisis is very much appreciated by Softlogic Life.

Further, market interest rates increased substantially during the year under review as the Central Bank of Sri Lanka (CBSL) increased market benchmark market rates by 700 basis points in April. The period also a currency depreciation of about 80% while the rise in interest rates especially impacted bank lending rates, which caused products such as housing loans to come to a standstill. It also impacted our credit life business or DTAP, which slowed down to a trickle. Interest rates continue to remain high and our expectation is that rates should moderate in the second half of 2023, which will then allow us to recommence some of these product lines. However, we shifted our investment strategy to lock our excess cash into high yielding investments to create shareholder value. The high interest rates scenario also caused us to change our product mix to focus on investment-based products to capture the lost share of revenue.

### FINANCIAL PERFORMANCE

The Company recorded a Gross Written Premium (GWP) of Rs. 23 Bn in its top line, which marks a 15% growth as compared to Rs. 20 Bn in the previous year. As for the bottom-line, the company reported a Profit After Tax (PAT) of Rs. 2.7 Bn for the 2022 financial year including one-off impairment provision for financial investment, which was the original target set at the beginning of 2022. Achieving planned profits despite the disastrous macroeconomic events of the year reflects the Company's outstanding financial performance and management of the business.

The Company delivered Return On Equity (ROE) of about 26% which is also very significant. Earnings per share during the year were recorded as Rs. 7.2 as against Rs. 5.6 in 2021. The unique aspect of the Company's breakout financial performance is that even in an environment where inflation actually spiked as high as 48.2%, Softlogic Life maintained its Operating Expense Ratio at 21.7% compared to 20.6% in the previous year, which demonstrates overall prudent control of expenses.

The Company's Capital Adequacy Ratio (CAR) stands at 287%, which is well above the regulatory requirement of 120%, thereby reflecting the Company's healthy and sustainable operations. Our healthy debt to equity ratio at 52% also demonstrates the low gearing of the Company and its propensity to move ahead at a rapid pace.

I am gratified to report that the Company enjoys a stable financial position, with total assets of Rs. 48 Bn, which is an increase of 23% over the previous year. Insurance contract liabilities also grew by 18% to reach Rs 25 Bn which is the provision maintained to meet future benefits and claims of the customer base. The liquidity position of the Company, with its current ratio standing at 2.8% demonstrates its liquidity, and compared to the previous year, places us in a good position. We are happy to say that equity or the shareholders' funds of the company stood at Rs. 10.8 Bn.

### DIVIDEND

Committed to enhance shareholder wealth, the Company declared an interim dividend of Rs. 3.50 per share amounting to a total pay-out of Rs. 1,313 Mn for the year 2022. The Company paid Rs. 1,050 Mn dividend in April 2022 which was relevant to the 2021 financial year.

### SUSTAINING OUR MULTI-PRONGED STRATEGY

As a result of embracing digitalisation in a substantial manner, we were placed in a very strong position to overcome the headwinds during 2022. The fuel crisis made it difficult for sales staff to meet clients and close business, thereby resulting in low new business generation during the year. Nevertheless, Softlogic Life's end-to-end digitalised sales platform supported the staff to continue uninterrupted sales during the year.

The Company's diversified distribution channel strategy continued to harvest more benefits during the year by reaching a diverse customer base and securing their lives. The Agency force, which are the teams that sell personal insurance products through one-to-one engagement now operate and submit all their proposal forms 100% in the digital form. The channel

		2022	2021	G%
Gross Written Premium	Rs Bn	23	20	15
Profit After Tax	Rs Bn	2.7	2.1	27
Return on Equity	%	26	23	13
Earning per Share	Rs	7.2	5.6	28

## REFLECTIONS FROM OUR CHAIRMAN

reaches the target set for the year. We also maintain highly productive teams in the country. Our average annual policy premium is Rs. 169,090 compared with the market average that is probably less than half. The Alternate distribution channel, which is focusing on corporate clients, continued its momentum by ensuring Softlogic life remained a market leader in terms of the Group Life business segment. The Company over-achieved the target set for the micro and mobile channels, which operate on mobile platforms.

Being proactive to changes in the market, Softlogic Life was quick to alter its product mix during the year in order to maintain growth levels. The high interest rate environment pushed us to focus on investment-related products where customers are keen to have competitive yields.

### RISKS AND OPPORTUNITIES

The increase in prices translates into an opportunity for the Company to sell insurance policies of higher values. In the future, we see inflation impacting medical insurance. We have already seen that policyholders who had already bought health and life insurance actually continued to maintain those covers. The main reasons were that they did not want to have themselves exposed and also because of higher premiums of new policies.

We expect there to be an impact of taxation on policyholders because it will directly impact their disposable incomes. However, since Softlogic Life operates in the segment of protection rather than investment, the impact from the higher taxes will be very slight.

The increase in corporate tax rates increase is going to impact the bottom-line however. It is up to us to see how we can improve the performance of the Company, so

that we can sustain and grow PAT earnings despite the increase in taxes.

In terms of future success, we feel that we have an exceptional team at Softlogic Life which has performed tremendously over the past years to enable the company to jump four market positions in the space of five years. And as we move forward, our view is to retain and nurture this talent, and also provide them with the best opportunity for success in our organization.

### DIVERSITY AND INCLUSION

Our vision is for the success of the company and the success of every individual employee to be combined, so that we have full alignment in terms of the goals we want to achieve in the future together. The Company has put in place a number of policies and measures that enable diversity and inclusion.

Diversity and Inclusion are entrenched in our DNA. For example, some of the insurance products that we offer are aimed at high networth customers while others are aimed at the grassroots. One of the clear examples is a product that we have designed together with Dialog Axita for as low as Rs. 50 rupees per month. This product has amassed about 500,000 customers and reflects our commitment to include all segments of society so that we don't leave anyone behind in our journey of insuring people's lives.

### EMPOWERING WOMEN WITH 4HER

At Softlogic life we are committed to empower females not only within the company but also in the community. We have well-established policies and mechanisms to protect the rights of females by way of non-discrimination and anti-sexual harassment policies, and many more as detailed on page 96 of this report. Going beyond, we have introduced a programme

called "4Her" which primarily focuses on the well-being, development and participation of females in our organisation. During the year, we conducted sessions to inspire women in our workplace to aspire to fulfil their dreams.

### RISK & GOVERNANCE

The governance and risk management aspects of the Company had an exceptional year as the Softlogic Life annual report was bestowed with a number of awards, including overall second place amongst the corporate titans in the industry. Indeed this is a proud achievement amidst the turbulence seen during the year. We remain committed to sustainability and to achieving goals that are sustainable in the long run and to this extent we have championed some ESG goals outlined by the UN have a specific focus in our company. The progress made against these goals is detailed further in this report.

### FUTURE OUTLOOK

As the market leader in the health insurance space, Softlogic Life commands 24% of the entire insurance market and this is a position that we want to dominate and continue to be present in for years to come. In order to ensure this, we will reassess our products, review some of the benefits and the coverages that we have on these products, and continue to focus on providing protection to our policyholders.

Across all parameters, the year 2022 has been extremely tough because Sri Lanka's economy contracted by about 8.7%. It is heartening to note that despite there being an acute shortage of foreign exchange in certain months of the year, the situation has somewhat improved with tourism showing signs of revival and remittances coming from Sri Lankans overseas gradually improving.

The Decreasing Term Assurance policy or credit life (DTAP) business segment also will recommence and proceed in a fairly strong way, facilitated by inflation coming down and interest rates normalising. At present, the economy is functioning fairly smoothly, with regular supply of essentials for electricity, fuel, etc.

As our response to surge opportunities created in the market, Softlogic Life has taken many new initiatives to realise benefits. One such great example would be Softlogic Life's entry into the Unit Linked business segment – an opportunity we were waiting to seize at the opportune time.

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 Sri Lanka's. Having diversified into three different business channels has enabled us to maintain overall 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 and segments in Sri Lanka and overseas.

Softlogic Life has increased its value manifold since the Softlogic Group acquired its majority stake. This value creation journey is unique to Softlogic Life, which is undoubtedly a case study for the insurance industry in Sri Lanka. Value creation is mainly supported by the digitalisation strategy adopted by leveraging its innovation-driven culture. As a result of the exceptional performance that Softlogic Life maintains compared to the industry, several parties have expressed interest in investing in Softlogic Life. Existing shareholders are evaluating how this opportunity can be capitalised upon to bring the best value to Softlogic Life. Until

then, we will continue to pursue our strategies for the year 2023 and beyond to sustain our growth trajectory. I believe Softlogic Life as a standalone company has great potential to be a market leader in Sri Lanka.

### LONG-TERM VISION

The Sri Lankan economy has gone through some of the worst times over the last couple of years. We are expecting recovery and growth starting for year 2023 as a result of many corrective measures taken by Central Bank of Sri Lanka and the Government. These include introducing a fuel price formula and increasing electricity tariffs which were long outstanding corrections in the economy.

Life insurance of Sri Lanka is still at under-penetrated levels, around 0.6%, which is well below compared to the regional peers. The rising inflation also makes cost of medical care a large portion of monthly bills which will cause people to seek financial security due to medical costs. Combining these needs will create greater growth prospects for the Life insurance industry.

The continuing political instability can be seen as a risk which can impact either to delay or deter the anticipated economic recovery.

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 287% 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.

The International Sustainability Standards Board (ISSB) has issued sustainability disclosure standards in order to have global base line for sustainability disclosures. As a pioneering entity in this area Softlogic Life already have taken some measures to comply with the requirements and will enhance the board involvement for formalising the implementing those.

### ACKNOWLEDGEMENTS

The board of directors has been extremely supportive with their guidance while providing valuable direction to navigate the challenges during the year. The senior management and the entire team of Softlogic Life are at the core of our exceptional performance and remain our greatest asset.

I would like to thank the cooperation and guidance provided by the insurance regulator, the Chairman and the Director General of IRCSL for constantly supporting the industry whenever required and for managing these turbulent times with great skill to enable a stable and thriving insurance industry.

Softlogic Life continues to remain committed to sustaining its strong performance as one of the benchmarks in the industry and standout performer in all aspects. Thus, the focus ahead will continue to be on how we can achieve the next phase of our growth.

Sgd.

**Ashok Pathirage**  
Chairman

Colombo, Sri Lanka.  
07 March 2023

## REFLECTIONS FROM OUR MANAGING DIRECTOR



Softlogic Life PLC continued to outperform the industry and posted very strong results despite the formidable challenges witnessed in FY2022. ”

Softlogic Life PLC continued to outperform the industry and posted very strong results despite the formidable challenges witnessed in FY2022. In terms of fulfilling its purpose, Softlogic Life remained responsible and honoured its commitments to its customers, employees, shareholders and regulators, and preserved the strength of its balance sheet despite headwinds. Going a step further, the Company improved its position in the life insurance industry to catapult itself to the second position in the overall insurance industry by surpassing one of the longstanding industry giants. Operating against the backdrop of one of the worst years in Sri Lanka's history, the Company succeeded in recording 15% growth and a topline of Rs. 23 Bn. Recording a robust Profit After Tax of Rs. 2.7 Bn a growth of 27.5% is a unique achievement under the volatile circumstances that prevailed during the year.

### TURNING RISKS INTO OPPORTUNITIES

Softlogic Life is continuously looking for ways to better understand the changing needs of the market. The local economy was impacted by high inflation following the devaluation of LKR by as much as 80% against the US dollar, which led to interest rates and inflation soaring. Focused on managing operational costs, the Company critically assessed resources and managed them expertly to meet budgeted targets.

However, in FY2022 market interest rates rose sharply, which impacted the company's decreasing term assurance (DTAP) or credit life business. In order to counter this trend, the Company shifted focus to investment products which were attractive under the prevailing market conditions. The Company had to account for Rs. 2 Bn impairment on its international sovereign bonds, which was mitigated through its investment portfolio, since investments which had been held for the short term in the anticipation of interest rates hikes were successfully reinvested at higher rates - resulting in substantial earnings for the Company.

As an organization, Softlogic Life is always looking to see how it can maintain a deep structure and robust processes by leveraging on technology and digitalisation. Despite the external disruptions, the Company's

technologically enabled eco-system facilitated its business operations without any disruption.

The Company's capital position is closely monitored and appropriate measures are taken to ensure the robustness of its capital and solvency strength - even in adverse scenarios as witnessed in the economic crisis.

### CUSTOMER FOCUS

In terms of customer focus, policyholders and customers are the Company's greatest assets and this is why the Company always explores ways to enhance its customer care. In the business of insurance product, which is intangible, the moment of truth for a customer occurs when a claim has to be paid out. I am happy to state that Softlogic Life has achieved the distinction of settling more than 95% of claims within one single day.

### DIGITALISATION

In order to facilitate its impressive financial performance, the Company's digital innovation has played a key role, including solutions like ClaimIt, which enables a customer to submit an invoice electronically or on a mobile phone, for automatic processing. The payment can even be made via an integrated sales payment without any human interaction or touch. ClaimIt will be innovated further to make the entire claim payment process simple and fast. The Company stands by its promise to be present and accountable for customers when a claim needs to be paid. This commitment will remain a key endeavour going forward to examine how the entire customer experience can be made more accessible.

### PERSISTENCY RATE

The Company boasts one of the highest rates of persistency in the market at 84% and 66% for the first and second year respectively. As some of the highest in the market, this is a direct consequence of the Company's close engagement with customers while keeping all life insurance pricing

static despite the inflation. All existing health premiums have been maintained despite inflation of medical services to support our existing policyholder base. Our digital tools such as the Automated Revival Process enable customers to easily reactivate their own lapsed policy with a click on a button.

### STRATEGIC DIFFERENTIATION

Our diversified distribution strategy going across these channels has been one of our key successes. For the company, our agency team continues to be the star performer, achieving a GWP of Rs 15.5 Bn, which marks an increase of about 19% over the previous year. In order to improve coverage, we have shifted gears to move into the corporate health segment. As of now, we cover about 2,887 number of corporates, thereby protecting 1.3 Mn lives. As a result of our continued focus we remain the market leader with a critical share of the corporate insurance market.

### STEWARDSHIP

Sustainability has always been part of our DNA, which puts environmental, social, and governance (ESG) as an integral part of business operations. In terms of the wider community, there are a number of sustainability initiatives that have been taken by the Company such as the 'Live Green Love Green' home-gardening concept, initiated with the purpose of inspiring Sri Lanka to start home gardening in the face of food shortages and inflation. Softlogic Life remains committed towards uplifting the lives of Sri Lanka by putting best practices front and centre of its strategy.

### FUTURE OUTLOOK

Going ahead, we will continue to enhance our offerings to all our customer segments while imbuing the entire value chain with speed, efficiency and agility, backed by digital technology. The Company continues to introduce automation and machine-based decision-making capabilities to eliminate duplication and make

the entire process a lean one. The use of artificial intelligence and machine learning will be accelerated along with robotics for process improvements.

The critical pillars of the company are our desire to be the best in customer service, whilst unleashing digital and technological transformation for a lean operation. Customer satisfaction remains a key performance indicator of our success and our digital strategy will enhance efficiencies of internal and customer-facing processes on a continuous basis. In addition, product innovation will ensure we retain our growth momentum.

After a careful assessment of the resources required for future expansion, we are confident that we are well equipped across financial, human and intellectual parameters to deliver our strategic objectives. We are increasing our talent density to gear up for future work challenges.

### APPRECIATION

I would like to express my appreciation to the Chairman and board members for their guidance, encouragement and appropriate balance for good corporate governance. The senior management and the entire team at Softlogic Life need appreciation for an extraordinary year of support and hard work.

The unwavering support by shareholders and stakeholders was the encouragement we needed to stay on course.

We will stay true to our vision to be the insurance partner of choice for Sri Lankans through their life journey.

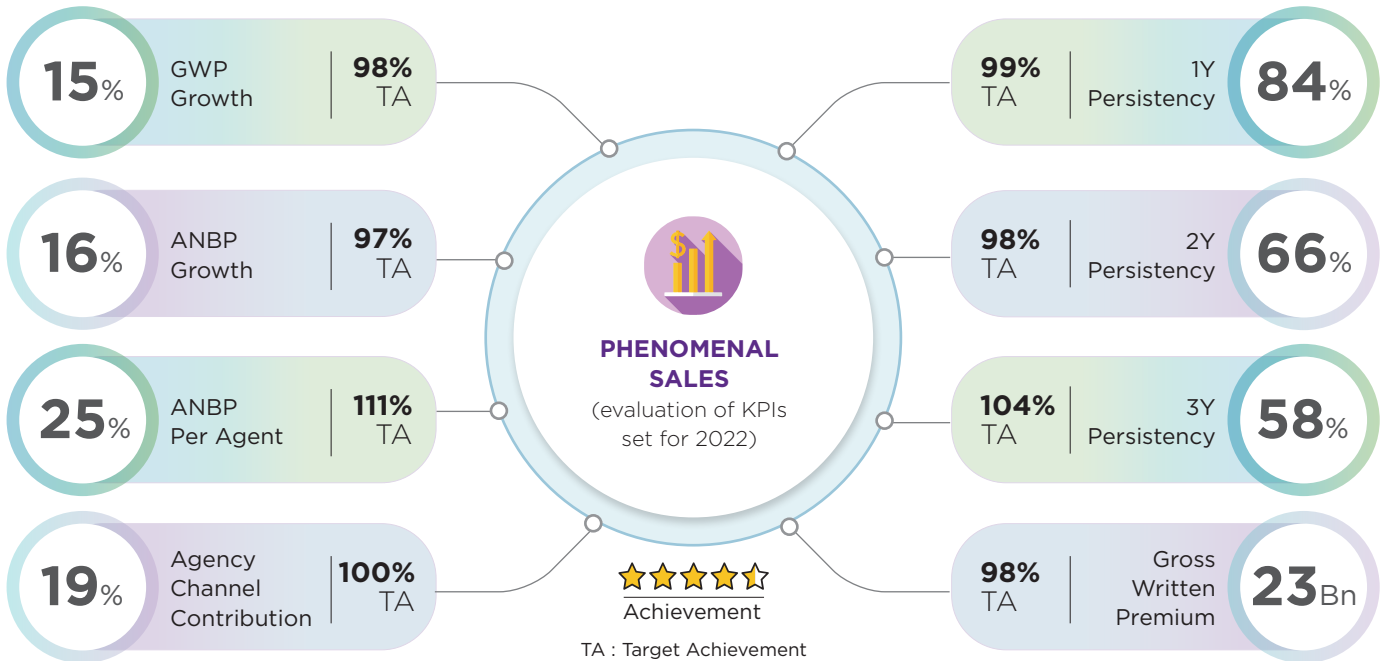
Sgd.

**Iftikar Ahamed**  
Managing Director

Colombo, Sri Lanka.  
07 March 2023

# REIMAGINING THE FUTURE THROUGH RESULTS OF TODAY

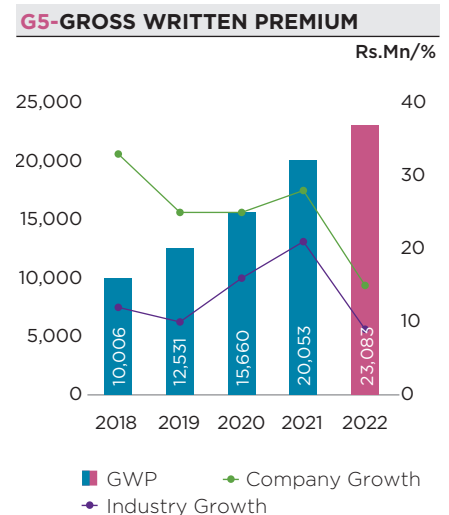
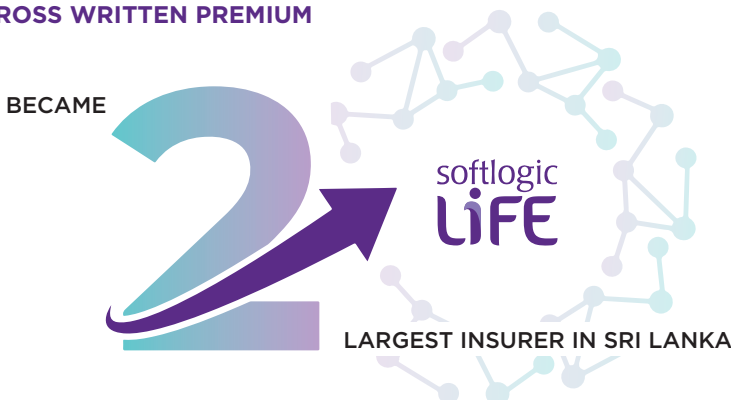
Sri Lanka is going through a series of events that has changed our assumptions on business environment significantly. These events started from the Easter attack in 2019 then to COVID in 2020 to 2021 and the economic crisis in 2022. This creates significant risk to our business and we made several realignments during the year in order to achieve our targets set for the year. During the year 2022 planning cycle we set our targets under seven strategic pillars and the business review provided below showcases how well management of Softlogic Life created value under each pillar while numerous headwinds are pushing us back in executing the strategy throughout the year. Futuristic information on strategic pillars are provided on page 79 to 83.



The strategic pillar Phenomenal Sales is focused on revenue generation of the Company. Detailed analysis is provided below on the Company performance in term of Gross Written Premium (GWP) including challenges faced, strategies executed and other measures we regularly monitored in order to generate exceptional set of outcomes. During the year Company recorded Rs 23 Bn GWP with a growth of 15% compared to last year. SLI used to maintain above industry growth consistently while ten-year CAGR recorded double the industry. However, year 2022 was filled with challenges forced by external operating

environment as identified below. The Company grew above the industry growth of 9% due to careful management of risks and proactive management.

## GROSS WRITTEN PREMIUM



### Channel-Wise Performance

Agency channel grew by 19% during the year which is a remarkable achievement against the prevailing economic crisis. SLI has recorded highest growth in terms of First Year Premium and Renewal Premium among the top five players in the industry who accounts for 80% of the industry results. Alternate channel is highly affected due to interest rate hike in the market which is further explained under challenges discussed below. Accordingly, the channel has grown by only 1%. Micro and Mobile channel has grown by 83% where the business model focus on digital distribution of insurance policies.

Table 7: Channel-Wise Performance

Channel	2022 (Rs Mn)	2021 (Rs Mn)	G%	Mix 2022	Mix 2022
Agency	15,545	13,097	19%	67%	65%
Alternate	6,361	6,296	1%	28%	31%
Micro & Mobile	1,178	660	83%	5%	4%
Company	23,083	20,053	15%	100%	100%

### Challenges we faced in 2022

- Increase in policy rates** – Market interest rates have notably adjusted upwards reflecting the significant monetary policy tightening measures taken by the Central Bank in April 2022. This has resulted in sharp increase in lending rates in the market and a slowdown in the lending by banks. This impact is reflected in our DTAP portfolio which recorded negative growth of 55% compared to previous year and was a main contributor to record only 1% growth in the Alternate distribution channel.
- Soaring of inflation** – Sri Lanka's inflation recorded its historically highest figure of around 48.2% during 2022. Disposable income of Sri Lankans shrank and poverty line has increased. This effected negatively in acquiring new insurance policies. This also lead customers being changing their premium amounts and modes impacting our premium collections specially on renewal.

### Strategising to pursue target

We managed numerous headwinds during the year to deliver great results while creating value to our stakeholders. Accordingly, the management team executed set of strategies which were suitable to the operating environment as detailed below.

### Market Penetration Strategy

(Market leader in terms of new customers insured/policies issued)

The Company executed its market penetration strategy through three main distribution channels (Refer page 112 for distribution channels). We have created history in the Sri Lankan Life Insurance market in terms of growth due to the success of our distribution strategy under three channels.

Agency channel mainly focused on expanding its distribution structure and expanding sales force as its strategy. During the year we opened 2 new branches by extending our reachability and did 3 relocations to serve our customers better. We also strengthened our sales force by recruiting new 1,179

agents. Alternate channel onboarded 1,179 new corporate clients to secure our growth momentum. Micro & mobile channel executed its strategy well by reaching more customers, most of them are low income earners and protecting their lives. As a result, SLI has issued 133,872 new policies during the year which is 23% of total insurance policies issued within Sri Lanka. Successful execution of market penetration strategy supported to maintain the top line growth of the Company.

### Product Development Strategy (World-class insurance solution provider in Sri Lanka)

It is one of the key activities within SLI to measure evolving customer needs in terms of Life Insurance against the insurance solutions available within the Company. Our continuous effort lead to own one of the unmatched product portfolios in Sri Lanka by SLI. This also makes our sale process easy and supported the growth trajectory. During the year we did some tweaks to the existing portfolio as required.

### Digitalisation First Strategy (Innovations define our success)

Digitalisation is one of the key critical success factors of the Company. We do worthy digitalization of processes in order to be competitive in the market. We have introduced many industry first innovations in our history to get first mover advantage and continue to do so. During the year we have introduced several new innovations of which new business generation related digitalisation includes Digitalising Group Life quotation issuance and endorsement process, Credit management, Introducing CEFTS option for claims, Automating revival etc. These are detailed under "Smart IT Digitalisation" on page 16.

## REIMAGINING THE FUTURE THROUGH RESULTS OF TODAY

### Close Monitoring of Renewal Collection

(We care for our customers)

We experienced few months with hefty disruption to our business due to fuel shortage as well as social unrest. During these months new business generation was substantially disturbed where numbers were not close to budget. We tightened the grip over renewal collection and extended our monitoring mechanisms to identify due or lapsed policies immediately. These policies were specially attempted for collection. This process helped our customers to continue the coverage while the Company achieved 103% of the renewal budget.

### Product Mix Strategies

(Correct mix for better results)

The impact on alternate channel due to slow down in the DTAP business started to reflect in our financials by third quarter of 2022. The management of SLI decided to revise its budgeted product mix for 2022 and allow sales staff to sell fund accumulating investment base product. However, we kept track on volumes coming in to manage the trade-off between GWP and profitability. It was also noted that customers are keen to buy limited pay products due to uncertainties' they feel in the economy. Having a diverse portfolio with a variety of characteristics suitable for any market conditions was a blessing the Company had in the crisis to outperform others.

### Process Level Strategies

We also kept our internal processes which have a direct link with customer services digitalized and operated smoothly. This is to serve our customers better regardless of the situation outside the organization. Our main target here is to ensure that our promises to customers are delivered

without any failures and to convert our customers into our brand promoters. This is to create value to customers by providing fair and speedy services and creating value to the Company by growing GWP.

### Our Key Value Drivers

(Path to success)

GWP performance of the company is a outcome of careful handling of key value drivers presented in the table below. Our internal processes including compensation is directly linked to these key value drivers for better results. We monitor and take necessary actions to align these drivers to target set for the year while we work through the year.

Table 8: Our Key Value Drivers

Key Value Driver	2022	G%	2021	2020	2019	2018
Annualized New Business Premium (ANBP) (Rs Mn)	5,887	16%	5,088	3,880	3,967	3,325
Average Premium Per Policy (Rs.)	169,090	22%	138,983	136,852	137,032	128,887
Persistency Ratio Year 1 (%)	84	(1)	85	83	85	84
Persistency Ratio Year 2 (%)	66	(1)	67	65	64	63
Persistency Ratio Year 3 (%)	58	-	58	52	52	55
Average Annual ANBP per Agent (Rs Mn)	2.1	28%	1.6	1.3	1.4	1.4

### The way of managing value drivers

#### Annualized New Business Premium

ANBP is considered as the quantum of new business generated for a period of 12 months. Despite of challenging atmosphere Company has recorded 16% growth. However, we noticed that except for the months of May, June and July where people travelling was limited due to fuel shortage and protest, all other months we have reach our budgeted ANBP.

#### 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 22%. This is also reflected as customers tend to pay higher premiums to cover high medical cost.

#### 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 are satisfied with the service and benefits. During the year we experienced a slight drop in persistency ratios mainly due to the financial crisis situation in the country including high inflation. We expect this trend to continue in 2023.

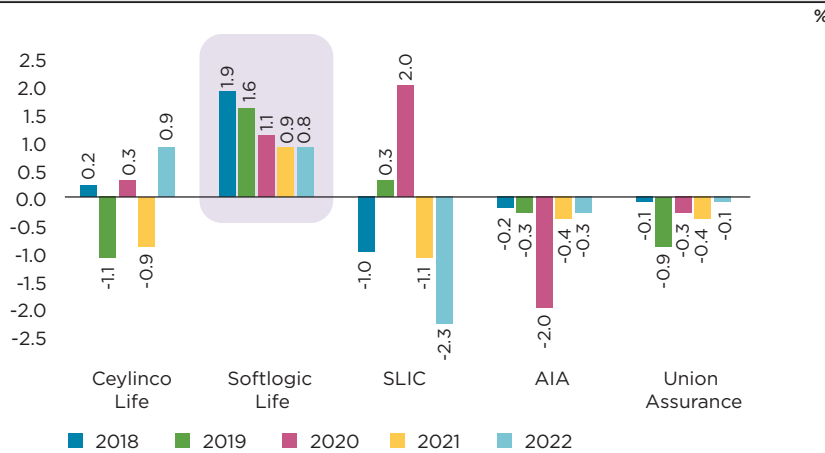


**Average ANBP per agent and capacity**

Productivity of the Agency channel is a vital value driver to the Company. During the year, ANBP per Agent was recorded at Rs. 2.1 Mn per agent, which has grown during the year. This a method of gaining organic growth in a life insurance company and is the most cost effective way to bring in new business.

**OUR PERFORMANCE COMPARISON WITH INDUSTRY**

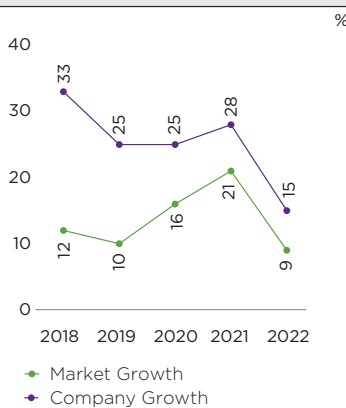
**G1-MARKET SHARE MOVEMENT OF TOP FIVE PLAYERS IN THE INDUSTRY**



**Market share Growth**

(Continuous increase in market share) During the year the Company increased its market share by 0.8% reaching to 16.9% compared to 16.1% market share held in 2021. SLI sustainable growth is showcased in graph 8 highlighting only insurer (among top 5 ) to continuously increase its market share over last five years.

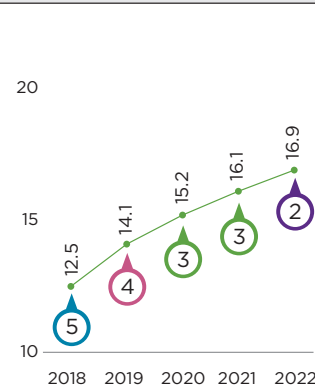
**G7-INDUSTRY AVERAGE GROWTH VS SOFTLOGIC LIFE GROWTH**



**GWP (Sustainable Growth)**

During 2022 too, the Company continue to grow above the industry growth for the 10th consecutive year as result of integrated management of the business during difficult times. The graph 7 clearly compare SLI with industry in terms of GWP growth.

**G8-MARKET SHARE**



**Industry Ranking (Strengthening year on year)**

With continuous market share increase we also ranked up in the market as the second largest insurer whereas five years ago we were fifth in the league table.

**CHANNEL CONTRIBUTION**

	Softlogic Life Mix %		Industry Mix %	
	2022	2021	2022	2021
Agency Channel	67	65	77	77
Non Agency Channel	33	35	23	23
Total	100	100	100	100

**Channel performance/ contribution**

With the introduction of alternate distribution channels we experienced gradual reduction of Agency channel contribution of SLI. However, in 2022 it recorded a slight increase but significantly lower than the industry. This is one of the risk mitigation methods we practice where impact to one customer segment will not affect the growth of the Company.

## REIMAGINING THE FUTURE THROUGH RESULTS OF TODAY

### Product Type-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.

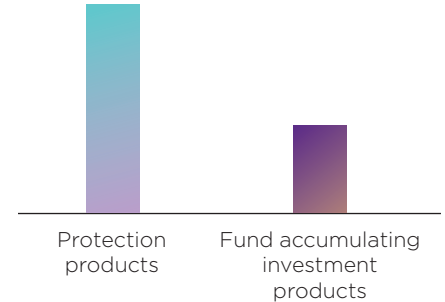
#### Protection products

This refers to the products that purely cover risk of policyholders. These risk includes health risk, death risk etc.

#### Fund accumulating investment products

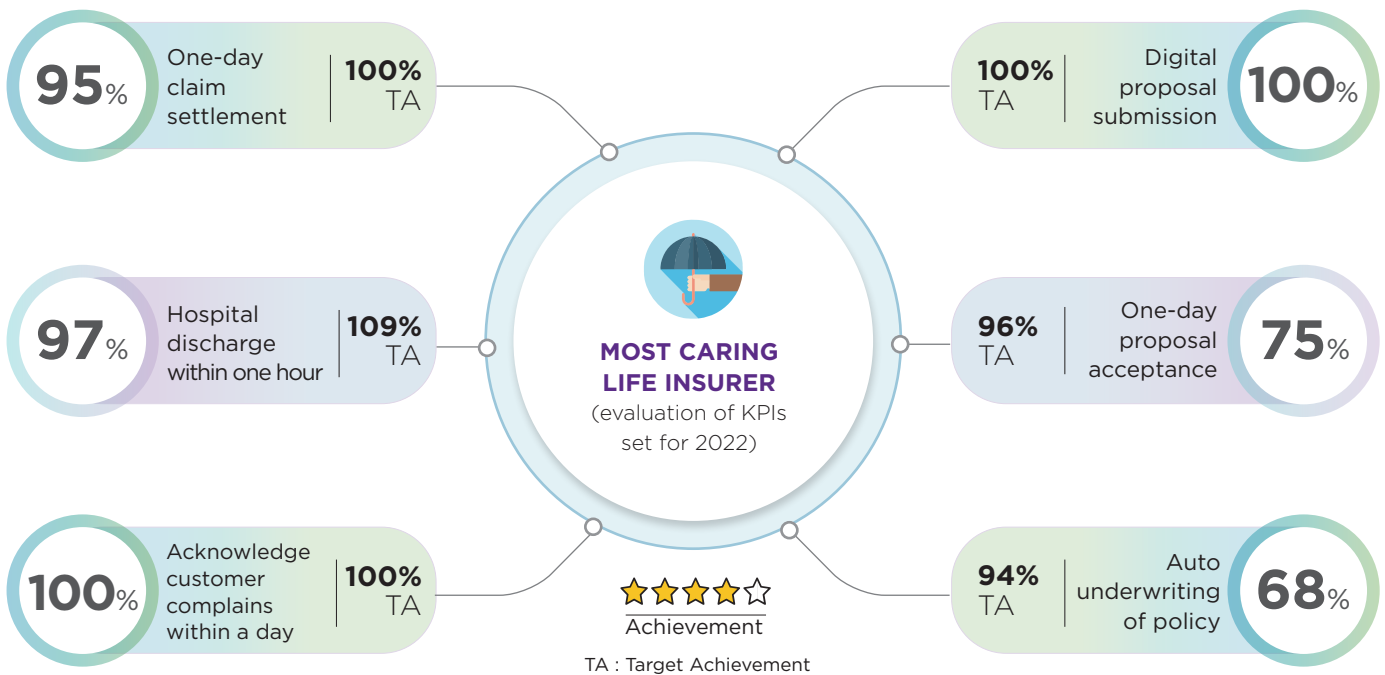
These products have portion of fund accumulated with policyholder bonus or dividends and eligibility to maturity benefits.

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



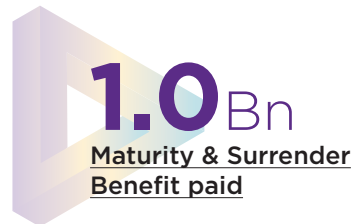
Above analysis clearly show that our majority of business portfolio include protection products which will sustain future profitability.

	2022	2021	2020
Protection Products	72%	69%	72%
Fund accumulating investment product	28%	31%	28%



This strategic pillar is focus on critical activities within the business process to create exceptional customer service. Accordingly we have set above internal KPIs in order to monitor our performance. These KPIs are set by understanding the reason a customer take life insurance policy, that is to have some financial back up when he face some unfortunate in his life. There for our responsibility is to be fair when we settle the claims and be fast as much as possible so that customer is delighted. We have provided focus discussion below on claims payment and related activities to provide some insights on how we manage this strategic pillar during 2022.

## NET INSURANCE BENEFIT AND CLAIMS



Below table summarise the net claims and benefits paid.  
Table 9: Net claims and Benefit

Rs Mn	2022	2021	G%
<b>Regular Claims</b>			
Death, disability and other riders - Endowment	4,051	2,561	58.2
Death and Hospitalisation - Group life	2,716	1,709	58.9
Death - Decreasing Term Assurance (DTA)	1,352	1,360	(0.6)
Total Gross Regular Claims	8,118	5,631	44.2
Re-insurance Recovery	(850)	(554)	53.4
<b>Total Net Regular Claims</b>	<b>7,268</b>	5,077	43.2
<b>Benefits</b>			
Policy maturities / surrenders - Investment products	187	85	120
Policy maturities - Endowment	378	606	(37.6)
Policy surrenders - Endowment products	431	198	117.7
Total Benefit Paid	996	888	12.2
<b>Total Net Insurance Benefit and Claims Paid</b>	<b>8,264</b>	5,965	38.5

During the year 2022 we have paid Rs 9.1 Bn as gross claims and benefit which is 40% growth compared to the previous year. On net basis (After re-insurance recovery) claim growth is 38.5%. We have accommodated every legitimate claim from customers and settled in full thereby ensuring that promises to customers are fulfilled. During the year death claims related to endowment products have increased by Rs 279 Mn recording 65% growth over last year. However these not significantly impacted our mortality assumptions which we keep constant from last year. Claims incurred from the health portfolio grew by Rs 980 Mn with a growth of 56% against last year. Covid and many viral speeded among the community specially latter part of the year has contributed this increase and also supported by the rapidly growing health portfolio. Same reasons also reflected through Group Life portfolio by growing Group life claims by 54% amounting to Rs 764 Mn. Health portfolio of endowment business and Group Life portfolio grew by 30% and 66% respectively during 2022. We discover usual claim pattern in the DTAP portfolio even though top line is distracted by 55%.

Maturity and surrender benefits grew by 39% reaching Rs 1.6 Bn. This is mainly due to 107% growth of maturities and surrenders from investment products.

## Challenges we faced in 2022

- Management of Cashflows:-**  
 High claims reported during the year impacted our cash flow management because customer claims is a core priority of ours.
  - Maintaining Service Standards:-**  
 Several tense situations that emerged throughout the year impacted negatively to maintain our high service levels set for customers
- Strategising to pursue target**  
 During the year the management took few bold decisions considering our customers faith in the Company and fulfilling their requirements.
- The Company accepted and settled customer claims in a timely manner by further improving service levels we met in previous years. Cash flow management is strategically handled and explained in detail on page 50.
  - The management also decided not to increase customer premiums considering the difficulties our customers face due to high inflation. The burden of inflation was managed within the Company by allowing our customers to enjoy the benefits of the policy. This had a significant impact on our bottom line and the way we managed it is explained on page 46.
  - Maintaining service standards was a key challenge we looked at as an opportunity to improve our internal processes further. Therefore, we continued to execute our digitalization strategy with embedded innovative culture to harness the full benefit of it. Our action to enhance the service level is listed on page 108.

## REIMAGINING THE FUTURE THROUGH RESULTS OF TODAY

### Our Key Value Drivers

In evaluating efficiency and effectiveness of the process and identifying business strategies we depend on following key value drivers.

- One day claims settlement ratio:-** Here we look at how much of claims are being paid within one working day. This measures our process efficiency and also created unique value proposition to SLI as fastest claim settler in Sri Lanka. During the year our one day claim settlement ratio was above 95%.
- Claim Ratios:-** We monitor our claim ratios on a monthly basis to take strategic decisions. These include optimization of product mix, managing profitability while creating value to customers etc. Claim ratio analysis provided under industry specific ratio discussion on page 52.

### Other Means of Caring our Customers

The environment we do our business in is rapidly changing. Our customers also demand speedy service. Based on the experience we have gain over the years we were mindful to incorporate some parameters on policy issuance under the strategic pillar “Most Caring Life Insurer”. In line with this strategy we have done many innovations in the past and continue to do so allowing our customers to get insurance cover rapidly. We have digitalized the process and monitor the following value drivers.

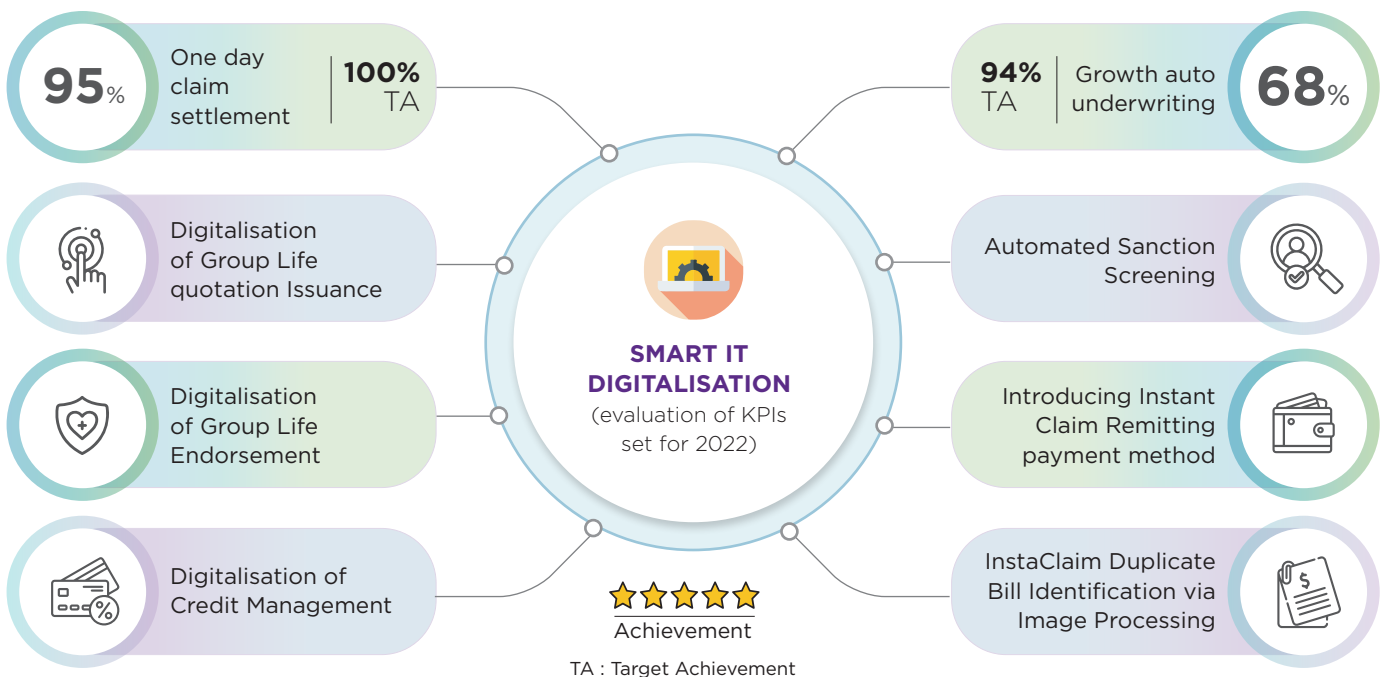
- Digital proposal submission:-** We urge our sales staff to send customer proposals in digital platform and currently we don't accept manual proposals.
- One day proposal acceptance:-** We have a team of people who carefully go through the proposals and process. This conversion ratio

also has been improving year on year. During 2022 we reach 75% with the support of digitalization of certain aspects of the process.








- Auto underwriting:-** The feature is enabled if all the requirements are completed at proposal stage where policy underwriting will happen automatically. During the year 68% policies were underwritten

### Our Critical Success Factor

We believe our critical success factor in this area is being fast while being fair on customer claims. During the period we have also introduced many digital means to customers to hassle free speedy claims intimation and get paid. These include Claimit online portal and Life Up app to submit claims. Further digitalization of sales processes to speed up the policy issuance process also created value addition to the organization.



Year 2022 was another landmark year for Softlogic Life in its Digital journey. We have introduced many new solutions / innovations during the year as listed above. At SLI we believe our unique culture of innovation made us so successful over the years and therefore we consider this as one of the key strategic pillars. At planning stage we consider possible value creation through innovation / digitalization to assess feasibility. Below table summarizes value creation and applicability to other strategic pillars from each innovation listed above.

Activity	Applicable Strategic Pillars	Value to SLI	Value to Stakeholders
Digitalisation of Group Life quotation Issuance		<ul style="list-style-type: none"> <li>Speed up the policy issuance process</li> <li>Cost saving by eliminating printing of quotations</li> </ul>	<p><b>To Customer -</b> Get faster service</p> <p><b>To Sales Staff and Employees -</b> Eliminate the hassle of retrieving past information to issue new quotation.</p>
Digitalisation of Group Life Endorsement		<ul style="list-style-type: none"> <li>Efficient process to generate more revenue.</li> </ul>	<p><b>Customers -</b> Get the coverage immediately</p> <p><b>Employees -</b> Manual data updating is eliminated</p>
Digitalisation of Credit Management		<ul style="list-style-type: none"> <li>Eliminate the risk of bad debtors</li> <li>Close monitoring has improved better cash flow management</li> </ul>	<p><b>Customers -</b> Ensured customers are fully covered with insurance without being lapsed</p> <p><b>Sales Staff -</b> Income based on the collection</p>
Introducing Instant Claim Remitting payment method		<ul style="list-style-type: none"> <li>Claims payments are transferred via CEFTS option eliminating cheque printing</li> </ul>	<p><b>Customers -</b> Get insurance claim immediately to bank account</p>
Automated Revival		<ul style="list-style-type: none"> <li>Income from activating lapsed policies</li> </ul>	<p><b>Customer -</b> Hassle-free option to revive laps policies</p> <p><b>Sales staff -</b> Efficient process save time</p>
InstaClaim Duplicate Bill Identification via Image Processing		<ul style="list-style-type: none"> <li>Eliminate risk of being paid for fraudulent / duplicate bills</li> <li>Positive impact to Company bottom line as well as cashflows</li> </ul>	<p><b>Employees -</b> Manual intervention is eliminated and time saving.</p>
Automated Sanction Screening		<ul style="list-style-type: none"> <li>Eliminate the risk of being charged on transaction labelled as sanction</li> </ul>	<p><b>Regulators -</b> Accurate and transparent process to depend on.</p>

These innovations have following characteristics that support our business process. The value addition we brought from each activity is discussed in details.

## REIMAGINING THE FUTURE THROUGH RESULTS OF TODAY

### **Digitalisation of Group Life quotation Issuance :-**

Digitalized Group Quotation & policy issuance is the new revolutionary innovation in the industry which allowed to obtain quick quotation by our UW team, sales force & brokers using just a few touch points and deliver based on the customer request. With this tab-based solution, it enables a hassle-free convenient insurance option to our corporate & micro customer segments while AI based industry price prediction leads the loss-making policies towards profitability.

### **Digitalisation of Group Life Endorsement :-**

So far, the endorsements are carried out by the insurance underwriters with a confirmation of the insured. However, Softlogic Life offered a chance to their corporate clients, direct sales personnel and broker firms to do the above endorsement from their end.

### **Digitalisation of Credit Management :-**

Automation of the current manual credit management policy of Group Life Business applicable to Alternate Channel & Micro Mobile channel to avoid the manual intervention and eradicate delays and errors. Based on the approval hierarchy of the management, the operation process is carried out smoothly using this automated credit management policy.

### **Introducing Instant Claim Remitting payment method :-**

As a value addition to the fastest claim settlement process, we have integrated Common Electronic Fund Transfer Switch (CEFTS) payment method with our banking partners, so that the payment remitting to the customer will be completed instantly

### **Automated Revival :-**

With the intention of making the best use of technology, the Company has introduced Auto Revival where the customers can easily activate their own lapsed policy with a click on a button. Necessary controls and validations have been embedded to maintain the best practice and adequate controls in the underwriting process. This is also used to deliver higher productivity while handling increased business volumes with the same number of staff.

### **InstaClaim Duplicate Bill Identification via Image Processing:-**

One of the top priorities for insurers when it comes to insurance claims is identifying and stopping the payment of fraudulent claims as quickly and effectively as possible, with the API-Image recognition machine learning integration to the core system it has enabled to identify duplicate claim submission and, in the initial stage of the claim scrutiny process it indicates the duplicate claim document submissions and allows to decline the request.

### **Automated Sanction Screening :-**

With the help of new AI based model the process will be completed in approximately 8-12 hours. By directly utilizing the data from our databases the accuracy and transparency of the process is higher than before.

### **Unmatched Clearance Automation through Robotic Process**

Implemented robotic process automation to clear unmatched receipts against the policy. This novel concept increased the productivity of the process while enhancing customer satisfaction by promptly identifying receipt miss matches.

### **SME – Policy Issuing Automation**

Implemented the Robotic Process for the group life Affinity segment policy issuing much more accurately and quickly without any human touch.

### **Suspicious Claim Module**

This module enables the operation's staff to get an in-depth insight regarding the respective policies in terms of past claim details, ailments, hospitals, related advisor's portfolio, branches, average claim size of identified ailments etc. This was developed through data mining, analytics, and customized fraudster behavioural pattern-based algorithms to be programmed for proactive, timely scam detection.

### **Challenges we faced in 2022**

The baseline challenge in managing this strategic pillar was to identify the priority of the list of digitalization projects we identified. We understood that our IT resources are limited and we have to prioritize the projects based on the value they create to stakeholders. We used this as the basis of prioritization during the year.

### **Strategising to pursue target**

As a strategy to create maximum value using limited IT resources we review IT personnel requirement on facilities including network capacity, server capacity etc and make sure those were available for smooth functioning. Further impact due to external disruptions on our employees were managed as much as possible by providing work from home arrangements, Company paid transport etc.



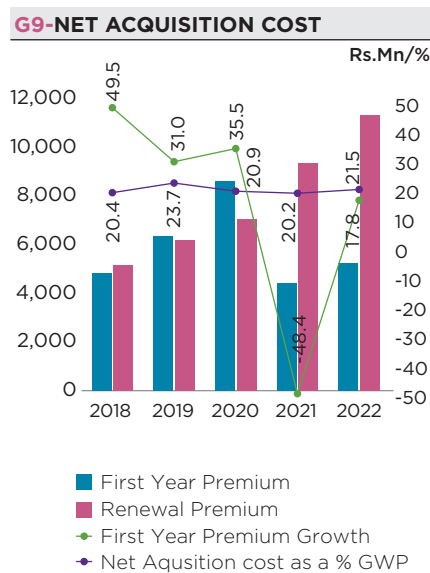
This strategic pillar is about being efficient and effective. Accordingly management decision is taken to achieve this target in every action. Even though our innovation and digitalization is improving lean and fast aspect of our operations the management has embedded expense and acquisition cost management also into this strategic pillar.

Impact to Lean and Fast pillar from digitalization is discussed above in detail and analysis on expenses and acquisition cost and management of it explained below.

**UNDERWRITING AND NET ACQUISITION COST**

Underwriting and policy acquisition costs (including reinsurance commission income) represents the amount of commission and incentives incurred by insurance companies on intermediaries to acquire a business less any commission income due from reinsurers for placing business with them.

The management has identified this as a key area of value creation within our business model. Accordingly, we carefully managed this expense



to improve efficiency while not disturbing the morale of the sales staff.

The cost of Underwriting and Net Acquisition cost reached to Rs 4,956 Mn recording a growth of 22% against previous year. Acquisition cost as percentage to GWP is 21% which is 1% increase against the 20% recorded previous year. This was a result of

significant changing in business mix from previous year. One key highlight is reduction of DTAP contribution to top line which has low acquisitions cost.

**Challenges we faced in 2022**

During past few years we have taken many improvement actions in this area to improve efficiency. However during the year we were unable to make any adjustments considering challenging environment our sales staff faced in acquiring new business. We had to stand with them to understand the difficulty in taking new business in and kept benefit payment structures constant as last year while giving some release to them.

**Strategising to pursue target**

There were some months in 2022 where our new business generation was highly disrupted due to externalities. This negatively impacted the income of sales staff. The management of SLI took a decision to ease out recognition criteria for a temporary period until the market get normalized. This helped to improve sales staff morale and continued to generate outstanding performance.

## REIMAGINING THE FUTURE THROUGH RESULTS OF TODAY

### Our Key Value Drivers

We monitor acquisition cost as a percentage to GWP on regular basis.

### OPERATING, ADMINISTRATION, FINANCE AND OTHER EXPENSES

This was another challenging line item we put much effort to manage within the budget. Below table summarizes the expenses based on their nature.

Table 10: Operating, Administration, Finance and Other Expenses

Rs Mn	2022	2021	Mix 2022	Mix 2021	G%
Staff related expenses	2,335	1,996	45%	47%	17.0
Administration and Establishment Expenses	1,596	1,370	31%	32%	16.5
Selling Expenses	426	398	8%	9%	7.0
Depreciation / Amortisation	133	364	3%	3%	(3.6)
Finance cost	654	184	13%	9%	79.7
Total Regular Expenses	5,144	4,127	100%	100%	24.6
Impairment (provision) / reversal on financial investments	2,139	(38)			
Exchange gain	(2,722)	(180)			
Total Expenses	4,561	4,048			12.7

Total expenses grew by 13% including one off expenses reaching Rs. 4,561 Mn and excluding one off expenses recording 24.6% over past year reaching

Rs. 5,144 Mn. Operating Expenses to GWP ratio stood at 24% (for normalized expenses) which is 3% higher than the previous year.

### Challenges we faced in 2022

Expense management was extremely difficult mainly due to high inflation recorded above 48.2% and high currency depreciation.

### Strategising to pursue target

The management re-evaluated the expenses of the Company to identify critical lines of expenses. Then it was agreed to manage the expense line items within the budget with tight controls not compromising the value creation of the process. Budget allocated to non-critical activities were reassigned to items labelled as critical and managed overall expense growth.

### Our Key Value Drivers

We monitor expenses as a percentage of GWP to assess the efficiency. During the year ratio is increased by 1.1% to 21.7% mainly due to top line growth disruptions.



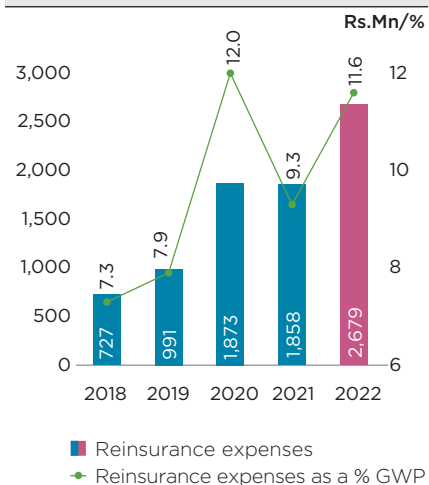


The business of insurance is the assessing and pooling of risk to mitigate adverse financial consequences for both policyholders and shareholders. Accepting and managing risks within an appropriate risk appetite is the key element of our value creation journey. We have inbuilt many areas of business process related to risk management and monitored regularly. How we manage each of the above areas during the year is elaborated below.

### MAINTAINING ADEQUATE REINSURANCE COVERS

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 pays 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 items of our “Risk Management” strategic pillar.

**G10-REINSURANCE EXPENSES AS A % GWP**



The Company paid Rs 2,679 Mn as reinsurance expense during the year. This accounts for growth of 44% compared to 2021. The increase in premium is a result of increased exchange rates in Sri Lanka. Increase in reinsurance ratio from 2021 is also impacted due to same.

### Challenges we faced in 2022

There were much less options available to us to manage the soaring reinsurance cost within the same line item. Further, we were extremely pressurized with reinsurance settlement due to low level of foreign reserves available in the country. We also experienced that some reinsurers wanted to exit from the Sri Lankan insurance market based on their view of future risks.

### Strategising to pursue target

In order to manage the profitability of the Company, we considered other options such as expense management, possibility of changing business mix etc. In terms of reinsurance settlements, we regularly liaised with our banks to get allocated US Dollar quota. Further, we entered into an agreement with some reinsurers to pay interest cost on long outstanding dues until the dollar issues were resolved in Sri Lanka.

### Our Key Value Drivers

The Company monitors the reinsurance expense as a percentage 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 the Company conducts annual reinsurance study to support the negotiations.

### Our Critical Success Factors

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.

### MANAGING APPROPRIATE INVESTMENT PORTFOLIO - INVESTMENT AND OTHER OPERATING INCOME

Managing appropriate investment portfolio is a key activity in Life Insurance business. This is important to generate high yield while managing liquidity and risk. This section focuses on income related activities and investment asset portfolio is analysed under liquidity management on page 48. While covering their risk, customers also expect fair yield on their accumulated funds which will decide how much they take at the maturity of the policy.

The year 2022 had both positives as well as negatives in terms of Investment income. Central Bank of Sri Lanka increased the policy rates drastically in order to manage the inflation. This resulted in Treasury Bills and Bonds being marked with yields around 30%. Below table showcases extraordinary performance in 2022 against 2021.

## REIMAGINING THE FUTURE THROUGH RESULTS OF TODAY

Table 11: Investment and Other Operating Revenue

Rs Mn	2022	2021	G%	2020
Finance Income	4,991	2,355	112%	1,634
Net Realised Gains	170	392	(57%)	171
Net Fair value (Losses) / Gains	(51)	8	(778%)	464
<b>Total Investment Income</b>	<b>5,110</b>	<b>2,755</b>	<b>85%</b>	<b>2,270</b>
Other Operating Income	10	21	(52%)	6
<b>Total Investment and Other Operating Revenue</b>	<b>5,120</b>	<b>2,776</b>	<b>84%</b>	<b>2,276</b>

### Strategising to pursue target

Based on the indicators provide by the Central Bank and the government during the start of the year we forecasted the upward trend in interest rates during 2022. Therefore we didn't go for long term investments in the first few months and later we switched those funds to high yielding assets in order to generate above mammoth growth of 112% in finance income. Realised gains were reduced by 57% mainly due to shortage in dollar reserves in Sri Lanka resulting in reduced dollar transactions.

### Challenges we faced in 2022

The Company provided provision for possible debt restructuring for dollar denominated investment. This cost us Rs 2 Bn and is recorded under expenses.

### Our Key Value Drivers

Investment Yield - this is key KPI of investment fund manager where company expects 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 in order to maintain sufficient liquidity at any given point.

### CAPITAL AND LIQUIDITY MANAGEMENT

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

### Financial Reinsurance

The Company entered into 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 have collectively signed a USD 15Mn Tier II Subordinated Debt transaction for Softlogic Life.

### Organic growth through profitable business model

We manage profitability of the Company as priority aspect in terms of shareholder value creation. Accordingly we are focusing on above 20% ROI every year and set our dividend policy to retain 50% of profit to strengthen capital position.

### Regulatory capital performance

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

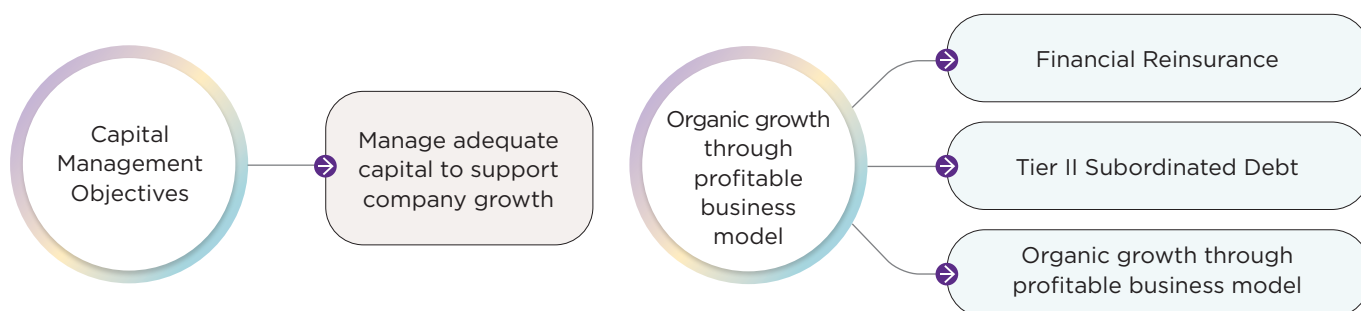


Table 12: Capital Adequacy Ratio (CAR)

	2022	2021	2020
Total Available Capital (TAC) (Rs Mn)	32,302	27,082	19,941
Risk Based Capital requirement(RCR) (Rs Mn)	11,262	6,851	6,611
Risk Based Capital Adequacy Ratio (CAR) %	287	395	302
Required minimum Capital Adequacy Ratio (CAR) Ratio %	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 13: Statement of Approved Assets

	2022	2021	2020
Approved assets maintained in business (Rs Mn)	30,787	23,891	19,886
Insurance fund (Rs Mn)	24,469	20,880	16,841
Approved assets in excess of the insurance fund (Rs Mn)	6,319	3,010	3,045
Approved assets as a % of insurance fund	126	114	118
Required ratio %	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 14: Investment in Government Securities as % of Life Fund

	2022	2021	2020
Life fund (Rs Mn)	24,469	20,880	16,841
Investment in government securities (Rs Mn)	16,319	8,511	9,097
Investment in government securities as % of Life fund	67	41	54
Required ratio %	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.

Table 15: Leverage and Capital Structure

Rs Mn	2022	Mix%	2021
Stated capital	1,063	6%	1,063
Retained earnings	12,113	73%	10,454
Restricted regulatory reserve	798	5%	798
Other reserves	(3,100)	(19%)	(1,726)
<b>Total Equity</b>	<b>10,873</b>	<b>66%</b>	<b>10,588</b>
Long term loans and borrowings	5,644	34%	3,065
<b>Total Capital Employed</b>	<b>16,517</b>	<b>100%</b>	<b>13,653</b>

## REIMAGINING THE FUTURE THROUGH RESULTS OF TODAY

Total capital employed reached Rs. 16.5 Bn recording 21% growth over last year mainly due to increase in revenue reserves by Rs 1.7 bn and increase in borrowings by Rs 2.6 Bn. This increase was partly offset by Rs 1.3 Bn increase in AFS loss due to changes in fair value of investments. Borrowings represent dollar denominated capital which is increased significantly due to rupee depreciation. The total equity reached Rs. 10.8 Bn.

### Financial Leverage - Debt to Equity Ratio

The company maintained low gearing in its equity position by recording debt to equity ratio at 52% in 2022. Compared to 2021 this shows significant change in the structure. However it was due to revaluation of dollar liability at current exchange rates. Out of total capital 82% qualified for Tier 1 capital under Risk Based Capital (RBC) framework, which is an indicator of the quality of the equity of the Company.

### Cash flow Management

Managing healthy cash flow is critical for any company. However as a life insurer we need additional care on this as we have to discharge our responsibility to customer by paying his claims and maturity benefit on timely manner. During the year we have generated Rs 5 Bn operational cash flow which shows health cash flow position. However it is 27% degrowth compared to previous year mainly due to slow down top line growth.

### 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 of paramount important to shareholders and other users of financial statements to understand SLFRS 17 and its impact now onwards.

As part of our efforts 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 64 of this annual report to see risk and challenges we face in terms of implementation SLFRS 17 and further content is provided online for wider base of users.



SLFRS 17 Implementation impact on financial statement



Video version of impact SLFRS 17

### BUSINESS RISK MANAGEMENT

Softlogic Life has comprehensive framework of risk management to ensure entity will not cross the border of risk appetite. This framework

and how we operate it within the organization is discussed in detail under “Integrated Risk Management” section on page 226 of this report.

### Measuring outcome of the strategy execution

#### (Evaluation of Business Key Performance Indicators)

Successful implementation of above discussed six strategies resulted to improve internal performance indicators listed below. Table below provide internal balance score card of the Company which is monitored on monthly basis and reported to the Board of Director on quarterly basis. These ratios and numbers cover all the critical areas of the business and help to identify issues that might affect the business sustainability. Management is prudently managing the business to have many of the KPIs being positive year on year and actions are being taken to correct others. This also provides good insight of business suitability in future.

As part of strategy execution, we have integrated many KPIs listed below to the KPIs of relevant department head. This ensure we regularly attend to optimize on these KPIs. Internal mechanisms are in place to monitor these KPIs on monthly basis to identify any deviations and prompt actions are being taken as required. Board of directors are informed the results quarterly basis and material items are tabled for the board discussions.

Table 16: Life Insurance Industry Specific Ratios and Its Discussion - Income Statement

Description	Movement	2022	2021	2020	2019	2018	Growth 2022 %	Page Reference
<b>Key Operating Ratios</b>								
First Year / Renewal GWP Mix %	N/A	32/68	32/68	32/68	33/67	33/67	-	
<b>Net Claims Ratio</b>								
Net Claims Ratio (with maturities and surrenders)	●	41.1	27.1	25.9	26.0	25.2	1	48
Net Claims Ratio Endowment (with Group life and DTA)	●	36.7	22.3	20.2	18.1	13.5	2	
Net Claims Ratio (without Group life and DTA)	●	23.2	9.3	10.0	9.7	9.7	(1)	
<b>Expense Ratios</b>								
Reinsurance Expense Ratio %	●	12	9	12	8	7	(3)	49
Net Acquisition Cost Ratio % GWP	●	21	20	21	24	20	(1)	
Operational expenses as a % of GWP	●	19	19	21	26	31	(3)	
Total Expense Ratio % GWP	●	40	39	42	50	51	(3)	
Total Expense Ratio % NEP	●	46	43	48	54	54	(5)	
<b>Combined Ratio</b>								
Combined Ratio % NEP - without maturities and surrenders	●	82	52	58	64	64	(6)	49
Combined Ratio % NEP - with maturities and surrenders	●	87	70	74	80	79	(4)	
<b>Regulatory Ratios</b>								
Capital Adequacy Ratio (Min 120%)	●	287	395	302	182	199	94	49
Determination Ratio % (Min 100%)	●	126	114	118	109	105	(4)	
Investment in Government Securities % Life fund (Min of 30%)	●	67	41	54	42	39	(13)	
<b>Key Value Drivers</b>								
Premium persistency - Year 1	●	84	85	83	85	84	2	39
Premium persistency - Year 2	●	66	67	65	64	63	2	
Premium persistency - Year 3	●	58	58	52	52	55	6	
Average Premium per policy (Rs.)	●	169,090	138,983	136,852	137,032	128,887	1.6%	
Annualised New Business Premium Rs. Mn	●	5,887	5,083	3,880	3,967	3,325	31.0%	
Annualized new Business per Agent Rs. Mn	●	2.1	1.6	1.3	1.4	1.40	28%	
No of New policies	●	133,872	237,453	262,605	250,407	203,094	-10%	
Life fund Rs. Mn	●	24,469	21,493	17,484	10,377	9,022	23%	46
Surplus Rs. Mn (without one off surplus)	●	4,378	2,295	1,779	2279	1051	29%	

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

## REIMAGINING THE FUTURE THROUGH RESULTS OF TODAY

### 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 17:- Net Claim Ratio

Presented in %	2022	2021
Net Claims Ratio Endowment (without Group life and DTA)	36.3	27.7
Net Claims Ratio (with Group life and DTA)	36.7	22.3
Net Claims Ratio (with maturities and surrenders)	41.1	27.1

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

Endowment product claim ratio has increased by 8.6% to 36.3%. the increase is mainly supported by the high health claims reported due to influenzas, dengue and virus flu that spread among the community in the last quarter of the year.

### 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 18: Expense Ratio

Presented in %	2022	2021
Net Acquisition Ratio %	21.5	20.2
Operating Expense Ratio % GWP	18.9	18.6
Overall Expense Ratio % GWP	40.3	38.7

Overall expense ratio has increased by 1.6% during the year. Managing expense ratio is impacted by major headwinds winds such as increasing expenses due to high inflation as well as topline growth reduction due to market conditions and loss of DTAP segment.

### Combined Ratio

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

Table 19: Combined Ratio

Presented in %	2022	2021
Combined Ratio % (with maturities and surrenders)	87.1	69.8
Combined Ratio % (without maturities and surrenders)*	82.3	52

Combined ratio without maturities and surrenders has increased due to increase in claim ratios.

### 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 287%, 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 31st December 2022 as shown in the table 8 "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 2022, the Company is 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 One-off Surplus. As at 31st December 2022, the Company maintains assets of Rs. 839 Mn.

### SEGMENTAL INFORMATION

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

Table 20: Segmental Information

Rs MN	Policyholder Fund		Shareholder Fund		Company	
	2022	2021	2022	2021	2022	2021
Net Revenue	23,721	20,067	1,803	904	25,524	20,971
Profit Before Tax	4,378	2,295	(348)	671	4,030	2,966
Total Assets	35,399	27,366	12,849	11,892	48,248	39,258
Cash flows from operating activities	4,076	6,631	1,048	353	5,124	6,984

Policy holder funds represents the financial outcomes 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 250. The detailed analysis of this segment are included in the page 361 covering key risk, strategies, performance analysis and key value drivers. Further detailed analysis of financials including income statements, financial position and cash flows are provided on pages 259 to 261.

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 governed by the board investment committee. Shareholder dividend is declared through this fund.

### Segment Strategies and Risk management

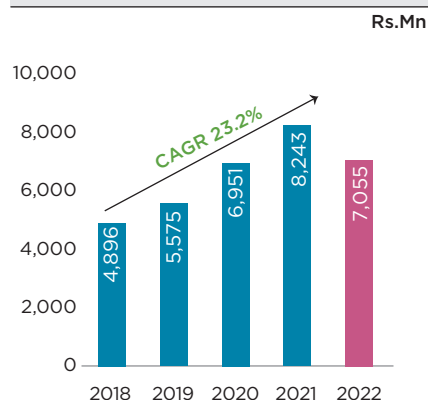
Policy holder fund is strategised under six strategic pillars as discussed on page 78 and risks and opportunities are identified on page 64 and 66 respectively. Further financial risk management with regards to its investment portfolio and insurance risk is provided on page 276 to 297. Shareholder fund is created to separate shareholder value creation from policyholders in monetary terms. Hence increasing in policy holder value eventually increase the shareholder value also. However risk management may be different based on the financial instrument the shareholder fund carry which also covered under financial risk management on page 276.

### SUSTAINING PROFITABILITY 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



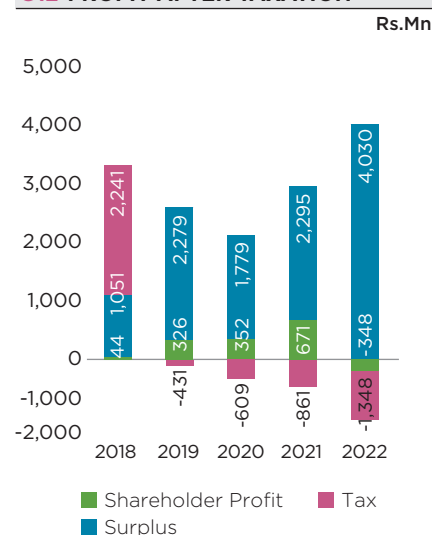
### Profit Before Tax

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. The Company recorded Rs 4 Bn PBT in 2022 compared to Rs 2.9 Bn recorded in previous year. It is a significant achievement to record 36% growth in PBT.

### Profit After Tax

Profit After Tax (PAT) for the year 2022 is Rs 2.7 Bn is a growth of 27% compared to Rs 2.1 Bn recorded in 2021. Profit After Tax and its composition over last 5 years are provided in the Graph 12 below:

#### G12-PROFIT AFTER TAXATION



### Profitability and Investor Attractiveness - Industry Peer Analysis

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

Table 21: Analysis of SLI's share of profitability

Rs Mn	2022	2021
Profit After Tax of the Company	2,683	2,105
Total profit from listed companies	15,149	12,455
SLI share of profit as a % of total profit from listed companies	18	17

## REIMAGINING THE FUTURE THROUGH RESULTS OF TODAY

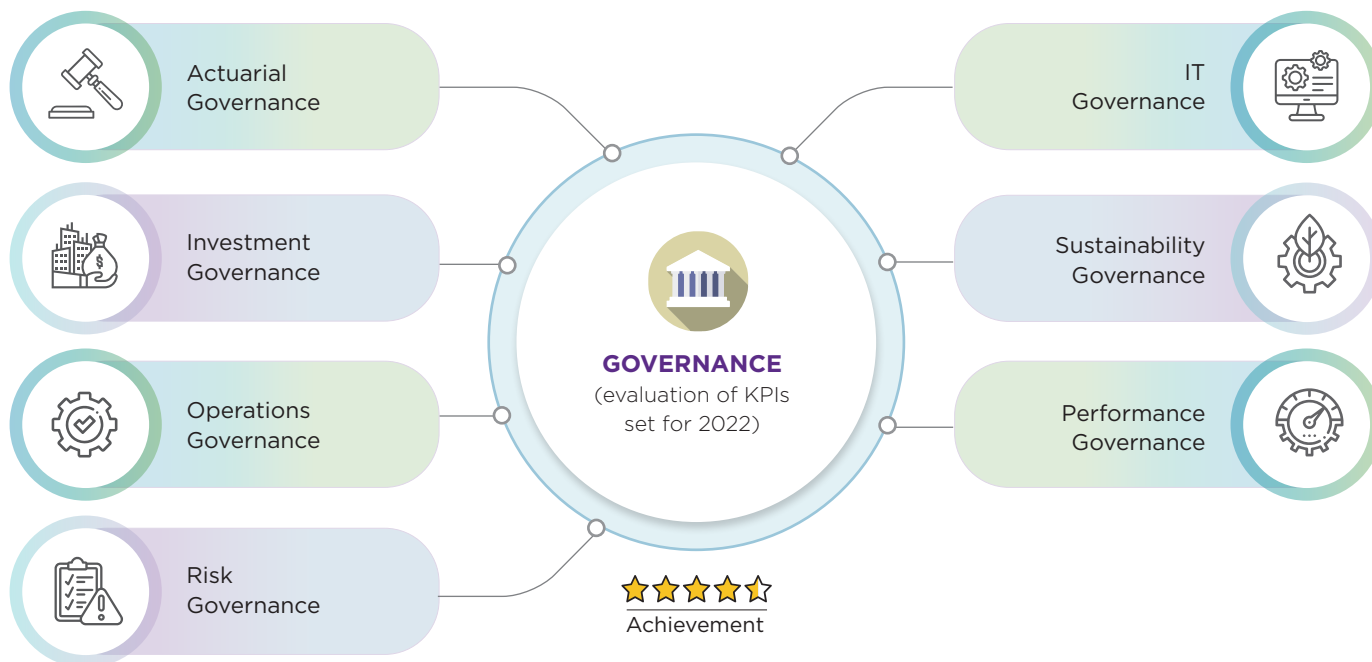
It shows that the Company reported a significant percentage of (18%) profit out of total profit of listed insurance companies for the year 2022.

### DIVIDEND

The Company declared an Interim dividend of Rs. 3.50 per share amounting to a total pay out of Rs. 1,313 Mn for the year 2022.

### Dividend Policy

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



### STATEMENT OF COMPLIANCE BY BOARD OF DIRECTORS

Softlogic Life Insurance PLC is a public liability company that operates in the business of life insurance. The Company's functions are handled by the management committee of the Company. The management committee reports to the Board of Directors. The Board provides insights and strategic directions where the management team executes the same.

As a Public Limited Company operating in Sri Lanka, Softlogic Life Insurance PLC is ruled by following laws and regulations.

#### Mandatory Compliances

- Companies Act No. 07 of 2007 and amendments thereto.
- Regulations and directions issued by the of Insurance Regulatory Commission of Sri Lanka (IRCSL).
- The Regulations of Insurance Industry Act No.43 2000 and amendments thereto.
- Sri Lanka Accounting Standards (SLFRSs/ LKASs)
- Statement of Recommended Practice (SoRP)
- 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 (IRCSL).

Board affirmation on this compliance is provided on pages 185 to 193.



## STAKEHOLDER VALUE CREATION

The Company concluded another year of extraordinary performance. This results in value creation to every critical stakeholder we deal with. In order to measure value creation we monitor set of KPIs presented below.



### VALUE CREATION TO INVESTOR

Capital:



KPI	Unit	2022	2021	G%	2020
<b>PERFORMANCE</b>					
Gross Written Premium Growth	%	15	28	(13.0)	25.0
Total Net Revenue Growth	%	21.7	30.6	(8.9)	22.4
Debt Service Cover	Times	7.8	10.2	(23.4)	0.3
Net Operating Cash	Rs. Mn	5,085	6,984	(27)	9,033
Recurring profit before tax	Rs. Mn	6,062	2,970	104	2,130
Recurring profit after tax	Rs. Mn	4,715	2,109	124	1,521
Recurring PAT Growth	%	27.5	38.3	(13)	-30
Recurring earning per share	Rs.	12.6	5.6	124	4.1
Return on Capital Employed*	%	23.6	22.1	1.5	32.2
Market Value Per Share	Rs.	86.6	71.0	22	34.8
<b>OUTCOME</b>					
Capital Adequacy Ratio	%	287	395	108	302
Market Share	%	16.9	16.1	0.8	15.2
Market Price Growth	%	22	104.0	(82)	-7.2
Dividend Yield	%	3.2	3.5	(0.3)	0

During the year we were able to enhance value for the shareholders at overall level. However, we can see some top line related KPIs reported negative variance compared to previous year (Refer page 36 for further explanation). However there are positive moves on profitability and market value perspective.

\* Adjusted for differed tax



### VALUE CREATION TO EMPLOYEE

Capital:



KPI	Unit	2022	2021	G%	2020
<b>PERFORMANCE</b>					
Gross Written Premium per Employee	Rs Mn	23	20.5	12	17.5
Return to Work After Parental Leave	%	100	100	-	94
Profit Per Employee*	Rs Mn	2	2.1	(4.8)	1.7
Average Duration of work with the Company	Years	4.9	4.5	8.9	4.5
Staff Turnover Ratio	%	27	19	8	14
Employee Benefit Liability	Rs Mn	209	193	8.3	182
<b>OUTCOME</b>					
Employee Retention	%	73	82	(9)	86
Average Gross Remuneration per Employee	Rs Mn	0.9	1.1	(18)	1.1
Staff Welfare Cost per Employee	Rs	7,811	7,908	(1.2)	6,320
Number of New Employee Hires	Employees	290	261	11	222
Training Hours per Employee	Hours	12	11.3	6	2.1
Training Cost per Employee	Rs	34,569	16,686	107	6,467

During the year we further strengthened our employee base and enhanced value for employees in the areas of training, compensation etc: However, we can see employee retention ratio decreasing mainly due to increasing trend of migration.

## STAKEHOLDER VALUE CREATION



### VALUE CREATION TO CUSTOMER



Capital:

KPI	Unit	2022	2021	G%	2020
<b>PERFORMANCE</b>					
Market Share	%	<b>16.9</b>	16.1	0.8	15.2
No of New Policies Issued	Policies	<b>133,872</b>	237,453	(43.8)	262,605
Revenue per customer	Rs.	<b>17,779</b>	15,142	17.4	15,510
Gross Claims and Benefits Paid	Rs.Mn	<b>9,114</b>	6,519	39.8	4,202
<b>OUTCOME</b>					
No of New products	No	-	4	-	2
One Day Claim Settlement Ratio	%	<b>+95</b>	+94	1	+86
No of Customers	No	<b>1,298,357</b>	1,324,364	(2)	1,009,680
No of Policies in force	No	<b>844,398</b>	794,870	6.2	649,986

Customer value creation was continued same as previous year. However, we can see that none the new customers being dropped mainly due to the loss of DTAP market which is detailed on page 38. Other than this several initiatives, digitalization and innovative solutions have been implemented to enhance value creation to customers.



### VALUE CREATION TO BUSINESS PARTNERS



Capital:

KPI	Unit	2022	2021	G%	2020
<b>PERFORMANCE</b>					
Reinsurance Expense	Rs. Mn	<b>2,679</b>	1,858	44.2	1,873
Fees, Incentives and commission paid	Rs. Mn	<b>5,249</b>	4,050	29.6	3,269
Field Staff	No	<b>2,867</b>	3,088	(7.2)	3,025
No of Reinsurers	No	<b>06</b>	06	-	06
No of Suppliers	No	<b>228</b>	240	(5)	282
<b>OUTCOME</b>					
MDRT Qualifiers	No	<b>263</b>	216	21.8	169
Reinsurance Recoveries	Rs. Mn	<b>766</b>	551	39	608
Investment in Training programmes for field staff	Rs. Mn	<b>4.1</b>	11.3	(63.7)	8.9

Value creation to business partners was possible during the year due to proper management of resources and performance. All the performance indicators show positive change compared to previous year.

**VALUE CREATION TO COMMUNITY**

Capital:

KPI	Unit	2022	2021	G%	2020
<b>PERFORMANCE</b>					
Number of CSR Projects	No	03	13	(77)	10
<b>OUTCOME</b>					
CSR Expenditure	Rs. Mn	3.3	4.9	(33)	3.3

Community value creation was impacted by external factors during the year 2022. This includes travel restrictions due to shortage of fuel, and social unrest that persisted for many months. Therefore compared to previous year we can see negative variance in the above KPIs but we were able to do some value creating activities during the year.

**VALUE CREATION TO MULTI STAKEHOLDERS**

Capital:

KPI	Unit	2022	2021	G%	2020
<b>PERFORMANCE</b>					
<b>Process Efficiency</b>					
One day claim settlement	%	+95	+94	1	+86
One day proposal acceptance	%	75	76	(1)	80
Customer discharge within one hour	%	97	87	10	89
Revenue from Exclusive Agency Agreements (Agency Channel Sales)	Rs. Bn	15.5	13.1	18	10.1
<b>OUTCOME</b>					
Expenditure on R&D	Rs. Mn	41.8	32.8	27	21.0

This is considered to be a multi stakeholder impacting area. Company has focus value enhancement activities to improve the impact to business. During the year also we have done many advancements that improve the outcome and performance of this area.

**VALUE CREATION TO MULTI STAKEHOLDERS**

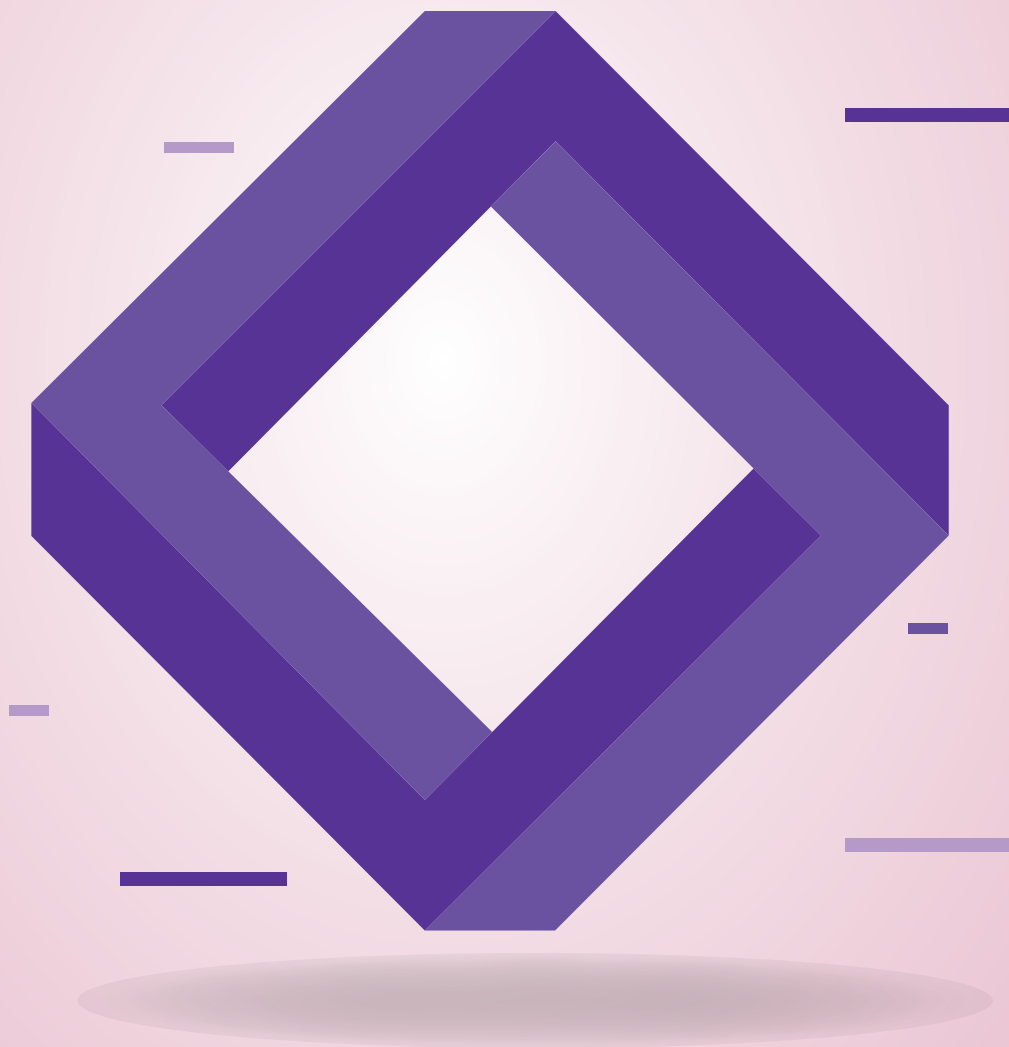
Capital:

KPI	Unit	2022	2021	G%	2020
<b>PERFORMANCE</b>					
Number of new Branches	No	02	3	(33.3)	3
Revenue per Branch	Rs Mn	224	199	12.6	157
Underwriting Result per Branch	Rs Mn	68.5	81.6	(16.1)	69.5
Net book value of capital assets	Rs Mn	579	618	(6.3)	661
<b>OUTCOME</b>					
Investment in Fixed Assets	Rs. Mn	95	58	63.8	132
Maintenance expense as a % of Net book value	Rs. Mn	22%	15%	7%	13%

During the year we took some initiatives to increase the value of Manufactured Capital and in return many stakeholders within our business process have benefited.

# Reimagining Excellence

We strive to maintain a sense of precision and balance in all we do,  
to create lasting excellence.



## CREATING VALUE IN A SUSTAINABLE MANNER THROUGH OUR STRATEGY

Our Operating Environment **59** | Managing Our Risk Strategically **64** | Realizing Opportunities **66**  
Managing Stakeholder Interest **69** | Material Matters Addressed Through Our Strategy **74** | Our Strategy  
and Resource Allocation **78** | Our Futur **84** | Independent Assurance Report on Integrated Report **85**

## OUR OPERATING ENVIRONMENT

While we are navigating our business towards its targets, we are very keen about changes in the external environment. Year 2022 was a good example of such externalities which impacted every business drastically. We understand internal environment also plays a critical role in achieving targets. Accordingly, we analysed our operating environment in depth before setting future strategies. The discussion here onwards will focus futuristic information that are considered in reshaping our future targets.

### EXTERNAL ENVIRONMENT ANALYSIS

External environment is analysed under PESTEL factors to ensure we do cover external environment comprehensively. The outcome of the analysis is overall positive in terms of insurance business giving some growth opportunities and improvements.

### POLITICAL AND LEGAL ENVIRONMENT

We consider below requirements from various institutions as our legal environment that are critical compliances to continue our organization as legal entity. We assessed below new regulations enacted in 2022 which may have an impact on our future operations and strategies.

#### Industry Related Regulation issued by Insurance Regulatory Commission of Sri Lanka

Regulatory Requirement	Compliance	Impact to Future Strategies of SLI
IRCSL Direction 01 of 2022-Restriction of providing codes and restriction on changing codes	Complied	No impact
Amendments to Determination 14&15 - Amending the Regulatory reporting formats of the Annual return and the Actuarial abstract for the purpose of facilitating the submission via email.	Complied	No impact
Prohibition of providing different quotations (reduction in premiums) to same policy holder for the same insurance cover	Complied	No impact
Amendments to Direction 17 on Corporate Governance - Mandatory retirement of Directors above age of 75 years.	Complied	No impact
Guidelines on Advertisements Issued by Insurers, Insurance Brokers and Insurance Agents	Complied	To be considered in marketing strategy execution
Listing Rule 7.5(B)(I) - Circulation of The Annual Report in Printed Form.	Complied	No impact
Amendment to Determination 12 - Companies are required to submit the Quarterly Returns to the IRCSL within 30 days from the end of a quarter (previously it was 45 Days)	Complied	No impact
Direction 03 of 2022 Direction 03 of 2022 - Mandatory disclosures on insurance products, quotations and in the policy schedules/covers	Complied	No impact
Clarification on Circular #40 - Health Insurance Covers Underwritten by Insurers who carry on Long-term Insurance Business	Complied	Course to high claims ratios and low profitability

#### Other Regulation

Regulatory Requirement	Compliance	Impact to Future Strategies of SLI
Personal Data Protection Act no 09 of 2022	Ongoing	To be considered in executing digital strategy
Amend to the Workmen's Compensation Ordinance (Chapter 139)	Complied	No impact
Listing Rule 7.5(B)(I) - Circulation of The Annual Report in Printed Form.	Complied	No impact

## OUR OPERATING ENVIRONMENT



### TAX REGULATIONS

#### Increase in personal income tax

##### Impact - High

Disposable income of working class is tightening. Expect policy lapses and low new prospects.

#### Increase in corporate tax

##### Impact - High

Company profitability will be reduced and maintaining expected ROE is quite difficult.



### ACCOUNTING STANDARDS

SLFRS 17 implementation is in the pipeline which have significant impact on Life insurance industry. We have started to assess the impact and summary of outcome is provided on page 64.



### POLITICAL ENVIRONMENT

Political instability is expected to crowd the year 2023 as well. Provincial council elections due in March showcases clear instability of the government.

## ECONOMIC FACTORS

### WORLD ECONOMY OUTLOOK



	2024	2023	2022
GDP growth	2.9%	2.3%	<b>2.9%</b>
Inflation	3.3%	4.9%	<b>7.4%</b>

Source:- Swiss Re Institute Sigma No 6/2022

**Impact to SLI :-** Negative

**Risk :-** Slow economic recovery

### EMERGING ASIA



	2024	2023	2022
GDP growth	7.8%	5.0%	<b>5.4%</b>
Inflation	5.2%	5.3%	<b>4.3%</b>

Source:- Swiss Re Institute sigma No 6/2022

**Impact to SLI :-** Negative

**Risk :-** Slow economic recovery

Available expansion opportunities

### SRI LANKA








	2024	2023	2022	Impact to SLI	Impact	Opportunity
GDP growth	1.5%	(3.0%)	<b>(8.7%)</b>	Align business strategies to growth mode	Positive	Future growth potential
Inflation	6.0%	29.5%	<b>48.2%</b>	Expense management will be critical driver	Negative	Revamping/ Digitalizing internal process for cost efficiency




Source:- <https://www.imf.org/en/Countries/LKA>

Year 2023 is expected to see some recovery in the Sri Lankan economy compared to 2022 in terms of GDP growth and inflation. This provides opportunities to SLI to drive its growth momentum during 2023 also. However we are mindful of risk and challenges also arising from high inflation, adverse exchange rate etc.

## TECHNOLOGICAL FACTORS

 <p><b>Robotic Process Automation (RPA)</b> <b>Impact - High</b> We have already deployed RPA in our repetitive works.</p> <p><b>Opportunity</b> Process efficiency, increase productivity, cost reduction</p>	 <p><b>Big data and Predictive Analytics</b> <b>Impact - High</b> We brought in big data analytics in to underwriting platform</p> <p><b>Opportunity</b> Better risk assessment, process efficiency increase</p>	 <p><b>Cyber Risks</b> <b>Impact - High</b> As we are increasingly adopting new technologies cyber security is paramount important</p> <p><b>Risk</b> Data theft, threat of viruses</p>	 <p><b>Growing Internet and Mobile Penetration</b> <b>Impact - High</b> Digital adoption is happening very fast in society</p> <p><b>Opportunity</b> Opening new distribution options, focus on digital marketing</p>	 <p><b>Machine Learning (ML)</b> <b>Impact - High</b> Implemented in automated claim assessment system of SLI</p> <p><b>Opportunity</b> Better risk assessment, process efficiency increase</p>
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## SOCIAL FACTORS

 <p><b>Increasing Aging population</b> <b>Fact :-</b> 25% of Sri Lanka's population will be over 60 of age by 2035.</p> <p><b>Impact :- High</b></p> <p><b>Opportunity</b> SLI already grown its health portfolio to serve this segment.</p> <p>Opportunity to expand pension portfolio</p>	 <p><b>Per capita income</b> <b>Fact :-</b> Decreasing trend of per capita income and no projection available</p> <p><b>Impact :- High</b></p> <p><b>Risk</b> Low disposable income of majority of the people. Therefore, hard to sell insurance products</p>	 <p><b>Time spent on social media platforms by people</b> <b>Fact :-</b> People spent more time on social media platforms</p> <p><b>Impact :- High</b></p> <p><b>Opportunity</b> Marketing campaign through social media</p> <p>Could use as distribution channel.</p>
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Source:- <https://blogs.worldbank.org/>

Source:- <https://www.imf.org/>

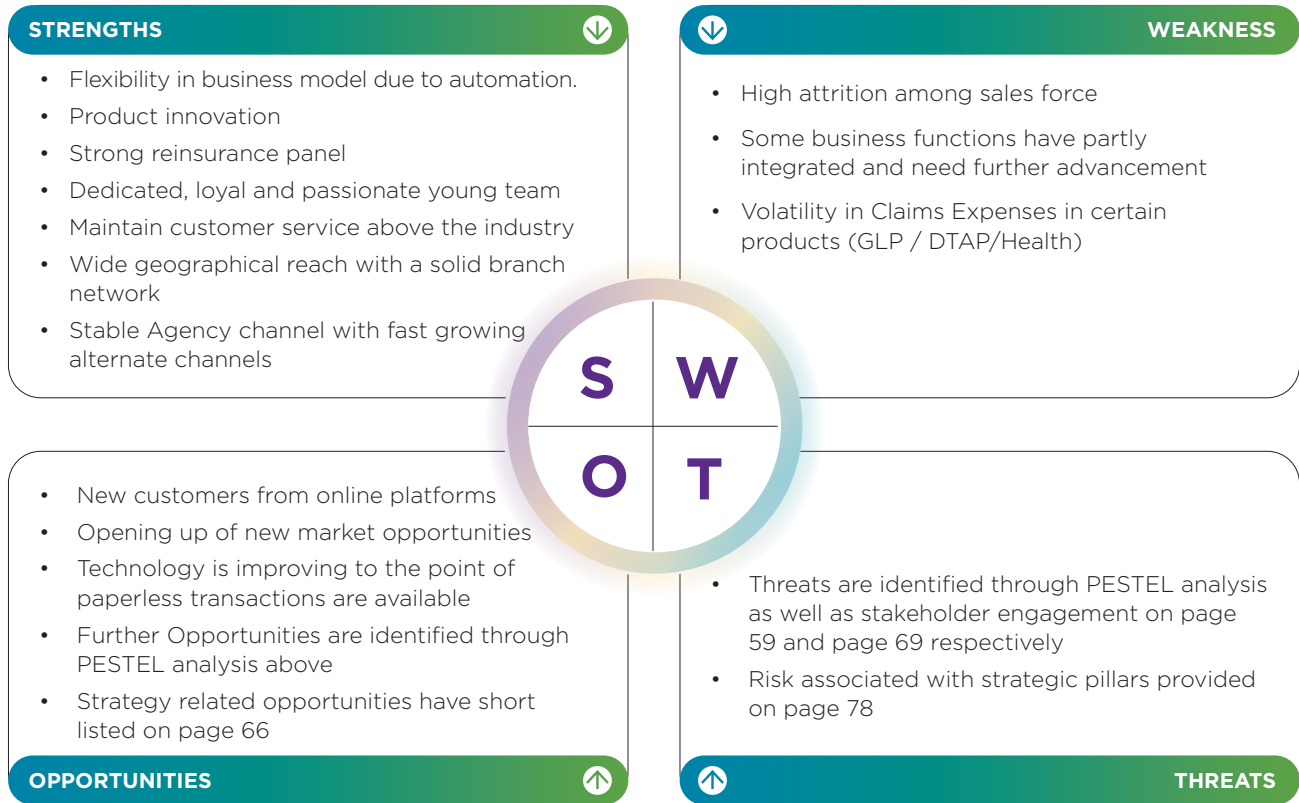
## ENVIRONMENTAL FACTORS

As an insurance service provider there are no mandatory environment protection regulations applicable to us. However, we take effort to assess our impact on the environment and took many initiatives internally to reduce it. We have detailed these actions in Natural Capital on page 137.

## OUR OPERATING ENVIRONMENT

### SWOT ANALYSIS

Our SWOT analysis provided below in order to assess internal environment. SLI has some strengths and opportunities to be used during the execution of our future strategies to gain competitive advantage as well as mitigate weakness and threats.



### INSURANCE INDUSTRY OVERVIEW AND ATTRACTIVENESS

Global and regional Life insurance industry review

	Global Insurance Industry Overview	Regional Review (Advanced Markets)	Regional Review (Emerging Markets)
Life Insurance GWP growth	↓ 1.7%	↑ 0.8%	↓ 4.3%
Macroeconomic and market dynamics	<ul style="list-style-type: none"> <li>Economic recession</li> <li>Rising interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Prolonged and more volatile inflation</li> <li>Financial stability risks</li> </ul>	

(Source :- Swiss Re Institute / Sigma report / no 6/2022)

It was forecasted to have negative growth in life insurance premium in Emerging Markets. This could have seen as risk to our growth.

### SRI LANKAN INSURANCE INDUSTRY

Regulated by Insurance Regulation Commission of Sri Lanka





Sri Lanka Life Insurance Industry – Statistics	2022	2021	G%
Total Life Insurance Premium (Rs. Mn)	136,255	124,709	9.2%
Number of New Policies	590,369	793,469	(25.6%)
Penetration - Premium (%) (estimated)	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 is 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 weaknesses. Further, this analysis gives positive signals to its existing and potential investors of the 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 Existing Life Insurance
<ul style="list-style-type: none"> <li>Difficult – being the minimum capital requirement is Rs. 500 Mn</li> <li>Natural Barriers – technical expertise is rare and difficulty in retaining a winning sales force.</li> <li>Massive efforts to attract new customers.</li> </ul>	<ul style="list-style-type: none"> <li>No direct substitutes.</li> <li>Investments, Savings and Pension plan can be viewed as alternatives, but not similar benefits.</li> </ul>	<ul style="list-style-type: none"> <li>Demand from Insurance expertise like Actuarial values, reinsurers and sales forces are high as there is a scarcity of resources.</li> </ul>	<ul style="list-style-type: none"> <li>Weak perception over Insurance Products</li> <li>Massive effort to attract new customers</li> <li>High switching cost due to low surrender value at the initial stage</li> </ul>	<ul style="list-style-type: none"> <li>Low Insurance Penetration</li> <li>Possibility take advantages using product differentiation, pricing and competitive customer service</li> </ul>
Low Impact	Low Impact	High Impact	Moderate Impact	Moderate Impact
Impact to business model Refer Page 115	Impact to business model Refer Page 110	Impact to business model Refer Page 115	Impact to business model Refer Page 107	Impact to business model Refer Page 115

### ECONOMIC IMPACT ON LIFE 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 2022 (Rs. 136 Bn) regardless of the severe impact from economic crisis. 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 2022 (0.5% 2021).

Despite the numerous challenges that persisted throughout the year life insurance industry grew by 9%. Life insurance industry is strengthening its internal processes and customer touch points through digital adoption. The industry is also equipped with well diversified product portfolios and world leading reinsurance panel entrusting customers risk is well managed.

### OUTLOOK OF THE LIFE INSURANCE INDUSTRY

As a result of economic reforms introduced by the government, Sri Lankan economy is passing its crucial junction of the recovery. Accordingly, it has currently recorded highest ever inflation, and high policy rates. Government also adjusted fuel and electricity bills to make government entities profitable. Further, government has increased its taxes significantly to recoup government earnings. These decisions have hit the citizens of Sri Lanka hard. Combining all these factors we see poverty line is increasing gradually. These are underlying risk factors that may have a significant impact on the future Life insurance industry.

However on the positive side also we can see many opportunities that provide positive outlook for the Life


insurance industry. Medical inflation is relatively higher now in Sri Lanka making it a significant item in the monthly bill of people. This encourages them to have external protection via insurance. Also we can see average case size of the new policies gradually increasing due to customers willing to cover expected high medical cost. Also there are new market opportunities opening up with changes happening in the society. This includes new market segment of parents whose children have settled down abroad etc..

Accordingly Life insurance industry in Sri Lanka will maintain average growth during 2023 and gradually improve based on the market conditions. We are optimistic about the market opportunities than the risks and believe our strategies and strengths will help us to reach our targets during 2023 and beyond


## MANAGING OUR RISK STRATEGICALLY

Over the past two years, external challenges to our business, such as COVID-19, the civil unrest in and persistently challenging macroeconomic conditions, have highlighted the importance of agile and responsive decision-making processes informed by a holistic view of the company’s risk profile. Although these events have affected our risk profile, our risk appetite was within our tolerance levels during the period under review.

We define risks as events that may affect our ability to create sustained value for stakeholders. Sound risk management enables us to anticipate and respond to changes in the operating context and make informed decisions during uncertain times.

**2022 HIGHLIGHTS** 


- Due to the rapidly changing macroeconomic scenarios experienced in 2022 we evaluated our risk profile under many possible scenarios and workout detailed plans to mitigate such risks.
- Due to the increasingly importance of IT risk, we conducted separate assessment of IT risks (Tangible and intangible) and prepared detailed action plan covering tangible and intangible assets.

**2023 EXPECTATION** 


- We expect year 2023 to have same macroeconomic pressures to continue in first half and other external challenges to persist throughout the year. As proactive action we are planning to prepare detailed process to be followed if such external events materialized during the year.

### RISK CLASSIFICATION

We classify risks in to two main categories i.e internal and external and responses are decided accordingly.

**EXTERNAL RISKS** 






We classify risks arising from external environment i.e PESTEL factors as external risks. These have been assessed under operating environment analysis on page 59 to 63.


**INTERNAL RISKS** 



Internal risks are identified within our business operation that might interrupt the smooth function and negatively affect our strategy execution. Refer Integrated Risk Management on Page 226 for more details.

### OUR RISK MANAGEMENT APPROACH


We are guided by an enterprise wide approach to risk management, meaning we include every identified material risk in a structured and systematic risk management process. These risks are managed within a unitary framework aligned with our corporate governance responsibilities. This process is detailed on page 228 of this report under “Integrated Risk Management”. We evaluate risks against our strategic pillars to assess material issues could have impact on our value creation process.


 <b>PHENOMENAL SALES</b> <span style="float: right;">    </span>	
Risks	Risk Assessment and SLI response
<ul style="list-style-type: none"> <li>• Increase in inflation and other adverse social economic conditions impacting growth of the company</li> <li>• Maintaining quality sales staff to serve and maintaining the customer base</li> <li>• High medical inflation impact to increase customer claims and negatively impact profitability</li> <li>• Competitor actions which results in reduction in sales &amp; loss of market share</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce new products mainly focusing on investment related products</li> <li>• Pricing adjustment for new policies issued</li> <li>• Customer engagement activities to promote healthy life style of customers</li> </ul> <div style="text-align: right; margin-top: 20px;">  </div>






**MOST CARING LIFE INSURER**
Capitals Affected -  


Risks	Risk Assessment and SLI response
<ul style="list-style-type: none"> <li>Poverty line increases due to number of customers facing financial hardships. This will cover as a risk of high policy lapses in future</li> <li>Sustaining customer loyalty and retention</li> </ul>	<ul style="list-style-type: none"> <li>Focus on customer groups the impact is minimal.</li> <li>Expand customer engagement activities</li> <li>Setting appetites for Claims Service Standard and ensuring Business Continuity under various scenarios</li> </ul>









**SMART IT DIGITIZATION**
Capitals Affected -   


Risks	Risk Assessment and SLI response
<ul style="list-style-type: none"> <li>Digital technologies requiring new skills or significant efforts to upscale and reskill employees</li> <li>Most of the skill peoples are migrating which may create a vacuum in the skills required in the future</li> <li>Constantly rising of cyber-attacks and threat of data theft</li> <li>Delays in IT transformation process</li> </ul>	<ul style="list-style-type: none"> <li>Identifying Critical Systems and understanding of Recovery Time Objectives and performing frequent Disaster Recovery Simulations</li> <li>Proper succession plan for critical staff</li> <li>Look for potions of outsourcing if internal knowledge gap couldn't be fulfil.</li> </ul>









**KINGS OF DATA**
Capitals Affected -   


Risks	Risk Assessment and SLI response
<ul style="list-style-type: none"> <li>High risk of customer data privacy and strengthening related regulation</li> <li>Risk of misusing the information</li> </ul>	<ul style="list-style-type: none"> <li>IT Risk Framework which supports various protocols for ensuring Data protection and Confidentiality within the business</li> </ul>





**LEAN AND FAST**
Capitals Affected -   

Risks	Risk Assessment and SLI response
<ul style="list-style-type: none"> <li>Not having a compatible process to cope with the rapid changing world</li> </ul>	<ul style="list-style-type: none"> <li>Stringent Appetites for Expense Management and UW Margins by Channel</li> </ul>



 High Impact    
  Medium Impact

# REALIZING OPPORTUNITIES

We analyse our external environment in order to identify opportunities that provide us growth potential and smooth execution of our strategies. This is one of the key agenda items in our annual planning session where management put their collective effort to identify realizable opportunities during future execution of strategies summarised below.

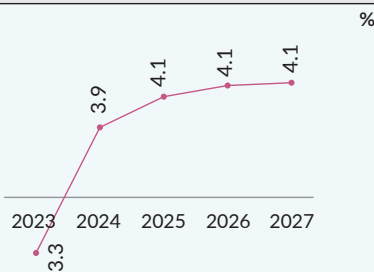


## OPPORTUNITIES

### GDP Growth from 2023 onwards

The positive economic outlook creates positive business sentiments and growth potential.

**G13-FORECASTED GDP GROWTH**



### OUR RESPONSE

- Product Diversification (Refer SLI product development strategy on Pages 110 and 111)
- Focus on niche markets

## OPPORTUNITIES

### Forecasted lower interest rate

Tight monetary conditions and fiscal policy were implemented to adjust inflation expectations downward, allowing the Central Bank to reach the desired inflation levels by the end of 2023, thus restoring economic and interest rates.

### OUR RESPONSE

Forecast a recovery of DTAP portfolio to support the company's growth trajectory.

## OPPORTUNITIES

### Low bancassurance channel utilisation

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.

### OUR RESPONSE

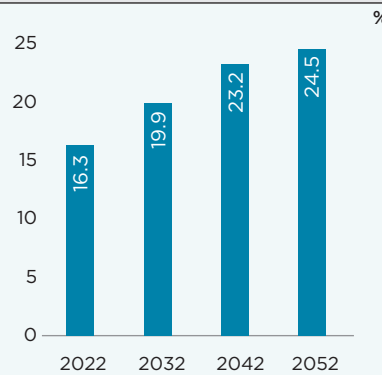
The Company strategically partnered with many leading banks to expand the Bancassurance channel. We expect a further increased contribution to the topline from Bancassurance channel in 2023.

## OPPORTUNITIES

### Growing ageing population and increased Safety and Health Consciousness

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.

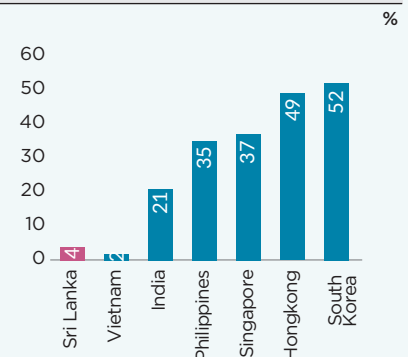
**G14-POPULATION AGED 60 YEARS OR OVER**



### OUR RESPONSE

- 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 112)

**G15-BANCASSURANCE CHANNEL**





**PHENOMENAL SALES**

Capitals Affected -



**OPPORTUNITIES**

**Industry Attractiveness**

Insurance industry recorded a 9% growth in 2022 and has a potential to grow in future. Further based on the Porter's Five Forces analysis provided on page 63 it could be define Life Insurance Industry will be attractive industry.



**OUR RESPONSE**

- Growth strategies being implemented to further benefit from the growth in the insurance industry.



**MOST CARING LIFE INSURE**

Capitals Affected -



**OPPORTUNITIES**

**Low life insurance penetration**

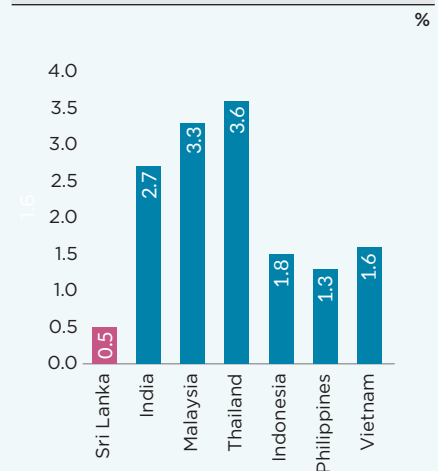
The persistently low level of insurance penetration percentage to GDP in the local market continues to prevail as compared to the other Asian countries.

This could be a result of untapped market segments and disposable income groups in the industry, as well as the lower level of awareness / misconstrued perception of the Insurance Industry in rural areas and a lack of relevant product propositions.

**OUR RESPONSE**

- Product strategy to cover customers' life-cycle considering their social status
- Further improve customer care activities to increase customer loyalty and attract new customers
- Distribution strategy focusing on different segments in the market

**G16-LOW INSURANCE PENETRATION**



**OPPORTUNITIES**

**Urbanization**

Sri Lanka has the fastest expansion rate of the urban area, in the region. This will create new potential customer segments



**OUR RESPONSE**

- Introduction of new products which serve customer needs of emerging value propositions of different market segments.

## REALIZING OPPORTUNITIES

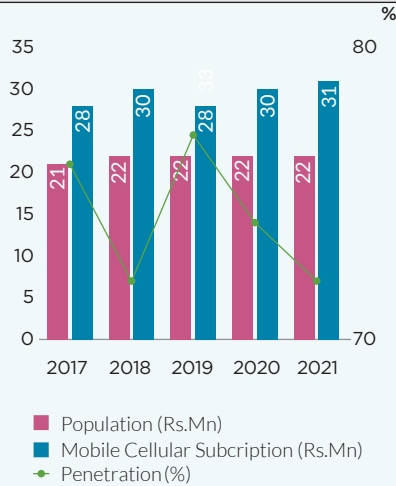
### SMART IT DIGITIZATION

#### OPPORTUNITIES

##### Growing mobile and internet penetration

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.

**G17-GROWING MOBILE & INTERNET PENETRATION**



#### OPPORTUNITIES

- Expand micro insurance channel where the selling process done through mobile platform.
- Focus on social media marketing.
- Streamline claims and plan for new technology.
- Enhance underwriting function with new technologies for better risk management.

### KINGS OF DATA

#### OPPORTUNITIES

##### Big data and Predictive Analytics

Big data and predictive analytics help Insurance companies to make data-driven decisions to drive profitability to their business.

##### Machine Learning

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

#### OPPORTUNITIES

- Softlogic Life implemented processes such as the Automated Claims Assessment (ClaimIT), where less complicated, routine claims are assessed by the system.

### LEAN AND FAST

#### OPPORTUNITIES

##### Robotic Process Automation

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

#### OUR RESPONSE

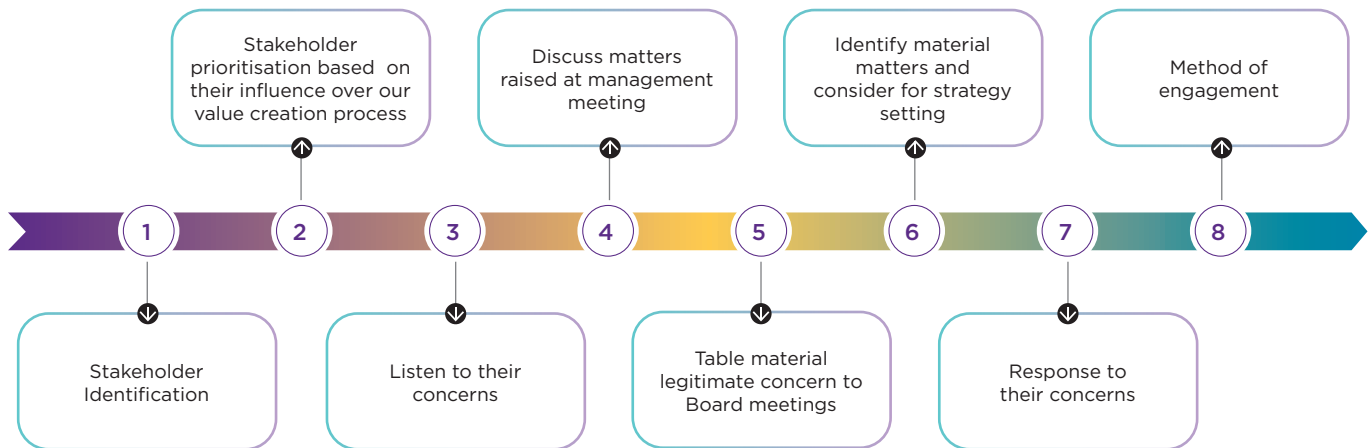
- Softlogic Life implemented programs such as RPA for bank reconciliation and RPA for cheque printing, with plans to expand further.

# MANAGING STAKEHOLDER INTEREST

GRI 2-29

Our stakeholders represent our social networks we depend on. We embrace a people-centric and stakeholder-inclusive approach to creating value. This means that stakeholder engagement is integrated into every step of our value creation process. In a year fraught with uncertainty due economic collapse, we have focused on deeper engagement and collaboration to create mutual sustainability and value protection. Relationships are central to who we are and what we want to achieve. To measure the value we generate through our networks, we have identified goals for each of our key stakeholders and measure delivery on these through value creation indicators and the quality of our relationships. For more information on measuring the value created for our stakeholders, refer to pages 55 to 57.

Below summarised process has been established to manage stakeholder interest within our organisation.



## STAKEHOLDER IDENTIFICATION AND PRIORITIZATION

We group our material stakeholders by their level of influence on us and our impact on them. We are committed to understanding their individual concerns and applying their relevant inputs to our decision-making to ensure value creation. The operating context is changing rapidly, impacting on our stakeholders’ needs and concerns as well as how we engage with them. To address this, we undertook a strategic review of our current stakeholder in 2022 to ensure we have correctly identified and categorised our stakeholders. The results of the review are reflected below, with details on how we engage included on pages 70 to 73.

### Stakeholder Landscape



## GOVERNANCE OF STAKEHOLDER ENGAGEMENT

Stakeholder engagement is governed through company’s governance structure and actions taken by governance body is provided on page 183.

## MANAGING STAKEHOLDER INTEREST

### 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
<b>ANALYSIS OF STAKEHOLDER</b> (Network size, density and diversity)	<p>5,556 Shareholders</p> <p>30 non-resident shareholders hold 38% of stake</p> <p>10.23% of public shareholding</p> <p>300 Institutional shareholders hold 91.5% of stake</p> <p>★★★★</p>	<p>521,293 registered through mobile platform</p> <p>87,042 SME Clients</p> <p>2,887 Corporate Clients</p> <p>1.3Mn Individual Clients</p> <p>★★★★</p>
<b>KEY CONCERNS</b>	<ol style="list-style-type: none"> <li>1. Sustainable return</li> <li>2. Business risk management</li> <li>3. Transparency of management</li> <li>4. Comply with regulatory and legal requirement</li> <li>5. Timely communication</li> </ol>	<ol style="list-style-type: none"> <li>1. Accessibility of the services</li> <li>2. Satisfaction (Quality of service)</li> <li>3. Ease of buying product</li> <li>4. Products cater to evolving needs</li> <li>5. Grievance handling process</li> </ol>
<b>VALUE CREATION INDICATORS AND ACTIVITIES</b>	<ul style="list-style-type: none"> <li>• KPIs to monitor value creation is provided on page 55</li> <li>• Information on how we preserve value and stock of capital (Page 20)</li> <li>• Companies risk management process (Page 226)</li> <li>• Strong corporate governance practices (Page 146)</li> <li>• Financial calendar (Page 252)</li> </ul>	<ul style="list-style-type: none"> <li>• KPIs to monitor value creation is provided on page 56</li> <li>• Information on how we preserve value and stock of capital (Page 20)</li> <li>• Managing diversified distribution channels</li> <li>• Product development process and diversified product portfolio (Page 110)</li> <li>• Grievance handling process (Page 113)</li> </ul>
<b>METHOD OF ENGAGEMENT</b>	<ul style="list-style-type: none"> <li>● Online Annual General Meetings</li> <li>● Interim Financial Statements through CSE</li> <li>● Announcements to CSE</li> <li>● Press conference and media releases</li> <li>● Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>● LifeUp App to perform transactions digitally</li> <li>● Corporate website Information</li> <li>● Media campaigns/ Advertisements</li> <li>● Use of social media such as WhatsApp, Facebook</li> <li>● Contact through call centre</li> <li>● Interactions at customer centres</li> </ul>
<b>STRATEGIC DIRECTION</b>	Strategic focus of relationship with investors and future prospects discussed in detailed under business review on Page 36.	Strategic focus of relationship with customers and future prospects discussed in detail under Social & Relationship Capital on Page 107.



EMPLOYEES	FIELD STAFF
<p><b>999</b> Employees</p> <p><b>71% Male</b> <b>29% Female</b></p> <p><b>32%</b> Under age 30</p> <p><b>61%</b> Age between 30- 50</p> <p>☆☆☆</p>	<p><b>2,867</b> Sales Staff</p> <p><b>75% Male</b> <b>25% Female</b></p> <p>SLI makes it to the list of <b>TOP 100</b> MDRT companies in the world in 2021</p> <p><b>263</b> MDRT Qualifies</p> <p>☆☆</p>
<ol style="list-style-type: none"> <li>1. Financial back up to cover increasing inflation</li> <li>2. Job security and rewarding career</li> <li>3. Health concerns on COVID 19</li> <li>4. Enhancement of skills and knowledge.</li> <li>5. Competitive remuneration</li> <li>6. Ensure a healthy work life balance</li> <li>7. Diversity and Inclusivity</li> <li>8. Build ownership by engaging employees within the business</li> </ol>	<ol style="list-style-type: none"> <li>1. Competitive income</li> <li>2. Adequate training</li> <li>3. Career progress</li> <li>4. Rewards and recognition</li> </ol>
<ul style="list-style-type: none"> <li>• KPIs to monitor value creation is provided on page 55</li> <li>• Information on how we preserve value and stock of capital (Page 20)</li> <li>• Additional allowance given to all staff to cover inflation</li> <li>• HR governance and career development (Refer Page 96)</li> <li>• Training and professional development (Refer Page 100)</li> <li>• Fair pay and other benefits (Refer Page 103)</li> <li>• Gender parity (Refer Page 97)</li> </ul>	<ul style="list-style-type: none"> <li>• KPIs to monitor value creation is provided on page 56</li> <li>• Information on how we preserve value and stock of capital (Page 20)</li> <li>• Competitive benefit paid to field staff (Refer Page 117)</li> <li>• Training &amp; development (Refer Page 117)</li> <li>• Structured career path (Refer Page 117)</li> <li>• Rewards and recognition structure (Refer Page 117)</li> </ul>
<ul style="list-style-type: none"> <li>● HR portal for all HR related matters</li> <li>● Online town hall meeting to communicate Company's future plan</li> <li>● Softlogic Life employee Facebook group/ WhatsApp, Viber</li> <li>● Regular e-mail updates</li> <li>● Employee meeting</li> </ul>	<ul style="list-style-type: none"> <li>● E-advisor platform to introduce new policies digitally</li> <li>● "PCU app" to record and track all collections related transactions</li> <li>● Online sales review meeting</li> <li>● Dedicated HR e-mail to communicate any other matters</li> <li>● Regular e-mail updates</li> <li>● Training session (physical / online)</li> </ul>
<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

## MANAGING STAKEHOLDER INTEREST

	GOVERNMENT AND REGULATORS	RE-INSURERS
<b>ANALYSIS OF STAKEHOLDER</b>	<p>Insurance Regulatory Commission of Sri Lanka</p> <p>Department of Inland Revenue</p> <p>Central Bank of Sri Lanka</p> <p>Colombo Stock Exchange</p> <p>★ ★ ★</p>	<p>06 Re-Insurers</p> <p>06 Countries</p> <p>★ ★ ★</p>
<b>KEY CONCERNS</b>	<ol style="list-style-type: none"> <li>1. Compliance with applicable laws and regulations</li> <li>2. Good corporate governance and business ethics</li> </ol>	<ol style="list-style-type: none"> <li>1. Underwrite appropriate risk</li> <li>2. Timely premium payment</li> </ol>
<b>VALUE CREATION INDICATORS AND ACTIVITIES</b>	<ul style="list-style-type: none"> <li>• Internal controls and corporate governance mechanism (Refer Page 146 to 190)</li> <li>• Strong governance practices within the Company (Refer Page 146)</li> </ul>	<ul style="list-style-type: none"> <li>• Well established underwriting process including auto underwriting (Refer Page 16)</li> <li>• Priority was given for Re-insurers as USD reserves were limited in Sri Lanka</li> </ul>
<b>METHOD OF ENGAGEMENT</b>	<ul style="list-style-type: none"> <li>● Online tax return submission</li> <li>● IRD website information.</li> <li>● Directives and circulars</li> <li>● On-site review by IRCSL</li> <li>● Training and workshops organised by regulators</li> <li>● Meeting / discussion with Government and Regulators</li> <li>● Submission of returns and status reports</li> </ul>	<ul style="list-style-type: none"> <li>● Online meeting</li> <li>● E-mail communication</li> <li>● Physical meeting</li> </ul>
<b>STRATEGIC DIRECTION</b>	Strategic focus of relationship with regulators and future prospects discussed in detail under Social and Relationship Capital on Page 106.	Strategic focus of relationship with reinsurers and future prospects discussed in detail under Social and Relationship Capital on Page 106.

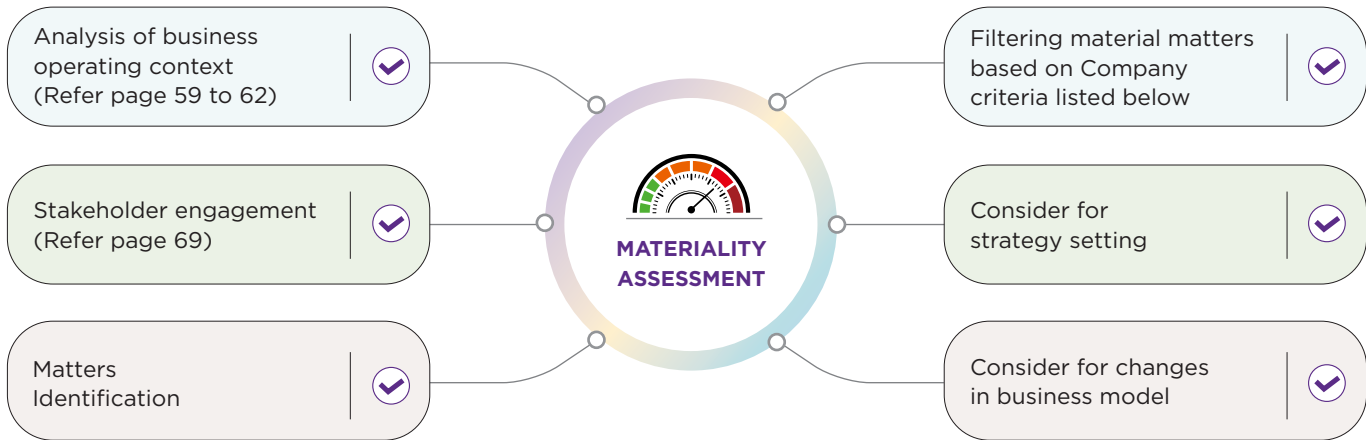
- ★ ★ | **Good** - Improvement actions are identified and implemented
- ★ ★ ★ | **Very Good** - Look for options to further improve relationship
- ★ ★ ★ ★ | **Excellent** - Concern about maintaining relationship

SUPPLIERS	COMMUNITY	ENVIRONMENT
 <p><b>228</b> Suppliers</p> <p>★★</p>	 <p>Society within which we operate</p> <p>★★</p>	 <p>Natural resources we use within our business process</p> <p>★★</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>On time settlements</p>	<ul style="list-style-type: none"> <li>We recruited 261 staff during the year, covering many districts in Sri Lanka (Refer Page 99).</li> <li>Our community development programs are discussed in detail on Page 121 of this report.</li> </ul>	<ul style="list-style-type: none"> <li>Recycling of paper.</li> <li>Eco-friendly practices (Refer Page 137).</li> </ul>
<p>● Business meeting</p>	<ul style="list-style-type: none"> <li>● Community projects – CSR calendar.</li> <li>● Call centre conversations</li> <li>● Interact through branch network</li> <li>● Social media and corporate website</li> </ul>	
<p>Strategic focus of relationship with suppliers and future prospects discussed in detail under Social and Relationship Capital on Page 106.</p>	<p>Strategic focus of relationship with community and future prospects discussed in detail under Social and Relationship Capital on Page 121.</p>	<p>Strategic focus of relationship with environment and future prospects discussed in detail under Natural Capital on Page 137.</p>

● Annually   ● Quarterly   ● As necessary   ● Regularly

# MATERIAL MATTERS ADDRESSED THROUGH OUR STRATEGY

SLI conducts an annual review of the material matters that could potentially affect the value we create over time and our ability to deliver on our purpose. We follow structured process provided below to identify matters material to us. The outcome of this process guided the content of our integrated report.



## 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

## TWO WAY METHOD TO IDENTIFY MATERIAL MATTERS

Firstly, we identify matters arising from our stakeholder engagement process. Matters are considered for the strategy based on the stakeholder prioritization and impact to our value creation.

Secondly, we consider the outcome of our operating environment analysis (internal and external). These could be risk or opportunity that could have materially impacted our value creation journey.

## HOW OUR BOARD OF DIRECTORS CONTRIBUTE

Executive management 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.

## PRIORITISING MATERIAL MATTERS

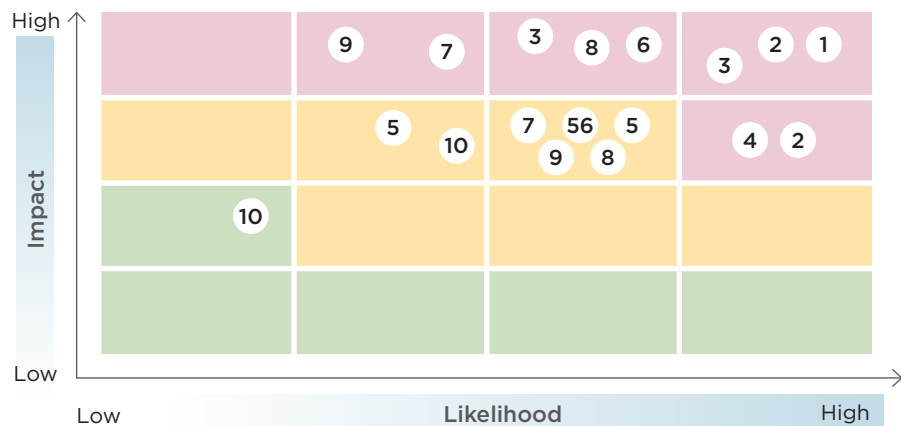
Below heat map prioritises material matters based on the impact and probability of occurrence.








## CHANGE IN MATERIALITY

The operating environment of the Company in 2022 crowded impact from the economic collapse. Accordingly, the importance of material matters was shifted compared to previous year.










## FUTURE FOCUS







Material matters discussed below are futuristic which we considered for medium term strategy setting.



No	Material Matter	SLI Response	UNSDG	Link to capital / Strategy
1	<b>Business growth and Market competition</b>			
2.	<p><b>Deliver sustainable financial results</b> Generating sustainable financial results in volatile market conditions is quite challenging for the Company.</p> <p><b>Impact :-</b> This impact is to shareholders who will not get a sufficient return on their investment. Further, Senior Management may become stressed as they responsible for delivering results and this stress may cascade to all employee levels, impacting the Company in many ways.</p> <p><b>Guiding GRI Principle: -</b> 201-1</p> <p><b>Stakeholders impacted</b> </p>	<p><b>What we will do</b> Medium term corporate plan is completed incorporating all the known risk factors and relevant KPIs are assigned to senior management team.</p> <p><b>What we did</b> Closely monitoring the environment to identify significant changes that affect business strategy.</p> <p>Strategies executed during the year is explained on page 36.</p>		<p>This is considered under Phenomenal Sales strategic pillar.</p> <p>For 2022 performance review refer Financial capital on page 88.</p> <p>For future KPIs refer to page 78.</p> 
3.	<p><b>Talent retention</b> Due to the economic and political crisis more people including professionals are leaving the country.</p> <p><b>Impact :-</b> It will be difficult to recruit professionals with adequate experience and it will be too costly in future.</p> <p><b>Stakeholders impacted</b> </p>	<p>We are currently focusing on retention strategies for identified talent within the organization.</p>		<p>KPIs are set to measure value creation and performance is provided on page 94</p>
4.	<p><b>Sales staff income, recognition and career growth</b> Sales staff did low production in some of the months due to various obstacles arising during the year. That led them to earn low commission &amp; incentive income (main source of their income) and disqualifying for some rewarding criteria.</p> <p><b>Impact :-</b> Demotivation of sales staff might impact sales drop and reduction of business quality.</p> <p><b>Guiding GRI Principle: -</b> 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><b>Stakeholders impacted</b> </p>	<p><b>What we did</b> Evaluation criteria were amended allowing them to earn adequate income until business are normalised towards the end of the year.</p> <p>Structured career path is available for people who perform well.</p> <p><b>What we will do</b> Increase in productivity ratio.</p> <p>Increase in MDRT qualifiers</p>		<p>KPIs are set to measure value creation and performance is provided on page 36</p> <p>Our actions to enable career growth and professional development is provided on page 115.</p>

## MATERIAL MATTERS ADDRESSED THROUGH OUR STRATEGY

No	Material Matter	SLI Response	UNSDG	Link to capital / Strategy
5.	<p><b>Employee compensation, career growth and job security</b> High inflation in Sri Lanka during 2022 resulted in our employees also being affected. Accordingly, they expect some financial relief to manage their expenses.</p> <p><b>Impact :-</b> Competent &amp; experienced employees leaving organization will have a significant impact in future value creation.</p> <p><b>Guiding GRI Principle: -</b> 401-2</p> <p><b>Stakeholders impacted</b></p> 	<p><b>What we did</b> We gave additional salary increments to all staff as a financial support.</p> <p><b>What we will do</b> We continue to assess such externalities affect our employees and protect them.</p>	   	<p>KPIs are set to measure value creation and performance is provided on page 102.</p> <p>Our actions to enable career growth is provided on page 102.</p> <p>HR governance and policies to manage our employees fairly are provided on page 96.</p>
6.	<p><b>Provide superior customer service</b> Customer service is the key differentiator in the Life insurance business where they frequently engage with us for various reasons such as claims, benefit enhancement etc. Therefore customer service is a priority item in our to do list.</p> <p><b>Impact:-</b> Best customer service make customer happy. This support the company growth in terms of customer retention, new leads etc.</p> <p><b>Guiding GRI Principle:-</b> 418-1</p> <p><b>Stakeholders impacted</b></p> 	<p><b>What we did</b> Used innovation and digitalization to improve experience in every customer touch points.</p> <p><b>What we will do</b> Identified separate strategic pillar in our strategy setting process to ensure we give adequate attention for this.</p>	 	<p>This is considered under most caring life insurer strategic pillar.</p> <p>For evaluation of relevant KPIs refer page 109.</p> <p>For the innovation and digitalization drive on customer experience refer page 16.</p> 
7.	<p><b>Adopting new technology</b> We being a company with an innovation driven culture, adopting new technology is key to excellence in our performance.</p> <p><b>Impact:-</b> Failing to adopt new technology will erode our competitiveness in the market</p> <p><b>Stakeholders impacted</b></p>   	<p>Advanced technologies integrated into our business and its future prospects (Refer Page 78)</p>		<p>This is considered under Smart IT digitalisation strategic pillar</p> <p>Our digitalization activities are summarised on page 16.</p> 

No	Material Matter	SLI Response	UNSDG	Link to capital / Strategy
8.	<p><b>Cybersecurity</b> We embraced digitalization as one of our strategic moves to create competitive edge over others. Accordingly, Cybersecurity is a key concern of our business process.</p> <p><b>Impact :</b> - We are handling sensitive information of our customers. Accordingly, leakage of information impact to our goodwill</p> <p><b>Stakeholders impacted</b> </p>	<p><b>What we did</b> Employee awareness</p> <p>Regular IT system audits by external expertise</p> <p>IT governance practices (Refer page 181)</p>		<p>This is considered under Smart IT digitalisation strategic pillar</p> 
9.	<p><b>Implementation of SLFRS 17</b> SLFRS 17 has a big impact on how we measure and report our performance. Convergence business process with SLFRS 17 requires additional effort from all key stakeholders.</p> <p><b>Impact:-</b> All key stakeholders be ready to understand the business with new angle proposed by SLFRS 17. Failing to understand it will lead to misinterpretation of performance.</p> <p><b>Stakeholders impacted</b> </p>	<p><b>What we did</b> SLFRS 17 implementation project is ongoing and details are provided in page No. 380 to 383.</p>		<p>Refer page 380 on impact of SLFRS 17 implementation.</p>
10.	<p><b>Excellence Governance framework and Regulatory engagements</b> Corporate governance and risk management are key activities in the life insurance industry as we deal with customer's risk and money for long term contracts</p> <p><b>Impact:-</b> Not having these best practices may result in erosion of customer trust and failing in the business league.</p> <p><b>Guiding GRI Principle :-</b> 102-30/102-18/102-22/102-23/102-24</p> <p><b>Stakeholders impacted</b> </p>	<p><b>What we did</b> Establishing Integrated risk management framework (Refer page 226)</p> <p>Establishing corporate governance practices (Refer page 146)</p>		<p>This is considered under Governance strategic pillar.</p> <p>To understand the impact on strategy refer page 78</p> 

# OUR 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 184).

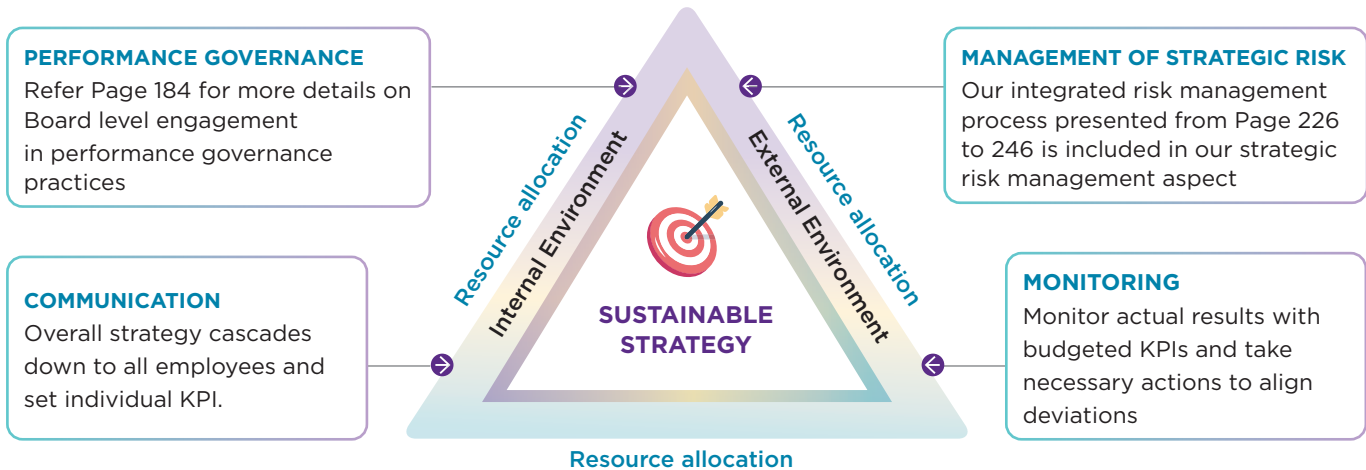
The year 2022 is the year Sri Lanka went through economic crisis. We didn't shift our strategic pillar from last year to this year. However there could be changes to the KPIs we estimated last year because those have been readjusted to reflect current and expected future operating context.

## RESOURCE ALLOCATION

Required resources to execute the identified strategies below were carefully evaluated, allocated and approved by the Board of Directors for the period 2022 to 2024 during the annual budget preparation cycle.

## STRATEGY SETTING PROCESS

Below figure summaries our strategy setting process.



## Basis for our Strategic Pillars

Strategic Pillar	Basis of selection and why we continue it
<b>Most Caring Life Insurer</b>	Life insurance is a process of managing people's risks which involves managing customer's feelings. The success is a fact of how much we care about our customers in terms of satisfying their need when they need it. We continue to make this strategy as we believe this fact will be valid for our long term future.
<b>Smart IT Digitization</b>	In the world of digitalization 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.
<b>King of Data</b>	The future of the world can be defined as "Data Driven Future" and we are being ready for it by choosing it as a strategic pillar. This will be more futuristic and valid for our long term future
<b>Phenomenal Sales</b>	While we are doing all of the above we also should consider how the above links to our growth. Accordingly, we need to focus this also for our long term future.
<b>Lean and Fast</b>	This is one of the focus areas we need to keep in mind when we execute all above strategies.
<b>Governance</b>	We deal with public money and strong governance is of utmost importance to win customer trust.
<b>Risk management</b>	Our key business activity is managing risk of customers. Accordingly effective risk management defines 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

Our strategy mapping into key strategic pillars is provided below.

### 1. MOST CARING LIFE INSURER

#### a. How management defines.

Success of Life Insurance business depends on how fast insurer attracts new customers (new business generation) and how well the company retains existing customers (Renewal). Customer service is key to attract and retain customers.

#### b. What are the facts management is considering?

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

#### c. How management convert customer concerns in into KPI and its performance and targets

KPI		2025	2024	2023	2022	2021	2020
Digital proposal submission	%	100	100	100	100	100	100
One-day proposal acceptance	%	80	77	75	75	76	77
Auto underwriting of policy	%	74	72	70	68	68	70
One-day claim settlement	%	+90	+90	+90	95	94	87
Hospital discharge within one hour	%	+90	+90	+90	97	87	89
Acknowledge customer complains within a day	%	100	100	100	100	100	100

#### d. Short term targets

- i) Further strengthen digital distribution channels and procedures
- ii) Speedy claim payment for legitimate claims
- iii) New products
- iv) Use of new technology to enhance customer experience
- v) Introduction of loyalty scheme

#### e. Medium to long term view

Align customer care activities to cater to customer behavioural changes and align our business model to quickly capitalize on emerging opportunities.

Enhance our customer care activities to cover the life cycle of the customers through customer journey mapping. Further, we will become the benchmark for the insurance industry in Sri Lanka as well as globally by linking customer care into the Company's value creation process.

#### f. Resource allocation

- i) Expand branch network by 2 new branches
- ii) Training for staff
- iii) Capital expenses have been budgeted for 2023 in order to execute digitalization activities

#### g. SDG



## OUR STRATEGY AND RESOURCE ALLOCATION

### 2. PHENOMENAL SALES



#### a. How management defines.

SLI grew above industry growth consistently during past few years. It also moved its industry position from 5 to 2 by 2022. In order to continue the same journey in the future SLI needs to have phenomenal sales.

#### b. What are the facts management is considering?

- i) GWP contribution by each channel
- ii) Annualised new business premium growth
- iii) GWP growth
- iv) Customer retention

#### c. How management converts customer concerns into KPI and its performance and targets

KPI		2025	2024	2023	2022	2021	2020
GWP contribution by Agency channel	%	63	64	64	67	65.3	64.2
GWP contribution by non-Agency channel	%	37	36	36	33	34.7	35.8
GWP growth	%	21	22	25	15	28.0	24.9
Annualized New Business (ANBP) growth	%	20	25	19	16	31	-2
ANBP per agent	Rs Mn	2.5	2.3	2.2	2.1	1.6	1.3
Persistency							
1 Year	%	85	85	85	84	85	83
2 Year	%	69	68	67	66	67	65
3 Year	%	61	60	59	58	58	52

#### d. Short term targets

- i) Productivity improvement of sales force
- ii) Increase average premium per policy
- iii) Increase sales advisors
- iv) Expand corporate clients base
- v) introduce new products
- vi) Expand micro channel customers base through more awareness programs.

#### e. Medium to long term view

We have identified many expansion opportunities in the Asian market and will be looking for opportunities to step into those markets.

We are also experiencing some products 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 will result in result profitable growth of the Company in the medium to long term.

#### f. Resource allocation

- i) Financial resources required for expansions is allocated through budget 2023 to 2025
- ii) +300 new sales agents to be recruited in 2023

#### g. SDG



### 3. SMART IT DIGITALISATION

#### a. How management defines.

Company's digital journey defines its competitive advantage. Further we consider it as future ready mechanism as our future customers will come from a digitalized world. So we believe one key sustainability comes from digitalization.

#### b. What are the facts management is considering?

- Key areas of the business that have significant impact from digitalisation
- Expected outcome and its link to Company's overall strategy

#### c. How management convert it to KPI and its performance and targets

KPI		2023 - 2025	2022	2021	2020
Growth in One day claim settlement	%	+90	+95	94	87
Growth in Auto underwritten	%	+70	68.2	68	70

#### d. Short term targets

- Further strengthen underwriting platform by incorporating new options
- Enhance underwriting portal to issue endorsement by brokers.
- Further strengthen claim processing platform by integrating new channels for claim intimation.

#### e. Medium to long term view

We will be using digitalisation to eliminate non-value adding functions 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

#### f. Resource allocation

A team of IT professionals available to drive the digital journey. Financial resources have been allocated accordingly during corporate planning cycle 2023 - 2025.

#### g. SDG



### 4. KING OF DATA

#### a. How management defines.

Data analytics is the next competitive advantage in the Life insurance industry around the world. Many countries already have it. We at SLI made a bold decision to embark on this journey as first mover in terms of Sri Lankan context.

#### b. What are the facts management is considering?

- Key areas of the business can be influenced through data analytics
- Significance of business impact can have from deploying data analytics

#### c. How management converts it to KPI and its performance and targets

We introduced data analytics three years back and completed very successful projects that have impacted business. These include introduction of RPA (Robotic Process Automation) to underwriting automation, claim processing as well as bank reconciliation etc. However currently we are managing this on project basis and KPIs are yet to be specified for business value created.

#### d. Short term targets

- Customer will be empowered to send their claims through social media
- Underwriting will strengthen with dynamic pricing model
- Hospital discharge will further improve through bill prediction using integrating Artificial Intelligence technology

#### e. Medium to long term view

Data analytics will be the driving factor of our business in the 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

#### f. Resource allocation

A team of IT professionals including data scientists are available to manage the function. Financial resources have been allocated accordingly during corporate planning cycle 2023 - 2025.

#### g. SDG



## OUR STRATEGY AND RESOURCE ALLOCATION

### 5. LEAN AND FAST

#### a. How management defines

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.

#### b. What are the facts management is considering?

- i) Key areas of the business can be influenced influence through lean management
- ii) How it relates to and support to other strategic objectives

#### c. How management converts it to KPI and its performance and targets

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.

KPI		2025	2024	2023	2022	2021	2020
Expense ratio	%	16.9	18	19.9	18.9	18.6	22.3
GWP per employee	Rs Mn	25.7	24.3	23.5	23.1	20.5	17.5

#### d. Short term targets

- ii) Automating processes based on the priority to achieve Company strategy

#### e. Medium to long term view

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.

#### f. Resource allocation

Internal IT team is assigned with the responsibility to drive the digital journey of the Company. Also employees from each department collaborate with each other to keep the impact lean across the Company.

#### g. SDG



### 6. GOVERNANCE

#### a. How management defines

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.

#### b. What are the facts management is considering?

- i) Compliance with mandatory and voluntary governance practices in Sri Lanka.
- ii) Improving existing compliance to more value creation focus activities

#### c. How management converts it to KPI and its performance and targets

KPI	2025	2024	2023	2022	2021	2020
Comply with mandatory provision of Corporate governance						
Comply with voluntary provision of Corporate governance						

#### d. Short term targets

Ensure strong corporate governance practices within the Company by fulfilling all regulatory requirements. (Refer Page 146 to 246 for detailed corporate governance strategy and related information).

#### e. Medium to long term view

Governance practices will be evolving within the organisation to maintain sustainable business practices. Also we will be adopting global best practices to strengthen Governance structure and drive value creation of the Company.

#### f. Resource allocation

The Board of Directors who hold the best qualification and business acumen in wider array of areas of business value creation

#### g. SDG





**7. RISK MANAGEMENT**

**a. How management defines**

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.

**b. What are the facts management is considering?**

- i) Identify new risk that could affect company's value creation
- ii) Be proactive to risks identified

**c. How management converts it to KPI and its performance and targets**

KPI	2025	2024	2023	2022	2021	2020
Updated risk heat map and discussion in the risk committee of the Company.						

**d. Short term targets**

Maintaining proactive risk management approach

**e. Medium to long term view**

Proactive risk management mechanism will be adopted to ensure sustainable value creation.

**f. Resource allocation**

- Dedicated risk assessment department which diligently evaluates trending risk and reports to the Board.
- Board risk committee that evaluates and takes proactive action.

**g. SDG**



More focus on Short term



More focus on medium to long term



Equally important in all the time

**PERFORMANCE GOVERNANCE**

Performance monitoring is key aspect of the execution of successful strategy. We convert strategy in to financial goals and non-financial objectives in order to measure the performance. Evaluation of performance is done regular basis. The board of directors are monitor the performance of the company based on the criteria's set and well established internal controls are inbuilt. The way performance governance is operate is detailed on page 184 of this report.

**MANAGEMENT OF STRATEGIC RISK**

The comprehensive risk management framework is essential to navigate organisation to its vision. We give priority to risk management aspects while we setting and executing the strategy. Accordingly we have organization wide integrated risk management framework which cover all key aspects of the business including strategy setting and execution. This has been elaborated under integrated risk management framework on page 226 of this report.

**FINANCIAL OBJECTIVES**

In order to improve accountability of the management we have decided on disclosing futuristic financial objectives in the annual report. These objectives are derived through strategy setting process and approved by the board of directors. We have disclosed these objectives on page 84 as applicable covering overall all financial statement level and internal process level.

## OUR FUTURE

### ECONOMIC OUTLOOK

Sri Lanka's inflation is expected to significantly reduced in the coming months after peaking near 48.2% this year, and the nation may gradually relax a currency band as inflows improve. Monetary authority working to convince lenders to bring down market rates as inflation eases. The central bank is willing to support the liquidity stresses of lenders caused by a contracting economy. Sri Lanka's rupee declined to the its lowest to 369.59 per dollar in 2022. The next important step for the crisis-laden country is to complete its debt restructuring where Local authorities are currently progressing in talks with Paris Club and non-Paris Club members. Summing up the facts year 2023 will be the year of recovery where Sri Lanka will feel some relief in terms of inflation, monetary rates as well as exchange rates.

### INDUSTRY OUTLOOK

Despite the challenging environment life insurance industry grew by 9% in 2022. Year 2023 has mix of positives as well as negatives that will impact life insurance industry. High medical inflation and opening new market segments can be seen as opportunities to Life Insurance industry in Sri Lanka which are detailed under our operating environment analysis on page 59. There are number of negative factors that will be head wind for the growth of insurance industry which include amended tax policy increasing individual tax liability, high inflation, increased fuel prices, increase in electricity etc. which eventually impact to reduce disposable income. This will resulting to lower insurance take up by customers. These risk also detailed on page 64 of this report.

### FUTURE OF SOFTLOGIC LIFE

We have concluded our corporate planning cycle to cover short- and medium-term strategy spanning year 2023 to 2025. We have set solid strategy taking in to the consideration all relevant facts that was available in the market at the time we prepare

the budget. The focus of the future strategies are expanded to cover all our stakeholders.

We target on value creation to our shareholders by providing above 20% Return on Equity (ROE) short to medium term. Accordingly we have plan for business expansion under three channels expecting above 20% growth over 2022. Summary of financials are provided on table 14 below.

Employees and sales staff play critical roll in our value creation journey. In order to keep them motivated and loyal we have plan to conduct engagement activities. Financial resources have already being approved by the Board of Directors in this regards.

We have agreed on strategies to retain our valuable customers. Some of the key activist includes introducing group loyalty scheme to our customer base, providing free medical camps etc.

We also planed actions on our business partners and society at large to enhance value creation to them.

Digitalisation and innovation will be key pillar in all our value creation activities. We expect to improve digital experience within the organisation creating positive impact to our customers, employees, sales staff and other stakeholders. We also use this as a competitive advantage to outperform our key competitors.

Future strategies to create value is disclosed under each capital as listed below.

Capital Report	Page No
Financial Capital	88
Human Capital	94
Social and Relationship Capital	106
Intellectual Capital	128
Manufactured Capital	134
Natural Capital	137

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.

### Legal and Regulatory Compliances

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

### OUR PERFORMANCE IN 2022 AGAINST TARGETS OF 2023

As we navigate the future, we will remain focussed on key performance indicators set out for 2023 and beyond. The table below provides most critical KPIs which we are planning to achieve in 2023 while executing our strategy.

Table 22: 2023 targets vs 2022 performance

	2023 Target	2022 Actual	2022 Target	Achievement
Return on Equity	>20%	25%	25%	●
Market Capitalisation (Rs Mn)	38,970	32,475	31,875	●
GWP Performance (Rs Mn)	28,780	23,083	23,539	●
Annualised New Business Premium (ANBP)	7,000	5,887	6,100	●
Persistency (Year 1) %	85	84	85	●
Market Share %	17.2	16.9	17.1	●

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



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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 2022. (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 evidence we obtained from the assurance procedures performed, as described below, we are not aware of any material misstatements causes us to believe that the Integrated Report, as defined above, for the year ended 31st December 2022, 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.

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

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Ms. C.T.K.N. Perera ACA

T. J. S. Rajakarier FCA  
Ms. S.M.B. Jayasekara FCA  
G. A. U. Karunaratne FCA  
R. H. Rajan FCA  
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyad FCMA (UK), FTII

## ASSURANCE REPORT



- The responsibility also includes informing changes in the Company's Operations since the date of our most recent assurance report on the Integrated reporting information.

### OUR RESPONSIBILITY

Our responsibility is to perform an external 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.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

### 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 7 March 2023 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.

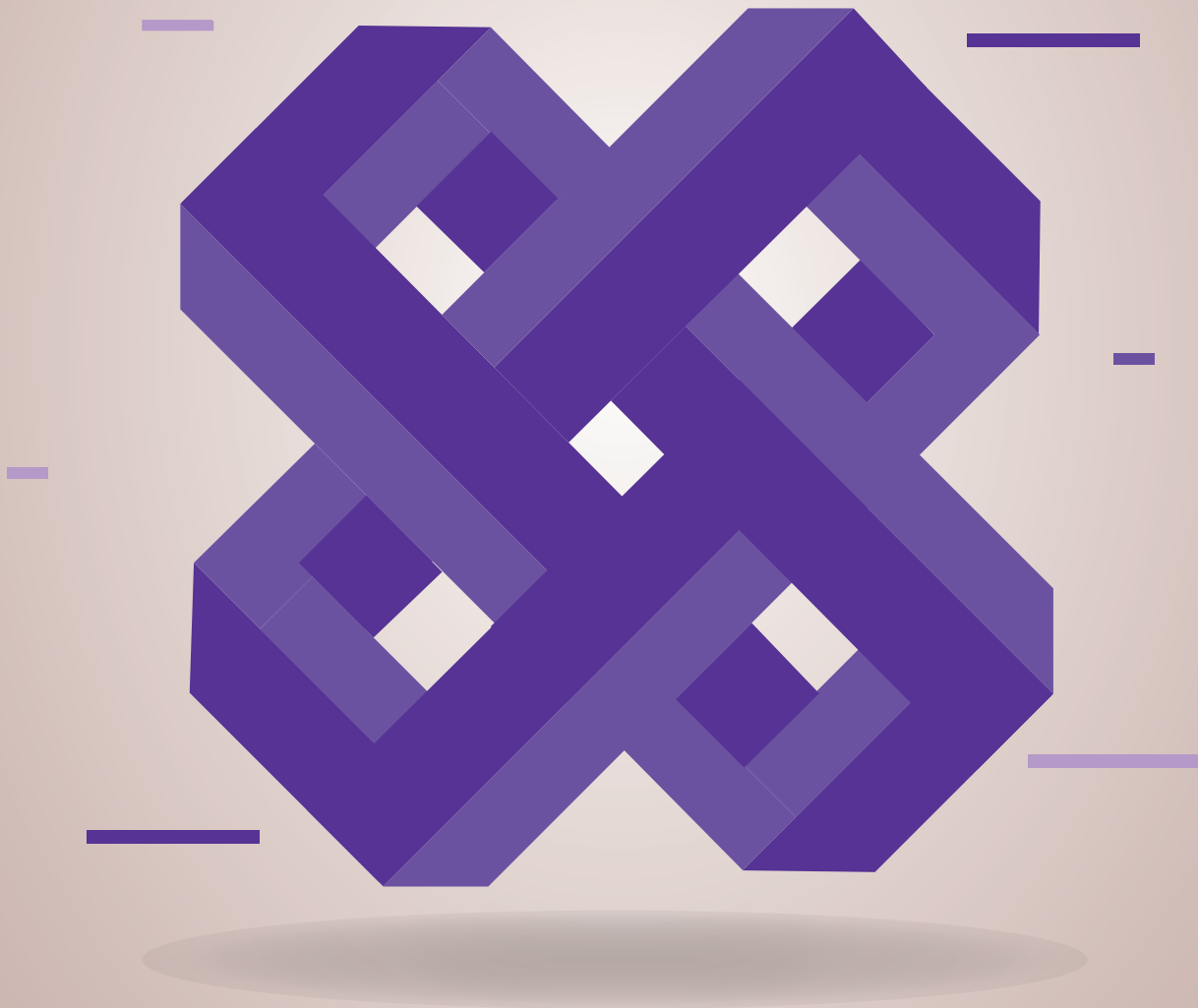
Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (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  
7 March 2023



# Reimagining Complexity

Powered by an inherent knowledge of the dynamics that surround us, we are ready to conquer complexity.



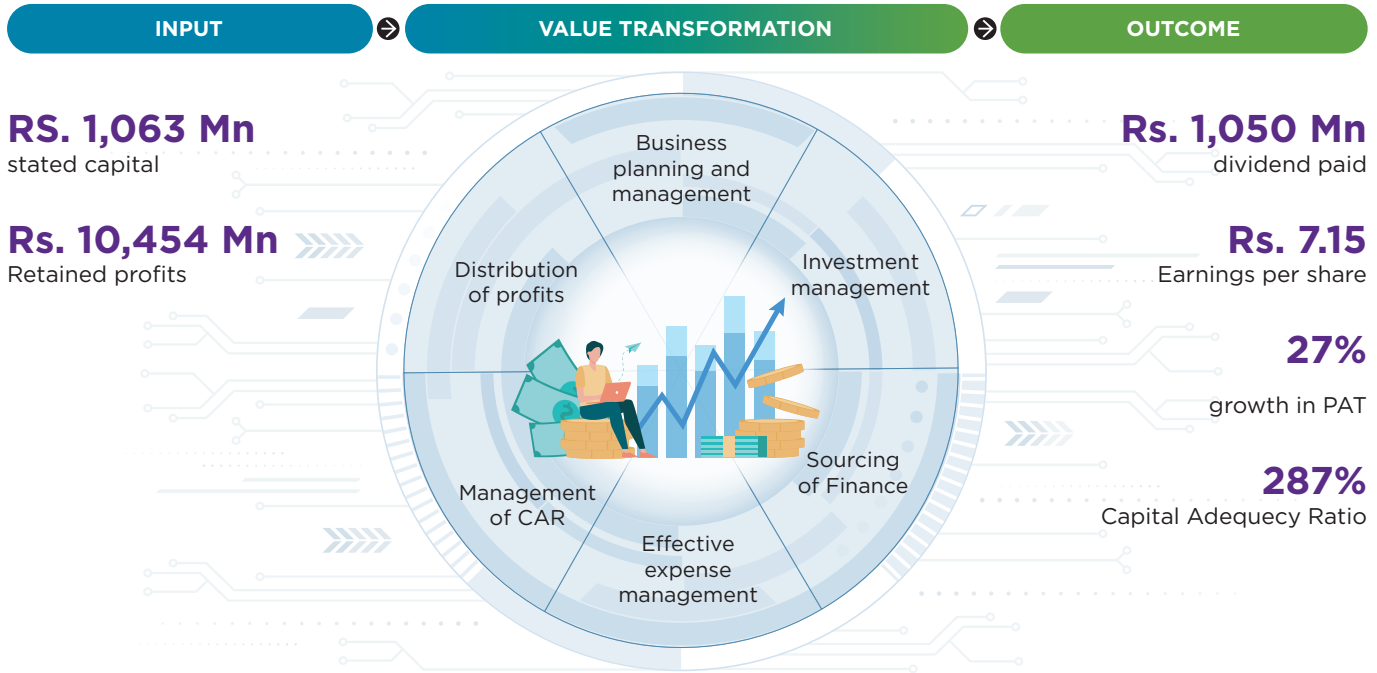
## CREATING AND HARNESSING OF VALUE OF OUR RESOURCES

Financial Capital **88** | Human Capital **94** | Social and Relationship Capital **106** | Customer **107**  
Business Partners **115** | Community **121** | Intellectual Capital **128** | Manufactured Capital **134**  
Natural Capital **137** | Independent Assurance Report on Sustainability Repor **143**



# 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 including share capital, retained earning, other reserves, insurance contract liabilities, financial investments and other sources of funds



### Value Creation to Stakeholders







- 

**12%**  
growth in dividend distribution
- 

**Rs. 9.1 Bn**  
Gross Claims paid
- 

**Rs. 1.4 Bn**  
payments to suppliers
- 

**Rs. 901 Mn**  
Remuneration to employees



Relevance to strategy	How it creates value	Trade off
<p>Human capital contribution to value creation under strategic pillars are summarised below</p> <ul style="list-style-type: none"> <li> Strong capitalization facilitates acceptance of higher business growth while maintaining required capital adequacy.</li> <li> Effective financial capital management facilitates process improvements and innovations to improve customer convenience and service excellence.</li> <li> Adequate financial resource allocation and investment in IT digitization is prerequisite for executing this strategy.</li> <li> Effective expense management and required investments facilitates the lean and fast strategy.</li> </ul> <p>Accordingly, Financial capital management within the company always considered of high importance and adequate resource allocation is always ensured in line with strategic priorities. The value creation of customer capital to the business is directly link to the core strategies of the company.</p>	<p>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.</p>	<p>Balancing the expectations of all stakeholders and the objectives of the organization;</p> <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 5px;"> <p><b>Human capital</b> </p> <p>+ Remuneration and benefits paid to employees</p> </div> <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 5px;"> <p><b>Financial capital</b> </p> <p>+ Sustainable profit growth and dividends to shareholders</p> </div> <div style="border: 1px solid #ccc; padding: 5px;"> <p><b>Social &amp; relationship capital</b> </p> <p>+ Timely claims settlement and financial stability to customers</p> <p>+ Taxation and adherence to rules and regulations for the government and regulators</p> </div>

Materiality		
We identified following matters as material to our financial capital and managed during the year in a way to create value by contributing to the achievement of short, medium and long term strategic objectives and goals.		
Material matters	Managing material matters	
Deliver sustainable financial results	1. Managing our financial capital	Pg. 89
Provide superior customer service	2. Income Statement Analysis	Pg. 90
Company growth through sales staff productivity improvement	3. Financial Position Analysis	Pg. 91
Corporate governance and risk management		
Cybersecurity		
Adoption of fast-moving technological development		
Intensive market competition		

## 1. MANAGING OUR FINANCIAL CAPITAL

The Company performed commendably in a challenging year to record growth in pre-tax profit of 36%, driven by business growth of 15%, effective claims management and strong growth in investment income. It showcased the adoptability and resilience of our business model. Value creation activities are managed within the business model in order to bring superior results during 2022.

In formulating of our strategy, financial capital requirements are forecasted, and financial capital plan is formulated assuming that no significant unforeseen events would occur. We are 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 10 and circulated to the senior management and the Board of Directors.

	Unhealthy price war	Deteriorating the quality of investment	Increase in expenses
 <b>Challenge</b>	Intensified competition shrinks product margin on corporate business and negatively affect profitability of the Company	With the current economic situation of the country, the quality of all investment instruments has deteriorated including USD denominated government securities.	With the rising inflation, operational expenses have increased.
 <b>SLI Response</b>	<ul style="list-style-type: none"> <li>Introduction of product / service differentiation</li> <li>Optimisation of Reinsurance expenses by better negotiation with reinsurers</li> </ul>	<ul style="list-style-type: none"> <li>Adequate impairment charges are booked</li> <li>Withdrawal and divesting the investments</li> <li>Exit from the equity trading</li> </ul>	<ul style="list-style-type: none"> <li>Limited to the activities to meet the budgeted allocations</li> </ul>

## FINANCIAL CAPITAL

### 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 368.

### Income Statement Analysis

Income Statement of the company provide on page 257 and material items are analysed below.

15%<sup>↑</sup>

#### GROSS WRITTEN PREMIUMS

The company recorded Rs 23 Bn GWP with a impressive growth of 15% compared to industry growth of 9%. All three channels contributed to the growth by maintaining growth. Refer page 36 for more details on strategy, risk, KPI and other information.

44%<sup>↑</sup>

#### PREMIUMS CEDED TO REINSURERS

Premium ceded to reinsurers stood at Rs 2.6 Bn compared to Rs 1.8 Bn recorded in last year. Adverse exchange rate has impacted to the 44% growth. Further information is provided on page 47.

84%<sup>↑</sup>

#### TOTAL OTHER REVENUE

Total other revenue has grew by 84% from Rs 2.8 Bn in 2021 to Rs 5.1 Bn in 2022. The growth predominantly supported by increase in treasury bond investment income. Treasury bond investment portfolio has grew significantly during the year with soaring yield resulted to the growth.

42%<sup>↑</sup>

#### NET INSURANCE BENEFITS AND CLAIMS PAID

This is a combination of Net insurance benefits and claims paid and Net change in insurance claims outstanding. By nature of life insurance business rapidly Increasing portfolio impact increase in benefit and claims. However during the year 2022 we noted increasing trend of health claims due to various diseases spread among the community. More details on claims ratios and related information are provided on page 40.

-10%<sup>↓</sup>

#### 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 3.8 Bn. It is a 10% reduction compared to the previous year. The amount is decided based on the product mix as well as surplus generated during the year.

22%<sup>↑</sup>

#### UNDERWRITING AND NET ACQUISITION COST (NET OF REINSURANCE)

Underwriting and net acquisition cost represent variable cost we incurred to bring the revenue (GWP). It has grew by 22% compared to GWP growth of 15% as result of reducing our eligibility criteria's to make our sales staff earn adequate income when GWP is contracted by external issues such as fuel crisis, social unrest etc. Additional information on this area with ratio analysis is provided on page 45.

**-42%****OTHER OPERATING AND ADMINISTRATION AND FINANCE EXPENSES**

Operating administration and finance expenses have been recorded 42% decrease compared to previous year. However this include Rs 2.7 Bn exchange gain recorded in 2022. Excluding this total expenses has grew by 24%. More details are provided on page 46.

**-5797%****IMPAIRMENT (PROVISION) / REVERSAL ON FINANCIAL INVESTMENTS**

We have recorded Rs 2.1 Bn impairment provision against the Funds we invested in international covering bond and Sri Lanka Development Bonds as per the ccounting standards.

**36%****PROFIT BEFORE TAX**

Profit before tax has increased by 36% reaching to Rs 4.0 Bn compared to Rs 3 Bn reported in last year.

**27%****PROFIT AFTER TAX**

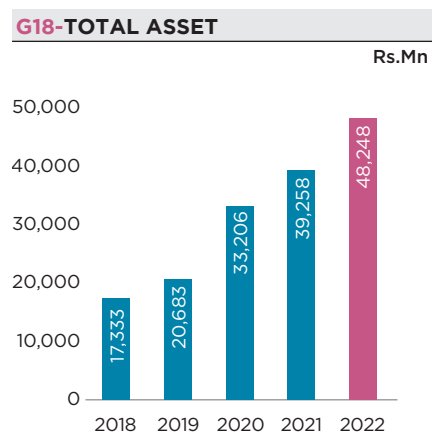
Profit after tax for the period stood at Rs 2.7 Bn recording a growth of 27%. Top line growth with better management of expenses resulted to increase in profit after tax. However this was negatively impacted by corporate tax rate increase during 2022.

**162%****OTHER COMPREHENSIVE INCOME**

OCI recorded a loss of Rs 1,348 Mn compared to Rs 515 Mn recorded in 2021. The main contributing factors for the loss are Rs 810 Mn fair value loss recorded from equity instruments classified as Fair Value through Profit or Loss (FVTPL) and fair value loss of Rs 537 Mn from debt instruments recorded as Fair value through Other Comprehensive Income (FVOCI).

**FINANCIAL POSITION ANALYSIS**

Financial position of the company provide on page 259 and material items of assets and liabilities are analysed below

**Analysis of total assets**

The Year 2022 ended with Rs. 48.2 Bn, recording a 23% growth compared to Rs. 39.2 Bn in 2021 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. 23 Bn.

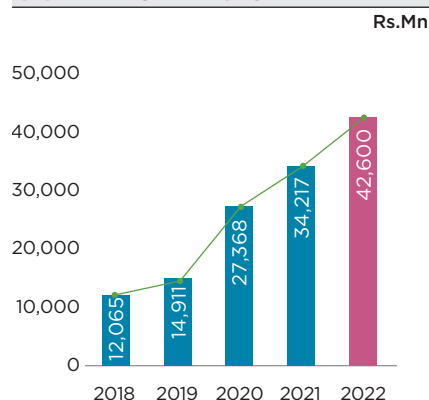
**COMPOSITION OF ASSETS**

Financial investment account for 88% of total assets and balance 12% includes Property plant and equipment, lease assets, RI and Premium receivables, cash and cash equivalents etc.

## FINANCIAL CAPITAL

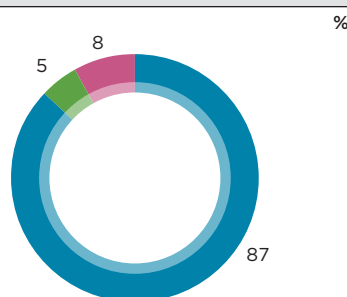
### Analysis of financial investment

#### G19-FINANCIAL INVESTMENT



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

#### G20-COMPOSITION OF FINANCIAL INVESTMENT



- Amortised cost / Loans and Receivable
- Fairvalue through other comprehensive income / available for sales
- Fair Value through Profit or Loss

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 326. Graph below represent the composition of investments under each category

Continuing its growth momentum, total financial investments reached the Rs. 42.6 Bn mark in the year 2022, recording an 24% growth over the assets base of Rs. 34.2 Bn achieved in 2021. The financial investments portfolio represents 88% of the total assets of the Company. The table below summarises the nature of the investment portfolio and its contribution.

Table 23 :- Investment portfolio and its contribution

Description	2022	2021	G%	Mix 2022	Mix 2021
Investment in government securities	26,750	13,165	103%	63%	38%
Debentures	8,154	8,523	-4%	19%	25%
Unit trust	2,578	3,940	-35%	6%	12%
Commercial papers	2,369	975	143%	6%	3%
Equity securities	1,437	2,540	-43%	3%	7%
Securitised Papers	790	714	11%	2%	2%
Fixed deposits	522	4,360	-88%	1%	13%
Total	42,600	34,217	24%	100%	100%

We have increased our investment in government securities significantly during the year growing by 103%. Accordingly 63% of our total investment portfolio comprise of government securities which was 38% during the previous year. Government bonds and bills yield were soar during 2022 as per government policies and we set apart significant portion of our investment portfolio on this to earn high investment income. We also increase our investment on commercial papers contributing 6% of the portfolio while decreasing our exposure on debentures to 19% from 25% previous year. Risk management on investment portfolio is provided on page 276 of this report.

### ANALYSIS OF LIABILITIES

Total liability stood at Rs 37.4 Bn by end of 2022 compared to Rs 28.7 Bn recorded in 2021 a growth of 30%. Out of total liabilities 68% represent insurance contract liabilities and 15% loan and borrowings.

#### G21-INSURANCE CONTRACT LIABILITY

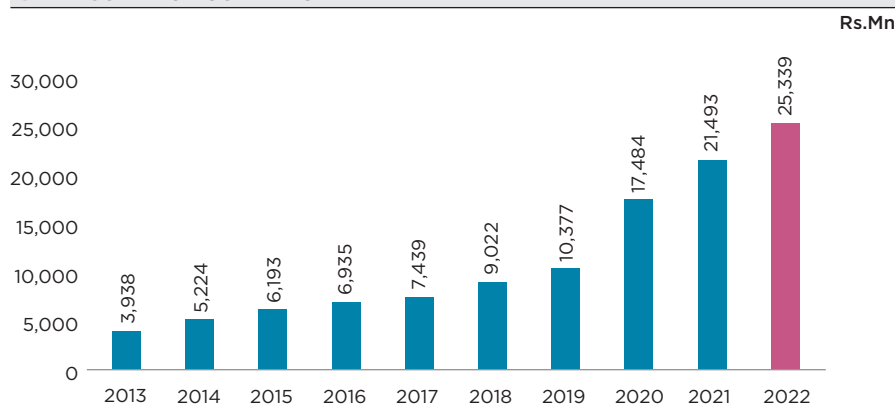


Table 24: Insurance Contract Liabilities

Rs Mn	2022	2021	G%
Insurance contract liabilities	23,412	19,824	18%
Surplus Created due to, Change in Valuation method from NPV to GPV - Participating Fund	1,057	1,057	-
Claims Payables	870	612	42%
Total	25,339	21,493	18%

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. 25.3 Bn in 2022, with a increase of 18% compared to 2021.

### 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 250 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 (IRCSL), 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

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in

## WAY FORWARD

Short Term Target	Medium Term View
GWP growth - 25 %	GWP growth - >20%
PBT growth - 14%	ROE - >20%
Expense ratio - 20%	Capital Adequacy Ratio - >160% (Regulatory requirement 120%)
ROE - >20%	Maintain adequate liquidity level with prudent risk management
Capital Adequacy Ratio - >160%	Manage financial capital to support the growth strategy

preparing these financial statements. Detailed descriptions on these standards are included on page 275.

### 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 146 of this report.

### Risk Management

The Company's robust risk management framework laid out on Page 226 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.

### Horizontal and Vertical Analysis

Horizontal and vertical analysis on the statement of financial position and income statement over five years is presented on page No. 372.

### 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 59 and Strategy and Resource Allocation process is set out on Page 78 of this report

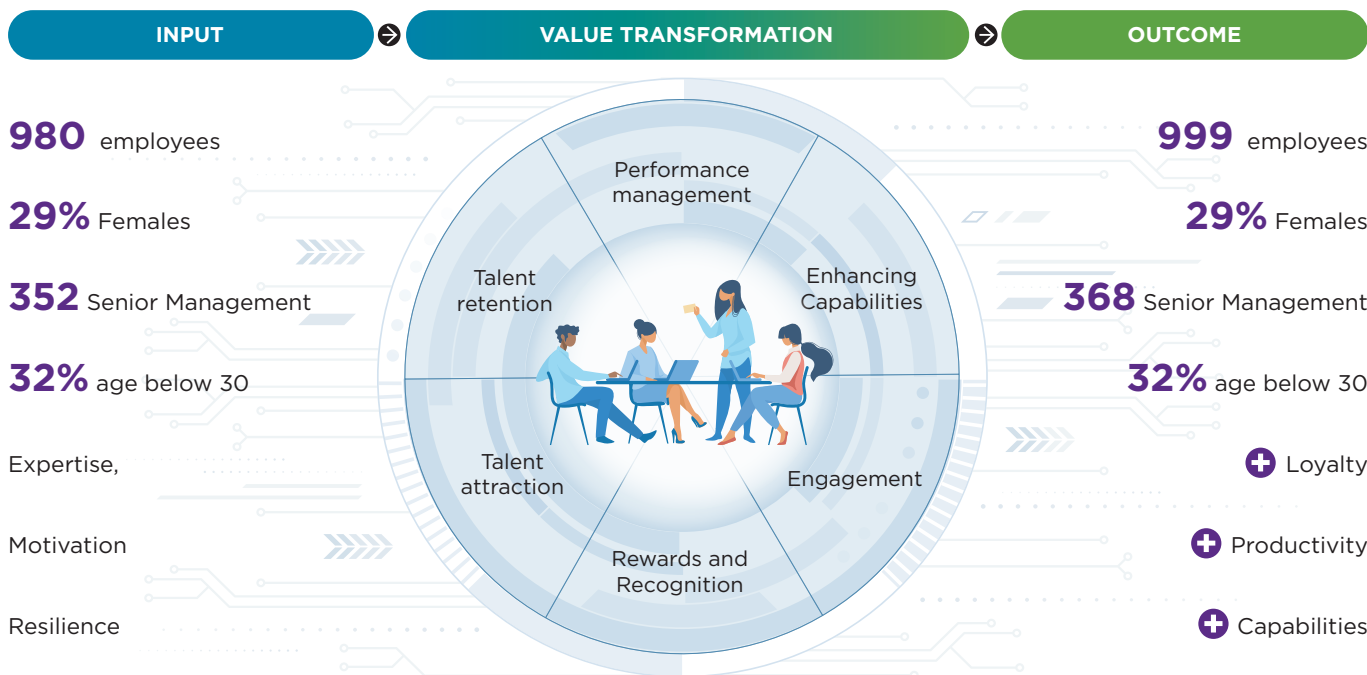
### Engagement with stakeholders

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 69.




### 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 367.

# HUMAN CAPITAL



## Value Creation to Stakeholders

 <p><b>Rs. 901 Mn</b> Gross Remuneration paid</p>	 <p><b>Rs. 23 Mn</b> Gross Written Premium per Employee</p>	 <p><b>1,298,357</b> No of customers served</p>
<p><b>Rs. 34.5 Mn</b> Investment in training</p>	<p><b>Rs. 2 Mn</b> Profit Per Employee</p>	<p><b>95%</b> One day claims settlement</p>



Relevance to strategy	How it creates value	Connectivity and trade off
<p>Human capital contribution to value creation under strategic pillars are summarised below</p> <ul style="list-style-type: none"> <li> supported by a strong team of sales staff</li> <li> the "caring" factor always delivered through human capital of the company</li> <li> Facilitated through Innovative culture and agility to disruptive technology by experienced work force.</li> <li> driven through employee productivity and efficiency</li> </ul> <p>Accordingly, human capital management within the company always considered of high importance and adequate resource allocation is always ensured in line with strategic priorities.</p>	<p>Daily actions of our people are instrumental in achieving organizational short, medium and long-term objectives. Our workforce who are aligned with vision and remained deeply connected through values is going above and beyond in their functionalities creating values to all stakeholders. Acquisition and retention of customers, maintaining relationships with suppliers and other intermediaries, delivery of sustainable profits through improved productivity are of paramount important as a part of value creation process of our work force with their experience, expertise and innovation drive.</p>	<p>Balancing the expectations of employees, other stakeholders and the objectives of the organization;</p> <ul style="list-style-type: none"> <li><b>Human capital</b>  <ul style="list-style-type: none"> <li>+ Enhanced the employee satisfaction and loyalty facilitate higher employee retention</li> </ul> </li> <li><b>Financial capital</b>  <ul style="list-style-type: none"> <li>+ Improved employee productivity to lead to long-term positive impact on financial capital</li> <li>- Impact on short term profitability stemming from investments in training and development and remuneration</li> </ul> </li> <li><b>Social &amp; relationship capital</b>  <ul style="list-style-type: none"> <li>+ Enhanced customer experience facilitated by skills and attitudes of the human capital</li> </ul> </li> <li><b>Intellectual capital</b>  <ul style="list-style-type: none"> <li>+ Investment in training and development will positively impact intellectual capital over the long-term</li> </ul> </li> </ul>



Materiality	
We identified following matters as material to our human capital and managed during the year in a way to create value by contributing to the achievement of short, medium and long term strategic objectives.	
Material matters	Managing material matters
Deliver sustainable financial results	1. Managing our human capital Pg. 95
Employee acquisition, retention, productivity improvement through learning and development	2. Diversity, equity and inclusion as a differentiator Pg. 97
	3. Talent management practices Pg. 100
Innovation and agility to disruptive technology	4. Enhancing employee capabilities Pg. 101
	5. Performance management Pg. 102
Governance and ethics	6. Career development and succession planning Pg. 102
	7. Rewards and recognition Pg. 103
Effective shareholder engagement and collaboration	8. Fair pay and other benefits Pg. 103
	9. Innovation driven culture Pg. 104
	10. Looking Forward Pg. 105

## 1. MANAGING OUR HUMAN CAPITAL

Leading the vision to enable our employees to live their life to the fullest, at SLI we always encourage to enhance the management approaches to create a comfortable workplace aligning with the behavioural changes of internal and external environmental factors. While attempting to create value by facilitating human capital to perform at their fullest capacity, we tackled following challenges during the year;

	Attracting and retention of talent	Change in employee behaviour and embracing inevitable change	Training and development strategies	Employee engagement and managing relationships
 <p><b>Challenge</b></p>	Increased migration due to economic and political uncertainties of the country created a vacuum for skilled and talented workforce challenging the recruitment as well as retention of talent within SLI.	The world of work is not returning to the way things were before the pandemic. Change and the agility are crucial factors deciding the survival. Employees expects flexible, hybrid or remote work arrangements.	The environment is evolving more quickly than static learning management systems can keep up. Rapid upskilling and re-skilling is becoming the norm in the new economy.	Facilitating healthy relationships is one of many challenges faced during the year with remote working arrangements. Engaging the workforce after returning to office is also challenged.
 <p><b>SLI Response</b></p>	<ul style="list-style-type: none"> <li>Increased the pay to be competitive with rising inflation. (page 103)</li> <li>Conducted employee engagement activities. (page 104)</li> <li>Facilitated career opportunities and succession planning (Page 102)</li> </ul>	<ul style="list-style-type: none"> <li>Facilitated remote working when needed</li> <li>Enable flexible working hours</li> <li>Provided transport facility to work during difficult times</li> </ul>	<ul style="list-style-type: none"> <li>Arranged training and development programs for upskilling and reskilling the work force. (page 101)</li> </ul>	<ul style="list-style-type: none"> <li>Arranged physical and remote engagement activities. (page 104)</li> </ul>

## HUMAN CAPITAL

### Recognition of our HR practices

Continues improvements to HR policies, procedures and practices catering needs of employees as well as environmental factors within the governance and risk management framework, enable the workforce to feel comfortable working in SLI. In the year 2021, these practices were externally recognized ranking SLI among the best work places in Sri Lanka as well as in Asia by Great Place to Work.

### HR Governance

HR governance is a core component of good corporate governance. At SLI, HR governance encompasses oversight and leadership of HR strategy on the policies on Labour Management, and program results. The Board is ultimately responsible for our “People strategy”. The Human Resources Department oversees implementing the people strategy and reports to the Managing Director and the Board on its activities regularly. Subsection of our HR governance is further elaborated below;

Zero tolerance on corruption	Ensuring a Safe and Healthy Workplace	Listening to Employee Grievances
<p>All employees are informed of mandatory internally developed policies;</p> <p>Staff Hand book 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 2022.</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 2022.</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. No grievances were reported during the year.</p>
Respecting Human Rights, Labour Rights and Non-discrimination	Compliance with relevant laws and regulations	Child Labour & Forced and Compulsory Labour
<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 are implementing a plan for continuous improvement.</p> <p>Currently there is no labour union at SLI.</p>	<p>During the year under review, there were no incidents of employing underage (child labour) or forced labour and there were no incidents of discrimination or grievances regarding labour practices.</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>

As steps taken to eliminate any non-compliances in relation to labour practices we conduct external audit on annual basis and report findings to the audit committee. Any improvements proposed are implemented immediately to correct the process

**Human Resources Policies**

- Recruitment & Selection Policy
- Remuneration Policy
- Performance Management Policy
- Learning & Development policy
- Employee Grievance Handling Policy
- Disciplinary Policy
- Staff Health policy
- Absence management policy
- Study leave policy
- Staff re-hiring policy
- Social media policy
- Identity card policy

**2. DIVERSITY, EQUITY AND INCLUSION AS A DIFFERENTIATOR**

We consistently aim to attract, select and retain the best talent while maintaining the diversity of them based on age, gender, type of employment and by region of employment. At Softlogic life, we believe that diverse perspectives enhance organizational effectiveness and resilience. Moreover, diversity is a significant driver of innovation and an inclusive workplace provides equal opportunities for all. Our human

capital consists of employees, field staff as well as supervised workers (outsourced workers).

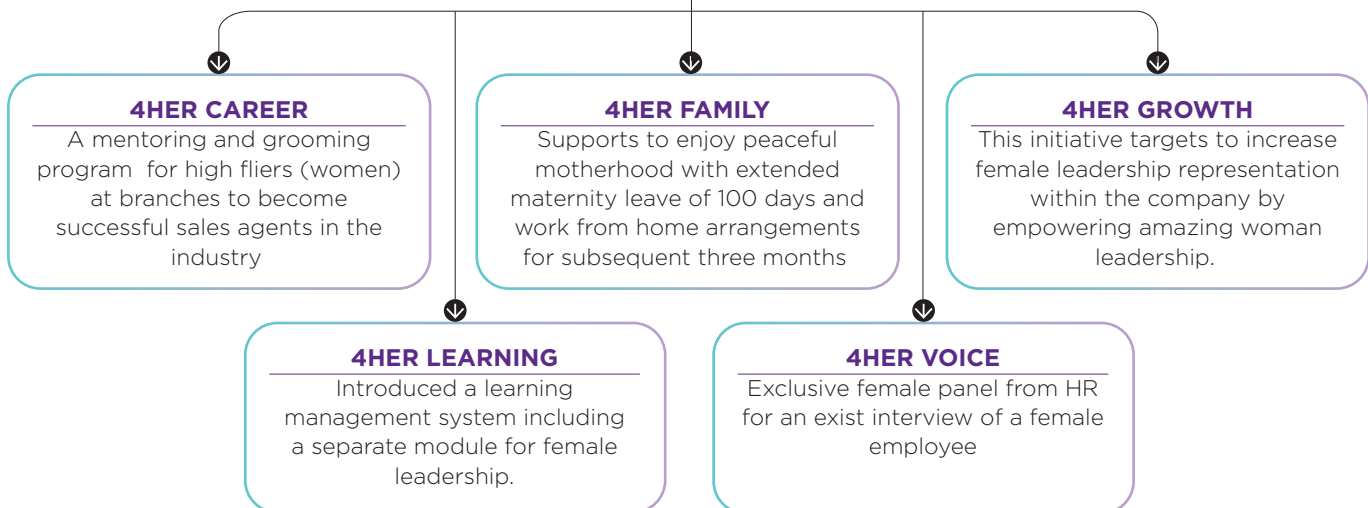
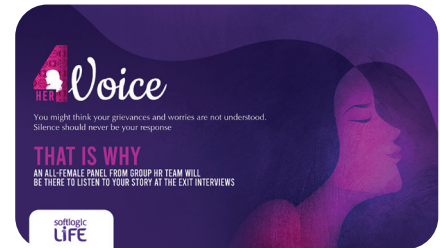
Our HR policy on equal opportunity and Non-Discrimination ensures that there would be no discrimination based on race, religion, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation or opinion. During the year no incidence were reported on the above

**Our commitment towards Gender Parity**

We are committed to improve the gender parity within the organization through 4Her program primarily focusing on four spheres of work life balance, carrier growth, education and leadership of female workers within the organization. 4Her program has initiated with the intention of empowering women to gain for herself and better contribute to work place, family and to the

society at large. It has led to create opportunities within the company for women and created safe and highly supportive work environment.

Focusing the International women's day of the year 2022, an insightful and inspiring session was organized on the theme how the aspiring ladies at Softlogic life can lead and succeed in the corporate world by an eminent guest speaker Deshika Rodrigo on 10th March 2022.



## HUMAN CAPITAL

➔ GRI 405-1 | 2-6 | 2-8

### Unfolding our employee profile

The unique profile of our human capital is illustrated below;

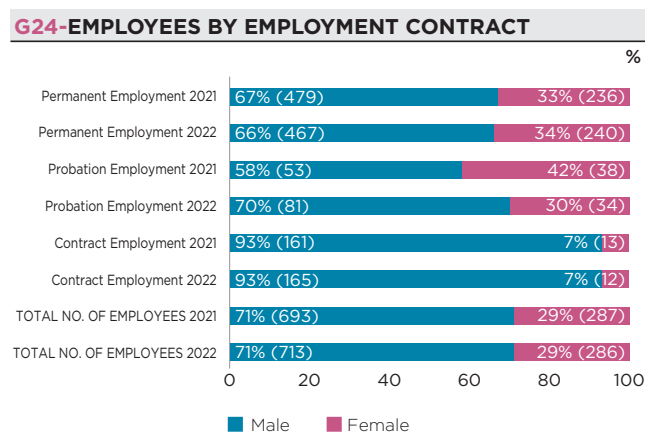
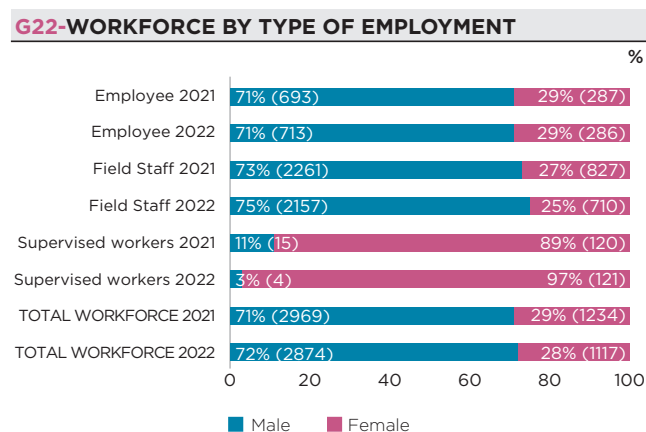
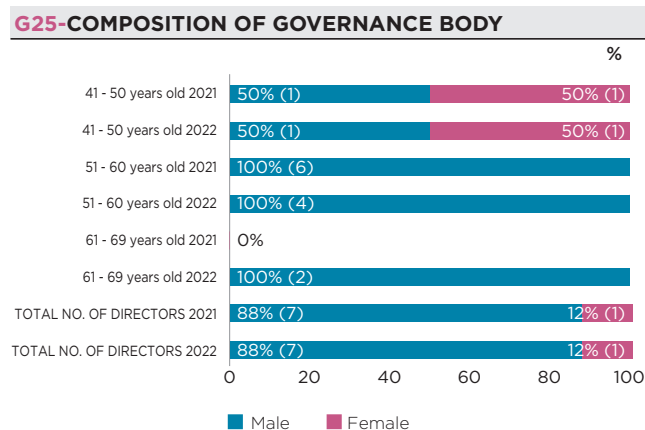
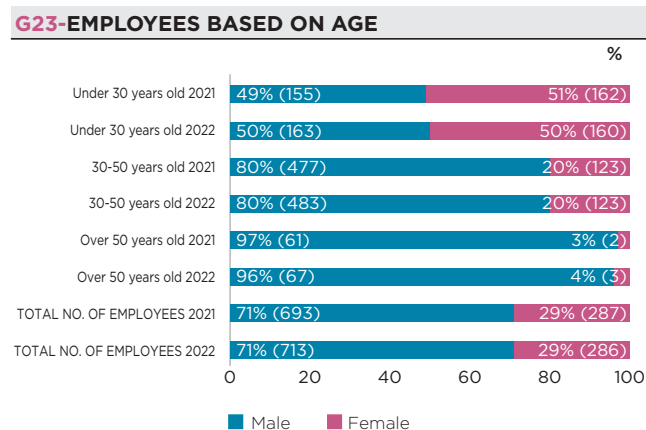
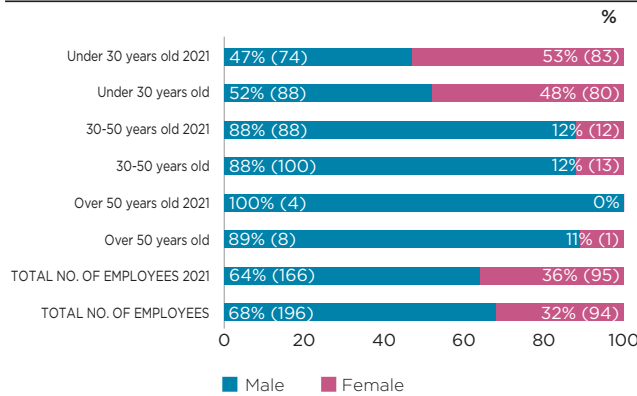


Table 25: Employee by Region

EMPLOYEE BY REGION	2022					2021				
	M	F	T	M%	F%	M	F	T	M%	F%
Central	45	15	60	75%	25%	51	15	66	77%	23%
Eastern	30	12	42	71%	29%	16	9	25	64%	36%
North Central	20	4	24	83%	17%	20	5	25	80%	20%
North Western	56	11	67	84%	16%	58	10	68	85%	15%
Nothern	31	10	41	76%	24%	26	6	32	81%	19%
Sabaragamuwa	24	9	33	73%	27%	24	11	35	69%	31%
Southern	61	21	82	74%	26%	56	19	75	75%	25%
Uva	16	7	23	70%	30%	19	7	26	73%	27%
Western	430	197	627	69%	31%	423	205	628	67%	33%
Total No of Employees	713	286	999	71%	29%	693	287	980	71%	29%



**G26-NEW EMPLOYEE RECRUITS BY AGE**



**G28-PERMANENT EMPLOYEES BY EMPLOYMENT TYPE**

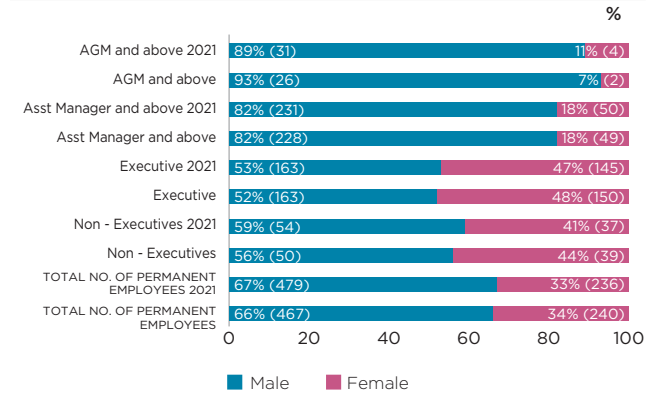
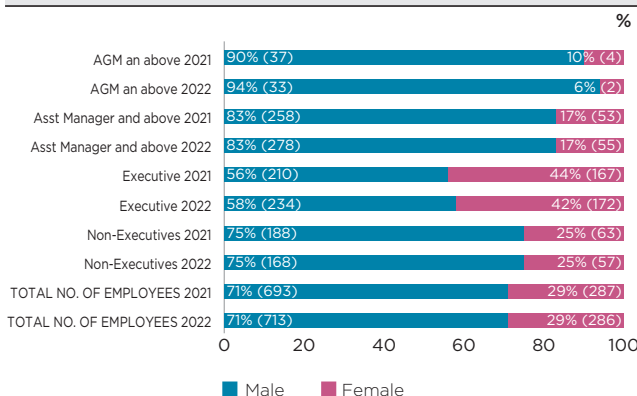


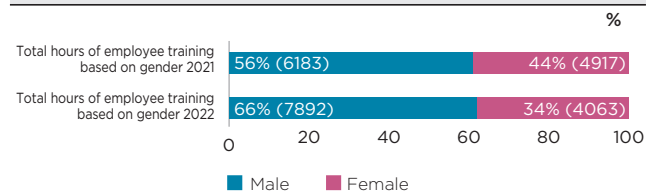
Table 26: New Employee Recruits by Region

NEW EMPLOYEE RECRUITS BY REGION	2022					2021				
	M	F	T	M%	F%	M	F	T	M%	F%
Central	5	4	9	56%	44%	8	3	11	73%	27%
Eastern	20	3	23	87%	13%	4	2	6	67%	33%
North Central	6	1	7	86%	14%	5	1	6	83%	17%
North Western	18	4	22	82%	18%	12	2	14	86%	14%
Nothern	9	6	15	60%	40%	7	3	10	70%	30%
Sabaragamuwa	3	-	3	100%	0%	1	0	1	100%	0%
Southern	14	5	19	74%	26%	15	1	16	94%	6%
Uva	3	1	4	75%	25%	2	0	2	100%	0%
Western	118	70	188	63%	37%	112	83	195	57%	43%
Total No of Employees	196	94	290	68%	32%	166	95	261	64%	36%

**G27-EMPLOYEES BASED ON EMPLOYMENT CATEGORY AND GENDER**



**G29-TOTAL NO. OF HOURS OF EMPLOYEE TRAINING BASED ON GENDER**



# HUMAN CAPITAL

➔ GRI 401-1 | 401-3



### 3. TALENT MANAGEMENT PRACTICES

Attracting and retaining high-potential individuals who can support our evolving business needs is critical to our success. We always focus on developing high-performing individuals with the right qualifications, know-how and people skills leading to uphold our culture and brand integrity to meet our growing business needs. Our talent management aspect built on two pillars of talent acquisition and retention.

We measure quality of recruitment process through the percentage of people get confirmed in the employment after probation period (quality per hire). 2022 results have been provided below.

### Talent retention

Our employee value proposition is key to retain the best talent within the organization. It showcases the value, the company offers to employees in return for the value they bring to the organization. This is supported by friendly and flexible work environment, transparency and equal opportunity, wellness, engagement activities and competitive remuneration policies. During the year there were no executive management position (critical business positions) was vacant. Also there were no involuntary employee dismissal reported during the year 2022.

### Key performance Indicators

We were successful in our talent management strategy amidst the hardened employee market as follows;

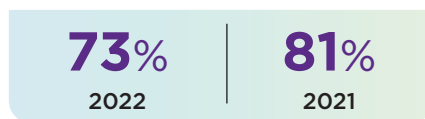
#### No of new recruits



#### Employee Attrition



#### Employee Retention



#### Quality per hire

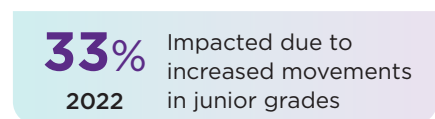


Table 27: Details of return to work and retention after parental leave (Woman)

	2022	2021
Total No. of employee entitled to parental leave	286	287
Employees who took parental leave	20	17
Employees who returned to work after parental leave ended	18	14
Employees who returned to work after parental leave ended and who were still employed 12 months after their return to work	12	14
Employee who took parental leave but leave period not ended as of 31st December	8	6
Return to work rate of employees who took parental leave	100%	100%
Retention rate of employees that took parental leave	86%	88%

### Talent acquisition process

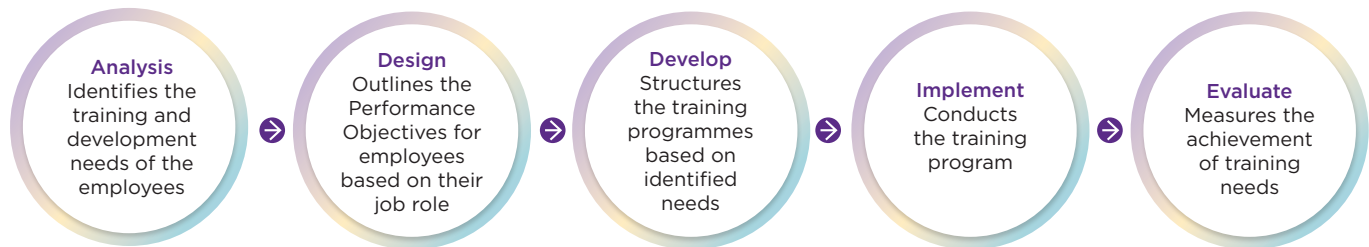


#### 4. ENHANCING EMPLOYEE CAPABILITIES

Using a blended approach of on-the-job training, digital learning, coaching and mentorship, workshops and structured programmes, we invest in growing our employees' capabilities and fulfilling the talent gaps leading to enhance our business performance. All our employees are eligible to internal and external training.

During the year we invested Rs. 34.5 million in training and development initiatives and enabled our employees to have 11,955 hours of training in various disciplines. Further active use of Learning Management System (LMS) creates open platform for self-learning of employees.

##### Training and development process



##### Key Performance Indicators

The training and development drive during the years achieved following KPIs within this challenging environment.

##### Average Training Hours Per Employee



##### Average Training Hours



##### Average Training Hours



Focus Area	Total Training Hours
Technical training on insurance aspects	4,033
Skills development on leadership and communication	4,572
Sales and marketing	1,288
Strategy, planning and sustainability	682
Induction & orientation	525
Legal, compliance, ethics and risk/ External dispute resolutions	100
Finance and auditing	187
Enhancing knowledge on technology	54
Macro environmental studies	36
Other	479
<b>Grand Total</b>	<b>11,955</b>

##### Leadership skill for senior management

During the year company provided leadership skill development and mentoring program to its executive management team in order to further sharpen their skills to meet future requirements.

## HUMAN CAPITAL

### 5. PERFORMANCE MANAGEMENT

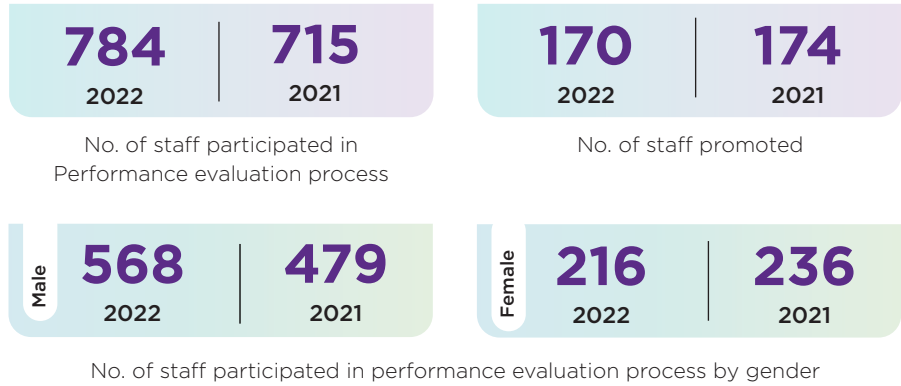
Employee performance management within SLI enabled the company to optimize the processes and improve efficiency and productivity in the workplace. Key Performance Indicators (KPIs) setting process at the beginning of the year covers all permanent employees to unleash their fullest potential during the year. One-on-one, mid-year and end of the year performance management evaluation sessions are conducted creating more transparent environment for employees. During the end of the year performance evaluation process, the supervisor and the employee discuss and mutually agree on appropriate performance rating. This has led to boost the staff moral and provide enough support and guidance in delivering their set performance objectives.

We also conduct annual workforce capabilities assessment (Assessment Centers) where all Assistant manager and below employees under go series of evaluation process to assess their capabilities. Based on the out come we provide required guidance and assistance them to bridge any Gaps. This always ensures maintaining future ready workforce.

#### Performance Evaluation Process



### Key Performance Indicators



### 6. CARRIER DEVELOPMENT AND SUCCESSION PLANNING

Career development always helps employees to dedicate their energy and time in achieving the company’s goals whereby creates win-win situation for both employee and the employer. At SLI we believe that the carrier development opportunities are critical for the talent retention strategy of the company. Following programs were conducted for carrier development of employees during the year.

Program	Purpose
<b>Personal and Career Development</b>	Program was conducted for Senior Executive and below grades to give them an insight on current career growth trends, how the employees’ passion can relate with career paths and importance of investing in personal development.
<b>Managerial Skill Development Program</b>	This was conducted for first time managers (for Manager & Assistant Manager grades) to groom them on managerial skills
<b>Executive Leadership Coaching</b>	Program was conducted for Corporate Management on leadership skills
<b>Transformational Coaching Program</b>	Training for Assistant Vice Presidents as certified in-house coaches to give career development guidance for junior grades
<b>Assessment Centers</b>	Were conducted up to AM grades to identify training requirements, job - skill mismatches/ weaknesses, strengths and ways in which to develop their career paths

Succession planning ensures the right leaders in place should a change happen quickly. The company extended the succession planning scope up to the heads of department during the year. The company has selected senior management to spearhead the diverse talent pools to ensure ready and available talents for critical roles. Additional assessment process is used for the selection process to the talent pools.



**7. REWARDS AND RECOGNITION**

Rewarding and recognizing employees leads to greater employee engagement, which increases retention and helps create a more positive overall workplace at Softlogic life. We have rewarded and recognized employees who has reached extra performance level through a transparent process. That has enabled the company to retain the talented and dedicated work force.

**Sales Staff Recognition**

A total of 60 awards under 8 categories were awarded to the achievers of Alternate and Micro Channel during the Sales Convention 2022. Achievers of agency channel were recognized with 856 awards under 5 categories in the Sales Convention 2022.



**8. FAIR PAY AND OTHER BENEFITS**

At Softlogic life we believe, pay transparency is crucial to cultivating a sense of equity and fairness in the workforce, which helps an organization stand out from the rest. The company carries out market surveys to understand the competitiveness of the compensation and consider outputs of such surveys to align pay scales and other benefits of the company. This is the major talent management strategy of the company to attract and retain the best talent within the company. The Remuneration structures within the organization is based on the principle of fairness focusing cost of living, comparative remuneration in the industry, comparative remuneration within the company, business results and individual and team performance to create performance driven culture.



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. Further, all our permanent employees who have completed five years of service are entitled to gratuity as per the payment of 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.

Following monetary and non-monetary benefits are offered to permanent employees of the company.

**MONETARY BENEFITS**

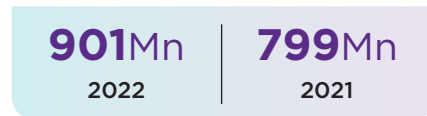
- Attractive remuneration
- Fringe Benefits - Educations Reimbursement and Assistance
- Paid time off
- Retirement Benefits (EPF,ETF,Gratuity)

**NON-MONETARY BENEFITS**

- Health and safety
- Job Security and Enrichment
- Flexibility
- Training opportunities
- Work/Life Balance
- Employee Empowerment

**Key Performance Indicators**

**Staff Remuneration (Rs.)**



**EPF contribution (Rs.)**



**ETF contribution**



**Defined Benefit plan Contribution**



## HUMAN CAPITAL

### 9. INNOVATION DRIVEN CULTURE

We ensure that our ethical culture and value system are entrenched at every level of our business. We understand that employees prefer to work for responsible companies, so retention and motivation of our workforce depends on our employees' connection to our purpose. The company carries out many employee engagement activities that bring all employees together even amidst the external challenges during pandemic using various innovative platforms.

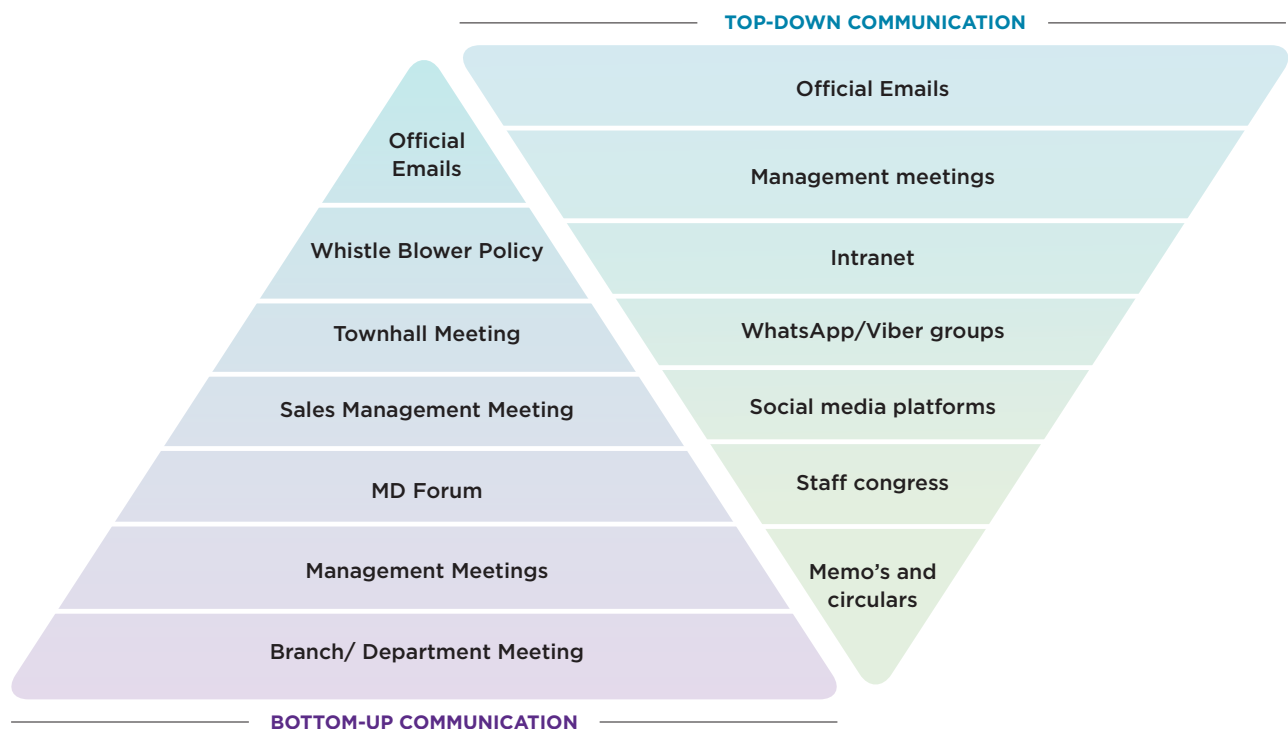


The company has an innovation driven culture where all employees are encouraged to bring new ideas to the business. The friendly work culture enriched with open door policy further encourage the innovation within the team members. At Softlogic life we have a separate digital innovation team who has introduced unique innovations to the industry in IT and in other processes.

The strong two-way communication model established within the organization enabling employees to be well informed of the Company's decisions and to be actively participated in decision making process.

#### Employee communication model

Both bottom up and top down communication channels are used within the company to communicate among the Board of Directors including Managing Director, Management Team and the other Employees.



### Leadership Trust

Proper leadership is key pillar of successful management of workforce. If employees trust the leadership that will provide comfort to management in execution of strategies regardless of its impact being positive or negative. At SLI we also measured leadership trust through Great Place to Work survey in order to understand our stance. It was a great pleasure that our employees stated that, they are believing the leadership of the organisation in terms of competency and strategy execution during the survey conducted in 2020.

## 10. LOOKING FORWARD

SHORT TERM TARGET	MEDIUM TO LONG TERM VIEW
Improving succession planning and transformation at a senior management level and maintaining a talent pipeline	Building a magnetic employment brand, and be the employer in choice in Sri Lanka
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	

The human capital strategy is crafted in aligning with the overall business strategy of the company. We believe in this rapidly evolving business world, high level of agility within the workforce is critical. Upskilling and reskilling of the human capital, strengthen them with leadership skills and technical know-how, creating innovative culture and focusing on gender parity are among key priorities to improve the agility of the workforce in the future.

### Focus on gender parity

Improving gender balance is a journey and the company embarked on improving the same in all levels of the organization including the highest governance body. When recruiting new talents and replacements based on the job requirements and the skills availability in the market, the company carefully formulate the gender balance at all levels in short, medium and long run. However, the gender balance in the Board level will be considered in the long run with the voluntary or mandatory retirement of existing Board of Directors.

### Learning and talent development

Learning and development strategy will mainly focus on creating digitally enabled workforce to drive the innovation within the company. Up-skilling and re-skilling programmes including leadership development will be rolled out through structured learning and development calendar focusing short, medium and long term.

### Cultural transformation and Innovation

With the changes in the requirements of Y and Z generation, we expect a change in the culture within the organization in the future. However, the innovation driven culture will be the focus within the organization and always promote the same by harmonizing various needs of the employees.

### Succession planning

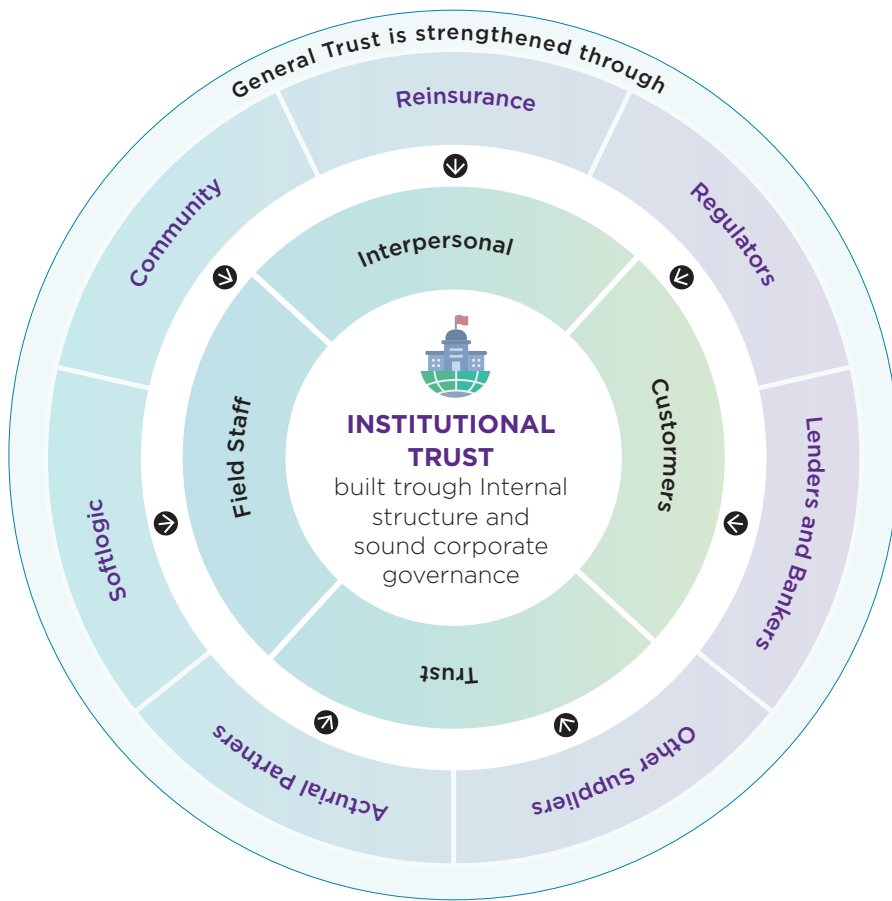
The company will layout the processes to expand the succession planning to the next level by expanding the talent pools to cover significant percentage within the company. In the long run the company will cover all critical functions in succession planning in order to ensure smooth operation in a quick change in leadership roles or critical functions.



# SOCIAL AND RELATIONSHIP CAPITAL

As a Life Insurer, the relationships we have nurtured with our customers , business partners and the community are a vital aspect of our value creation process. We recognise this as the external social capital of SLI. These relationships provide us with the opportunity to operate, facilitating market reach and business growth. Strength of our social relationships has purely built on the expanded network of relationships, trust that we built and the sharing of our values and norms among each other.

The way we manage our relationship with stakeholders is provided below.



The company has built its institutional trust through established internal structure, governance and risk management framework within the organization. As the first contact point the field staff creates the individual trust between customers through excellent customer service. The generalized trust is strengthened by the other strategic business partners by playing individual specific roles in the value creation process of the organization as depicted in the above chart. The network size, diversity, methods and frequency of engagement of stakeholders depicted above are elaborated in detail in the stakeholder engagement report on page 69.

The valuable relationships we maintain with our stakeholders was a key strength we have in pursuing our targets. We have built trust with our customers honouring their legitimate claims as promised and this allowed us to maintain larger customer base totalling to 1.3 million customers. This is a life line of our business and its utmost important us to build trust with customers as we are managing their wealth.

Field staff also playing vital roll in our value creation journey by helping us to expand our customer base. We maintain trustworthy relationship with our field staff by paying attractive commission and incentive on timely and transparent manner.

We are also keen to maintain good relationship with all other stakeholder who partner with our value creation journey. Accordingly, we take more effort to be accountable and transparent in every transaction we carry with them. Further we have taken many initiatives to improve transparency by maintaining robust corporate governance practices provided on page 146 of this report.

- 1. Reinsurers**  
Through enhanced financial strength

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- 2. Regulators**  
Through robust regulations

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- 3. Other suppliers**  
Through uninterrupted supply

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- 4. Lenders/Bankers**  
Through strengthened financial capital

- 5. Actuarial partners**  
Through Global experience and expertise

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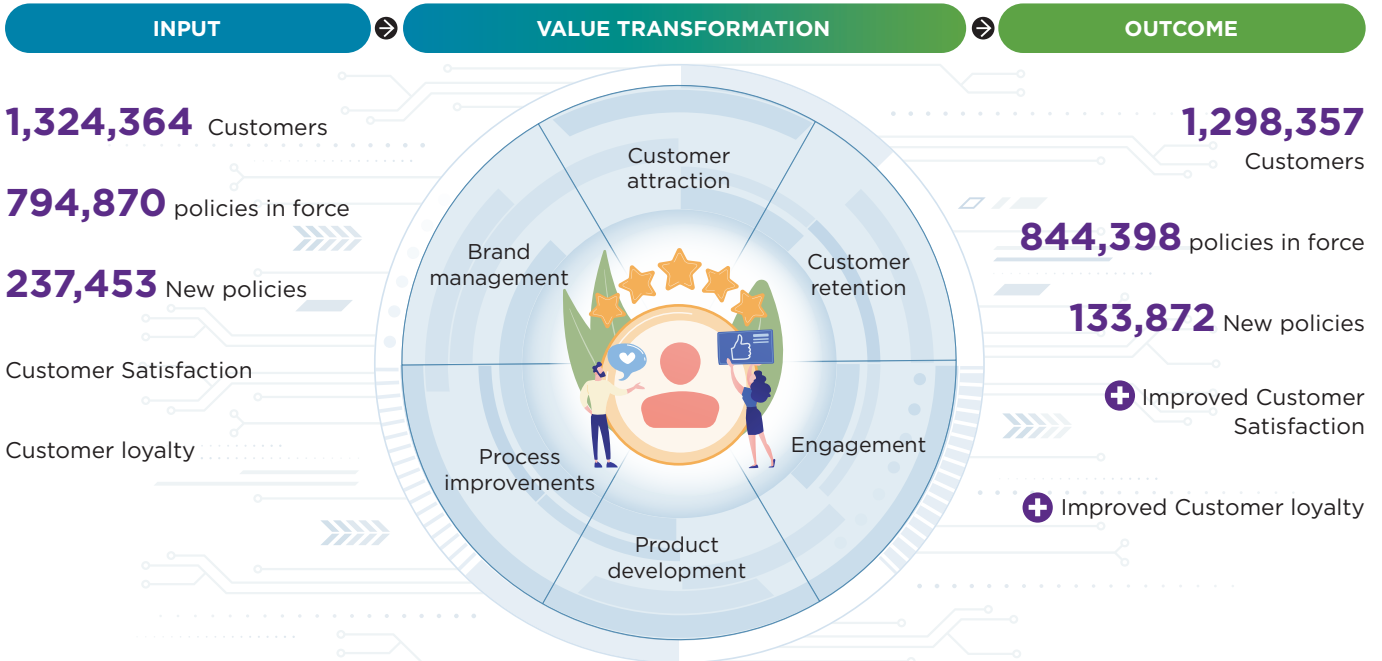
- 6. Softlogic group**  
Through Brand value

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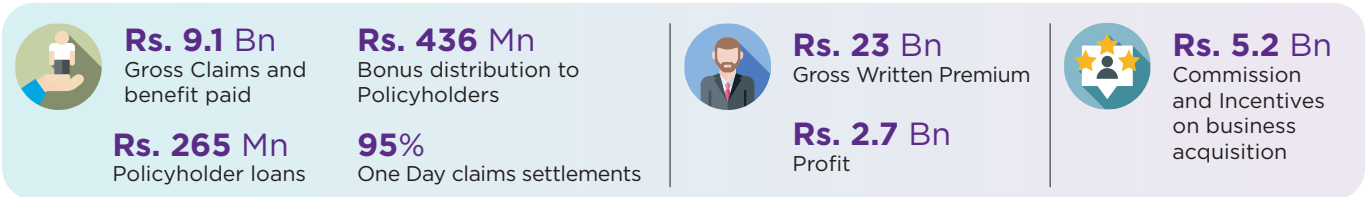
- 7. Community**  
Through positive externalities

## CUSTOMER

We take a customer-centric approach to business, accounting for the relational capital required to run our business while identifying the areas we can positively affect through our business activities and long-term strategy. Both individual and corporate customers are included in our customer capital.



### Value Creation to Stakeholders



Relevance to strategy	How it creates value	Connectivity and trade off
<p>Customer capital contribution to value creation under strategic pillars are summarised below</p> <ul style="list-style-type: none"> <li> Satisfied clientele ensures the continuity of the business growth.</li> <li> "Caring factor" in service delivery to customers becomes first in order of importance.</li> <li> With the intensified competition within the market, digitization as well as use of data is a prerequisite to provide superior service to customers</li> <li> Becoming lean helps to be price competitive in the market and fast delivery of services helps create customer satisfaction.</li> </ul> <p>Accordingly, customer capital management within the company always considered of high importance and adequate resource allocation is always ensured in line with strategic priorities. The value creation of customer capital to the business is directly link to the core strategies of the company.</p>	<p>Through meaningful engagement, we hone our customer goals to ensure we achieve our mission of creating sustained value for all our customers. In this way, we craft targeted customer initiatives that generate mutual benefit to ensure the long-term sustainability of our operations. Attraction as well as retention of customers through out the policy period help creates desired value to the company.</p>	<p>Balancing the expectations of customers, other stakeholders and the objectives of the organization;</p> <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 5px;"> <p><b>Customer capital</b></p> <ul style="list-style-type: none"> <li>+ Increase in claims and benefits paid by 39%</li> <li>+ Instant claims settlement through digital platform " Insta claim"</li> </ul> </div> <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 5px;"> <p><b>Financial capital</b></p> <ul style="list-style-type: none"> <li>+ Increase in First year premium by 18%</li> <li>+ Increase in Renewal premium by 21 %</li> <li>- Increase in net benefits and claims paid 42%</li> </ul> </div> <div style="border: 1px solid #ccc; padding: 5px;"> <p><b>Intellectual capital</b></p> <ul style="list-style-type: none"> <li>+ Digital innovations</li> <li>+ Improved brand awareness</li> </ul> </div>

## SOCIAL AND RELATIONSHIP CAPITAL

### CUSTOMER

Materiality	
We identified following matters as material to our customer capital and managed during the year in a way to create value by contributing to the achievement of short, medium and long term strategic objectives and goals.	
Material matters	Managing material matters
Deliver sustainable financial results	1. Managing our customer capital Pg. 108
Provide superior customer service	2. Diversified product mix Pg. 109
Company growth through sales staff productivity improvement	3. Best distribution strategy Pg. 112
Corporate governance and risk management	4. Quick respond to your complaints Pg. 113
Cybersecurity	5. Securing your data Pg. 113
Adoption of fast-moving technological development	6. Our brand promise Pg. 114
Intensive market competition	7. Looking Forward Pg. 114



### 1. MANAGING OUR CUSTOMER CAPITAL

At SLI, we lead the customer centric approach with the vision of “LIVE OUR VALUED CUSTOMER’S LIFE TO THE FULLEST”. In order to enable our customers to spend their lives without disruption, we innovatively offer products, facilitate them with digitalized processes and deliver service with care. Servicing our customers in need exceeding their expectations is considered the top most priority of the company.

#### Our strategy

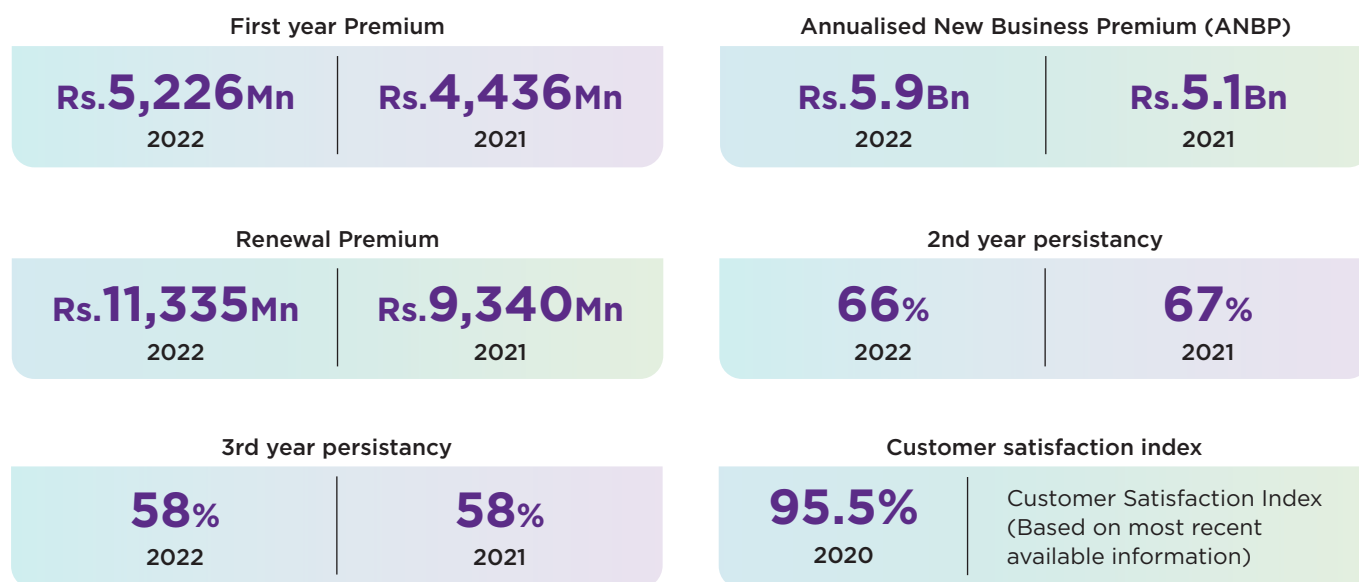
Exceptional customer service is a powerful business asset that we possess to differentiate us from the competitors in the market. By consistently maintaining excellent customer service, we have benefited from higher revenue, customer retention, a stellar reputation, better resilience than competitors, and deep product insights. We are making delightful customer engagements to understand the customer better and value their insights as well. The methods of engaging with customers are illustrated in detail in the stakeholder engagement report on page 69. Further, we allocate significant amount of funds for research and development activities of the company to better understand the needs and wants of the customers to serve them better. We continued our customer centric strategy through out the year while emphasizing digital delivery through various digital platforms and process automations, innovation in all business aspects to create convenience to our valued customers. In the journey of becoming the second largest life insurer of the island, the recorded exponential business growth showcases level of excellence customer service. The industry first innovations and process developments are detailed under the sub topic 'what differentiate Softlogic life, in the report 'Softlogic Life in Context' on page 14.

#### Challenges and responses

	Constrained customer spending	Change in customer behaviour and needs and wants	Intensified industry competition	Customer engagement and managing relationships
 <p><b>Challenge</b></p>	With economic downturn of the country and recently introduced tax reforms, the disposable income of all levels of customers have reduced.	In the new normal, customer behaviour as changed to contact less transactions and awareness of health insurance has improved	The price and non-price competition among the industry players have increased with the current economic situation in the country.	Physical contacts have challenged due to COVID 19 pandemic as well as fuel shortages
 <p><b>SLI Response</b></p>	<ul style="list-style-type: none"> <li>Segmented the markets based on their income levels and serve differently to cater the specific needs of the segment</li> <li>Promotes Micro Insurance to the lowest income levels</li> </ul>	<ul style="list-style-type: none"> <li>Heavy use of digital platforms to process transactions within the company</li> <li>Promoting health insurance among the customers and have become the best health insurance provider in the market</li> </ul>	<ul style="list-style-type: none"> <li>Successfully faced the competition through non-price competition by delivering superior service and innovation.</li> <li>Managing the brand effectively</li> </ul>	<ul style="list-style-type: none"> <li>Equipping our sales force to complete a transaction digitally without a physical contact.</li> <li>Obtain customer feedback and respond to the customer complaints digitally</li> </ul>

### Key Performance Indicators

Management is keen to monitor the satisfaction level of customers directly through surveys as well as indirectly through financial KPIS. Based on the latest available survey results the customer satisfaction index of 2020 is at 95.5% which is a higher rank. GWP generated in terms of first year and renewal premiums as well as policy persistency ratios showcases the improved satisfaction level of customers. We have achieved following KPIs in serving our customers best.



## 2. DIVERSIFIED PRODUCT MIX

We are a fully pledged life insurance provider in Sri Lanka catering all life insurance needs of individuals as well as corporate clients. We ensure continuous improvements to the product mix in order to meet customers' ever changing needs and wants. Previous year, the company has launched several new products and strategised to popularize the same during the year given the unfavourable economic conditions.

### Informing customers on products

All our sales officers are well trained to explain the product details to the customers at the point of sale including all inclusions and exclusions to the policy terms and conditions. Sales officers are equipped with product brochures and digital tools to educate the product features better. Further, the company do explain the exclusions list to customers through call centre agents within the cooling off cancellation period.

### Pricing of products

The company follows prudent underwriting practices using mortality and interest rates as applicable to the products. Individuals' health conditions, age, behavioural factors including smoking and vaping are among other factors that affect the pricing decisions. Further, the company has taken several initiatives to introduce lifestyle underwriting where customers may incentivise based on health, safety or environmentally responsible actions or behaviours by incorporating them into pricing decisions and policy conditions by using big data and robotic initiatives. These initiatives are still in the developing stage.

### Product portfolio

The company's base product portfolio is as follows. In addition, rider covers are coupled based on the customer requirements to the base products.

# SOCIAL AND RELATIONSHIP CAPITAL

## CUSTOMER

GRI 2-6

**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 investment plan
4. Retire with pride - softlogic life retirement plan
5. Softlogic life protected investment plan
6. Softlogic life online plan

**UNIVERSAL LIFE PRODUCTS**

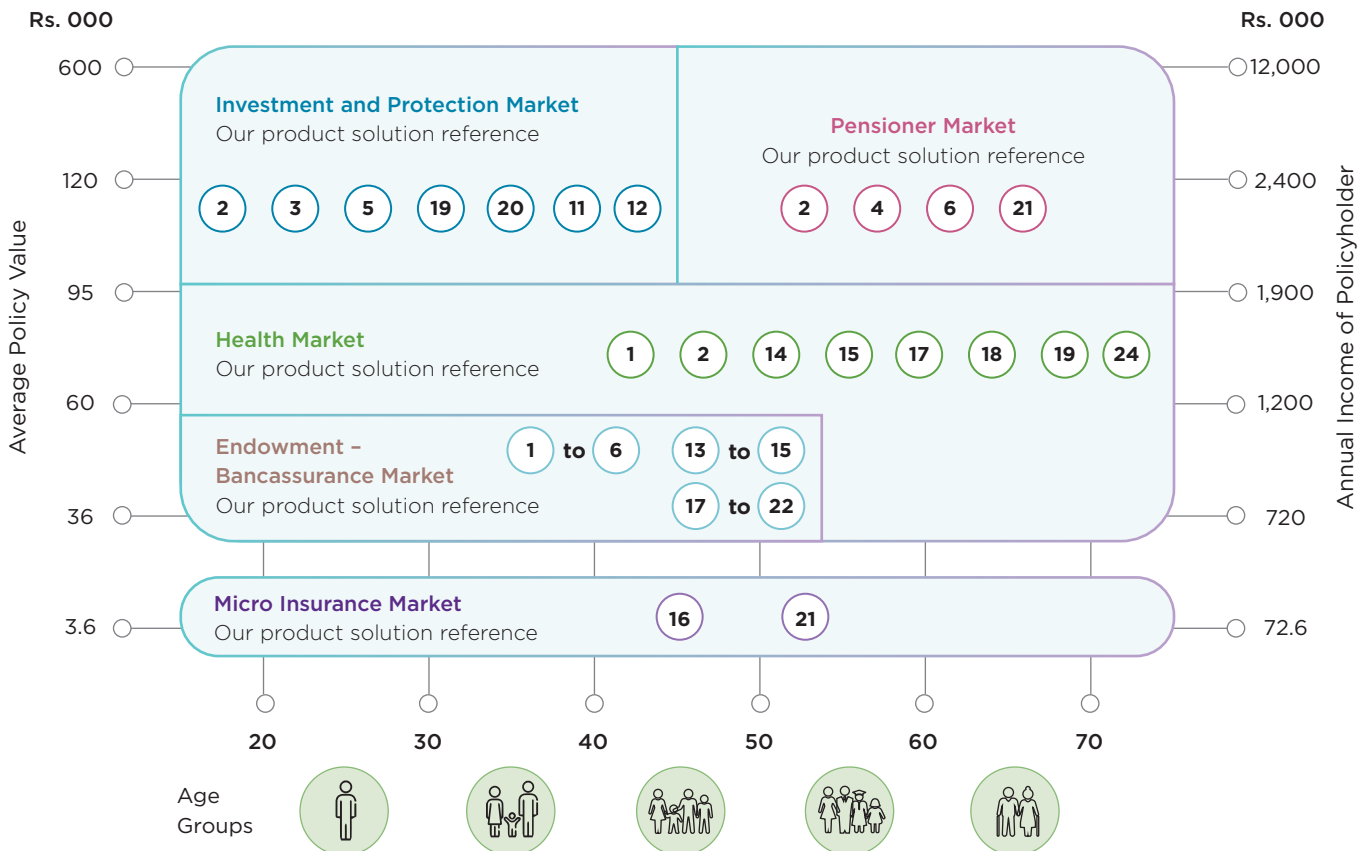
7. Softlogic life universal life plan
8. Softlogic life universal savings plus
9. Softlogic life corporate pension plan
10. Softlogic life legacy plan
11. Dollar saver
12. Shakthi Plan

**DIVIDEND BASED INVESTMENT PRODUCTS**

13. Softlogic life level term plan	19. Softlogic life good health series
14. Decreasing term assurance plan (DTAP)	20. Asiri life plan
15. Softlogic life global plan	21. COVID 19 cover
16. Softlogic life group life plan	22. Postal life insurance plan
17. Dialog per day cover	23. Family protector plan
18. Premier health benefit	24. Ultimate loan protector

### Market segmentation

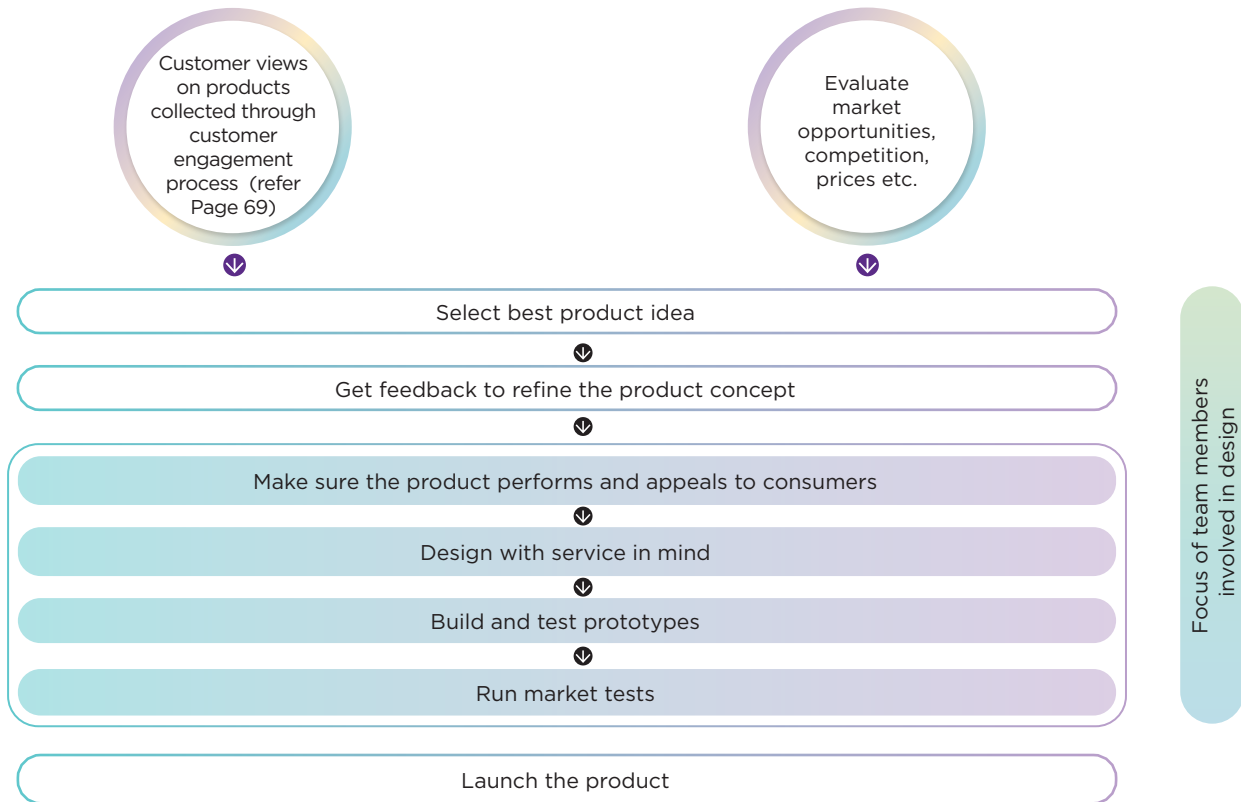
We have segmented markets based on the age and the income levels of the target customers to serve customers better catering diversified needs and wants of customers. We proudly serve all customer segments within the social pyramid highlighting our social relevance within the business context.





**Product development process**

We continuously develop our products with innovative product ideas and insights of market researches to grab the market opportunities. The insights of our valued customers are considered as of significant importance. Customer expectations on fair pricing, competitive benefits and transparency in product features and pricing are taken into consideration when developing and pricing a product. Further, product launch is followed by a press conference and a Q&A session with a view to prevent instances such as selling products in certain banned markets or the stakeholder/public debate.



**Product responsibility within the governance framework**

Our product designs are governed by both internal and external regulations and procedures are established internally to monitor the compliance applicable regulations.

<div data-bbox="129 1499 922 1638"> <p><b>INTERNAL REGULATIONS</b></p> <ul style="list-style-type: none"> <li>Board approved Environmental and Social Management Policy (ESMS policy)</li> </ul> </div> <div data-bbox="129 1659 922 1793"> <p><b>INTERNAL MONITORING PROCEDURES</b></p> <ul style="list-style-type: none"> <li>Compliance review by the Compliance officer and report to the Audit Committee</li> </ul> </div>	<div data-bbox="954 1499 1489 1793"> <p><b>EXTERNAL REGULATIONS</b></p> <ul style="list-style-type: none"> <li>Prior approval from Insurance Regulatory Commission of Sri Lanka (IRCSL)</li> <li>The provisions of Sri Lanka Consumer Affairs Authorities Act No. 9 of 2003 and amendments thereto</li> </ul> </div>
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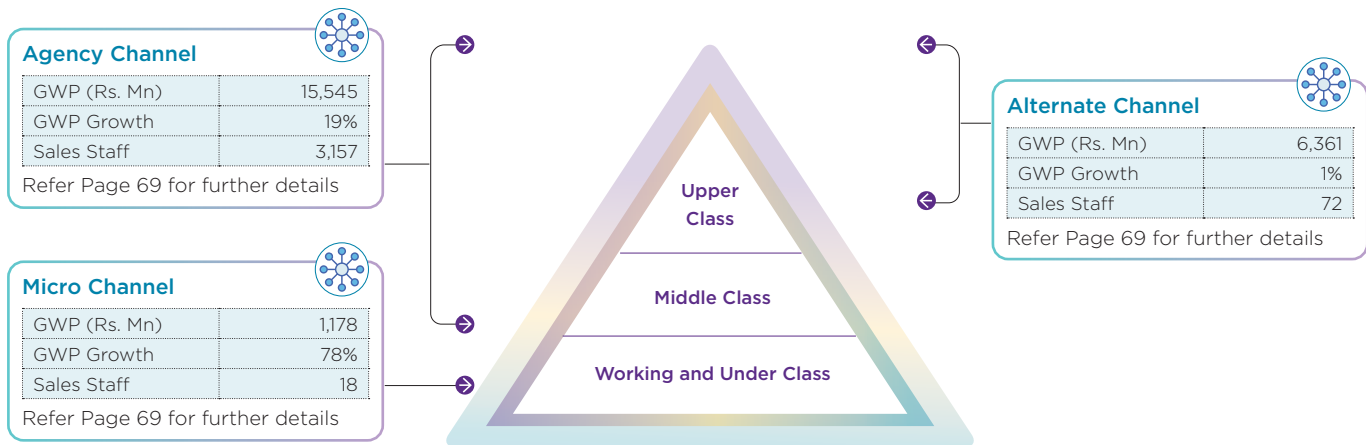
## SOCIAL AND RELATIONSHIP CAPITAL CUSTOMER

### 3. BEST DISTRIBUTION STRATEGY

We value the characteristics of each target market and customer segment and our distribution channels are aligned to cater those specific characteristics. Entire market is reached through three distribution channels namely Agency channel, Micro channel and Alternate channel.

Agency channel engages in one-to-one selling focusing on individuals of middle to upper class while alternative channel sells out products to corporate customers. Micro channel uses digital platforms to sell small ticket items to low income earners.

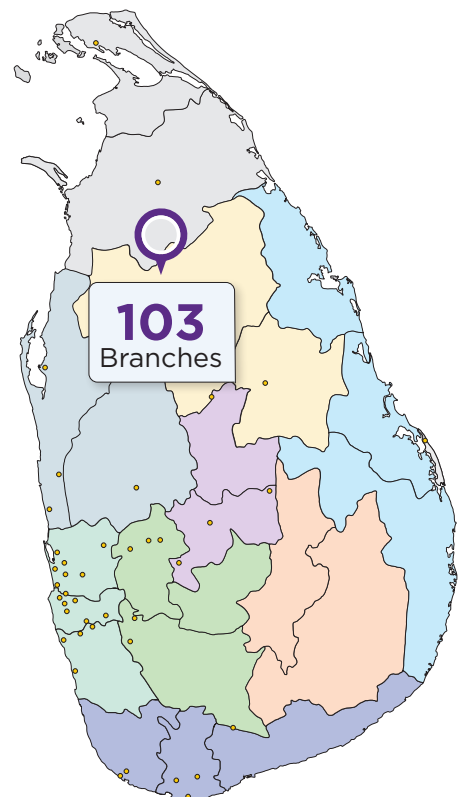
All three channels have performed exceptionally well during the year under review to become the second largest life insurer in the island.



### Wider Branch network

We have an island wide coverage through our branch network to serve our customers better. We maintain 103 branches across the island and opened two new branches during the year under review at Mullaitivu and Colombo 03 to improve customer convenience.

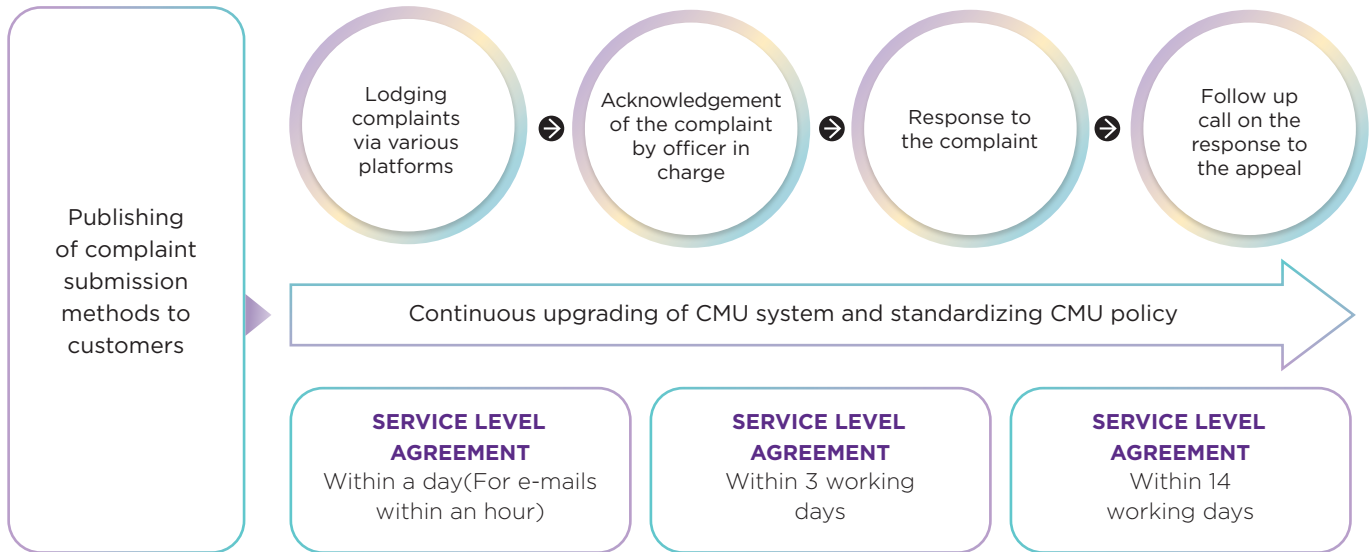
Province	No of branches
Central Province	11
Eastern Province	3
North Central Province	4
North Western Province	12
Northern Province	4
Sabaragamuwa Province	5
Southern Province	13
Uva Province	5
Western Province	46
<b>Grand Total</b>	<b>103</b>



Scan me to see more detail on the branch network

**4. QUICK RESPOND TO YOUR COMPLAINTS**

At Softlogic life we believe customer complaints management as an essential component of customer service and business success. 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 lodge complaints via online/ social media, over the phone or in person. The company acknowledge such complaints within a day.

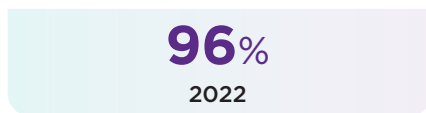


**Key performance Indicators**

The statistics in relation to customer complaints for the year 2022 is as follows.

Description	Measure
Total complaints received	149
Total Complaints resolution	150
Complaints Resolutions within company:	150
Advisor related	81
General complaints	68

**Customer complaints resolved**



**Customer complaints per 1,000 claims**



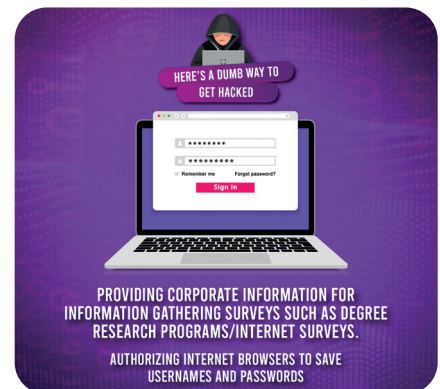
**5. SECURING YOUR DATA**

As the insurance partner of our valued customers, we possess a large amount of sensitive customer data. We have a sound governance and compliance management practices to ensure data privacy. SLI has taken following initiatives to ensure customer data privacy in a more secured way.

- Availability of Comprehensive data privacy policy
- 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

In line with the innovative drive and digitization within the organization, the company has identified the increased risk on cyber security and steps have taken to mitigate the risk.

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.



## SOCIAL AND RELATIONSHIP CAPITAL CUSTOMER

### 6. OUR BRAND PROMISE

Our brand promise is built on enhancing the quality of lives of all Sri Lankans by providing a world class life insurance solution with the real meaning of “you go live life to the fullest. We will take care of the rest”. We lead the brand promise in all our actions and that has helped to increase the brand value of the company day by day. Further details on brand is given in the Intellectual capital on the page 128.



### Looking Forward

Short Term Target	Medium to Long Term View
Focus on “Customer Care” proposition across selected key customer touch points which provide greater value	Develop digital customer engagement platform
Introduction of loyalty scheme	Introduce customer lifestyle underwriting techniques

We will continue to deliver the best to our customers enabling them to live their lives to the fullest with the innovation and digitization. We will always consider the customer convenience as a top priority and serve our customers with care as per our brand promise.

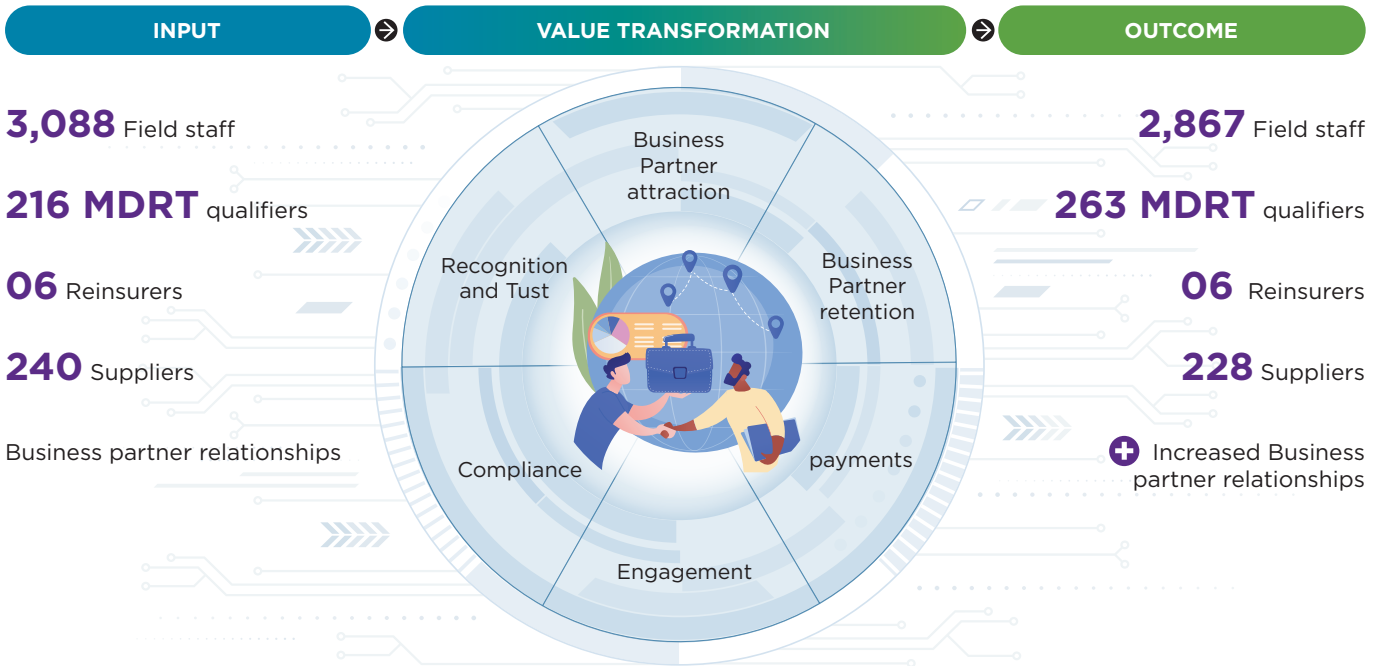
Individuals as well as corporates are facing enormous challenges with the pandemic impact and the subsequent economic conditions. Life Insurers have a pivotal role to play in this disruptive environment to re-align the lives. However, we believe Several trends show promise for the life insurance industry in the next decade as well. Customer demand is at an all-time high. Indeed, the COVID-19 pandemic has only reemphasized the need for mortality protection. Further, healthcare expenditures are accelerated with the economic conditions of the country. The company will further capitalize its reach with a customer centric approach strategising for all opportunities and challenges.

The Company will reinvent the skills and capabilities to offer innovative products to customers addressing their evolving needs with fair pricing strategy. Customer convenience will be ensured with digitization and automation of processes. As a forefront in the Sri Lankan insurance industry for innovation and digitization we see a paradigm shift of customer behaviour towards using advanced technology and adjust our future strategies accordingly.



The company will continue to ensure the data privacy within a comprehensive governance and risk management practices within the organisation.







## BUSINESS PARTNERS

We always strive to maintain strong and healthy relationships with our business partners in the value creation process. Intermediary service providers, regulators, Sales force including insurance agents, advisors and MDRT qualifiers and other business partners are included in the Business Partners scope.



### Value Creation to Stakeholders

 <p><b>Rs. 1.4 Bn</b> Payment to suppliers</p>	<p><b>Rs. 1.5 Bn</b> payment to Reinsurers</p>	 <p><b>Rs.23 Bn</b> in GWP Gross Written</p>
<p><b>Rs. 5.2 Bn</b> payment to field staff</p>		<p><b>Rs. 0.8 Bn</b> Reinsurance recoveries</p>

Relevance to strategy	How it creates value	Connectivity and trade off
<p>Business Partner capital contribution to value creation under strategic pillars are summarised below</p> <ul style="list-style-type: none"> <li> Exceptionally performing field staff including MDRT qualifiers ensure the growth.</li> <li> Healthy relationships with intermediaries and behaviour of field staff are instrumental.</li> <li> Tech enabled field staff is instrumental in delivering smart IT digitization and use of data.</li> <li> Healthy relationships with business partners lead to cost savings and delivery of goods and services on time.</li> </ul> <p>Accordingly, business partner capital management within the company always considered of high importance and adequate resource allocation is always ensured in line with strategic priorities. The value creation of customer capital to the business is directly link to the core strategies of the company.</p>	<p>Through meaningful engagement, we hone our business partner goals to ensure we achieve our mission of creating sustained value for all our stakeholders. In this way, we craft relationship initiatives that generate mutual benefit to ensure the long-term sustainability of our operations. Maintaining strong and healthy relationships through trust help creates desired value to the company.</p>	<p>Balancing the expectations of business partners, other stakeholders and the objectives of the organization;</p> <div style="border: 1px solid #00728f; padding: 5px; margin-top: 10px;"> <p><b>Social and Relationship capital</b> </p> <ul style="list-style-type: none"> <li>+ 16% Increase in Operating expenses</li> <li>+ 44% increase in Reinsurance premium</li> </ul> </div> <div style="border: 1px solid #00728f; padding: 5px; margin-top: 10px;"> <p><b>Financial capital</b> </p> <ul style="list-style-type: none"> <li>+ 15% Increase in GWP</li> <li>+ 0.8% Increase in Market share</li> <li>- Increase in expenses by 16%</li> </ul> </div>



## SOCIAL AND RELATIONSHIP CAPITAL BUSINESS PARTNERS

Materiality	
We identified following matters as material to our business partner capital and managed during the year in a way to create value by contributing to the achievement of short, medium- and long-term strategic objectives and goals.	
Material matters	Managing material matters
Deliver sustainable financial results	1. Managing our business partners Pg. 116
Provide superior customer service	2. Field staff as a business partner Pg. 117
Company growth through sales staff productivity improvement	3. Contribution from Reinsurance partners Pg. 118
Corporate governance and risk management	4. Role of intermediary parties and other suppliers Pg. 119
Cybersecurity	5. Involvement of Regulators Pg. 120
Adoption of fast-moving technological development	6. Continuity of business partners Pg. 120
Intensive market competition	7. Looking Forward Pg. 120

### 1. MANAGING OUR BUSINESS PARTNERS

Category	Business Partners
Field staff	Insurance Agents, Advisors and MDRT qualifiers
Intermediary parties	Reinsurers
	Actuarial Partners
	Bancassurance partners
	Lenders, Banks, asset management firms and other Financial Institutions
	IT software and hardware providers
	Softlogic Group
Regulators	Industry specific regulators (Ex: IRCSL)
	Government institutions (Inland Revenue Department, CSE, Central Bank etc.)
	Auditors
	Association Memberships providers
Other Business Partners	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

We believe having strong ties with business partners are key to success and critical in the value creation process. In the process of managing healthy relationships with our business partners we clearly share our goals with them to drive towards one direction. At SLI we effectively communicate with our business partners to better understand their risks, challenges and interests to align with the business objectives. We faced following challenges when managing relationships with business partners and strategically addressed to ensure the relationships as follows;

	Higher attrition of field staff	Payment of foreign remittances	Changes in regulations
 <b>Challenge</b>	With the economic downturn of the country as a company we experienced a higher attrition rate of our field staff.	With the shortage of USD of the country, the foreign remittances were required to be approved by central bank and bankers didn't possess adequate reserves to cater to the needs.	We observed frequent changes in the monetary and physical policies of the government and related regulatory changes within the year 2022.
 <b>SLI Response</b>	<ul style="list-style-type: none"> <li>Revised incentive schemes to cater to the current requirements</li> <li>Equipped them with insure-tech to reach to the maximum potential</li> </ul>	<ul style="list-style-type: none"> <li>Negotiated with reinsurers and agreed to settle with favourable terms with extended periods</li> <li>Negotiated with banking partners and arranged foreign remittances on priority basis</li> </ul>	<ul style="list-style-type: none"> <li>The company has adhered to all rules and regulations applicable to the company</li> </ul>

We always seek to partner with those who are trustworthy, have effective safety records, high labour standards and minimal environmental impact. We treat our strategic business partners fairly and equally in a transparent manner.

### 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.

## 2. FIELD STAFF AS A BUSINESS PARTNER

SLI possesses outperforming field sales force who drives business forward. Amidst the current challenges the field sales force is engaged and motivated through following actions to lead the phenomenal sales growth.

- Equipped with 100% virtual platform to carry out 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

Table 28: Unfolding the profile

	2022	2021
Field Staff	2,867	3,088
New Recruitments	1,179	1,284
Resignations & Terminations	1,400	1,221

### Key performance Indicators

Table 29: MDRT Winners

Qualifying category	2022	2021
TOT Qualifiers	7	8
COT Qualifiers	16	10
MDRT Qualifiers	240	198
Total Qualifiers	263	216

#### No. of promotions

<b>190</b>	<b>62</b>
2022	2021

#### Field Staff Attrition

<b>47%</b>	<b>40%</b>
2022	2021

### TRAINING AND DEVELOPMENT OF FIELD STAFF

We understand that the quality of the sales staff defines the success of the company. As the main customer touch point being the frontline, field staff officers create the first impression of the company. Accordingly, we continue to build their capabilities, personalities and other soft skills they require in the field.

In line with this objective we are maintaining fully pledge training centre to facilitate our sales staff. We have industry best trainers who always help our sales staff to reach their dream day by day.

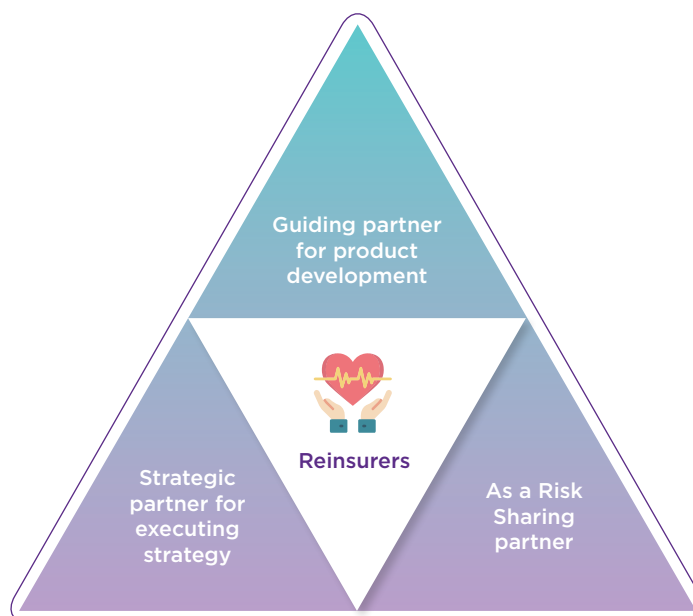
During the year under review the Company has invested Rs. 4.1 Mn in field staff training which has in return enhanced the value of our sales force.

## SOCIAL AND RELATIONSHIP CAPITAL BUSINESS PARTNERS

### 3. CONTRIBUTION FROM REINSURANCE PARTNERS

Reinsurers are key strategic partners in the value creation process of Softlogic Life Insurance PLC. As a life insurer, Reinsurance is a risk management tool used by the company to spread risk and manage capital. The company transfers some of risks to reinsurance partners. Reinsurers guide and give new product ideas based on their global experience and expertise. It has been instrumental in innovative product designs by the company. Appropriate reinsurance arrangements allowed the company to grow within acceptable risk tolerance limits and achieve the set profitability as supporting the business strategy of the company. Up to date we were able to build the trust with our reinsurers and engaged with them effectively.

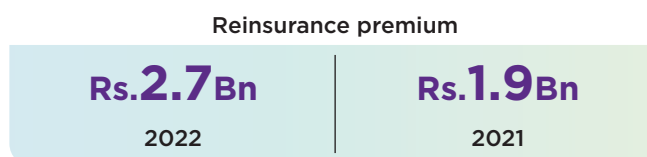
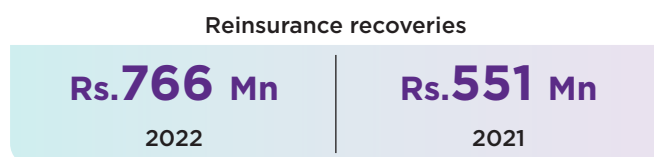
In selecting Reinsurers, the company considers their track records, credit ratings and financial strength. Our reinsurance panel consists of 6 world’s best reinsurers with proven track records.



#### Our Reinsurance Panel

Reinsurer	Logo	Credit Rating		Profile (As at 31.12.2020)
		(A.M. Best)	(FITCH)	
Munich Re		A+	AA	142 Years of risk expertise Total assets - Euro 298 Bn
SCOR		A+	A+	52 Years of risk expertise Total assets - Euro 51.52 Bn
TOA		A	-	82 Years of risk expertise Total assets - Yen 898Bn
Canopus		A	AA-	19 years of risk expertise Total assets - \$ 6,820
AXA PPP Healthcare Ltd		A+	-	37 Years of risk expertise Total assets - Euro 716 Bn
Lloyd’s Syndicate 3622 AFB		A	-	3724 37 Years of risk expertise Total assets - Euro 138 Bn

#### Key performance Indicators





#### 4. ROLE OF INTERMEDIARY PARTIES AND OTHER SUPPLIERS

<p><b>ACTUARIAL PARTNERS</b></p> <p>Company engages with world renowned actuarial partners, Messrs. Willis Towers Watson India Private Limited which is a part of Wills Towers Watson global advisory company.</p> <p>They strategically engage by providing insights to the product development, pricing and perform liability valuation. They bring the global experience and expertise to the value creation process of SLI.</p>	<p><b>BANCASSURANCE PARTNERS</b></p> <p>Company engages with several banks to carryout insurance businesses and built bancassurance ties. Bancassurance partnerships directly contribute to generate leads and finally increase the business. The company is committed to maintain healthy relationship with all bancassurance partners.</p>
<p><b>ASSOCIATION MEMBERSHIPS</b></p> <p>We are a member of following prestige associations;</p> <ul style="list-style-type: none"> <li>• The National Chamber of Commerce Sri Lanka</li> <li>• Institute of Chartered Accountants of Sri Lanka</li> <li>• Insurance Regulatory Commission of Sri Lanka (IRCSL)</li> <li>• Insurance Association of Sri Lanka (IASL)</li> <li>• Sri Lanka Insurance Institute (SLII)</li> <li>• Colombo Stock Exchange (CSE)</li> <li>• Central Bank of Sri Lanka (CBSL)</li> <li>• Life Insurance Marketing and Research Association</li> <li>• Association of Insurance and Reinsurers of developing Countries (AIRDC)</li> <li>• Employee federation of Ceylon (EFC) LIMRA</li> <li>• Employee federation of Ceylon (EFC)</li> </ul> <p>These memberships facilitate networking with business partners and community at large. Specifically, industry associations help to resolve industry wide issues like tax related matters and new accounting standards implementation.</p>	<p><b>COMPETITORS</b></p> <p>As of reporting date there are 13 life insurers and 02 composite insurers in Sri Lanka. There is an intensified competition among players within the industry. Lower level of product differentiation and low level of penetration has further increased the competition. We treat our competitors as facilitators in our value creation process since new industry benchmarks always drive the industry forward.</p> <p><b>Ethical competition</b></p> <p>The company is competing with others in an ethical manner by continuously improving core competencies rather than controlling external factors.</p> <p><b>Ethical marketing</b></p> <p>We are committed to be transparent and maintain customer data privacy, give prompt responses to the customer's concerns and not to make false or exaggerate statements.</p>
<p><b>SOFTLOGIC GROUP</b></p> <p>Softlogic group is a well-diversified group in Sri Lanka. Hence group synergy comes as a strength to SLI in its value creation process. Economies of scale on bulk purchasing and brand synergies are among top benefits to SLI.</p>	<p><b>LENDERS</b></p> <p>In the year 2020, we have entered in to a subordinated debt instrument with Finnfund and Norfund amounting to USD 15Mn to strengthen the tire II Capital of the company.</p>

Utility providers, consultants, media and providers of other services such as security and carrier are also a part of our broader network of business partners where we maintain strong and healthy ties in the value creation process.

## SOCIAL AND RELATIONSHIP CAPITAL

### BUSINESS PARTNERS

#### 5. INVOLVEMENT OF REGULATORS

Insurance Regulatory Commission of Sri Lanka (IRCSL) is the governing body of insurance industry in Sri Lanka. IRCSL closely monitors the performance and the activities of Insurance companies and issue directions and guidelines from time to time. The Company adheres to all rules and regulations issued by IRCSL and timely furnish monthly, quarterly, annual and ad-hoc reports. The company actively engage with the regulator by participating to all forums conducted by the regulator.

The company also engages with and adhere to rules and regulations issued by Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and Inland Revenue Department where applicable.

The rules and regulations issued by all regulatory bodies enhance the governance and risk management environment within SLI and help create the value in short, medium and long term.

#### 6. CONTINUITY OF SERVICE OF BUSINESS PARTNERS

The strong and healthy relationships maintained with all the business partners as discussed above ensure the uninterrupted products and service flow to the company which is critical in the value creation process of the company. Further, the company will continue to strengthen the relationships by building the trust among all business partners in the future also as explained in the below.

#### 7. LOOKING FORWARD

Short term target	Medium term to long term view
Maintaining the long term business relationship with business partners	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.
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.	

#### Field staff

The company will focus on strengthening the field staff with required skills to face future challenges by structured trainings and development programs. The field staff will be developed to handle insure-tech in effective manner to achieve organizational objectives. Our future training and development programs 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. They will be incentivised to be competitive in the market considering the developments in the market.

#### Reinsurers

We will continue to strengthen the healthy relationships with our reinsurers to get more contribution from them for the value creation of the company. Their global experience and the expertise to be used for innovative product development of the company. Further, company will ensure to have relationships with established world class reinsurers to ensure the effective risk management within the company. The relationships with the reinsurers are expected to create win-win situation for both parties.

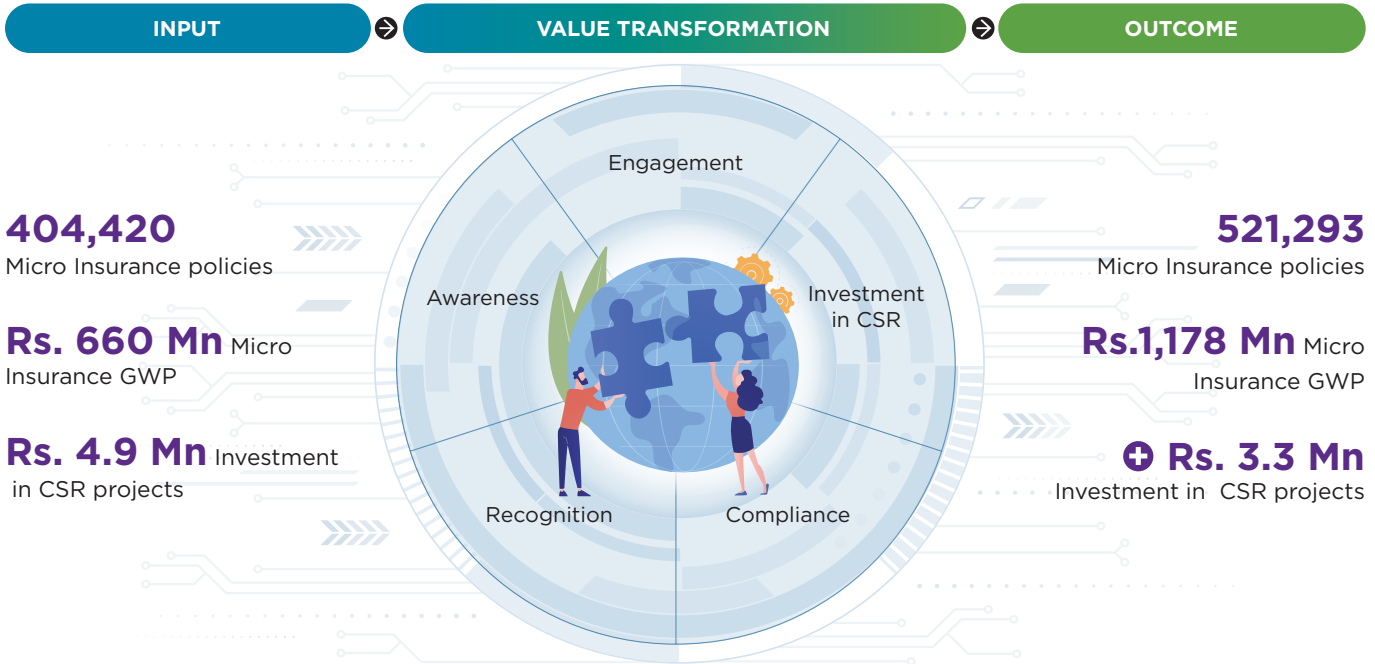
#### Intermediary parties, other suppliers and regulators

We will continue to build the healthy relationships with all business partners in the future to ensure uninterrupted value creation within the company since we identify the criticality of the different roles played by the business partners in our value creation process. Effective engagement along with effective communication and timely payments to business partners will lead to strengthen the relationships in the future. The changes in the external environment will be taken into account when dealing with the business partners and the company will facilitate to cater the evolving needs where applicable.

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.

## COMMUNITY

We have a strong bond with the community we operate as a responsible corporate. We consider entire society at large as very important to our value creation process since we create impact on their lives from our value creation activities and we also get impacted by their activities.



### Value Creation to Stakeholders



Relevance to strategy	How it creates value	Connectivity and trade off
<p>Community capital contribution to value creation under strategic pillars are summarised below</p> <ul style="list-style-type: none"> <li> Positive social impact facilitates to attract business and increased customer trust</li> <li> Instrumental in establishing social care</li> </ul> <p>Accordingly, social capital management within the company always considered of high importance and adequate resource allocation is always ensured in line with strategic priorities. The value creation of customer capital to the business is directly link to the core strategies of the company.</p>	<p>We are investing in community development projects to create value to entire society. The positive impact we create build trust and enhance corporate image within the society. This leads to attract more customers and facilitate the value creation process of the company</p>	<p>Balancing the expectations of community, other stakeholders and the objectives of the organization;</p> <ul style="list-style-type: none"> <li><b>Community</b> <ul style="list-style-type: none"> <li>+ 78% Increase in Micro Insurance business</li> <li>+ 29% Increase in lives covered through Micro Insurance</li> </ul> </li> <li><b>Financial capital</b> <ul style="list-style-type: none"> <li>+ 15% Increase in GWP</li> </ul> </li> <li><b>Intellectual capital</b> <ul style="list-style-type: none"> <li>+ Improved brand value</li> <li>+ Improved customer trust</li> </ul> </li> </ul>

## SOCIAL AND RELATIONSHIP CAPITAL COMMUNITY

Materiality	
We identified following matters as material to social capital and managed during the year in a way to create value by contributing to the achievement of short, medium- and long-term strategic objectives and goals.	
Material matters	Managing material matters
Deliver sustainable financial results	1. Managing our Community Pg. 122
Provide superior customer service	2. Governance and compliance Pg. 123
Corporate governance and risk management	3. Collaborating with communities Pg. 125
Cybersecurity	4. Looking Forward Pg. 127
Adoption of fast-moving technological development	
Intensive market competition	

### 1. MANAGING OUR COMMUNITY

The Company adopts a strategic approach towards sustainability and strives to embed the principles of sustainability to its strategic agenda and daily operations. Sustainability actions within the organization is managed through a management committee and cross functional representatives assist to ensure smooth operation of ESG activities. The company manages its community within the approved ESG policy of the company. It is structured under economic success, social responsibility and environmental responsibility. These pillars are graphically illustrated below together with their relevance to the Sustainable Development Goals. Environmental Responsibility pillar is elaborated more in the Natural Capital report.

ECONOMIC SUCCESS

- Company economic prosperity (pages 78 to 83)
- Community economic prosperity (page 122)






SOCIAL RESPONSIBILITY

- Responsible governance (pages 146 to 246)
- Diversity and fair hiring (Page 96)
- Fair dealing with customers (pages 108 to 113)
- Collaboration with communities (pages 125 to 126)






ENVIRONMENTAL RESPONSIBILITY

- Resource conservation
- Waste prevention and management
- Supply chain impacts




### Strategic approach

#### Community economic prosperity

Our commitment towards community economic prosperity is directly linked to the business process of the company. The product selling through micro channel aiming to enhance the quality of Lives of Sri Lankans by providing them with the relevant, innovative and affordable life insurance solutions and livelihood opportunities serves this purpose. Further, this ensures the affordability of a life insurance product to the lowest income earners within the community and uplifts their living standard.

Community economic prosperity is further ensured through offering livelihood opportunities by creating more than 3991 job opportunities across the island. Region wise employment details are elaborated on the human capital report on page 94.

### Key performance Indicators



## 2. GOVERNANCE AND COMPLIANCE

We are committed to the community to adhere to all relevant rules and regulations and good governance practices to ensure the positive social environment.

### OUR ESG POLICY

This policy aims to develop an understanding of the company's approach to managing Environmental, Social and Governance Risk. The Company will integrate the assessment of these Risks into its Corporate Strategy and existing Risk Management Framework and processes. The Company's ESG Framework is integrated and embedded within the overall Risk Management Framework of the Company and operates based on key stakeholder pillars.

The purpose of this Policy is to formalize Softlogic Life Insurance PLC's commitment to responsible and thoughtful management and the integration of ESG considerations throughout its processes, to reduce risk and enhance value creation. It broadly covers the assessment of ESG risks, reporting, awareness and training and the risk appetite statement.

### 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.

### Anti-Corruption Safeguards

The Company's policy on anti-corruption explicitly applies 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 provides a mandatory training programme to all the employees on anti-corruption to keep the employees updated.

Table 30: 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	19	19	10
	Misconducts /Misleading	48	48	5
<b>Total</b>		<b>67</b>	<b>67</b>	<b>15</b>
Internal Investigations	General Inquiries	10	10	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 Softlogic Life) 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.

## SOCIAL AND RELATIONSHIP CAPITAL COMMUNITY

### Regular Monitoring of 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.

### Child Labour

At the same time, the Company does not hire anyone below 18 years of age and 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, nor 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.

### Compliance

Regarding 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 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. There were no instances of non-compliance to any regulations, voluntary codes or other guidelines or imposed any monetary losses as a result of a legal proceedings pertaining to marketing communications during the year.

### CONTINUOUS IMPROVEMENT

The Management take every effort to improve the 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 product before it is exposed to the 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 with 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 the 'Customer segment' in this Social and Relationship Capital report.

### Ethics in Advertising

Advertising acts as a communication bridge between buyer and seller. With globalization and the expansion of market access, the importance of advertising is steadily on the increase in modern society. Hence, we believe the ethical aspect of our advertisement is extremely important for the restoration of our culture and 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 be prepared with a due sense of social responsibility and conforms to the principles of fair competition, as generally accepted in business. We do not use advertisements to abuse the trust of our consumers or impair public confidence.

### Contribution to Society

We 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 Lawsuit**

There were no claims on lawsuits during the year 2022.

**Prevention of negative impact from operations**



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

**3. COLLABORATING WITH COMMUNITIES**

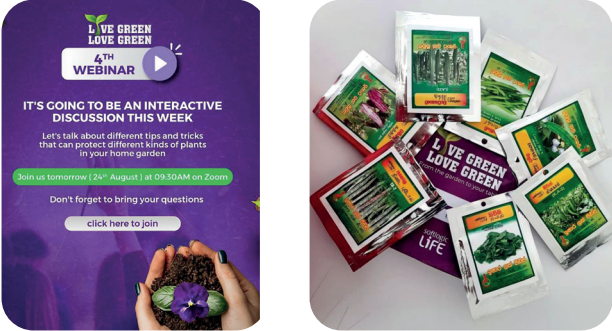


The Company’s Sustainability Policy provides guidance on investing in long-term, strategic CSR projects which deliver long-term, meaningful value to stakeholders.

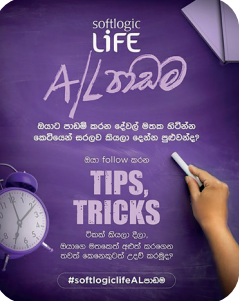
The strategic approach to community-based CSR is focused on two main areas;

1. Community development by knowledge-based activities
2. Deliver positivity to the environment we operate

<p><b>Program</b></p>	<p>Heta Ratata Daru Nalawili (The Lullabies for Tomorrow)</p>   <p>Scan me to hear the Lullabies</p>
<p><b>Purpose of the program</b></p>	<p>The Lullabies for Tomorrow Campaign was launched on Mother’s Day 2022 incepted on the belief that lullabies are one of the first forms of communication between a mother and her child especially during a child’s early development stages. Recognizing the power that these lullabies hold, Softlogic Life undertook this initiative to inspire and positively contribute to future generations of children by inviting the whole of Sri Lanka to submit their own creative lullabies, written in a manner to better suit the children of the modern age as all Sri Lanka had were daru nalawili gee made for generations before and they needed an upgrade to suite the modern age children.</p>
<p><b>The value created</b></p>	<p>10 selected lullabies being formally produced into original tracks and being listen on Spotify – Marking the 1st time ever a Sri Lankan company uploaded a playlist to Spotify for free access to the public.</p>
<p><b>Impact</b></p>	<p>3624 of reviews for the Lullabies</p>

## SOCIAL AND RELATIONSHIP CAPITAL COMMUNITY

<p><b>Program</b></p>	<p>Live Green Love Green</p>   
<p><b>Purpose of the program</b></p>	<p>Live Green Love Green is the home-gardening concept initiated by Softlogic Life with the purpose of inspiring whole of Sri Lanka to start even small garden at home to not wait but be proactive and prepared for the food crisis that may come. We are committed towards uplifting the lives of Sri Lanka, and as a company what we have observed, as Sri Lankans we keep on consuming rather than contributing to the production.</p>
<p><b>The value created</b></p>	<p>Done in three stages;</p> <ol style="list-style-type: none"> <li>Internal program             <ul style="list-style-type: none"> <li>Distributed over 700 seed packets which had 8 types of plant seeds</li> <li>Conducted weekly knowledge sharing webinar conducted by renowned agriculturalist, Udaya De Silva</li> </ul> </li> <li>First Ever Urban Garden             <ul style="list-style-type: none"> <li>Grew vegetable in a bare land of 33 perches near public library</li> <li>300 plants were planted</li> </ul> </li> <li>Sri Lanka's First Ever Christmas Tree Made Out of Vegetable Plants at Galle Face             <ul style="list-style-type: none"> <li>2000 plant of various vegetables were used to decorate the Christmas tree</li> </ul> </li> </ol>
<p><b>Impact</b></p>	<ul style="list-style-type: none"> <li>The crops of the urban garden will be distributed to a close by elderly home or orphanage as corporate social responsibility initiative.</li> <li>After a 10-day display period, part of the plants was given to S W W Kannangara Vidyalaya, Borella &amp; Maha Mathya Vidyalaya, Borella and the rest was distributed among general public</li> </ul>

<p><b>Program</b></p>	<p>Softlogic A/L පාඩම</p> 
<p><b>Purpose of the program</b></p>	<p>As an extension to the Guru Gedara programme launched in 2021 to uphold and protect the dreams and rights of our precious future generation, A/L පාඩම was executed to share tips and tricks for A/L exam.</p>
<p><b>The value created</b></p>	<p>Tips and Tricks from high flyers were shared in our facebook page</p>
<p><b>Impact</b></p>	<p>3,000 of Reviews</p>



#### 4. LOOKING FORWARD

SHORT TERM TARGET	MEDIUM TO LONG TERM VIEW
Maintain the investments in the CSR activities	Increase the positive impact to society through CSR initiatives
Environment protection campaigns	Rural community development activities
Professional development activities	

As a responsible corporate, Softlogic Life always intend to enhance the quality of the lives and always inspire the well-being of the society with 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 customer' 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 that we are always compliant with all laws and regulations

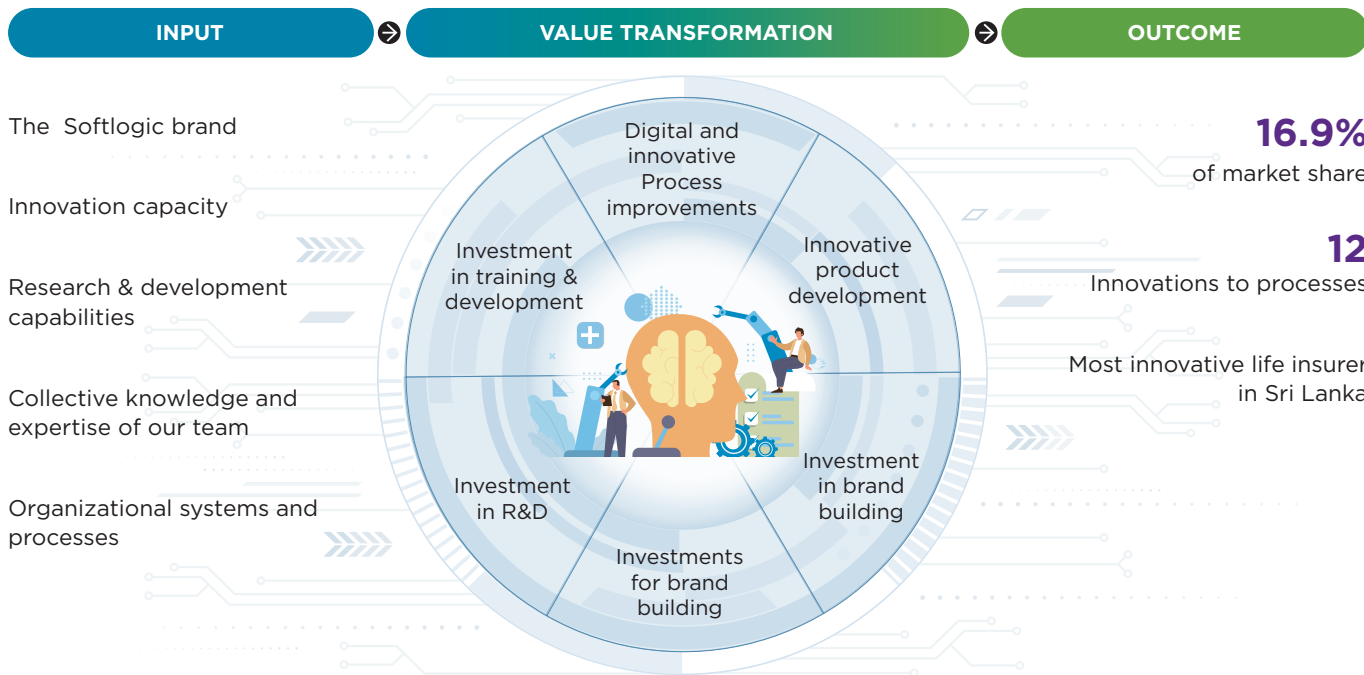
Our community development projects, environment protection projects and empowerment projects are directed towards well-being of our all stakeholders including our customers, investors and employees. We always demonstrate our commitment to achieve their intent life by assuring the improved quality life.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

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# INTELLECTUAL CAPITAL

As a life insurer operating in an intensely competitive market space, our ability to understand changing consumer preferences and sustain our competitive position is dependent on intangible factors such as brand value, research and development capabilities, innovation capacity, our tacit knowledge, operating processes and strategic partnerships. These elements form our Intellectual Capital and play a vital role in sharpening our competitive edge.



### Value Creation to Stakeholders

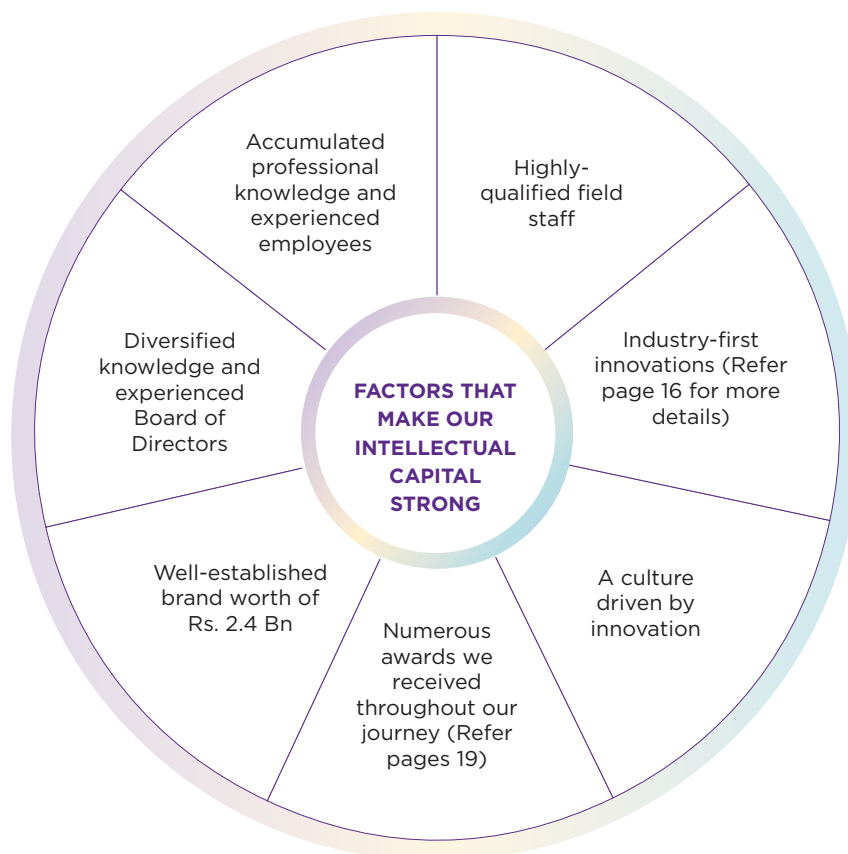
- 15%** growth in business  
**Rs. 2.4 Bn** worth of brand value
- Innovative processes and improved customer convenience
- Development of skills and competencies with **11,955** training hours provided

Relevance to strategy	How it creates value	Connectivity and trade off
<p>Intellectual capital contribution to value creation under strategic pillars are summarised below</p> <ul style="list-style-type: none"> <li>Intellectual capital created within the organization drives for exceptional growth</li> <li>Through research &amp; Development, innovation with expertise knowledge and training &amp; development facilitates to become the most caring life insurer</li> <li>Internal tacit knowledge, R&amp;D drive facilitates innovative IT digitization and best use of data</li> <li>Innovation capabilities and internal process enhancements lead to lean and fast delivery.</li> </ul> <p>Accordingly, Intellectual capital management within the company always considered of high importance and adequate resource allocation is always ensured in line with strategic priorities. The value creation of customer capital to the business is directly link to the core strategies of the company</p>	<p>Intellectual capital acts as an intangible asset which facilitates to earn exceptional growth and superior profitability. It creates value by way of innovations, cost savings and facilitating the exceptional growth of the company. It is instrumental in productivity improvements and drive towards value creation.</p>	<p>Balancing the expectations of all stakeholders and the objectives of the organization;</p> <ul style="list-style-type: none"> <li><b>Intellectual capital</b> + Creation of a brand worth of Rs. 2,382 Mn</li> <li><b>Financial capital</b> + Long-term positive impact on Financial Capital through process efficiencies and maintaining the lower expense ratio - Short-term impact on Financial Capital arising from investments in brand building and employee training</li> <li><b>Social &amp; relationship capital</b> + impact on Social and Relationship Capital through leveraging on group synergies, process efficiencies</li> <li><b>Human capital</b> + Nurturing a unique base of organizational intellect through Training &amp; developments</li> </ul>



Materiality		
We identified following matters as material to our intellectual capital and managed during the year in a way to create value by contributing to the achievement of short, medium and long term strategic objectives and goals.		
Material matters	Managing material matters	
Deliver sustainable financial results	1. Managing Intellectual capital	Pg. 129
Provide superior customer service	2. Digital Infrastructure	Pg. 130
Company growth through sales staff productivity improvement	3. Research & development	Pg. 132
Corporate governance and risk management	4. Strategic relationships	Pg. 132
Cybersecurity	5. Our Brand	Pg. 132
Adoption of fast-moving technological development	6. Looking Forward	Pg. 133
Intensive market competition		

## 1. MANAGING OUR INTELLECTUAL CAPITAL

At SLI, we focus on developing skills and expertise of employees, improve Staff retention, Continuous investment in IT infrastructure, technology innovations, Investment in brand building initiatives and Utilize our relationships for sustainable value creation in managing the Intellectual capital. Following factors strengthen the intellectual capital value creation within the organization.



## INTELLECTUAL CAPITAL









	High level of employee attrition	Cyber security	High level of brand competition
 <b>Challenge</b>	Due to increased skilled migration with the adverse economic impact has challenged the tacit knowledge retention within the organization.	With increased digitalization with innovative drive has created new threats from possible cyber-attacks.	With the high level of industry competition, brands are competing as a tool of non-price competition.
 <b>SLI Response</b>	<ul style="list-style-type: none"> <li>• Offer attractive remuneration packages adjusted for the current economic conditions</li> <li>• Offer carrier progression opportunities, high level of engagement activities</li> </ul>	<ul style="list-style-type: none"> <li>• Robust management and technical controls are established</li> <li>• Review of IT security system periodically and update</li> </ul>	<ul style="list-style-type: none"> <li>• Carry out Effective brand management activities</li> <li>• Substantial investment on brand building</li> </ul>

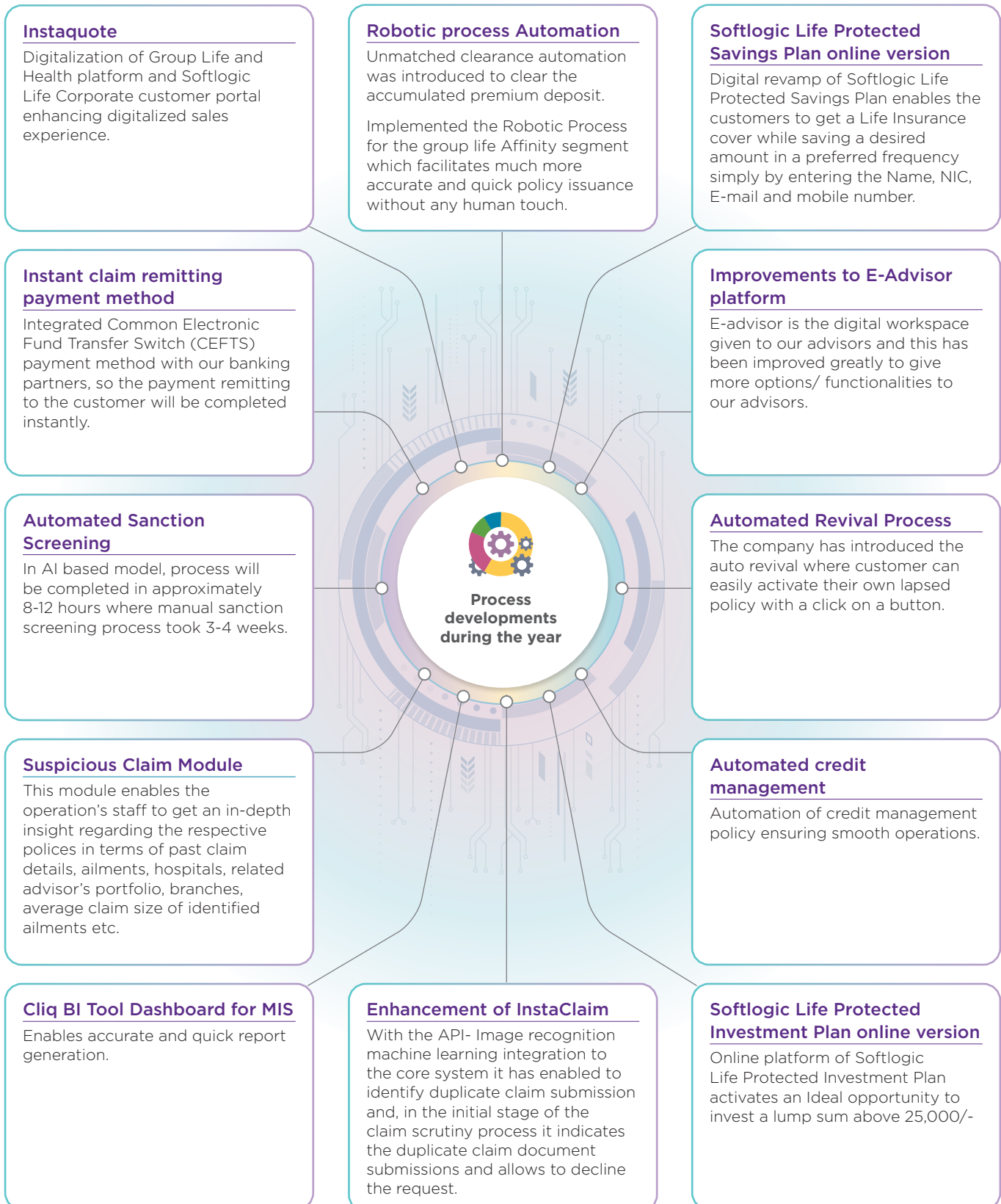
## 2. DIGITAL INFRASTRUCTURE

### Our digital infrastructure

Digital infrastructure provides the foundation for an organisation’s information technology and operations. It brings together and interconnects physical and virtual technologies. Our digital strategies to enhance performance and its use in providing excellent services is illustrated on page 78. IT Governance is further elaborated on page 181.

Our Information Technology innovation team consisting of experts in the IT sector, consistently undertake and implement the latest developments and upgrade the systems day by day mainly based on data science, artificial intelligence, robotic process automations and research & development which lead to optimize the business model.

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



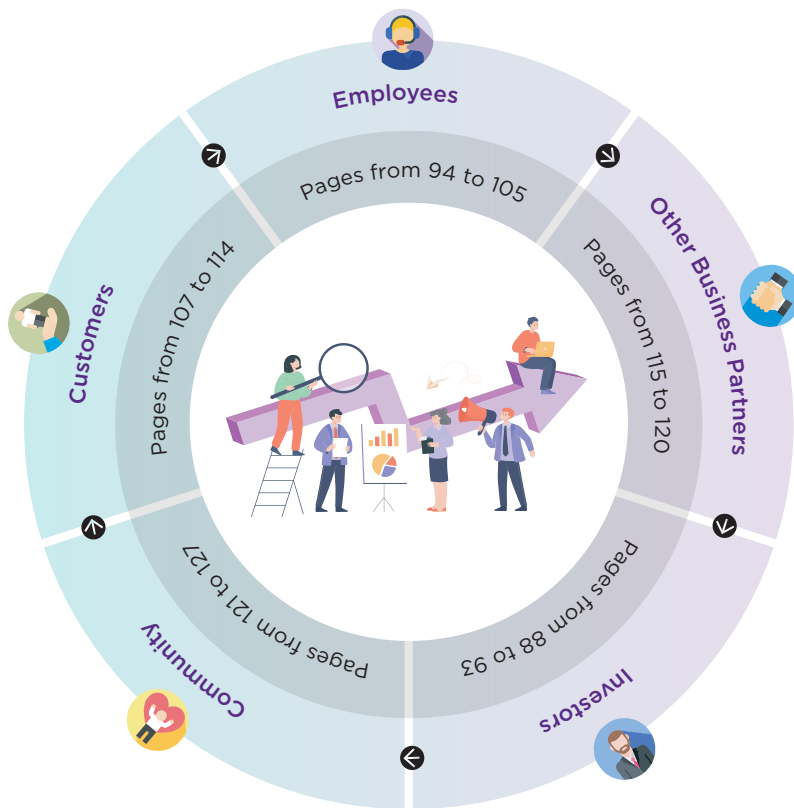
## INTELLECTUAL CAPITAL

### 3. 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 16. During the year company has invested Rs. 41.8 million for research and development activities.

### 4. STRATEGIC RELATIONSHIPS

Our strategic relationships mainly consist of elements of relationships that exist between the company and customers, investors, other business partners and community which we referred as our goodwill. Our relationship with stakeholders and quality of engagement is provided in "Stakeholder Engagement" on page 69.



### 5. OUR BRAND

Our brand is built to enhance the quality of life of all Sri Lankans and our brand 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.
- 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 125 page for CSR projects.

Company brand value has increased to Rs.2,382 Mn, compared to the previous year. We have managed our brand mainly focusing on the CSR projects in the given economic and social situation. We have also launched our newest campaign focused at enhancing quality of life by inspiring Sri Lankans to live life to the fullest "Live Life, Love Life Everyday" throughout the year.



**OUR BRAND PROMISE**

**You go live life to the fullest. We will take care of the rest.**

The Sri Lankan life insurance uptake is extremely low owing to the inherent island mentality where people think nothing bad will happen to me. They believe that they will live a good life and that bad things will only happen to others. Therefore, Softlogic Life for the first time in the 100 year old industry went against the usual fear mongering approach of trying to convince people that bad things are going to happen and created a paradigm shift in how life insurance branding is carried out. We said, you live your life to the fullest and if bad things happen we will be there for you.



**BRAND POSITIONING**

Promote proactive health management/healthy lifestyle by based on three elements; 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
- Digital channel
- Social Media
- Outdoor Visibility

**Compliance and Ethics**

Ethical marketing	Compliance/Penalties or fines
The Company’s marketing and communications always assess against ethical marketing criteria and present proposals to Managing Director before launching any marketing communication.	There were no monetary losses as a result of legal proceedings associated with marketing and communication of insurance product related information to new and returning customers

**Key Performance Indicators**

95%

Over 95% claims settled within a day

14

awards secured

**Awards and accolades**



**6. LOOKING FORWARD**

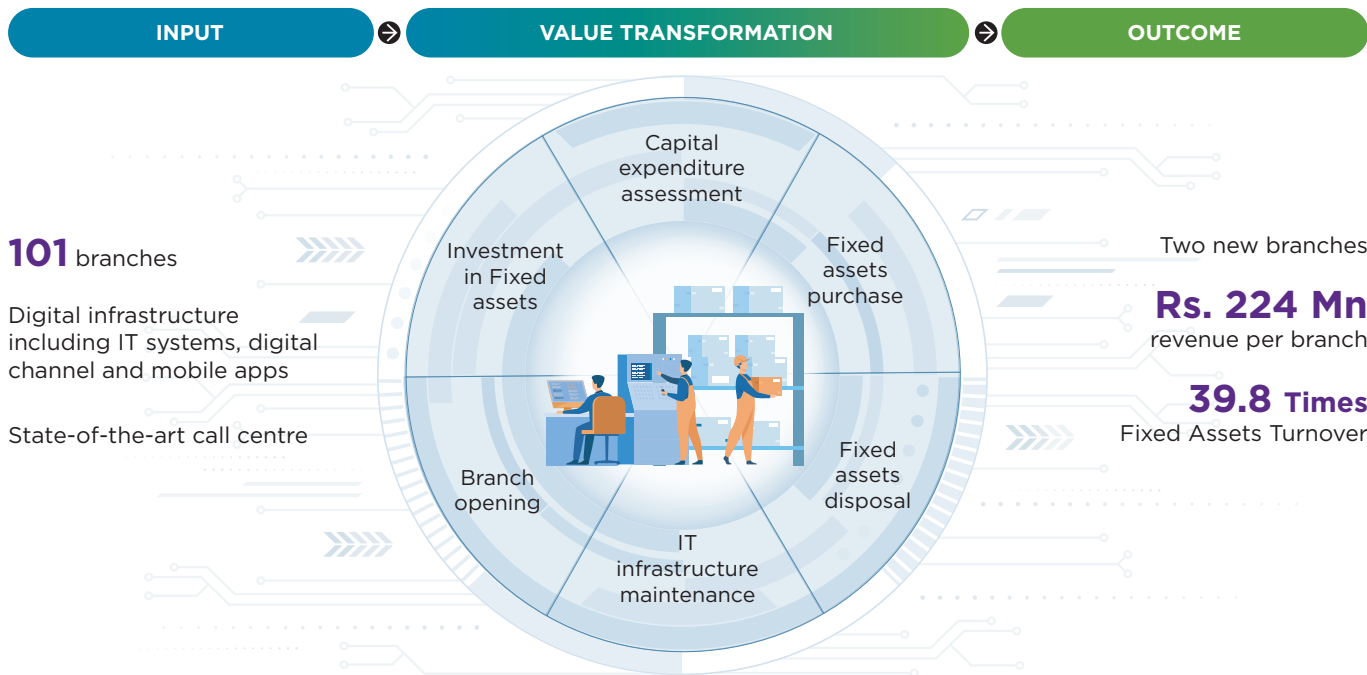
Short Term Target	Medium Term to Long Term View
Further enhance our brand value	Enhancing and preserving our employees and organizational knowledge which gives a value addition to our business model
Introduce more innovative products and improve employees’ innovativeness	Step into digitalize systems and Big data analytics  Implement artificial intelligence technology to day to day operations

We will continue to drive efforts towards nurturing our intellectual capital through increasing brand awareness, streamlining processes and inculcating a culture of knowledge sharing across the organization. Innovative digitization will be a key medium to long-term priority and is expected to support the achievement of Smart IT Digitization / Kings of data, Phenomenal sales and Lean and fast.

Digital infrastructure - 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.

# MANUFACTURED CAPITAL

Our Manufactured Capital consists of our physical and digital infrastructure which facilitate our customer reach and enable the smooth functioning of operations. Our transformation to a client centric, digitally-enabled organisation is heavily dependent on the quality and adequacy of our Manufactured Capital.



### Value Creation to Stakeholders

- 15%** growth in GWP
- Increased accessibility through 103 touch points and digital channels
- Opportunities for collaboration through online platform

Relevance to strategy	How it creates value	Trade off
<p>Manufactured capital contribution to value creation under strategic pillars are summarised below</p> <ul style="list-style-type: none"> <li>Island wide presence and the digital infrastructure facilitates the phenomenal sales.</li> <li>Enhanced customer service is ensured with increased customer touch points</li> <li>IT infrastructure facilitates smart IT digitization and the enables the heavy use of data</li> <li>Adequacy and the quality of manufactured capital directly facilitates the lean and fast delivery</li> </ul> <p>Accordingly, manufactured capital management within the company always considered of high importance and adequate resource allocation is always ensured in line with strategic priorities. The value creation of customer capital to the business is directly link to the core strategies of the company.</p>	<p>Our Manufactured Capital delivers customer connectivity and operational efficiency towards our business growth.</p>	<p>Balancing the expectations of all stakeholders and the objectives of the organization;</p> <ul style="list-style-type: none"> <li><b>Financial capital</b> <ul style="list-style-type: none"> <li>+ Long-term positive impact on financial capital and profitability through generating business volumes and efficiencies</li> <li>- Short-term impact on Financial Capital due to Rs. 95 Mn CAPEX in 2022</li> </ul> </li> <li><b>Social &amp; relationship capital</b> <ul style="list-style-type: none"> <li>+ provide increased access to customers and business partners</li> </ul> </li> <li><b>Human capital</b> <ul style="list-style-type: none"> <li>+ facilitate better performance and improved productivity</li> </ul> </li> </ul>



Materiality	
We identified following matters as material to our intellectual capital and managed during the year in a way to create value by contributing to the achievement of short, medium and long term strategic objectives and goals.	
Material matters	Managing material matters
Deliver sustainable financial results	1. Managing our manufactured capital Pg. 135
Provide superior customer service	2. Physical Infrastructure Pg. 135
Company growth through sales staff productivity improvement	3. Digital Infrastructure Pg. 136
Corporate governance and risk management	4. Looking Forward Pg. 136
Cybersecurity	
Adoption of fast-moving technological development	
Intensive market competition	

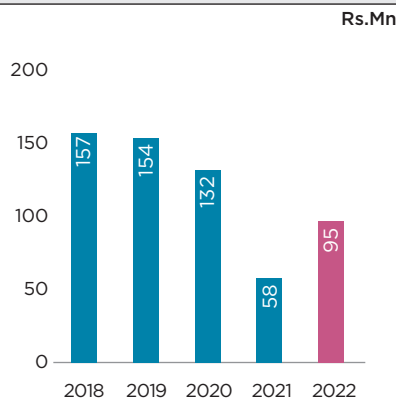
### 1. MANAGING OUR MANUFACTURED CAPITAL

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

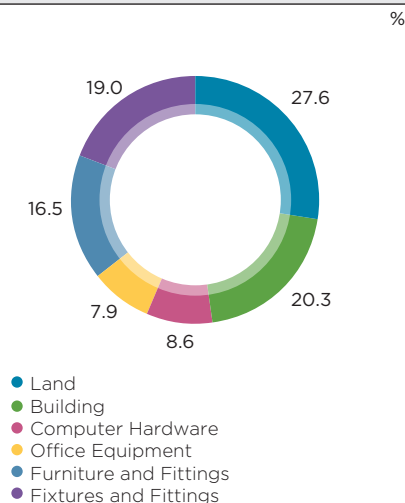
	Increase in physical infrastructure acquisition and maintenance cost	Increased cyber security risk for digital infrastructure
<b>Challenge</b>	With the rising inflation physical infrastructure acquisition as well as maintenance including rent have increased. Further, with the increase of operating expenses, the resources are limited to invest for capital expenditure.	Digital platforms increase the cybersecurity risk of the organization.
<b>SLI Response</b>	<ul style="list-style-type: none"> <li>Investment of Rs. 95 Mn for CAPEX for 2022</li> <li>Opened two new branches</li> </ul>	<ul style="list-style-type: none"> <li>Taken initiatives to prevent from the risks through proper security and awareness</li> </ul>

### Key Performance Indicators

**G30-FIXED ASSET ADDITIONS**



**G31-FIXED ASSET MIX -2022**



### 2. PHYSICAL INFRASTRUCTURE Our branch network

We have an advantage of leveraging on extensive island-wide branch reach of 103 own branches and we are well positioned to further penetrate untapped segments of the market. Goals of maintaining such a large branch network are increase in our customer base and customer accessibility, improve the brand visibility and enable more employment opportunities to localities. During the year we added two branches to Mulative and Colombo 03.



Scan me to see our branch network

## MANUFACTURED CAPITAL

### Key performance Indicators

Table 24: Branch network

Province	GWP (Rs. Mn)	No of branches	Average GWP per branch (Rs. Mn)	No of agents	Average GWP per agent (Rs. Mn)
Central Province	1,109	11	101	294	4
Eastern Province	342	3	114	184	2
North Central Province	418	4	105	118	4
North Western Province	1,580	12	132	385	4
Northern Province	480	4	120	173	3
Sabaragamuwa Province	890	5	178	124	7
Southern Province	2,003	13	154	337	6
Uva Province	401	5	80	56	7
Western Province	15,860	46	345	1,196	13
<b>Grand Total</b>	<b>23,083</b>	<b>103</b>	<b>224</b>	<b>2,867</b>	<b>8</b>

### 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 125.

### 3. DIGITAL INFRASTRUCTURE

With the persistent rise in industry-wide acquisition costs, digital delivery has been identified as a key differentiator and is a vital pillar of our strategic agenda.

#### 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.

Please refer page no. 16 on our technological improvements.

### 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

### Key performance Indicators

#### Investment in digital infrastructure

**Rs.20Mn**  
2022

**Rs.18Mn**  
2021

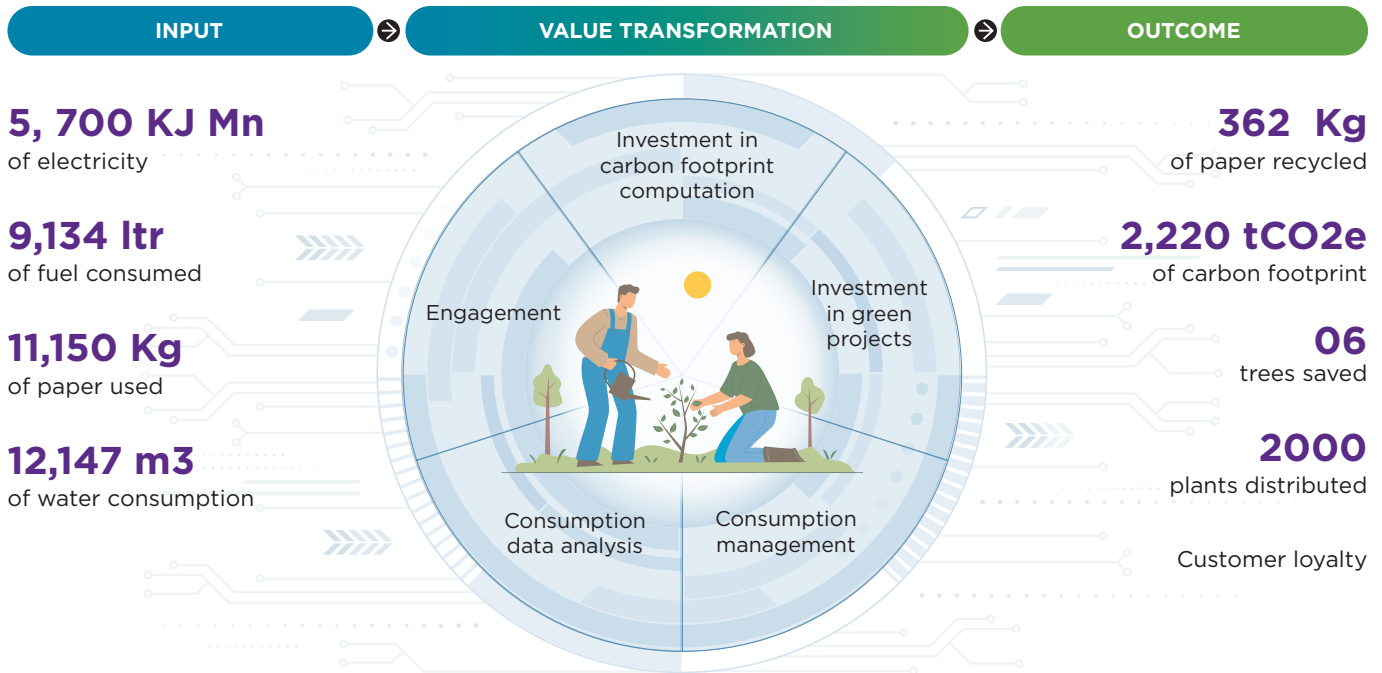
### 4. LOOKING FORWARD

Short Term Target	Medium Term View
Continue investments in technical infrastructure and strengthening our synergistic ties.	Enhance investments towards intangible assets to align with the pace of digitalized world and to ensure business sustainability in future operations
Expand our branch network island wide to gain customer reach	

The Company's strategic emphasis on developing Manufactured Capital will focus mainly on its digital infrastructure planned over the medium to long-term.








# NATURAL CAPITAL

As a life insurer in the service industry our environmental impacts are limited to the consumption of resources such as energy, paper and water and the discharge of emission. That said, we are committed to contributing towards the country’s achievement of the SDGs, particularly with regards to reducing emissions and the responsible consumption of natural resources.



### Value Creation to Stakeholders

-  Benefits from green projects
-  **15%** growth in business
-  **5%** Increase in brand value

Relevance to strategy	How it creates value	Trade off
<ul style="list-style-type: none"> <li> Positive impact created through green projects in the society help attract more customers</li> <li> Not only the people, we care for the environment as well</li> <li> Proper management of consumption leads to cost savings</li> </ul> <p>Accordingly, natural capital management within the company always considered of high importance and adequate resource allocation is always ensured in line with strategic priorities. The value creation of customer capital to the business is directly link to the core strategies of the company.</p>	<p>Our environment provides significant quantum of resources that we use within our value creation process.</p> <p>As a responsible corporate citizen in turn we contribute for the environment as well and preserve it for next generations with responsible consumption.</p>	<p>Balancing the expectations of all stakeholders and the objectives of the organization;</p> <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 5px;"> <p><b>Financial capital</b> </p> <ul style="list-style-type: none"> <li>+ Growth of business income</li> <li>+ Increased energy efficiency and reductions in paper consumption will lead to long term monetary savings</li> <li>- Impact to profitability due to investments in green campaigns</li> </ul> </div> <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 5px;"> <p><b>Intellectual capital</b> </p> <ul style="list-style-type: none"> <li>+ increase in brand value and brand awareness with green campaigns</li> </ul> </div> <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 5px;"> <p><b>Social and relationship capital</b> </p> <ul style="list-style-type: none"> <li>+ Strengthen the relationships with communities with green initiatives</li> <li>+ Benefits to the community through green initiatives</li> </ul> </div> <div style="border: 1px solid #ccc; padding: 5px;"> <p><b>Natural capital</b> </p> <ul style="list-style-type: none"> <li>+ Addition of new plants to natural eco system</li> <li>- Inevitable use of natural resources with the growth of the business</li> </ul> </div>

# NATURAL CAPITAL

Materiality		
We identified following matters as material to our Natural capital and managed during the year in a way to create value by contributing to the achievement of short, medium and long term strategic objectives and goals.		
Material matters	Managing material matters	
Deliver sustainable financial results	1. Environmental Impact Management	Pg. 138
Corporate governance and risk management	2. Paper consumption	Pg. 139
	3. Energy consumption	Pg. 139
Intensive market competition	4. Water consumption	Pg. 139
	5. Carbon footprint	Pg. 140
	6. Green campaigns	Pg. 141
	7. Looking Forward	Pg. 141

## 1. ENVIRONMENTAL IMPACT MANAGEMENT

Given the globally increasing implications of climate change, as a responsible corporate citizen, we are committed to contributing towards the sustained reduction of emissions as well as preservation of natural resources. Our commitment towards the environment is formally documented in our ESG policy clearly sets out our goals are actionable areas, key excerpts of which are set out below. The governance frameworks pertaining to environmental and social impact management is briefly described on page 192 of this Report. The Company is fully compliant with all environmental regulations/guidelines and there were no instances of fines or penalties imposed during the year.

### Our strategy

Environment impact management initiatives within the organization is focused on resource conservation, collaboration with communities, reduction of supply chain impact and waste prevention and management.

#### RESOURCE CONSERVATION

Conserving the use of natural resources such as water and energy to the extent practicable.

##### Initiatives

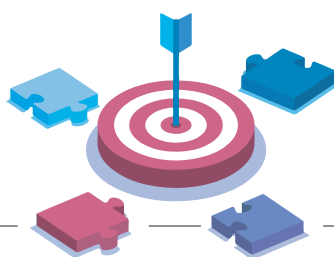
- Introduction of “Lift Sri Lanka project” where encouraged to provide a lift to someone
- Timer switches to Air-Conditioners (A/Cs) to our own building which operates only in working hours.
- Conducting staff trainings online to reduce fuel use for travelling to physical training and cost
- Master key switches on own buildings floors have enabled us to bring about greater energy efficiency

#### COLLABORATION WITH COMMUNITIES

Collaborating with the communities we work with to conserve and rejuvenate the environment

##### Initiatives

- Green projects where beneficiaries of locality are encouraged to grow plants by distributing plants



#### REDUCTION OF SUPPLY CHAIN IMPACTS

Working with our supply chain partners to ensure environmental impacts and risks are minimized across our value chain.

- Paperless Work Environment
- 100% digital sales platforms
- Digital Claim Submission
- E-receipting
- VPN Facilities for WFH
- LifeUp App
- App based underwriting (WhatsApp, Uber etc)

#### WASTE PREVENTION AND MANAGEMENT

We are committed to reduce the quantity and degree of waste generated from our operations in a responsible manner.

##### Initiatives

**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.

Environmental Impact Management Initiatives			
Internal Initiatives			External Initiatives
Reducing paper consumption/waste	Energy efficiency	Reducing our carbon footprint	Green projects

## 2. PAPER CONSUMPTION

We adopt the 3R approach-Reuse, Reduce and Recycle to achieve consistent reductions in our paper consumption/waste. The automation of processes and ongoing investments in digitisation has helped to gradually reduce the consumption of paper while employees and external stakeholders are encouraged to use online modes of communication. Accordingly, the Company's total paper consumption reduced by 33% to 11,150 kg during the year under review.

We continue to collaborate with an approved third-party recycler, Amaana Paper Collection in disposing our paper waste and during the year, 362 kgs of paper was recycled.

### Key performance Indicators

#### Paper usage (Kg)

**11,150** | **16,622**  
2022 | 2021

#### Paper recycled (Kg)

**362** | **1,290**  
2022 | 2021

#### Paper recycled (%)

**3%** | **8%**  
2022 | 2021

Table 31: Savings from paper recycling

	Unit of measure	Quantity
Trees	Number	6
Oil	Galloons	138
Land fill space	Cubic yards	1.1
Energy	Killowatt	1,448
Water	Galloons	2,532

## 3. ENERGY CONSUMPTION

The Company's key energy sources are electricity sourced from the national grid and fuel used for transportation purposes including employee travel, training and marketing activities. We are driving concerted efforts to achieve increased energy efficiency and during the year under review, electricity intensity (defined as electricity consumption per employee) declined by 6% to 5.71 KJ Mn from 6.06 KJ Mn and electricity intensity (defined as electricity consumption per GWP rupees 1 million) declined by 14%. Key initiatives to reduce energy consumption are listed above.

Table 32: Key performance Indicators

	2022	2021
<b>Direct consumption</b>		
Electricity (KJ Mn)	<b>5,700</b>	5,939
Energy intensity - electricity consumption per employee (kJ Mn)	<b>5.71</b>	6.06
Energy intensity - electricity consumption per GWP Rs 1 Mn (kJ Mn)	<b>0.25</b>	0.30
<b>Indirect consumption</b>		
Fuel consumption (KJ)	<b>926</b>	525

## 4. WATER CONSUMPTION

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 in the corporate office and branch network. During the year, the Company's carbon footprint amounted to 2,220, and the carbon intensity (defined as carbon footprint per employee) recorded low at 2.22 tCO<sub>2</sub> e.

Ground Water Consumption  
(Not measured)

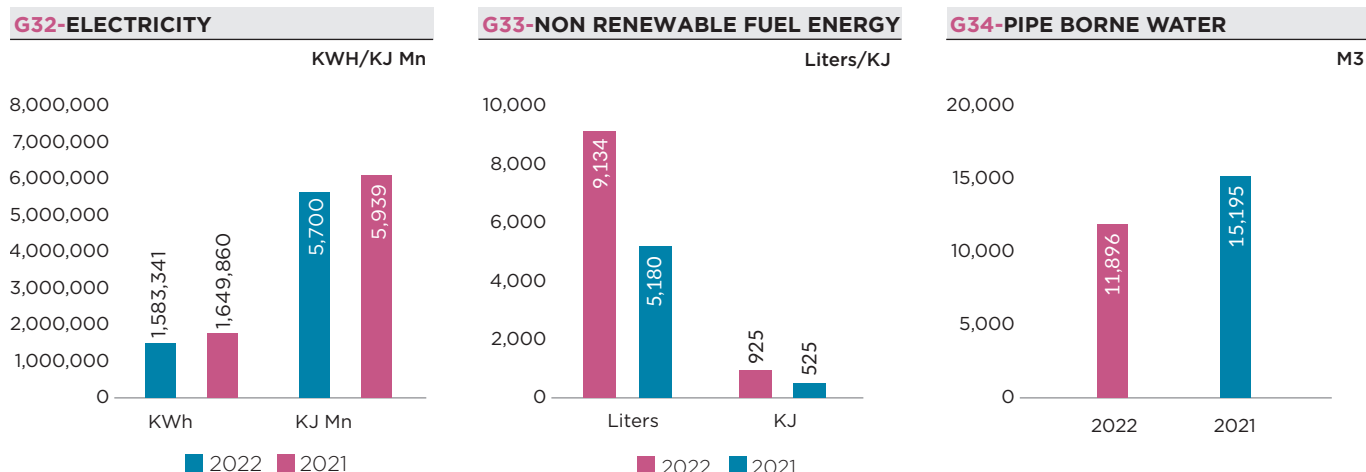
Pipe Borne Water  
Consumption **11,896 m<sup>3</sup>**

Mineral Water for Drinking  
Purposes **251 m<sup>3</sup>**

Total Water Withdrawal  
**12,147 m<sup>3</sup>**

## NATURAL CAPITAL

GRI 305-1 | 305-2 | 305-4



### 5. CARBON FOOTPRINT

Implications of climate change: Climate risks directly impact the insurance industry through increasing catastrophic losses characterized by a sudden and concentrated increase in mortality.

We are committed to playing our part in contributing towards the reductions of the country’s greenhouse gas emissions in line with the Sustainable Development Goals. First time we tracked our carbon footprint based on the GHG Protocol published by the World Resource Institute and World Business Council for Sustainable Development. The computation covers the Company’s

#### Key performance Indicators

Green House Gas Emissions and Intensity		
Scope	Description	Emissions (Tonnes of CO2Equivalent)
<b>Scope 1: Direct GHG Emissions</b>	Stand by generators	7.41
	Refrigerant Leakage	394.16
	Company owned vehicles	0.03
	Employee commuting (paid)	152.45
	Fire Extinguisher	0.01
<b>Total - Scope 1</b>		554.06
<b>Scope 2: Indirect GHG Emissions</b>	Grid Connected Electricity	858.49
<b>Total - Scope 2</b>		
<b>Scope 3: Other Indirect GHG Emissions</b>	Employee commuting (not paid)	705.41
	Business Air Travels	7.75
	Hired Vehicles	9.34
	Waste transportation	0.0004
	Municipal Water	2.97
	Waste disposal	0.01
	T&D loss	82.01
<b>Total - Scope 3</b>		1,665.98
<b>Carbon footprint (Scope 1+2+3)</b>		2,220.05
<b>Carbon footprint intensity - Emissions per employee</b>		2.22

Based on the results of carbon foot print assessment we will be taking future decisions to reduce footprint with measurable KPIs. There will also be more involvement from board of directors in managing climate change related impacts in the future.

**6. GREEN CAMPAIGNS**

Live Green Love Green is the home-gardening concept initiated by Softlogic Life with the purpose of inspiring whole of Sri Lanka to start even small garden at home to not wait but be proactive and prepared for the food crisis that may come. Even though this was initiated as a community project directly it adds plants to the natural eco system. The details of the program are illustrated in social and relationship capital under community on page 121.

**7. LOOKING FORWARD**

Short term target	Medium to long term target
Investment more in green initiatives that are complying with all applicable environmental regulations and use best practices for environmental management.	Be actively involved in protecting Mother Nature by achieving environmental protection strategies including to reduce carbon footprint of the company.
Introduce more energy saving options and initiatives to reduce consumption of resources internally	

We will continue to drive sustained reductions in our energy and carbon intensity as set out in our Environmental Policy. Our long-term objective is to achieve carbon neutrality across all our operations and in doing so, we drive concerted efforts to enhance energy efficiency and mitigate the greenhouse gas emissions. The Company will also continue to support strategic green campaigns in order to create meaningful change in the environment we operate in.

**UNDERSTANDING OUR CONTEXT AGAINST THE RISK OF CLIMATE CHANGE**

Climate change is one of the defining systemic issues of the 21st century, alongside poverty and inequality. It requires urgent, unprecedented action and cooperation from all stakeholders. At Softlogic Life we are keen to contribute in preserving our environment. Process to estimate impact from climate change to SLI is describe below.

- Financial impact assessment :-** As we are in the business of life insurance the key risks are mortality and morbidity. Future benefit and claims expected to be paid due to climate change related incidence could be assumed to be the financial impact of us. Accordingly, we are aware possible financial impact from adverse climate related events. However, we continue to assess the mortality and morbidity ratios of our customer portfolio on an annual basis and compare with our pricing assumptions. Any material deviations on significant cohorts are adjusted through the pricing. This provide comfort of we are adjusting our price to the impacts already reflected in the market due to climate change.
- Our Strategy:-** As a first step we started to assess entity wide carbon emission (Refer page 142) in our assessment which is the main impact we have on the climate. Year 2023 will be year of formalizing the information flows and taking required structural changes in the organization specially at the board level to formalize our actions to manage and reduce the impact. There after we will have proper strategy to manage our impact and positively contribute to the climate change.



# NATURAL CAPITAL



**ClimateSI**

## CARBON CONSCIOUS CERTIFICATE

Climate Smart Initiatives (Pvt) Ltd assures that GHG Inventory of  
**SOFTLOGIC LIFE INSURANCE PLC**  
for the year 2022

has been measured and reported in accordance with the requirements of  
ISO 14064-1: 2018 – Specification with guidance at the organizational level for the  
quantification and reporting of greenhouse gas emissions and removals.

Certificate No : ClimateSI/MRV/040

Date of Certification : 24. 02. 2023

Period of Assessment : 01. 01. 2022 to 31. 12. 2022

Scope of Certification : Financially controlled business activities belongs to Softlogic Life Insurance PLC

Total Direct GHG Emissions : 555 tonnes of CO<sub>2</sub>equivalent

Total Indirect GHG Emissions : 1,666 tonnes of CO<sub>2</sub>equivalent

**Total** : **2,221** tonnes of CO<sub>2</sub> equivalent

Eng. H. M. Buddika Hemashantha  
(BSc (Hons) Eng., M. Eng.)  
Chief Executive Officer  
Climate Smart Initiatives (Pvt) Ltd

Direct Emissions : Stand by diesel generators, Refrigerant leakages, Fire extinguishers, Company own vehicles,  
employee commuting paid by the company

Indirect Emissions : Imported energy (Grid electricity), Business air travels, Transmission & distribution loss, Municipal water  
Transport hired, Waste disposal, Waste transport, employee commuting not paid by the company

Exclusions : Transport locally purchased items

Period of validity : 01. 01. 2023 to 31. 12. 2023



# INDEPENDENT ASSURANCE REPORT TO SOFTLOGIC LIFE INSURANCE PLC



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426  
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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 31 December 2022. The Sustainability Indicators are included in the Softlogic Life Insurance PLC Integrated Annual Report for the year ended 31 December 2022 (the “Report”).

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

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	25 to 26

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

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Stakeholder Value Creation	55 to 57
<b>Information provided on following</b>	
Financial Capital	88 to 93
Human Capital	94 to 105
Social and Relationship Capital	106 to 127
Intellectual Capital	128 to 133
Manufactured Capital	134 to 136
Natural Capital	137 to 141

## OUR CONCLUSIONS

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

## REASONABLE ASSURANCE SUSTAINABILITY INDICATORS

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2022, in all material respects, has been prepared and presented by the management of Softlogic Life Insurance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

## LIMITED ASSURANCE SUSTAINABILITY INDICATORS

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2022, have not in all material respects, been prepared and presented by the management of Softlogic Life Insurance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

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

P. Y. S. Perera FCA  
W. J. C. Perera FCA  
W. K. D. C. Abeyrathne 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

T. J. S. Rajakarier FCA  
Ms. S.M.B. Jayasekara FCA  
G. A. U. Karunaratne FCA  
R. H. Rajan FCA  
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyad FCMA (UK), FTII

## MANAGEMENT’S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

## OUR RESPONSIBILITY

Our responsibility is to express a reasonable assurance conclusion on the Company’s preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

## ASSURANCE REPORT



We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### REASONABLE ASSURANCE OVER REASONABLE ASSURANCE SUSTAINABILITY INDICATORS

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria,

being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

### LIMITED ASSURANCE ON THE ASSURED SUSTAINABILITY INDICATORS

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

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with,

the sustainability performance of the Company;

- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

### PURPOSE OF OUR REPORT

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

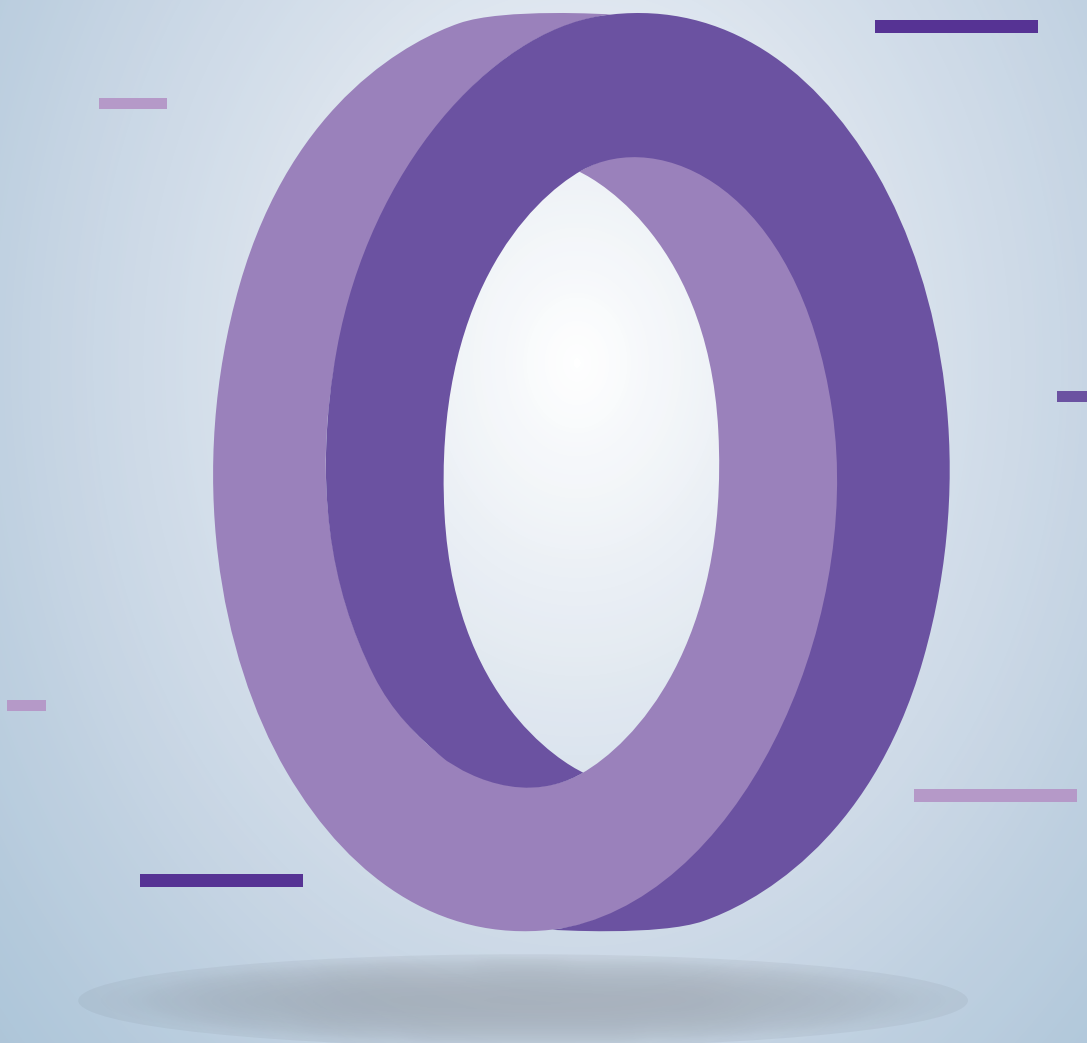
### RESTRICTION OF USE OF OUR REPORT

This report has been prepared for the Directors of Softlogic Life Insurance PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Softlogic Life Insurance PLC Integrated Annual Report for the year ended 31 December 2022 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 Directors of Softlogic Life Insurance PLC, or for any other purpose than that for which it was prepared.

**CHARTERED ACCOUNTANTS**  
Colombo  
7 March 2023

# Reimagining Continuity

Ours is a timeless journey that represents a spirit of continuity amid times of disruption.



## STEWARDSHIP

Chairman's Statement **146** | Our Approach to Governance **147** | Value Creation from Governance Framework **148**  
Statement of Compliance **150** | Governance Structure & Leadership **151** | Board of Directors **153**  
Corporate Management Team **156** | Sales Management Team **158** | Ethics & Integrity Practices **174**  
Annual Report of The Board of Directors **185** | Other Board Reports **194-199** | Audit Committee Report **200**  
Risk Committee Report **205** | Human Resource and Remuneration Committee Report **207**  
Investment Committee Report **209** | Related Party Transaction Review Committee Report **211** | Nomination Committee **213**  
Compulsory Governance Codes **215-217** | Voluntary Governance Codes **218-225** | Integrated Risk Management **226**

## CHAIRMAN'S STATEMENT



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 2022 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 4 awards at the prestigious 57th Annual Report awards (TAGS awards) organized by CA Sri Lanka including gold award for Insurance sector and silver award for overall excellence in Corporate reporting for second consecutive year.

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

The Company also obtained external assurance on Integrated Reporting and sustainability indicators which covers reflecting our commitment to enhancing transparency. This assurance report is provided in pages 85-86 and 143-144 respectively.

### 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 ECONOMIC CRISIS

The impact of the economic crisis in Sri Lanka has affected all businesses as well as individuals. This situation has created a very volatile and uncertain business environment that adversely affected to many sectors including Financial Services. However, the Company and the leadership was able to navigate the Company through this challenging times and maintained growth and quality of service throughout the year enriching the lives of all policyholders.

### GOVERNANCE STRUCTURE, ETHICS AND INTEGRITY

Our 2022 governance report from pages 146-225 provides the How the Company is creating value form governance framework, Statement of compliances, leadership provides for the strong governance structure, Ethics and integrity practices of the Company, Board reports and the

compliance with compulsory and voluntary governance codes.

### WAY FORWARD

The Company continuously analyses the developments in the macro environment and takes a pro-active stance on maintaining good governance to facilitate the Company's sustainable journey.

Furthermore, the Board has been keeping up with the changes in the accounting standard for Insurance Contracts - SLFRS 17, which is globally introduced for the insurance industry and to be effective from 2025. The current progression and the expected future plans of the governance framework for SLFRS 17 is provided on page 180.

### 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 150, 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 2023

## OUR APPROACH TO GOVERNANCE

### OUR APPROACH TO 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.

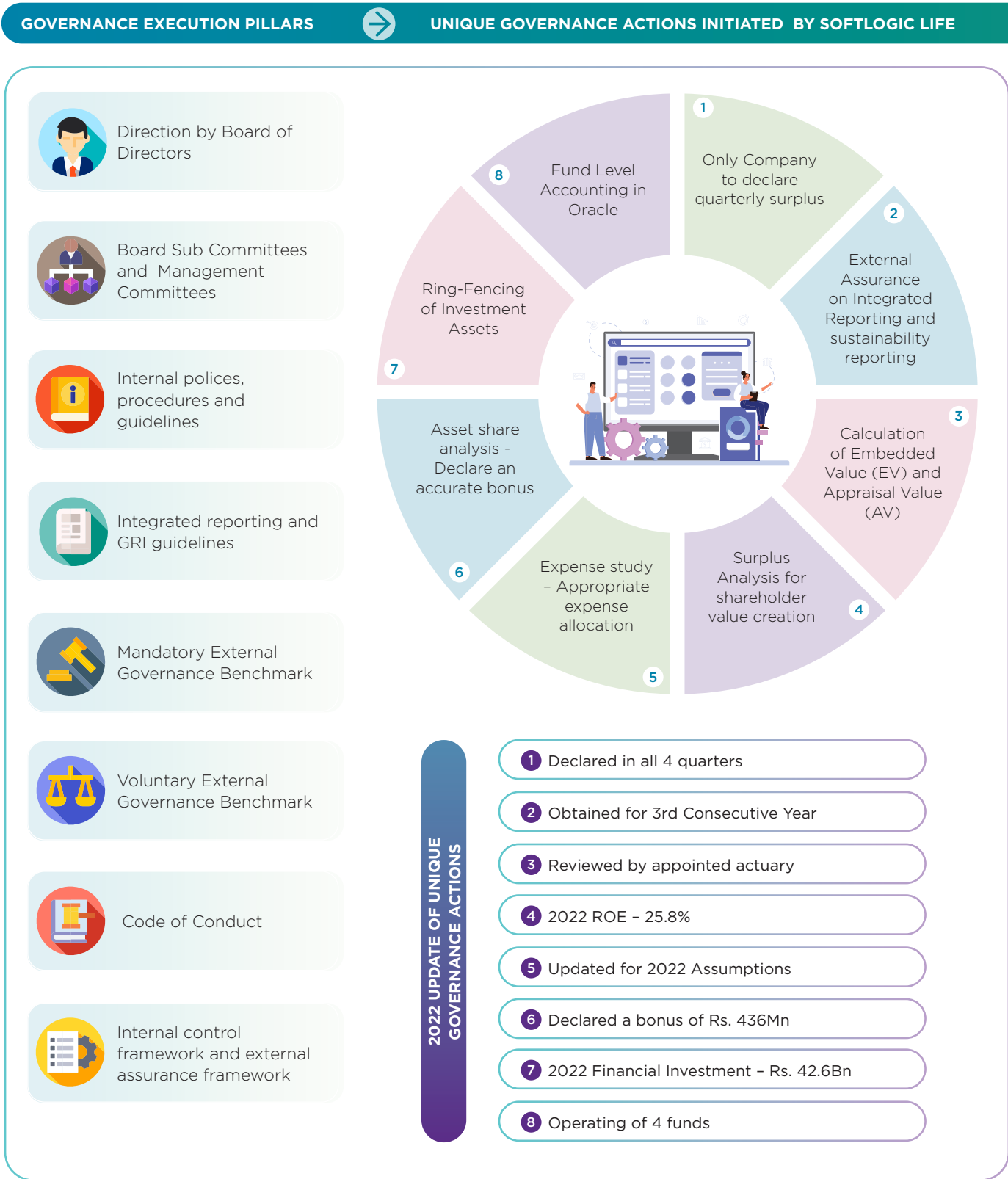
We have built a future-focused, performance-driven culture which includes a comprehensive and efficient system of internal controls combined with an effective control environment designed to protect the interests of every stakeholder of the Company.

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.

### STRUCTURE OF ANNUAL CORPORATE GOVERNANCE REPORT

<b>1. Value creation from Governance framework</b>	<b>148-149</b>
<b>2. Statement of Compliance</b>	<b>150</b>
<b>3. Governance Structure and Leadership</b>	<b>151-173</b>
3.1 Governance Framework	151
3.2 Board Composition	151
3.3 Powers, Roles and Responsibilities of the Board	162
3.4 Board Competency Evaluation	164
3.5 Board Remuneration	164
3.6 Maintaining the Independence of the Board	164
3.7 Board Involvement in Sustainability Management and Reporting	166
3.8 Board Sub-Committees	168
3.9 Board Meetings	169
3.10 Professional Development of the Board	170
3.11 Appointment, Re-Election and Resignation of Directors	170
3.12 Corporate Management	172
<b>4. Ethics and Integrity Practices</b>	<b>174-184</b>
4.1 Promoting an Ethical Organisational Culture	174
4.2 Seeking Advice and Reporting on Unethical and Unlawful Behaviour	175
4.3 Maintaining Integrity of Employees and Sales Force	176
4.4 Maintaining Integrity & Transparency of Policyholder Funds	176
4.5 Evaluation of Effectiveness of Control Environment	177
4.6 Implementation of SLFRS 17	180
4.7 IT and Cyber Security Risk Management	181
4.8 Stakeholder Engagement	183
<b>Annual Report of Board of Directors</b>	<b>185</b>
<b>Other Board Reports</b>	<b>194-199</b>
<b>Board Sub Committee Reports</b>	<b>200-214</b>
<b>Compulsory Governance Codes</b>	<b>215-217</b>
<b>Voluntary Governance Codes</b>	<b>218-225</b>

# 1. VALUE CREATION FROM GOVERNANCE FRAMEWORK



VALUE CREATION INPUT FOR SUSTAINABLE GROWTH → VALUE CREATION OUTPUT

APPROVED BY HIGHEST GOVERNING BODY

STRATEGY FOR 2022

- Most Caring Life Insurer
- Phenomenal Sales
- Smart IT Digitalisation
- King of Data
- Lean and Fast

CONTROL BY THE GOVERNANCE ACTIVITIES

- Financial Capital**  
Includes funding sources used to finance the operation
- Human Capital**  
Includes the expertise, motivation and resilience of our employees
- Social and Relationship Capital**  
Includes critical relationships we maintain within our business
- Intellectual Capital**  
Includes knowledge of people, brand, culture and inbuilt technology
- Manufactured Capital**  
Includes our fixed assets base, IT platforms, branch network and which we use to conduct our business.
- Natural Capital**  
Includes our indirect impact on the natural resources and utilities used in the business.

Financial Capital



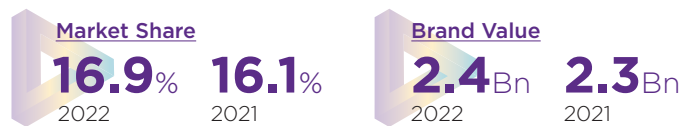
Human Capital



Social & Relationship Capital



Intellectual Capital



Manufactured Capital



Natural Capital



## 2. STATEMENT OF COMPLIANCE

The 2022 integrated annual report includes the audited Financial Statements for the year ended 31st December 2022, which are provided on pages 257-359 while the Independent Auditors' Report is provided on pages 254-256.

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 pages 85-86 and 143-144 respectively.

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.

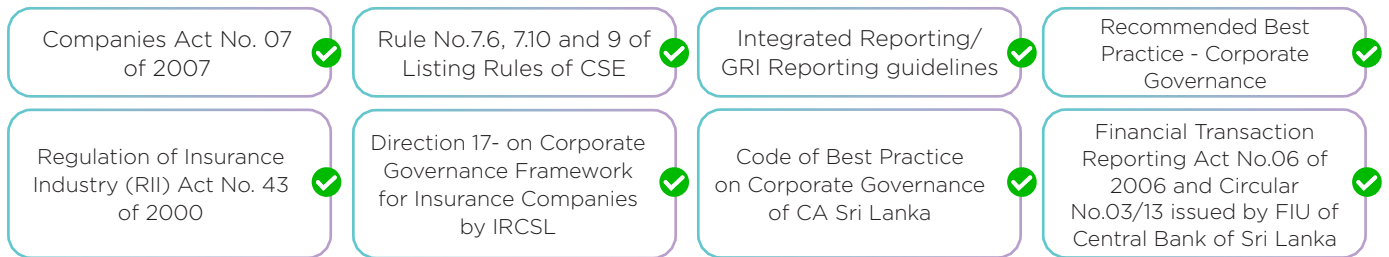
The Company complied with the Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto and the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka. In addition, we have achieved the status of 'Fully Compliant' with the applicable sections of the Listing Rules on Corporate Governance issued by The Colombo Stock Exchange (CSE).

The Annual Report of the Board of Directors as at 31st December 2022 is presented on pages 185-193.

The Directors' statement of Internal Control is disclosed on pages 198-199. 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 146.

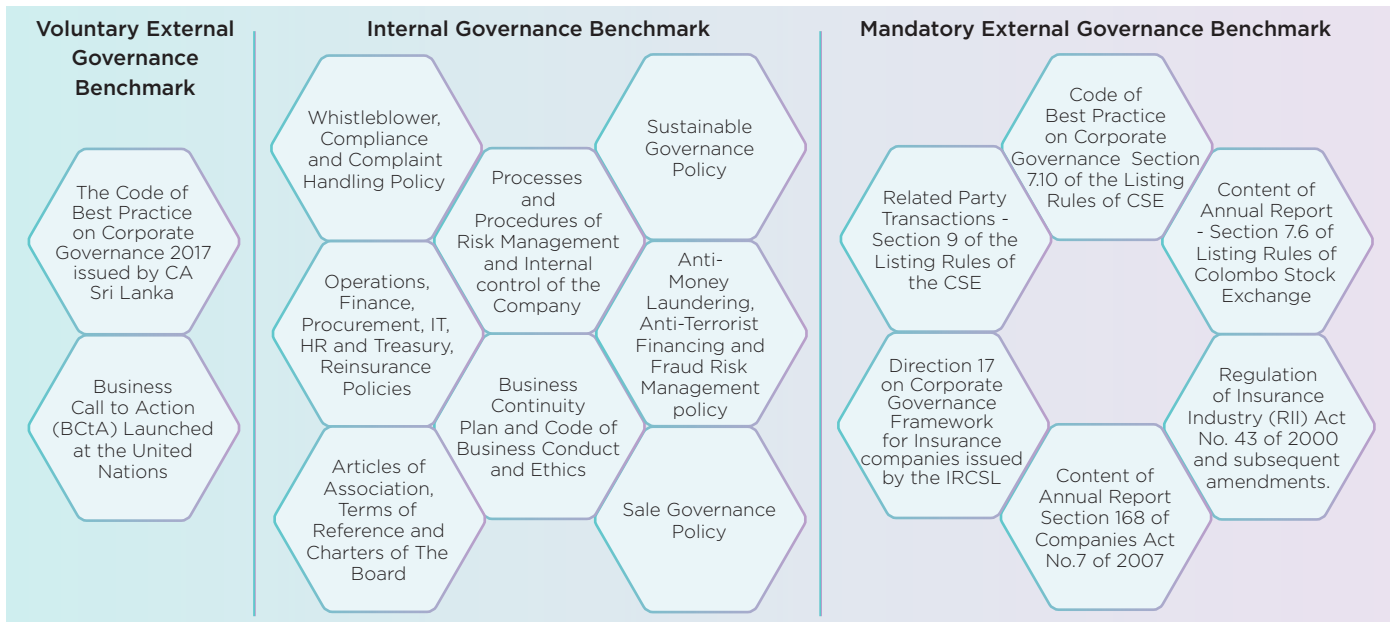
The level of compliance in preparing the Financial Statements has been declared by the Board of Directors on pages 194-195 in the Statement of Directors' Responsibility for Financial Reporting.

The declaration of independence given by all Directors, in compliance with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka is given on page 164.



### Governance Benchmarks of the Company

The Company operates within its internal governance benchmarks while complying with both mandatory and voluntary external governance requirements which are illustrated below.





### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

Operating in a quick paced environment, Softlogic Life is aware of the necessity to maintain flexibility in order to seize business opportunities and respond to threats. Making timely, well-informed decisions is essential for implementing change and maintaining competitive edge.

The Softlogic Life organizational structure aims to promote effective governance by enabling decisions to be made at the appropriate business level by the people best placed to take them. At Softlogic Life, authority is assigned and responsibility is developed through the clear definition of roles and responsibilities in mandates and job descriptions.

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.

#### 3.1 GOVERNANCE FRAMEWORK

The Company has well-defined governance structures embedded across the Company, supporting our ability to create and preserve value, while guarding against value erosion.

Our approach to corporate governance enables integrated thinking and decision-making that balances the achievement of our strategic priorities over time and reconciles the interests of the Company, stakeholders and society in creating and protecting sustainable shared value and guarding against value erosion in the short, medium and long term.

Company's purpose, values and ethics are the basis on which we institutionalise an ethical culture across the entity and in the delivery

of our strategy. Code of ethics provides the practical guidance on how to behave, outlines acceptable conduct and empowers them to make faster, more confident decisions within clearly defined parameters.

The board and committee effectiveness assessments and executive management performance evaluations measure conduct against the Company's values and code of ethics.

Our board is responsible for the ethical and effective leadership of the Company and chairman and the Board of Directors set the ethical tone for the Company. Board of Directors provides the strategic direction of the Company while Managing Director and the corporate management holds executive power delegated to them by authority of the Board of Directors to execute the strategy.

The governance framework of Softlogic Life Insurance PLC is provided in page 152.

#### 3.2 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

The Board's Primary responsibility is to provide entrepreneurial and cogent leadership within a system of responsible and effective controls that allows risk to be evaluated and managed.

Key Management Personnel (KMP) have the authority make decisions within the established framework and have access to resources to implement their decisions.

#### 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 162.

#### Separation of the roles of Chairman and Managing Director

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 162.

#### 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.

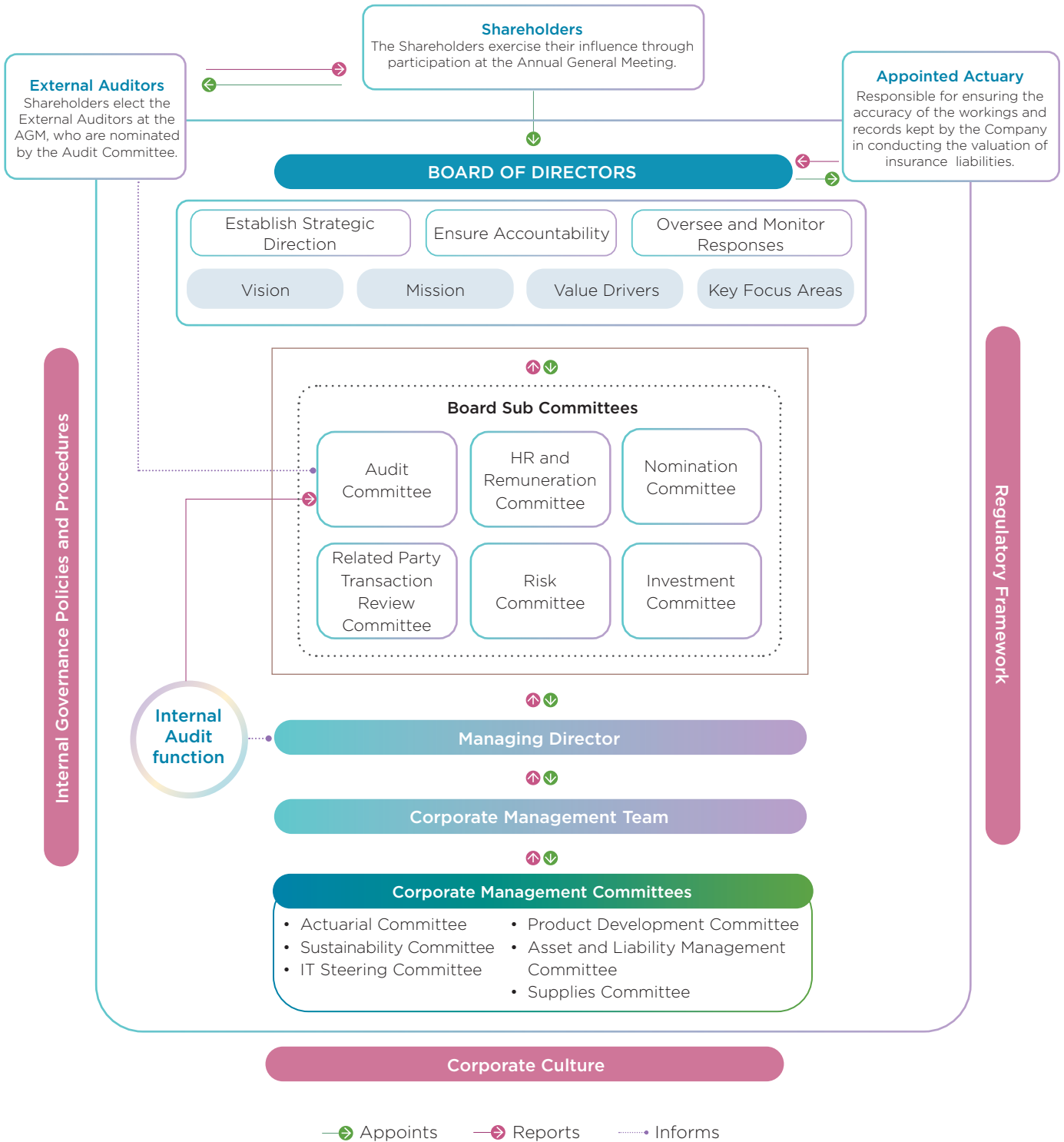
Director's statement regarding responsibility on Financial Reporting is provided in pages 194-195.

#### Seeking Independent Professional Advice

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.

### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

Figure: Governance Framework of Softlogic Life Insurance PLC



## Board of Directors



**Mr. Ashok Pathirage**  
Chairman



**Mr. Iftikar Ahamed**  
Managing Director



**Mr. Haresh Kaimal**  
Director



**Ms. Fernanda Lima**  
Director



**Mr. V. Govindasamy**  
Director



**Mr. Raimund Snyders**  
Director



**Mr. Sanjaya Mohottala**  
Director



**Mr. Lalith Withana**  
Director

### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

#### 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, 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.

#### 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. Haresh 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

He holds a Bachelor of Science in Electrical Engineering and 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.

### 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 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 AIICO 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, 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.

### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

#### 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**  
Chief Risk Officer



**Kavi Rajapaksha**  
Chief Marketing Officer

**Iftikar Ahamed**  
**Managing Director**

Please refer Profiles of the Board of Directors on page 154.

**Indu Attygala**  
**Deputy Chief Executive Officer**

MBA University of Northampton, UK

29 years of experience in Insurance.

**Thilanka Kiriporuwa**  
**Chief Corporate Services Officer**

Master's in business studies (UOC), CIM (UK), LLB Hons (UK) Diploma in Human Resources and a Diploma in Information Technology.

22+ 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 delivering FinTech, InsurTech, BPA, DX & CX solutions.

He serves as Chairman Information Technology Committee of the Insurance Association of Sri Lanka

**Suranga Waduge**  
**Chief Actuarial Officer**

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

18 years of experience in the Actuarial and Life Insurance. 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, Associate member of Association of Chartered Certified Accountants (ACCA) - United Kingdom, Bachelor of Business Management Finance Special from University of Kelaniya, member of Certified Management Accountants of Sri Lanka (ACMA).

He serves as member of Governing council of Institute of Chartered Accountants of Sri Lanka and Open University of Sri Lanka. Also he serves as the Chairman of the Finance and Technical Committee of the Insurance Association of Sri Lanka (CFO Forum).

He counts for 18 years of experience in fields of Insurance, Finance, Strategy, Investor Relation, 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.

18 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.

He serves as Chairman HR Committee of the Insurance Association of Sri Lanka

**Ruwantha Arukwatta**  
**Chief Audit and Compliance Officer**

ACA

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

**Saranga Wijayarathne**  
**Chief Digital Innovation Officer**

MBCS, PglISM University of Colombo.

18 years of experience in Information Technology specialized in Insurance.

**Rushika Bemunuge**  
**Chief Risk Officer**

Master's in financial economics, University of Colombo, BSc. Economics, London School of Economics.

15 Years of Experience in Risk Management with specialist focus on Market Risk Management in Banking and Insurance.

**Kavi Rajapaksha**  
**Chief Marketing Officer**

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.

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

### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

#### Sales Management Team



**Sandamal Hettiarachchi**  
Senior General Manager -  
National Distribution



**Kapila Suriyaarachchi**  
Senior General Manager -  
National Distribution



**Roshan Peiris**  
General Manager - Business  
Development



**Upul Jayasekara**  
General Manager



**Susil Atapattu**  
General Manager



**Nishan Chaminda**  
General Manager



**Nishantha Bandara**  
General Manager



**Priyashantha Siriwardena**  
General Manager



**Hiran Gunawardena**  
Deputy General Manager -  
Business Development



**Nihal Perera**  
Assistant General Manager



**Viranga Gunathilaka**  
Assistant General Manager



**Sumith Jayaweera**  
Assistant General Manager



**Chaminda Weerakkody**  
Assistant General Manager



**Sandamal Hettiarachchi**  
**Senior General Manager - National Distribution**

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

35 years of experience in the Insurance industry and 5 years in Aeronautical Field.

**Kapila Suriyaarachchi**  
**Senior General Manager - National Distribution**

*Marketing Diploma - National Institute of Business Management.*

34 years of experience in the Insurance industry.

**Roshan Peiris**  
**General Manager - Business Development**

*CIAM - LIMRA USA, LUTCF - LIMRA USA, CFM - USA, CPM -Asia*

28 years in insurance Industry.

**Upul Jayasekara**  
**General Manager**

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

23 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.*

29 years of experience in the Life Insurance industry.

**Nishan Chaminda**  
**General Manager**

*Certified AMTC - USA, LUCTF.UK. SIM. Singapore Completed AMTC Management Training Course Life insurance conduct by International (USA).*

28 years in insurance Industry.

**Nishantha Bandara**  
**General Manager**

*Master of Business Administration at London Metropolitan University, The Programme of " Middle Leval 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.*

33 years in the Insurance industry.

**Priyashantha Siriwardena**  
**General Manager**

*MBA from Buckinghamshire New University of 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).*

31 years of experience in the Insurance industry.

**Hiran Gunawardena**  
**Deputy General Manager - Business Development**

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

11 years of experience in Defense services and 26 years in the Insurance industry.

**Nihal Perera**  
**Assistant General Manager**

*Higher National Diploma in Accountancy, LUTCF (USA), LIM "Dip" (USA).*

35 years in the Insurance industry.

**Viranga Gunathilaka**  
**Assistant General Manager**

*BA University of Ruhuna.*

28 years of experience in the Insurance industry.

**Sumith Jayaweera**  
**Assistant General Manager**

31 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- Certified Professional Marketer, AWF- CII.UK - Award in Financial Planning -Chartered Insurance Institute UK.*

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

### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

Figure: Board Composition



**Mr. Ashok Pathirage**  
Chairman  
Age: 58  
(Appointed 9 July 2011)

**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: 60  
(Appointed 9 July 2011)

**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: 57  
(Appointed 7 March 2018)

**Skills and Experience:**  
His experience spans over 30 years in ICT sector in Management of IT and Operations.



**Ms. Fernanda Lima**  
Director  
Age: 50  
(Appointed 21 December 2018)

**Skills and Experience:**  
Her experience includes Financial Services and investment in emerging markets for over 20 years.



**Mr. V. Govindasamy**  
Director  
Age: 58  
(Appointed 16 January 2020)

**Skills and Experience:**  
He has experience in management in the sectors of Plantations, FMCG, Renewable Energy.



**Mr. Raimund Snyders**  
Director  
Age: 58  
(Appointed 2 May 2020)

**Skills and Experience:**  
He has management experience of over 28 years in Financial Services, Wealth and Investment Management.



**Mr. Sanjaya Mohottala**  
Director  
Age: 46  
(Appointed 01 July 2021)

**Skills and Experience:**  
He has experience in Corporate Finance, Automation, Digitisation, Sales and Marketing.



**Mr. Lalith Withana**  
Director  
Age: 61  
(Appointed 01 July 2021)

**Skills and Experience:**  
He has Management experience of over 25 years in Banking, Manufacturing & Trading sectors.

**SKILLS & EXPERIENCES**

**Insurance**

50%

**Accounting and Finance**

75%

**Risk Management**

63%

**Economics**

25%

**Banking**

75%

**Corporate and Commercial Law**

25%

**Information Technology**

25%

**International Experience**

25%

**General Management**

100%

**Executive Leadership**

13%

**Sales and Marketing**

25%

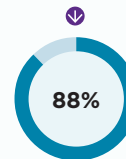
**Project Management**

13%

- A** Audit Committee
- R** Risk Committee
- H** Human Resource and Remuneration Committee
- I** Investment Committee
- T** Related Party Transaction Review Committee
- N** Nomination Committee

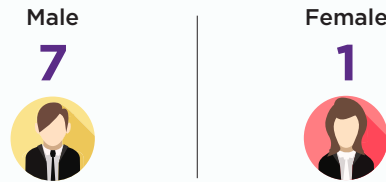
**POWER BALANCE**

**8 Members**

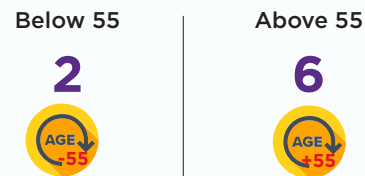


**Board Meeting Attendance**

**Gender**



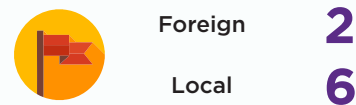
**Age**



**Tenure**



**Nationality**



### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

#### 3.3 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. The Board is given significant yet appropriate levels of power, to execute the responsibilities assigned to them.

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). Refer pages 194-195 for the Statement of Directors' Responsibility for Financial Reporting.

#### Roles of the Board

##### THE ROLE OF CHAIRMAN

**The Chairman of the Board:  
Mr. Ashok Pathirage**

- 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 ROLE OF MANAGING DIRECTOR

**The Managing Director:  
Mr. Iftikar Ahamed**

- 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 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.






##### THE ROLE OF COMPANY SECRETARY

**The Company Secretary: P. R. Secretarial Services (Pvt) Ltd**


- 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.

## 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.

	Focus Area	2022 Update	
STRATEGIC DECISION	Setting Strategic Targets	Refer pages 78-83 for the Strategic Targets.	 Most Caring Life Insurer  Smart IT Digitalisation  King of Data  Phenomenal Sales  Lean and Fast
	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 205-206.	
	Effective use and discharge the duties of Board Sub-Committees	Refer page 168 for Board Sub-Committee Meetings held and duties discharged in 2022	
	Integrating sustainable business developments into Company strategy and promoting integrated reporting	Refer pages 166-167 for CSR and sustainability initiatives reviewed by the Board.	
EXECUTION AND OPERATING GOVERNANCE	Guiding and providing input to the Corporate Management to execute their strategic duties	Guidance was given to the strategies implemented by the Corporate Management based on the Corporate Plan 2022-2024.	
	Succession Planning for MD and Key Management Personnel (KMP)	Refer pages 207-208 for Succession Planning executed by the HR & Remuneration Board Committee.	
	Reviewing Company's values, standards and encouraging compliance with regulations	Refer page 186 for Company's values and standards that were discussed by the Board.	
	Appointing of MD and evaluation of their strategy of the Corporate Management.	Refer Page 172 for details of the MD and KMP's performance evaluation by the Board during 2022.	
	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 2022.	
	Considering all stakeholder interests in decision making.	Refer pages 69-73 for the Board's analysis of impact on various stakeholders of the Company.	
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 2022.	
	Assessing the effectiveness of the Board via Self-evaluation	Refer page 164 for the self-evaluations carried out by the Board in 2022.	
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 200-204.	
	Reporting to shareholders on their stewardship	The Corporate Governance section on pages 146-225 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 200-204.	
	Reviewing & approving interim and annual financial statements for publication.	Declarations of the Annual Report and Financial Statements can be found on page 201.	

### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

	<b>GRI</b>	2-18	2-19	2-20
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#### 3.4 BOARD COMPETENCY EVALUATION

The Board periodically appraises 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 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 Managing Director, determines the annual targets given to the Managing Director 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 2022 are available on pages 200- 214.

#### 3.5 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 comprises 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 207-208.

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 356 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 207-208.

#### 3.6 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 2022.

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.

### 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 2022

Name of the Director	Employment by the Company	Material Business Relationship	Close family member is a KMP	Significant Shareholding	Consecutive service of nine or more years	Business Relationship	Director of another Company	Shareholder in another Company
	1	2	3	4	5	6	7	8
Mr. Ashok Pathirage	✓	✓	✓	x	x	x	x	x
Mr. Ifthikar Ahamed	x	✓	✓	✓	x	x	x	✓
Mr. Haresh Kaimal	✓	✓	✓	✓	✓	✓	x	x
Mrs. Fernanda Lima	✓	✓	✓	✓	✓	✓	x	✓
Mr. V. Govindasamy	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Raimund Snyders	✓	✓	✓	✓	✓	✓	x	✓
Mr. Sanjaya Mohottala	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Lalith Withana	✓	✓	✓	✓	✓	✓	✓	✓

### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

#### 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:

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.

#### 3.7 BOARD INVOLVEMENT IN SUSTAINABILITY MANAGEMENT AND REPORTING

The Board believes sustainability management is an important precautionary approach to economic, social and environmental risk management. They have recognized 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.

The Board has therefore taken the below strategies, in order to fully encompass the impact of sustainability on the organization.

- Integrating sustainability into the strategy and execution.
- Managing the risks and opportunities derived from issues relating to sustainability.
- Report and disclose sustainability related matters.

#### Integrating sustainability to Company strategy and execution

The Board had established that the recognition and management of Sustainability and CSR issues are top priority for the Company. By setting the tone at the Board level, Sustainability and related topics are regularly discussed in the Management Committee, which is comprised of Managing Director and Corporate Management personnel of each department.

#### Establish Long Term Stability via Sustainability as a precautionary approach

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 183 for details.

#### 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.

The Board has taken steps to reinforce sustainability reporting standards of the Company by:

- Obtaining external assurance report from Messrs. KPMG for sustainability reporting.
- Following the Gender Parity reporting standards issued by the Institute of Chartered Accountants of Sri Lanka.
- Following the guidance on ESG reporting issued by Colombo Stock Exchange (CSE).

Softlogic Life uses the Global Reporting Initiatives (GRI) standards for our sustainability reporting. Refer pages 375-376 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 75-77. The process of assessing the materiality of transactions, integrating the GRI and UNSDG sustainability principles is shown on pages 74-77.

#### 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 137-142.



## Reporting on Social Sustainability

The Company also considers the impact and responsibility it has on the stakeholders in the society as detailed below:

Area of Impact	Response of the Company and Reporting Provided
<b>Impact on the Community</b>	
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 106-127 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 88-93.
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 106-127.
<b>Impact on Customers</b>	
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 106-127 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 106-127.
<b>Impact on Employees</b>	
Equal Opportunity at Softlogic Life	The Company cares about its employees' concerns and responds to their needs. More details are available on pages 94-105 under Human Capital.
Career Development & Training Provided	
<b>Impact on Suppliers and Service Providers</b>	
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 106-127 under Social and Relationship Capital.

## 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.

### Managing Risks and turning them into Opportunities to improve Sustainability

Managing Risks and turning them into Opportunities to improve Sustainability is provided in the below table.

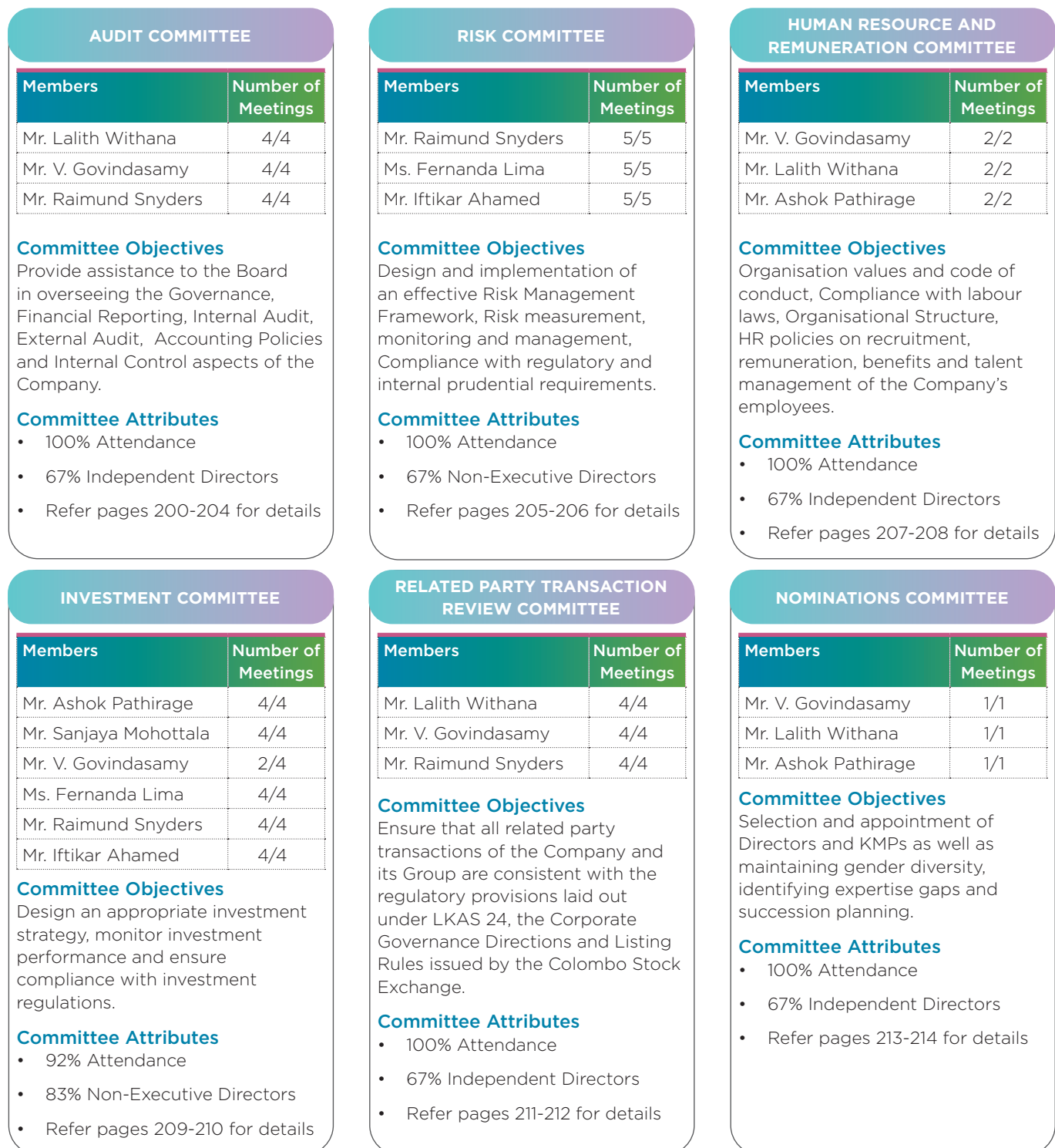
Risk to Company Sustainability	How we Manage the Risk	Opportunity created to improve Sustainability
Carbon Footprint and Impact on the Environment and Natural Resources.	Changed the way the Company operated, in order to improve Eco Efficiency. Refer pages 137-142 under Natural Capital for details.	Increased 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 106- 127 under Social and Relationship Capital	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 106-127 under Social and Relationship Capital	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.

### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

#### 3.8 BOARD SUB-COMMITTEES

The Company maintains six Board Sub-Committees consisting delegated functions, responsibilities and powers of the Board. The Sub-Committee Chairman are accountable for effective functioning and report to the Board.

Figure: Board Sub Committee Details



### Functioning of Sub-Committees

Through the Sub-Committees, the Board is able to deal effectively with complex or specialised issues with strong governance. These issues are researched thoroughly and analysed by the Sub-Committees.

This frees up more time at Board meetings for regular business and enable 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 200-214.

The Board Secretary acts as the Secretary to each of the Sub-Committees.

### 3.9 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.

#### Activities 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 Chairman** 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.

#### Activities 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.

### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

#### Board Attendance During 2022

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 Meeting and Sub-Committee Meetings ("Attended/Eligible" basis)

	Board Meetings	Audit Committee	Risk Committee	HR and Remuneration Committee	Related Party Committee	Investment Committee	Nomination Committee
<b>Independent Non-Executive Directors</b>							
Mr. Sanjaya Mohottala	4/4					4/4	
Mr. Lalith Withana	4/4	4/4		2/2	4/4		1/1
Mr. V. Govindasamy	2/4	4/4		2/2	4/4	2/4	1/1
<b>Non-Executive Directors</b>							
Mr. Ashok Pathirage	4/4			2/2		4/4	1/1
Mr. Hareesh Kaimal	2/4						
Mrs. Fernanda Lima	4/4		5/5			4/4	
Mr. Raimund Snyders	4/4	4/4	5/5		4/4	4/4	
<b>Executive Directors</b>							
Mr. Ifthikar Ahamed	4/4		5/5			4/4	
<b>Total Meeting Attendance</b>	<b>88%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>92%</b>	<b>100%</b>

#### Key Activities of the Board during 2022

Key activities carried out by the Board during 2022 has been discussed in page 163.

#### 3.10 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 provides for 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.

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.

#### 3.11 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 2022

No Board appointments, retirements and resignations were reported during 2022.

#### 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 2023, please refer the Notice of the Meeting on page 388.

#### Board Induction

There is a comprehensive induction programme available for all newly appointed directors, which is facilitated by the Company Secretary.

##### 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.

Apart from the induction programme the newly appointed Director will be participating at Company Strategy meetings where the Management will present information about critical areas of the Company, enhancing the familiarity of the Company to the new Director making it more comfortable to share their insights.

### 3. GOVERNANCE STRUCTURE AND LEADERSHIP

#### 3.12 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 18.

The profiles of Corporate Management team are available on pages 156-157.

#### Performance Evaluation of the Managing Director and Corporate Management team

The Managing Director’s performance evaluation is available on page 164. 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 Managing Director

The Board, in consultation with the Managing Director 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 Managing Director 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 174.

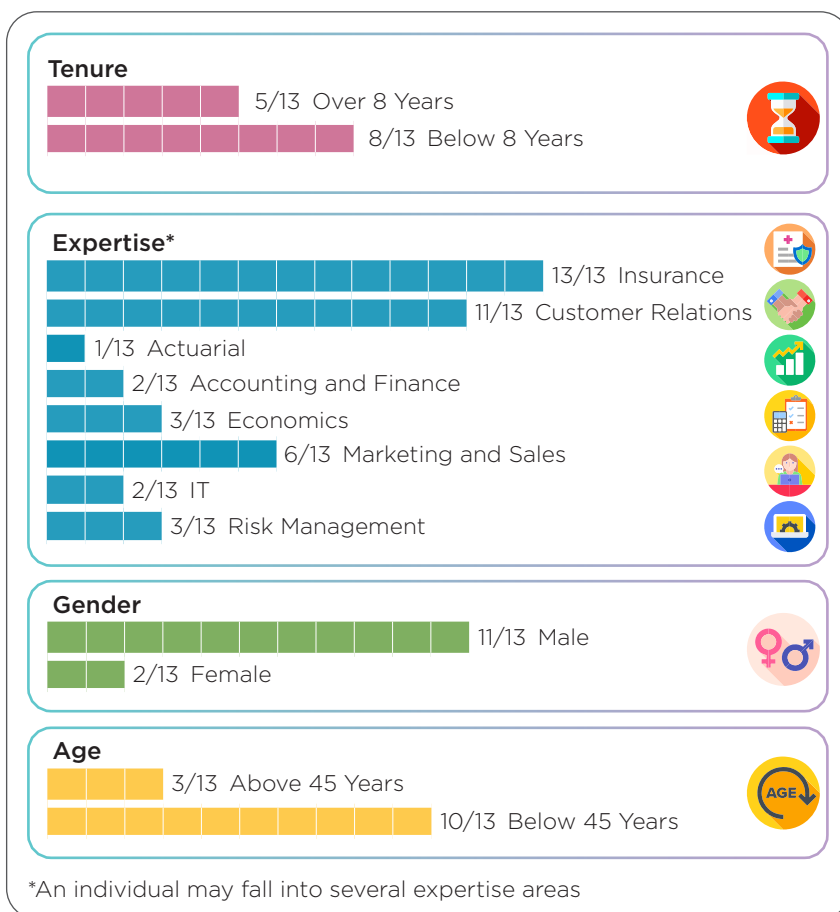
#### Remuneration of the Corporate Management Team

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 below.

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.

### ACTUARIAL COMMITTEE

#### Members

Managing Director  
 Consultant Actuary  
 Chief Technical Officer  
 Chief Actuarial Officer  
 Chief Financial Officer

#### Committee Objectives

Continuously monitor performance of the life fund, product portfolio, and valuation of life fund, expense allocation and regulatory requirements.

Meeting Frequency: Monthly  
 Meetings Held/Planned: 12/12

### PRODUCT DEVELOPMENT COMMITTEE

#### Members

Deputy Chief Executive Officer  
 Chief Distribution Officer - Alternate Channel  
 Chief Actuarial Officer  
 Chief Technical Officer  
 Chief Financial Officer  
 Chief Corporate Services Officer

#### Committee Objectives

Continuously monitor performance of the life fund, product portfolio, and valuation of life fund, expense allocation and regulatory requirements.

Meeting Frequency: Quarterly  
 Meetings Held/Planned: 4/4

### SUSTAINABILITY COMMITTEE

#### Members

Managing Director  
 Deputy Chief Executive Officer  
 Chief Financial Officer  
 Chief Corporate Services Officer

#### Committee Objectives

Communicate our responsibilities with regards to the policies and practices that relate to the sustainable and holistic growth of the Company, to our stakeholders.

Meeting Frequency: Monthly  
 Meetings Held/Planned: 12/12

### ASSET AND LIABILITY MANAGEMENT COMMITTEE

#### Members

Managing Director  
 Chief Financial Officer  
 Chief Actuarial Officer  
 Chief Technical Officer  
 Chief Risk Officer  
 Head of Investment (Group)

#### Committee Objectives

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, Cash flow Risk and Liquidity Risk.

Meeting Frequency: Monthly  
 Meetings Held/Planned: 12/12

### IT STEERING COMMITTEE

#### Members

Managing Director  
 Deputy Chief Executive Officer  
 Chief Financial Officer  
 Chief Distribution Officer - Alternate Channel  
 Chief Information Officer

#### Committee Objectives

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.

Meeting Frequency: Monthly  
 Meetings Held/Planned: 12/12

### SUPPLIES COMMITTEE

#### Members

Deputy Chief Executive Officer  
 Chief Financial Officer  
 Chief Corporate Services Officer

#### Committee Objectives

Selecting the right supplier after considering the quality, price and delivery date.

Meeting Frequency: Biannually  
 Meetings Held/Planned: 2/2

## 4. ETHICS AND INTEGRITY PRACTICES

### 4.1 PROMOTING AN ETHICAL ORGANISATIONAL CULTURE Code of Conduct for Directors and Employees

The Board of the Directors, Corporate Management team and all the employees 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 146.



#### 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 and Key Management Personnel 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 and Key Management Personnel 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.

#### Encouraging and Reporting any Illegal or Unethical Behaviour

Directors and Key Management Personnel are expected to promote ethical behaviour and create a culture of compliance with all applicable laws, rules and regulations.

#### 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.

#### Confidentiality

Directors and Key Management Personnel 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.

#### Protection and Proper use of the Company Assets

All Directors and Key Management Personnel must protect the Company’s assets and ensure their efficient use.

#### 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.



## 4.2 SEEKING ADVICE AND REPORTING ON UNETHICAL AND UNLAWFUL BEHAVIOUR

### Whistle Blower Policy

#### PURPOSE OF THE POLICY

The aim of the policy is to enable both internal & external 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.

The Company ensured that appropriate means are available for stakeholders of the Company to blow the whistle discreetly and confidentially.

#### METHODS OF COMMUNICATION

Any stakeholder can voice their concerns/ complaints via letters and email or the dedicated Whistle Blower 24x7 hotline available in voice call, SMS, WhatsApp and Viber.

The whistle-blower could bring up their concerns to below designated officers:

Independent Resources:

- The Chairman of the Board Audit Committee
- Group Director - Human Capital & Taxation.

Officers of Softlogic Life Insurance PLC:

- Managing Director
- Deputy CEO
- Chief Corporate Services Officer
- Chief Human Resources Officer
- Chief Risk Officer
- 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.



### 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 04.

Tp: 0777 771 883  
natashaf@softlogic.lk

### Company's commitment & Policies implemented to combat corruption and bribery

The Company is committed to ensuring that it takes action to prevent corruption and bribery by setting out a framework in terms of policy and guidelines.

#### Fraud Risk Management Policy

This policy clarifies that the Company holds a zero tolerance on any fraudulent activity (Corruption, Bribery or Theft) and confirms the management actions that will be taken at an event of fraud.

#### Manual of Financial Authority (MOFA)

The scope and extent of responsibility and accountability relating to maintaining satisfactory financial controls and procedures.

#### Anti-Money Laundering and Counter Terrorist Financing Policy

This Policy is designed primarily to set out the regulatory requirements that must be adhered to combat money laundering and terrorist financing.

## 4. ETHICS AND INTEGRITY PRACTICES

### 4.3 MAINTAINING INTEGRITY OF EMPLOYEES AND SALES FORCE

#### Fair Treatment to All Employees

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 via below policies.

- Code of Conduct
- Remuneration Policy
- Recruitment & Selection Policy
- Learning & Development Policy
- Employee Grievance Handling Policy
- Disciplinary Policy
- Absence Management Policy
- Study Leave Policy

#### 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.

#### Employee Grievances Policy

The Company has established a proper employee grievances handling process, accessible for all employees. Through this line of communication,

they can provide feedback, suggestions as well as any grievances and complaints.

This policy enables employees to raise any grievances in relation to their employment and dealt with promptly and fairly by an appropriate superior as well as gives the right to appeal to higher management against a decision made in respect of their grievance.

The grievance handling process is as below:

All employees are eligible to raise their grievances to their immediate supervisor, Head of the Department or any member of the HR Department, who will arrange a meeting with an appropriate counsellor to investigate the grievance within 7 days.

Following the hearing, a written response will be given to the employee within 5 working days.

If they do not receive a response to their grievance, their grievances can be raised to Managing Director.

If the employee is not satisfied with the response, they may appeal in writing to the Head of Human Resources setting out full details.

The Head of Human Resources will arrange for a further hearing to be conducted by the Managing Director.

Figure: Objective Setting Process

1. Corporate plan approved by the Board
2. Corporate objective set by the Management
3. Goal setting by employees
4. Mid-year and year end evaluation

### Performance-driven Culture Among the Sales Force

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.

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.

### 4.4 MAINTAINING INTEGRITY & TRANSPARENCY OF POLICYHOLDER FUNDS

#### Balancing Value Creation and Risk Management

The Investment Governance and Risk Governance practices of the Company play a key role of balancing value creation while managing the risk.

The long-term policyholders' insurance benefits are backed by the investment portfolio. In terms of managing the investment portfolio, the Company has clear segregation of duties between the Treasury function and Risk Management function to ensure Policyholder funds are not inappropriately utilized, which is governed by below policy and compliance requirements:

- Internal Treasury Middle Office Investment Policy
- Regulatory guidelines and compliance requirements published by IRCSL.

#### 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.

**Proper Expense Allocation Using Expense Allocation Framework**

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.

**Valuation of Insurance Contract Liabilities**

The actuarial valuation provides the total amount to be reserved to meet future benefits to be paid to policyholders. Softlogic Life performs actuarial valuations quarterly and received certification from appointed Actuary on all 4 quarters.

Quarter	Certified Date
Q1	12 May 2022
Q2	11 August 2022
Q3	11 November 2022
Q4	30 January 2023

**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.

**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.

**4.5 EVALUATION OF EFFECTIVENESS OF CONTROL ENVIRONMENT**

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;

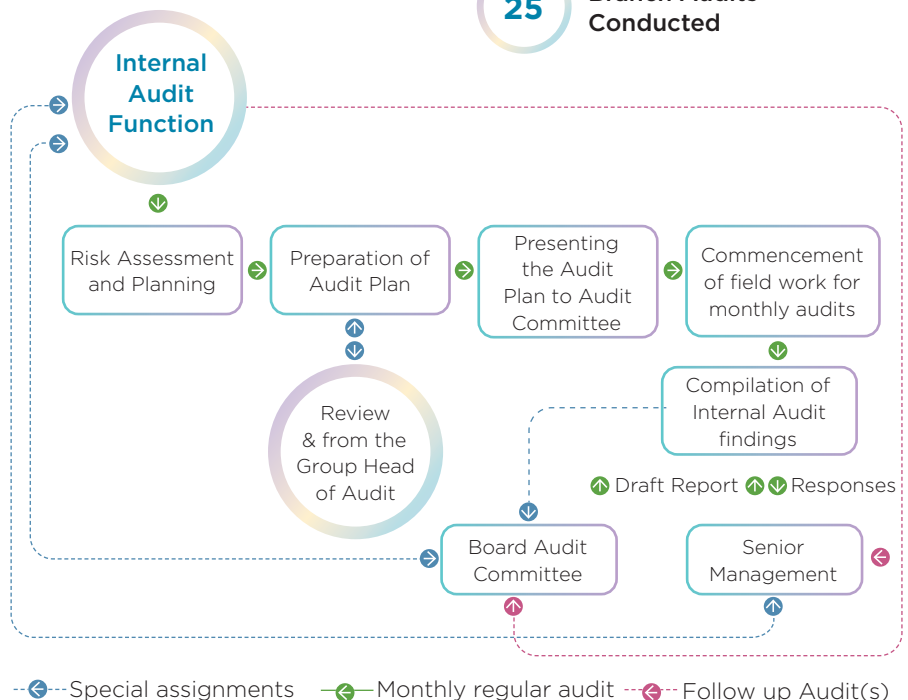
- Align the audit scope with the strategy by providing adequate audit coverage to risk areas.

- 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.
- Ensure that all recommendations given by auditors are implemented.

**Internal Audit Highlights in 2022**

- 42** Audit and Assurance Reviews
- 641** Fraud and Forensic Reviews
- 25** Branch Audits Conducted

Figure: Internal Audit Process



## 4. ETHICS AND INTEGRITY PRACTICES

### 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.

The risk-based internal auditing provides assurance to the Audit Committee that the risk management processes are designed and implemented whilst operating effectively.

### 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 2022 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 declared the surplus for every quarter in 202 and as a part of the surplus declaration process the Company obtained the relevant figure certification from the external auditor Messrs. KPMG and published the financial statements in CSE.

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 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:

- Act No.43 of 2000, rules, regulations, determinations, directions issued by “IRCSL”
- 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

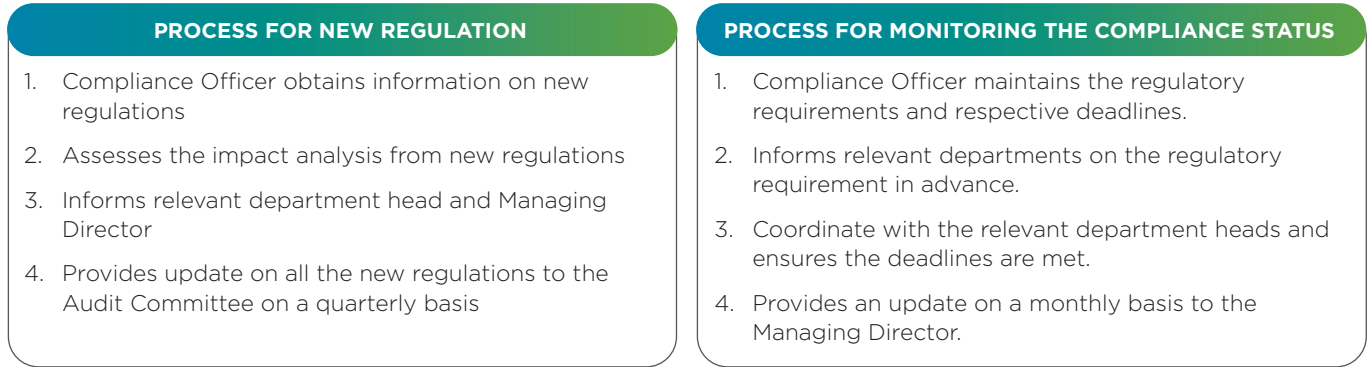
Category	Compliance Requirement	2022 Highlight	Status
Investment Governance	Investment in Government Securities should be a minimum of 30% of the Long Term Insurance Fund.	67% invested in government securities	Complied
	Regulatory Determination ratio should be a minimum of 100%	126% in 2022	Complied
Meeting Policyholder Obligations	Maintain a Capital Adequacy Ratio (“CAR”) of a minimum of 120%	287% in 2022	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 250.	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 2022.	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. 839 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.

## 4. ETHICS AND INTEGRITY PRACTICES

### 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.

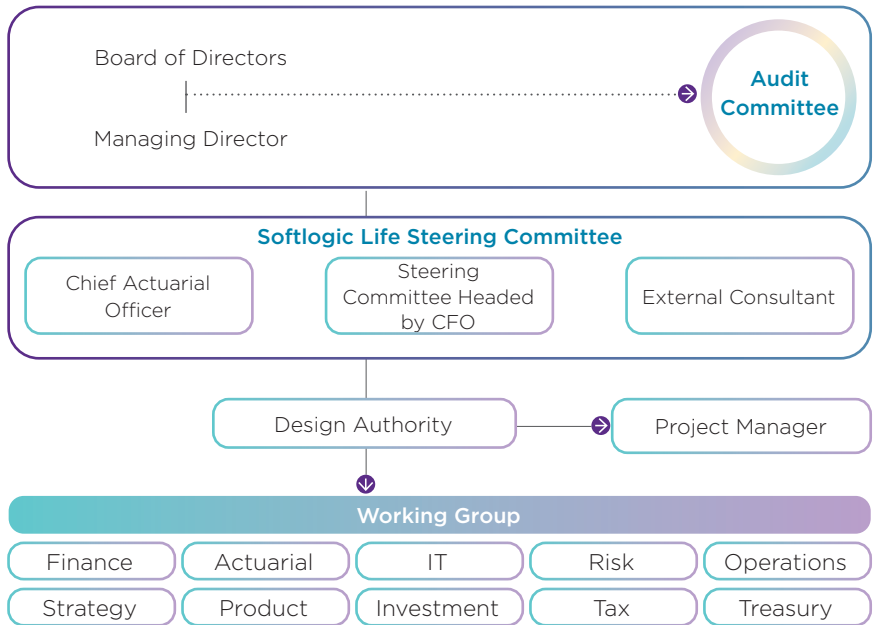


### 4.6 IMPLEMENTATION OF SLFRS 17

**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.

### Governance Structure of SLFRS 17

Figure: Governance Structure of SLFRS 17 Implementation



### Update on Implementation and Project Plan

Figure: SLFRF 17 Implementation Project Plan



**Figure: 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.

#### 4.7 IT AND CYBER SECURITY RISK MANAGEMENT

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

- Improve Company operations via IT integration, management and development - Operational Focus.
- To manage all cyber security 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.

##### Strategic Focus

IT strategy is validated in each planning cycle.

##### 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

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, focused on improving and managing IT interests of the Company.

## 4. ETHICS AND INTEGRITY PRACTICES

- 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.

**IT Asset Management Policy:** The annual IT asset requirement needs to be approved by the Managing Director and the CAPEX will be assigned based on the same.

### Data Analytics

The Governance framework also encourages the use of data for improved analysis and forecasting activities, which will contribute to the automation and digitalisation 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.

### Cyber Security 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 cyber security threats.

In the event a cyber security 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

**Password Policy:** This policy stipulates information security standards regarding safe and acceptable use of passwords that is applicable for all the end-users.

**Access Control Policy:** This policy stipulates information security standards regarding granting and managing of access to information resources that is applicable for all the end-users.

**Approved Applications Policy:** This policy is formulated to govern the installation and acceptable use of software that is applicable for all the end-users.

**Data Access Policy:** This is policy has been formulated to grant and manage access data access to mitigate the threats related to information security.

**E-mail Usage Policy:** Organizational email system should be used only for the communication of information in line with organizational requirements.

**Social Networking Policy:** Staff members need to know and adhere to the Code of Conduct, Employee Handbook, and other applicable policies of Softlogic Life Insurance PLC when using social media in reference to Softlogic Life Insurance PLC.

Management reserves the full right to ensure enforcement and compliance of this policy. In the event of violation of the said policies, appropriate corrective action will be taken, up to and including termination of employment.

### Data Backup and Disaster Recovery (DR)

- Periodic data backup facility.
- Data Centre Policy: Real-time data replication at SLT-IDC for DR.



#### 4.8 STAKEHOLDER ENGAGEMENT Relations with Shareholders

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 pages 69-73.

#### Communication with Shareholders

The Company has implemented multiple methods of communication to maintain an effective relationship with the shareholders of the Company.

Figure: Most frequent communication methods with shareholders.



#### Process Established to Make the Board Aware of Major Issues and Concerns of Shareholders

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

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✉ info@prsslk.com

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📄 P. R. Secretarial Services  
(Pvt) Ltd  
59, Gregory's Road,  
Colombo 7, Sri Lanka.

#### Access to Company Financial Reports

Annual and Quarterly reports are available on the Company website as well as the CSE website.

#### Institutional Shareholders

The Company makes additional efforts to maintain a regular and structured dialogue with institutional investors, brokers and financial analysts, in order to improve their understanding of our operations, strategy and plans—thereby enabling them to an improved participation by raising 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.

## 4. ETHICS AND INTEGRITY PRACTICES

### 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.

### 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 x” for the feedback form.

### 23rd AGM held in 2022

The Company held a virtual AGM due to pandemic situation on the 31st March 2022 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 2021 and the Report of the Auditors thereon.
2. To re-elect Mr. Hareesh Kaimal, Mr. P.L.P. Withana, Mr. S.W. Mohottala as Directors 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 2022

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 2022

#### January

- Appointment of Deputy Chief Executive Officer: Mr. Indu Attygala
- Updating Shareholders on Inquiries made by the Regulatory Body

#### March

- Dividend Announcement for the Financial Year 2021
- AGM Notice & Disclosures

#### August

- Updating Shareholders on Inquiries made by the Regulatory Body

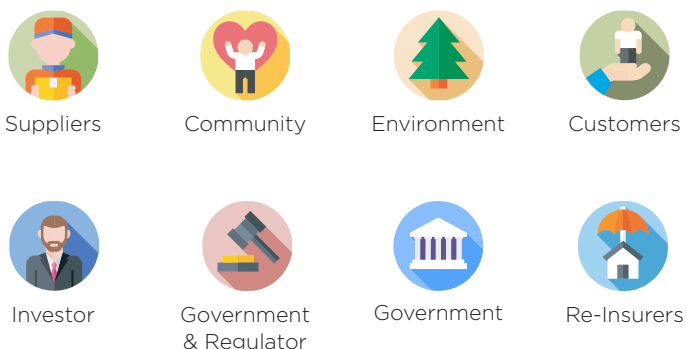
#### December

- Updating Shareholders about the Company’s financial status

### Engagement with Other Stakeholders

The Company addresses the concerns and interests of all stakeholders impacted by the organisation through the governance framework.

Figure: Engagement with Other Stakeholders



# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## 1. PREFACE

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 2022 and the Independent Auditors’ Report on those Financial Statements conforming to all relevant statutory requirements.

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.

### 1.1 Regulatory Framework

This Report, where applicable is presented in accordance with the Guiding Principles and Content elements as stipulated by the <IR> Framework 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.

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 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 2022.

### 1.2 Board Responsibility on the Annual Report

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 pages 20-21 and identified trends and developments that are likely to impact the value creation process of the business. These trends and developments are categorized into risks and opportunities to the Company.

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 the below table.

Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Level of Compliance by the Company
i) The nature of the business of the Company together with any change thereof during the accounting period	Section 168 (1) (a)	Refer Pages 14-19
ii) Signed Financial Statements of the Company for the accounting period completed in accordance with Section 152.	Section 168 (1) (a)	Refer Pages 257-359
iii) Auditors’ Report on the Financial Statements of the Company.	Section 168 (1) (c)	Refer Pages 254-256
iv) Accounting policies of the Company and any change therein.	Section 168 (1) (d)	Refer Pages 262-359
v) Particulars of the entries made in the Interests Register of the Company during the accounting period.	Section 168 (1) (e)	Refer Page 197
vi) Remuneration and other benefits paid to Directors of the Company during the accounting period	Section 168 (1) (f)	Refer Page 356
vii) Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Refer Page 311

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Level of Compliance by the Company
viii) Information on Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Refer Pages 153-155 and 160-171
ix) Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Section 168 (1) (i)	Refer Page 311
x) Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Refer Page 178
xi) Acknowledgement of the contents of this Report/Signatures on behalf of the Board	Section 168 (1) (k)	Refer Page 185

## 2. REVIEW OF BUSINESS

### 2.1 Vision, Mission and Corporate Conduct

The Company's Vision and Mission Statements are exhibited on page 2 of the Annual Report. The business activities of the Company are conducted maintaining the highest level of ethical standards in achieving its Vision and Mission, which reflects our commitment to high standards of business conduct and ethics.

### 2.2 Principal Activity

The principal business activity of the Company is Life Insurance business which has remained unchanged during the financial year as per the requirement of Section 168 (1) (a) of the Companies Act No. 7 of 2007.

### 2.3 Review of Operations of the Company

The Company's sense of innovation has brought in a lot of momentum into its business, further driving brand loyalty amongst customers and stakeholders who feel pride in associating with the Company. More details provided in "Chairman's statements pages 30-33, Management Discussion and Analysis pages 29-144 and Notes to the financial statements pages 262-359 Operating segments pages 360-363.

## 3. FUTURE OUTLOOK

The Company is more optimistic about the economy's future outlook and the industry's future prospects, as 2023 is a year in which a recovery in GDP growth is anticipated in Sri

Lankan economy compared to the last year. The Government's goal is to achieve a GDP growth of -3.0% in 2023 and 1.5% in 2024. During the most challenging period in Sri Lankan history in year 2022, the company's GWP grew by 15% and the Company is confident to continue this momentum through the year 2023.

## 4. DIRECTORS OF THE COMPANY

### 4.1 Information on Directors as at 31st December 2022

The Board of Directors of the Company as at 31st December 2022 consisted of eight Directors (8 in 2021) with wide financial and commercial knowledge and experience as detailed in the 'Board of Directors Profiles' on pages 153-155.

The names of the Directors of the Company who held the office during the year and as at the end of 2022, as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

Name of the Director	Executive/Non - Executive	Independent/Non-Independent
Mr. Ashok Pathirage - Chairman	Non - Executive	Non - Independent
Mr. Iftikar Ahamed - Managing Director	Executive	Non - Independent
Mr. Haresh Kaimal - Director	Non - Executive	Non - Independent
Ms. Fernanda Lima - Director	Non - Executive	Non - Independent
Mr. V. Govindasamy - Director	Non - Executive	Independent
Mr. Raimund Snyders - Director	Non - Executive	Non - Independent
Mr. Sanjaya Mohottala	Non - Executive	Independent
Mr. Lalith Withana	Non - Executive	Independent

## 4.2 Board meetings and Board Sub Committee Meetings

The Director's participation in Board meetings and sub-Committee meetings are given in page number 170.

Board Sub- Committees	Committee Report Reference
Audit Committee	Pages 200 - 204
Risk Management Committee	Pages 205 - 206
Human Resources and Remuneration Committee	Pages 207 - 208
Investment Committee	Pages 209 - 210
Related Party Transaction Review Committee	Pages 211 - 212
Nomination Committee	Pages 213 - 214

## 4.3 New Board Appointments during 2022

There were no new appointments to board during 2022.

## 4.4 Retirement and Re-election

The Directors to retire by rotation at an AGM shall be those who, have served the longest in office, since their last election or appointment as a director to the Board of Directors of the Company in terms of articles 98 of the Articles of Association of the Company.

After considering the Declarations submitted, the Board Appointed Nomination Committee recommended the re-election of Mr. V. Govindasamy who retires by rotation in terms of Articles 98 (a) of the Articles of Association of the Company as a Director of the Company.

## 4.5 Review of Performance of Board.

The performance of the Board is evaluated through a formalised process and details are discussed on page 164.

## 4.6 Directors' Shareholding including Managing Director

The individual ordinary voting and non-voting shareholdings of persons who were Directors of the Company at any time during the financial year are as follows:

## Directors' Shareholding during the year

Name of the Director	2022	2021
Mr. Ashok Pathirage - Chairman	Nil	Nil
Mr. Iftikar Ahamed - Managing Director	Nil	Nil
Mr. Haresh Kaimal - Director	Nil	Nil
Ms. Fernanda Lima - Director	Nil	Nil
Mr. V. Govindasamy - Director	Nil	Nil
Mr. Raimund Snyders - Director	Nil	Nil
Mr. Sanjaya Mohottala	Nil	Nil
Mr. Lalith Withana	Nil	Nil

## 4.7 Directors interest register

In terms of the Companies Act No 07 of 2007 an Interest Register was maintained during the accounting period under review. All the Directors of the Company have disclosed their interest in other Companies to the Board and those interests are recorded in the Directors interest register confirming to the provisions of the Companies Act no 7 of 2007.

## 4.8 Directors interest in contracts or proposed contracts

The direct and indirect Director's interests in contracts or proposed contracts with the Company, have been disclosed on page 355-357 as per the requirement. The Directors have also disclosed transactions, if any, that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard - LKAS 24 on "Related

Party Disclosures". Please refer Note 45 to the Financial Statements on pages 355-357 for those transactions disclosed by the Directors. These interests have been declared quarterly at Board Meetings. Directors have no direct or indirect interest in any other contract or proposed contract with the Company other than disclosed in the Director's interest in contracts with the Company.

## 4.9 Directors' Remuneration, fees and Post-Employment Benefits

The amount of the Directors' fees and Remuneration paid during the year is Rs. 75.8 million. Refer Note 45.6.1 in page number 356. Further details are provided on pages 207-208 of the Human Resource and Remuneration Committee report as per the requirement of Section 168 (1) (f) of the Companies Act No. 07 of 2007. The Executive Director's

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

remuneration is decided by the Board with the recommendation of the Human Resource and Remuneration Committee, in consideration of the individual and Company performance.

### 4.10 Loans to Directors

Directors are not entitled to obtain any kind of loans from the Company.

### 4.11 Directors' Insurance

The Company has paid an insurance premium in respect of an insurance policy for the benefit of the Directors of the Company as defined in the insurance policy during the financial year. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

### 4.12 Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments including all taxes, duties and levies payable by the Company due to the Government, other regulatory institutions and related to the employees have been made on time or where relevant provided for.

### 4.13 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company in conformity with the requirements of relevant Sri Lanka Financial Reporting Framework and Sri Lanka Accounting Standards (Mandated by the Act No. 15 of 1995 and the Companies Act No. 07 of 2007 which reflect a true and

fair view of the financial position and performance of the Company. The "Statement of Directors' Responsibility" appearing on pages 194-195.

## 5. FINANCIAL PERFORMANCE

### 5.1 Financial Performance Analysis -2022

The Profit Before Tax of the Company amounted to Rs. 4,030 million. (Rs. 2,966 million in 2021) and this is an increase of 36%. Further, the Profit After Tax of the Company amounted to Rs. 2,683 million in 2022 (Rs. 2,105 million in 2021) and this was a Increase of 27% in 2022. Information on the movement of reserves is given in the Statement of Changes in Equity on page 260 and Notes 36-38 to the Financial Statements on pages 339-340.

### A Synopsis of the Company's Performance is Presented Below

For the year ended 31st December	Note Reference	Page Reference	2022 Rs.'000	2021 Rs.'000
<b>Financial Results</b>				
Gross Written Premium	8	303	23,083,425	20,053,302
Profit Before Taxation (PBT)	21	311	4,030,384	2,965,674
Income Tax Expenses	22	312	(1,347,508)	(860,806)
Profit After Tax (PAT)			2,682,876	2,104,868
Un-appropriated Profit Brought Forward			10,453,584	9,290,347
Profits Available for Appropriation			13,136,460	11,395,215
<b>Appropriations</b>				
Actuarial losses on defined benefit plans	40.6	349	26,215	(10,102)
Realised gains on equity instruments (According to SLFRS 9)	38.1	340	-	5,971
Dividend Paid	24.3	314	(1,050,000)	(937,500)
Un-appropriated Profit Carried Forward			12,112,675	10,453,584
<b>Reserves as at 31st December</b>				
Stated Capital	35	339	1,062,500	1,062,500
Revaluation Reserve	38	340	129,733	129,733
Fair Value Reserve / Available-for-Sale Reserve	38	340	(3,229,988)	(1,855,391)
Regulatory Reserve	37	339	798,004	798,004
Retained Earnings	36	339	12,112,675	10,453,584
<b>Total</b>			<b>10,872,924</b>	<b>10,588,430</b>

## 5.2 Reserves

The reserves consist of Fair Value Reserve, Revaluation Reserve, Restricted Regulatory Reserve and Retained Reserves. The details and movements of reserves are disclosed in Notes 36 to 38 to the Financial Statements on pages 339-340 and in the Statement of Changes in Equity on page 260 to the Financial Statements.

## 5.3 Taxation

Income taxes are computed based on rates enacted or substantively enacted as at the Reporting Date. The income tax rates applicable to the Company's operations for the year under review were 24% (for first nine months) and 30% (last three months). The Company recognised deferred tax asset extent to which future taxable profits will be available to utilise the available tax losses in foreseeable future. The rate change (from 24% to 30%) has not impacted deferred tax asset balance as the company has fully utilized its deferred tax before the rate change.

## 5.4 Financial Investments

Financial investments mainly comprise the Company's investment portfolios, which have been segregated into different categories as required by Sri Lanka Accounting Standards (SLFRS/ LKAS). The amount of financial investments held by the Company as at 31st December 2022 amounted to Rs. 42,600 million (2021 - Rs. 34,217 million). A detailed description of the financial investments is enclosed in Note 29 to the Financial Statements on pages 326-335.

## 5.5 Capital Commitments

Details of capital commitments as at 31st December 2022 are provided in Note 46 on page 357.

## 5.6 Donations

There were no donations made by the Company during the year.

## 5.7 Property, Plant and Equipment Capital Expenditure and Ownership of Assets

Information on Property, Plant, Equipment and Intangible assets of the Company are given in Notes 26 and 25 to the Financial Statements on pages 316-321 to 314-316 respectively.

### Valuation of Land and Building

All land and buildings owned by the Company was revalued. Specific information on extent, location, valuations of the land and buildings held by the Company are given in Notes 26.17 to the Financial Statements on page 320.

### 5.8 Market Value of Properties

The revaluation process for the land and buildings of the Company was carried out by a professionally qualified independent valuer and the Board of Directors of the Company is of the opinion that the revalued amounts are not in excess of the current market values of such properties. The next revaluation exercise on the freehold land and buildings of the Company will be carried out as at 31st December 2023.

### Qualifications of Valuer

The revaluation process of land and buildings of the Company was carried out by Messrs. P.B. Kalugalagedera, who 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.

### 5.9 Intangible Assets

The carrying value of intangible assets as at the Reporting Date amounted to Rs. 2.6 million (2021 - Rs. 1.4 million). Movement of intangible assets from the balance as at 01st January 2022 to the balance as at 31st December 2022, additions and disposals made, together with the amortisation charge for the year, are set out in Note 25.1 to the Financial Statements on page 315.

## 6. INVESTOR RELATIONS

### 6.1 Stated Capital

The Stated Capital of the Company as at 31st December 2022 was Rs. 1,062,500,000 comprising 375,000,000 fully paid ordinary shares. The details are provided in Note 35 to the Financial Statements on page 339. There was no change in the Stated Capital during the year.

### 6.2 Issue of Shares

During the year Company has not issued any shares to raise new capital.

### 6.3 Tier 2 Capital

The Tier 2 subordinate debt capital of the Company as at 31st December 2022 was Rs. 5,644 Mn. The details are provided in Note 41 to the Financial statements on the pages 350-351.

This subordinate debt capital has been obtained to strengthen the Company's capital structure.

### 6.4 Dividends

The Company declared an interim dividend of Rs. 3.5/- per share for the year under review out of the profits of the Company. The Directors have certified that they are satisfied that the Company will, immediately after the said distribution is made, satisfy the solvency test in accordance with the Section 57 of the Companies Act and subsequent to such declaration, the Directors have obtained the Auditors certificate of solvency thereon.

### 6.5 Share Information Distribution Schedule of Shareholdings

Information on the distribution of shareholding and the respective percentages are given in the Section on 'Investor Relations' on pages 368-371.

### Information on Earnings, Dividend, Net Assets and Market Value

Information relating to earnings, dividend, net assets and market value per share is given on page 369.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

Information on the trading of the shares and movement in the number of shares represented by the Stated Capital of the Company is given in the Section on 'Investor Relations' on pages 368-371.

### Substantial Shareholdings

Names of the top twenty shareholders for voting shares, percentages of their respective holdings and percentage holding of the public, etc. are given in the Section on 'Investor Relations' on pages 370-371.

### Public Shareholding

The percentage of the shares held by public is provided in page 371.

### 6.6 Information on Ratios, Market Prices of Shares and Credit Rating

Information that requires disclosures as per Rule 7.6 (xi) of the Listing Rule of the CSE are given in the Section on 'Investor Relations' on page 369.

### 6.7 Equitable Treatment to Shareholders

The Company has ensured at all times that all shareholders are treated equitably.

### 7. CAPITAL ADEQUACY RATIO ("CAR") AND MINIMUM CAPITAL REQUIREMENTS

The Company has maintained a "CAR" of 287% as of 31 December 2022.

Insurance Regulatory Commission of Sri Lanka (IRC SL) by its Gazette dated 07th May 2013 has increased the Minimum Capital requirement for all Insurance companies to Rs. 500 million with effect from 11th February 2015. The Company has issued and fully paid stated capital of Rs. 1,062.5 million (2021 - Rs. 1,062.5 million) and therefore fulfilled this statutory requirement.

### 8. TOTAL AVAILABLE CAPITAL (TAC)

In addition to the above, insurance Companies are required to maintain minimum of Rs. 500 million as Total Available Capital (TAC) as per solvency margin (Risk Based Capital) rules 2015 with effect from 01st January 2016. The Company maintains Rs. 32,302 million as at 31st December 2022 which is well above the minimum requirement. Details of the TAC is given on page 345 and in Note 39.1.5 to the Financial Statements.

### 9. COMPLIANCE WITH RULES AND REGULATIONS

The Company has complied with the regulations issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL) and IRD and other regulations applicable to the Company and have submitted all the returns and the details to the relevant parties by the due dates. In addition, the Company complies with the Financial Transaction Reporting Act No. 06 of 2006 and the Convention on the Suppression of Terrorist Financing Act No 25 of 2005, by sending a monthly report to the Financial Intelligence Unit (FIU) of Central Bank of Sri Lanka (CBSL). Compliance Reports also have been submitted to the Audit Committee on a quarterly basis confirming the same.

### 10. FOCUS ON NEW REGULATIONS

SLFRS 17 will be effective w.e.f. 1st January 2025 which requires significant changes in our existing operations, IT systems, etc. Most importantly, this will change the way we measure our performance in a logical manner. However, the Company has evaluated the risk of changing SLFRS 4 to SLFRS 17 and has taken key initiatives such as educating its stakeholders at early stage.

### 11. INTERNAL CONTROLS AND RISK MANAGEMENT

The Company has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Company. The Directors continuously review this process through the Board Risk Committee. Specific steps taken by the Company in managing risks are detailed in the Section on pages 205-206, in the 'Risk Committee Report' and in Note 6 to the Financial Statements on pages 276-297.

### 12. LIABILITIES AND PROVISIONS

The Board of Directors has arranged external actuaries to value the Life Fund and the Gratuity Liability. The basis adopted for provisioning is disclosed in Note 39 and 40 on pages 340-347 and 347-350 respect to the Financial Statements.

### 13. OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company's lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations.

### 14. CORPORATE GOVERNANCE

- The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.
- The Company complied with all applicable laws and regulations in conducting its business and has not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance in each quarter to the Board Risk Committee.



- All endeavours have been made to ensure that shareholders in each category have been treated equitably in accordance with the original Terms of Issue.
- The business is a Going Concern with supporting assumptions or qualifications as necessary, and that the Board of Directors has reviewed the Company's Corporate/ Business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the Going Concern assumption.
- They have conducted a review of internal controls covering financial, operational and compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence.
- The measures taken and the extent to which the Company has complied with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka are given on pages 218-225.

## 15. CODE OF CONDUCT AND ETHICS

The Company has adopted a Code of Business Conduct and Ethics for all its employees and has mandated that it should be followed without any exception. The Company has also adopted a Code of Conduct and Ethics for Directors. There were no violations reported of the code during the year. The Directors and the Key Management Personnel had declared compliance with the relevant Code of Conduct and Ethics. Refer Page 174 for Code of Conduct for Directors and Employees.

## 16. BRIBERY AND CORRUPTION

The Company has introduced a framework, setting out policies and guidelines to prevent corruption and

bribery. Refer page 175 for Company's commitment & policies implemented to combat corruption and bribery.

### 16.1 Whistle Blowing

A Whistle Blowing Policy is operative within the Company and has been communicated to all members of the staff. In addition to the above the Company has conducted training sessions to educate staff with regard to whistle blowing. This enables any member of the Company to raise issues with the management and the Board, in order to identify possible risks faced by the Company at an early stage. Refer page 175 for Whistle Blower Policy.

## 17. RELATED PARTY TRANSACTIONS

No related party transaction exceeded the limits of 10% of equity or 5% of total assets requiring immediate disclosure to CSE and a separate disclosure in the Annual Report. Directors have disclosed the transactions with Related Parties in terms of Sri Lanka Accounting Standard (LKAS 24), Related Party Disclosures in Note 45 on pages 355-357 which is adopted in the preparation of these Financial Statements.

## 18. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements, other than disclosed in note 47 on page 357.

## 19. GOING CONCERN

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

## 20. EXTERNAL AUDITOR

### 20.1 Appointment of Auditor

The present Auditors, Messrs. KPMG were appointed as Auditors of the Company at the Annual General Meeting held on 31st March 2022 to carry out the audit of the Company for the year ended 31st December 2022. The retiring Auditors, Messrs. KPMG have signified their willingness to continue to function as the Auditor to the Company. A resolution to reappoint KPMG as Auditors and granting authority to the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting to be held on 31st March 2023.

### 20.2 Auditors' Remuneration

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 on page 311.

### 20.3 Auditors' Independence

Independence Confirmation has been provided by Messrs. KPMG as required by the Section 163 (3) of the Companies Act No 07 of 2007, in connection with the audit for the year ended 31st December 2022 confirming that KPMG is not aware of any relationship with or interest in the Company audited by KPMG that in their judgement, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct issued by CA Sri Lanka. The Directors are satisfied as the BAC has assessed each service, having regard to auditor independence requirements of applicable laws, rules and regulations, and concluded in respect of each non-audit service or type of non-audit service that the provision of that service or type of service would not impair the independence of Messrs. KPMG.

### 20.4 Independent Auditors' Report

Independent Auditors' report is provided in pages 254-256.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

### 21. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The CSR initiatives of the Company are detailed under 'Management Discussion and Analysis' under Social and Relationship Capital in the Annual Report on pages 126-127.

### 22. SUSTAINABILITY

The Company is an early champion of adopting sustainability practices and sustainability reporting. The Company has considered the sustainability aspects when formulating its business strategies and details of which are presented on pages 88-142.

### 23. ENVIRONMENTAL PROTECTION

The Company, to the best of their knowledge has not engaged in any activity, which was detrimental to the environment. Specific measures taken to protect the environment are given on pages 127-142.

### 24. HUMAN RESOURCES

A brief description of the Company's HR Policy and the Remuneration Methodology is given in the Remuneration Committee Report on pages 207-208.

#### 24.1 Employment Policy

The Company policy is to respect the merits of the individuals and provide career opportunities, irrespective of gender, race or religion. The Company's strength of manpower as at 31st December 2022 was 999. (2021- 980). 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.

#### 24.2 Employee share ownership/option plans

The Company does not have any employee share ownership/option plans.

### 25. TECHNOLOGY

As encapsulated in the Corporate Strategy, our business processes are underpinned by technology. All of our processes involve information technology and we use technology to deliver superior products and services to our customers. Correspondingly, the nature of the business is more heavily intertwined with technology than ever before. Sudden lockdown did not cause any disruption to Softlogic as the landscape was already built with the enhancement of IT. In response to maintaining efficiency while working remotely, Softlogic Life leveraged the existing IT infrastructure immediately to enable operationally while maintaining social distancing. When the lockdown was ordered by the Government, the flexibility of IT infrastructure was what made the operations maintain its efficiency while working from home.

### 26. OPERATIONAL EXCELLENCE

To increase efficiency and reduce operating cost the Company has ongoing initiatives to drive policy and process standardisation and to optimise the use of existing technology platforms. Operational efficiency is one of the key aspects that insurers need to rethink especially with regard to the Work from Home condition. Being agile and flexible is what enables adaptability to various conditions that emerge through fuel crisis during the year.

### 27. EXTERNAL ASSURANCE ON NON-FINANCIAL INFORMATION

The Company has obtained an external assurance on both the "Integrated Report" and "GRI Sustainability Indicators" more details of which is provided on page 85-88 and 143-144 respectively.

### 28. ANNUAL GENERAL MEETING

The Virtual Twenty Fourth (24th) Annual General Meeting of the Company will be held on Friday, 31st March 2023 at 10.00 a.m. via an online platform at Level 16, One Galle Face Tower (Shangri-La Office Tower), Colombo 02. The notice of Annual General Meeting is given on page 388.

### 29. 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 2023

**Summary of Statement of compliance with the Companies Act No. 07 of 2007, Listing Rules and Recommended Best Practices, other than specified in Pages 185-186**

Disclosure	Governing Rule	Page References
Principal Activity (Section 12 (4))	RII and L.R.7.6 (ii)	186
Financial Investments	(Section 25 (1) - RII)	189
Capital Expenditure and Ownership of Assets	(Section 30 - RII)	189
Total Available Capital (TAC)	(Section 26(1) - RII)	190
Loans to Directors	(Section 29(1) - RII)	188
Directors' Responsibility for Financial Reporting	(Section 150 and 151 - C.A)	188
Auditors' Independence	(Section 163(3) - C.A)	191
Annual General Meeting	(Section 133 & 135 (a) - C.A)	192
Directors' Insurance	(Section 218 - C.A)	188
Board Responsibility on the Annual Report	(Section 166(1) - C.A)	185
Valuation of Land and Building	(L.R.7.6 (viii))	189
Market Value of Properties	(L.R.7.6 (xii))	189
Stated Capital	(L.R.7.6 (ix))	189
Issue of Shares	(L.R.7.6 (xiii))	189
Distribution Schedule of Shareholdings	(L.R.7.6 (x))	189
Substantial Shareholdings	(L.R.7.6 (iii))	190
Information on Ratios, Market Prices Of Shares And Credit Rating	(L.R.7.6(xi))	190
New Board Appointments During 2022	(L.R. 8)	187
Retirement and Re-Election	(L.R. 8 and Direction -17 B (a), B (b) by IRCSL)	187
Directors' Shareholding including Managing Director	(L.R.7.6 (v))	187
Information on Directors as at 31st December 2022	(L.R.7.6 (i))	186
Internal Controls and Risk Management	(L.R.7.6(vi))	190
Related Party Transactions	(L.R 9.3.2 (L.R.7.6(xvi))	187
Employee Share Ownership/ Option Plans	(L.R.7.6(xiv))	192
Compliance with Rules and Regulations	(Section 6(a),(b) & Section 7of FTRA No. 06 of 2006 Circular No. 03/13)	190
Vision, Mission and Corporate Conduct	RBP	186
Review of Operations of the Company	RBP	186
Future Outlook	RBP	186
Board Meetings and Board Sub Committee Meetings	RBP	187
Statutory Payments	RBP	188
Equitable Treatment to Shareholders	RBP	190
Focus on New Regulations	RBP	190
Outstanding Litigation	RBP	190
Corporate Governance	(RBP L.R.7.6 (xv))	190
Events After the Reporting Period	RBP	191
Going Concern	RBP	191
Appointment of Auditor	RBP	191
Auditors' Remuneration	RBP	191
Corporate Social Responsibility (CSR)	RBP	192
Sustainability	RBP	192
Environmental Protection	RBP	192
Employment Policy	RBP	192
Technology	RBP	192
Operational Excellence	RBP	192

RII - Insurance Industry Act No. 43 of 2000

L.R - Listing Rules Issued by CSE

C.A - Companies Act No. 07 of 2007

RBP - Recommended Best Practices

CBSL - Central Bank of Sri Lanka

IRCSL - Insurance Regulatory Commission of Sri Lanka

## 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 254- 256 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 2022, 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 2022; 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 257-359 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 2022, 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 200-204.

- e. The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the Audit Committee.
- f. 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.
- g. The Board of Directors accept responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.
- h. 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 198-199 of this Annual Report.
- i. 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.
- j. As required by Sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, the Company has 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.
- k. All shareholders in each category have been treated equitably in accordance with the original terms of issue.
- l. The Company has met all the requirements under the Section 07 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable.
- m. 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.
- n. 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 259 as required by the Sections 150 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements.
- o. 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 254-256.
- p. 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 2023

## MANAGING DIRECTOR'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Softlogic Life Insurance PLC (the Company) as at 31st December 2022 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 cash flows 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 254-256. 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 200-204.

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 358-359 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 2022 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

(Sgd.)  
**Nuwan Withanage**  
Chief Financial Officer

Colombo, Sri Lanka  
07th March 2023

## 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	Name	Position	Company	
Ashok Pathirage	C/MD	Softlogic Holdings PLC	Iftikar Ahamed	MD	Softlogic Capital PLC	
	C/MD	Asiri Hospitals Holdings PLC		ED	Softlogic Stockbrokers (Private) Limited	
	C/MD	Asiri Surgical Hospital PLC		ED	Softlogic Corporate Services (Private) Limited	
	C/MD	Central Hospital Limited		ED	Softlogic Asset Management (Private) Limited	
	C/MD	Softlogic Retail (Private) Limited		V. Govindasamy	Group M/D	Sunshine Holdings PLC
	C/MD	Ceysand Resorts Limited	C		Sunshine Consumer Lanka Ltd.	
	C	Softlogic Capital PLC	D		Healthguard Pharmacy Ltd	
	C	Softlogic Properties (Private) Limited	D		TATA Communications Lanka Ltd	
	C	Softlogic Australia (Pty) Limited	D		Watawala Plantations PLC	
	C	Softlogic City Hotels (Private) Limited	D		Watawala Dairy Ltd	
	C	ODEL PLC	Alternate Director		Sunshine Healthcare Lanka Ltd.	
	C	Softlogic Supermarkets (Private) Limited	D		Sunshine Foundation for Good.	
	C	NDB Capital Holdings Limited	D		TAL Lanka Hotels PLC	
	C	Sri Lankan Airlines Limited	D		Sunshine Wilmar Private Limited	
	C	Sri Lankan Catering Limited	D		Ceylon Property Development Ltd	
	D	Odel Properties One (Private) Limited	D		Century Properties Ltd	
	D	Asiri A O I Cancer Centre (Private) Limited	D		Akbar Pharmaceuticals Ltd	
	D	Softlogic Retail Holdings (Private) Limited	D		Daintee Ltd	
	D	Softlogic Healthcare Holdings Limited	D		Century Property Development Limited	
	Haresh Kaimal	D	Softlogic Holdings PLC	R. Snyders	D	AIICO PLC
D		Softlogic International (Pvt) Ltd	D		Nigerian Insurance Group	
D		Softlogic Information Technologies (Pvt) Ltd	D		miLife Insurance	
D		Softlogic Australia (Pty) Limited	D		Ghanaian Insurance Company	
D		Softlogic Computers (Pvt) Ltd	D		Cenfri (Non profit South African Company)	
D		Softlogic BPO Services (Pvt) Ltd	D		Broadway East Investments (South Africa)	
D		Softlogic Mobile Distribution (Pvt) Ltd	Mr. Sanjaya Mohottala		D	Sri Lankan Airlines Limited
D		Softlogic Finance (Pvt) Ltd			D	International Chamber of Commerce – Sri Lanka
D		Softlogic Retail Holdings (Private) Limited			D	1976 Corp Pvt Ltd
D		Softlogic Restaurants (Private) Limited			Mr. Lalith Withana	D
D		Silk Route Foods (Pvt) Ltd		D		Serendipity Leisure (Private) Ltd.
D		Softlogic City Hotels (Pvt) Ltd	D	Acuity Partners (Private) Limited		
D		Softlogic Supermarkets (Pvt) Ltd	D	HNB Finance PLC		
D		Softlogic Corporate Services (Pvt) Ltd	D	Laugfs Gas PLC		
D		Odel PLC	D	Laugfs Maritime Services (Pvt) Ltd		
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)			

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 355-357 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 205-206 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 200-204.

On behalf of the Board;

(Sgd.)  
**Ashok Pathirage**  
Chairman

(Sgd.)  
**Iftikar Ahamed**  
Managing Director

(Sgd.)  
**Lalith Withana**  
Chairman – Audit Committee

Colombo, Sri Lanka  
07th March 2023

## AUDIT COMMITTEE REPORT

### 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.

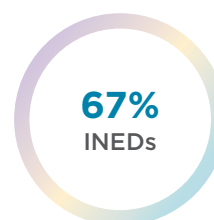
Name	Directorship Status	Membership Status	Attendance
Mr. Lalith Withana	Independent Non-Executive Director	Chairman	4/4
Mr. Raimund Snyders	Non-Executive Director	Member	4/4
Mr. V. Govindasamy	Independent Non-Executive Director	Member	4/4

#### 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



Compliance with the CSE Rules



Compliance with Code of Best Practice



### 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 153-155 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 8th November 2022.

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 page 150 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 impacts of new accounting standards are discussed and disclosed in the Financial Statements.
- Monitoring and reviewing the activities and performance of the internal, external and outsourced auditor/s, including monitoring their independence and objectivity.

## ACTIVITIES IN 2022

### 1. 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 those 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 2022 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.

### 3. 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 2025.

The Committee went through the presentation made by KPMG, which covered in terms of the current status of the SLFRS 17: Insurance Contracts implementation and segregation of implementation into 4 phases. After considering the developments, the Committee informed the management expects to call for system vendor quotations and finalize the vendor by 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.

### 4. 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 and considered the requirement to make necessary provisions for the expected loss impairment.

## AUDIT COMMITTEE REPORT

### 5. 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 2022.

### 6. Cyber Security Review

Softlogic Life has implemented numerous technical solutions and operational enhancements in response to the cyber security threats. During the year physical movements were restricted due to the fuel crisis and the social unrest. Hence, the use of information and communication technology along with Work-From-Home model was essential to continue business operations. 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.

The Committee reviewed the progress of cyber security review conducted by PWC. Further, proposals from experts in Cyber Security management were evaluated to recruit a security QA analyst to review the vulnerabilities at the development level of the applications built in-house.

### 7. Compliance Update

The Committee reviewed the report on the Compliance status on quarterly basis.

### 8. 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, and 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, 42 internal audit assurance reports were summarized and 671 reviews of areas susceptible to fraud were completed.

The Committee's approval was obtained to outsource Review of "Payroll & HR policies/procedures"

and surprise physical inspection of cash and cash equivalents of 50 branches the Company.

Operational deficiencies risk together with recommendations were discussed at the Audit Committee.

### 9. 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 2022;

- 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 2021 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 Companies 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, 2023, 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 205-206.

### **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

## AUDIT COMMITTEE REPORT

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 2023

# RISK COMMITTEE REPORT

## 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-Executive Director	Chairman	5/5
Mrs. Fernanda Lima	Non-Executive Director	Member	5/5
Mr. Ifthikar Ahamed	Managing Director	Member	5/5

### Regular Attendees by invitation

Deputy CEO  
 Head of Group Risk and Audit  
 Head of Group Investments  
 Chief Financial Officer  
 Chief Distribution Officer  
 Chief Technical Officer  
 Chief Information Officer  
 Chief Actuarial Officer  
 Chief Corporate Services Officer  
 Chief Risk Officer  
 Chief Audit and Compliance Officer  
 Manager Risk  
 Manager – IT Risk and Security

### Secretary to the Committee

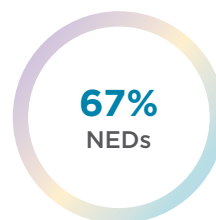
Messrs. P.R. Secretarial Services  
 (Pvt) Ltd

## CHARTER OF THE COMMITTEE

The Board Risk Committee (“the Committee”) is a sub-committee of the Board and is appointed by the Board of Directors and reports formally to the same on its proceedings whenever there are major decisions taken, whilst making recommendations to the Board as it deems appropriate.

The profiles of the Committee members are given on pages 153-155.

This Committee has supervisory functions over the Company’s Risk Management Framework, Mitigative actions and any other risk related matters determined by the Board of Directors.



Compliance  
with Code of  
Best Practice



## AUTHORITY

The Risk Committee is a subcommittee of the Board of Directors and has been empowered to have direct access to, and receive regular reports from, Senior Management, and be provided with any information it deems as risk related and appropriate. The Committee also 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 regulatory requirements
- Review changes in the economic and business environment, including emerging trends and other factors relevant to the Company’s risk profile.
- Review reinsurance treaties annually and advise the Board on their sustainability or otherwise.

## ACTIVITIES IN 2022

- Reviewed the adequacy and effectiveness of the Company’s existing risk management controls.
- Reviewed and approved the Company’s risk appetite and respective parameters for the FY 2022
- Reviewed all impacts and possible mitigation actions with regards to Economic and Political Risks faced through the year with specialty focus on the same

## RISK COMMITTEE REPORT

- Constantly monitored the potential impacts potential FCY and Domestic Debt Restructuring through the year with speciality focus on the same
- Reviewed potential credit risk and its impact on the Company as a result of harsh macro-economic conditions and advised tighter market risk mitigants to curtail the same
- Speciality focus on Staff Turnover which resulted in required mitigation being directed and discussed at the Remuneration Committee
- Reviewed improvements carried out to the IT Risk Framework with specific focus on mitigation of protection of IT Assets
- Provided guidance on the project implemented to ensure compliance with the Data Protection Bill
- Provided guidance and feedback to evaluated risks via an approach of “Environmental, Social and Governance”
- Additionally, the Committee reviewed and approved all policies under the purview of the Risk Governance Structure through 2022 as below;
  - ✓ Risk Management Policy
  - ✓ Risk Appetite Statement 2022
  - ✓ Business Continuity Plan
  - ✓ IT DR Plan
  - ✓ Market Risk Management Policy
  - ✓ Fraud Risk Policy
  - ✓ Environmental, Social and Governance Policy

### 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 through the year.

### THE YEAR AHEAD

The Committee will continue to review the risk identification, mitigation and monitoring mechanisms along with risks already identified risks and their impacts to ensure the Company is within its defined risk appetite. Further, it will also continuously look at ways of improving the Company's Risk Framework Benchmarking International Best Practice Standards.

(Sgd.)

**Raimund Snyders**

Chairman - Risk Committee

Colombo, Sri Lanka  
07th March 2023



# HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

## 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 153-155. The attendance and Directorship status are given in the below table.

Name	Directorship Status	Membership Status	Attendance
Mr. V.Govindasamy	Independent Non-Executive Director	Chairman	2/2
Mr. Ashok Pathirage	Non-Executive Director	Member	2/2
Mr. Lalith Withana	Independent Non-Executive Director	Member	2/2

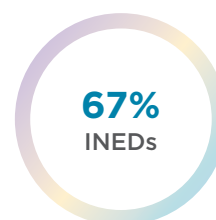
### Regular Attendees by invitation

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



Compliance with the CSE Rules



Compliance with Code of Best Practice



## 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.

## 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.

## ACTIVITIES IN 2022

- Approving performance Bonus payable for 2021 determined by the Committee according to the Variable Pay Plan (VPP) for Executive staff.
- Approved the annual increments to the Executive staff based on their performance during 2022.

## HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

- Approved the Performance bonus scheme applicable for 2022.
- The Committee reviewed the performance of the Corporate Management members (KMPs) including that of the Managing Director and Deputy Chief Executive officer for the financial year ended 2022.
- Evaluation of the organizational structure and succession planning for Critical functions in the organization.
- Approving Interim allowance in October 2022 considering the economic situation.

### 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 45.6.1 on page 356 in this report.

### REMUNERATION PACKAGE OF MANAGING DIRECTOR

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 2022, 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 2023

# INVESTMENT COMMITTEE REPORT

## 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.

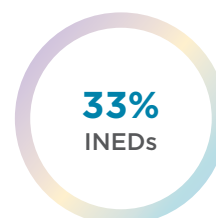
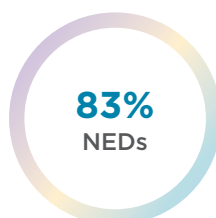
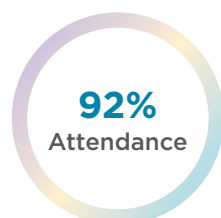
Name	Directorship Status	Membership Status	Attendance
Mr. Ashok Pathirage	Non-Executive Director	Chairman	4/4
Mr. Ifthikar Ahamed	Managing Director	Member	4/4
Mrs. Fernanda Lima	Non-Executive Director	Member	4/4
Mr. V. Govindasamy	Independent Non-Executive Director	Member	2/4
Mr. Raimund Snyders	Non-Executive Director	Member	4/4
Mr. Sanjaya Mohottala	Independent Non-Executive Director	Member	4/4

### 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



Compliance with the CSE Rules



Compliance with Code of Best Practice



## EXPERTISE OF THE COMMITTEE

The Committee possesses 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 153-155 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 Directors as deemed necessary and for establishing investment guidelines in furtherance of those policies.

## 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.

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.

## PROFESSIONAL ADVICE

The Investment Committee will decide if and when expert external advice is necessary and seek such advice when required.

## INVESTMENT COMMITTEE REPORT

### ACTIVITIES IN 2022

- 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 Economic and Political instability and the implications of Debt Restructuring.
- The Committee reviewed the Investment Portfolio, Performance of Fixed Income Securities, Performance of Equity Securities, Fund Wise Performance and Strategic Aspects.
- The Committee approved the Softlogic Life Investment Policy Review 2022.

### 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

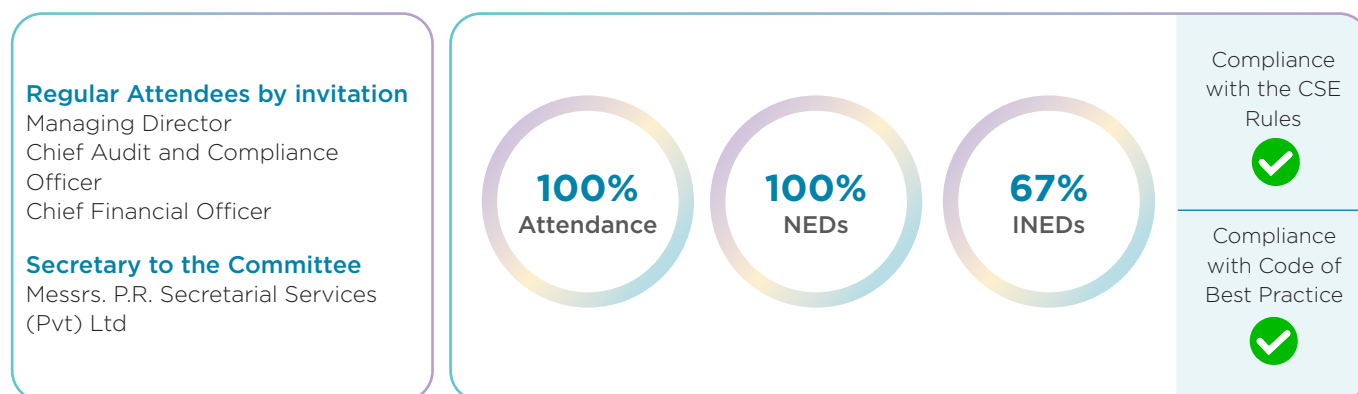
07th March 2023

# RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

## 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 153 to 155.

Name	Directorship Status	Membership Status	Attendance
Mr. Lalith Withana	Independent Non-Executive Director	Chairman	4/4
Mr. Raimund Snyders	Non-Executive Director	Member	4/4
Mr. V. Govindasamy	Independent Non-Executive Director	Member	4/4



## 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 into 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 KMP. Hence the Company adopts a disclosure-based approach in identifying the related parties.

## THE RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

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 excludes 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 2022

The Committee met four (04) times during the financial year ended 31st December 2022, 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 2022, 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

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 2023

## NOMINATION COMMITTEE REPORT

### 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 153-155. The attendance and Directorship status are given in the below table.

Name	Directorship Status	Membership Status	Attendance
Mr. V. Govindasamy	Independent Non-Executive Director	Chairman	1/1
Mr. Ashok Pathirage	Non-Executive Director	Member	1/1
Mr. Lalith Withana	Independent Non-Executive Director	Member	1/1

#### Regular Attendees by invitation

Managing Director

#### Secretary to the Committee

Messrs. P.R. Secretarial Services (Pvt) Ltd

100%  
Attendance

100%  
NEDs

67%  
INEDs

Compliance  
with Code of  
Best Practice



### 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 of interest.

### ACTIVITIES IN 2022

The Committee has recommended the Directors who are up for re-election, to be re-elected at the 24th AGM to be held on 31st March 2023 based on their performance and the contribution made by them towards the overall discharge of the Board's responsibilities.

The Committee obtained declarations from all the Directors through a prescribed format confirming their status of independence and status of conflict of interest.

### 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.

## NOMINATION COMMITTEE REPORT

- 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.)

**V. Govindasamy**

Chairman – Nomination Committee

Colombo, Sri Lanka

07th March 2023



## LISTING RULES ISSUED BY COLOMBO STOCK EXCHANGE [CSE] ON CORPORATE GOVERNANCE AND RELATED PARTY TRANSACTIONS

Principle	Compliance and Implementation	Page No.	Status
<b>7.10</b>	<b>CORPORATE GOVERNANCE</b>		
<b>7.10.1</b>	<b>Two or one third of Directors whichever is higher, should be Non – Executive Directors</b>		
	The Board is consisted of Eight [8] Directors and a majority [7/8] are Non-Executive Directors. Refer the Board Composition.	160-161	✓
<b>7.10.2</b>	<b>Two or one third of Non-Executive Directors whichever is higher, should be Independent and submit annual declarations about their independency to the Board</b>		
	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. Refer the Determination of Independence of Directors.	160-161 165	✓
<b>7.10.3</b>	<b>Disclosures relating to Directors</b>		
	<ul style="list-style-type: none"> <li>The names of Non-Executive Directors determined to be ‘independent’ Refer the Determination of Independence of Directors.</li> </ul>	165	✓
	<ul style="list-style-type: none"> <li>In the event a Director does not qualify as ‘independent’ There are no Directors who disqualified as ‘independent’</li> </ul>		
	<ul style="list-style-type: none"> <li>A brief resume of each Director Refer Board of Directors’ Profile.</li> </ul>	154-155	
	<ul style="list-style-type: none"> <li>In the event of an appointment of a new Director A public announcement shall be made in the CSE website with regards to the new appointments to ensure effective stakeholder engagement and there were no new appointments during the year 2022. Refer Changes in the Board.</li> </ul>	170-171	
<b>7.10.4</b>	<b>Criteria for defining “Independence”</b>		
	Refer Criteria Used in Determining the Independence of the Board of Directors.	165	✓
<b>7.10.5</b>	<b>Remuneration Committee</b>		
	<ul style="list-style-type: none"> <li>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.</li> </ul>	207-208	✓
	<ul style="list-style-type: none"> <li>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.</li> </ul>	207-208	
	<ul style="list-style-type: none"> <li>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 45.6.1 for total fees and Remuneration paid to all Directors.</li> </ul>	356	

## LISTING RULES ISSUED BY COLOMBO STOCK EXCHANGE [CSE] ON CORPORATE GOVERNANCE AND RELATED PARTY TRANSACTIONS

Principle	Compliance and Implementation	Page No.	Status
<b>7.10.6</b>	<b>Audit Committee</b>		
	<ul style="list-style-type: none"> <li>Composition of the Committee: 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.</li> </ul>		✓
	<ul style="list-style-type: none"> <li>The Chairman should be a member of a recognized professional accounting body: 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.</li> </ul>		
	<ul style="list-style-type: none"> <li>Functions of the Committee: 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. Refer Key Functions performed and reviewed by the Committee.</li> </ul>	168	
	<ul style="list-style-type: none"> <li>Disclosures: 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. Refer Independence and Objectivity of External Auditor and determination of the independence of the auditor.</li> </ul>	178	
<b>9</b>	<b>RELATED PARTY TRANSACTION REVIEW COMMITTEE</b>		
<b>9.2.1</b>	<b>Review of Related Party Transactions</b>		
	Except for the transaction set out in Rule 9.5 all other RPTs have been reviewed by the Committee.		✓
<b>9.2.2</b>	<b>Composition of the Committee</b>		
	The Committee comprises of Two [2] Independent NEDs and one [1] NINED. The Managing Director and Chief Financial Officer regularly attend meetings by invitation. Refer Committee Composition and Attendance.	211	✓
<b>9.3.2</b>	<b>Disclosures in the Annual Report</b>		
	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. Refer Related Party Disclosures in Note 45 to Financial Statements.	211 355-357	✓

## 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
<b>A.</b>	<b>Adherence of the Code of Best Practice on Corporate Governance 2017</b>		
	Refer the Code of Best Practice on Corporate Governance.	218-225	✓
<b>B.1</b>	<b>A minimum of two Directors of the Board must be citizens and residents of Sri Lanka</b>		
	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.	160-161	✓
<b>B.2</b>	<b>Total service period of a Non-Executive Director [NED] shall not exceed nine [9] years</b>		
	There are no Non-Executive directors who exceed nine years of total service period. 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.	160-161	✓
<b>B.3</b>	<b>Age of a person who serves as a Director of the Company, shall not exceed 75 years</b>		
	The Directors who serve on the Board are not older than 75 years. Refer The Composition of the Board.	160-161	✓
<b>B.4</b>	<b>Adherence to the Section 7.10 of the Listing Rules of the CSE</b>		
	Refer "Listing Rules Issued by the Colombo Stock Exchange [CSE] on Corporate Governance and Related Party Transactions".	215-216	✓
<b>B.5</b>	<b>Appointments in Other Boards</b>		
	The Directors of the Company do not hold directorship of more than 20 Companies, inclusive of subsidiaries or associate companies of the insurer/ Company. Of such 20, a maximum of 10 companies shall be classified as Specified Business Entities. Refer Directors' Interest in Contracts with the Company.	197	✓
<b>B.6</b>	<b>Disclosed compliance status as required in 7.10 of the Listing Rules of the CSE</b>		
	Refer "Listing Rules Issued by the Colombo Stock Exchange [CSE] on Corporate Governance and Related Party Transactions".	215-216	✓
<b>B.7</b>	<b>Any non-compliance status in respect of principle B of this direction</b>		
	Compliance requirements set by the "IRCSL Direction 17" specific to Principle B as mentioned above on Corporate Governance are successfully achieved as required. Refer the Statement of Compliance.	150	✓
<b>B.8</b>	<b>In the case of a Director older than 70 years continuing in service</b>		
	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. Refer the composition of the Board.	160-161	✓

# CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

➔ GRI 2-13

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
<b>A</b>	<b>DIRECTORS</b>		
<b>A.1</b>	<b>The Board</b>		
	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.		✓
<b>A.1.1</b>	<b>Board Meetings</b>		
	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.	170	✓
<b>A.1.2</b>	<b>Roles &amp; Responsibilities</b>		
	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.		✓
	<b>Ensure formulation and implementation of a sound business strategy:</b> 2022 - 2024 a three-year plan has been approved by the Board at the end of 2022.		
	<b>Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy:</b> The Managing Director & Senior Corporate Management team which include 13 members of professionally qualified individuals with sufficient knowledge, skills and experience are giving utmost direction to implement strategies in order to achieve ultimate objectives.		
	<b>Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy:</b> 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.		
	<b>Approving budgets and major capital expenditure:</b> The Budget and the Corporate Plan for the year 2022 was evaluated and approved within the 1st Quarter of the year.		
	<b>Determining the matters expressly reserved to the Board and those delegated to the management including limits of authority and financial delegation:</b> 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.		
	<b>Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management:</b> 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.	150	

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
<b>A.1.2</b>	<b>Roles &amp; Responsibilities (Contd.)</b>		
	<p>Ensuring all stakeholder interests are considered in corporate decisions: The Board considers the views/impact on all stakeholders when making decisions.</p> <p>Recognizing sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting “integrated reporting”: The Corporate Strategy is designed for 3 years and 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 2022.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	163	✓
<b>A.1.3</b>	<b>Act in accordance with the laws of the Country</b>		
	<p>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. Refer Statement of Compliance</p>	150	✓
<b>A.1.4</b>	<b>Access to advice and services of the Company Secretary</b>		
	<p>P. R. Secretarial Services (Pvt) Ltd ensures that Board procedures are compliant and in accordance with the relevant applicable rules and regulations. 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.</p>	162	✓
<b>A.1.5</b>	<b>Independence judgment</b>		
	<p>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.</p>		✓

## CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
<b>A.1.6</b>	<b>Dedicate adequate time and effort to matters of the Company</b>		
	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. Refer "The Board Meetings and Attendance" Refer "Roles & Responsibilities of the Board"	170 162-163	✓
<b>A.1.7</b>	<b>Procedures relating to Directors' Matters in the best interests of the Company</b>		
	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.		✓
<b>A.1.8</b>	<b>Board induction and training</b>		
	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.	171	✓
<b>A.2</b>	<b>Position of Chairman and CEO/MD vested by separate persons</b>		
	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.		✓
<b>A.3</b>	<b>Chairman's Role in preserving Good Corporate Governance:</b>		
	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. Refer the Chairman's role in the Conduct of Board Meetings.	146 162	✓
<b>A.4</b>	<b>Financial Acumen and Knowledge</b>		
	All the Directors have extensive experience and financial acumen, although their experience lies in different industries.		✓
<b>A.5</b>	<b>The Board Balance</b>		
	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. 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. Refer the Section on Directors Independence. Refer the Composition of the Board.	164-165 160-161	✓

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
<b>A.6</b>	<b>Supply of Information</b>		
	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].		✓
<b>A.7</b>	<b>Appointment to the Board</b>		
	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.  There were no new appointments to the Board during the year. Refer Nomination Committee Report.	213-214	✓
<b>A.8</b>	<b>Re-election and Resignation of Directors</b>		
	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. No Director terminated his office prior to the completion of his term.  Refer the Composition of the Board	160-161	✓
<b>A.9</b>	<b>Appraisal of Board Performance</b>		
	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".	164	✓
<b>A.10</b>	<b>Disclose Information in Respect of Directors as Specified in the Code</b>		
	Profiles including qualifications, expertise, and appointments.	154-155	✓
	Material business interests of Directors.	197	
	Whether Executive, Non-Executive and/or Independent Director.	170	
	Total number of Board seats held by each Director in other companies.	197	
	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	
<b>A.11</b>	<b>Appraisal of the Chief Executive Officer[CEO]/MD</b>		
	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.	164	✓

## CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
<b>B</b>	<b>DIRECTORS REMUNERATION</b>		
<b>B.1</b>	<b>Remuneration Procedure</b>		
	<p>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.</p> <p>Refer Board remuneration.</p> <p>Refer the Human Resource and Remuneration Committee Report.</p>	<p>164</p> <p>207-208</p>	✓
<b>B.2</b>	<b>The level and make-up of remuneration</b>		
	<p>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.</p> <p>Refer the Human Resource and Remuneration Committee report.</p>	<p>207-208</p>	✓
<b>B.3</b>	<b>Disclosure of Remuneration Policy</b>		
	<p>Refer the Human Resource and Remuneration Committee report.</p> <p>Remuneration paid to Board of Directors - refer Note 45.6.1 to Financial Statements.</p>	<p>207-208</p> <p>356</p>	✓
<b>C</b>	<b>RELATIONS WITH SHAREHOLDERS</b>		
<b>C.1</b>	<b>Constructive use of the Annual General Meeting [AGM] and conduct of General Meetings</b>		
	<p>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.</p> <p>Refer the section on Company's Notice of Meeting and Annexure.</p> <p>Refer the Form of Proxy.</p>	<p>388</p> <p>Annexure 1</p>	✓



Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
<b>C.2</b>	<b>Communication with Shareholders</b>		
	<p>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.</p> <p>Refer the Communication with Shareholders.</p>	183	✓
<b>C.3</b>	<b>Disclosure of major and material transactions</b>		
	<p>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.</p> <p>Refer the Communication on Significant Material Transactions.</p>	211-212	✓
<b>D</b>	<b>ACCOUNTABILITY AND AUDIT</b>		
<b>D.1</b>	<b>Present a balanced and understandable assessment of the Company's financial position, performance and prospects</b>		
	<p>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.</p> <p>The following disclosures as required by the code are included in the Annual Report;</p>		✓
	Management Discussion and Analysis.	29-144	
	Annual Report of the Board of Directors.	185-193	
	Statement of Directors' Responsibility.	194	
	Directors' Statement on Internal Controls.	198-199	
	Managing Director's/CEO and Chief Financial Officer's Responsibility Statement.	196	
	The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Auditors Report.	254-256	
	Note 45 to Financial Statements-Related Party Disclosures.	355-357	
	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	

## CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
<b>D.2</b>	<b>Risk management and internal control to safeguard shareholders' investments and Company assets.</b>		
	<p>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.</p> <p>Refer Risk Governance and Management.</p> <p>Refer the Audit Committee Report.</p> <p>Refer Internal Assurance [Internal Audit].</p>	<p>226-246</p> <p>200-204</p> <p>177-178</p>	✓
<b>D.3</b>	<b>Audit Committee</b>		
	<p>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.</p> <p>Refer the Audit Committee Report.</p> <p>Refer Internal Assurance.</p>	<p>200-204</p> <p>177-178</p>	✓
<b>D.4</b>	<b>Related Party Transaction Review Committee</b>		
	<p>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.</p> <p>Refer the Related Party Transaction Committee report.</p> <p>Refer Note 45 on Financial Statements.</p>	<p>211-212</p> <p>355-357</p>	✓
<b>D.5</b>	<b>Adoption of Code of Business Conduct and Ethics for Directors and all other employees</b>		
	<p>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 sensitive information in accordance with relevant regulations.</p> <p>All Directors, KMPs and employees are required to disclose details of any share purchase or shareholding positions in the Annual Report.</p> <p>Refer the Code of Conduct and Ethics for Directors.</p> <p>Refer the Chairman's Statement on Corporate Governance.</p> <p>Refer Directors Shareholding.</p>	<p>174</p> <p>146</p> <p>356</p>	✓

Code	Implication by the Softlogic Life Insurance PLC	Reference	Status
<b>D.6</b>	<b>Corporate Governance Disclosures</b>		
	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 .	146-225	✓
<b>E</b>	<b>INSTITUTIONAL INVESTORS</b>		
	Shareholders have been identified as key players in our prioritization 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.	368-371	✓
<b>F</b>	<b>OTHER INVESTORS</b>		
	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. Refer the Form of Proxy.	254-359 Annexure 1	✓
<b>G</b>	<b>INTERNET OF THINGS AND CYBER SECURITY</b>		
	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. Refer the Risk Committee Report.	181-182 205-206	✓
<b>H</b>	<b>ENVIRONMENT, SOCIETY AND GOVERNANCE</b>		
	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. Refer the Risk Governance structure. Refer Integrated Risk Management.	29-144 229 226-246	✓

# INTEGRATED RISK MANAGEMENT

## INTRODUCTION

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.

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, owing to its effective Risk Management Framework and Comprehensive Business Continuity Plan which became the differentiating factors between companies that did well and otherwise.

2022 was yet another challenging year for Sri Lanka and all business entities within. The challenges faced were completely different to that faced in 2020 and 2021, but nevertheless, Softlogic Life’s Risk Management Framework and Risk Principles resulted in the Company being “risk ready” and enabling the business to be aware of potential risks faced on a continuous basis.

The Risk Culture embraced by the organization also resulted in the workforce being equipped with an agile mindset, which allows for smoother transitions under disruptive scenarios. In 2022, the workforce was able to switch immediately to varying methods of work owing to the Fuel Crisis and continue business as usual.

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 2022.

## Integrated Risk Management Report Structure

1. Softlogic Life’s approach to Risk Management	227
2. Softlogic Life’s Risk Management Principles and Objectives	227
3. Risk Management Framework	228
4. Management of Risks specifically related to the Economic Crisis	231
5. Softlogic Life’s Risk Management Journey	233
6. Identifying Softlogic Life’s Risk Environment and aligning its Risk Management Strategy with Strategic Objectives	234
7. Risk Performance and Highlights at Softlogic Life through 2022	235
8. Risk Appetite and Tolerance	235-236
9. Risk Landscape of the Company	236
10. Key Risk forecasted in 2022 and Status of Materialisation	246
11. Key Risks predicted in 2023 and beyond	246

## 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, including owners, employees, customers, regulators, and society.

## 2. 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, originating both directly and indirectly.
- It is also important to be equipped with a comprehensive view of the risks assumed, understand the relations between them and facilitate their overall assessment, whilst fully understanding the differences in the nature, degree of evolution and the different ways in which each type of risk can be managed and controlled.

#### d) Driving and Ingraining a Risk Culture at Softlogic Life

- 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 and leading international insurers, and looks to improve its process. It also stays abreast of trends in the global insurance industry and regulations in the Banking, Finance and Insurance sector, so that it is better prepared to cope with the ever changing industry and regulatory landscape.

### 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

# INTEGRATED RISK MANAGEMENT

- Implementation of a rigorous risk assessment process to carry out continuous risk identification, control and mitigation processes
- 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.

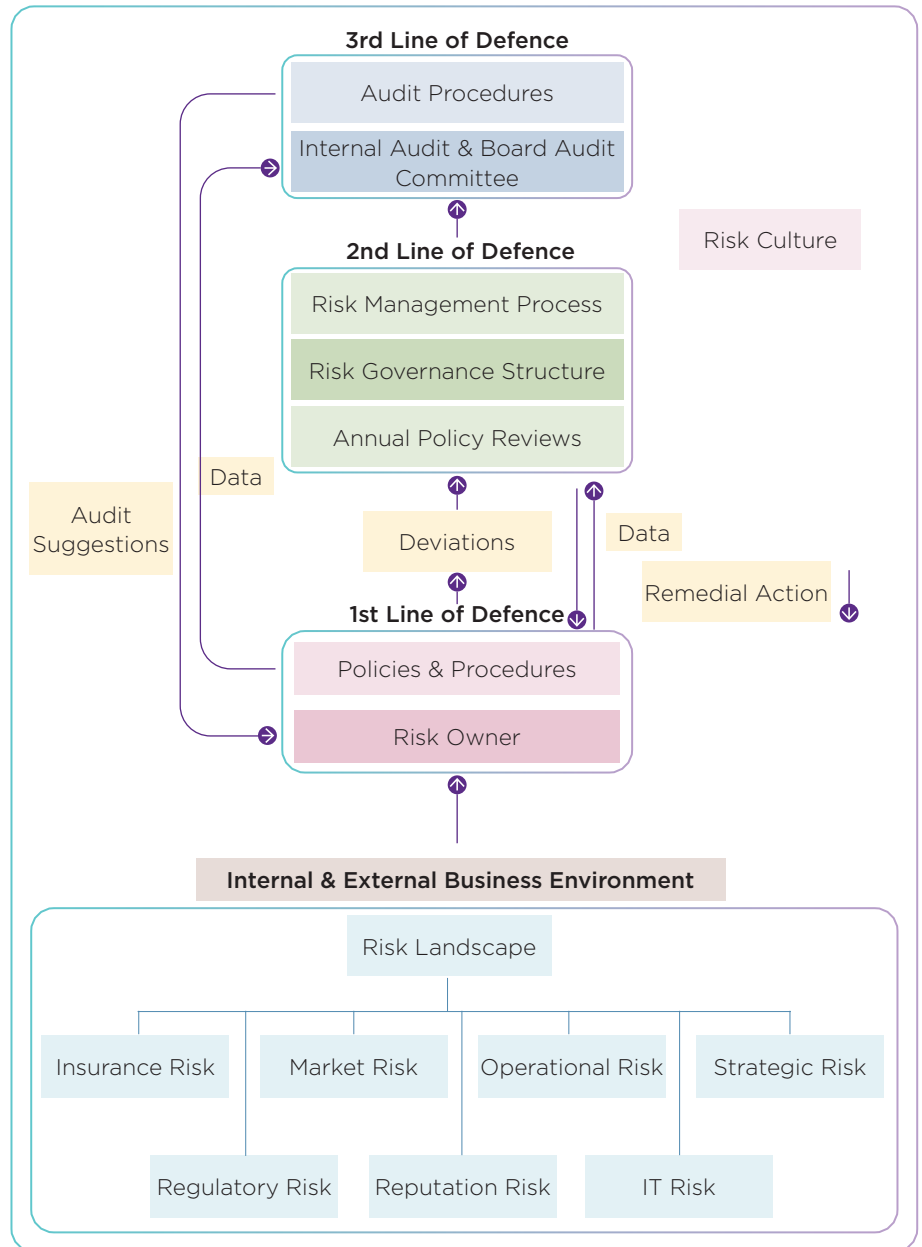
## 3. RISK MANAGEMENT FRAMEWORK

### 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.

Figure Risk Management Framework



### 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 pages 160-161 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.

### c) Internal Risk Committees

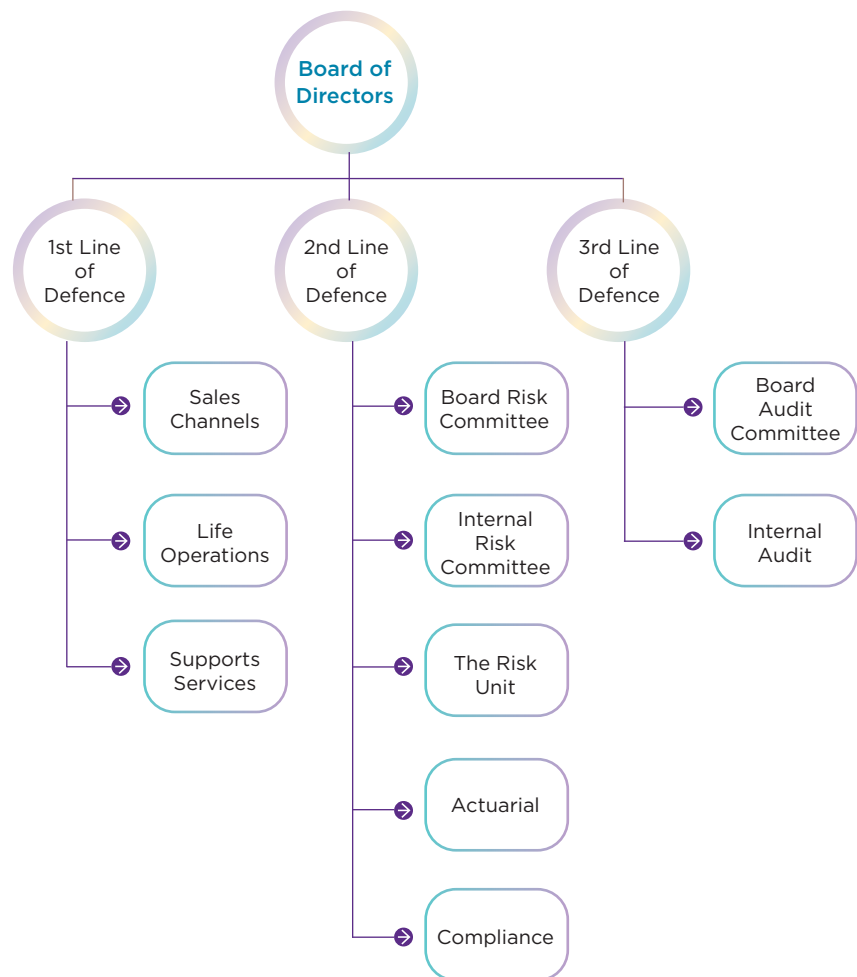
At the management level, the Company has established internal committees such as Internal Risk Committee, Asset and Liability Management Committee, etc. in order to execute the decisions taken at the Board Sub Committee and Board of Directors. These committees which have different agendas, objectives 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 are informed of the Company's overall risk profile and thereby allow for strategic decision making and sustainable value creation.

Figure: Risk Governance Structure

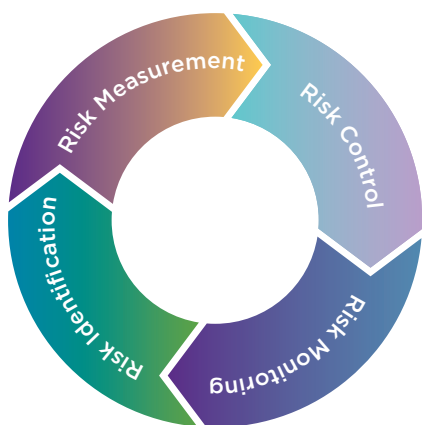


## INTEGRATED RISK MANAGEMENT

### 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;

- Direct Observations
- Incident Analysis
- Scenario Analysis
- 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

##### i) 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.

##### ii) Probability of Occurrence

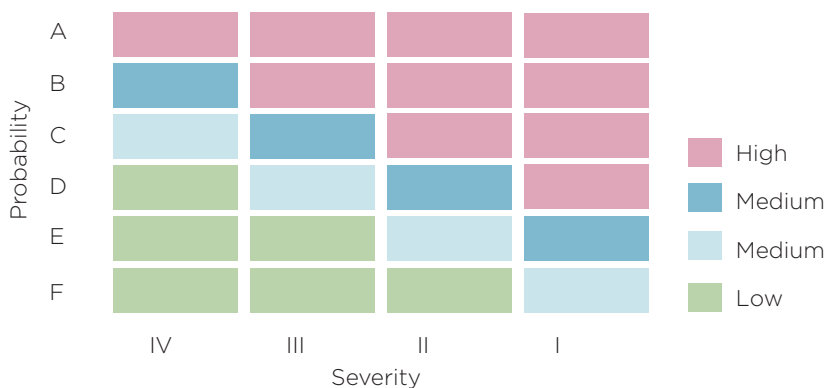
The likelihood of the occurrence of the risk is examined based on the historical experience and probabilities of occurrence under current market and economic conditions. The matrix defines the probability of occurrence as the likelihood of an event occurring in a particular time period. As such we have 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			

	Risk that affect business continuity			
	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	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	<ul style="list-style-type: none"> <li>• Risk Management Policy</li> <li>• Risk Limits and Risk Matrix</li> <li>• Environmental, Social and Governance Policy</li> </ul>
Market Risk	<ul style="list-style-type: none"> <li>• Treasury Middle Office Policy</li> <li>• Asset and Liability Management Policy</li> <li>• Capital Management Policy</li> </ul>
Operational Risk	<ul style="list-style-type: none"> <li>• Operational Risk Policy</li> <li>• IT Risk Management Framework</li> <li>• Fraud Risk Policy</li> </ul>
Insurance Risk	<ul style="list-style-type: none"> <li>• Identified Risk Factors via the Risk Appetite Statement</li> <li>• Product Development Policy (by Life Operations)</li> </ul>
Business Continuity	<ul style="list-style-type: none"> <li>• Business Continuity Plan</li> <li>• IT Disaster Recovery Plan</li> </ul>


### d) Risk Monitoring

The risk register comprises of all identified risks that if materialised, 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.

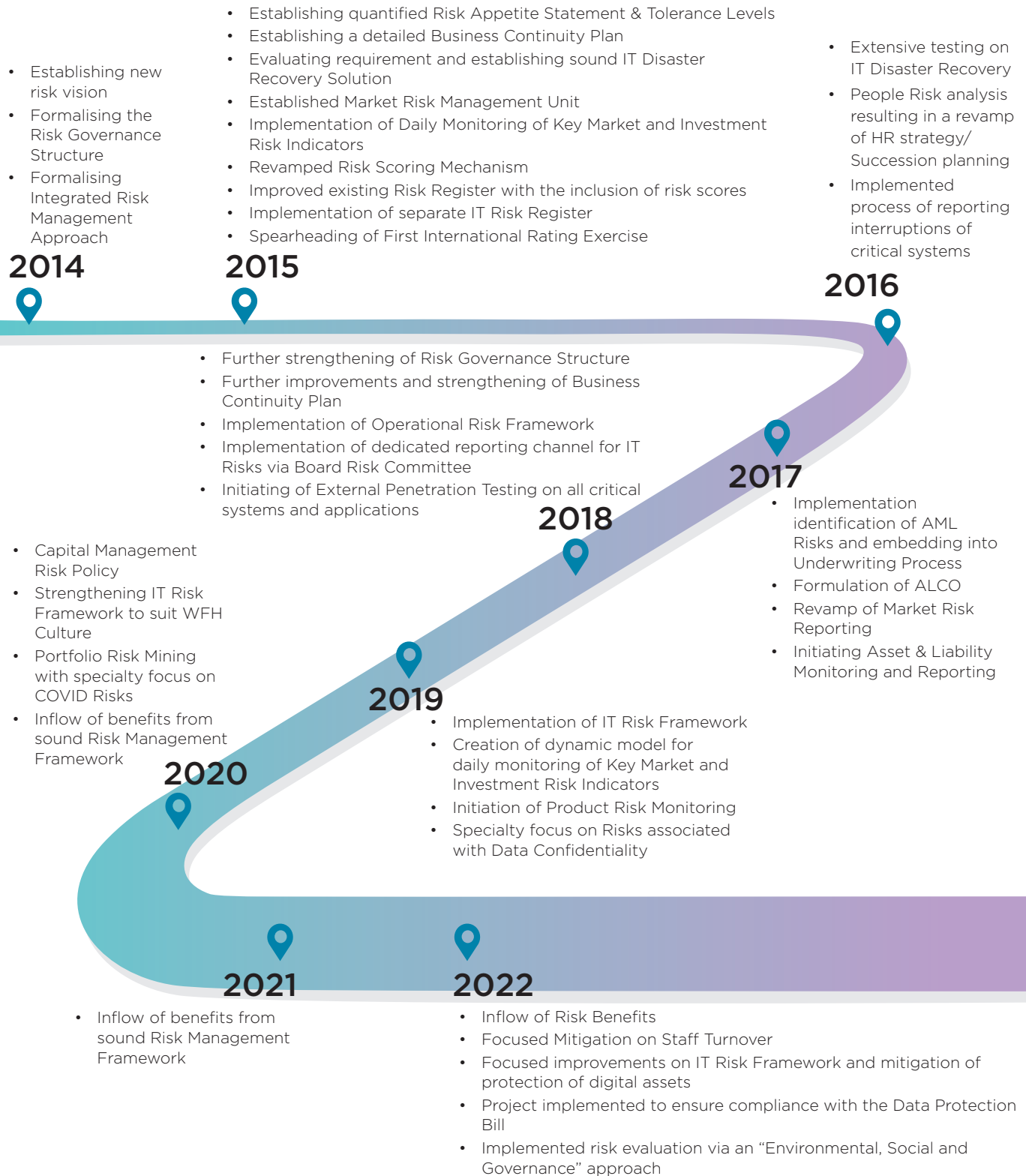
## 4. MANAGEMENT OF RISKS SPECIFICALLY RELATED TO THE ECONOMIC CRISIS

Key Risk faced	Mitigation Action	Successful Management (Yes/No)
Disruptions in Continuity to Business Operations owing to the Fuel Crisis	<p>A detailed and pretested 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.</p> <p>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.</p> <p>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.</p>	

## INTEGRATED RISK MANAGEMENT

Key Risk faced	Mitigation Action	Successful Management (Yes/No)
Market Risks	<p>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.</p> <p>Assessing the sensitivity to the said volatilities also enabled the Company to understand the resulting impacts on the Company's;</p> <ul style="list-style-type: none"> <li>✓ Investment portfolio</li> <li>✓ Unrealized / realized losses via the same</li> <li>✓ Impacts via the existing Asset and Liability mismatch</li> <li>✓ Asset quality and potential credit risks</li> <li>✓ Capital Adequacy Ratio</li> <li>✓ Solvency Ratio</li> </ul>	✓
Sovereign Risks	<p>Resulting risks and impacts on the Company's exposure to International Sovereign Bonds and Sri Lanka Development Bonds were assessed under multiple scenarios.</p> <p>Based on the impact assessment, prudent and cautious treatment has been evaluated and decided through 2022.</p>	✓
Interest Rate Risks	<p>The dynamic Market Risk Management as detailed above has resulted in the Company understanding the strategies required to mitigate and allow for opportunities from varying interest rate scenarios.</p> <p>The continuous increase of rates through 2022, resulted in the Company strategising on maximizing the movement of rates, whilst fully understanding the factors and time frame of when the trend will reverse and preparing for the same.</p>	✓
Lapse Risk	<p>Scenario/stress testing and sensitivity analysis of key Insurance Risks also allowed the Company to understand the impacts that could arise in the event of lapse risks owing to inflation and limited disposable income.</p> <p>This resulted in a focused renewal campaign and focused KPI's on persistency that were monitored through 2022.</p>	✓
Inflation Risk / Claims Risk	<p>The Company experienced an increase in its claim ratio through 2022. Extensive analysis was conducted to identify the causes behind the increase and the following was identified:</p> <ul style="list-style-type: none"> <li>✓ Medical Inflation</li> <li>✓ Increase in the frequency of claims related to Dengue and Lower Respiratory Tract Infections</li> </ul> <p>Detailed discussions around the above took place at the Board Risk Committee which provided direction on mitigating the same via increases in premiums across selected components of the portfolio.</p>	✓
USD Liquidity Risk	<p>The severe shortage of FCY experienced in Sri Lanka impacted the Company's payments to reinsurers.</p> <p>The Company put in motion a payment plan and leveraged relationships with reinsurers so that retention risks were managed.</p>	✓

## 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"> <li>• Strategic Risk</li> <li>• Insurance Risk</li> <li>• Market Risk</li> <li>• Operational Risk</li> </ul>
Systematic Environment (External environment in which Softlogic Life seeks to achieve its objectives)	<ul style="list-style-type: none"> <li>• Global economic risk</li> <li>• Domestic economic risk</li> <li>• Global political risk</li> <li>• Domestic political risk</li> <li>• Competitor Risk</li> <li>• Technological Risk</li> <li>• Regulatory Risk</li> <li>• Reputation Risk</li> </ul>

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	
Most Caring Life Insurer	Setting appetites for Claims Service Standard and ensuring Business Continuity under various scenarios	Refer Risk Appetite in page 235-236 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 2022

### a) Enhanced and focused Market Risk Management

- Conducted detailed impact analysis of Economic and Political Risks faced through the year
- Detailed stress testing of Interest Rate Risk
- Extensive scenario and stress testing on Sovereign Risk on FCY Debt Restructuring
- Extensive scenario and stress testing on Sovereign Risk on potential Domestic Debt Restructuring
- Scenario and stress testing of Asset Quality Risk and the potential impacts on Capital Adequacy and Solvency
- Continuous monitoring and reviewing of approved counterparts

### b) Enhanced Insurance Analysis

- Detailed stress and scenario testing on potential strain from lapse risk

- Detailed root cause analysis on Claims Risks

### c) Continuous Strengthening of IT Risk Management

- Improved and strengthened the IT Risk Framework with specific focus on mitigation of protection of digital assets.
- 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.
- Continuous Awareness and education on IT Security to all staff

### d) Focused Mitigation on Staff Turnover

- Staff turnover owing to macro economic conditions were forecasted and focused mitigation to deal with the same were proposed. The Board Risk Committee escalated actioning to the Remuneration Committee.

## 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.

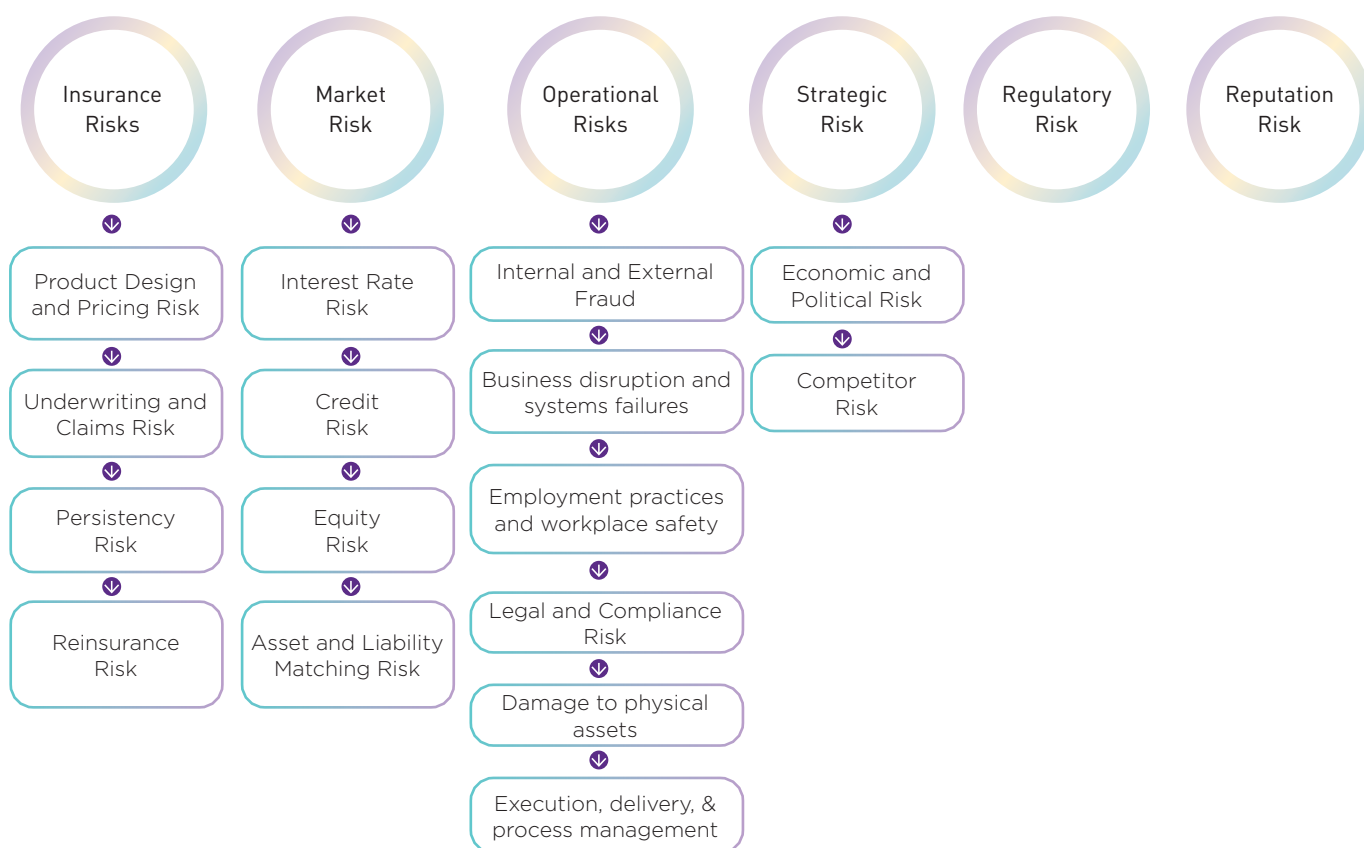
Table: Risk Appetite of Softlogic Life

Risk Indicator		31st December 2022	31st December 2021	31st December 2020
<b>Strategic Risk</b>				
1.	Growth in comparison to Industry	1.63x	1.57X	1.38X
2.	Return on Equity	25%	21%	16%
<b>Regulatory Risks</b>				
3.	Total Available Capital	Rs. 32,302 Mn	Rs. 19,329 Mn	Rs. 14,411 Mn
4.	Capital Adequacy Ratio	287%	395%	302%
5.	Determination	126%	114%	118%
6.	Compliance with other Statutory Requirements	On time submission	On time submission	On time submission
<b>Insurance Risks</b>				
7.	Average value per new policy	Rs. 169,090	Rs. 138,983	Rs. 136,852
8.	Claims Servicing Standards	97%	94%	86%
9.	Expense Ratio	19%	19%	21%
10.	UW Profit Margin	31%	41%	44%

## INTEGRATED RISK MANAGEMENT

Risk Indicator		31st December 2022	31st December 2021	31st December 2020
11.	Persistency Rates (Total) – Based on Gross Premium			
	a) 1st Year	84%	85%	83%
	b) 2nd Year	66%	67%	65%
	c) 3rd Year	58%	58%	52%
12.	Operational Risks (Reputation, Fraud, data security incidents)	0.02%	0.00%	0.01%
13.	Number of Incidents: Downtime of critical system per annum	1	1	No incidents
14.	Life Sales - Turnover	32%	16%	18%
15.	Non - Sales Staff Turnover	21%	26%	10%
16.	Government Securities (as a % LF)	67%	41%	54%
17.	Investment Yield (LKR)	13%	9%	10%

### 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

#### i) 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	Sensitivity	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21																		
<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<p>The sensitivity analysis carried out details that a +10% change in mortality assumptions result in a liability increase of Rs. 589 Mn in 2022 compared to the Rs. 652 Mn reported in 2021, whilst a -10% results in a liability decrease of Rs. 507 Mn in 2022 compared to Rs. 525 in 2021.</p> <p>The following graph depicts how mortality risk sensitivity has moved over the past 5 years.</p> <p><b>SENSITIVITY OF INSURANCE CONTRACT LIABILITIES</b></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>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> <tr> <td>2022</td> <td>589</td> <td>(507)</td> </tr> </tbody> </table>	Year	+10% in Mortality Assumption	-10% in Mortality Assumption	2018	187	(188)	2019	278	(287)	2020	442	(394)	2021	652	(525)	2022	589	(507)	●	●
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2021	652	(525)																			
2022	589	(507)																			

#### ii) 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	Sensitivity	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21
<ul style="list-style-type: none"> <li>The Company uses incident rates to obtain the expected morbidity rates at the product designing stage.</li> </ul>	<p>The sensitivity analysis carried out details +10% change in morbidity assumptions result in a liability increase of Rs. 263 Mn in 2022 compared to the Rs. 226 Mn reported in 2021. A deviation of -10% results in a liability decrease of Rs. 189 Mn in 2022 compared to Rs. 111 in 2021.</p>	●	●

● Low Risk ● Medium Risk ● High Risk

## INTEGRATED RISK MANAGEMENT

### ii) Morbidity Risk (Contd.)

Mitigation Strategies Adopted	Sensitivity	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21																		
<ul style="list-style-type: none"> <li>Expected morbidity 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.</li> </ul>	<p>The following graph shows how morbidity risk sensitivity has moved over the past 5 years.</p> <p><b>SENSITIVITY OF INSURANCE CONTRACT LIABILITIES</b></p> <p>Rs.Mn</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>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> <tr> <td>2022</td> <td>263</td> <td>(189)</td> </tr> </tbody> </table>	Year	+ 10% in Morbidity Assumption	- 10% in Morbidity Assumption	2018	270	(267)	2019	382	(386)	2020	150	(103)	2021	226	(111)	2022	263	(189)		
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2020	150	(103)																			
2021	226	(111)																			
2022	263	(189)																			

### iii) 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	Concentration	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21												
<ul style="list-style-type: none"> <li>The mitigation of the above is carried out mainly via the Company's underwriting philosophy and the guidelines dictated through reinsurance arrangements negotiated.</li> <li>Additionally, all Anti Money Laundering requirements that require adhering to via Underwriting are provided through the AML policy.</li> </ul>	<p>The Western Province shows major concentration and accounts for 69% of GWP in 2022 in comparison to the 70% in 2021.</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>2022</th> </tr> </thead> <tbody> <tr> <td>Western</td> <td>70%</td> <td>69%</td> </tr> <tr> <td>Southern</td> <td>9%</td> <td>9%</td> </tr> <tr> <td>North Western</td> <td>6%</td> <td>7%</td> </tr> </tbody> </table>	Province	2021	2022	Western	70%	69%	Southern	9%	9%	North Western	6%	7%	●	●
Province	2021	2022													
Western	70%	69%													
Southern	9%	9%													
North Western	6%	7%													

● Low Risk ● Medium Risk ● High Risk



#### iv) 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 Reinsurer on claims payable. The main measure used in this regard is the credit rating of the re-insure.

Mitigation Strategies Adopted	Concentration	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21												
<ul style="list-style-type: none"> <li>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.</li> <li>Conducting detailed studies on the adequacy of reinsurance arrangements for catastrophic events.</li> </ul>	<p>The Company is exposed to the following re-insurer receivable amounts as at 31 December 2022.</p> <p><b>REINSURANCE EXPOSURE-RI RATING</b></p> <p>Rs.Mn</p>  <table border="1"> <caption>REINSURANCE EXPOSURE-RI RATING (Rs.Mn)</caption> <thead> <tr> <th>Rating</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>AA</td> <td>272</td> <td>181</td> </tr> <tr> <td>AA -</td> <td>127</td> <td>15</td> </tr> <tr> <td>A+ &amp; A</td> <td>169</td> <td>35</td> </tr> </tbody> </table>	Rating	2022	2021	AA	272	181	AA -	127	15	A+ & A	169	35	●	●
Rating	2022	2021													
AA	272	181													
AA -	127	15													
A+ & A	169	35													

#### b) Analysis of Investment Risk

##### i) 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	Sensitivity	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21																								
<ul style="list-style-type: none"> <li>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.</li> </ul>	<p>The Company is exposed to the following interest rate risk as at 31 December 2022.</p> <table border="1"> <thead> <tr> <th rowspan="2">In LKR Mn</th> <th colspan="4">2022</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>8,393</td> <td>32,679</td> <td>1,528</td> <td>42,600</td> </tr> <tr> <td>Financial Liabilities</td> <td>(5,952)</td> <td>-</td> <td>-</td> <td>(5,952)</td> </tr> <tr> <td>Exposure to Interest Rate Risk</td> <td>2,441</td> <td>32,679</td> <td>1,528</td> <td>36,648</td> </tr> </tbody> </table>	In LKR Mn	2022				Variable Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total	Financial Assets	8,393	32,679	1,528	42,600	Financial Liabilities	(5,952)	-	-	(5,952)	Exposure to Interest Rate Risk	2,441	32,679	1,528	36,648	●	●
In LKR Mn	2022																										
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● Low Risk ● Medium Risk ● High Risk

## INTEGRATED RISK MANAGEMENT

### i) Interest Rate Risk (Contd.)

Mitigation Strategies Adopted	Sensitivity					Risk Rating as at 31.12.22	Risk Rating as at 31.12.21	
<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	In LKR 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			
	In LKR Mn	2022		2021				
		Impact on Profit Before Tax	Impact on Equity	Impact on Profit Before Tax	Impact on Equity			
		Increase in 100 basis points		59	(15)			
		Decrease in 100 basis points		(58)	25			

### ii) 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 of US\$ 30 Mn is invested in USD Assets, minimising any foreign exchange risk as a result of exchange rate volatility, whilst all reinsurance transactions are negotiated in LKR equivalent terms minimising any foreign exchange risk.

Mitigation Strategies Adopted	Sensitivity	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21
<ul style="list-style-type: none"> <li>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.</li> <li>The risk unit has also established risk limits specific to each foreign exchange transaction in order to minimize any losses per transaction.</li> <li>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.</li> </ul>	The Company is exposed to the following foreign exchange risk as of 31 December 2022.	●	●
	In LKR Mn	USD	LKR
	Assets	37.5 Mn	13.7 Bn
	Liabilities	18.6 Mn	6.9 Bn

● Low Risk ● Medium Risk ● High Risk

### iii) 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	Concentration	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21																																																						
<ul style="list-style-type: none"> <li>The Company made a strategic decision to exit all short term equity investments and limit the portfolio to strategic equity portfolio through 2022.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>	<p>The Company's market value of its equity investments as at 31st December 2022 was Rs. 1.4 Bn in comparison to 2021 of Rs. 2.3 Bn. The Portfolio diversification of equity investments (Sector analysis) of the Company is as follows.</p> <table border="1"> <thead> <tr> <th rowspan="2">In LKR Mn</th> <th colspan="2">2022 Exposure</th> <th colspan="2">2021 Exposure</th> </tr> <tr> <th>Amount</th> <th>%</th> <th>Amount</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Banks</td> <td>875</td> <td>61%</td> <td>1,233</td> <td>54%</td> </tr> <tr> <td>Capital goods</td> <td>-</td> <td>-</td> <td>191</td> <td>8%</td> </tr> <tr> <td>Consumer durables and apparels</td> <td>-</td> <td>-</td> <td>14</td> <td>1%</td> </tr> <tr> <td>Diversified financials</td> <td>177</td> <td>12%</td> <td>237</td> <td>10%</td> </tr> <tr> <td>Food beverage and tobacco</td> <td>-</td> <td>-</td> <td>30</td> <td>1%</td> </tr> <tr> <td>Healthcare equipment and services</td> <td>384</td> <td>27%</td> <td>486</td> <td>22%</td> </tr> <tr> <td>Materials</td> <td>-</td> <td>-</td> <td>16</td> <td>1%</td> </tr> <tr> <td>Transportation</td> <td>-</td> <td>-</td> <td>63</td> <td>3%</td> </tr> <tr> <td></td> <td>1,437</td> <td>100%</td> <td>2,270</td> <td>100%</td> </tr> </tbody> </table>	In LKR Mn	2022 Exposure		2021 Exposure		Amount	%	Amount	%	Banks	875	61%	1,233	54%	Capital goods	-	-	191	8%	Consumer durables and apparels	-	-	14	1%	Diversified financials	177	12%	237	10%	Food beverage and tobacco	-	-	30	1%	Healthcare equipment and services	384	27%	486	22%	Materials	-	-	16	1%	Transportation	-	-	63	3%		1,437	100%	2,270	100%	●	●
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● Low Risk ● Medium Risk ● High Risk

## INTEGRATED RISK MANAGEMENT

### 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 2020, exposure to credit risk was Rs. 26.9 Bn in comparison to Rs. 14.2 Bn as of 31st December 2019.

Mitigation Strategies Adopted	Concentration	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21																																												
<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>Limiting concentrations of exposure to counterparties, industries, and by issuer, credit rating band and market liquidity.</li> </ul>	<p>The Company is exposed to credit risk derived through the following categories of financial assets as follows.</p> <table border="1"> <thead> <tr> <th rowspan="2">In LKR Mn</th> <th colspan="2">2022 Exposure</th> <th colspan="2">2021 Exposure</th> </tr> <tr> <th>Amount</th> <th>%</th> <th>Amount</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Financial Investment</td> <td>41,163</td> <td>92%</td> <td>31,594</td> <td>94%</td> </tr> <tr> <td>Premium receivable</td> <td>1,763</td> <td>4%</td> <td>984</td> <td>3%</td> </tr> <tr> <td>Cash at Bank</td> <td>729</td> <td>2%</td> <td>691</td> <td>2%</td> </tr> <tr> <td>Reinsurance receivable</td> <td>568</td> <td>1%</td> <td>232</td> <td>1%</td> </tr> <tr> <td>Loans to life policyholder</td> <td>265</td> <td>1%</td> <td>224</td> <td>0%</td> </tr> <tr> <td>Receivable and other assets</td> <td>71</td> <td>0%</td> <td>65</td> <td>0%</td> </tr> <tr> <td></td> <td>44,559</td> <td>100%</td> <td>33,790</td> <td>100%</td> </tr> </tbody> </table>	In LKR Mn	2022 Exposure		2021 Exposure		Amount	%	Amount	%	Financial Investment	41,163	92%	31,594	94%	Premium receivable	1,763	4%	984	3%	Cash at Bank	729	2%	691	2%	Reinsurance receivable	568	1%	232	1%	Loans to life policyholder	265	1%	224	0%	Receivable and other assets	71	0%	65	0%		44,559	100%	33,790	100%	●	●
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	<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>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Government Guaranteed</td> <td>12,912</td> <td>4,483</td> </tr> <tr> <td><b>Debt instruments having credit ratings</b></td> <td></td> <td></td> </tr> <tr> <td>AAA</td> <td>410</td> <td>-</td> </tr> <tr> <td>AA+ to AA-</td> <td>2,864</td> <td>1,329</td> </tr> <tr> <td>A+ to A-</td> <td>5,652</td> <td>3,913</td> </tr> <tr> <td>BBB+ to BBB-</td> <td>678</td> <td>725</td> </tr> <tr> <td>CC</td> <td>-</td> <td>79</td> </tr> <tr> <td><b>Unit trust</b></td> <td></td> <td></td> </tr> <tr> <td>A+ to A-</td> <td>1,514</td> <td>1,979</td> </tr> <tr> <td>BBB+ to BBB-</td> <td>875</td> <td>53</td> </tr> <tr> <td></td> <td>24,904</td> <td>12,562</td> </tr> </tbody> </table>		2022	2021	Government Guaranteed	12,912	4,483	<b>Debt instruments having credit ratings</b>			AAA	410	-	AA+ to AA-	2,864	1,329	A+ to A-	5,652	3,913	BBB+ to BBB-	678	725	CC	-	79	<b>Unit trust</b>			A+ to A-	1,514	1,979	BBB+ to BBB-	875	53		24,904	12,562										
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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 assesses the liquidity risk at the Assets and Liability Management Committee (ALCO) on regular basis and Maintains a diversified funding base to manage the liquidity risk.

Mitigation Strategies Adopted	Concentration	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21			
<ul style="list-style-type: none"> <li>Regular review by the Company's asset and liability management committee.</li> <li>Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.</li> <li>Adhering to defined limits on maturity gaps as per approved risk limits and adhering to compositions of investments as per the investment policy.</li> </ul>	The following table provides maturity analysis.		●	●		
	In LKR Mn	No Maturity	Less than 1 year	1-3 years	More than 3 years	Total
	Financial assets	782	12,351	8,405	21,062	42,600
	Loans to life policyholders	-	-	-	265	265
	Reinsurance receivables	-	568	-	-	568
	Premium receivables	-	1,763	-	-	1,763
	Other financial assets	-	71	-	-	71
		782	14,753	8,405	21,327	45,267
	Insurance contract liabilities - Maturities	-	606	1,523	3,752	5,881
	Reinsurance payable	-	2,246	-	-	2,246
	Loans and borrowings	-	154	-	5,490	5,644
	Lease liability	-	-	-	-	-
	Other finance liabilities	-	1,893	-	-	1,893
	Bank overdraft	-	308	-	-	308
		-	5,207	1,523	9,242	15,972

● Low Risk ● Medium Risk ● High Risk

## INTEGRATED RISK MANAGEMENT

### 9.2 Mitigating strategies for key risks faced by the Company

	Mitigation Strategies Adopted	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21
<b>Strategic Risk</b>			
Economic and Political Risk	<ul style="list-style-type: none"> <li>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.</li> <li>This study is presented to the Board Risk Committee as well as the Board Investment Committee in order to aid in key business decisions.</li> </ul>	●	●
Competitor Risk	<ul style="list-style-type: none"> <li>Constant monitoring and comparison of Company's Performance against peers.</li> <li>Implementation of a market intelligence force to ensure timely gathering of competitor activity</li> <li>Product Implementation committee to ensure that the Company's product portfolio remains competitive based on the above information</li> </ul>	●	●
Co-operation and awareness of common direction	<ul style="list-style-type: none"> <li>Clear Communication of the Company's strategy and Business Objectives, to all staff through interactive town hall sessions</li> <li>Communication through 2022 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.</li> </ul>	●	●
<b>Regulatory Risk</b>			
Minimum Capital Adequacy Ratio	<ul style="list-style-type: none"> <li>Capital Management Policy and Limits specific to capital adequacy.</li> <li>Forecasted internal capital model to ensure capital adequacy are above regulatory requirements.</li> <li>Monthly CAR calculations to understand trends of key driving factors</li> <li>A close watch is kept on all potential regulatory directions by the Risk Unit as well the Compliance Unit.</li> </ul>	●	●
Increased Regulatory / Compliance Requirements	<ul style="list-style-type: none"> <li>A close watch is kept on all potential regulatory directions by the Risk Unit as well the Compliance Unit.</li> <li>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.</li> </ul>	●	●

● Low Risk ● Medium Risk ● High Risk

	Mitigation Strategies Adopted	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21
<b>Reputation Risk</b>			
Reputation Risk	<ul style="list-style-type: none"> <li>Operational Risk Policy clearly dictating the methodology to measure and evaluate reputation risks was also formulated.</li> <li>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.</li> </ul> <p>All customer complaints are handled in line with the guidelines issued by IBSL on complaint management.</p>	●	●
<b>Operational Risk</b>			
Business Continuity	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	●	●
Business Continuity of Critical Systems	<ul style="list-style-type: none"> <li>The Company is also equipped with an independent Disaster Recovery Site for its servers.</li> <li>Disaster Recovery Simulation exercises are also conducted for all systems considered critical.</li> <li>Testing was carried out successfully through 2019 and revealed that systems were recoverable well within the stipulated recovery time objectives.</li> </ul>	●	●
Occupational Health and Safety	<ul style="list-style-type: none"> <li>Awareness flyers have been circulated to all staff throughout the year on procedures to be followed in the event of a Fire.</li> <li>Fire Wardens have been also briefed on procedures to be carried out in such an event.</li> <li>Success rates of all fire drills conducted were above 75%</li> </ul>	●	●
Staff Turnover	<p>The following strategies that were initiated to reduce Non-Sales Staff Turnover at the beginning of the year and have continued through the year.</p> <ul style="list-style-type: none"> <li>Identification of critical resources across all departments and submission of detailed succession plan</li> <li>Recruiting Branch staff with prior exposure to customer service and those that possess a higher set of skills.</li> <li>Utilizing the Town Hall Sessions conducted as a tool to identify issues faced by the staff and to provide the relevant solutions.</li> </ul>	●	●

● Low Risk ● Medium Risk ● High Risk

## INTEGRATED RISK MANAGEMENT

	Mitigation Strategies Adopted	Risk Rating as at 31.12.22	Risk Rating as at 31.12.21
Internal Controls	<ul style="list-style-type: none"> <li>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.</li> <li>The unit has also established;                             <ul style="list-style-type: none"> <li>Claims Monitoring Unit</li> <li>A Fraud Detection Unit</li> <li>Implementation of ACL, to strengthen fraud detection and other preventive mechanisms</li> </ul> </li> <li>The completion rate / adoption rate of all suggestions and recommendations remains at approximately 95%-100% as at the above date.</li> </ul>	●	●

### 10. KEY RISKS FORECASTED IN 2022 AND STATUS OF MATERIALIZATION

Predicted Risk	Risk forecast	Materialization
Prevalent Covid -19 Risk	●	●
Supply Chain Disruptions	●	●
Volatile Energy Prices	●	●
Food Scarcity	●	●
Inflation	●	●
Increasing Interest Rates	●	●
Foreign Exchange Risk	●	●
Lower Disposable Income of end Consumer	●	●
Climate Risks	●	●

### 11. KEY RISK PREDICTED IN 2023 AND BEYOND

The Risk unit is of the view that the following challenges will be most prevalent in 2023 and has actively begun and / or improving mitigation actions to deal with the same.

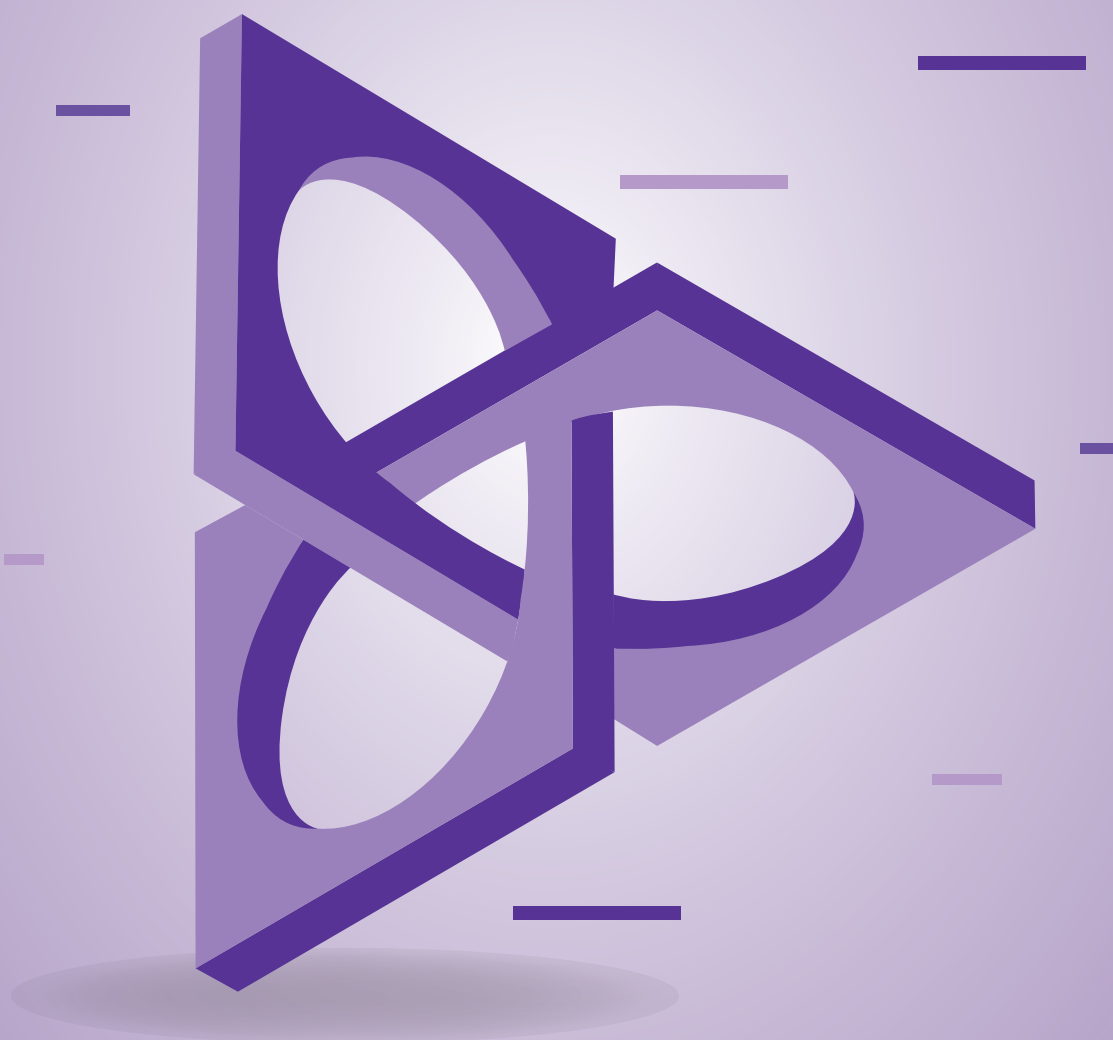
Predicted Risk	Risk forecast
Prevalent Covid -19 Risk	●
Supply Chain Disruptions	●
Volatile Energy Prices	●
Food Scarcity	●
Inflation	●
Increasing Interest Rates	●
Foreign Exchange Risk	●
Lower Disposable Income of end Consumer	●
Climate Risks	●

● Low Risk ● Medium Risk ● High Risk



# Reimagining Growth

We strive to achieve consistent growth and momentum in more ways than one, and drive holistic stakeholder value.

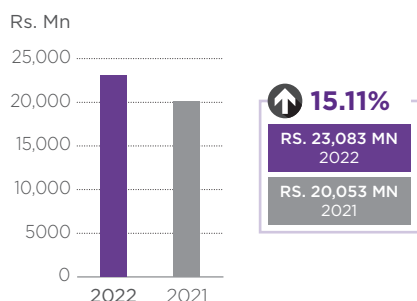


## FINANCIAL STATEMENTS

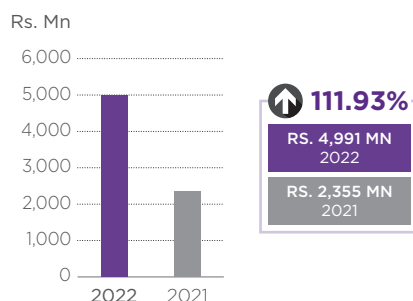
Financial Highlights **248** | Actuary's Report **250** | Report on the Liability Adequacy Test (LAT) **251** |  
Financial Calendar **252** | Financial Statement Table of Contents **253** | Independent Auditor's Report **254** |  
Income Statement **257** | Statement of Profit or Loss and Other Comprehensive Income **258** |  
Statement of Financial Position **259** | Statement of Changes in Equity **260** | Statement of Cash Flows **261** |  
Notes to the Financial Statements **262**

# FINANCIAL HIGHLIGHTS

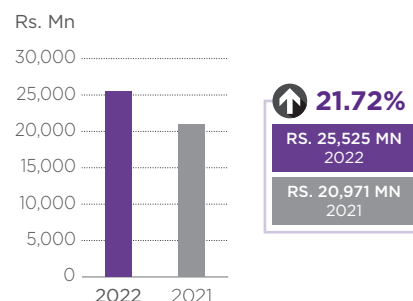
## GROSS WRITTEN PREMIUM



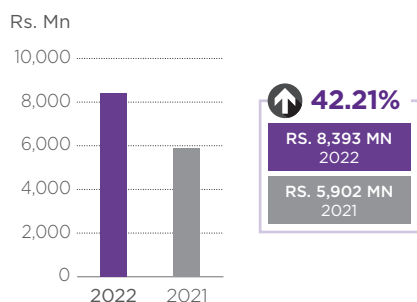
## NET FINANCE INCOME



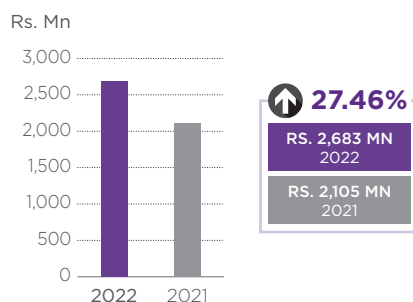
## TOTAL NET REVENUE



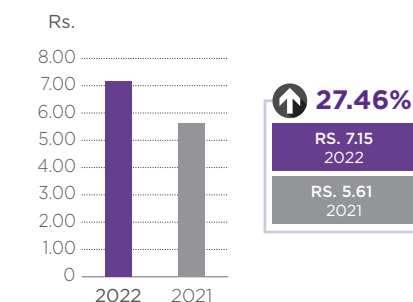
## NET INSURANCE BENEFITS & CLAIMS



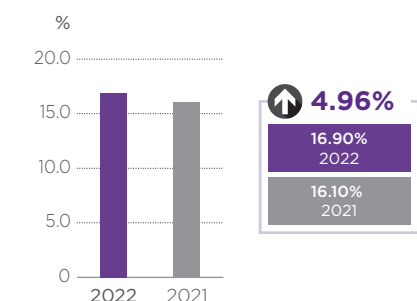
## PROFIT AFTER TAXATION



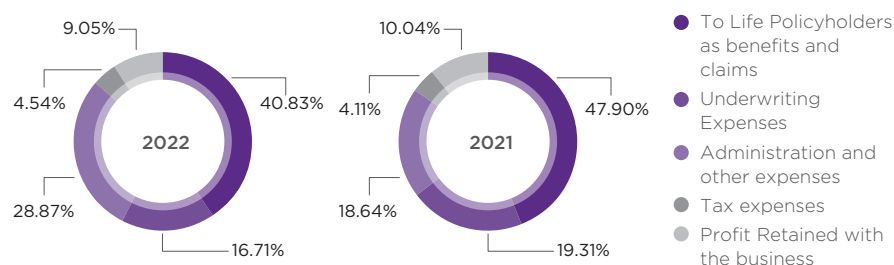
## EARNING PER SHARE



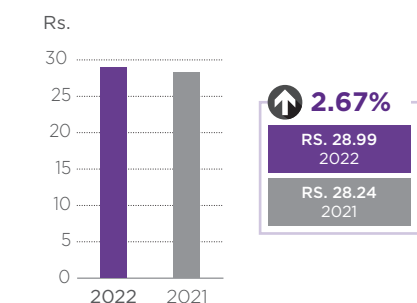
## MARKET SHARE



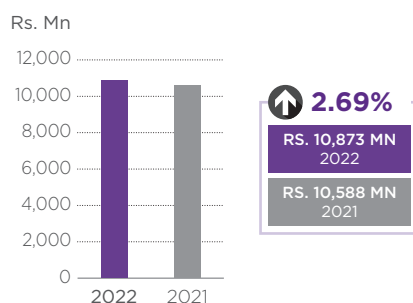
## UTILIZATION OF INCOME



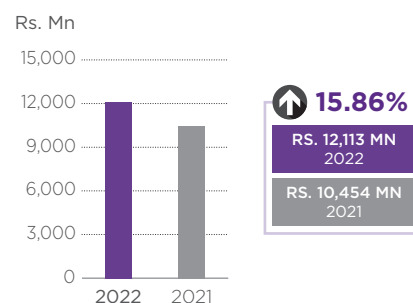
## NET ASSET PER SHARE



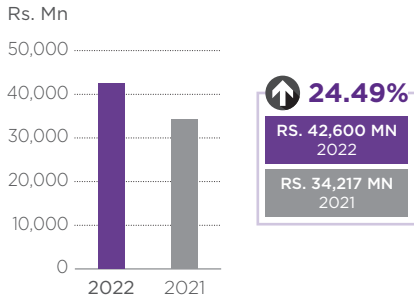
## TOTAL EQUITY



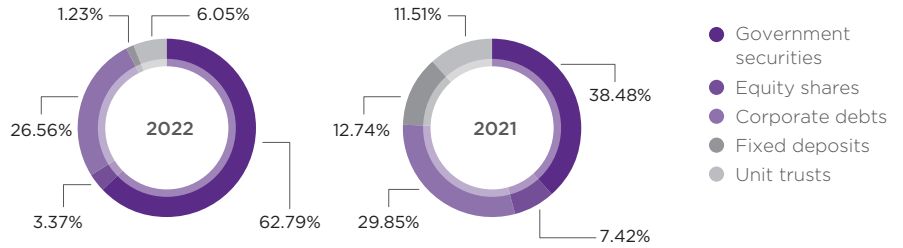
## RETAINED EARNINGS



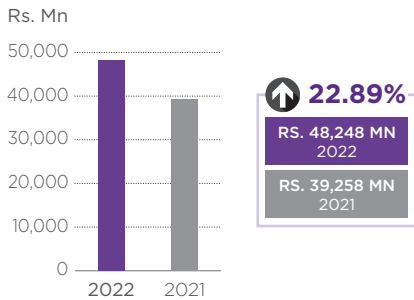
**FINANCIAL INVESTMENTS**



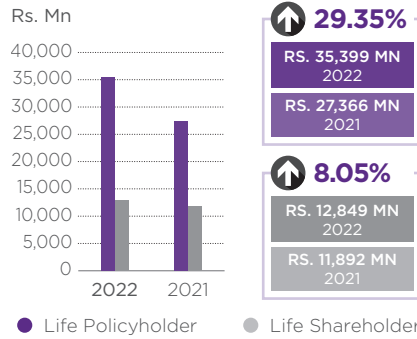
**FINANCIAL INVESTMENT - ASSET CLASS WISE**



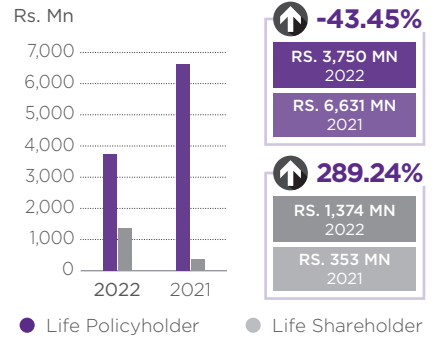
**TOTAL ASSETS**



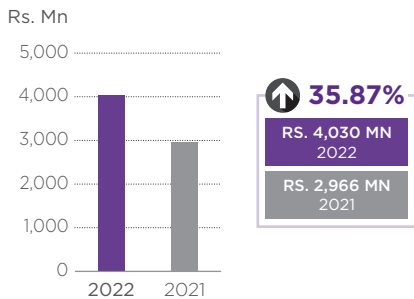
**SEGMENT TOTAL ASSETS**



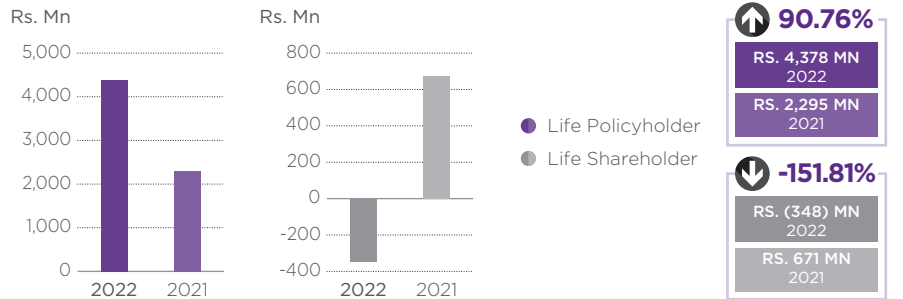
**SEGMENT OPERATING CASH FLOWS**



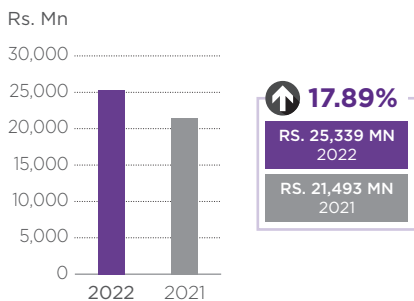
**PROFIT BEFORE TAXATION**



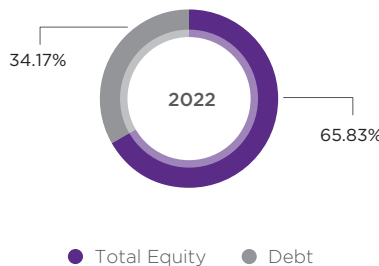
**SEGMENT PROFIT BEFORE TAXATIONS**



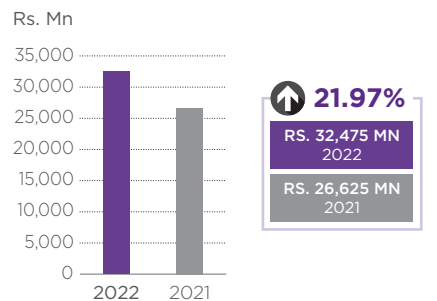
**INSURANCE CONTRACT LIABILITIES**



**CAPITAL STRUCTURE**



**MARKET CAPITALIZATION**



## ACTUARY'S REPORT



7<sup>th</sup> March 2023

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 2022;
- (e) that the Surplus amount distributed / approved to transfer from the non-participating fund to shareholder fund for the period 1 January 2022 to 31 December 2022 amounted to LKR 4,378 million (2,833 million up to Q3 and 1,545 for Q4) ; and
- (f) that the Surplus amount distributed to life insurance policyholders who share in the profits (with respect to reversionary bonus declared), as provided in the Regulation of Insurance Industry Act, No 43 of 2000, amounted to 436 million (315 million up to Q3 and 121 million for Q4) as at 31 December 2022.

#### 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@wtwco.com](mailto:kunj.maheshwari@wtwco.com)

Signature: 

Place: Gurugram, India

Date: 7<sup>th</sup> March 2023

Willis Towers Watson India Private Limited

Registered Office:  
Unitech Business Park 2nd floor  
Tower-B, South City 1, Sector 41  
Gurgaon-122001  
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W: [www.wtwco.com](http://www.wtwco.com)  
CIN – U67190HR1996PTC051336

# REPORT ON THE LIABILITY ADEQUACY TEST (LAT)



7<sup>th</sup> March 2023

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 2022.
- 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 2022 is in excess of the liabilities computed in the above mentioned manner.

Kunj Behari Maheshwari, FIA, FIAI  
Director, Insurance Consulting and Technology, India,

WTTW

Signature:

Place:

Date:

Gurugram, India

7<sup>th</sup> March 2023

Willis Towers Watson India Private Limited

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India

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W: www.wtwco.com  
CIN – U67190HR1996PTC051336

# FINANCIAL CALENDAR



**Annual Report and Accounts signed/to be signed**

For the year 2022	For the year 2023
On March 7, 2023	In March 2024



**Annual General Meeting to be held**

For the year 2022	For the year 2023
On March 31, 2023	In March 2024



	2022 Submitted on	2023 To be submitted
For the three months ended/ ending March 31	13-May-22	15-May-23
For the six months ended/ending June 30	12-Aug-22	15-Aug-23
For the nine months ended/ ending September 30	14-Nov-22	15-Nov-23
For the year ended/ending December 31	7-Feb-23	28-Feb-24



	2022	2023
First interim dividend for the year payable	In March 2023	In March 2024



Follow the link for Trilingual Executive Statements and Financial Statements

# FINANCIAL STATEMENTS TABLE OF CONTENTS

257	Financial Statements		
262	Notes to the Financial Statements		
303	Notes to the Income Statement		
314	Notes to the Statement of Financial Position		
339	Capital and Reserves		
340	Liabilities		
352	Other Disclosures		
360	Supplementary information		

Contents	Note No	Page No
Financial Highlights		248
Independent Auditors' Report		254
<b>Financial Statements</b>		
Income Statement		257
Statement of Profit or Loss and Other Comprehensive Income		258
Statement of Financial Position		259
Statement of Changes in Equity		260
Statement of Cash Flows		261
<b>Notes to the Financial Statements</b>		
Corporate Information	1	262
Basis of Accounting	2	262
Use of Judgements and Estimates	3	264
Significant Accounting policies	4	267
New Accounting Standards not Effective at the Reporting date	5	275
Risk and Capital Management	6	276
Fair Value Measurement	7	297
<b>Notes to the Income Statement</b>		
Gross Written Premiums	8	303
Premiums Ceded to Reinsurers	9	303
Net Written Premiums	10	304
Net Finance Income	11	304
Net Realised Gains	12	305
Net Fair value Gains	13	306
Other Operating Income	14	306
Net Insurance Benefits and Claims Paid	15	307
Net Change in Insurance Claims Outstanding	16	307
Changes In Insurance Contract Liabilities	17	308
Underwriting and Net Acquisition Cost	18	309
Other Operating and Administrative Expenses	19	309
Impairment Charges	20 A	310
Finance Cost	20 B	310
Profit before Tax	21	311
Income Tax Expenses	22	311
Earning per Share (Basic / Diluted)	23	313
Dividend per Share	24	314
<b>Notes to the Statement of Financial Position</b>		
Assets		
Classification of Financial Assets	4.2.11	271
Classification of Financial Liabilities	4.3.8	274
Intangible Assets	25	314
Property, Plant and Equipment	26	316

Contents	Note No	Page No
Right of Use Assets	27	321
Deferred Taxation	28	323
Financial Investments	29	326
Loans to Life Policyholders	30	336
Reinsurance Receivables	31	336
Premium Receivables	32	337
Receivables and Other Assets	33	338
Cash and Cash Equivalents	34	338
<b>Capital and Reserves</b>		
Stated Capital	35	339
Retained Earnings	36	339
Restricted Regulatory Reserve	37	339
Other Reserve	38	340
<b>Liabilities</b>		
Insurance Contract Liabilities	39	340
Employee Benefits Liabilities	40	247
Loans and Borrowings	41	350
Reinsurance Payable	42	351
Other Liabilities	43	351
<b>Other Disclosures</b>		
Operating Segment	44	353
Related Party Disclosure	45	355
Capital and Other Commitments	46	357
Events After the Reporting Period	47	357
Provisions and Contingencies	48	358
Comparative Information	49	359
Directors' Responsibility Statement	50	359
<b>Supplementary Information</b>		
Statement of Financial Position of the Life Insurance Fund		361
Insurance Revenue Account		361
Notes to Statement of Financial Position of the Life Insurance Fund		362
Quarterly Analysis		364
Decade at Glance		365
Simplified Insurance Financials		367
Horizontal and Vertical Analysis		372
Investor Relations		368
GRI Content Index		375
Glossary of Insurance Terms		377
SLFRS 17 Implementation effect on Company's Financial Statements		380
Corporate Information		387

# INDEPENDENT AUDITOR'S REPORT



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(Chartered Accountants)  
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Colombo 00300, Sri Lanka.

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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, 2022, 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 257 to 359.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Insurance Contract Liabilities

Refer to Note 3.2.1 (page 265) and Note 39 (page 340) to these financial statements

#### 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.

Risk Description	Our Response
<p>The Company has recognized insurance contract liabilities amounting to Rs. 25.339 billion as at 31st December 2022.</p> <p>The Company’s insurance contract liabilities represent 68 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><b>Our procedures among others included;</b></p> <ul style="list-style-type: none"> <li>Assessing the competence, capabilities, and objectivity of management’s external actuarial expert and company’s staff involved in the policy holders liability valuation process.</li> <li>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.</li> <li>Reconciling the movements in policyholder liabilities during the year with the movements in the financial results reported in separate funds.</li> <li>Testing management controls over the accuracy of data used in the life fund valuation and reconciling the data used to the underlying systems.</li> </ul>

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

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W. J. C. Perera FCA  
W. K. D. C. Abeyrathne 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

T. J. S. Rajakarier FCA  
Ms. S.M.B. Jayasekara FCA  
G. A. U. Karunaratne FCA  
R. H. Rajan FCA  
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyad FCMA (UK), FTII



Risk Description	Our Response
<p>These liabilities are measured on a market consistent basis with appropriate assumptions by the appointed actuary. This has been compounded by the uncertainty arising from the prevailing economic environment and the impact of these could have on various actuarial assumptions. Further, valuation of insurance contract liabilities depends on the accuracy of data used in calculating insurance liabilities or forming judgments over key assumptions, would have material impact on the valuation of insurance contract liabilities.</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"> <li>• Reviewing the accuracy of methods and assumptions used in the valuation models by the Management appointed actuary, to determine the life fund balance.</li> <li>• Using KPMG specialists 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"> <li>• Comparing the assumptions used by the management to expectations based on, current trends, market observable data and our own industry knowledge,</li> <li>• Evaluating the level of prudence applied and compared this to prior periods,</li> <li>• Applying their industry knowledge to benchmark the Company's reserving methodologies assumptions, and estimates of losses.</li> </ul> </li> <li>• Assessing the adequacy of the disclosures pertaining to insurance contract liabilities in the financial statements.</li> </ul>

## 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>Due to the dependency and complexity of the IT systems this is identified as a Key Audit Matter.</p>	<p><b>Our audit procedures among others included;</b></p> <p>We used our own IT audit specialists to assist us in performing procedures in this area.</p> <ul style="list-style-type: none"> <li>• Assessing the governance and high-level controls in place across the IT environment, including the approach to policy design, review, awareness and IT Risk management practices.</li> <li>• Testing general IT controls involving restrictions on system access, permissions and responsibilities of the authorized users, process for approving changes to the systems etc.</li> <li>• Testing controls over specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements.</li> <li>• Testing compensating controls, such as reconciliations between systems and other information sources and performed additional substantive testing such as using extended sample sizes and performing data analysis routines over the full population of transactions.</li> </ul>

## 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.

## INDEPENDENT AUDITOR'S REPORT



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based

on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1798.

Chartered Accountants  
Colombo, Sri Lanka

07th March 2023

# INCOME STATEMENT

For the year ended 31 December	Note	Page	2022 Rs. '000	2021 Rs. '000	Change %
Gross written premiums	8	303	23,083,425	20,053,302	15
Premiums ceded to reinsurers	9	303	(2,678,803)	(1,857,795)	44
<b>Net written premiums</b>	10	304	<b>20,404,622</b>	<b>18,195,507</b>	<b>12</b>
<b>Other revenue</b>					
Net finance income	11	304	4,991,145	2,355,097	112
Net realised gains	12	305	169,908	392,206	(57)
Net fair value (losses) / gains	13	306	(51,101)	7,560	(776)
Other operating income	14	306	10,239	20,766	(51)
<b>Total other revenue</b>			<b>5,120,191</b>	<b>2,775,629</b>	<b>84</b>
<b>Total net revenue</b>			<b>25,524,813</b>	<b>20,971,136</b>	<b>22</b>
<b>Net benefits, claims and expenses</b>					
Net insurance benefits and claims paid	15	307	(8,264,286)	(5,965,164)	39
Net change in insurance claims outstanding	16	307	(129,299)	63,096	(305)
Change in insurance contracts liabilities	17	308	(3,717,074)	(4,143,426)	(10)
Underwriting and net acquisition cost (Net of reinsurance)	18	309	(4,955,888)	(4,050,033)	22
Other operating and administration expenses	19	309	(4,356,879)	(3,763,906)	16
Impairment (charge) / reversal on financial investments	20A	310	(2,138,790)	37,540	(5,797)
Finance gains / (cost)	20B	310	2,067,787	(183,569)	(1,226)
<b>Total benefits, claims and expenses</b>			<b>(21,494,429)</b>	<b>(18,005,462)</b>	<b>19</b>
<b>Profit before tax</b>	21	311	<b>4,030,384</b>	<b>2,965,674</b>	<b>36</b>
Income tax expenses	22	311	(1,347,508)	(860,806)	57
<b>Profit for the year</b>			<b>2,682,876</b>	<b>2,104,868</b>	<b>27</b>
<b>Profit attributable to:</b>					
Owners of the Company			2,682,876	2,104,868	
Non controlling interest			-	-	
			<b>2,682,876</b>	<b>2,104,868</b>	<b>27</b>
<b>Earnings per share</b>					
Basic earnings per share (Rs.)	23	313	7.15	5.61	27
Diluted earnings per share (Rs.)	23	313	7.15	5.61	27

The accounting policies and notes appearing on pages 262 to 359 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	2022 Rs. '000	2021 Rs. '000	Change %
Profit for the year			2,682,876	2,104,868	27
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to income statement</b>					
Equity investments at FVOCI - net change in fair value	38.1	340	(561,451)	(127,603)	
Equity investments at FVOCI - net change in fair value - Life fund	38.1	340	(275,695)	(27,637)	
Re-measurement gains / (losses) on defined benefit liabilities	40.6	349	26,215	(10,102)	
Gains on revaluation of land and building	38.2	340	-	37,025	
Related tax / deferred tax			-	-	
			(810,931)	(128,317)	532
<b>Items that are or may be reclassified subsequently to income statement</b>					
Debt investments at FVOCI - net change in fair value	38.1	340	(51,689)	(43,380)	
Debt investments at FVOCI - net change in fair value - Life fund	38.1	340	(486,579)	(348,601)	
Debt investments at FVOCI - reclassified to income statement	38.1	340	817	5,113	
Related tax / deferred tax			-	-	
			(537,451)	(386,868)	39
<b>Total other comprehensive income for the year, net of tax</b>			<b>(1,348,382)</b>	<b>(515,185)</b>	<b>162</b>
<b>Total comprehensive income for the year, net of tax</b>			<b>1,334,494</b>	<b>1,589,683</b>	<b>(16)</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company			1,334,494	1,589,683	
Non - controlling interests			-	-	
			<b>1,334,494</b>	<b>1,589,683</b>	<b>(16)</b>

The accounting policies and notes appearing on pages 262 to 359 form an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2022 Rs. '000	2021 Rs. '000
<b>Assets</b>				
Intangible assets	25	314	2,566	1,356
Property, plant and equipment	26	316	579,357	617,745
Right of use assets	27	321	556,915	616,417
Deferred tax assets	28	323	-	675,164
Financial investments	29	326	42,599,855	34,217,429
Loans to life policyholders	30	336	265,060	224,198
Reinsurance receivables	31	336	568,379	231,587
Premium receivables	32	337	1,763,388	983,657
Receivables and other assets	33	338	1,172,879	993,325
Cash and cash equivalents	34	338	739,944	696,920
<b>Total assets</b>			<b>48,248,343</b>	<b>39,257,798</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Stated capital	35	339	1,062,500	1,062,500
Retained earnings	36	339	12,112,675	10,453,584
Restricted regulatory reserve	37	339	798,004	798,004
Other reserves	38	340	(3,100,255)	(1,725,658)
<b>Total equity</b>			<b>10,872,924</b>	<b>10,588,430</b>
<b>Liabilities</b>				
Insurance contract liabilities	39	340	25,338,502	21,492,757
Employee benefit liabilities	40	347	208,959	192,629
Loans and borrowings	41	350	5,643,918	3,064,994
Reinsurance payables	42	351	2,246,237	1,040,255
Other liabilities	43	351	3,629,485	2,588,183
Bank overdraft	34	338	308,318	290,550
<b>Total liabilities</b>			<b>37,375,419</b>	<b>28,669,368</b>
<b>Total equity and liabilities</b>			<b>48,248,343</b>	<b>39,257,798</b>
Net asset per share (Rs.)			28.99	28.24
Net asset per share (Rs.) - excluding one-off surplus			26.87	26.11

The accounting policies and notes appearing on pages 262 to 359 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

Colombo

7<sup>th</sup> March 2023

Sgd.

**Iftikar Ahamed**

Managing Director

## 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 1 January 2021		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
<b>Other comprehensive income for the year</b>							
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
<b>Total other comprehensive income, net of tax</b>		-	(4,131)	-	(548,079)	37,025	(515,185)
<b>Total comprehensive income for the year</b>		-	2,100,737	-	(548,079)	37,025	1,589,683
<b>Transaction with owners of the Company</b>							
Contributions and distributions							
Interim dividend - 2020	24.3	-	(937,500)	-	-	-	(937,500)
<b>Total transactions with owners of the Company</b>		-	(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
Profit for the year		-	2,682,876	-	-	-	2,682,876
<b>Other comprehensive income for the year</b>							
Equity investments at FVOCI - net change in fair value	38.1	-	-	-	(561,451)	-	(561,451)
Equity investments at FVOCI - net change in fair value - Life fund	38.1	-	-	-	(275,695)	-	(275,695)
Equity investments at FVOCI -reclassified to retained earnings	38.1	-	-	-	-	-	-
Re-measurement losses on defined benefit liabilities	40.6	-	26,215	-	-	-	26,215
Gains on revaluation of land and building	-	-	-	-	-	-	-
Debt investments at FVOCI - net change in fair value	38.1	-	-	-	(51,689)	-	(51,689)
Debt investments at FVOCI - net change in fair value - Life fund	38.1	-	-	-	(486,579)	-	(486,579)
Debt investments at FVOCI - reclassified to income statement	38.1	-	-	-	817	-	817
<b>Total other comprehensive income, net of tax</b>		-	26,215	-	(1,374,597)	-	(1,348,382)
<b>Total comprehensive income for the year</b>		-	2,709,091	-	(1,374,597)	-	1,334,494
<b>Transaction with owners of the Company</b>							
Contributions and distributions							
Interim dividend - 2021	24.3	-	(1,050,000)	-	-	-	(1,050,000)
<b>Total transactions with owners of the Company</b>		-	(1,050,000)	-	-	-	(1,050,000)
Balance as at 31 December 2022		1,062,500	12,112,675	798,004	(3,229,988)	129,733	10,872,924

The accounting policies and notes appearing on pages 262 to 359 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2022 Rs. '000	2021 Rs. '000
<b>Cash flows from operating activities</b>				
Profit before taxation			4,030,384	2,965,674
<b>Adjustments for :</b>				
Depreciation of property, plant and equipment	26.1	318	133,058	137,928
Amortisation of intangible assets	25.1	315	590	248
Depreciation of right of use asset	27.1	322	289,667	245,827
Interest expenses on lease liabilities and borrowings	43.4	352	552,775	292,964
Provision for employee benefit liabilities	40.4	349	50,714	40,744
Gain on sale of property, plant and equipment	14	306	(135)	(12,161)
Net realised gains	12	305	(169,908)	(392,206)
Net fair value gains	13	306	51,101	(7,560)
Net unrealised gain on foreign currency transactions	20 B	310	(2,721,540)	(180,388)
Net amortisation of financial investments	29.5	335	(2,463,163)	(837,057)
Provision / (reversal) for impairment losses on financial investments	29.2.3	330	2,138,820	(37,540)
			1,892,363	2,216,473
<b>Change in operating assets</b>				
(Increase) / Decrease in loans to life policyholders			(40,862)	10,264
(Increase) / Decrease in reinsurance receivables			(336,792)	91,701
Increase in premium receivables			(779,731)	(127,376)
Increase in receivables and other assets			(93,712)	(269,420)
			(1,251,097)	(294,831)
<b>Change in operating liabilities</b>				
Increase in insurance contract liabilities			3,170,581	4,009,052
Increase in reinsurance payables			663,617	404,195
Increase in other liabilities			1,107,508	919,860
			4,941,706	5,333,107
<b>Net cash generated from operations</b>			5,582,972	7,254,749
<b>Gratuity paid</b>	40.4	349	(8,169)	(40,549)
<b>Interest paid</b>	41.1	350	(450,446)	(230,388)
<b>Net cash flows from operating activities</b>			5,124,358	6,983,812
<b>Cash flows from investing activities</b>				
Acquisition of investment securities	29.5	335	(44,374,186)	(32,522,481)
Proceeds from sale of investment securities			40,811,604	26,847,462
Acquisition of property, plant and equipment	26.1	318	(94,882)	(58,041)
Net Acquisition of Right of Use Asset	27.1	322	(39,152)	-
Proceeds from the sale of property and equipment	26.1	318	347	12,482
Acquisition of intangible assets	25.1	315	(1,800)	(1,200)
<b>Net cash flows used in investing activities</b>			(3,698,069)	(5,721,778)
<b>Cash flows from financing activities</b>				
Dividend paid to equity holders	24.3	314	(1,050,000)	(937,500)
Payment of lease liabilities	43.4	352	(351,033)	(247,136)
<b>Net cash flows used in financing activities</b>			(1,401,033)	(1,184,636)
<b>Net increase in cash and cash equivalents</b>			25,256	77,398
Net cash and cash equivalents as at 1 January			406,370	328,972
<b>Net cash and cash equivalents as at 31 December</b>			431,626	406,370
<b>Analysis of cash and cash equivalents</b>				
Cash in hand and at bank	34.1	338	739,944	696,920
Bank overdrafts	34.1	338	(308,318)	(290,550)
<b>Total cash and cash equivalents as at 31 December</b>	34.1	338	431,626	406,370

The accounting policies and notes appearing on pages 262 to 359 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 are 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 2022 is 999 (2021 was 980).

### 1.5 Financial statements

The Financial Statements as at and for the year ended 31 December 2022 comprise “the Company” referring to Softlogic Life Insurance PLC only.

Corporate information is given in page 379 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](http://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 185, 194 and 259 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 257 and 258).
Statement of Financial Position	Providing the information on the financial position of the Company as at the year-end (Refer page 259).
Statement of Changes in Equity	Depicting all changes in shareholders’ equity during the year under review of the Company (Refer page 260).
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 261).
Notes to the Financial Statements comprising significant accounting policies and other explanatory information (Refer pages 262 to 359).	

### 2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31 December 2022 (including comparatives for 2021), were approved and authorised for issue by the Board of Directors on 7<sup>th</sup> March 2023.



## 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	333
	Financial instrument measured at fair value through other comprehensive income	At fair value	29.3	331
	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	320
Liabilities	Employee benefits liabilities	Actuarially valued and recognised at present value of the defined benefit obligation	40	347
	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	340

## 2.5 Going concern basis of accounting

In determining the basis of preparing the Financial Statements for the year ended 31 December 2022, based on all available information, the management has considered the consequences of current economic crisis of the country, 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 economic crisis.

Further, in determining the going concern, the management performed multiple stress tested scenarios considering cost management practices, ability to continue operations under current economic crisis, 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 360 to 380 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 2022.

### 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	364
Impairment assessment of financial investments	3.1.2	365
Lease terms - extension options	3.1.3	365
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	341
Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition	4.2.12.3	272
Impact of economic crisis to the Financial Statements	6.7	296

## 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 268.
  - » The contractual cash flow characteristics of the financial assets as set out in Note 4.2.3.2 on page 269.

Refer Notes 29.2, 29.3 and 29.4 on pages 327 to 333 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 the 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 2022 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	343 265
Fair value of financial instruments with significant unobservable inputs	3.2.2	266
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	266

Critical accounting assumptions and estimation uncertainties	Note	Page
Fair value of land and buildings	3.2.4	266
Useful life-time of the property, plant and equipment	3.2.5	266
Measurement of defined benefit obligation: key actuarial assumptions	3.2.6 & 40.3	266 348
Recognition of deferred tax asset	3.2.7	266
Estimating the incremental borrowing rate for lease liabilities	3.2.8	267
Provisions for liabilities, commitments and contingencies	3.2.9	267
Modifications to the discount rate used for valuation of insurance contract liabilities	39.10	344
Impairment of non-financial assets	4.4	274
Going concern basis	2.5	263
Liability Adequacy Test (LAT)	39.16	345

## 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, and discount rates are further detailed in Notes 39.9 to 39.10 on pages 343 to 344.

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 2022 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 343.

## 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 345.

Carrying amount of Insurance contract liabilities, assumptions and estimates used to determine Insurance contract liabilities are disclosed in Note 39 on pages 340 to 347.

Refer Table 3 on page 278 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 297.

### 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 uncertain volatile macro economic conditions, etc.).

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

Refer Notes 4.2.13 and 29.2.3 on pages 272 and 330 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" (SLFRS 13). 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 320.

### 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 316 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 348 for the assumptions used to determine the defined benefit obligations.

Sensitivity analysis to key assumptions is disclosed in Note 40.9 on page 349.

### 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 323 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 358 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 require to disclose in these Financial Statements.

Set out below is an index of the significant accounting policies.

Significant accounting policies	Note	Page
<b>General</b>		
Foreign currency transactions	4.1	268
Related party transactions	45	355
<b>Statement of cash flows</b>		
Cash flow statements	4.5	274
<b>Recognition of income and expenses</b>		
Gross written premiums	8	303
Premiums ceded to reinsurers	9	303
Net finance income	11	304
Net realised gains	12	305
Net fair value gains	13	306
Other operating income	14	306
Benefits, claims and expenses	15	307
Underwriting and net acquisition cost	18	309
Other operating and administration expenses	19	309
Impairment charge	20 A	310
Finance cost	20 B	310
Income tax expense	22	311
<b>Shareholder related</b>		
Basic Earning Per Share (EPS)	23.1	313
Diluted Earning Per Share (EPS)	23.2	314
Dividend Per Share (DPS)	24	314
<b>Recognition of assets and liabilities</b>		
Financial assets - Initial recognition, classification and subsequent measurement	4.2	268
Financial liabilities - Initial recognition, classification and subsequent measurement	4.3	273
Fair value of financial instruments	7	297
Identification and measurement of impairment of financial assets	4.2.12	272
Impairment of non - financial assets	4.4	274
Intangible assets	25	314
Property, plant and equipment	26	316
Right of use assets	27	321
Deferred tax assets	28	323
Loans to life policyholders	30	336
Reinsurance receivables	31	336
Premiums receivables	32	337
Receivables and other assets	33	338
Cash and cash equivalents	34	338
Insurance contract liabilities	39	340
Insurance and investment contracts	39.2	341
Actuarial valuation of life insurance fund	39.16	345
Employee benefit liabilities	40	347
Loans and borrowings	41	350
Reinsurance payables	42	351
Other liabilities	43	351
Operating segments	44	353
Events after the reporting date	47	357
Provisions and contingencies	48	358

## 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 327 for detail accounting policy)
- Fair Value through Other Comprehensive Income (FVOCI) - (Refer Note 29.3 on page 331 for detail accounting policy)
- Fair Value through Profit or Loss (FVTPL) - (Refer Note 29.4 on page 333 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 327 to 333.

#### 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 327 to 333 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
International sovereign bonds	-	✓	-
Sri Lanka development bonds	-	✓	-
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 297 to 302.

#### 4.2.11 The following table presents financial assets by categories in accordance with SLFRS 9.

As at 31 December	Note	2022					Total fair value Rs. '000
		Carrying value				Total carrying value Rs. '000	
		FVTPL Rs. '000	Amortised cost Rs. '000	FVOCI Rs. '000	Total carrying value Rs. '000		
Financial investments	29.1	3,451,509	37,065,567	2,082,779	42,599,855	38,480,501	
Loans to life policyholders	30	-	265,060	-	265,060	265,060	
Reinsurance receivables	31	-	568,379	-	568,379	568,379	
Premium receivables	32	-	1,763,388	-	1,763,388	1,763,388	
Receivables and other assets	33	-	70,934	-	70,934	70,934	
Cash and cash equivalents	34	-	739,944	-	739,944	739,944	
<b>Total financial assets</b>		<b>3,451,509</b>	<b>40,473,272</b>	<b>2,082,779</b>	<b>46,007,560</b>	<b>41,888,206</b>	

As at 31 December	Note	2021					Total fair value Rs. '000
		Carrying value				Total carrying 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	
<b>Total financial assets</b>		<b>5,234,184</b>	<b>27,802,305</b>	<b>3,382,909</b>	<b>36,419,398</b>	<b>35,271,008</b>	

## 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 330.

#### 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 288 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 stage2 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 (SLDBs) and International Sovereign Bonds (ISBs)] issued by the Government of Sri Lanka is considered as 20% & 43% respectively 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
Qualitative drivers of credit risk	PDs published by the external sources
	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 (Table - 17) on Page 288 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 reinsurers 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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	2022	
		Amortised cost	
		Carrying value Rs. '000	Fair value Rs. '000
Loans and borrowings	41.1	5,643,918	5,643,918
Reinsurance payable	42	2,246,237	2,246,237
Bank overdraft	34.1	308,318	308,318
Other liabilities	43	1,892,678	1,892,678
<b>Total financial liabilities</b>		<b>10,091,151</b>	<b>10,091,151</b>

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
<b>Total financial liabilities</b>		<b>6,072,562</b>	<b>6,072,562</b>

### 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 338.

The Statement of Cash Flows is given on page 261.

## 5. NEW ACCOUNTING STANDARDS NOT EFFECTIVE AT THE REPORTING DATE

A number of new standards are effective for annual periods beginning after 1 January 2023 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 2025. 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), realize from non-economic risk (realize 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 date and implementing actuarial and finance system changes. The Company is in Phase 2 of this implementation program which was deferred in line with the new effective date for the standard.

### 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.

### 5.3 The following new and amended standards are not expected to have a significant impact on the company's financial statements.

#### 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 amendment 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.

## NOTES TO THE FINANCIAL STATEMENTS

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 276 to 297 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

Critical judgements	Note	Page
Risk management framework	6.1	276
Risk landscape of Softlogic Life Insurance PLC	6.2	277
Life insurance business risk	6.3	277
Underwriting risk	6.3.1	278
Product design risk	6.3.2	278
Reinsurance risk	6.3.3	280
Claim risk	6.3.4	280
Determination of the life insurance contract liabilities	6.4	280
Financial risk management	6.5	281
Investments concentration risk	6.5.1	281
Credit risk	6.5.2	282
Liquidity risk	6.5.3	289
Market risk	6.5.4	291
Operational risks	6.6	294
Risk associated with change in new accounting standard (SLFRS 17) and risk mitigation actions	6.6.1	295
Impact on economic crisis to the Financial Statements	6.7	296
Capital management	6.8	296

### 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 of Sri Lanka (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.

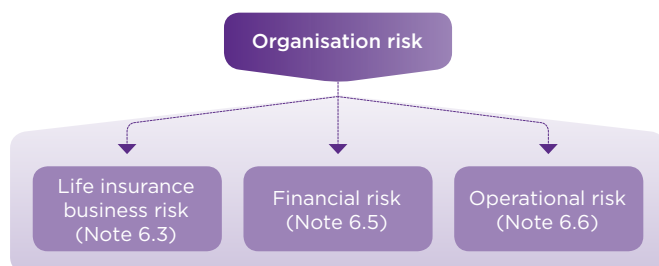
### Compliance with regulatory framework

Refer Note 6.8 on page 296 for the compliance status of the Company under RBC Rules.

## 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 277 to 281 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 on page 278 for concentration of underwriting risk.

**Table - 2 Mix of the insurance contract liabilities**

As at 31 December	2022		2021	
	Insurance contract liabilities Rs. '000	%	Insurance contract liabilities Rs. '000	%
Maximum exposure,	25,338,502		21,492,757	
Participating fund	10,326,417	41	8,716,889	41
Non-participating fund	11,967,663	47	11,377,710	52
Universal life fund	3,044,422	12	1,398,158	7
<b>Total</b>	<b>25,338,502</b>	<b>100</b>	<b>21,492,757</b>	<b>100</b>

### 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 22 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 296 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 281 for Investment concentration risk analysis.

## NOTES TO THE FINANCIAL STATEMENTS

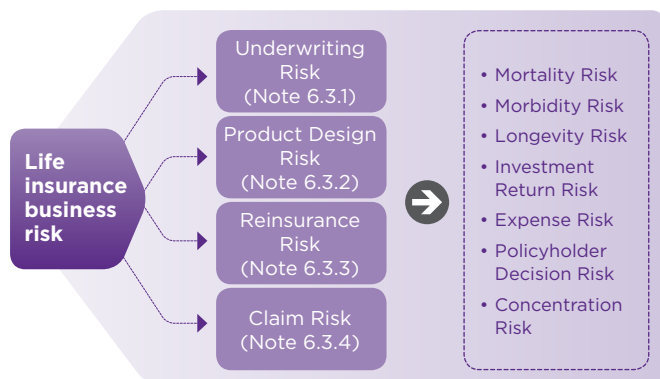
### 6.3.d Sensitivity to the assumption change of the life insurance contract liabilities

The following analysis is performed for reasonably possible movements in key assumptions with all other variables held constant, showing the impact on insurance contract liabilities. The method used for deriving sensitivity information and significant assumptions made has not change from the previous period.

**Table - 3 Sensitivities to insurance contract liabilities**

As at 31 December	Change in assumptions	2022	2021
		Impact on liabilities Rs. '000	Impact on liabilities Rs. '000
Mortality	+10%	589,290	652,236
	-10%	(507,040)	(525,444)
Morbidity	+10%	263,457	226,003
	-10%	(188,671)	(110,609)
Other liabilities	+50 basis points	(1,354,307)	(1,293,831)
	-50 basis points	1,488,271	1,430,409
Expenses	+10%	859,944	631,905
	-10%	(852,667)	(620,671)

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	2022	2021
	Rs. '000	Rs. '000
Western province	15,859,908	13,991,185
Southern province	2,002,806	1,719,797
North western province	1,579,837	1,269,853
Central province	1,109,296	973,263
Sabaragamuwa province	890,489	810,445
Uva province	400,732	339,171
Northern province	479,867	384,535
North central province	418,311	350,637
Eastern province	342,179	214,416
<b>Total</b>	<b>23,083,425</b>	<b>20,053,302</b>

#### 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.



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' accident/ sickness 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 IRC SL.
Expense risk	Risk of loss arising from the actual 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 2022 based on the expenses incurred during 2022.
Policyholder discontinuance 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/ mix.	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.

### 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	<b>Market risk:</b> Investment return on underlying items falling below guaranteed minimum rates	Management discretion to determine amount and timing of policyholder bonuses (within limits)
Non participating	<b>Market risk:</b> Insufficient fees to cover cost of guarantees and expenses	Derivative hedging programme Surrender penalties
Universal life	<b>Interest rate risk:</b> Differences in duration and yield of assets and liabilities Investment credit risk	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 277.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 reinsurers is approximately 9% - 11% of gross written premium..

**Table - 7 Reinsurance exposure**

For the year ended 31 December	2022		2021	
	Rs. '000	%	Rs. '000	%
Gross written premiums	23,083,425		20,053,302	
Reinsurance	(2,678,803)	12	(1,857,795)	9
<b>Net written premiums</b>	<b>20,404,622</b>		<b>18,195,507</b>	

The Company has recovered approximately 9% - 8% of gross claims paid from reinsurers during the period under review.

**Table - 8 Reinsurance recoveries**

For the year ended 31 December	2022		2021	
	Rs. '000	%	Rs. '000	%
Gross claims paid	9,114,292		6,519,061	
Claims recovered from reinsurers	(850,006)	9	(553,897)	8
<b>Net claims paid</b>	<b>8,264,286</b>		<b>5,965,164</b>	

Refer Note 6.5.2.3 on page 288 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 289 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 2022. Gross and net of reinsurance liabilities have been calculated as required in the RBC regulations. 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.

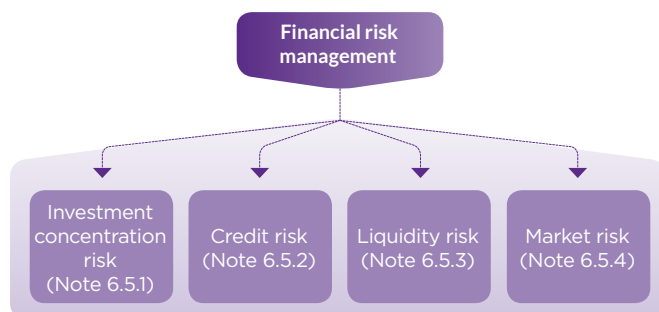
#### 6.4.b Key assumptions and sensitivity analysis

Refer Note 39.9 and 6.3.d on page 243 and 278 for key assumptions used in determining the insurance contract liabilities and sensitivity analysis.

## 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.

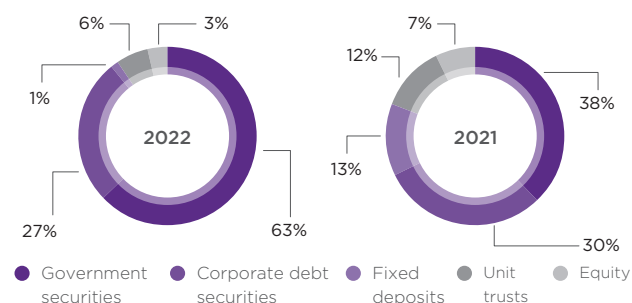
Maximum exposure to investment concentration risk and diversification of investment portfolio is summarised in below table.

**Table - 9 Investment exposure**

As at 31 December	2022		2021	
	Rs. '000	%	Rs. '000	%
Maximum exposure to investment concentration risk	42,599,855		34,217,429	
<b>Government securities</b>				
Treasury bond	13,716,722		3,679,832	
Treasury bill	1,099,884		-	
Sri Lanka development bonds	6,221,129		3,418,242	
International sovereign bonds	4,830,774		3,175,861	
Reverse repo	880,918		2,890,755	
Derivative financial asset	68		-	
	26,749,495	63	13,164,690	38

As at 31 December	2022		2021	
	Rs. '000	%	Rs. '000	%
<b>Corporate debt securities</b>				
Banks	5,003,663		5,275,392	
Capital goods	792,568		381,465	
Diversified financials	4,960,048		3,985,907	
Food beverage and tobacco	22,208		34,771	
Insurance	100,344		100,476	
Telecommunication	408,965		409,141	
Trading	25,086		25,097	
	11,312,882	27	10,212,249	30
<b>Fixed deposits</b>				
Licensed commercial banks	522,007		2,213,248	
Licensed Specialised Banks	-		1,096,982	
Licensed finance companies	-		1,050,202	
	522,007	1	4,360,432	13
<b>Unit trusts</b>				
Debt securities	2,578,400		3,856,820	
Equity securities	-		82,967	
	2,578,400	6	3,939,787	12
<b>Investment in equity</b>				
Banks	875,404		1,503,621	
Capital goods	-		190,872	
Consumer durables and apparels	-		13,588	
Diversified financials	177,275		237,001	
Food beverage and tobacco	-		29,773	
Healthcare equipments and services	384,392		486,099	
Materials	-		15,900	
Transportation	-		63,417	
	1,437,071	3	2,540,271	7
<b>Total exposure</b>	<b>42,599,855</b>	<b>100</b>	<b>34,217,429</b>	<b>100</b>

### INVESTMENT EXPOSURE



## NOTES TO THE FINANCIAL STATEMENTS

### 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.

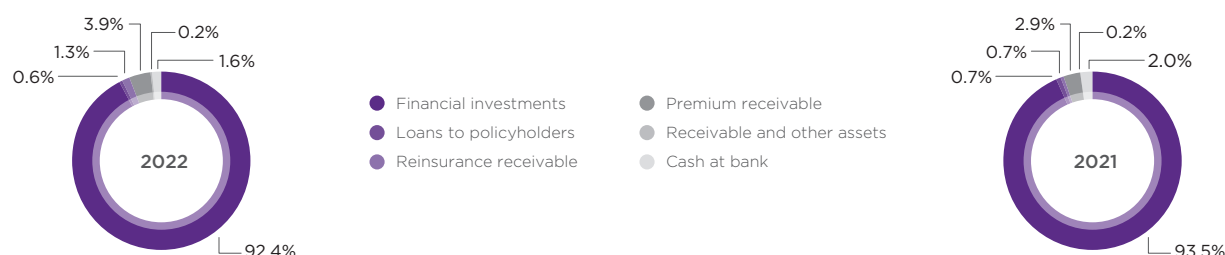
#### 6.5.2.a Maximum exposure to credit risk

The Company is exposed to credit risk derived through the following categories of financial assets.

**Table - 10 Credit risk exposure**

As at 31 December	Note	2022		2021	
		Rs. '000	%	Rs. '000	%
Financial investments	6.5.2.1	41,162,784	92.37	31,594,191	93.5
Loans to life policyholders	6.5.2.2	265,060	0.59	224,198	0.7
Reinsurance receivables	6.5.2.3	568,379	1.28	231,587	0.7
Premium receivables	6.5.2.4	1,763,388	3.96	983,657	2.9
Receivables and other assets	6.5.2.5	70,934	0.16	65,607	0.2
Cash at bank	6.5.2.6	728,731	1.64	690,675	2.0
<b>Maximum exposure to credit risk</b>		<b>44,559,276</b>	<b>100</b>	<b>33,789,915</b>	<b>100</b>

### 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.

### 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 2022 and 31 December 2021.

**Table - 11 Diversification**

As at 31 December	2022					2021				
	Diversified areas					Diversified areas				
	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000
<b>Amortised cost</b>										
Debentures	7,371,812	-	6,433,906	937,906	-	7,757,716	-	6,806,766	950,950	-
Treasury bonds	12,980,040	12,980,040	-	-	-	2,308,100	2,308,100	-	-	-
Treasury bills	1,099,884	1,099,884	-	-	-	-	-	-	-	-
Sri Lanka development bonds	6,221,129	6,221,129	-	-	-	3,418,242	3,418,242	-	-	-
International sovereign bonds	4,830,774	4,830,774	-	-	-	3,175,861	3,175,861	-	-	-
Commercial papers	2,368,757	-	2,368,757	-	-	975,266	-	975,266	-	-
Securitised Papers	790,246	-	790,246	-	-	713,964	-	713,964	-	-
Fixed deposits	522,007	-	522,007	-	-	4,360,432	-	4,360,432	-	-
Reverse repo	880,918	880,918	-	-	-	2,890,755	2,890,755	-	-	-
Loans to life policyholders	265,060	-	-	-	265,060	224,198	-	-	-	224,198
Reinsurance receivables	568,379	-	-	-	568,379	231,587	-	-	-	231,587
Premium receivables	1,763,388	-	-	-	1,763,388	983,657	-	-	-	983,657
Receivable and other assets	70,934	-	-	-	70,934	65,607	-	-	-	65,607
Cash at bank	728,731	-	728,731	-	-	690,675	-	690,675	-	-
<b>Total Amortised cost</b>	<b>40,462,059</b>	<b>26,012,745</b>	<b>10,843,647</b>	<b>937,906</b>	<b>2,667,761</b>	<b>27,796,060</b>	<b>11,792,958</b>	<b>13,547,103</b>	<b>950,950</b>	<b>1,505,049</b>
<b>Fair value through OCI</b>										
Treasury bonds	645,708	645,708	-	-	-	1,189,245	1,189,245	-	-	-
<b>Total FVOCI</b>	<b>645,708</b>	<b>645,708</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,189,245</b>	<b>1,189,245</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fair value through P&amp;L</b>										
Treasury bonds	90,974	90,974	-	-	-	182,487	182,487	-	-	-
Unlisted perpetual debenture	782,067	-	782,067	-	-	765,303	-	765,303	-	-
Derivative financial asset	68	68	-	-	-	-	-	-	-	-
Unit Trusts	2,578,400	-	2,578,400	-	-	3,856,820	-	3,856,820	-	-
<b>Total FVTPL</b>	<b>3,451,509</b>	<b>91,042</b>	<b>3,360,467</b>	<b>-</b>	<b>-</b>	<b>4,804,610</b>	<b>182,487</b>	<b>4,622,123</b>	<b>-</b>	<b>-</b>
<b>Total financial assets exposure to credit risk</b>	<b>44,559,276</b>	<b>26,749,495</b>	<b>14,204,114</b>	<b>937,906</b>	<b>2,667,761</b>	<b>33,789,915</b>	<b>13,164,690</b>	<b>18,169,226</b>	<b>950,950</b>	<b>1,439,442</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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	2022				2021			
	Amortised costs	FVOCI	FVTPL	Total	Amortised costs	FVOCI	FVTPL	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Maximum exposure to credit risk,	37,065,567	645,708	3,451,509	41,162,784	25,600,336	1,189,245	4,804,610	31,594,191
Government securities	26,012,745	645,708	91,042	26,749,495	11,792,958	1,189,245	182,487	13,164,690
<b>Debt instruments having credit ratings</b>								
AAA	-	-	-	-	1,096,980	-	-	1,096,980
AA+ to AA-	1,281,394	-	782,067	2,063,461	4,442,112	-	765,303	5,207,415
A+ to A-	7,514,389	-	-	7,514,389	7,732,214	-	-	7,732,214
BBB+ to BBB-	1,030,136	-	-	1,030,136	501,301	-	-	501,301
CC	22,208	-	-	22,208	34,771	-	-	34,771
Unrated	1,204,695	-	-	1,204,695	-	-	-	-
<b>Unit trust</b>								
A+ to A-	-	-	2,578,400	2,578,400	-	-	3,856,820	3,856,820
<b>Total</b>	<b>37,065,567</b>	<b>645,708</b>	<b>3,451,509</b>	<b>41,162,784</b>	<b>25,600,336</b>	<b>1,189,245</b>	<b>4,804,610</b>	<b>31,594,191</b>

As at 31 December 2022 debt instruments comprise 28% (2021-43%) of the total investments, out of which 81% (2021 - 96%) 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. 1,089 million worth of treasury bills and treasury bonds as collateral to support reverse repo investments amounting to Rs. 881 million.

The Company has not sold securities received as collaterals for the period ended 31 December 2022 - (2021 - 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.

## 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 2022				ECL			Total	Total net carrying amount
		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	12 months ECL	Life time ECL - Not credit impaired	Life time ECL - credit impaired		
				Stage 1	Stage 2	Stage 3		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial assets at amortised cost</b>								
<b>Government securities</b>								
Treasury bonds	Risk Free	12,980,040	-	-	-	-	-	12,980,040
Treasury Bills	Risk Free	1,099,884	-	-	-	-	-	1,099,884
Sri Lanka development bonds	Low Risk	-	6,361,004	(139,875)	-	-	(139,875)	6,221,129
International sovereign bonds	High Risk	-	6,900,614	-	(2,069,840)	-	(2,069,840)	4,830,774
Reverse repo	Risk Free	880,918	-	-	-	-	-	880,918
		14,960,842	13,261,618	(139,875)	(2,069,840)	-	(2,209,715)	26,012,745
<b>Debentures</b>								
AAA to AA-	Low Risk	-	2,521,534	(1,060)	-	-	(1,060)	2,520,474
A+ to A-	Low Risk	-	4,731,904	(3,119)	-	-	(3,119)	4,728,785
BBB+ to BBB-	Low Risk	-	100,477	(132)	-	-	(132)	100,345
CCC+ to C	High Risk	-	28,506	-	(6,298)	-	(6,298)	22,208
			7,382,421	(4,311)	(6,298)	-	(10,609)	7,371,812
<b>Commercial paper</b>								
A+ to A-	Low Risk	-	1,957,542	(51)	-	-	(51)	1,957,491
BBB+ to BBB-	Low Risk	-	411,266	-	-	-	-	411,266
			2,368,808	(51)	-	-	(51)	2,368,757
<b>Securitised paper</b>								
A+ to A-	Low Risk	-	790,729	(483)	-	-	(483)	790,246
			790,729	(483)	-	-	(483)	790,246
<b>Deposits</b>								
AA+ to AA-	Low Risk	-	522,029	(22)	-	-	(22)	522,007
		-	522,029	(22)	-	-	(22)	522,007
		14,960,842	24,325,605	(144,742)	(2,076,138)	-	(2,220,880)	37,065,567
<b>Fair value through other comprehensive income</b>								
Treasury bonds	Risk Free	645,708	-	-	-	-	-	645,708
		645,708	-	-	-	-	-	645,708
<b>Fair value through profit or loss</b>								
Treasury bonds	Risk Free	90,974	-	-	-	-	-	90,974
Unlisted perpetual debenture	Low Risk	782,067	-	-	-	-	-	782,067
Derivative financial asset	Low Risk	68	-	-	-	-	-	68
Unit trusts	Low Risk	2,578,400	-	-	-	-	-	2,578,400
		3,451,509	-	-	-	-	-	3,451,509
<b>Maximum exposure to credit risk</b>		<b>19,058,059</b>	<b>24,325,605</b>	<b>(144,742)</b>	<b>(2,076,138)</b>	<b>-</b>	<b>(2,220,880)</b>	<b>41,162,784</b>

Issuer credit rating of the investment is considered as the risk rating for the ECL Computation. International Sovereign Bonds were categorised to high risk due to the current experience in defaulting.

## NOTES TO THE FINANCIAL STATEMENTS

Table - 13 Credit risk by risk rating (Contd.)

As at 31 December 2021				ECL			Total	Total net carrying amount
		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	12 months ECL	Life time ECL - Not credit impaired	Life time ECL - credit impaired		
				Stage 1	Stage 2	Stage 3		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
<b>Financial assets at amortised cost</b>								
<b>Government securities</b>								
Treasury bonds	Risk Free	2,308,100	-	-	-	-	-	2,308,100
Sri Lanka development bonds	Low Risk	-	3,459,087	(40,845)	-	-	(40,845)	3,418,242
International sovereign bonds	Moderate Risk	-	3,213,789	(37,928)	-	-	(37,928)	3,175,861
Reverse repo	Risk Free	2,890,755	-	-	-	-	-	2,890,755
		5,198,855	6,672,876	(78,773)	-	-	(78,773)	11,792,958
<b>Debentures</b>								
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
<b>Commercial paper</b>								
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
<b>Securitised paper</b>								
A+ to A-	Low Risk	-	713,968	(4)	-	-	(4)	713,964
		-	713,968	(4)	-	-	(4)	713,964
<b>Deposits</b>								
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
<b>Fair value through other comprehensive income</b>								
Treasury bonds	Risk Free	1,189,245	-	-	-	-	-	1,189,245
		1,189,245	-	-	-	-	-	1,189,245
<b>Fair value through profit or loss</b>								
Treasury bonds	Risk Free	182,487	-	-	-	-	-	182,487
Unlisted perpetual debenture	Low Risk	765,303	-	-	-	-	-	765,303
Unit trusts	Low Risk	3,856,820	-	-	-	-	-	3,856,820
		4,804,610	-	-	-	-	-	4,804,610
<b>Maximum exposure to credit risk</b>		<b>11,192,710</b>	<b>20,483,541</b>	<b>(78,824)</b>	<b>(3,236)</b>	<b>-</b>	<b>(82,060)</b>	<b>31,594,191</b>



#### 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	2022				2021			
	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
<b>Financial investments at amortised cost</b>								
Balance at 1 January	25,565,564	34,772	-	25,600,336	19,213,703	-	-	19,213,703
Transfer to stage 1	(3,175,861)	-	-	(3,175,861)	-	-	-	-
Transfer to stage 2	-	3,175,861	-	3,175,861	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(103,847)	(2,034,973)	-	(2,138,820)	(5,599)	(3,236)	46,375	37,540
New assets originated or purchased	41,246,751	-	-	41,246,751	22,419,943	46,375	-	22,466,318
Financial assets derecognised	(35,847,754)	-	-	(35,847,754)	(17,311,118)	(9,275)	(46,375)	(17,366,768)
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates	2,994,843	2,756,448	-	5,751,291	442,579	-	-	442,579
Amortisation Adjustment	1,491,724	962,039	-	2,453,763	806,056	908	-	806,964
<b>Balance as at 31 December</b>	<b>32,171,420</b>	<b>4,894,147</b>	<b>-</b>	<b>37,065,567</b>	<b>25,565,564</b>	<b>34,772</b>	<b>-</b>	<b>25,600,336</b>

#### 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	2022				2021			
	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
<b>Financial investments at amortised cost</b>								
Balance at 1 January	78,824	3,236	-	82,060	73,225	-	46,375	119,600
Transfer to stage 1	(37,928)	-	-	(37,928)	-	-	-	-
Transfer to stage 2	-	37,928	-	37,928	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	103,776	2,035,441	-	2,139,217	1,393	-	-	1,393
New assets originated or purchased	77	-	-	77	16,721	3,236	-	19,957
Financial assets derecognised	(6)	(468)	-	(474)	(12,515)	-	(46,375)	(58,890)
<b>Balance as at 31 December</b>	<b>144,743</b>	<b>2,076,137</b>	<b>-</b>	<b>2,220,880</b>	<b>78,824</b>	<b>3,236</b>	<b>-</b>	<b>82,060</b>

Overview of the ECL principles and key inputs were disclosed in Note 4.2.13 on page 272.

No loan commitments or financial guarantee contract as at the reporting date (2021 - Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 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 2022, subject to various assumptions. The following table demonstrates the sensitivity of the impairment provision of the Company as at 31 December 2022 and 2021 to a feasible change in following variables assuming all other variables remain constant.

**Table - 16 Sensitivity of ECL**

As at 31 December	2022		2021	
	Effect on SoFP Rs. '000	Effect on PBT Rs. '000	Effect on SoFP Rs. '000	Effect on PBT Rs. '000
Change in PD				
+10%	(100,719)	(100,719)	(8,313)	(8,313)
-10%	137,944	137,944	8,299	8,299
Change in macro economic variable				
10% increase	41,402	41,402	41,518	41,518
10% decrease	(39,908)	(39,908)	(41,308)	(41,308)

### 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	2022 Rs. '000	2021 Rs. '000
As at 1 January	-	46,375
Reversal of impairment	-	(46,375)
Balance as at 31 December	-	-

### 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	2022 Rs. '000	2021 Rs. '000
Maximum exposure to credit risk	265,060	224,198
Total	265,060	224,198
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. 265 million (2021 - Rs. 224 million) and its related surrender value is Rs. 402 million (2021 - 341 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	2022			
	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Up to 180 days	424,336	143,691	568,027	99
Over 180 days	352	-	352	1
Maximum exposure to credit risk	424,688	143,691	568,379	100
Past due but not impaired	Nil		Nil	

As at 31 December	2021			
	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Up to 180 days	105,945	59,768	165,713	72
Over 180 days	65,874	-	65,874	28
Maximum exposure to credit risk	171,819	59,768	231,587	100
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.

**Table - 20 Rating analysis of credit risk on reinsurance receivables**

As at 31 December	Rating agency	2022					2021				
		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	148,881	123,512	272,393	48	129,461	51,787	181,248	78	
SCOR Re	Fitch	A+	6,713	10,117	16,830	3	5,573	6,570	12,143	5	
TOA Re	S&P	A+	129,371	3,212	132,583	23	-	1,368	1,368	1	
Assicurazioni Generali S.P.A.	Fitch	A	19,665	-	19,665	4	21,365	43	21,408	9	
AXA PPP Healthcare Limited	S&P	AA-	120,058	6,850	126,908	22	15,420	-	15,420	7	
<b>Total</b>			<b>424,688</b>	<b>143,691</b>	<b>568,379</b>	<b>100</b>	<b>171,819</b>	<b>59,768</b>	<b>231,587</b>	<b>100</b>	

**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 337 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	2022		2021	
	Amount Rs. '000	%	Amount Rs. '000	%
Rating				
AAA to AA-	673,104	92	548,841	80
A+ to A-	32,861	5	51,168	7
BBB+ to BBB-	22,766	3	90,666	13
Maximum exposure to credit risk	728,731	100	690,675	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.

## NOTES TO THE FINANCIAL STATEMENTS

**Table - 22 Maturity analysis of financial assets and liabilities**

As at 31 December	2022					2021				
	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	-	5,542,408	1,834,445	9,745,318	17,122,171	-	2,922,842	1,826,826	16,213,710	20,963,378
<b>Financial assets</b>										
Amortised cost	-	9,773,047	8,404,642	18,887,878	37,065,567	-	8,838,018	5,150,619	11,611,699	25,600,336
Fair value through other comprehensive income	-	-	-	2,082,779	2,082,779	2,193,664	-	-	1,189,245	3,382,909
Fair value through profit or loss	782,068	2,578,467	-	90,974	3,451,509	4,286,394	-	-	947,790	5,234,184
Loans to life policyholders	-	-	-	265,060	265,060	-	-	-	224,198	224,198
Reinsurance receivables	-	568,379	-	-	568,379	-	231,587	-	-	231,587
Premium receivables	-	1,763,388	-	-	1,763,388	-	983,657	-	-	983,657
Other financial assets	-	70,934	-	-	70,934	-	65,607	-	-	65,607
<b>Total financial assets</b>	<b>782,068</b>	<b>14,754,215</b>	<b>8,404,642</b>	<b>21,326,691</b>	<b>45,267,616</b>	<b>6,480,058</b>	<b>10,118,869</b>	<b>5,150,619</b>	<b>13,972,932</b>	<b>35,722,478</b>
<b>Financial Liabilities</b>										
Insurance contract liabilities - Maturities	-	606,229	1,522,575	3,751,513	5,880,317	-	296,557	1,498,776	13,095,483	14,890,816
Reinsurance payable	-	2,246,237	-	-	2,246,237	-	1,040,255	-	-	1,040,255
Loans and borrowing	-	153,807	-	5,490,111	5,643,918	-	53,744	-	3,011,250	3,064,994
Lease liabilities	-	335,139	311,870	503,694	1,150,703	-	218,398	328,050	106,977	653,425
Other financial liabilities	-	1,892,678	-	-	1,892,678	-	1,023,338	-	-	1,023,338
Bank overdraft	-	308,318	-	-	308,318	-	290,550	-	-	290,550
<b>Total financial liabilities</b>	<b>-</b>	<b>5,542,408</b>	<b>1,834,445</b>	<b>9,745,318</b>	<b>17,122,171</b>	<b>-</b>	<b>2,922,842</b>	<b>1,826,826</b>	<b>16,213,710</b>	<b>20,963,378</b>
<b>Excess assets/(liabilities)</b>	<b>782,068</b>	<b>9,211,807</b>	<b>6,570,197</b>	<b>11,581,373</b>	<b>28,145,445</b>	<b>6,480,058</b>	<b>7,196,027</b>	<b>3,323,793</b>	<b>(2,240,778)</b>	<b>14,759,100</b>

### 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	2022				2021			
	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
<b>Financial investments at,</b>								
Amortised cost	10,929,881	26,135,686	-	37,065,567	8,666,173	16,934,163	-	25,600,336
Fair value through other comprehensive income	814,901	1,267,878	-	2,082,779	1,364,549	2,018,360	-	3,382,909
Fair value through profit or loss	605,231	2,846,278	-	3,451,509	678,672	4,555,512	-	5,234,184
Loans to life policyholders	-	265,060	-	265,060	-	224,198	-	224,198
Reinsurance receivables	-	568,379	-	568,379	-	231,587	-	231,587
Premium receivables	-	1,763,388	-	1,763,388	-	983,657	-	983,657
Receivables and other assets	15,460	55,474	-	70,934	15,759	49,848	-	65,607
Cash and cash equivalents	5,311	734,633	-	739,944	2,034	694,886	-	696,920
<b>Total</b>	<b>12,370,784</b>	<b>33,636,776</b>	<b>-</b>	<b>46,007,560</b>	<b>10,727,187</b>	<b>25,692,211</b>	<b>-</b>	<b>36,419,398</b>

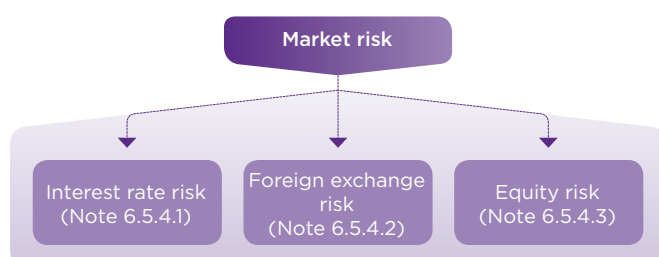
### 6.5.3.c Unutilised bank overdraft facilities

Unutilised bank overdraft facilities as at 31 December 2022 amounted to Rs. 150 million (2021 - Rs. 134.6 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**

For the year ended 31 December	Table	2022 Rs. '000	2020 Rs. '000
<b>Financial assets exposure to,</b>			
Interest rate risk	25	42,599,855	34,217,429
Foreign exchange risk	27	13,730,644	6,790,251
Equity risk	29	1,437,071	2,270,015
<b>Financial liabilities exposure to,</b>			
Interest rate risk	25	(5,952,236)	(3,355,544)
Foreign exchange risk	27	(6,794,068)	(3,724,314)

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

The following table summarises the exposure to the interest rate risk.

**Table - 25 Exposure to interest rate risk**

As at 31 December	2022				2021			
	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
<b>Financial assets at,</b>								
Amortised cost	5,032,548	32,033,019	-	37,065,567	2,466,455	23,133,881	-	25,600,336
Fair value through other comprehensive income	-	645,708	1,437,071	2,082,779	-	1,189,245	2,193,664	3,382,909
Fair value through profit or loss	3,360,535	90,974	-	3,451,509	4,705,090	182,487	346,607	5,234,184
	8,393,083	32,769,701	1,437,071	42,599,855	7,171,545	24,505,613	2,540,271	34,217,429
<b>Financial liabilities</b>								
Loans and borrowing	(5,643,918)	32,769,701	1,437,071	(5,643,918)	(3,064,994)	-	-	(3,064,994)
Bank overdraft	(308,318)	-	-	(308,318)	(290,550)	-	-	(290,550)
	(5,952,236)	-	-	(5,952,236)	(3,355,544)	-	-	(3,355,544)
<b>Maximum exposure to interest rate risk</b>	2,440,847	32,678,727	1,528,045	36,647,619	3,816,001	24,505,613	2,540,271	30,861,885

### 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	2022				2021			
	Fixed-rate Impact on profit before tax Rs. '000	Variable-rate Impact on equity Rs. '000	Fixed-rate Impact on profit before tax Rs. '000	Variable-rate Impact on equity Rs. '000	Fixed-rate Impact on profit before tax Rs. '000	Variable-rate Impact on equity Rs. '000	Fixed-rate Impact on profit before tax Rs. '000	Variable-rate Impact on equity Rs. '000
	<b>Increase in 100 basis points</b>							
<b>Financial assets/liabilities at,</b>								
Amortised cost	-	-	41,334	41,334	-	-	13,930	13,930
Fair value through other comprehensive income	-	(24,466)	-	-	-	(74,182)	-	-
Fair value through profit of loss	(3,406)	(3,406)	24,038	24,038	(11,152)	(11,152)	78,496	78,496
Financial liabilities at amortised cost	-	-	(13,102)	(13,102)	-	-	(22,296)	(22,296)
	(3,406)	(27,872)	52,270	52,270	(11,152)	(85,334)	70,130	70,130
<b>Decrease in 100 basis points</b>								
<b>Financial assets/liabilities at,</b>								
Amortised cost	-	-	(41,334)	(41,334)	-	-	(13,898)	(13,898)
Fair value through other comprehensive income	-	26,468	-	-	-	83,119	-	-
Fair value through profit of loss	3,663	3,663	(24,038)	(24,038)	12,298	12,298	(78,496)	(78,496)
Financial liabilities at amortised cost	-	-	13,134	13,134	-	-	22,296	22,296
	3,663	30,131	(52,238)	(52,238)	12,298	95,417	(70,098)	(70,098)

### 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	2022		2021	
	Amount in USD '000	LKR amount Rs. '000	Amount in USD '000	LKR amount Rs. '000
USD Assets	37,515	13,730,644	33,824	6,790,251
USD Liabilities	(18,563)	(6,794,068)	(18,552)	(3,724,314)
Maximum exposure to foreign exchange risk	18,952	6,936,576	15,272	3,065,937

Closing average exchange rate as at 31 December 2022 is Rs.366.01 (2021 Rs.200.75).

#### 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	2022		2021	
	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	686,532	686,532	339,513	339,513
Financial liabilities	(339,703)	(339,703)	(186,216)	(186,216)
	346,829	346,829	153,297	153,297
5% - Decrease in exchange rate USD				
Financial investments	(686,532)	(686,532)	(339,513)	(339,513)
Financial liabilities	339,703	339,703	186,216	186,216
	(346,829)	(346,829)	(153,297)	(153,297)

### 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	2022		2021	
	Amount Rs. '000	%	Amount Rs. '000	%
Policyholder fund	689,200	48	1,294,652	57
Shareholder fund	747,871	52	975,363	43
Maximum exposure to equity risk (Table - 30)	1,437,071	100	2,270,015	100

## NOTES TO THE FINANCIAL STATEMENTS

**Table - 30 Portfolio diversification of listed equity investments (Sector analysis)**

As at 31 December	2022		2021	
	Amount Rs. '000	%	Amount Rs. '000	%
Banks	875,404	61	1,233,365	54
Capital goods	-	-	190,872	8
Consumer durables and apparels	-	-	13,588	1
Diversified financials	177,275	12	237,001	10
Food beverage and tobacco	-	-	29,773	1
Healthcare equipments and services	384,392	27	486,099	22
Materials	-	-	15,900	1
Transportation	-	-	63,417	3
<b>Total</b>	<b>1,437,071</b>	<b>100</b>	<b>2,270,015</b>	<b>100</b>

### 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**

For the year ended 31 December	Type of classification	2022		2021	
		Type of classification Rs. '000	Impact on equity Rs. '000	Type of classification Rs. '000	Impact on equity Rs. '000
10% decline in stock prices	FVOCI	-	(117,134)	-	(192,341)
10% Increase in stock prices	FVOCI	-	117,134	-	192,341
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.



### 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 significant influence on the organization's risk management framework and its role. The steering committee is responsible of setting strategies and objectives of SLFRS - 17 implementation of the company and setting up proper governance structure and manage cultural changes smoothly. The steering committee has identified and assessed risks associated with SLFRS - 17 implementation and relevant mitigation actions as prescribed in below table.

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.



Follow the link for SLFRS 17 - Effect on Company's Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

### 6.7 Impact of economic crisis to the financial statements

Sri Lankan economy showed signs of recovery from the impact of COVID-19 pandemic during the year ended 31 December 2022. However, from late March 2022, the Sri Lankan economy presented a negative outlook mainly due to insufficient foreign reserves/liquidity and other geo - political events. The situation was aggravated when the credit rating of the country was downgraded to "Restricted Default (RD)" by Fitch Ratings in May 2022, following the expiry of the 30-day grace period on coupon payments that were due on 18 April 2022 on two international sovereign bonds. Fitch also downgraded the long term issuer default rate for Sri Lanka to 'CC' in December 2022.

The macro-level issues on reserves and the free floating of the USD caused a sharp depreciation of the rupee along with an adjustment to the Standing Lending Facility Rate by 700 basis points in April, resulted in a steep increase in costs of imports and other products. The inflationary pressures, driven by the build-up of aggregate demand, fuel shortages, domestic supply disruptions, and the elevated prices of commodities globally, which impact on the Company's businesses has.

The Management has considered the consequences of the current economic & political uncertainty in the country and based on its strategic plans has determined that it is not expected to have a significant impact on the Company's operations in the foreseeable future.

There are no significant events that have occurred since the reporting date which would require any adjustments to, or disclosure in, the financial statements except for the above.

### 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 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

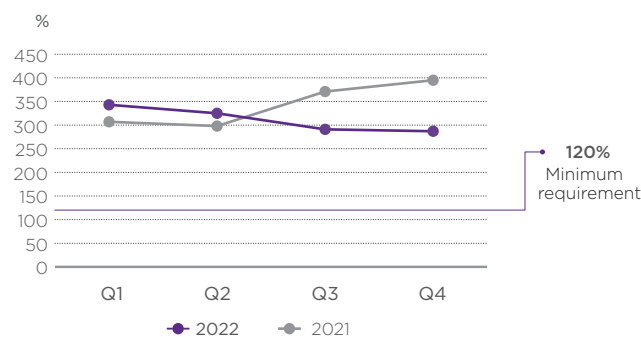
- Continuous training provided to the staff of the Company
- Compliance with recommended action plans are supported by periodic reviews undertaken by the Head of Actuarial of the Company.
- Further, in preparation for the adoption of the RBC Framework, the Company already uses appointed actuary's service.
- 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	2022 Rs. '000	2021 Rs. '000
Total Available Capital (TAC)	32,302,206	27,081,811
Risk Based Capital requirement (RCR)	11,262,228	6,851,316
Risk-based Capital Adequacy Ratio (CAR)	287%	395%
Minimum Capital Requirement (MCR)	500,000	500,000
Capital Adequacy Satisfied?	Yes	Yes

#### QUARTERLY CAPITAL ADEQUACY RATIO (CAR)



Capital adequacy ratio (CAR) has been negatively impacted during 2022 due to market values of admissible assets have been dropped as a result of higher interest rates in the market due to the government policy rate changes during the year 2022.

### 6.8.e Sensitivity analysis of Capital Adequacy Ratio (CAR)

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%	279%
	-10%	295%
Discount Rate	+0.5%	292%
	-0.5%	281%
First 3 years Termination	Up	284%
First 3 years Termination	Down	290%
Mass Termination	Up	269%
Mass Termination	Down	307%
Mortality	+10%	282%
	-10%	291%
Morbidity	+10%	278%
	-10%	296%

## 7. FAIR VALUE 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

### 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
<b>Government securities</b>		
Treasury bill & bonds	Valued using the market yield	Level 1
International Sovereign bonds	Valued using the market yield	Level 1
<b>Investment in shares</b>		
Investment in listed shares	Closing market prices	Level 1
Investment in unlisted shares	Adjusted net assets for Illiquidity	Level 3
<b>Investment in units</b>		
Investment in unlisted redeemable units	Published Net Assets Values (NAV)	Level 2
<b>Corporate debt</b>		
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 value

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
Sri Lanka development bond	Reinsurance creditors
Fixed Deposits	Other liabilities (Excluding government levies and accruals)
Commercial papers	
Securitised papers	
Reverse repo	
Cash and cash equivalents	
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 271.

### 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	2022				2021			
			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
<b>Non-financial assets</b>										
Land and building	26.1	318	-	-	277,674	277,674	-	-	288,132	288,132
<b>Total non-financial assets at fair value</b>			-	-	277,674	277,674	-	-	288,132	288,132
<b>Financial assets</b>										
<b>Financial investments - (FVTPL)</b>										
Equity shares	29.4.1	334	-	-	-	-	346,607	-	-	346,607
Treasury bonds	29.4	333	90,974	-	-	90,974	182,487	-	-	182,487
Perpetual debentures	29.4	333	-	-	782,067	782,067	-	-	765,303	765,303
Unit trusts	29.4.2	335	-	2,578,400	-	2,578,400	-	3,939,787	-	3,939,787
Derivative asset			68	-	-	68				
			91,042	2,578,400	782,067	3,451,509	529,094	3,939,787	765,303	5,234,184
<b>Financial investments - FVOCI</b>										
Treasury bonds	29.3	331	645,708	-	-	645,708	1,189,245	-	-	1,189,245
Equity shares listed	29.3.1	332	1,171,337	-	-	1,171,337	1,923,408	-	-	1,923,408
Equity shares unlisted	29.3.1	332	-	-	265,734	265,734	-	-	270,256	270,256
			1,817,045	-	265,734	2,082,779	3,112,653	-	270,256	3,382,909
<b>Total financial assets at fair value</b>			1,908,087	2,578,400	1,047,801	5,534,288	3,641,747	3,939,787	1,035,559	8,617,093
<b>Total assets at fair value</b>			1,908,087	2,578,400	1,325,475	5,811,962	3,641,747	3,939,787	1,323,691	8,905,225

**Transfer between levels**

There were no transfers made in between the levels in 2022 (2021 - 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 318 and Note 38.2 on page 340 respectively.

As at 31 December	2022		2021	
	Equity shares (Unlisted) Rs. '000	Unquoted debenture Rs. '000	Equity shares (Unlisted) Rs. '000	Unquoted debenture Rs. '000
Balance at 1 January	270,256	765,303	281,428	515,381
Purchase / (disposal)	-	-	-	200,000
Fair value gains / (losses)				
Recognised in income statement - In net fair value gains	-	16,764	-	49,922
Recognised in OCI - In equity investments at FVOCI - net change in fair value	(4,522)	-	(11,172)	-
Net amount reclassified to income statement	-	-	-	-
Transfers into / out of Level 3	-	-	-	-
Balance at 31 December	265,734	782,067	270,256	765,303

#### 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
	2022 Rs. '000	2021 Rs. '000			
<b>Debt securities</b>					
Perpetual debentures	782,067	765,303	Adjusted interest rate for illiquidity	Credit spread - 0.5% to 3%	Estimated fair value would increase/ (decrease) if credit spread would (decrease) / increase
<b>Equity securities</b>					
Unlisted equity securities	265,734	270,256	Adjusted net asset for illiquidity	Illiquidity premium 5% - 10%	Estimated fair value would increase/ (decrease) if Illiquidity premium would (decrease) / increase
Land and building	277,674	288,132	Refer Note 26.18 on page 320	Refer Note 26.18 on page 320	Refer Note 26.18 on page 320

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 320

### 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	Significant unobservable input Rs. '000	2022			2021		
		Impact on income statement Rs. '000	Impact on OCI Rs. '000	Impact on equity Rs. '000	Impact on income Rs. '000	Impact on OCI Rs. '000	Impact on equity Rs. '000
<b>Unlisted Equity Securities</b>							
1% Increase in adjustment for illiquidity	Illiquidity premium	-	(2,798)	(2,798)	-	(2,844)	(2,844)
1% Decrease in adjustment for illiquidity	Illiquidity premium	-	2,798	2,798	-	2,844	2,844
<b>Perpetual debentures</b>							
1% Increase in credit spread	Credit spread	(24,915)	-	(24,915)	(8,305)	-	(8,305)
1% Decrease in credit spread	Credit spread	26,687	-	26,687	8,493	-	8,493

Sensitivity analysis of land and building classified at Level 3 is given in Note 26.18 on page 320.

### 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	2022					2021				
		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
<b>Financial assets</b>											
<b>Financial investments - Amortised cost</b>											
Treasury bonds	29.2	9,675,901	-	-	9,675,901	12,980,040	1,898,838	-	-	1,898,838	2,308,100
Treasury bills	29.2	1,104,545	-	-	1,104,545	1,099,884	-	-	-	-	-
Sri Lanka development bonds	29.2	-	-	-	6,361,004	6,221,129	-	-	-	3,459,087	3,418,242
International sovereign bonds	29.2	4,086,897	-	-	4,086,897	4,830,774	2,300,773	-	-	2,300,773	3,175,861
Debentures*	29.2	-	7,155,383	-	7,155,383	7,371,812	-	7,852,820	-	7,852,820	7,757,716
Fixed deposits	29.2	-	-	-	522,028	522,007	-	-	-	4,360,436	4,360,432
Commercial paper	29.2	-	-	-	2,368,808	2,368,757	-	-	-	975,268	975,266
Securitised Papers	29.2	-	-	-	790,729	790,246	-	-	-	713,969	713,964
Reverse Repo	29.2	-	-	-	880,918	880,918	-	-	-	2,890,755	2,890,755
<b>Other financial assets</b>											
Cash and cash equivalents	34	-	-	-	739,944	739,944	-	-	-	696,920	696,920
Loans to life policyholders	30	-	-	-	265,060	265,060	-	-	-	224,198	224,198
Reinsurance receivables	31	-	-	-	568,379	568,379	-	-	-	231,587	231,587
Premium receivables	32	-	-	-	1,763,388	1,763,388	-	-	-	983,657	983,657
Receivable and other assets	33	-	-	-	70,934	70,934	-	-	-	65,607	65,607
<b>Total financial assets not at fair value</b>		<b>14,867,343</b>	<b>7,155,383</b>	<b>-</b>	<b>36,353,918</b>	<b>40,473,272</b>	<b>4,199,611</b>	<b>7,852,820</b>	<b>-</b>	<b>26,653,915</b>	<b>27,802,305</b>
<b>Financial liabilities</b>											
Loans and borrowings	41	-	-	-	5,643,918	5,643,918	-	-	-	3,064,994	3,064,994
Reinsurance payables	42	-	-	-	2,246,237	2,246,237	-	-	-	1,040,255	1,040,255
Other liabilities	43	-	-	-	1,892,678	1,892,678	-	-	-	1,676,763	1,676,763
Bank overdraft	34	-	-	-	308,318	308,318	-	-	-	290,550	290,550
<b>Total financial liabilities not at fair value</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>10,091,151</b>	<b>10,091,151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,072,562</b>	<b>6,072,562</b>

\*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.

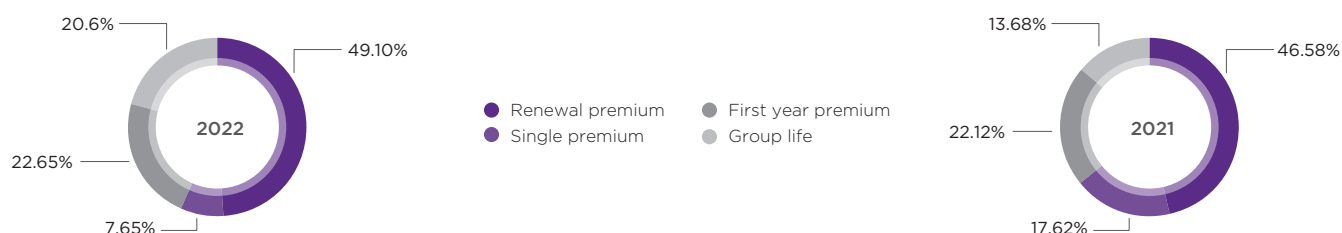
Gross written premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30-day grace period are considered as due). Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the 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	2022			2021		
	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000
Renewal premium	11,334,841	-	11,334,841	9,340,286	-	9,340,286
Single premium	1,767,030	-	1,767,030	3,533,437	-	3,533,437
First year premium	5,226,525	-	5,226,525	4,436,261	-	4,436,261
Group life premium	-	4,755,029	4,755,029	-	2,743,318	2,743,318
<b>Total gross written premiums</b>	<b>18,328,396</b>	<b>4,755,029</b>	<b>23,083,425</b>	<b>17,309,984</b>	<b>2,743,318</b>	<b>20,053,302</b>

### 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	2022 Rs. '000	2021 Rs. '000
Treaty	2,663,583	1,854,567
Facultative	15,220	3,228
<b>Total premiums ceded to reinsurers</b>	<b>2,678,803</b>	<b>1,857,795</b>

## 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	2022 Rs. '000	2021 Rs. '000
Gross written premium	23,083,425	20,053,302
Less: Premiums ceded to reinsurer	(2,678,803)	(1,857,795)
<b>Total net written premiums</b>	<b>20,404,622</b>	<b>18,195,507</b>

### 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.

#### Accounting Policy

#### 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.

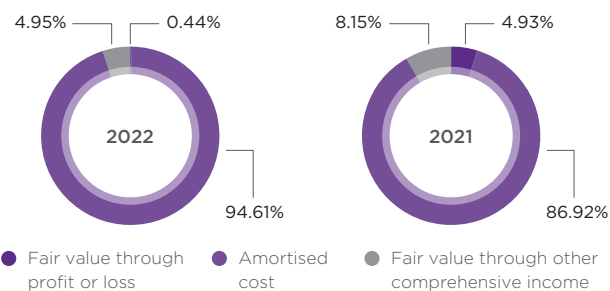
#### Interest income presented in the Income Statement include:

- 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	2022 Rs. '000	2021 Rs. '000
<b>Interest income from,</b>			
Financial assets classified at FVTPL	11.1.a	20,793	105,499
Financial assets classified at amortised cost	11.1.c	4,721,588	2,047,399
Financial assets classified at FVOCI	11.1.d	130,980	131,459
		<b>4,873,361</b>	<b>2,284,357</b>
<b>Dividend Income From,</b>			
Equity shares classified at FVTPL	11.1.b	1,381	10,764
Equity shares classified at FVOCI	11.1.e	116,403	59,976
		<b>117,784</b>	<b>70,740</b>
<b>Total net finance income</b>		<b>4,991,145</b>	<b>2,355,097</b>

The Company has not derecognised equity instrument measured at fair value through other comprehensive income during the reporting year.

#### NET FINANCE INCOME



### 11.1 Analysis of net finance income

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
<b>a. Interest income from financial assets classified at FVTPL</b>		
Treasury bonds	20,793	20,764
Treasury bill	-	25,424
Debentures	-	59,311
	20,793	105,499
<b>b. Dividend income - Equity shares</b>	1,381	10,764
<b>Total net finance income from financial assets classified at FVTPL</b>	<b>22,174</b>	<b>116,263</b>
<b>c. Interest income from financial assets classified at amortised cost</b>		
Debentures	952,938	786,352
Commercial papers	451,101	156,283
Securitised Paper	76,760	18,969
Term deposits	93,298	94,236
Sri Lanka development bonds	367,556	167,843
Sovereign bonds	930,377	516,083
Reverse repurchase agreements	279,612	99,632
Loans to life policyholders	39,442	37,746
Treasury bonds	1,282,273	170,255
Treasury bill	248,231	-
<b>Total net finance income from financial assets classified at amortised cost</b>	<b>4,721,588</b>	<b>2,047,399</b>
<b>d. Income from financial assets classified at FVOCI</b>		
Interest income from treasury bonds	130,980	131,459
<b>e. Dividend income - Equity shares</b>	116,403	59,976
<b>Total net finance income from financial assets classified at FVOCI</b>	<b>247,383</b>	<b>191,435</b>
<b>Total net finance income</b>	<b>4,991,145</b>	<b>2,355,097</b>

### 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

### 12. NET REALISED GAINS (CONTD.)

#### Analysis of realised gains / (losses)

For the year ended 31 December	2022			2021		
	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
<b>Financial assets classified at fair value through profit or loss</b>						
Unit trusts	354,652	-	354,652	332,799	-	332,799
Treasury bills	-	-	-	-	(424)	(424)
Quoted equity securities	-	(184,744)	(184,744)	72,038	-	72,038
	354,652	(184,744)	169,908	404,837	(424)	404,413
<b>Financial assets classified at fair value through comprehensive income</b>						
Sale of equity shares purchase rights	-	-	-	216	-	216
	-	-	-	216	-	216
<b>Financial assets classified at amortised cost</b>						
Treasury bonds	-	-	-	-	(12,423)	(12,423)
	-	-	-	-	(12,423)	(12,423)
<b>Total net realised gains</b>	<b>354,652</b>	<b>(184,744)</b>	<b>169,908</b>	<b>405,053</b>	<b>(12,847)</b>	<b>392,206</b>

### 13. NET FAIR VALUE (LOSSES) / 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	2022 Rs. '000	2021 Rs. '000
<b>Financial investments at FVTPL</b>		
Treasury bonds	(91,806)	(61,063)
Unit trusts	39,066	(4,782)
Debentures	1,571	35,612
Treasury bills	-	(278)
Equity securities	-	38,071
Derivative	68	-
<b>Total net fair value gains</b>	<b>(51,101)</b>	<b>7,560</b>

### 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	2022 Rs. '000	2021 Rs. '000
Gain on sale of property, plant and equipment	135	12,161
Miscellaneous income	10,104	8,605
<b>Total other income</b>	<b>10,239</b>	<b>20,766</b>

## 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	2022 Rs. '000	2021 Rs. '000
<b>Claims</b>		
Gross Claim Paid	8,118,482	5,630,741
Claims recovered from Reinsurers	(850,006)	(553,897)
	7,268,476	5,076,844
<b>Benefits</b>		
Gross Claim paid	995,810	888,320
	995,810	888,320
<b>Total net insurance benefits and claim paid.</b>	<b>8,264,286</b>	<b>5,965,164</b>

### Analysis of net insurance benefits and claims paid

For the year ended 31 December	2022			2021		
	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
<b>Claims</b>						
Death, disability and other riders - Endowment	4,050,971	(801,033)	3,249,938	2,561,197	(431,286)	2,129,911
Death and hospitalisation - Group life	2,715,586	(14,632)	2,700,954	1,709,100	(105,394)	1,603,706
Death - Decreasing Term Assurance (DTA)	1,351,925	(34,341)	1,317,584	1,360,444	(17,217)	1,343,227
	8,118,482	(850,006)	7,268,476	5,630,741	(553,897)	5,076,844
<b>Benefits</b>						
Policy maturities / surrenders - Investment products	187,147	-	187,147	84,723	-	84,723
Policy maturities - Endowment	377,549	-	377,549	605,878	-	605,878
Policy surrenders - Endowment products	431,114	-	431,114	197,719	-	197,719
	995,810	-	995,810	888,320	-	888,320
<b>Total net insurance benefits and claims Paid</b>	<b>9,114,292</b>	<b>(850,006)</b>	<b>8,264,286</b>	<b>6,519,061</b>	<b>(553,897)</b>	<b>5,965,164</b>

## 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

### 16. NET CHANGE IN INSURANCE CLAIMS OUTSTANDING (CONTD.)

For the year ended 31 December	2022			2021		
	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
<b>Claims</b>						
Death, disability and other riders - Endowment	121,509	(73,709)	47,800	(18,435)	11,911	(6,524)
Death and hospitalisation - Group life	17,446	(8,171)	9,275	(21,958)	1,246	(20,712)
Death - Decreasing Term Assurance (DTA)	74,267	(2,043)	72,224	(25,384)	(10,298)	(35,682)
	213,222	(83,923)	129,299	(65,777)	2,859	(62,918)
<b>Benefits</b>						
Policy maturities - Endowment	-	-	-	(178)	-	(178)
	-	-	-	(178)	-	(178)
<b>Total net change in insurance claim and benefits outstanding</b>	<b>213,222</b>	<b>(83,923)</b>	<b>129,299</b>	<b>(65,955)</b>	<b>2,859</b>	<b>(63,096)</b>

#### 16.1 Total net insurance claims and benefits expense

For the year ended 31 December	2022			2021		
	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
<b>Claims</b>						
Death, disability and others riders - Endowment	4,172,481	(874,742)	3,297,739	2,542,762	(419,375)	2,123,387
Death and hospitalisation - Group life	2,733,032	(22,803)	2,710,229	1,687,142	(104,148)	1,582,994
Death - Decreasing Term Assurance (DTA)	1,426,191	(36,384)	1,389,807	1,335,060	(27,515)	1,307,545
	8,331,704	(933,929)	7,397,775	5,564,964	(551,038)	5,013,926
<b>Benefits</b>						
Policy maturities / surrenders - Investment products	187,147	-	187,147	84,723	-	84,723
Policy maturities - Endowment	377,549	-	377,549	605,700	-	605,700
Policy surrenders - Endowment products	431,114	-	431,114	197,719	-	197,719
	995,810	-	995,810	888,142	-	888,142
<b>Total net insurance claim and benefits expenses</b>	<b>9,327,514</b>	<b>(933,929)</b>	<b>8,393,585</b>	<b>6,453,106</b>	<b>(551,038)</b>	<b>5,902,068</b>

### 17. CHANGE IN VALUATION OF INSURANCE CONTRACT LIABILITIES

#### Accounting Policy

In 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.

For the year ended 31 December	Note	2022			2021		
		Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000
Premiums written	10	23,083,425	(2,678,803)	20,404,622	20,053,302	(1,857,795)	18,195,507
Insurance benefits and claims incurred	16.1	(9,327,514)	933,929	(8,393,585)	(6,453,106)	551,038	(5,902,068)
Underwriting and net acquisition costs (including reinsurance)	18	(5,248,856)	292,968	(4,955,888)	(4,278,246)	228,213	(4,050,033)
Other operating, selling and administrative expenses attributable to policyholders		(2,276,879)	-	(2,276,879)	(3,676,734)	-	(3,676,734)
Investment and other income attributable to policyholders		3,316,804	-	3,316,804	1,871,754	-	1,871,754
Surplus from life insurance fund transferred to Life shareholder's fund	39.13	(4,378,000)	-	(4,378,000)	(2,295,000)	-	(2,295,000)
<b>Change in contract liabilities - Life fund</b>	39.5	<b>5,168,980</b>	<b>(1,451,906)</b>	<b>3,717,074</b>	<b>5,221,970</b>	<b>(1,078,544)</b>	<b>4,143,426</b>

The Appointed Actuary's report is provided on page 250.

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	2022 Rs. '000	2021 Rs. '000
Underwriting and policy acquisition cost	5,248,856	4,278,246
Reinsurance commission including profit commission	(292,968)	(228,213)
<b>Total underwriting and net acquisition cost</b>	<b>4,955,888</b>	<b>4,050,033</b>

## 19. OTHER OPERATING AND ADMINISTRATION EXPENSES

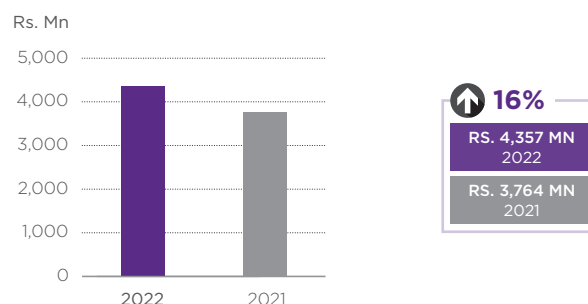
### Accounting Policy

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	2022 Rs. '000	2021 Rs. '000
<b>Employee benefits expenses</b>			
Short term employee benefits	19.1	2,284,055	1,955,010
Long term employee benefits - Defined benefit plan cost	40.5	50,714	40,744
Other long term employee benefits and termination benefits		-	-
<b>Total employee benefits expenses</b>		<b>2,334,769</b>	<b>1,995,754</b>
Administration and establishment expenses		1,596,400	1,370,215
Selling expenses		425,710	397,937
<b>Total other operating and administration expenses</b>		<b>4,356,879</b>	<b>3,763,906</b>

## 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	2022 Rs. '000	2021 Rs. '000
<b>Contributions to defined contribution plans</b>			
EPF	40.1	108,142	95,915
ETF	40.1	27,036	23,979
		135,178	119,894
Staff remuneration		901,182	799,289
Staff welfare		7,803	7,747
Training and development expenses		34,534	16,353
Other short term employee benefits expenses		1,205,358	1,011,727
<b>Total short term employee benefits expenses</b>		<b>2,284,055</b>	<b>1,955,010</b>

### 19.2 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.

### 19.3 Impairment on revalued assets

During the period, there were no impairment losses or reversal on revalued assets (2021 - Nil).

### 20A IMPAIRMENT (CHARGE)/REVERSAL ON FINANCIAL INSTRUMENTS

#### Accounting Policy

Note 4.2.12 and Note 29.2.3 to these financial statements are explained in methodology and the measurement of the impairment allowance.

Impairment losses on financial assets recognised in profit and loss were as follows.

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Sri Lanka development bonds	(99,030)	(6,472)
International sovereign bonds	(2,031,912)	(4,468)
Other financial assets	(7,848)	48,480
	(2,138,790)	37,540

### 20B FINANCE (GAINS) / 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	2022 Rs. '000	2021 Rs. '000
<b>Financial liabilities at amortised cost,</b>			
Interest expenses on lease liabilities	43.4	96,634	70,744
Interest expenses on long term borrowings	41.1	456,141	222,220
Other interest expenses		100,978	70,993
Net exchange (gains) / losses on financial assets and financial liabilities measured at amortised cost		(2,721,540)	(180,388)
<b>Total finance cost/(gains)</b>		<b>(2,067,787)</b>	<b>183,569</b>



## 21. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following.

For the year ended 31 December	Note	2022 Rs. '000	2021 Rs. '000
Director fee and emoluments	45.6.1	75,888	74,517
<b>Auditors remuneration</b>			
Auditor's fees and related expenses		2,545	1,600
Audit related services and related expenses		5,876	5,045
Non audit services and related expenses		-	6,105
<b>Costs of Employee Benefits</b>			
Defined contribution plan cost - EPF	40.1	108,142	95,915
Defined contribution plan cost - ETF	40.1	27,036	23,979
Defined benefit plan cost	40.4	50,714	40,744
Staff training and development cost		34,534	16,353
Other staff expenses		2,114,343	1,818,763
<b>Provision / (reversal) for impairment of</b>			
Financial instruments	20 A	2,138,790	(37,540)
Loans to life policyholders		-	-
<b>Other</b>			
Legal fees		16,574	29,556
Depreciation of property, plant and equipment	26.1	133,058	137,928
Depreciation of right of use of assets	27.1	289,667	245,827
Amortisation of intangible assets	25.1	590	248
Research and development costs		-	-
(Profit) / loss on sale of property, plant and equipment & intangible assets	14	135	12,161
CSR expenses		3,306	4,900
Donation		-	-
Operating lease		-	-

### 21.1 Director fee and emoluments

Directors' emoluments represent the salaries and fees 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 248.

## 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 (The Amendment) Act, No. 45 of 2022. Accordingly, gains and profits on which tax 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% (w.e.f 1/10/2022 -30%)
Investment income of the shareholder fund less any expenses incurred in the production of such income	24% (w.e.f 1/10/2022 -30%)
Dividend paid out of profit recorded in shareholder fund	14%
Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance	30% (w.e.f. 1/10/2022) (From 1/4/2021 to 30/9/2022 applicable rate was 24%)

### Impact on change in applicable income tax rate

As per the Inland Revenue (Amendment) Act, No. 45 of 2022, the Income tax rate of a company has changed from 24% to 30% with effect from 1 October 2022. Accordingly, the income tax rate of 24% was applied up to 30/09/2022. Applicability of this rate revision come into effect at mid year and therefore the Company applied two tax rates basis for the Year of Assessment 2022/23.

The tax rate of 30% was applied for the year ended 31 December 2022 and the tax rate change has not impacted deferred tax asset balance as the company has fully utilized its deferred tax before the rate change.

## 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 323.

### 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	2022 Rs. '000	2021 Rs. '000
<b>Current tax expense</b>			
Income tax on current year's profits		689,130	-
<b>Deferred tax expenses</b>			
Origination of deferred tax assets		-	-
Reversal of deferred tax assets	28.3	658,378	860,806
<b>Deferred taxation</b>		<b>658,378</b>	<b>860,806</b>
<b>Income tax expense recognised in income statement</b>		<b>1,347,508</b>	<b>860,806</b>
<b>Other comprehensive income</b>			
<b>Deferred tax charge / (reversal)</b>			
Relating to origination and reversal of temporary differences		-	-
Income tax expense recognised in other comprehensive income		-	-
<b>Income tax expense recognised in income statement</b>		<b>1,347,508</b>	<b>860,806</b>

### 22.2 Reconciliation of the accounting profit to income tax expense

For the year ended 31 December	2022		2021	
	%	Rs. '000	%	Rs. '000
<b>Accounting profit before tax</b>		<b>4,030,384</b>		<b>2,965,674</b>
Tax using the Company's domestic tax rate*	25.9	1,043,855	24	711,762
Income exempt from tax	(6.2)	(251,058)	(4)	(130,078)
Other Income	0.1	1,003	(0.1)	(1,608)
Aggregate allowable expenses	-	-	-	-
Aggregate disallowed expenses	13.7	553,708	1.7	49,029
Reversal of deferred tax assets	-	-	7.8	231,701
<b>Income tax expense recognised in the Income Statement at the average effective income tax rate</b>	<b>33.4</b>	<b>1,347,508</b>	<b>29.03</b>	<b>860,806</b>

\*Tax using the Company's domestic tax rate represents effective tax rate applied during the year 2022.

**22.3 Income tax computation as per IRD Act No 24 of 2017 and amendment to Act, No. 10 of 2021 and Act. No. 45 of 2022**

For the year ended 31 December	1/1/2022 30/09/2022 Rs. '000	1/10/2022- 31/12/2022 Rs. '000	2022 Rs. '000	2021 Rs. '000
Surplus distributed to shareholder from the Life Insurance policyholders fund	2,833,000	1,545,000	4,378,000	2,295,000
Investment income of the shareholder fund less expenses	1,193,192	581,707	1,774,899	868,055
Surplus distributed to policy holders	315,000	121,000	436,000	428,000
Income exempt from tax	(694,885)	(280,951)	(975,836)	(541,993)
<b>Business income</b>	<b>3,646,307</b>	<b>1,966,756</b>	<b>5,613,063</b>	<b>3,049,062</b>
Deductions Under Section 19 of the IRD Act	(2,743,241)	-	(2,743,241)	(3,049,062)
<b>Total assessable income</b>	<b>903,066</b>	<b>1,966,756</b>	<b>2,869,822</b>	<b>-</b>
Income tax rate on assessable income @ 24%	202,976	-	202,976	-
Income tax rate on assessable income @ 30%	-	590,027	590,027	-
Income tax on dividend income @ 14%	8,027	-	8,027	-
<b>Tax liability</b>	<b>211,003</b>	<b>590,027</b>	<b>801,030</b>	<b>-</b>

**22.3.1 Income exempt from tax**

As per the Inland Revenue (Amendment) Act, No. 10 of 2021, and amendment there to, 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 2022.

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.

**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	2022	2021
<b>Amount used as the numerator:</b>		
Profit attributable to ordinary shareholders of the Company (Rs. 000)	2,682,876	2,104,868
<b>Number of ordinary shares used as the denominator:</b>		
Weighted average number of ordinary shares as at 31 December ('000)	375,000	375,000
<b>Basic earnings per share - (Rs.)</b>	<b>7.15</b>	<b>5.61</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

### 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	2022 Rs. '000	2021 Rs. '000
Dividend declared per share (Rs.)	3.50	2.80
Number of ordinary shares ('000)	375,000	375,000
Total dividend declared (Rs. '000)	1,312,500	1,050,000

#### Interim dividend declared

The Board of Directors has declared a payment of an interim dividend of Rs. 3.50 per share (2021-Rs. 2.80 per share) for the financial year 2022 on 03 March 2023 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 2022.

### 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 14 February 2023 have been reviewed by Messrs. KPMG.

### 24.3 Dividend paid during the year

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Gross Interim Dividend for 2021 - Rs. 2.80 (2020 - Rs. 2.50)	1,050,000	937,500
Net dividend paid to the ordinary shareholders	1,050,000	937,500

### 24.4 Non-cash assets distributed to owners

During the period ended 31 December 2022, the Company did not distributed non cash assets to its owners (2021 - 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. (2021 - 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	2022 Rs. '000	2021 Rs. '000
<b>Computer software</b>		
<b>Cost</b>		
Balance as at 1 January	93,005	91,805
Acquisition during the year	1,800	1,200
Balance as at 31 December	94,805	93,005
<b>Accumulated amortisation and impairment losses</b>		
Balance as at 1 January	91,649	91,401
Amortisation for the year	590	248
Balance as at 31 December	92,239	91,649
Carrying value as at 31 December	2,566	1,356

## 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 (2021 - Nil).

## 25.3 Acquisition of intangible assets during the year

During the financial year, the Company paid Rs. 1.8 million (2021 - Rs. 1.2 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. 92.2 million. (2021: Rs. 91.6 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 (2021 - 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 2022. 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 (2021 - Nil).

## 25.8 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 2022 (2021 - Nil).

## 25.9 Individually material / significant intangible assets

There are no individual intangible assets that are material to the Financial Statements as at 31 December 2022 (2021 - Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

### 25.12 Revaluation of intangible assets

There are no any intangible assets revalued as at 31 December 2022.

## 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 320.

#### 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
<b>Cost / revaluation</b>								
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)
<b>Balance as at 31 December 2021</b>	<b>160,000</b>	<b>128,132</b>	<b>197,639</b>	<b>265,164</b>	<b>201,270</b>	<b>536,857</b>	<b>94</b>	<b>1,489,156</b>
Balance as at 1 January 2022	160,000	128,132	197,639	265,164	201,270	536,857	94	1,489,156
Additions during the year	-	-	19,935	17,076	20,861	37,010	-	94,882
Disposals during the year	-	-	(393)	-	-	-	-	(393)
<b>Balance as at 31 December 2022</b>	<b>160,000</b>	<b>128,132</b>	<b>217,181</b>	<b>282,240</b>	<b>222,131</b>	<b>573,867</b>	<b>94</b>	<b>1,583,645</b>

	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
<b>Accumulated depreciation and impairment losses</b>								
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)
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>147,622</b>	<b>209,535</b>	<b>109,522</b>	<b>404,638</b>	<b>94</b>	<b>871,411</b>
Balance as at 1 January 2022	-	-	147,622	209,535	109,522	404,638	94	871,411
Depreciation for the year	-	10,458	19,733	26,795	17,177	58,895	-	133,058
Disposals during the year	-	-	(181)	-	-	-	-	(181)
<b>Balance as at 31 December 2022</b>	<b>-</b>	<b>10,458</b>	<b>167,174</b>	<b>236,330</b>	<b>126,699</b>	<b>463,533</b>	<b>94</b>	<b>1,004,288</b>
<b>Carrying value as at 31 December 2022</b>	<b>160,000</b>	<b>117,674</b>	<b>50,007</b>	<b>45,910</b>	<b>95,432</b>	<b>110,334</b>	<b>-</b>	<b>579,357</b>
<b>Carrying value as at 31 December 2021</b>	<b>160,000</b>	<b>128,132</b>	<b>50,017</b>	<b>55,629</b>	<b>91,748</b>	<b>132,219</b>	<b>-</b>	<b>617,745</b>



**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 2022.(2021 - 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. 94.8 million (2021 - Rs. 58 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 2022 (2021 - 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. (2021 - 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 2022. 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 (2021 - 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 (2021 - 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 (2021 - 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 (2021 - 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 2022 (2021 - Nil).

**26.15 Fully depreciated property, plant and equipment in use**

As at 31 December	2022 Rs. '000	2021 Rs. '000
Computer hardware	117,433	91,795
Office equipment	162,953	120,881
Furniture and fittings	41,501	35,996
Fixtures and fittings	298,062	216,711
Motor vehicle	94	94
<b>Total</b>	<b>620,043</b>	<b>465,477</b>

**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	1	8	-	Market comparable method and Investment Method	31 December 2021	Mr. P. B Kalugalagedara Chartered Valuation Surveyor No.52/7, Thimbirigasyaya Road, Colombo 5.	160,000	128,132	160,000	91,107	-	37,025
Building (Situating at No. 283, R. A De Mel Mawatha, Colombo - 03)	1	-	11,824									

### 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 (Situating at No. 283, R. A De Mel Mawatha, Colombo - 03)	31.12.2021	<b>Market comparable method</b> 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 (Situating at No. 283, R. A De Mel Mawatha, Colombo - 03) (Number of Building - 01)	31.12.2021	<b>Investment method</b> 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 (2021 - 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 2022 in respect of land and building. Hence no gain or loss was recognized in the Income Statement or OCI for the year ended 31 December 2022.

### 26.21 If Land and building were stated at historical cost, the amounts would have been as follows;

As at 31 December	2022		2021	
	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Cost	85,620	57,279	85,620	57,279
Accumulated depreciation	-	(49,411)	-	(41,955)
Carrying value	85,620	7,868	85,620	15,324

### 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	2022	2021
	Rs. '000	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.

The 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.)

#### Accounting Policy (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	2022			2021		
	Building Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000	Building Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000
As at 1 January	592,229	24,188	616,417	752,393	-	752,393
Additions to right-of-use assets	140,320	-	140,320	91,006	27,000	118,006
Depreciation charge for the year	(282,917)	(6,750)	(289,667)	(243,015)	(2,812)	(245,827)
Derecognition of right-of-use assets	(34,027)	-	(34,027)	(8,155)	-	(8,155)
Change in fair value	-	-	-	-	-	-
Modification	123,872	-	123,872	-	-	-
<b>Balance as at 31 December</b>	<b>539,477</b>	<b>17,438</b>	<b>556,915</b>	<b>592,229</b>	<b>24,188</b>	<b>616,417</b>

**27.2 Amounts recognised in profit or loss**

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Interest expense on lease liabilities	96,634	70,744
Variable lease payments not included in the measurement of lease liabilities	-	-
Depreciation of right-of-use assets	289,667	245,827
Income from sub-leasing right-of-use assets presented in other operating income	-	-
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-
	386,301	316,571

**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	2022 Rs. '000	2021 Rs. '000
Total cash out flow for leases	351,033	247,136

**27.4 Sale-and-Lease back transactions**

The Company does not have sale and leased back transactions as at the reporting date. (2021-Nil)

**27.5 Sub leases**

The Company does not have sub leased properties as at the reporting date. (2021-Nil)

**27.6 Lease Terms - Extension Options**

Refer Note 3.1.3 on page 265.

**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 since each business unit is operating under the business continuity plans as per the Company risk management strategy.

**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.)

#### Accounting Policy (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.

##### 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% & w.e.f 1/10/2022 rate applied was 30%.

Investment income excluding less any expenses incurred in the production of such income at a rate of 24% and w.e.f 1/10/2022 was 30%.

Surplus distributed to a Life Insurance policy holders, from 01st April 2021 to 30th September 2022 applicable rate was 24% and thereafter applied rate was 30%.

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 (2021 - 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.

##### 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.

At the beginning of the reporting period, the carried forward tax losses amounted to Rs. 2.8 Bn. Accordingly, a deferred tax of Rs. 675 Mn which was available at the beginning of the year was utilized during the year ended 31 December 2022.

The Company has not recognised any deferred tax asset for the reporting period ended 31 December 2022.

##### Impact from the change in corporate income tax rate

The income tax rate has been changed from 24% to 30% w.e.f 1/10/2022 as explained in the Note 22.1, however it has not impacted on the deferred tax balance as it has been fully utilized against tax liability before the rate change.

#### 28.1 Deferred taxation

As at 31 December	2022 Rs. '000	2021 Rs. '000
Deferred tax assets	-	675,164
Deferred tax liabilities	-	-
Net deferred tax asset	-	675,164

#### 28.2 Analysis of recognised deferred tax assets / liabilities in the Statement of Financial Position

As at 31 December	2022		2021	
	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
Other deductible temporary differences	-	-	-	-
	-	-	2,813,183	675,164
Deferred tax liabilities on,				
Taxable temporary differences	-	-	-	-
Net recognised deferred tax assets	-	-	2,813,183	675,164

**28.3 Movement of deferred tax assets and liabilities**

As at 31 December	2022						
	Balance as at 1-Jan	Recognised in income statement	Recognised in OCI	Utilised against tax on bonus declared to participating policyholders	Net balance	Deferred tax assets	Deferred tax liabilities
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax assets on, Carry forward tax losses	675,164	(658,378)	-	(16,786)	-	-	-
Other deductible temporary differences	-	-	-	-	-	-	-
Deferred tax liabilities on, Taxable temporary differences	-	-	-	-	-	-	-
<b>Net recognised deferred tax assets</b>	<b>675,164</b>	<b>(658,378)</b>	<b>-</b>	<b>(16,786)</b>	<b>-</b>	<b>-</b>	<b>-</b>

As at 31 December	2021						
	Balance as at 1-Jan	Recognised in income statement	Recognised in OCI	Utilised against tax on bonus declared to participating policyholders	Net balance	Deferred tax assets	Deferred tax liabilities
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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	-	-	-	-	-	-	-
<b>Net recognised deferred tax assets</b>	<b>1,621,904</b>	<b>(860,806)</b>	<b>-</b>	<b>(85,934)</b>	<b>675,164</b>	<b>675,164</b>	<b>-</b>

**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.

## NOTES TO THE FINANCIAL STATEMENTS

### 28.4 Analysis and movement of tax losses

For the year ended 31 December	2022 Rs. '000	2021 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
<b>Available tax losses</b>	<b>11,148,232</b>	<b>11,148,232</b>
Tax losses utilised against taxable income up to previous years	(8,335,049)	(5,355,718)
<b>Tax losses carried forward from previous year</b>	<b>2,813,183</b>	<b>5,792,514</b>
Tax losses utilised against par bonus during the year	(69,942)	(358,058)
Tax losses utilised against income tax liability during the year (Adjusted to tax rate changes)	(2,743,241)	(2,621,273)
<b>Total carried forward tax losses as at 31 December</b>	<b>-</b>	<b>2,813,183</b>

### 28.5 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. As of the reporting date no carried forward tax loss available as it fully utilized against the income tax liability.

### 28.6 Unrecognised deferred tax liabilities

As at the reporting date there is no unrecognised deferred tax liabilities (2021 - Nil).

### 28.7 Deferred tax and income tax on items directly recognised in equity

During the period ended 31 December 2022 the Company did not recognise deferred tax and income tax expenses on transactions which are directly recorded in equity (2021 Nil).

### 28.8 Unrecognised deferred tax assets

As at the reporting date there is no unrecognised deferred tax assets (2021 - 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 (2021 - 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 268 to 273.

### Collateral for financial investments

Refer page 284 for collateral details for reverse repo investment held at the reporting date.

### Investments supporting restricted regulatory reserve

Refer Note 37.1 on page 339 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 297 to 302 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 281 to 293 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	2022		2021	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Amortised Cost (AC)	29.2	37,065,567	32,946,213	25,600,336	24,451,946
Fair Value Through Other Comprehensive Income (FVOCI)	29.3	2,082,779	2,082,779	3,382,909	3,382,909
Fair Value through Profit or Loss (FVTPL)	29.4	3,451,509	3,451,509	5,234,184	5,234,184
<b>Total financial investments</b>		<b>42,599,855</b>	<b>38,480,501</b>	<b>34,217,429</b>	<b>33,069,039</b>



## 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 repo)

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	2022		2021	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Fixed deposits	29.2.1	522,007	522,028	4,360,432	4,360,436
Debentures	29.2.2	7,371,812	7,155,383	7,757,716	7,852,820
Treasury bonds		12,980,040	9,675,901	2,308,100	1,898,838
Treasury bills		1,099,884	1,104,545	-	-
Sri Lanka development bonds		6,221,129	6,361,004	3,418,242	3,459,087
International sovereign bonds		4,830,774	4,086,897	3,175,861	2,300,773
Commercial papers		2,368,757	2,368,808	975,266	975,268
Securitised Papers		790,246	790,729	713,964	713,969
Reverse Repo		880,918	880,918	2,890,755	2,890,755
<b>Total</b>		<b>37,065,567</b>	<b>32,946,213</b>	<b>25,600,336</b>	<b>24,451,946</b>

Gross and net carrying amount of above financial investments are given in Note 29.2.3 on page 330.

## NOTES TO THE FINANCIAL STATEMENTS

### 29.2.1 Fixed deposits

As at 31 December	2022		2021	
	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Licensed commercial banks	522,007	522,028	2,213,248	2,213,249
Licensed specialised banks	-	-	1,096,982	1,096,982
Licensed finance companies	-	-	1,050,202	1,050,205
<b>Total</b>	<b>522,007</b>	<b>522,028</b>	<b>4,360,432</b>	<b>4,360,436</b>

### 29.2.2 Debentures

As at 31 December	Issue Rating	Maturity Date	Interest Rate %	No. of Debentures	2022		2021	
					Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
<b>Banks</b>								
Commercial Bank of Ceylon PLC	AA-	22-Jul-28	12.50	1,267,000	133,647	133,729	133,705	133,729
Commercial Bank of Ceylon PLC	A	11-Dec-29	27.00	88,600	8,974	9,182	-	-
DFCC Bank PLC	A-	29-Mar-25	13.00	2,000,000	219,278	219,732	219,436	219,732
DFCC Bank PLC	A-	23-Oct-25	9.00	5,500,000	558,576	559,357	559,007	559,357
DFCC Bank PLC	A-	9-Nov-23	12.75	500,000	50,664	50,658	50,527	50,658
DFCC Bank PLC	A+	28-Mar-29	13.90	1,564,100	172,584	172,968	172,709	172,968
DFCC Bank PLC	A-	29-Mar-23	12.60	500,000	54,706	54,646	54,724	54,646
Hatton National Bank PLC	AA+	29-Aug-23	8.00	185,256	17,920	18,668	16,515	18,668
Hatton National Bank PLC	AA-	23-Sep-26	12.80	1,077,200	111,250	111,460	111,298	111,460
Hatton National Bank PLC	A	28-Jul-31	9.50	10,357,600	1,076,220	1,077,814	1,076,708	1,077,814
Hatton National Bank PLC	AA-	1-Nov-23	13.00	370,200	37,628	40,495	37,476	40,495
Hatton National Bank PLC	AA+	14-Dec-24	8.33	500,000	49,977	37,694	49,997	37,694
National Development Bank	A+	24-Sep-25	9.50	3,000,000	307,136	307,652	307,377	307,652
Nations Trust Bank PLC	BBB+	20-Apr-23	13.00	1,500,000	163,334	163,624	163,370	163,624
Nations Trust Bank PLC	BBB+	23-Dec-26	12.90	1,500,000	150,291	150,424	150,400	150,424
Nations Trust Bank PLC	A	9-Jul-26	9.15	2,891,600	301,333	301,845	301,554	301,845
Nations Trust Bank PLC	BBB+	23-Dec-24	12.80	1,500,000	150,287	150,421	150,396	150,421
Sampath Bank PLC	A	21-Dec-22	12.50	2,920,000	-	-	295,511	324,390
Sampath Bank PLC	A	28-Feb-24	13.90	2,000,000	222,964	223,306	223,058	251,946
Sampath Bank PLC	A	20-Mar-23	12.50	450,000	46,540	47,530	46,511	46,351
Seylan Bank PLC	BBB+	18-Apr-24	15.00	1,500,000	166,571	173,343	167,473	173,343
Seylan Bank PLC	BBB+	29-Mar-25	13.20	1,000,000	103,258	103,364	103,340	103,364
Seylan Bank PLC	BBB+	15-Jul-23	13.75	626,000	66,848	44,675	67,374	66,585
Seylan Bank PLC	BBB+	29-Mar-23	12.85	500,000	51,607	51,542	51,623	51,542
					<b>4,221,593</b>	<b>4,204,129</b>	<b>4,510,089</b>	<b>4,568,708</b>

As at 31 December	Issue Rating	Maturity Date	Interest Rate %	No. of Debentures	2022		2021	
					Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
<b>Capital Goods</b>								
Hayleys PLC	A+	26-Aug-24	13.00	3,651,100	381,303	351,212	381,465	351,212
					381,303	351,212	381,465	351,212
<b>Diversified Financials</b>								
First Capital Holdings PLC	A	7-Feb-26	10.86	2,188,300	242,264	240,122	236,327	236,474
First Capital Treasuries PLC	A-	30-Jan-25	12.75	500,000	52,638	52,690	52,676	52,690
HNB Finance Limited	A	30-Dec-24	13.20	1,000,000	99,961	100,036	100,034	100,036
LOLC Holdings PLC	A	24-Feb-31	12.00	8,000,000	880,182	891,372	880,822	891,375
LOLC Holdings PLC	A	31-Jul-22	13.00	1,000,000	-	-	105,422	105,829
LOLC Holdings PLC	A	27-Sep-24	15.00	3,000,000	311,285	131,712	311,508	356,322
People's Leasing & Finance PLC	A+	18-Apr-23	12.80	2,505,200	272,632	268,087	272,692	273,098
Singer Finance PLC	A-	25-Jun-26	8.96	2,000,000	225,302	222,213	209,081	209,278
Siyapatha Finance PLC	BBB+	8-Aug-24	13.33	500,000	52,510	57,023	52,548	57,023
Siyapatha Finance PLC	A	7-Jul-23	11.25	717,600	75,539	72,087	75,567	75,567
					2,212,313	2,035,342	2,296,677	2,357,692
<b>Food Beverage &amp; Tobacco</b>								
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	8,172	9,508	8,596	9,508
Kotagala Plantation PLC	C	31-Aug-24	7.50	92,750	7,089	9,508	8,577	9,508
Kotagala Plantation PLC	C	31-Aug-25	7.50	92,750	6,947	9,508	8,564	9,508
					22,208	28,524	34,771	38,032
<b>Insurance</b>								
Softlogic Capital PLC	BBB+	19-Dec-24	15.00	1,000,000	100,344	101,493	100,476	102,493
					100,344	101,493	100,476	102,493
<b>Telecommunication</b>								
Sri Lanka Telecom PLC	AA+	19-Apr-28	12.75	2,250,000	244,651	245,120	244,757	245,120
Sri Lanka Telecom PLC	AA+	19-Apr-28	12.75	1,603,700	164,314	164,460	164,384	164,460
					408,965	409,580	409,141	409,580
<b>Trading</b>								
Abans PLC	BBB+	19-Dec-24	12.5	250,000	25,086	25,103	25,097	25,103
					25,086	25,103	25,097	25,103
<b>Total</b>					<b>7,371,812</b>	<b>7,155,383</b>	<b>7,757,716</b>	<b>7,852,820</b>

## 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.

The credit rating of the country was downgraded to "Restricted Default (RD)" by Fitch Ratings in May 2022 after the default of coupon payments due on two International Sovereign Bonds (ISB). Accordingly, the coupons due on the ISB held by the Company was also defaulted. Due to this, PD of 70% was applied for ISBs along with a weighted average LGD of 43% to make provision for expected losses on ISBs. For SLDBs the Company continued to use an LGD of 20% as the Company opted for LKR settlement and as the Public Debt Department had confirmed full settlement of capital and interest.

#### Movement in ECL allowance during the year 2022

As at 31 December	2022								
	Gross carrying amount Rs. '000	ECL						As at 31 December 2022 Rs. '000	Net carrying amount Rs. '000
		As at 1 January 2022 Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000			
<b>Financial investment at amortised cost</b>									
Fixed deposits	522,029	4	18	-	-	18	22	522,007	
Debentures	7,382,421	3,277	4,271	3,061	-	7,332	10,609	7,371,812	
Treasury bonds	12,980,040	-	-	-	-	-	-	12,980,040	
Treasury bills	1,099,884	-	-	-	-	-	-	1,099,884	
Sri Lanka development bonds	6,361,004	40,845	99,030	-	-	99,030	139,875	6,221,129	
International sovereign bonds	6,900,614	37,928	-	2,031,912	-	2,031,912	2,069,840	4,830,774	
Commercial papers	2,368,808	2	49	-	-	49	51	2,368,757	
Securitized Paper	790,729	4	479	-	-	479	483	790,246	
Reverse Repo	880,918	-	-	-	-	-	-	880,918	
<b>Total</b>	<b>39,286,447</b>	<b>82,060</b>	<b>103,847</b>	<b>2,034,973</b>	<b>-</b>	<b>2,138,820</b>	<b>2,220,880</b>	<b>37,065,567</b>	

As at 31 December	2021								
	Gross carrying amount Rs. '000	ECL						As at 31 December 2021 Rs. '000	Net carrying amount 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			
<b>Financial investment at amortised cost</b>									
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	
Securitized Paper	713,968	-	4	-	-	4	4	713,964	
Reverse Repo	2,890,755	-	-	-	-	-	-	2,890,755	
<b>Total</b>	<b>25,682,396</b>	<b>119,600</b>	<b>5,599</b>	<b>3,236</b>	<b>(46,375)</b>	<b>(37,540)</b>	<b>82,060</b>	<b>25,600,336</b>	

The Company has provided stage 1 ECL i.e 12 months ECL for the SLDBs which will be matured in 2026 based on the fact that the Company has received due SLDB coupon amount in equivalent LKR on July & August 2022. The due coupons were attributed to SLDB's to be matured on 2023 and 2026. Further, Public Debt Department of Central Bank of Sri Lanka confirmed the LKR equivalent settlement options (New LKR treasury bond allocation) for the SLDB maturity and the coupons due on January 2023 which was fully settled subsequent to the reporting date. Based on the said facts Company is of the view that stage 1 ECL provision is adequate.

For ISBs considered under Stage 2, the Company considered estimation uncertainty around recoverability due to the debt service capacity of the Government of Sri Lanka which is affected by the prevailing macro economic environment, liquidity and the outcome of the debt restructuring negotiations with the IMF. Based on judgments using the information available at the reporting date the Company made a significant provision in addition to the SLDBs held as disclosed above.

### Sensitivity analysis

#### Effect of significant changes in the gross carrying amount

The following table illustrates the impact to loss allowance due to changes in the gross carrying amounts of financial instruments.

As at 31 December 2022	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	(20,687)	(174,102)	-	(194,789)
5 % decrease in gross carrying amount	20,687	174,102	-	194,789

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

#### Refer page 288 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 287 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 290.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 29.3 Financial investments - Fair value through other comprehensive income (Contd.)

#### Financial investments - Fair value through other comprehensive income (FVOCI)

As at 31 December	Note	2022		2021	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Treasury bonds		645,708	645,708	1,189,245	1,189,245
Equity securities	29.3.1	1,437,071	1,437,071	2,193,664	2,193,664
<b>Total</b>		<b>2,082,779</b>	<b>2,082,779</b>	<b>3,382,909</b>	<b>3,382,909</b>

#### 29.3.1 Equity securities

As at 31 December	2022	2021	2022		2021	
	Market price Rs.	Market price Rs.	No. of Shares	Carrying value / Fair value Rs. '000	No. of Shares	Carrying value / Fair value Rs. '000
<b>Unlisted</b>						
Cargills Bank Limited			26,600,000	265,734	26,600,000	270,256
				265,734		270,256
<b>Listed</b>						
<b>Banks</b>						
National Development Bank PLC	32.00	68.90	19,052,217	609,670	17,900,796	1,233,365
				609,670		1,233,365
<b>Diversified Financials</b>						
Softlogic Finance PLC	11.30	13.00	15,688,030	177,275	15,688,030	203,944
				177,275		203,944
<b>Healthcare Equipments &amp; Services</b>						
Asiri Hospitals PLC	25.70	32.50	14,956,877	384,392	14,956,877	486,099
				384,392		486,099
<b>Total investments in equity securities</b>				<b>1,437,071</b>		<b>2,193,664</b>

During the year 2022, the equity market had significant negative impact compared to previous year 2021. The All Share Price Index (ASPI) has declined from 12,226.01 to 8,489.66 during 2022. As a result of that Company's equity portfolio also had been impacted negatively. The risk assessment relating to equity has been discussed under equity risk in note 6.5.4.3 in page 293.

The above table shows investment in equity securities for which the Company elected to present the changes in the fair value in OCI. The election was made because the investments are expected to be held for the long term strategic purpose.

### 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 2022 is Rs. 266 million.

Please Refer Note 7.4 on page 300 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.

### 29.3.4 De-recognition of equity investments classified at FVOCI

During the financial year, the Company has not derecognised equity investments classified at FVOCI.

### 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 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 290.

## 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

### 29.4 Financial investments - Fair Value through Profit or Loss (FVTPL) (Contd.)

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	2022		2021	
		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		90,974	90,974	182,487	182,487
Unlisted perpetual debentures		782,067	782,067	765,303	765,303
Unit trust	29.4.2	2,578,400	2,578,400	3,939,787	3,939,787
Derivative asset		68	68	-	-
<b>Total</b>		<b>3,451,509</b>	<b>3,451,509</b>	<b>5,234,184</b>	<b>5,234,184</b>

#### 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 290.

#### Fair value measurement

Methodologies and assumption used to determine the fair value of the financial instruments are disclosed in Note 7 on page 297 to the Financial Statements.

#### 29.4.1 Equity securities (FVTPL) - listed

As at 31 December	2022			2021		
	Market price Rs.	No. of shares	Carrying / fair value Rs. '000	Market price Rs.	No. of shares	Carrying / fair value Rs. '000
<b>Capital Goods</b>						
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
<b>Consumer Durables and Apparels</b>						
Teejay Lanka PLC	-	-	-	44.40	306,043	13,588
						13,588
<b>Diversified Financials</b>						
LOLC Holdings PLC	-	-	-	1,162.00	28,448	33,057
						33,057
<b>Food Beverage &amp; Tobacco</b>						
Lanka Milk Food PLC	-	-	-	268.75	110,782	29,773
						29,773
<b>Materials</b>						
Alumex PLC	-	-	-	15.90	1,000,000	15,900
						15,900
<b>Transportation</b>						
Expolanka Lanka PLC	-	-	-	375.25	169,000	63,417
						63,417
<b>Total investments in listed equity shares</b>	-	-	-	-	-	346,607



## 29.4.2 Unit trusts

As at 31 December	2022	2021	2022		2021	
	Unit price	Unit price	No. of units	Fair value / carrying value	No. of units	Fair value / carrying value
	Rs.	Rs.		Rs. '000		Rs. '000
Unlisted						
NAMAL - High Yield Fund	30.72	-	4,249,200	130,519	-	-
Capital Alliance - Investment Grade Fund	25.09	21.18	36,975,883	927,562	66,728,224	1,412,970
Capital Alliance - Income Fund	25.70	-	29,634,664	761,665	-	-
Capital Alliance Fixed Income Opportunities Fund	26.20	-	11,100,948	290,798	-	-
First Capital - Money Market Fund	-	2,040.49	-	-	366,854	748,562
Softlogic Equity Fund	-	166.08	-	-	499,547	82,967
Softlogic Money Market Fund	122.72	111.25	3,812,324	467,856	15,238,266	1,695,288
Total investment in unit trusts				2,578,400		3,939,787

## 29.5 Movement of financial investments

	Amortised cost	Fair value through other comprehensive income	Amortised cost	Fair value through other comprehensive income
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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)
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
As at 1 January 2022	25,600,336	3,382,909	5,234,184	34,217,429
Purchases	41,246,751	80,554	3,046,881	44,374,186
Maturities	(26,629,559)	-	-	(26,629,559)
Disposals	(9,218,195)	-	(4,793,942)	(14,012,137)
ECL adjustment as per SLFRS 09	(2,138,820)	-	-	(2,138,820)
Foreign exchange gain	5,751,291	-	-	5,751,291
Fair value gains recorded in the Income Statement	-	-	(51,101)	(51,101)
Fair value gains recorded in the Other Comprehensive Income	-	(1,374,597)	-	(1,374,597)
Amortisation adjustment	2,453,763	(6,087)	15,487	2,463,163
As at 31 December 2022	37,065,567	2,082,779	3,451,509	42,599,855

## 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	2022 Rs. '000	2021 Rs. '000
Balance as at 01 January	224,198	234,462
Loans granted during the year	84,688	57,026
Repayments during the year	(74,104)	(94,284)
Change in interest receivable	30,278	26,994
Balance as at 31 December	265,060	224,198

#### 30.1 Maturity analysis

Maturity analysis of loans to policyholder is given in Note 6.5.3.a (Table-22) on page 290.

#### 30.2 Collateral details

The surrender value of the policy loans granted to policyholders as at 31 December 2022 amounted to Rs. 402 million. (2021 - Rs. 341 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 288.

#### 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 2022 was 1,412 (2021 - 1,344).

### 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 2022. 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	2022 Rs. '000	2021 Rs. '000
Reinsurance receivable on outstanding claims	143,691	59,768
Reinsurance receivable on settled claims net of dues	424,688	171,819
<b>Total Reinsurance Receivables</b>	<b>568,379</b>	<b>231,587</b>

#### 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 2022. 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	2022 Rs. '000	2021 Rs. '000
Up to 180 days	424,336	105,945
More than 180 days	352	65,874
<b>Total</b>	<b>424,688</b>	<b>171,819</b>

### 31.6 Reinsurance receivable past due but not impaired (on paid claims)

As at 31 December 2022, there were no reinsurance receivable past due but not impaired (2021 - 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 288.

## 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	2022 Rs. '000	2021 Rs. '000
Individual debtors	296,501	235,493
Institutional debtors	1,508,929	779,490
Impairment provision	(42,042)	(31,326)
<b>Total</b>	<b>1,763,388</b>	<b>983,657</b>

### 32.1 Age analysis of premium receivable

	2022 Rs. '000	2021 Rs. '000
Less than 30 days	1,413,697	816,398
30 - 60 days	113,509	72,601
60 - 90 days	113,977	62,610
90 - 365 days	122,205	32,048
Over 365 days	-	-
<b>Total</b>	<b>1,763,388</b>	<b>983,657</b>

### 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 2022. Based on the assessment, impairment loss of Rs. 42 million was recognised in the financial statements as at 31 December 2022 (2021 - Rs. 31 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 289.

## 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	2022 Rs. '000	2021 Rs. '000
<b>Financial assets</b>			
Refundable deposits		67,333	65,207
Receivable from Fairfirst Insurance Ltd		3,601	400
<b>Total financial assets</b>		<b>70,934</b>	<b>65,607</b>
<b>Non financial assets</b>			
Inventories		12,331	9,655
Write-down of inventories		-	-
Tax recoverable	33.2	99,814	99,814
Advances and prepayments		841,434	711,197
Others		148,366	107,052
<b>Total non financial assets</b>		<b>1,101,945</b>	<b>927,718</b>
<b>Total receivables and other assets</b>		<b>1,172,879</b>	<b>993,325</b>

#### 33.1 Maturity analysis

Refer Note 6.5.3.a (Table-22) on page 290 for maturity analysis of other assets.

#### 33.2 Tax recoverable

As at 31 December	2022 Rs. '000	2021 Rs. '000
Withholding Tax receivable	99,814	99,814
	99,814	99,814

#### 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 (2021 - 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 2022. 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 (2021-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	2022 Rs. '000	2021 Rs. '000
Cash in hand	11,213	6,245
Cash at bank	728,731	690,675
<b>Total cash and cash equivalents</b>	<b>739,944</b>	<b>696,920</b>

#### 34.1 Cash and cash equivalent in the Statement of Cash Flows

As at 31 December	2022 Rs. '000	2021 Rs. '000
Cash in hand and at bank	739,944	696,920
Bank overdrafts used for cash management purpose	(308,318)	(290,550)
<b>Cash and cash equivalents in the Statement of Cash Flows</b>	<b>431,626</b>	<b>406,370</b>

#### 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 289 for risk management initiatives relating to cash and cash equivalents.

#### 34.4 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
<b>Fully paid ordinary shares</b>		
As at 1 January 2021	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
Share issue / Re purchase	-	-
Own shares acquired in the year	-	-
As at 31 December 2022	375,000,000	1,062,500

Refer share information section in page 370 for more information on the composition of shares in issue as at 31 December 2022.

#### 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 350.

### 36. RETAINED EARNINGS

As at 31 December	2022 Rs. '000	2021 Rs. '000
Balance as at 1 January	10,453,584	9,290,347
Realised gain on equity instruments directly recognised in equity	-	5,971
Profit for the year	2,682,876	2,104,868
Defined benefit plan actuarial gain / (losses) on net of tax	26,215	(10,102)
Dividend paid	(1,050,000)	(937,500)
Balance as at 31 December	12,112,675	10,453,584

### 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	2022 Rs. '000	2021 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

#### 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 2022 as follows.

Asset category	Face value 2022 Rs.	Market value 2022 Rs. '000
ISIN No		
LKB00628A153	100,000,000	81,307
LKB00628A153	110,000,000	89,437
LKB00628A153	100,000,000	81,307
LKB00628A153	100,000,000	81,307
LKB00931E153	100,000,000	71,799
LKB00931E153	100,000,000	71,799
LKB00931E153	120,000,000	86,159
LKB00931E153	100,000,000	71,799
LKB00931E153	100,000,000	71,799
LKB00931E153	100,000,000	71,799
LKB01528I017	100,000,000	60,692
<b>Total market value of the assets</b>		<b>839,204</b>
Restricted regulatory reserve		798,004
Excess assets		41,200

## NOTES TO THE FINANCIAL STATEMENTS

### 38. OTHER RESERVES

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
Fair value reserve	38.1	(3,229,988)	(1,855,391)
Revaluation reserve	38.2	129,733	129,733
<b>Total other reserve</b>		<b>(3,100,255)</b>	<b>(1,725,658)</b>

#### 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	2022 Rs. '000	2021 Rs. '000
Balance as at 1 January	(1,855,391)	(1,307,312)
<b>Net fair value gains / (losses) on remeasuring financial assets at FVOCI;</b>		
Equity instruments	(837,146)	(155,240)
Debt instruments	(538,268)	(391,981)
Reclassification from OCI to income statement - Debt instruments	817	5,113
Reclassification of realised gain from fair value reserve to retained earning - Equity instruments	-	(5,971)
<b>Balance as at 31 December</b>	<b>(3,229,988)</b>	<b>(1,855,391)</b>

#### 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	2022 Rs. '000	2021 Rs. '000
Balance as at 1 January		129,733	92,708
Gain on revaluation of land and building	26.1.7	-	37,025
<b>Balance as at 31 December</b>		<b>129,733</b>	<b>129,733</b>

##### 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 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 the 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

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	2022	2021
		Carrying value Rs. '000	Fair value Rs. '000
Life insurance fund		23,412,163	19,823,775
Surplus created due to change in valuation method from NPV to GPV	39.17	1,056,535	1,056,535
<b>Life fund with one-off surplus</b>	39.5	<b>24,468,698</b>	<b>20,880,310</b>
Claims payables / Unclaimed benefits	39.22	869,804	612,447
<b>Total insurance contract liabilities</b>		<b>25,338,502</b>	<b>21,492,757</b>

### 39.3 Impact of uncertain macro economic conditions

Refer integrated risk management report on pages 231 and 232 for more details on the risk and risk management initiatives on uncertain macro economic conditions.

## NOTES TO THE FINANCIAL STATEMENTS

### 39.4 Details of policy liabilities for the participating and non-participating funds are provided as follows

As at 31 December	2022			2021		
	Participating Rs. '000	Non- participating Rs. '000	Total Rs. '000	Participating Rs. '000	Non- participating Rs. '000	Carrying / fair value Rs. '000
Policy liabilities	9,154,197	14,257,966	23,412,163	7,562,640	12,261,135	19,823,775
One-off surplus	1,056,535	-	1,056,535	1,056,535	-	1,056,535
Total policy liabilities	10,210,732	14,257,966	24,468,698	8,619,175	12,261,135	20,880,310

### 39.5 Movement in life insurance fund

As at 31 December	Note	2022			2021		
		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		23,839,691	(2,959,381)	20,880,310	18,721,916	(1,880,837)	16,841,079
Premiums received	10	23,083,425	(2,678,803)	20,404,622	20,053,302	(1,857,795)	18,195,507
Liabilities released for payments on death, surrender and other terminations in the year	16.1	(9,327,514)	933,929	(8,393,585)	(6,453,106)	551,038	(5,902,068)
Net finance and other income		3,316,804	-	3,316,804	1,871,754	-	1,871,754
Net acquisition and other expenses		(7,525,735)	292,968	(7,232,767)	(7,954,980)	228,213	(7,726,767)
Surplus distributed to shareholders	39.13	(4,378,000)	-	(4,378,000)	(2,295,000)	-	(2,295,000)
Change in contract liabilities life fund		5,168,980	(1,451,906)	3,717,074	5,221,970	(1,078,544)	4,143,426
Tax on policyholder bonus		(128,686)	-	(128,686)	(104,195)	-	(104,195)
Balance as at 31 December		28,879,985	(4,411,287)	24,468,698	23,839,691	(2,959,381)	20,880,310

### 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 2022.

### 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 2022. 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 (-) <b>Net cash flows = sum of above</b>
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	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 (+)
	Max (account value, discounted cash flow liability)	Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) <b>Net cash flows = sum of above</b>
Group Traditional Non-participating products - Group Term (Life) and per day Insurance	Discounting "Net Cash Flows" using a discount rate	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) <b>Net Cash flow = Sum of the above</b>
Group Traditional Non-participating products - Group Hospitalisation Cover	Policy liability has been set equal to UPR.	Not Applicable

### 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
<b>Economic assumption</b>	
Discount rate	Top down approach has been used and discount rate assumptions are disclosed in Note 39.9.
Participating fund yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.
<b>Operating assumptions</b>	
Mortality rate	A67/70 Mortality rates table was used. Calibrated to experience of the products.
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 2022. 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.
Bonus rates	Bonus rate scale assumed has been arrived based on bonus declared as at 31 December 2022, 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	The discontinuance assumptions have been set with reference to actual experience and vary by policy duration.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 adopted for the determining the appropriate discount rates. Under such 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	Basis of estimation
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 (Table-3) on page 278.

#### 39.12 Analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance

As at 31 December	2022 Rs. '000	2021 Rs. '000
< 1 year	606,229	296,557
1 to 3 years	1,522,575	1,498,776
> 3 years	3,751,513	13,095,483
<b>Total</b>	<b>5,880,317</b>	<b>14,890,816</b>

#### 39.13 Recommendation of surplus transfer

The valuation of life insurance fund as at 31 December 2022 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	2022 Rs. '000	2021 Rs. '000
Participating life insurance fund to shareholder fund	-	-
Non-Participating life insurance fund to shareholder fund	4,378,000	2,295,000
<b>Total</b>	<b>4,378,000</b>	<b>2,295,000</b>

Subsequent to the transfer the surplus of Rs. 4,378 million, life fund stands as Rs. 24,469 million as at 31 December 2022, including the liability in respect of bonuses and dividends declared up to and including for the year 2022 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 Inland Revenue Act No. 24 of 2017, 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 to 30th September 2022.

IRD has issued new Inland Revenue (Amendment) Act, No. 45 of 2022 which is effective from 1st October 2022 and applicable tax rate is 30%.

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. 436 million (Please refer point (f) of the Actuarial report provided in page 250) to life insurance policyholders who participating in the profit of life insurance business. Accordingly the Company has adjusted the tax liability in to the life insurance fund.

### 39.15 Solvency margin

The Company maintains a Capital Adequacy Ratio (CAR) 287% on regulatory basis and Total Available Capital (TAC) of Rs. 32,302 million as at 31 December 2022, 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 2022. 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 2022.

No additional provision was required against the LAT as at 31 December 2022.

Details of LAT reports is provided in page 251 to this report.

### 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
Less: 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

## NOTES TO THE FINANCIAL STATEMENTS

### 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 Rs. '000	Non-participating fund Rs. '000	Total 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
Less: 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 2022	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	-	260
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	346
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	345
One-off surplus relating to participating and other than participating should be disclosed separately	Complied	39.17	345
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	-	-
Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied	37.1	339

**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 2022 (31 December 2021 - Nil).

As at 31 December	2022	2021
	Carrying value Rs. '000	Fair value Rs. '000
Unclaimed benefits	481,927	268,706
Other claim payables	387,877	343,741
<b>Total</b>	<b>869,804</b>	<b>612,447</b>

The Company is complied with Direction - 18 "Unclaimed benefits of long term insurance business" issued by Insurance Regulatory Commission of Sri Lanka.

**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	2022 Rs. '000	2021 Rs. '000
<b>Employees' provident fund</b>		
Employer's contribution (12%)	108,142	95,915
Employees' contribution (8%)	72,095	63,943
<b>Employees' trust fund</b>		
Employer's contribution (3%)	27,036	23,979

## NOTES TO THE FINANCIAL STATEMENTS

### 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 2022 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 of the economic crisis 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 2022. (2021 - 19% 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 18.5% p.a ( 2021 - 10.5% p.a) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 13% p.a. (2021 - 10% 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	2022 Rs. '000	2021 Rs. '000
Present value of unfunded obligation		208,959	192,629
Defined benefit obligations as at 1 January		192,629	182,332
Expenses recognised in income statement	40.5	50,714	40,744
Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income	40.6	(26,215)	10,102
Other			
Gratuity payments during the year		(8,169)	(40,549)
Defined benefit obligations as at 31 December		208,959	192,629

#### 40.5 Expenses recognised in income statement

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Interest cost	20,226	14,587
Current service costs	30,488	26,157
Total expenses recognised in income statement	50,714	40,744

#### 40.6 Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Actuarial (gain) / loss arising from:		
Change in demographic assumptions	-	80
Change in financial assumptions	(34,499)	(1,768)
Change in experience adjustment	8,284	11,790
Total	(26,215)	10,102

#### 40.7 Expected contributions to defined contribution and defined benefit plan

For the year ended 31 December	2023 Rs. '000
Employees' provident fund	
Employer's contribution (12%)	122,200
Employees' contribution (8%)	81,467
Employees' trust fund	
Employer's contribution (3%)	30,550
Defined benefit plans	47,373

#### 40.8 Maturity analysis of the payments

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Within next 12 months	58,406	46,287
Between 1 to 2 years	55,338	47,762
Between 2 to 5 years	56,857	43,309
Between 5 to 10 years	28,595	41,079
Beyond 10 years	9,763	14,192
Total expected payments	208,959	192,629
Weighted average duration of defined benefit obligation	3.54 years	4.37 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	2022	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000
Discount rate		
1% increase in discount rate	(6,076)	202,883
1% decrease in discount rate	6,510	215,469
Salary increment rate		
1% increase in salary increment rate	7,752	216,711
1% decrease in salary increment rate	(7,338)	201,621

## NOTES TO THE FINANCIAL STATEMENTS

### 40.9 Sensitivity of assumptions used in actuarial valuation (Contd.).

As at 31 December	2021	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000
<b>Discount rate</b>		
1% increase in discount rate	(7,332)	185,297
1% decrease in discount rate	7,987	200,616
<b>Salary increment rate</b>		
1% increase in salary increment rate	8,857	201,486
1% decrease in salary increment rate	(8,273)	184,356

### 40.10 Method and assumptions used in preparing the sensitivity analysis

The above sensitivity analysis 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 2022.

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

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Balance as at 01 January	3,064,994	2,852,245
<b>Cash movement</b>		
Loans obtained	-	-
Capital repayments	-	-
Interest payments	(441,940)	(230,388)
<b>Non cash movement</b>		
Interest expenses	456,141	222,220
Exchange rate adjustments	2,564,723	220,917
<b>Balance as at 31 December</b>	<b>5,643,918</b>	<b>3,064,994</b>
<b>41.1.a Current and Non Current Portions</b>		
Repayable within one year	153,807	53,744
Repayable after one year	5,490,111	3,011,250
	<b>5,643,918</b>	<b>3,064,994</b>

Lease liabilities included in the statement of financial position as at 31 December.



#### 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 2022.

#### 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	2/10/20
Maturity Date	2/10/25

#### 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 290.

### 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.

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
As at 1 January	1,040,255	636,060
Arose during the year	2,678,803	1,857,795
Utilised during the year	(1,472,821)	(1,453,600)
Balance as at 31 December	2,246,237	1,040,255

### 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	2022 Rs. '000	2021 Rs. '000
<b>Financial liabilities</b>			
Commission / Incentive payable	43.2	1,024,564	739,173
Premium deposit		231,551	218,082
Amounts due to related parties	43.3	11,036	20,109
Other payables		35,488	45,974
Lease liabilities	43.4	590,039	653,425
<b>Total financial liabilities</b>		<b>1,892,678</b>	<b>1,676,763</b>
<b>Non financial liabilities</b>			
Accruals		890,324	821,908
Tax and other statutory payables	43.8	846,483	89,512
<b>Total non financial liabilities</b>		<b>1,736,807</b>	<b>911,420</b>
<b>Total other liabilities</b>		<b>3,629,485</b>	<b>2,588,183</b>

#### 43.1 Maturity Analysis

Maturity schedules of other financial liabilities are disclosed in Note 6.5.3.a (Table 22) on page 290.

#### 43.2 Commission / Incentive payable

#### Provisions

As at 31 December	2022 Rs. '000	2021 Rs. '000
As at 01 January	739,173	552,966
Provision made during the year	5,128,521	4,061,809
Payments made during the year	(4,843,130)	(3,875,602)
Balance as at 31 December	1,024,564	739,173

## NOTES TO THE FINANCIAL STATEMENTS

### 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	2022 Rs. '000	2021 Rs. '000
Softlogic Capital PLC	45.10	-	10,533
Softlogic Asset Management (Pvt) Ltd	45.11	11,036	9,576
<b>Total</b>		<b>11,036</b>	<b>20,109</b>

### 43.4 Lease liabilities

Please refer Note 27 for accounting policy relating to leases under SLFRS 16.

As at 31 December	2022			2021		
	Leasehold properties Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000	Leasehold properties Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000
Lease liabilities as at 1 January	640,289	13,136	653,425	751,068	-	751,068
Recognition of new lease agreement during the period*	104,274	-	104,274	72,124	15,000	87,124
Interest Expenses	95,699	935	96,634	70,238	506	70,744
Payment of lease liabilities	(345,351)	(5,682)	(351,033)	(244,766)	(2,370)	(247,136)
Modification	122,488	-	122,488			
De-recognition	(35,749)	-	(35,749)	(8,375)	-	(8,375)
<b>Cumulative lease liabilities as at 31 December</b>	<b>581,650</b>	<b>8,389</b>	<b>590,039</b>	<b>640,289</b>	<b>13,136</b>	<b>653,425</b>

\*Rent prepayments has been recognised as RoU assets and therefore additions to lease liabilities are not equivalent to newly recognised RoU assets.

### 43.5 Maturity analysis - Contractual undiscounted cash flows

As at 31 December	2022 Rs. '000	2021 Rs. '000
Less than one year	335,139	280,143
Between one and five years	815,565	455,970
More than five years	-	-
<b>Total undiscounted lease liabilities as at 31 December</b>	<b>1,150,704</b>	<b>736,113</b>
<b>Lease liabilities included in the Statement of Financial Position as at 31 December</b>	<b>590,039</b>	<b>653,425</b>
<b>Undiscounted cash flows</b>		
Current	335,139	280,143
Non current	815,565	455,970
<b>Total</b>	<b>1,150,704</b>	<b>736,113</b>

### 43.6 Maturity Analysis - Discounted cash flows

Refer Note 6.5.3.a (Table-22) on page 290.

### 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 2022 and 2021 assuming all other variables are remain constant.

As at 31 December	2022		2021	
	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	5,854	584,185	8,807	644,618
1% decrease in discount rate	(5,723)	595,762	(8,993)	662,418

#### 43.8 Tax and other statutory payables

As at 31 December	2022 Rs. '000	2021 Rs. '000
CGIF levy payable	-	50,133
Crop insurance levy	11,062	8,689
EPF / ETF payable	17,871	15,561
CESS payable	11,274	10,458
PAYE tax payable	2,922	2,191
Income Tax Payable	801,030	-
Other	2,324	2,480
<b>Total</b>	<b>846,483</b>	<b>89,512</b>

#### 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 249.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 December	2022				2021			
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000
Segment Revenue (Gross written premiums)	23,083,425	-	-	23,083,425	20,053,302	-	-	20,053,302
Premiums ceded to reinsurers	(2,678,803)	-	-	(2,678,803)	(1,857,795)	-	-	(1,857,795)
Segment net written premiums	20,404,622	-	-	20,404,622	18,195,507	-	-	18,195,507
Segment other revenue	3,316,802	1,803,389	-	5,120,191	1,871,754	903,876	-	2,775,629
Inter segment revenue	-	-	-	-	-	-	-	-
Segment total net revenue	23,721,424	1,803,389	-	25,524,813	20,067,260	903,876	-	20,971,136
Net claims and benefits expenses	(8,393,585)	-	-	(8,393,585)	(5,902,068)	-	-	(5,902,068)
Change in contract liability - life	(3,717,074)	-	-	(3,717,074)	(4,143,426)	-	-	(4,143,426)
Underwriting and net acquisition costs (including reinsurance)	(4,955,888)	-	-	(4,955,888)	(4,050,033)	-	-	(4,050,033)
Other operating and administrative expenses	(4,384,644)	(2,111,025)	-	(6,495,669)	(3,714,618)	(11,748)	-	(3,726,366)
Finance costs	2,107,767	(39,980)	-	2,067,787	37,885	(221,454)	-	(183,569)
Segment profit before tax	4,378,000	(347,616)	-	4,030,384	2,295,000	670,674	-	2,965,674
Income tax expense	(1,143,420)	(204,088)	-	(1,347,508)	(550,800)	(310,006)	-	(860,806)
Segment profit for the year	3,234,580	(551,704)	-	2,682,877	1,744,200	360,668	-	2,104,868

#### 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.

### 44.2.2 Summary of segment financial position and reconciliation of information on reportable segments to the amounts reported in the

#### Financial Statements

For the year ended 31 December	2022				2021			
	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
Total assets	35,399,068	12,849,275	-	48,248,343	27,365,849	11,891,949	-	39,257,798
Total equity	(1,141,990)	12,014,914	-	10,872,924	(406,748)	10,995,178	-	10,588,430
Liabilities	36,541,058	834,361	-	37,375,419	27,772,597	896,771	-	28,669,368
Total equities and liabilities	35,399,068	12,849,275	-	48,248,343	27,365,849	11,891,949	-	39,257,798
Capital expenditure	-	96,682	-	96,682	-	59,241	-	59,241

#### 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.

#### 44.2.3 Summary of segment cash flows

For the year ended 31 December	2022			2021		
	Policyholder fund	Shareholder fund	Total	Policyholder fund	Shareholder fund	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from,						
Operating activities	3,750,288	1,374,070	5,124,358	6,630,876	352,936	6,983,812
Investing activities	(3,382,958)	(315,111)	(3,698,069)	(6,189,737)	467,959	(5,721,778)
Financing activities	(345,351)	(1,055,682)	(1,401,033)	(247,136)	(937,500)	(1,184,636)

#### 44.3 Major customers

The Company doesn't have any major customers.

#### 44.4 Impairment

For the year ended 31 December	2022			2021		
	Policyholder fund	Shareholder fund	Total	Policyholder fund	Shareholder fund	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Impairment losses / (reversal) recognised in profit or loss	90,495	2,048,295	2,138,790	265	(37,805)	(37,540)

#### Financial assets pledged as collateral for liabilities

There was no financial investment pledged as collateral for liabilities or contingent liabilities

Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

### 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 2022 audited financial statements, which required additional disclosures in the 2022 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related

#### 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 2022 audited financial Statements, which required additional disclosures in the 2022 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 45.6 Transactions with KMP

Please refer Note 45.1 for terms and conditions of transactions.

#### 45.6.1 Compensation of KMP

As at 31 December For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Short term employment benefits	60,540	56,124
Post-employment benefits	4,838	5,595
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Fees paid	10,510	12,798
<b>Total</b>	<b>75,888</b>	<b>74,517</b>

#### 45.6.2 Transactions with KMP recorded in Income Statement

For the year ended 31 December	Note	2022 Rs. '000	2021 Rs. '000
Insurance premiums		1,790	2,207
Compensation to KMP	45.6.1	75,888	74,517
<b>Total</b>		<b>77,678</b>	<b>76,724</b>

#### 45.10 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)	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Nature of transactions				
Insurance premiums	1,300	731	10,564	7,424
Receiving of services	187,898	202,626	7	697
Interest income	14,999	14,999	97,843	39,789

#### 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)	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Nature of transactions				
Dividend paid	543,048	484,552	492	439
Investments	100,344	100,476	411,266	400,829
Insurance premium receivable	818	220	10,029	1,114
Other payable	-	10,533	-	9,576

#### 45.6.3 Transactions with KMP Recorded in statement of financial position

As at reporting date there were no receivable/payable amount relating to KMP.

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 (2021 - Nil).

#### 45.8 Share-based transactions of KMP and their Immediate Family Members (IFM)

There has no share-based transaction with KMP and IFM during the reporting period. (2021- Nil)

#### 45.9 During the year, there have been no any changes to the board of directors of the Company.

## Impairment

The Company has recognised impairment provision of Rs. 132,335 in the financial statements as at 31 December 2022 on above investment (2021 - Rs. 1,398).

### 45.11 Transactions with other related entities

#### 45.11.1 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 197.

#### Transactions recorded in income statement

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
<b>Nature of the transaction</b>		
Insurance premiums	235,030	209,967
Dividend received	17,948	31,410
Claims paid	2,155	16,971
Expenses	240,692	157,896
	495,825	416,244

#### Transactions recorded in statement of financial position

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Nature of the transaction</b>		
Investments	561,666	690,043
Insurance premium receivable	224,539	234,659
Purchases of property plant and equipment	24,038	7,699
Other payable / receivable	11,036	9,576
	821,279	941,977

No Impairment losses have been recorded against above outstanding balances from other related entities.

### 45.12 Purchase of its own shares

The Company has not purchased its own shares from related parties during the period ended 31 December 2022 (2021 - 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	2022 Rs. '000	2021 Rs. '000
Approved and contracted for	44,580	16,572
<b>Total capital commitments</b>	<b>44,580</b>	<b>16,572</b>

### Bank guarantees

Following Bank Guarantees have been provided as at 31 December 2022.

As at 31 December	2022 Rs. '000	2021 Rs. '000
Relating to tax	97,779	114,692
Relating to others	34,414	11,345

## 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. 3.50 per share on 03 March 2023 complied with Direction No. 01 of 2021 issued by IRCSL for the financial year ended 31 December 2022.

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 14 February 2023 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 2022.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 2022, 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 it's determination on the appeal filed by the Company relating to the assessment raised for Y/A 2014/15, 2016/17 and 2017/18 under the Value Added Tax Act amounting to Rs. 68.7 Million, Rs. 28.0 Million and Rs. 102.4 Million respectively, in favour of

the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission, on the basis that the underlying computation includes items which are out of scope of the VAT Act.

- 3) The Company has been issued with an assessment by the Department of Inland Revenue under the Value Added Tax Act, in relation to the Y/A 2018/19 and 2019/20 amounting to Rs. 72.6 Million and 147.7 Million respectively. The Company has filed an appeal in relation to 2018/19 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 and filled an objection letter and The Company is awaiting the CGIR determination. The Company is in the process of filling an appeal to CAGR on the same grounds for the Assessment issued for the Y/A 2019/20.

#### Assessment in Respect of Nation Building Tax on Financial Services (NBT on FS)

- 4) The Commissioner General of Inland Revenue issued it's determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2017/18 under the Nation Building Tax Act amounting to Rs. 13.7 Million, in favour of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission, on the basis that the underlying computation includes items which are out of scope of the NBT Act.
- 5) The Company has been issued with an assessment by the Department of Inland Revenue under the Nation Building Tax Act, in relation to the Y/A 2018/19 amounting to Rs. 9.7 Million. 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 NBT Act. The Company is awaiting the CGIR determination.

#### Economic Service Charge (ESC)

- 6) 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 Commissioner General of Inland Revenue issued it's determination on the appeal filed by the Company relating to the assessment in favour of the commissioner General of Inland Revenue. The company is in the process of hearing the appeals with Tax Appeals Commission, on the basis that the underlying computation includes items which are out of scope of the ESC Act and CGIR shall write off the ESC assessed.

#### Life Insurance Taxation

- 7) The Tax Appeals Commission issued it's determination on the appeal filed by the Company relating to the assessment raised for the 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.



- 8) The Tax Appeals Commission issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2011/12 and 2012/13 amounting to Rs.10.1 Million and Rs. 12.4 Million respectively, 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.
- 9) The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 681.7 Million along with penalty, in favour of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission.
- 10) The Company has been issued with an assessment under the Income Tax act by the Department of Inland Revenue in relation to the year of assessment 2018/19 amounting to Rs. 533.4 Million including penalty and interest. The Company has filed an appeal to the Commissioner General of Inland Revenue and awaiting the CGIR determination.

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.

#### **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 194 to 195 of the Statement of Directors' Responsibility for Financial Reporting.

# Reimagining Possibilities

We seek innovation by assessing our surroundings from a different angle and seeking new possibilities.



## SUPPLEMENTARY INFORMATION

Statement of Financial Position-Life Insurance Fund **361** | Insurance Revenue Account **361** | Notes to the Statement of Financial Position of the Life Insurance Fund **362** | Quarterly Analysis **364** | Decade at a Glance - Financial Performance **365** | Decade at a Glance - Financial Position **366** | Simplified Insurance Financials **367** | Investor Relations **368** | Horizontal and vertical analysis of statement of financial position over five years **372** | Horizontal and vertical analysis of Income Statement over five years **374** | GRI - Content Index **375** | Glossary of Insurance Terms **377** | SLFRS 17 Implementation effect on Company's Financial Statements **380** | Corporate Information **387** | Notice of Meeting **388** | Form of Proxy - Annexure **1** | Investor/Stakeholder Feedback Form - Annexure **2**

## STATEMENT OF FINANCIAL POSITION-LIFE INSURANCE FUND

As at 31 December	Note	Page	2022 Rs. '000	2021 Rs. '000
<b>Assets</b>				
Property, plant and equipment	1	362	277,674	288,132
Right of use assets	2	362	539,477	592,229
Financial investments	3	362	30,249,843	23,508,035
Loans to life policyholders	30	336	265,060	224,198
Reinsurance receivables	31	336	568,379	231,587
Premium receivables	32	337	1,763,388	983,657
Receivables and other assets	4	363	1,000,613	843,125
Cash and cash equivalents	5	363	734,634	694,886
<b>Total assets</b>			<b>35,399,068</b>	<b>27,365,849</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Other reserves			(1,141,990)	(406,748)
<b>Total equity</b>			<b>(1,141,990)</b>	<b>(406,748)</b>
<b>Liabilities</b>				
Insurance contract liabilities	39	340	25,338,502	21,492,757
Employee benefit liabilities	40	347	208,959	192,629
Reinsurance payables	42	351	2,246,237	1,040,255
Other liabilities	6	363	8,439,041	4,756,406
Bank overdraft	5	363	308,319	290,550
<b>Total liabilities</b>			<b>36,541,058</b>	<b>27,772,597</b>
<b>Total equity and liabilities</b>			<b>35,399,068</b>	<b>27,365,849</b>

## INSURANCE REVENUE ACCOUNT

As at 31 December	Note	Page	2022 Rs. '000	2021 Rs. '000
<b>Life insurance - Policyholder fund</b>				
Gross written premiums	8	303	23,083,425	20,053,302
Premiums ceded to reinsurers	9	303	(2,678,803)	(1,857,795)
<b>Net written premiums</b>	10	304	<b>20,404,622</b>	<b>18,195,507</b>
<b>Other revenue</b>				
Finance and other income			3,316,802	1,871,754
Net benefits and claims expenses	16.1	308	(8,393,585)	(5,902,068)
Change in insurance contract liabilities	17	309	(3,717,074)	(4,143,426)
Underwriting and net acquisition costs (Including reinsurance)	18	309	(4,955,888)	(4,050,033)
Expenses			(2,276,877)	(3,676,734)
<b>Surplus from life insurance fund</b>			<b>4,378,000</b>	<b>2,295,000</b>
Income tax on surplus			(1,143,420)	(550,800)
Surplus after tax			3,234,580	1,744,200
<b>Shareholder fund</b>				
Finance and other income not attributable to policyholders			1,803,389	903,875
Expenses not attributable to policyholders			(2,151,005)	(233,201)
<b>Profit before tax - shareholder fund</b>			<b>(347,616)</b>	<b>670,674</b>
Income tax on shareholder profit	22	311	(204,088)	(310,006)
<b>Profit/(loss) from shareholder fund</b>			<b>(551,704)</b>	<b>360,668</b>
<b>Profit for the year - Company</b>			<b>2,682,876</b>	<b>2,104,868</b>

## 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 316

	Freehold land	Freehold building	2022 Rs. '000	2021 Rs. '000
<b>Cost / Revaluation</b>				
Balance as at 1 January	160,000	128,132	288,132	266,000
Additions during the year	-	-	-	-
Surplus on revaluation	-	-	-	37,025
Transferred of accumulated depreciation on revalued assets	-	-	-	(14,893)
<b>Balance as at 31 December</b>	<b>160,000</b>	<b>128,132</b>	<b>288,132</b>	<b>288,132</b>
<b>Accumulated depreciation and impairment losses</b>				
Balance as at 1 January	-	-	-	7,456
Depreciation for the year	-	10,458	10,458	7,437
Transferred of accumulated depreciation on revalued assets	-	-	-	(14,893)
<b>Balance as at 31 December</b>	<b>-</b>	<b>10,458</b>	<b>10,458</b>	<b>7,456</b>
<b>Carrying value as at 31st December 2022</b>	<b>-</b>	<b>-</b>	<b>277,674</b>	<b>-</b>
<b>Carrying value as at 31st December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>288,132</b>

### 2. RIGHT OF USE ASSETS

Refer accounting policies set out in Note 27 on page 321.

#### Reconciliation of carrying amounts of Right-of-Use assets

As at 31 December	2022 Rs. '000	2021 Rs. '000
As at 1 January	592,229	752,393
Additions to right-of-use assets	140,320	91,006
Depreciation charge for the year	(282,917)	(243,015)
Derecognition of right-of-use assets	(34,027)	(8,155)
Change in fair value	-	-
Modification	123,872	-
<b>Balance as at 31 December</b>	<b>539,477</b>	<b>592,229</b>

### 3. FINANCIAL INVESTMENTS

Refer accounting policies set out in Note 4.2 on page 268.

As at 31 December	Notes	2022 Rs. '000	2021 Rs. '000
Amortised Cost (AC)	3.1	26,135,687	16,934,163
Fair Value Through Other Comprehensive Income (FVOCI)	3.2	1,267,878	2,018,360
Fair Value through Profit or Loss (FVTPL)	3.3	2,846,278	4,555,512
<b>Total financial investments</b>		<b>30,249,843</b>	<b>23,508,035</b>

### 3.1 Amortised Cost (AC)

Refer accounting policies set out in Note 29.2 on page 327.

As at 31 December	2022 Rs. '000	2021 Rs. '000
Debentures	5,929,447	5,986,790
Treasury bonds	11,695,148	1,791,785
Treasury bills	314,011	-
Sri Lanka development bonds	5,980,589	3,280,806
Fixed deposits	375,912	2,451,255
Securitised paper	407,994	371,250
Commercial papers	858,824	363,386
Reverse repo	573,762	2,688,891
<b>Total</b>	<b>26,135,687</b>	<b>16,934,163</b>

### 3.2 Fair Value Through Other Comprehensive Income (FVOCI)

Refer accounting policies set out in Note 29.3 on page 331.

As at 31 December	2022 Rs. '000	2021 Rs. '000
Equity - quoted	689,200	948,044
Treasury bonds	578,678	1,070,316
<b>Total</b>	<b>1,267,878</b>	<b>2,018,360</b>

### 3.3 Fair Value through Profit or Loss (FVTPL)

Refer accounting policies set out in Note 29.4 on page 333.

As at 31 December	2022 Rs. '000	2021 Rs. '000
Equity	-	346,607
Treasury bills	-	-
Unlisted perpetual debenture	396,448	765,303
Unit trust	2,449,762	3,443,602
Derivative Asset	68	-
<b>Total</b>	<b>2,846,278</b>	<b>4,555,512</b>

### 4. RECEIVABLES AND OTHER ASSETS

Refer accounting policies set out in Note 33 on page 338.

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Financial assets</b>		
Refundable deposits	51,873	49,448
Receivable from Fairfirst Insurance Ltd (Net of provisions)	3,600	400
<b>Total financial assets</b>	<b>55,473</b>	<b>51,033</b>
<b>Non financial assets</b>		
Tax recoverable	35,970	35,970
Advances and prepayments	909,170	757,307
<b>Total non financial assets</b>	<b>945,140</b>	<b>793,277</b>
<b>Total receivables and other assets</b>	<b>1,000,613</b>	<b>843,125</b>

### 5. CASH AND CASH EQUIVALENTS

Refer accounting policies set out in Note 34 on page 338.

As at 31 December	2022 Rs. '000	2021 Rs. '000
Cash in hand	11,213	5,995
Cash at bank	723,420	688,891
<b>Total cash in hand and at bank</b>	<b>734,634</b>	<b>694,886</b>
Bank overdraft	308,319	290,550

### 6. OTHER LIABILITIES

Refer accounting policies set out in Note 43 on page 351.

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Financial liabilities</b>		
Commission / Incentive payable	1,024,564	739,173
Premium deposit	231,551	218,082
Amounts due to related parties	1,990	18,124
Other payables	5,738,600	2,251,512
Lease liabilities	581,649	640,289
<b>Total financial liabilities</b>	<b>7,578,354</b>	<b>3,867,180</b>
<b>Non financial liabilities</b>		
Accruals	815,429	808,403
Tax and others statutory payables	45,258	80,823
<b>Total non financial liabilities</b>	<b>860,687</b>	<b>889,226</b>
<b>Total other liabilities</b>	<b>8,439,041</b>	<b>4,756,406</b>

## QUARTERLY ANALYSIS

2022	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 2022 Rs. '000
Gross written premiums	5,803,596	5,600,185	5,271,699	6,407,945	23,083,425
Premiums ceded to reinsurers	(512,526)	(658,766)	(737,226)	(770,285)	(2,678,803)
<b>Net written premiums</b>	<b>5,291,070</b>	<b>4,941,419</b>	<b>4,534,473</b>	<b>5,637,660</b>	<b>20,404,622</b>
<b>Other revenue</b>					
Net finance income	737,325	1,249,129	1,401,406	1,603,285	4,991,145
Net realised gains	(26,798)	59,603	19,341	117,762	169,908
Net fair value gains / (losses)	(127,377)	(40,898)	93,197	23,977	(51,101)
Other operating income	2,755	4,646	2,149	689	10,239
<b>Total other revenue</b>	<b>585,905</b>	<b>1,272,480</b>	<b>1,516,093</b>	<b>1,745,713</b>	<b>5,120,191</b>
<b>Total net revenue</b>	<b>5,876,975</b>	<b>6,213,899</b>	<b>6,050,566</b>	<b>7,383,373</b>	<b>25,524,813</b>
<b>Net benefits, claims and expenses</b>					
Net insurance benefits and claims paid	(1,724,312)	(1,892,874)	(2,158,672)	(2,488,428)	(8,264,286)
Net change in insurance claims outstanding	(27,701)	3,713	12,540	(117,851)	(129,299)
Change in insurance contracts liabilities	(1,695,599)	(1,893,271)	126,227	(254,431)	(3,717,074)
Underwriting and net acquisition cost (Net of reinsurance)	(1,329,438)	(1,259,895)	(1,213,915)	(1,152,640)	(4,955,888)
Other operating and administration expenses	(1,052,763)	(1,000,459)	(1,027,992)	(1,275,665)	(4,356,879)
Impairment (provision)/Reversal on financial investments	(680,724)	(365,395)	(503,089)	(589,582)	(2,138,790)
Finance cost	1,353,414	1,129,929	(186,831)	(228,725)	2,067,787
<b>Total benefits, claims and expenses</b>	<b>(5,157,123)</b>	<b>(5,278,252)</b>	<b>(4,951,732)</b>	<b>(6,107,322)</b>	<b>(21,494,429)</b>
<b>Profit before tax</b>	<b>719,852</b>	<b>935,647</b>	<b>1,098,834</b>	<b>1,276,051</b>	<b>4,030,384</b>
Income tax expenses	(218,086)	(245,442)	(335,986)	(547,994)	(1,347,508)
<b>Profit for the year</b>	<b>501,766</b>	<b>690,205</b>	<b>762,848</b>	<b>728,057</b>	<b>2,682,876</b>

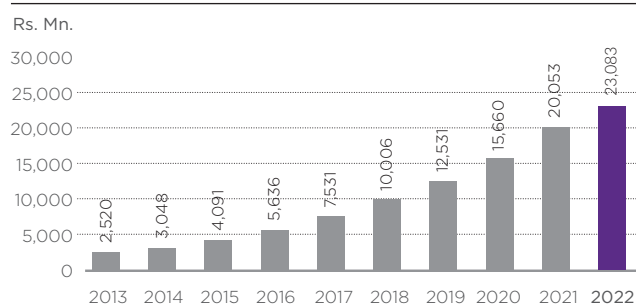
2021	1 Quarter Jan - Mar Rs. '000	2 Quarter Apr - Jun Rs. '000	3 Quarter July - Sep Rs. '000	4 Quarter Oct - Dec Rs. '000	Total 2021 Rs. '000
Gross written premiums	4,761,243	4,422,232	5,149,289	5,720,538	20,053,302
Premiums ceded to reinsurers	(440,391)	(440,664)	(485,221)	(491,519)	(1,857,795)
<b>Net written premiums</b>	<b>4,320,852</b>	<b>3,981,568</b>	<b>4,664,068</b>	<b>5,229,019</b>	<b>18,195,507</b>
<b>Other revenue</b>					
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
<b>Total other revenue</b>	<b>647,551</b>	<b>638,855</b>	<b>685,215</b>	<b>804,008</b>	<b>2,775,629</b>
<b>Total net revenue</b>	<b>4,968,403</b>	<b>4,620,423</b>	<b>5,349,283</b>	<b>6,033,027</b>	<b>20,971,136</b>
<b>Net benefits, claims and expenses</b>					
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)
<b>Total benefits, claims and expenses</b>	<b>(4,150,669)</b>	<b>(3,984,042)</b>	<b>(4,730,265)</b>	<b>(5,140,486)</b>	<b>(18,005,462)</b>
<b>Profit before tax</b>	<b>817,734</b>	<b>636,381</b>	<b>619,018</b>	<b>892,541</b>	<b>2,965,674</b>
Income tax expenses	(401,532)	(132,464)	(128,240)	(198,570)	(860,806)
<b>Profit for the year</b>	<b>416,202</b>	<b>503,917</b>	<b>490,778</b>	<b>693,971</b>	<b>2,104,868</b>

## DECADE AT A GLANCE - FINANCIAL PERFORMANCE

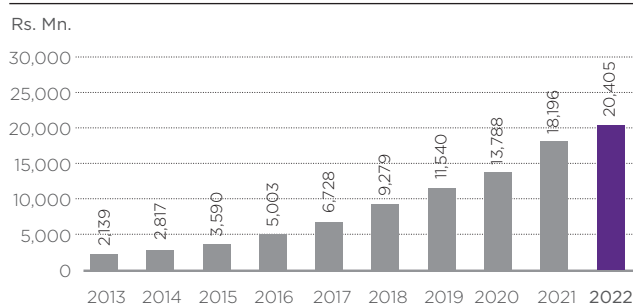
For the year ended 31 December	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014* Rs. '000	2013* Rs. '000
Gross written premiums	23,083,425	20,053,302	15,660,116	12,531,283	10,005,733	7,530,935	5,635,701	4,091,042	3,048,148	2,520,283
Net Written Premiums	20,404,622	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
Other revenue	5,120,191	2,775,629	2,276,114	1,584,114	953,383	1,069,179	753,005	867,754	1,477,322	709,271
Net income	25,524,813	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
Net insurance benefits and claims	(8,393,585)	(5,902,068)	(3,566,797)	(2,996,112)	(2,339,004)	(1,222,501)	(1,072,166)	(433,732)	(312,491)	(214,101)
Net acquisition cost	(4,955,888)	(4,050,033)	(3,269,454)	(2,968,714)	(2,044,220)	(1,830,773)	(1,580,473)	(992,572)	(714,531)	(603,629)
Expenses	(4,427,882)	(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)
Operating surplus before transfer to insurance provision - Life	(17,777,355)	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
Change in insurance contracts liabilities	(3,717,074)	(4,143,426)	(3,599,969)	(1,169,696)	(1,500,589)	(517,365)	(287,685)	(966,452)	(1,253,098)	(842,119)
Profit before tax	4,030,384	2,965,674	2,130,347	2,603,558	1,094,762	1,904,521	966,843	992,562	840,100	433,575
Income tax (expenses) / reversal	(1,347,508)	(860,806)	(608,864)	(430,715)	2,241,483	420,000	-	-	-	-
Profit for the year	2,682,876	2,104,868	1,521,483	2,172,843	3,336,245	2,324,521	966,843	992,562	840,100	433,575

\*Represents life insurance segment result when composite company.

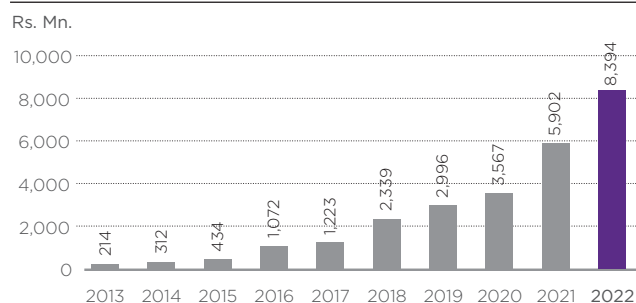
### GROSS WRITTEN PREMIUMS



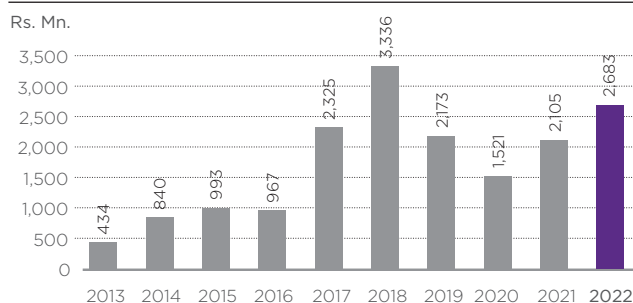
### NET WRITTEN PREMIUM



### NET INSURANCE BENEFITS AND CLAIMS



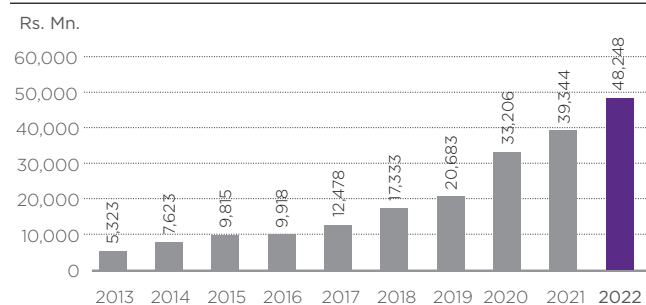
### PROFIT FOR THE YEAR



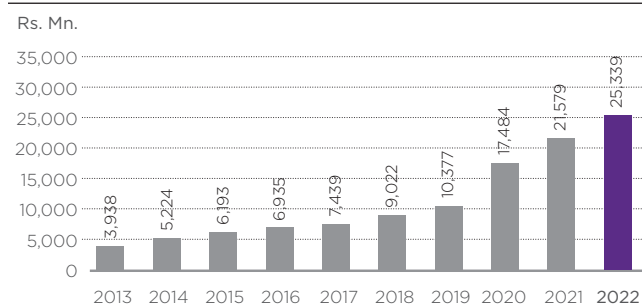
## DECADE AT A GLANCE - FINANCIAL POSITION

As at 31 December	2022 Rs. '000	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
<b>Assets</b>											
Intangible assets	2,566	1,356	404	444	2,089	7,145	13,236	21,982	15,009	-	-
Property, plant and equipment	579,357	617,745	660,928	675,468	619,059	577,705	485,014	427,519	289,725	92,820	70,073
Right of use assets	556,915	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	42,599,855	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	265,060	224,198	234,462	224,672	161,001	140,385	162,448	143,640	134,352	106,618	79,794
Reinsurance receivables	568,379	231,587	323,288	188,131	154,802	149,548	85,940	62,643	73,316	61,774	61,140
Premium receivables	1,763,388	983,657	856,281	743,549	507,434	290,821	92,318	67,274	50,169	46,085	7,679
Receivables and other assets	1,172,879	993,325	834,388	923,961	691,109	579,409	627,810	355,424	212,805	95,046	72,128
Cash and cash equivalents	739,944	696,920	554,362	377,093	381,270	318,945	232,554	192,118	105,028	94,254	90,663
<b>Total assets</b>	<b>48,248,343</b>	<b>39,257,798</b>	<b>33,206,202</b>	<b>20,682,874</b>	<b>17,332,967</b>	<b>12,478,446</b>	<b>9,917,607</b>	<b>9,814,620</b>	<b>7,623,081</b>	<b>5,323,349</b>	<b>3,524,594</b>
<b>Equity and liabilities</b>											
<b>Equity</b>											
Stated capital	1,062,500	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	12,112,675	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	798,004	-	-	-	-	-
Other reserves	(3,100,255)	(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
<b>Total equity</b>	<b>10,872,924</b>	<b>10,588,430</b>	<b>9,936,247</b>	<b>8,218,919</b>	<b>6,670,963</b>	<b>3,886,129</b>	<b>1,962,166</b>	<b>2,437,935</b>	<b>1,403,387</b>	<b>935,518</b>	<b>36,552</b>
<b>Liabilities</b>											
Insurance contract liabilities	25,338,502	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	208,959	192,629	182,332	151,027	107,404	86,693	73,436	45,796	25,724	20,502	14,851
Loans and borrowings	5,643,918	3,064,994	2,852,245	-	-	-	-	-	154,483	50,000	-
Reinsurance payables	2,246,237	1,040,255	636,060	428,557	320,824	236,265	139,262	92,972	14,704	81,989	25,103
Other liabilities	2,828,456	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	801,029	-	-	-	-	-	-	269,700	-	-	-
Bank overdraft	308,318	290,550	225,390	176,271	370,422	76,740	131,466	361,264	146,871	47,588	68,852
<b>Total liabilities</b>	<b>37,375,419</b>	<b>28,669,368</b>	<b>23,269,955</b>	<b>12,463,955</b>	<b>10,662,004</b>	<b>8,592,317</b>	<b>7,955,441</b>	<b>7,376,685</b>	<b>6,219,694</b>	<b>4,387,831</b>	<b>3,488,042</b>
<b>Total equity and liabilities</b>	<b>48,248,343</b>	<b>39,257,798</b>	<b>33,206,202</b>	<b>20,682,874</b>	<b>17,332,967</b>	<b>12,478,446</b>	<b>9,917,607</b>	<b>9,814,620</b>	<b>7,623,081</b>	<b>5,323,349</b>	<b>3,524,594</b>

### TOTAL ASSETS



### INSURANCE CONTRACT LIABILITIES





## 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	2022 Rs. '000
Gross written premiums	A	23,083,425
Less: Premium ceded to reinsurers	B	(2,678,803)
Net written premiums	C	20,404,622
Net insurance benefits and claims	D	(8,393,585)
Net acquisition cost	E	(4,955,888)
Increase in Life fund	F	(3,717,074)

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

Liabilities	Note	2022 Rs. '000
Life Insurance Fund	G	23,412,163
Surplus created due to change in valuation method from NPV to GPV	H	1,056,535
Claim Payable		869,804
Life Insurance Contract Liabilities		25,338,502

**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.

## INVESTOR RELATIONS

### Dear Stakeholders,

We desire to express our sincere gratitude to our protracted investors for deciding to invest their funds into the equity and debt of Softlogic Life Insurance PLC. We also desire to reassure you that, we are dedicated to maximizing the returns on your investments through responsible and steady expansion. Despite the fact that the country experienced difficult situations in the year 2022, we are certain that we were able to fulfil the expectations of our highly valued investors.

The terminology "Investor Relations" refers to the company's efforts to create and maintain connections with current and potential shareholders and intermediaries. Creating and sustaining a solid connection with investors enables the business to comprehend their expectations. Furthermore, a well-established connection with investors is a crucial component of effective governance, and it provides long-term value for the firm by contributing to the design of its strategy.

We have confidence and trust that the information that is presented in this Integrated Annual Report will enable investors in better comprehending the Softlogic Life Insurance's fundamental strengths, which will in turn strengthen their confidence and loyalty, thereby bringing together a group of loyal investors who will see a long-term increase in the value of their investment.

In continuation with the efforts we made in the preceding year, the Softlogic Life team incorporated different initiatives in order to produce in a condensed way this year as well. This can be seen throughout each component of this report, with appropriate attention being given to the important input offered by our shareholders in response to the surveys that have been performed and feedback that has been provided in the past. To continue along this path, we have taken the necessary steps to ensure that an updated stakeholder feedback form will be included in this year's Annual Report. The purpose of include this form is to solicit your insightful comments and recommendations for how we could make even more progress. Your feedback and sentiments are extremely valuable to us, and we will make every attempt to incorporate as many of them as possible into our initiatives for the creation of long-term value for all of our stakeholders, as well as take very serious note of them and act upon them in the production of an Annual Report that is improved from year to year.

### STOCK EXCHANGE LISTING

Softlogic Life Insurance PLC is a public quoted company which has listed ordinary shares in Colombo Stock Exchange (CSE). SLI ordinary shares are effectively traded in Diri Savi Board of the Colombo Stock Exchange under the symbol of AAIC.N0000.

### SUBMISSION OF FINANCIAL STATEMENTS TO THE CSE

The audited Company Income Statements for the year ended 31 December 2022 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 2022 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 pages 153 to 155.

### THE PRINCIPLE ACTIVITIES OF THE COMPANY

The principal activities of the company during the year are given in the Annual Report of the Board of Directors and Note 1.3 in accounting policies on page 262.

### STOCK MARKET PERFORMANCE

The All Share Price Index (ASPI) fell by -30.3% YoY to 8,489.66 as of 31st of December 2022, while the S&P SL20, which comprised of the biggest, most liquid, and most actively traded 20 companies also recorded a fall of -37.7% YoY to 2,635.63. Both indices measure the price changes of publicly traded companies. Furthermore, given various social and economic constraints seen in the global arena, majority of stock markets throughout the globe too witnessed challenging sentiments throughout the year 2022.

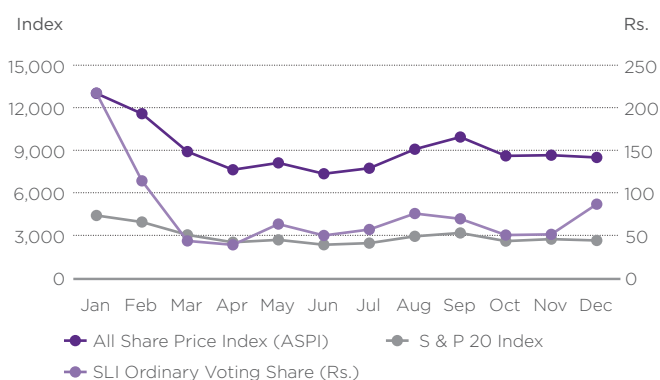
Meanwhile, the aggregate turnover of the Colombo Stock Exchange was approximately LKR 686.6 bn, with a daily average of around LKR2,972.12 mn. Furthermore, given the strong foreign appetite witnessed on selected counters, the broader market saw its decade high net foreign inflow of around LKR 29.1 bn (-USD 80.1 mn) for the full year 2022.

### PERFORMANCE OF SOFTLOGIC LIFE SHARE

In compared to the other companies operating in the business throughout the year 2022, Softlogic Life Insurance (SLI) accomplished excellent success in both the financial and non-financial spheres, despite the deteriorating state of the economy in the country during that time period. As a direct consequence of this, the company's stock performed remarkably well on the Colombo Stock Exchange, where its price ranged between a high of Rs. 249.00 (on the 01st February) and a low of Rs. 27.00 (on the 27th April) throughout the year 2022.

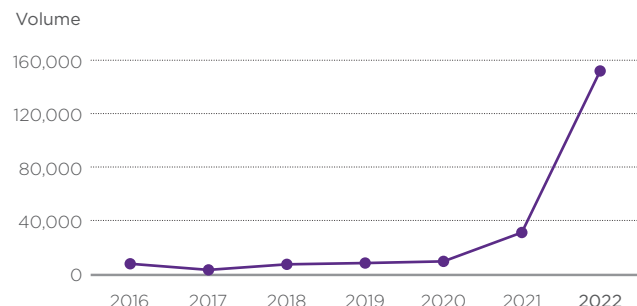
The share price of the Company began a strong rally throughout the month of December 2022, and as a consequence, the share price of the firm ended at Rs. 86.60 as of the 31st of December 2022, which was an increase from Rs. 71.00 as of the 31st of December 2021. In addition, the total number of share transactions had a substantial spike, going from 30,946 in 2021 to 151,927 in 2022. This is a significant increase. Notwithstanding this, the total number of shares that changed hands increased to 155.6 million in 2022 from 64.0 million the year before. In a similar vein, the total turnover of traded shares recorded 16,120 million rupees in 2022, which was an increase from the previous year's figure of 2,726 million rupees. In addition, the market capitalization of SLI reached Rs. 32,475 million as of the 31st of December 2022, which was a 21.97% rise compared to the previous year's level of Rs. 26,625 million as of the 31st of December 2021.

### PERFORMANCE OF THE SOFTLOGIC LIFE INSURANCE PLC'S ORDINARY SHARE WITH MARKET PERFORMANCE IN 2022

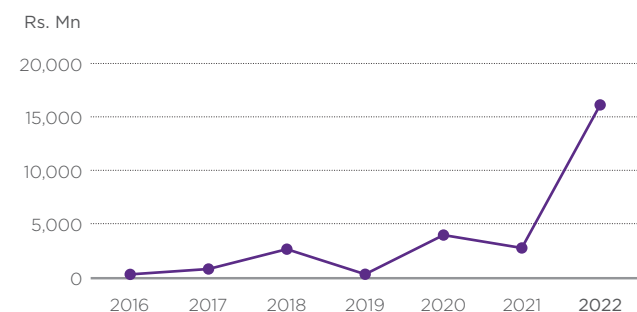


## Performance of the Softlogic Life Insurance PLC's Ordinary Share with market performance in 2022

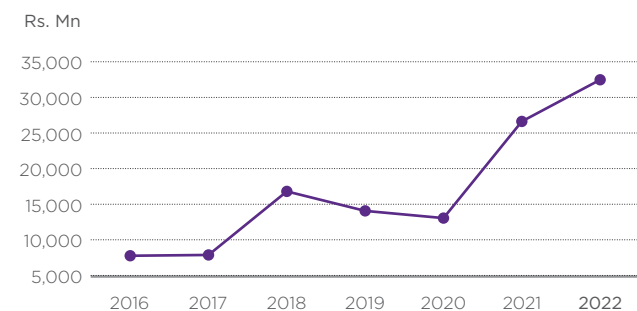
### NUMBER OF SHARE TRANSACTIONS



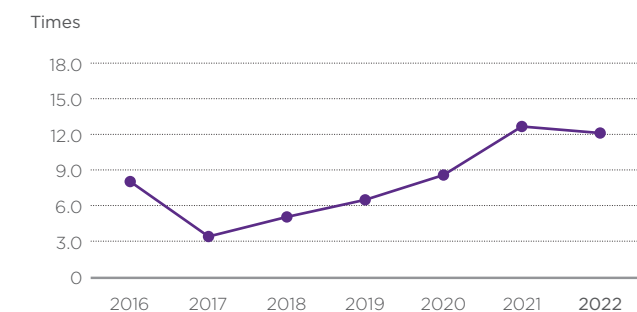
### VALUE OF SHARES TRADED



### MARKET CAPITALISATION



### PRICE EARNING RATIO



The details relating to the performance of the share are given below.

	2022	2021
<b>MARKET VALUE</b>		
Highest Price (Rs.)	249.00	73.50
Lowest Price (Rs.)	27.00	29.00
Year-end price (Rs.)	86.60	71.00
<b>TRADING STATISTICS</b>		
Number of shares traded	155,637,925	63,977,595
Value of Shares traded (Rs. Mn)	16,119.93	2,726.44
Number of Share transactions	151,927	30,946
Market Capitalization - SLI (Rs. Mn)	32,475	26,625
Percentage of total market capitalization	0.84%	0.49%
<b>VALUATION RATIOS</b>		
Number of shares as at 31 December	375,000,000	375,000,000
Basic earnings per share (Rs.)	7.15	5.61
Net Assets per share (Rs.)	28.99	28.24
Price per book Value (Times) - per share	2.99	2.51
Return on Equity (%)	25.8	23.1
Price Earnings Ratio (Times)	12.1	12.7
Earning yield (%)	8.3	7.9
Dividend per Share (Rs.)	2.8	2.5
Dividend payout (%)	39.2	44.6
Dividend yield (%)	3.2	3.5
Debt to Asset Ratio (%)	11.7	7.8
Debt to Equity Ratio (%)	51.9	28.9
Interest Cover (Times)	5.0	10.2
Equity Asset Ratio (%)	22.5	27.0

### Basic Earnings per Share

In 2022, the company reported an earnings per share of Rs. 7.15, compared to Rs. 5.61 in the previous year (2021). When compared to the prior year, this is a 27.46% improvement. This is predominantly the result of the 27.46% spike in profit that was achieved during the year.

### Price Earnings Ratio

Price earnings ratio of the company has decreased to 12.1 times in 2022 compared with 12.7 times recorded in 2021. There is a 4.72% deterioration in Price Earnings Ratio in 2022 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 2022. (2021 -10.23%).

### Float Adjusted Market Capitalization

As at 31 December 2022 the Float Adjusted Market Capitalization of SLI is Rs. 3,323,491,500.

The Company is complied with minimum public holding requirement as at the reporting date based on the "Option 2" of Rule 7.13.1.b.

## INVESTOR RELATIONS

### SHAREHOLDER BASE

The shareholder base of Softlogic Life is diverse, both geographically and in terms of the proportion of individual investors to those of institutional investors. As of the 31st of December, in 2022, there were 5,556 shareholders in total, which is an increase over the previous year's total of 2,800 shareholders. By the end of the year 2022, Softlogic Life had a total of 5,256 registered individual shareholders, which was equivalent to 99.46% of the total number of shareholders. It is estimated that roughly 91.51% of Softlogic Life's ordinary share capital is held by institutional shareholders. The overwhelming majority of the company's individual shareholders are citizens or permanent residents of Sri Lanka and as of the 31st of December, in 2022, there were 5,526 shareholders who were registered as living in the country, accounting for 99.46% of the total shareholders. 55.95% of the owners have fewer than 1,000 shares each in their possession. The top twenty shareholders hold 91.92% of Softlogic Life's shares capital.

Table 1

No of Shares	As at 31 December 2022			As at 31 December 2021		
	No of share holders	No of shares	% of Total holding	No of share holders	No of shares	% of Total holding
1-1,000	3,106	980,440	0.261	1,451	453,434	0.12
1,001-10,000	1,802	6,655,488	1.775	891	3,601,863	0.96
10,001-100,000	591	17,414,052	4.644	388	12,400,043	3.31
100,001-1,000,000	53	13,504,260	3.601	65	18,816,821	5.02
1,000,001 & Over	4	336,445,760	89.719	5	339,727,839	90.59
<b>Total</b>	<b>5,556</b>	<b>375,000,000</b>	<b>100.00</b>	<b>2,800</b>	<b>375,000,000</b>	<b>100.00</b>

Table 2

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	14	6,972	0.00	3,092	973,468	0.26
1,001-10,000	9	39,287	0.01	1793	6,616,201	1.76
10,001-100,000	5	174,048	0.05	586	17,240,004	4.60
100,001-1,000,000	0	-	-	53	13,504,260	3.60
1,000,001 & Over	2	142,500,000	38.00	2	193,945,760	51.72
<b>Total</b>	<b>30</b>	<b>142,720,307</b>	<b>38.06</b>	<b>5,526</b>	<b>232,279,693</b>	<b>61.94</b>

Table 3

Composition	As at 31 December 2022			As at 31 December 2021		
	No of share holders	No of shares	% of Total holding	No of share holders	No of shares	% of Total holding
Resident	5,526	232,279,693	61.94	2,777	228,766,023	61.00
Non Resident	30	142,720,307	38.06	23	146,233,977	39.00
<b>Total</b>	<b>5,556</b>	<b>375,000,000</b>	<b>100.00</b>	<b>2,800</b>	<b>375,000,000</b>	<b>100.00</b>

Table 4

Composition	As at 31 December 2022			As at 31 December 2021		
	No of share holders	No of shares	% of Total holding	No of share holders	No of shares	% of Total holding
Individual	5,256	31,839,397	8.49	2,624	26,978,726	7.19
Institutional	300	343,160,603	91.51	176	348,021,274	92.81
<b>Total</b>	<b>5,556</b>	<b>375,000,000</b>	<b>100.00</b>	<b>2,800</b>	<b>375,000,000</b>	<b>100</b>

Table 5

Composition	As at 31 December 2022			As at 31 December 2021		
	No of share holders	No of shares	% of Total holding	No of share holders	No of shares	% of Total holding
Public Shareholding - Ordinary Voting	5,551	38,378,690	10.23	2,795	38,378,690	10.23
Public Shareholding - Ordinary - Non-Voting	Nil	Nil	Nil	Nil	Nil	Nil

Table 6

Name	As at 31 December 2022		As at 31 December 2021	
	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

Table 7

As at 31 December, Name of Share Holder	2022	
	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
Mr. G.C. Goonetilleke	979,765	0.26
Mr. W. Jenadasa	962,419	0.26
Mr. A.P.P.M. Abeyrathne	800,636	0.21
MR. L.A.J.F. Morais	758,750	0.20
Mrs. H.N.R. Bharati	636,729	0.17
Mr. W.A.A.T.M. Jayawickrama	503,144	0.13
Mr. J.M.I. Jayaweera	413,427	0.11
Mr. A.N. Lokukulutota	400,000	0.11
Mr. R.S.P. Samaranyake	375,001	0.10
J.B. Cocoshell (Pvt) Ltd	360,000	0.10
Merchant Bank of Sri Lanka & Finance PLC / E.M.G.S.B. Ekanayaka	352,000	0.09
Mr. H.A.D.J.R. Sandamal Hettiarachchige	300,000	0.08
Mr. A.W. Gunawardene	290,000	0.08
Mrs. W.M.D.M.G. Andradi	289,831	0.08
Hatton National Bank PLC / Porage Don Thushantha Mahesh Kumara	288,030	0.08
Mr. H.M.D.D. Arunakumara	268,600	0.07
MR. S.S. Gamage	253,960	0.07
	<b>344,678,052</b>	<b>91.92</b>
Other shareholders	30,321,948	8.08
<b>Total Shareholders</b>	<b>375,000,000</b>	<b>100.00</b>

As at 31 December, Name of Share Holder	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
	<b>350,369,455</b>	<b>93.43</b>
Other Shareholders	24,630,545	6.57
<b>Total Shareholders</b>	<b>375,000,000</b>	<b>100</b>

## HORIZONTAL AND VERTICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION OVER FIVE YEARS

### Horizontal Analysis

As at 31st December	2022		2021		2020		2,019		2018	
	Rs Mn	%	Rs Mn	%	Rs Mn	%	Rs Mn	%	Rs Mn	%
<b>Assets</b>										
Intangible assets	3	89	1	236	-	(9)	-	(79)	2	(71)
Property, plant and equipment	579	(6)	618	(7)	661	(2)	675	9	619	7
Right of use assets	557	(10)	616	(18)	752	84	408	-	-	-
Deferred tax assets	-	(100)	675	(58)	1,622	(27)	2,231	(19)	2,751	555
Financial investments	42,600	24	34,217	25	27,368	84	14,911	24	12,065	21
Loans to life policyholders	265	18	224	(4)	234	4	225	40	161	15
Reinsurance receivables	568	145	232	(28)	323	72	188	22	155	4
Premium receivables	1,763	79	984	15	856	15	744	47	507	74
Receivables and other assets	1,173	18	993	19	834	(10)	924	34	691	19
Cash and cash equivalents	740	6	697	26	554	47	377	(1)	381	20
<b>Total assets</b>	<b>48,248</b>	<b>23</b>	<b>39,258</b>	<b>18</b>	<b>33,206</b>	<b>61</b>	<b>20,683</b>	<b>19</b>	<b>17,333</b>	<b>39</b>
<b>Equity and liabilities</b>										
<b>Equity</b>										
Stated capital	1,063	-	1,063	-	1,063	-	1,063	-	1,063	-
Retained earnings	12,113	16	10,454	13	9,290	20	7,764	24	6,275	113
Restricted regulatory reserve	798	-	798	-	798	-	798	-	798	-
Other reserves	(3,100)	80	(1,726)	42	(1,215)	(14)	(1,406)	(4)	(1,465)	60
<b>Total equity</b>	<b>10,873</b>	<b>3</b>	<b>10,588</b>	<b>7</b>	<b>9,936</b>	<b>21</b>	<b>8,219</b>	<b>23</b>	<b>6,671</b>	<b>72</b>
<b>Liabilities</b>										
Insurance contract liabilities	25,339	18	21,493	23	17,484	68	10,377	15	9,022	21
Employee benefit liabilities	209	8	193	6	182	21	151	41	107	24
Loans and borrowings	5,644	84	3,065	7	2,852	-	-	-	-	-
Reinsurance payables	2,246	116	1,040	64	636	48	429	34	321	36
Other liabilities	3,629	40	2,588	37	1,890	42	1,331	58	842	12
Bank overdraft	308	6	291	29	225	28	176	(52)	370	383
<b>Total liabilities</b>	<b>37,375</b>	<b>30</b>	<b>28,669</b>	<b>23</b>	<b>23,270</b>	<b>87</b>	<b>12,464</b>	<b>17</b>	<b>10,662</b>	<b>24</b>
<b>Total equity and liabilities</b>	<b>48,248</b>	<b>23</b>	<b>39,258</b>	<b>18</b>	<b>33,206</b>	<b>61</b>	<b>20,683</b>	<b>19</b>	<b>17,333</b>	<b>39</b>

## Vertical Analysis

As at 31st December	2022		2021		2020		2,019		2018	
	Rs Mn	%	Rs Mn	%	Rs Mn	%	Rs Mn	%	Rs Mn	%
<b>Assets</b>										
Intangible assets	3	-	1	-	-	-	-	-	2	-
Property, plant and equipment	579	1	618	2	661	2	675	3	619	4
Right of use assets	557	1	616	2	752	2	408	2	-	-
Deferred tax assets	-	-	675	2	1,622	5	2,231	11	2,751	16
Financial investments	42,600	88	34,217	87	27,368	82	14,911	72	12,065	70
Loans to life policyholders	265	1	224	1	234	1	225	1	161	1
Reinsurance receivables	568	1	232	1	323	1	188	1	155	1
Premium receivables	1,763	4	984	3	856	3	744	4	507	3
Receivables and other assets	1,173	2	993	3	834	3	924	4	691	4
Cash and cash equivalents	740	2	697	2	554	2	377	2	381	2
<b>Total assets</b>	<b>48,248</b>	<b>100</b>	<b>39,258</b>	<b>100</b>	<b>33,206</b>	<b>100</b>	<b>20,683</b>	<b>100</b>	<b>17,333</b>	<b>100</b>
<b>Equity and liabilities</b>										
<b>Equity</b>										
Stated capital	1,063	2	1,063	3	1,063	3	1,063	5	1,063	6
Retained earnings	12,113	25	10,454	27	9,290	28	7,764	38	6,275	36
Restricted regulatory reserve	798	2	798	2	798	2	798	4	798	5
Other reserves	(3,100)	(6)	(1,726)	(4)	(1,215)	(4)	(1,406)	(7)	(1,465)	(8)
<b>Total equity</b>	<b>10,873</b>	<b>23</b>	<b>10,588</b>	<b>27</b>	<b>9,936</b>	<b>30</b>	<b>8,219</b>	<b>40</b>	<b>6,671</b>	<b>38</b>
<b>Liabilities</b>										
Insurance contract liabilities	25,339	53	21,493	55	17,484	53	10,377	50	9,022	52
Employee benefit liabilities	209	-	193	-	182	1	151	1	107	1
Loans and borrowings	5,644	12	3,065	8	2,852	9	-	-	-	-
Reinsurance payables	2,246	5	1,040	3	636	2	429	2	321	2
Other liabilities	3,629	8	2,588	7	1,890	6	1,331	6	842	5
Bank overdraft	308	1	291	1	225	1	176	1	370	2
<b>Total liabilities</b>	<b>37,375</b>	<b>77</b>	<b>28,669</b>	<b>73</b>	<b>23,270</b>	<b>70</b>	<b>12,464</b>	<b>60</b>	<b>10,662</b>	<b>62</b>
<b>Total equity and liabilities</b>	<b>48,248</b>	<b>100</b>	<b>39,258</b>	<b>100</b>	<b>33,206</b>	<b>100</b>	<b>20,683</b>	<b>100</b>	<b>17,333</b>	<b>100</b>

## HORIZONTAL AND VERTICAL ANALYSIS OF INCOME STATEMENT OVER FIVE YEARS

### Horizontal Analysis

For the year ended 31st December	2022		2021		2020		2,019		2018	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Gross written premiums	23,083	15	20,053	28	15,660	25	12,531	25	10,006	33
Net Written Premiums	20,405	12	18,196	32	13,788	19	11,540	24	9,279	38
Other revenue	5,120	84	2,776	22	2,276	44	1,584	66	953	(11)
<b>Net income</b>	<b>25,525</b>	<b>22</b>	<b>20,971</b>	<b>31</b>	<b>16,064</b>	<b>22</b>	<b>13,124</b>	<b>28</b>	<b>10,233</b>	<b>31</b>
Net insurance benefits and claims	(8,264)	40	(5,902)	65	(3,567)	19	(2,996)	28	(2,339)	91
Net acquisition cost	(4,956)	22	(4,050)	24	(3,269)	10	(2,969)	45	(2,044)	12
Expenses	(4,357)	17	(3,726)	12	(3,497)	3	(3,386)	4	(3,254)	40
<b>Operating surplus before transfer to insurance provision – Life</b>	<b>7,948</b>	<b>9</b>	<b>7,293</b>	<b>24</b>	<b>5,730</b>	<b>52</b>	<b>3,773</b>	<b>45</b>	<b>2,595</b>	<b>7</b>
Change in insurance contracts liabilities	(3,717)	(10)	(4,143)	15	(3,600)	208	(1,170)	(22)	(1,501)	190
<b>Profit before tax</b>	<b>4,030</b>	<b>36</b>	<b>2,966</b>	<b>39</b>	<b>2,130</b>	<b>(18)</b>	<b>2,604</b>	<b>138</b>	<b>1,095</b>	<b>(43)</b>
Income tax (expenses) / reversal	(1,348)	57	(861)	41	(609)	41	(431)	(119)	2,241	434
<b>Profit for the year</b>	<b>2,683</b>	<b>27</b>	<b>2,105</b>	<b>38</b>	<b>1,521</b>	<b>(30)</b>	<b>2,173</b>	<b>(35)</b>	<b>3,336</b>	<b>44</b>

### Vertical Analysis

For the year ended 31st December	2022		2021		2020		2,019		2018	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Gross written premiums	23,083	100	20,053	100	15,660	100	12,531	100	10,006	100
Net Written Premiums	20,405	88	18,196	91	13,788	88	11,540	92	9,279	93
Other revenue	5,120	22	2,776	14	2,276	15	1,584	13	953	10
<b>Net income</b>	<b>4,030</b>	<b>17</b>	<b>20,971</b>	<b>105</b>	<b>16,064</b>	<b>103</b>	<b>13,124</b>	<b>105</b>	<b>10,233</b>	<b>102</b>
Net insurance benefits and claims	(8,264)	(36)	(5,902)	(29)	(3,567)	(23)	(2,996)	(24)	(2,339)	(23)
Net acquisition cost	(4,956)	(21)	(4,050)	(20)	(3,269)	(21)	(2,969)	(24)	(2,044)	(20)
Expenses	(4,357)	(19)	(3,910)	(19)	(3,497)	(22)	(3,386)	(27)	(3,254)	(33)
<b>Operating surplus before transfer to insurance provision – Life</b>	<b>7,948</b>	<b>34</b>	<b>7,293</b>	<b>36</b>	<b>5,730</b>	<b>37</b>	<b>3,773</b>	<b>30</b>	<b>2,595</b>	<b>26</b>
Change in insurance contracts liabilities	(3,717)	(16)	(4,143)	(21)	(3,600)	(23)	(1,170)	(9)	(1,501)	(15)
<b>Profit before tax</b>	<b>4,030</b>	<b>17</b>	<b>2,966</b>	<b>15</b>	<b>2,130</b>	<b>14</b>	<b>2,604</b>	<b>21</b>	<b>1,095</b>	<b>11</b>
Income tax (expenses) / reversal	(1,348)	(6)	(861)	(4)	(609)	(4)	(431)	(3)	2,241	22
<b>Profit for the year</b>	<b>2,683</b>	<b>12</b>	<b>2,105</b>	<b>10</b>	<b>1,521</b>	<b>10</b>	<b>2,173</b>	<b>17</b>	<b>3,336</b>	<b>33</b>



## GRI - CONTENT INDEX

Statement of use	Softlogic Life Insurance PLC has reported the information cited in this GRI content index for the period 01 January 2022 to 31 December 2022 with reference to the GRI Standards
GRI 1 used	Foundation 2021

GRI Standards	Disclosure	Location
<b>The organization and its reporting practices</b>		
GRI 2_ General Disclosures 2021	2-1 Organizational details	387
	2-2 Entities included in the organization's sustainability reporting	9
	2-3 Reporting period, frequency and contact point	11, 9
	2-4 Restatements of information	8
	2-5 External assurance	11
<b>Activities and workers</b>		
GRI 2_ General Disclosures 2021	2-6 Activities, value chain and other business relationships	116, 112, 110, 14
	2-7 Employees	98
	2-8 Workers who are not employees	98
<b>Governance</b>		
Disclosure GRI 2_ General Disclosures 2021	2-9 Governance structure and composition	152, 161
	2-10 Nomination and selection of the highest governance body	168
	2-11 Chair of the highest governance body	Non Executive Chairman is the Chair of the highest governance body
	2-12 Role of the highest governance body in overseeing the management of impacts	162
	2-13 Delegation of responsibility for managing impacts	218
	2-14 Role of the highest governance body in sustainability reporting	173
	2-15 Conflicts of interest	174
	2-16 Communication of critical concerns	163
	2-17 Collective knowledge of the highest governance body	161
	2-18 Evaluation of the performance of the highest governance body	164
2-19 Remuneration policies	164	
2-20 Process to determine remuneration	164	
<b>Strategy, policies and practices</b>		
GRI 2_ General Disclosures 2021	2-22 Statement on sustainable development strategy	30
	2-23 Policy commitments	96
	2-27 Compliance with laws and regulations	174
	2-28 Membership associations	119
<b>Stakeholder engagement</b>		
GRI 2_ General Disclosures 2021	2-29 Approach to stakeholder engagement	69
	2-30 Collective bargaining agreements	Not available
<b>Disclosures on material topics</b>		
GRI 3_ Material Topics 2021	3-1 Process to determine material topics	74
	3-2 List of material topics	75
	3-3 Management of material topics	Management of material topics are discussed under capital reports from page 88 to 141.

## GRI - CONTENT INDEX

GRI Standards	Disclosure	Location
<b>Topic Specific Disclosure</b>		
GRI 201_ Economic Performance 2016	201-1 Direct economic value generated and distributed	15
	201-2 Financial implications and other risks and opportunities due to climate change	141
	201-3 Defined benefit plan obligations and other retirement plans	103
	201-4 Financial assistance received from government	No assistance received
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	100%, we always reach local community to hire employees for the senior management position
GRI 205_ Anti-corruption 2016	Disclosure 205-1 Operations assessed for risks related to corruption	231
	205-2 Communication and training about anti-corruption policies and procedures	96
	205-3 Confirmed incidents of corruption and actions taken	123
GRI 302: Energy 2016	302-1 Energy consumption within the organization	139
	302-2 Energy consumption outside of the organization	139
	302-3 Energy intensity	139
	302-4 Reduction of energy consumption	139
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	139
	303-3 Water withdrawal	139
	303-5 Water consumption	139
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	No premises is managed
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	140
	305-2 Energy indirect (Scope 2) GHG emissions	140
	305-4 GHG emissions intensity	140
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	100
	401-2 Benefits provided to full-time employees that are not provided to temporary or part time employees	103
	401-3 Parental leave	100
GRI 404_ Training and Education 2016	404-1 Average hours of training per year per employee	101
	404-2 Programs for upgrading employee skills and transition assistance programs	101
	404-3 Percentage of employees receiving regular performance and career development reviews	102
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	98, 99
GRI 406_ Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	97
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	96
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	113

# 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 IRC SL)

## 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.

## GLOSSARY OF INSURANCE TERMS

### 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.

#### 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** =  $\left( \frac{\text{Total Available Capital/Risk Based}}{\text{Capital Required}} \right) * 100$

**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.

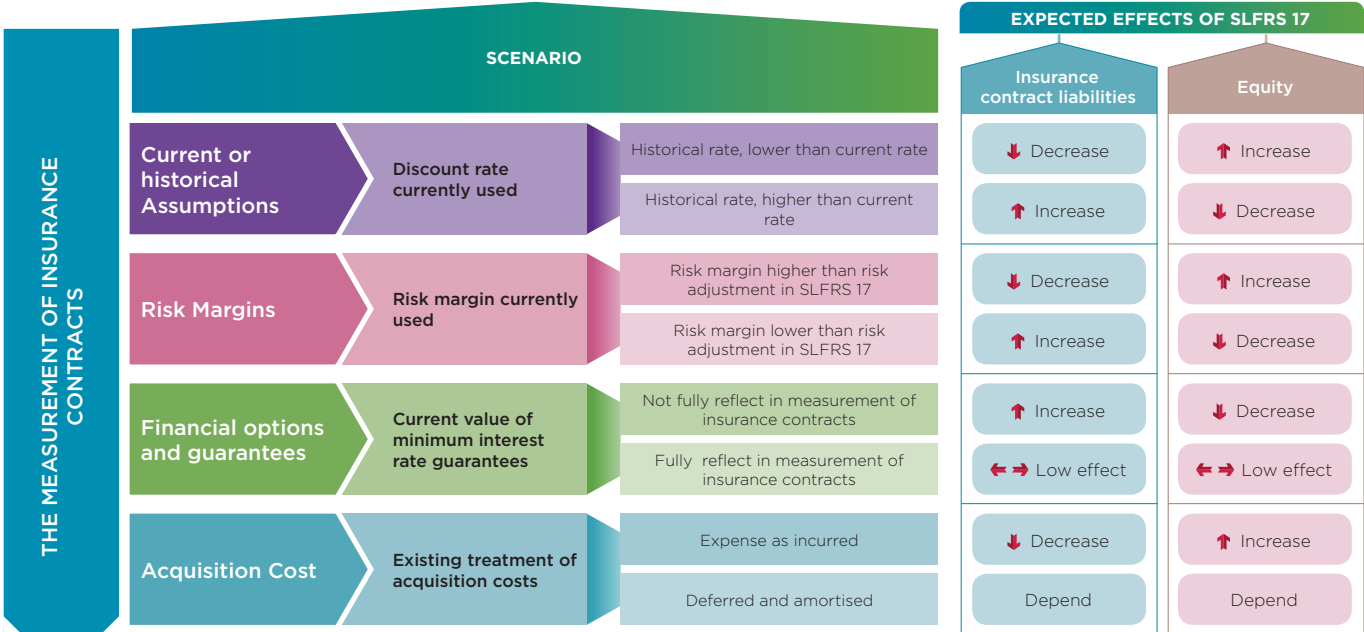
**Underwriting Margin**

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.

# SLFRS 17 IMPLEMENTATION EFFECT ON



## EFFECTS ON THE STATEMENT OF FINANCIAL POSITION



Indicator	Caption	SLFRS 4	SLFRS 17
↔	Insurance contract liabilities Reinsurance contract assets	Present separately	• Present separately
✓	Insurance contract assets Reinsurance contract liabilities	Net with insurance contract liabilities Net with reinsurance contract assets	• Present separately on the balance sheet
X	Deferred acquisition costs	Present separately	• 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		• 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.
	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

<p><b>Increase RE</b> ↑</p> <ul style="list-style-type: none"> <li>Acquisition costs are currently expensed as incurred.</li> <li>Insurance contracts are currently measured using historical interest rates that are lower than market rates when first applying SLFRS 17.</li> <li>Risk margins currently used are higher than risk adjustments used to apply SLFRS 17.</li> </ul>
<p><b>Decrease RE</b> ↓</p> <ul style="list-style-type: none"> <li>Profits are currently recognised at contract inception.</li> <li>Aggregation of onerous and profitable contracts is currently permitted.</li> <li>Value of guaranteed rates (ie both time value and intrinsic value) is currently not fully included in the measurement of insurance contract liabilities.</li> <li>Insurance contracts are currently measured using historical interest rates that are higher than market rates when first applying SLFRS 17. Risk margins currently used are lower than risk adjustments used to apply SLFRS 17.</li> </ul>

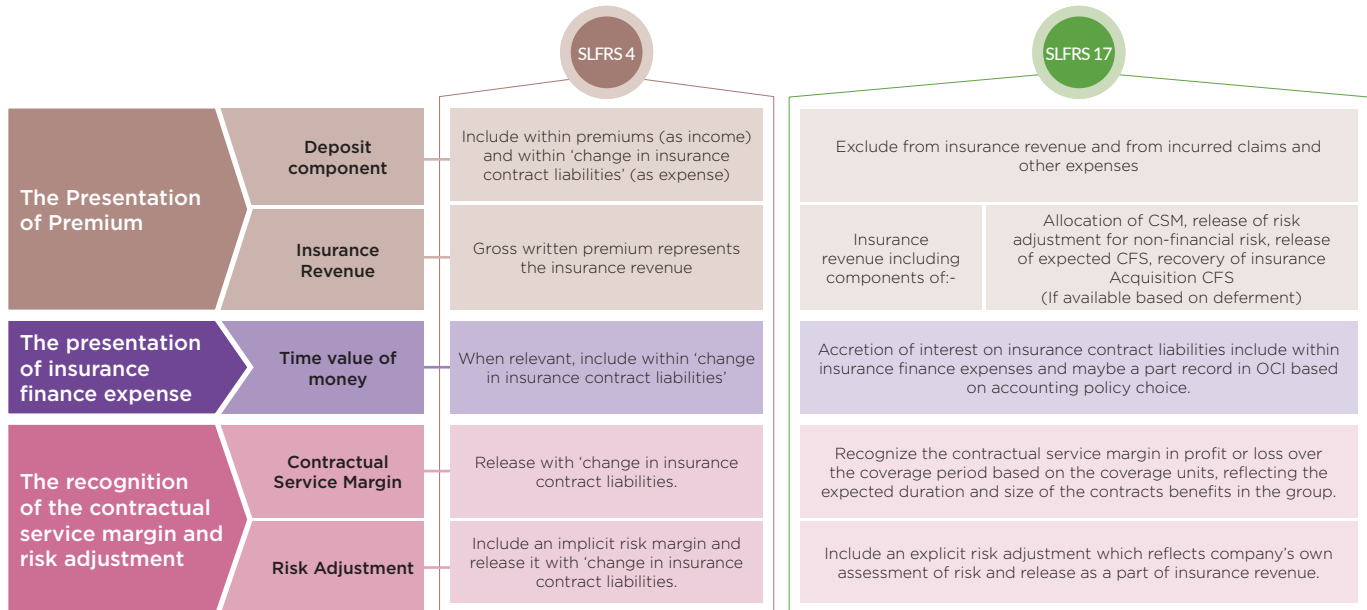
## COMPANY'S FINANCIAL STATEMENTS



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## EFFECTS ON THE STATEMENT OF COMPREHENSIVE INCOME



## Amount recognise in Profit or Loss

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 fulfillment 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).

## Financial Statement Illustration

SLFRS 4		SLFRS 17	
Premiums	xx	Insurance revenue	xx
Investment income	xx	Incurred claims and other expenses	(xx)
Incurred claims	(xx)	<b>Insurance service result</b>	<b>xx</b>
Change in insurance contract liabilities	xx	Investment income	xx
Profit or loss	xx	Insurance finance expenses	xx
Other comprehensive income	-	<b>Net financial result</b>	<b>xx</b>
Comprehensive income	xx	Profit or loss	xx
		Other comprehensive income	-
		<b>Comprehensive income</b>	<b>xx</b>

# SLFRS 17 IMPLEMENTATION EFFECT ON



## EFFECTS ON DISCLOSURE NOTES

EXPLANATION ON AMOUNT RECOGNISED IN FINANCIAL STATEMENTS

Disclosure requirements	What's new?
<b>Insurance Contract Liabilities</b>	
Reconciliation of the net carrying amounts of contracts analysed by: <ul style="list-style-type: none"> <li>The net liabilities (assets) for remaining coverage excluding the loss component</li> <li>Any loss component</li> <li>The liabilities for incurred claims</li> <li>The estimates of the present value of the future cash flows</li> <li>The risk adjustment for non-financial risk</li> <li>The CSM</li> </ul>	●
<b>Insurance Finance Income or Expense (IFI or IFE)</b>	
Explanation of the relationship between insurance finance income or expenses and the investment return on assets	●
<b>Assets for insurance acquisition cash flows</b>	
Reconciliation of assets for insurance acquisition cash flows including: <ul style="list-style-type: none"> <li>Recognition of impairment losses and reversals</li> <li>Quantitative disclosure of when the entity expects to derecognise an asset for insurance acquisition cash flows in appropriate time bands</li> </ul>	●
<b>Contracts not measured under the PAA</b>	
<ul style="list-style-type: none"> <li>An analysis of insurance revenue</li> <li>An analysis of the effect of contracts initially recognised in the period</li> <li>Quantitative disclosure of when the entity expects to recognise the remaining CSM in profit or loss in appropriate time bands</li> </ul>	●
<b>Direct participating contracts</b>	
<ul style="list-style-type: none"> <li>The composition of underlying items and their fair value</li> <li>The effect of the risk mitigation option</li> <li>For any change in the basis for disaggregating IFI or IFE (Why change is required, amount of adjustment, impact on carrying amount)</li> </ul>	●
<b>Transition amounts</b>	
For contracts measured under the modified retrospective approach or the fair value approach <ul style="list-style-type: none"> <li>Reconciliation of the CSM</li> <li>Amounts of insurance revenue separately under each approach</li> <li>How the entity determined the measurement of the contracts at the date of transition</li> <li>If IFI or IFE are disaggregated between profit or loss (P&amp;L) and OCI, a reconciliation of the cumulative amounts included in OCI for related financial assets at FVOCI</li> </ul>	●

NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS

Disclosure requirements	What's new?
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: <ul style="list-style-type: none"> <li>The exposures to risks, how they arise and changes therein</li> <li>The entity's objectives, policies and processes for managing the risks, methods used to measure the risks and changes therein</li> <li>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</li> </ul>	●
<b>Insurance and market risks</b>	
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	●

SIGNIFICANT JUDGEMENTS MADE WHEN APPLYING SLFRS 17

Disclosure requirements	What's new?
<b>Estimation techniques</b>	
<ul style="list-style-type: none"> <li>Methods used to measure insurance contracts and processes for estimating the inputs to those methods</li> <li>Any changes in methods and processes for estimating inputs used to measure contracts, the reason for each change and the type of contracts affected</li> <li>Approach use to identify changes in discretionary cash flows for contracts without direct participation features</li> </ul>	●
<ul style="list-style-type: none"> <li>If IFI or IFE are disaggregated between P&amp;L and OCI, an explanation of the methods used to determine the amount recognized in P&amp;L.</li> <li>If a technique other than the confidence level technique is used to determine the risk adjustment for non-financial risk (RANFR), disclosure of the technique used and the confidence level that corresponds to the results of that technique</li> </ul>	●
<b>Assumptions</b>	
<ul style="list-style-type: none"> <li>Determine the risk adjustment for non-financial risk, including whether changes therein are disaggregated into an insurance service component and an insurance finance component</li> <li>Determine discount rates</li> <li>Determine investment components</li> <li>Determine the relative weighting of the benefits provided by insurance coverage and investment services</li> </ul>	●
<b>Inputs</b>	
Yield curve (or range of yield curves) used to discount cash flows that do not vary based on the returns on underlying items	●
Confidence level used to determine the risk adjustment for non-financial risk	●

Disclosure requirements	What's new?
<b>Insurance risk</b>	
Claims development – i.e. actual claims compared with previous estimates of the undiscounted amount of the claims	●
<b>Credit risk</b>	
The entity's maximum exposure to credit risk	
Information about the credit quality of reinsurance contract assets	●
<b>Liquidity risk</b>	
A description of how liquidity risk is managed	●
Maturity analyses that show, as a minimum, net cash flows for each of the first five years after the reporting date and in aggregate beyond the first five years, which may be based on the estimated timing of: <ul style="list-style-type: none"> <li>The remaining contractual undiscounted net cash flows; or</li> <li>The estimates of the present value of the future cash flows</li> </ul>	●
Amounts that are payable on demand and their relationship with the carrying amounts of the related portfolios of contracts	●

New disclosure ● Existing requirement ●

Expanded requirement - Similar disclosure more detailed or specific under SLFRS 17 ●



# COMPANY'S FINANCIAL STATEMENTS



## EFFECTS ON KEY FINANCIAL METRICS

	Metric	Common method of calculation	Effects - SLFRS 17	Explanation
Volume Metrics	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.
Profitability Metrics	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)	$\frac{\text{Profit or loss}}{\text{Equity}}$	◆	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)	$\frac{\text{Profit or loss}}{\text{Number of shares outstanding}}$	◆	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	$\frac{\text{Incurred claims and other expenses}}{\text{Earned premiums}}$	◆	Incurred claims will be reported discounted and adjusted for risk. The change in ratio will depend on particular facts and circumstances.
Liquidity Metrics	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.

▲ New metric ■ No change ◆ Depends

## 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







# 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 Snyders- 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 Snyders

Sanjaya Mohottala

### Board Related Party Transactions Review Committee

Lalith Withana - Chairman - Independent Non-Executive Director

Raimund Snyders

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

Canopus

Lloyd's syndicate

### Bankers

Bank of Ceylon

Cargills Bank

Commercial Bank PLC

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 24TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Virtual Twenty Fourth (24th) Annual General Meeting of SOFTLOGIC LIFE INSURANCE PLC (the Company) will be held on **Friday, 31st March 2023 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 2022 and the Report of the Auditors thereon.
2. To re-elect **Mr. V. Govindasamy** 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 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 2023

### 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](mailto: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 24TH 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  |                |

As my / our\* Proxy to represent me / us\* and vote and speak for me / us\* on my / our\* behalf at the **Virtual Twenty Fourth (24th) Annual General Meeting** of the Softlogic Life Insurance PLC to be held on **Friday 31st March 2023 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 2022 and the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-elect <b>Mr. V. Govindasamy</b> 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-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 ..... 2023.

#### 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

.....

.....

.....

.....

.....

.....

.....

.....

# 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?

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.....

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

.....  
.....

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