

# Growth
## at Every Turn

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# Growth
## at Every Turn

At Arpico Insurance, we don't wait for change – we anticipate it and respond to it with the intent to transform it into growth.

For us, this year marks a defining shift. Guided by new leadership and a renewed sense of direction, we have moved forward with confidence, by introducing new products, strengthening our offering, and responding to the evolving needs of the policyholders whom we serve. Each action taken has been deliberate to ensure that growth is not only achieved, but meaningfully sustained.

This momentum is grounded in our people-first philosophy, and so, we are committed to fairness, empathy and long-term value for our customers, our partners, and the communities that we are part of. As we continue to create widespread, shared impact and strengthen our position, we remain focused on building a future that is both resilient and responsible.

At every point of change, and in every opportunity that we pursue, we are driven by purposeful growth at every turn.

ARPICO Insurance
INSURANCE FOR THE LIVING

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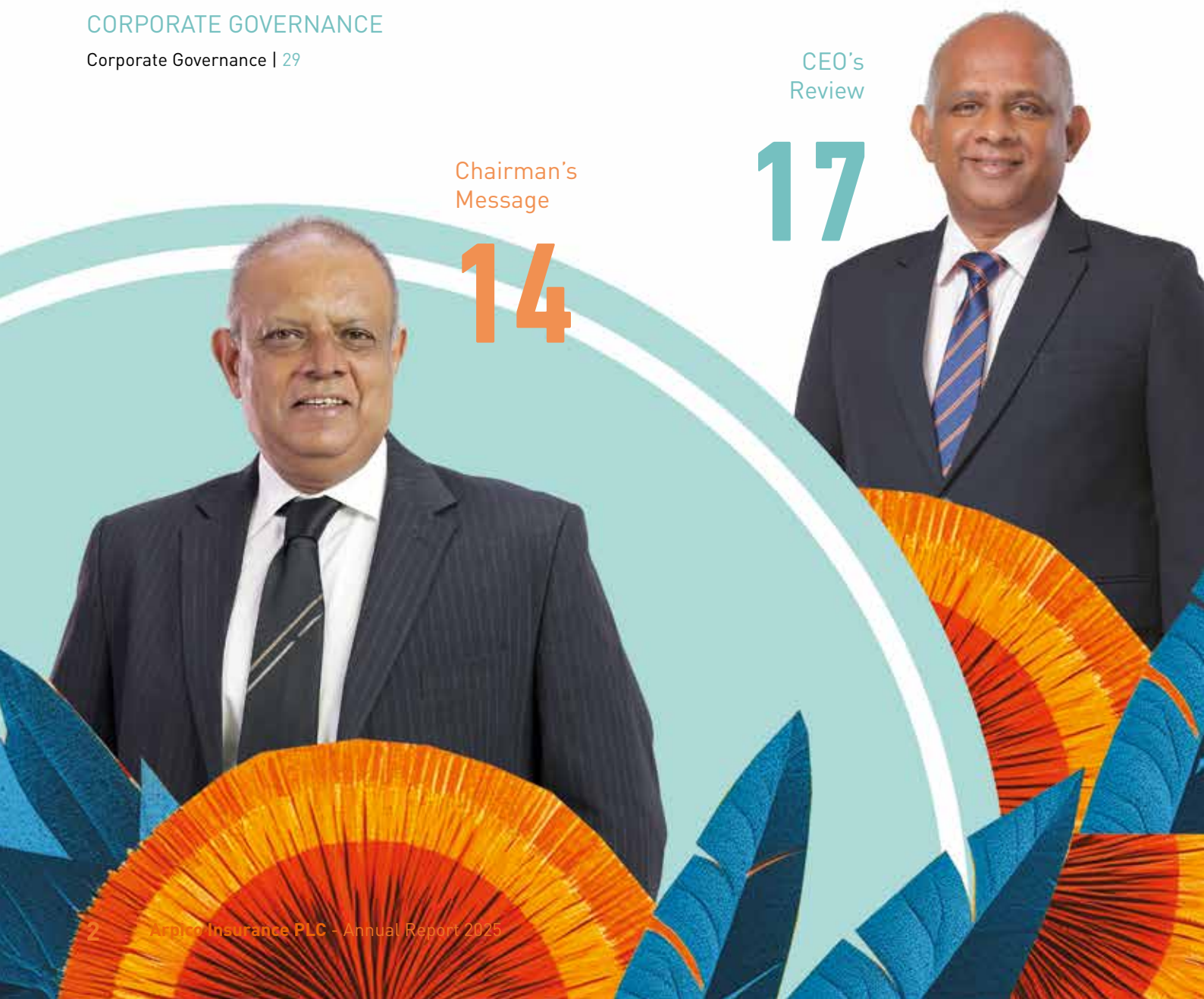

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**56** FINANCIAL Capital

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**69** INTELLECTUAL Capital

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# ABOUT THE REPORT




## ABOUT THE REPORT

This Integrated Annual Report provides a comprehensive overview of Arpico Insurance PLC's performance during the financial year 2025, highlighting the Company's strategic progress and how the Company managed its capitals to create value for stakeholders during the year under review.

## REPORTING PERIOD

This report covers the period from 1st January 2025 to 31st December 2025.

## SCOPE AND BOUNDARY

The scope of this report is limited to Arpico Insurance PLC and the material topics identified for disclosure, as well as information on how the Company managed its six capitals during the period under review. There are no restatements pertaining to previous annual reports published by the Company.

## Capitals



Financial Capital (FC)



Human Capital (HC)



Intellectual Capital (IC)



Natural Capital (NC)



Social & Relationship Capital (SRC)



Manufactured Capital (MC)

## Stakeholders



Customers



Employees



Business Partners



Government and Regulators

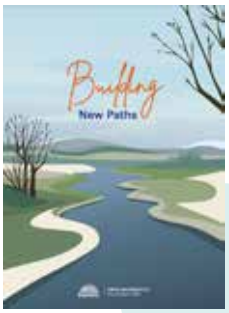


Community



Investors

## Reporting Frameworks




2024

### Building New Paths

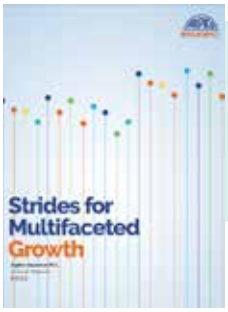
Focused on strengthening our foundations, enhancing operational efficiency, and creating new opportunities for sustainable growth.




2023

### Refining Remodeling & Reshaping the Future

A year dedicated to refining core operations, remodelling business strategies, and reshaping our future direction. Despite industry challenges, we reinforced resilience and positioned the Company for long-term value creation.




2022

### Strides for Multifaceted Growth

Driven by a commitment to growth, we pursued opportunities across diverse business dimensions, strengthening market presence, broadening customer reach, and enhancing our capabilities.

**Financial Reporting**

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- The Companies Act No. 7 of 2007
- CSE Listing Rules

**Governance and Risk Reporting**

- The Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka
- The new Corporate Governance rules issued by the CSE for listed entities
- Insurance Regulatory Commission of Sri Lanka rules and regulations

**Sustainability Reporting**

- Integrated Reporting Framework ←IR→ by the International Integrated Reporting Council
- Global Reporting Initiative (GRI) Standards "In Reference"
- United Nations Sustainable Development Goals
- SLFRS S 1 and S 2



# ABOUT THE REPORT

## Integrated reporting process

Arpico Insurance PLC's integrated reporting process combines financial and non-financial information to provide a comprehensive view of the Company's performance and strategic direction. The process involves collaboration across various departments, including operations, finance, sustainability, risk management, and governance teams to develop a holistic analysis of financial performance and ESG factors. Regular feedback loops help refine the process, with the final report structured to highlight long-term value creation, transparency, and accountability in alignment with regulatory standards and best practices.

## Materiality

Arpico Insurance PLC's integrated report is guided by the principle of materiality, wherein only the most relevant and significant information is considered. This approach aims to prioritise disclosures related to the Company's business model, strategy, risks, opportunities, and societal and environmental impact to enable stakeholders to make informed decisions regarding the Company's performance and prospects.

## Assurance

To uphold transparency, accuracy and completeness, the financial statement for the period ending 31st December 2025 has been independently verified by the Company's external auditors, Ernst and Young. Their report is available on pages 184

## Forward-looking statements

This Integrated Report includes forward-looking statements that represent Arpico Insurance PLC's current expectations, and projections regarding future events and financial performance. These statements are based on assumptions and available information at the time of reporting.

However, given that the Company operates in the highly competitive and rapidly evolving insurance sector, future performance may differ from current forecasts. Readers are therefore advised to exercise caution and avoid placing undue reliance on these statements, as they involve risks and uncertainties that could lead to outcomes differing materially from expectations.

Arpico Insurance PLC undertakes no obligation to update these forward-looking statements, whether as a result of new information, future events, or otherwise.

## Board responsibility statement

The Board of Directors of Arpico Insurance PLC acknowledges its fundamental responsibility for upholding the integrity of the integrated report, by ensuring that it accurately reflects the Company's performance and prospects in alignment with the Company's strategic objectives. Accordingly, the Board confirms that the integrated report for FY 2025 provides a balanced and transparent view of the Company's financial and non-financial performance.

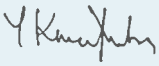
### Board Responsibility Statement

The Board of Directors of Arpico Insurance PLC acknowledges its fundamental responsibility for upholding the integrity of the integrated report, by ensuring that it accurately reflects the Company's performance and prospects in alignment with the Company's strategic objectives.

Accordingly, the Board confirms that the integrated report for FY 2025 provides a balanced and transparent view of the Company's financial and non-financial performance.



Chairman



Chairman of the Audit Committee



Accountant

## Feedback

The Company welcomes feedback on its integrated report and requests that all such feedback should be directed to:

**K.L Yasas Chamara**
*Accountant*

No. 55/20,
Vauxhall Lane,
Colombo 02.
E-mail: yasas.c@arpicoinsurance.com

# AWARDS




**01.**

Best risk management strategy for 2019 by Indian Chamber of Commerce

**02.**

CA Sri Lanka TAGS awards Bronze award for Gross Premium up to 10Bn category for 2022

**03.**

Fastest growing life insurer in Sri Lanka by the Global Banking and Finance Review in 2017

**04.**

Most trusted life insurance brand in Sri Lanka in 2019 by Global Brands Magazine - UK

**05.**

Fastest growing life insurer in Sri Lanka by the Global Banking and Finance Review in 2018

**06.**

Certificate of Recognition as a training partner of the ICASL for providing training at the Corporate and Strategic levels

**07.**

Best risk management strategy for 2022 by Indian Chamber of Commerce

**08.**

Most successful life insurance brand in Sri Lanka at 2018 by Global Brands Magazine - UK

**09.**

CA Sri Lanka TAGS Awards Bronze award for Gross Premium up to 10Bn category in 2023

**10.**

Best life insurance company for innovation Sri Lanka by the Global Banking and Finance Review in 2020

**11.**

CA Sri Lanka TAGS awards Bronze award for Gross Premium up to 10Bn category in 2025

**12.**

Special award for risk management strategy from the Indian Chamber of Commerce at 2019

# ABOUT ARPICO INSURANCE PLC

Arpico Insurance PLC, stands as a trusted leader, an innovator, and a stable institution in Sri Lanka's life insurance sector. As a proud subsidiary of Richard Pieris & Company PLC, one of the country's most respected conglomerates, we draw on a legacy of over 90 years of excellence, financial strength, and unwavering customer commitment.

Founded in 2011, Arpico Insurance PLC set out to transform life insurance through service excellence, innovative solutions, and a customer-centric approach. Our rapid growth and dedication to transparency led to our listing on the Colombo Stock Exchange (CSE) in 2015, reinforcing our commitment to governance, accountability, and long-term sustainability.

With a strong foundation, innovative mindset, and the trust of our customers, Arpico Insurance PLC continues to reshape the future of life insurance in Sri Lanka. Backed by the strength of Richard Pieris & Company PLC, we remain focused on delivering value-driven, future-oriented, and customer-centric solutions, empowering individuals and families to live with confidence and peace of mind.

# OUR VISION

To be the most trusted and innovative solutions provider for life insurance needs.

# OUR MISSION

Provide unparalleled services to clients through team spirit nourished by passion and developing innovative life insurance solutions, technical expertise, value additions, and unique service capability.

# OUR CORE VALUES

**At the heart of Arpico Insurance PLC lies a set of core values that define who we are and how we operate:**

### Customer First



We put our policyholders at the centre of everything we do, ensuring that their needs drive our innovations and services.

### Integrity & Trust



We believe in absolute transparency, ethical business practices, and a commitment to doing what's right

### Innovation & Excellence



We challenge the status quo, leveraging technology and expertise to create game-changing insurance solutions.

### Sustainability & Responsibility



As a responsible corporate citizen, we contribute to a sustainable future through ethical operations, environmental consciousness, and social responsibility

### Employee Empowerment



Our people are our strength. We cultivate a culture of growth, collaboration, and continuous learning to deliver exceptional service.

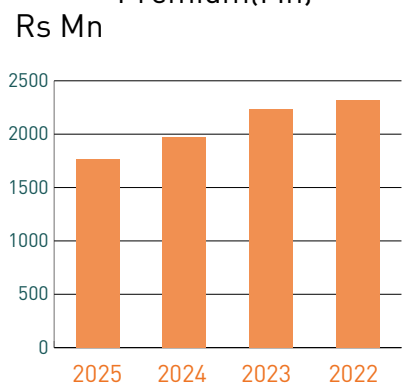
# PERFORMANCE HIGHLIGHTS

| Financial Highlights | 2025 | 2024 | Change | 2023 |
|---|---|---|---|---|
| **Profitability / Return** | | | | |
| Profit before tax | (97) Mn | 145Mn | (242) Mn | (683) Mn |
| Profit/(Loss) after Tax | 8 Mn | 235Mn | (227) Mn | (683) Mn |
| Gross Written Premium | 1,762Mn | 1,969Mn | (207Mn) | 2,236 Mn. |
| Net premium earned | 1,671Mn | 1,881Mn | (210Mn) | 2,141 Mn |
| Gross Profit Margin | -9% | 19% | -28% | -23% |
| EBITDA | 69Mn | 337Mn | (268) Mn | (509) Mn |
| Net Profit Margin | 0.46% | 12% | -12% | -31% |
| Return on Assets | -2% | 3% | -5% | -14% |
| Return on equity | 0.48% | 13% | -13% | -41% |
| | | | | |
| **Market Performance** | | | | |
| Market price per share | 36.4 | 26.5 | 9.9 | 22.5 |
| Earnings per share | 0.12 | 4 | -3.88 | -10 |
| | | | | |
| **Financial Position** | | | | |
| Total Assets | 5,443Mn | 5,010Mn | 433Mn | 4,816Mn |
| Insurance Contract Liability | 3,266Mn | 2,716Mn | 550Mn | 2,885 Mn |
| Total debt | 3,756Mn | 3,169Mn | 587Mn | 3,405 Mn |
| Total Equity | 1,687Mn | 1,841Mn | (153)Mn | 1,410 Mn |
| | | | | |
| **Efficiency ratios** | | | | |
| Asset turnover | 33% | 40% | -7% | 46% |
| | | | | |
| **Gearing Ratios** | | | | |
| Debt/Total assets | 69% | 63% | 6% | 71% |
| Debt / Equity | 2.22 | 1.72 | 0.50 | 2.41 |
| | | | | |
| **Industry Specific Ratios** | | | | |
| Capital Adequacy | 259% | 258% | 1% | 345% |
| Reinsurance expense | 5% | 4% | 1% | 4% |
| Acquisition cost to GWP | 25% | 27% | 2% | 28% |

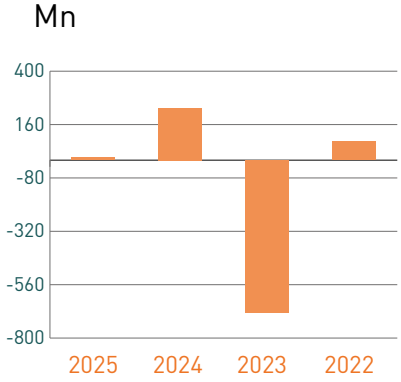
We continued to build momentum across key performance dimensions. Strategic decisions, financial discipline, and operational excellence enabled us to strengthen our balance sheet, maintain capital resilience, and position the Company for sustained growth and value creation.

# FINANCIAL HIGHLIGHTS

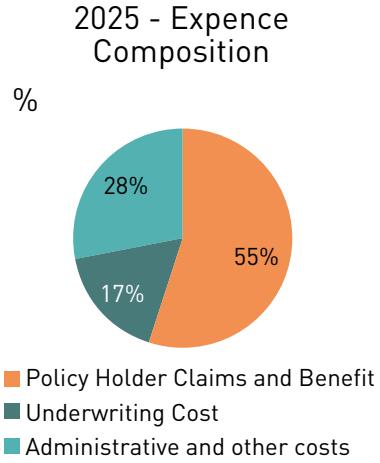
Gross Written Premium(Mn)



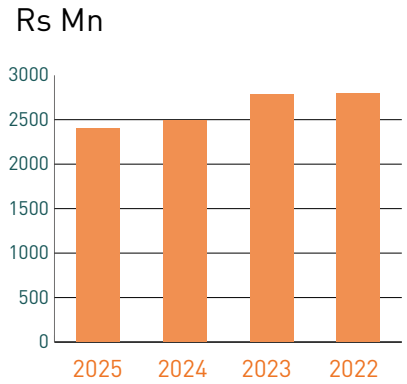

Profit /(Loss ) after tax



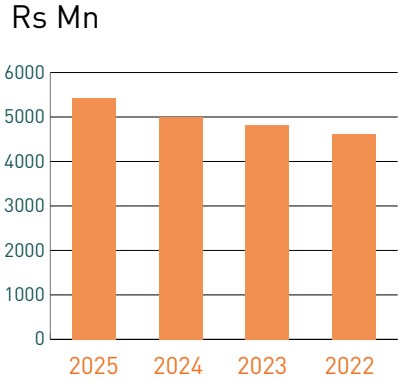

2025 - Expence Composition



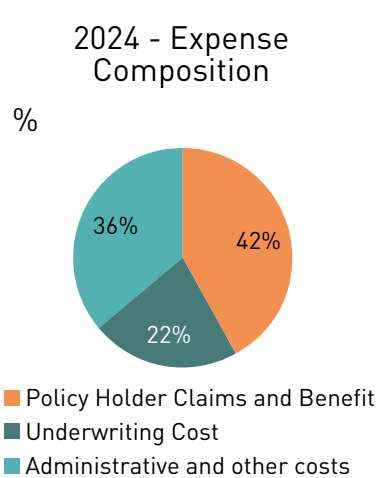

Net Revenue(Mn)



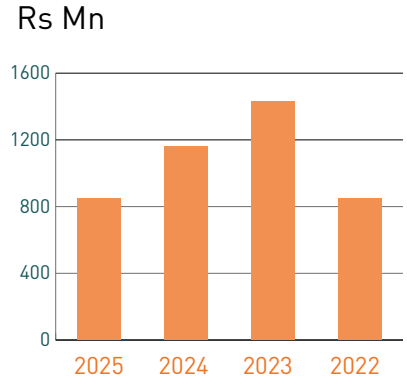

Total Assets (Mn)



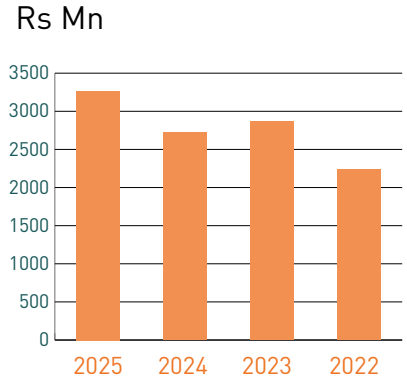

2024 - Expense Composition




Net Insurance Benefits and Claims (Mn)




Insurance Contract Liability




**Rs 727 Mn**
**Total Investment Income**

**Rs 572 Mn**
**2024**

**Rs 851 Mn**
**Claims Paid**

**Rs 1,143 Mn**
**2024**

**Rs 2,420 Mn**
**Net Income**

**Rs 2,489 Mn**
**2024**

# JOURNEY AND MILESTONES



**2011**

» Arpico Insurance Limited incorporated as a public limited company Recognised by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and granted the license to provide life insurance

**2012**

» Operations launched at Hyde Park Corner office Achieved LKR 100 Mn GWP in our first year of Operations

**2013**

» New head office moved to Vauxhall Lane – to accommodate growth

**2014**

» IPO declared, opening shares to the public First life insurer to record a profit in third operational year

**2015**

» Commenced trading on the CSE (Diri Savi Board)

» Retail footprint expanded to 24 branches

**2016**

» Profit of Rs. 107 Mn Achieved 2017

» Recognised as the fastest growing life insurer in Sri Lanka by the Global Banking and Finance Review

**2017**

» Recognised as the fastest growing life insurer in Sri Lanka by the Global Banking and Finance Review

**2018**

» Became the fastest growing life insurer for the second successive year and adjudged most successful life insurer in Sri Lanka by the Global Brand Magazine – UK

## 2019

- Honoured with a special award from the Indian Chamber of Commerce for our risk management strategy of
- Recognised as the most trusted life insurance brand in Sri Lanka 2019 by the Global Brands Magazine – UK

## 2020

- Awarded as the Best life insurance company for innovation in Sri Lanka by the Global Banking and Finance Review
- 24 employees qualified for MDRT and two as Court of the Table members

## 2021

Completing 10 vibrant years in the industry

- New healthcare Product introduced
- Added new sector to the distribution channel
- CA Sri Lanka TAGS Awards Bronze award for Gross Premium up to 10Bn category
- Certificate of Appreciation for Outstanding Performance in the Life Insurance Industry of Sri Lanka

## 2022

- Won the award for Best Risk Management Strategy of the Year
- CA Sri Lanka TAGS Awards Bronze award for Gross Premium up to 10Bn category.
- Certificate of appreciation for outstanding performance in the Life Insurance Industry Sri Lanka.

## 2023

- CA Sri Lanka TAGS Awards Bronze award for Gross Premium up to 10 Bn category
- Indian Chamber of Commerce awards for Best strategies for insurance spreading Sri Lanka

## 2024

- Obtained the training partnership for Corporate and Strategic Levels of CA Sri Lanka

## 2025

- Bronze award in the Insurance Companies (GWP up to LKR 10 Bn.) category, at the TAGS awards 2025, organised by the Institute of Chartered Accountants of Sri Lanka
- Recognitions for Business Excellence at the 6th Emerging Asia Insurance Conclave & Awards 2025, organised by the Indian Chamber of Commerce
- Compliance Certificate at the CMA Excellence in Integrated Reporting Awards 2025

# CHAIRMAN'S MESSAGE



We are well positioned to accelerate our growth momentum over the short term, enabling enhanced value creation for all our stakeholders.

**Mr. Ramal. G. Jasinghe**
Chairman

**Rs 3.3 Bn**
**Insurance Contract Liability**
Rs 2.7 Bn 2024

**Rs 2,411Mn**
**Market Capitalisation**
Rs 1,755 Mn 2024

**Rs 4.5 Bn**
**Financial Assets**
Rs 4.3 Bn 2024

## Dear stakeholders,

I present the Annual Report and audited financial statements of Arpico Insurance PLC for the year ended 31st December 2025. The year under review was one of reckoning, resilience, where we continued moving forward with the strategic recalibration initiated in 2024, and the Board worked in close collaboration with the management, supported by the dedication of our employees.

## Performance overview

In line with our strategic direction, we maintained focus on strengthening organisational capabilities to respond to emerging trends and evolving dynamics within Sri Lanka's insurance industry. A significant milestone during the year was the transition to a cloud-based data infrastructure, which enhanced our operational resilience, while improving efficiency and scalability to support future growth. We also remained focused on expanding our core strengths through quality-driven growth in individual life and health insurance, disciplined cost optimisation, and strengthened customer engagement.

These initiatives have further reinforced the foundation of our business as we continue to adapt and direct the Company on to a new growth trajectory. We concluded the year with a marginal profit after tax of Rs.8 Million. This result reflects the prudent and disciplined approach adopted in managing our Life Insurance Fund during the year.

We also continued to create tangible value to our shareholders. The share price increased to Rs. 36.40 from Rs. 26.50 in the previous year. This performance demonstrates investor confidence, the effectiveness of the prudent corrective and strengthening measures undertaken since 2024, and the enhanced resilience of Arpico Insurance even in the face of wide spread natural disasters such as Cyclone Ditwah.

Our strategic priorities during 2025 was centered on expanding our presence in the individual life and health insurance segments, while simultaneously extending our distribution network to improve market reach. The continuation of our digital transformation has improved our operational efficiencies, progressively equipping Arpico Insurance to cater to the increasingly digitalised future of Sri Lankan insurance services. Simultaneously, we focused on cost optimisation and operational discipline, while continuing to enhance customer retention and engagement through the delivery of quality services. Talent development as well as building leadership capability remained as our key priorities, ensuring continuity and sustainability of the Company over the short to medium term.

## Industry performance

The life insurance industry continues to operate within an increasingly dynamic environment shaped by economic fluctuations, evolving demographic patterns, and the growing impact of climate change. During 2025, the industry also witnessed mergers and acquisitions, underscoring a competitive landscape that is rapidly consolidating. This presents both a challenge and an opportunity for us to critically reassess and re-engineer our business model "to meet with the times", whilst leveraging on the strength of the Arpico brand, built on a heritage of over 90 years.

In this regard it is essential that we strengthen our operational capabilities and responsiveness, by expanding distribution channels, strengthening financial growth, and developing innovative insurance solutions that cater to changing customer expectations. Our ability to build resilience against increasingly erratic climate pattern and economic challenges, will also be a key performance driver. The management team has responded to these evolving challenges through timely strategies, ensuring that our products and services remained relevant to the needs of our target demographic segments. The positive response from the market reflects the effectiveness of our strategic responses.

Therefore, we remain confident in our ability to effectively serve the life insurance needs of the nation. By strengthening our market position and enhancing accessibility to insurance solutions, we aim to contribute meaningfully to the country's Gross National Product (GNP) and play an active role in improving Insurance Penetration in Sri Lanka.

## Sustainable growth

In 2025, we further advanced the integration of Environmental, Social, and Governance (ESG) principles across our key business functions. Sustainability considerations continued to shape strategic and operational decision-making to ensure long-term value creation for all stakeholders. Our accelerated digital transformation also contributes to environmental sustainability through reduced resource consumption.

# CHAIRMAN'S MESSAGE

## Governance and compliance

During the year under review, we remained focused on fine tuning and aligning our compliance systems with evolving regulatory requirements and industry best practices to ensure the highest standards of accountability and transparency. In this regard, we have made significant progress in the implementation of IFRS 17 requirements, in preparation for the standard's effective adoption in 2026. We have also adopted the SLFRS S1 and SLFRS S2 standards in the current financial year, significantly enhancing our sustainability disclosures.

All statutory returns, reports, and payments were submitted to the relevant regulatory authorities within stipulated timelines. In addition, we continued to strengthen and focus on our data security systems, cybersecurity controls, and business continuity and disaster recovery capabilities.

## Plans for the future

In the new financial year, we look forward to further consolidating our marketing and distribution efforts while leveraging the brand equity and credibility of the Arpico brand name. We will also continue building greater synergies with all stakeholders to capture new growth opportunities. In parallel, we will invest in adopting innovative technology solutions and cloud-based infrastructure to develop an exceptionally responsive, customer-centric organisation. Looking to the future, I am confident that we are well positioned to accelerate our growth momentum over the short term, enabling enhanced value creation for all our stakeholders.

## Acknowledgements

I would like to extend my sincere appreciation to our Group Chairman, Dr. Sena Yaddehige, for his invaluable insights and unwavering support extended to myself, fellow Directors, and staff. His leadership will continue to inspire us to become a star performer within the Richard Pieris Group and to achieve our objective of ranking among the Group's top five companies.

I also extend my gratitude to the outgoing Director/CEO, Dr. Kelum Senanayake, who served the Company with dedication over the past five years. We thank him for his valuable contribution and wish him a happy and fulfilling retirement.

This year, we also warmly welcome Mr Jayalal Hewawasam as our new CEO. His extensive qualifications and distinguished track record across both insurance and non-insurance sectors, including multinational organisations, holding key positions in varied fields and a reputation for achieving excellence, is expected to bring in a new dimension of progress to the Company.

I also welcome Mr Rohan Muttiah, who joined the Board as an Independent Non-Executive Director, during the year. His extensive experience as a senior banker and expertise in IT operations, further complement the professionalism of the Arpico Insurance Board.

My sincere thanks are also extended to my fellow Directors, Mr Shiron Gooneratne, who represents the Group, and Mr Yudhishtran Kanagasabai, whose invaluable guidance and advice to the Board Audit Committee, together with his role in guiding the strengthening of the Company's Financial position, are greatly appreciated. I also wish to acknowledge the continuous support extended by the Group CFO, Mr Sudheera Epitakumbura, who together with Mr. Shiron Gooneratne ensured the seamless coordination of Group resources and support, whenever required.

I take this opportunity to acknowledge my fellow Board members serving on the Board, who have been invited as Senior professionals bearing an unmatched track record and many years of "hands on" experience, in their respective fields of excellence. This is viewed as a strength particularly in the backdrop for the need to provide diligent oversight and guidance to the Management.

I declare that each individual Board member compliments each other's expertise in guiding the key operational functions of the Management, in light of the emerging need for greater transparency and accountability which a Company such as yours' is exposed to.

I extend a special appreciation to the Management, Executive, and Non-Executive staff of the Company for their dedication, professionalism, and unwavering loyalty. Their continued commitment to the Company, despite numerous opportunities elsewhere, is a testament to the unity and team spirit and trust vested within the Group.

I would also like to express my gratitude to our Strategic Actuary, Ms Thanuja Krishnaratne for her continuous guidance and contributions towards shaping the strategic direction of our business.

On behalf of the Board of Directors, I also extend my appreciation to all stakeholders who have contributed to the continued progress and success of the Company. We remain deeply grateful to our valued policyholders for the trust and confidence they continue to place in us, to our business partners for their enduring collaboration and support, and to the Regulatory authorities for their guidance and oversight. I also thank our shareholders for their continued confidence in the Company. The collective support of all stakeholders has enabled Arpico Insurance PLC to strengthen its foundation and accelerate growth, and I remain confident that our continued partnerships will take the Company to significantly greater heights in the years ahead.



**Ramal. G. Jasinghe**
Chairman
Arpico Insurance PLC

# CHIEF EXECUTIVE OFFICER'S REVIEW

Despite industry challenges, Arpico Insurance PLC remained resilient in 2025 through strategic transformation, disciplined operations, and continued focus on customer-centric growth, strengthening the foundation for sustainable progress at every turn.

**Mr. Jayalal Hewawasam**
Chief Executive Officer



# CHIEF EXECUTIVE OFFICER'S REVIEW

**Rs 701 Mn**
**Administration Overheads**
Rs 833 Mn 2024

**Rs 433 Mn**
**Net Acquisition Cost**
Rs 532 Mn 2024

**Rs 5.4 Bn**
**Total Assets**
Rs 5 Bn 2024

I am pleased to report that Arpico Insurance PLC demonstrated resilience and operational stability in 2025, despite a challenging external environment marked by economic volatility, industry consolidation, and evolving customer expectations. The operating landscape in 2025 was shaped by extreme weather events, regulatory developments, and rapid changes in the external environment of the domestic insurance industry. Key risks included market volatility, operational disruptions, and persistent skill gaps in key areas of specialisation.

While the Ditwah cyclone presented significant operational and claims-related challenges for the entire insurance sector, Arpico Insurance was ready and equipped to respond swiftly through our well-organised business continuity measures, rapid claims settlement processes, and dedicated customer support services. Our prompt response demonstrated our continued commitment to supporting policyholders during times of need and reinforced the trust placed in Arpico Insurance as a stable and reliable insurer.

The Sri Lankan insurance industry also witnessed emerging opportunities driven by increased awareness of insurance, growing digital adoption, and supportive regulatory initiatives aimed at expanding market reach. Arpico Insurance responded by adopting a proactive and structured approach to risk management and opportunity realisation. We continually strengthened our governance and risk management frameworks, enhanced customer engagement and retention strategies, and reinforced operational resilience through robust business continuity planning. These initiatives have positioned us to better navigate uncertainties while capturing emerging growth opportunities as we continue our strategic journey.

## Financial Performance

Arpico Insurance continued its strategic recalibration during 2025 following the extensive restructuring initiatives undertaken in 2024. Our Gross Written Premiums (GWP) stood at Rs. 1,762 Mn by end 2025 compared to Rs. 1,969 Mn in 2024. This 10% decline reflects the deliberate strategic rebalancing of our portfolio, with reduced emphasis on group insurance policies and a stronger focus on individual life and health insurance segments. This transition aligns with our long-term objective of building a more sustainable and higher-quality portfolio.

Despite the progress made in strengthening our operational foundation, the Company recorded a Net Profit Before Tax (NPBT) of Rs. 8 Mn for the year under review. This performance was achieved amidst the ongoing portfolio restructuring process, challenging market conditions, and continued pressure from economic fluctuations and industry-wide cost escalations. The return to profitability reflects the effectiveness of the strategic measures implemented during the year, including disciplined cost optimisation, operational improvements, and a stronger focus on sustainable and higher-quality business growth. These initiatives have further strengthened the Company's long-term financial sustainability and business resilience.

In addition, despite the declining interest rate environment that prevailed in 2025, we achieved investment income growth of 27% to Rs. 723 Mn from Rs. 572 Mn through prudent management of our investment portfolio. We have also maintained healthy customer retention and persistency levels, with a customer retention ratio of 75%, while consistently upholding high service standards and strengthening our brand image in an increasingly competitive sector.

Careful management of operating expenses remained a key priority during the year. In order to achieve our cost containment objectives, stringent organisation-wide cost optimisation measures were implemented to enhance operational efficiency and streamline workflows while minimising non-essential expenditure. Consequently, our total expenses for the year reduced to Rs. 573 Mn compared to Rs. 689 Mn in the previous year, reflecting the effectiveness of our disciplined cost management initiatives.

## Strategic Progress

During the year, we remained focused on our strategic priorities, ensuring disciplined execution of growth strategies across our island-wide network as we repositioned the business for a new growth trajectory. While our previous business strategy was predominantly focused on the agency segment, we have now commenced expanding our presence within the corporate segment as part of our portfolio diversification strategy. We expect the corporate segment to contribute approximately 10% to 15% of the overall portfolio by end-2026, supporting broader market reach and business resilience.

Meanwhile, we strengthened enterprise-wide operational efficiencies while maintaining a strong customer focus, delivering competitive and value-driven products that supported the expansion of our customer base. Key operational enhancements during the year included streamlining internal processes, improving turnaround times, strengthening service quality standards, and enhancing staff productivity and accountability. Improvements in these key metrics have significantly strengthened the Company's future competitiveness. A key enabler of continuous operational efficiency is our ongoing digital transformation. During the year, we channelled investments into digitisation, significantly reducing manual operations and improving process efficiencies across the business model. The introduction of digital solutions such as e-proposals and e-policies enhanced customer convenience while reducing our environmental impact. We also strengthened our distribution execution capabilities to accelerate market penetration across the country.

Innovation remained a priority in introducing customer-centric solutions designed to meet evolving needs. Notably, the launch of the SMART Investment Product reflects our commitment to offering enhanced protection alongside long-term savings solutions to our customers.

We continued to review our systems and processes and developed solutions to address internal limitations, enabling the Company to better leverage emerging opportunities in the future. I am confident that our emphasis on organisational agility, innovation, and operational discipline will enhance our resilience to external shocks. During the year, we were also honoured to receive the TAGS Award for the third consecutive year, reaffirming our commitment to transparency and excellence in corporate reporting.

## Outlook

Looking ahead to 2026, we will focus on accelerating growth and expanding our market presence while continuing to strengthen our digital capabilities and elevate the overall customer experience. Enhancing operational efficiency will remain a priority as we work towards restoring profitability and expanding our footprint. As we move forward, we remain firmly committed to upholding the highest standards of governance and ethical conduct while integrating sustainability into our business practices. Our goal is to create enduring value for all stakeholders while contributing positively to the broader economy and society.

We also continued to strengthen our focus on sustainable business practices, responsible governance, and environmentally conscious operations, recognising that long-term value creation must be aligned with broader social and environmental priorities. We remain optimistic about the long-term growth potential of the Sri Lankan insurance industry and are confident that our strategic investments in people, technology, and customer-centric innovation will position the Company for sustainable growth in the years ahead.

## Appreciation

I take this opportunity to extend my sincere gratitude to Dr. Sena Yaddehige, the Chairman of the Arpico Group, Mr. Ramal Jasinghe, Chairman of Arpico Insurance PLC, the Board of Directors, and the CMC members for their invaluable strategic guidance and steadfast support throughout the year. I also wish to express my appreciation to our employees and management team for their unwavering commitment, which remains at the heart of our journey. My sincere thanks go to our valued customers for the trust and confidence they continue to place in us, as well as to our distribution partners and all other stakeholders for their continued support and collaboration. With the collective strength and commitment of all our stakeholders, I remain confident in our ability to strengthen the Company's future performance and create sustainable long-term value.



**Jayalal Hewawasam**
Chief Executive Officer

Arpico Insurance PLC

# BOARD OF DIRECTORS



## MR. RAMAL JASINGHE
**Chairman**
**Independent Non-Executive Director**

Mr. Ramal Jasinghe began his career in the chemical Industry serving for 13 years culminating in his tenure as the Marketing Manager/ Alternate Director at the multinational Messrs. Union Carbide Lanka Ltd.

On completion of his MBA where he read at the Postgraduate Institute of Management, University of Sri Jayewardenepura,he was invited to serve on the senior management of the leading insurance company Union Assurance Limited. Having received the management training at two prestigious management business schools; Indian Institute of Management (IIM) Ahmedabad and the Stanford University, Palo Alto California, he served the Company with a track record of excellence for a period of 11 years. Mr. Jasinghe joined Asian Alliance Insurance, initially as the CEO and after five years in service he was appointed to the Directorate and was designated Director/ CEO position until the sale of Asian Alliance General Insurance arm to Fairfax of Canada. He served 13 years as Director/ CEO in Asian Alliance.

Following the merger of Union Assurance General Insurance which Fairfax owned, with the General Insurance arm of Asian Alliance and after the former merging with the latter, he had the privilege of being made the first CEO of the newly formed General Insurance Company, Fairfirst. He served for three years at Fairfirst retiring as a Director thus serving in the insurance industry for over 30 years.

After serving in Fairfirst he was invited to Chair an Insurance Brokerage, Messrs. Strategic Insurance Brokers and served there for a short period.

He has served as the President of the Insurance Association of Sri Lanka, on the Board of the Riot and Strike Commission, as well as on the Financial Services Stability Committee, of the Central Bank of Sri Lanka.

He believes that being involved in the Insurance profession, it is essential to closely intertwine with the community at large. Having served on the committees of the Leading Chambers of Commerce during his active years of service, he continues to serve on the committees of many altruistic organisations, the Education Advisory Board of the Sri Lanka Institute of Marketing (SLIM), Senior Brand Ambassador at the Chartered Institute of Marketing (CIM UK), The Faculty Advisory Board of the Sri Lanka Institute of Information Technology (SLIIT) and as a Patron of the National Chamber of Exporters. Sri Lanka, which he holds the distinction of being the sole insurance professional to lead the Chamber as its President.

He firmly believes that contribution, guidance through earned experience and engagement with the community at large are essential ingredients in the making of an insurance person irrespective of the role played in this social wellbeing based noble financial service. It is in this backdrop that he strives to serve your Company as its Chairman.





## MR. SHIRON GOONERATNE
**Non-Executive Director**

Mr. Shiron Gooneratne is a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds an MBA from University of Leicester, United Kingdom.

Mr. Gooneratne brings in a wealth of experience, both from Sri Lanka and overseas. He has held Finance Director / CFO positions of Fortune 500 and leading corporates. Having trained at Ernst & Young, he joined GlaxoSmithKline Consumer Healthcare where he completed 11 years of which 7 years as the Finance Director.
Thereafter, he joined the telecommunication sector where he was the Chief Financial Officer of Sri Lanka Telecom PLC, which provides diversified services and a range of ICT solutions that cover fixed and mobile telephony, broadband, data services, Internet Protocol Television (IPTV), cloud computing and hosting services. He also held the position of Chief Financial Officer at Dilmah Ceylon Tea Company PLC. Having held the Group Chief Financial Officer / Executive Director of Richard Pieris & Company PLC, currently he functions as a Non-Executive Director.

## MR. KELUM SENANAYAKE
**Chief Executive Officer/ / Executive Director**
(Ceased to hold office from 31st December 2025)

Mr. Kelum Senanayake is a well-known personality in the regional life insurance landscape and as the Chief Executive Officer of Arpico Insurance PLC brings to the table a wealth of experience & exposure spanning almost 40 years, from both local as well as international insurance industries. He also makes history by becoming the first and only CEO in the Sri Lankan Insurance industry to hold the coveted Million Dollar Round Table (MDRT) status achieved in Sri Lanka, in an impressive 133 days.

A product of Ananda College Colombo, he holds a diploma in business management from Worldview Institute & Master of Business Administration from the University of Western Sydney, Australia.

In addition to being a management professional, he is also a respected trainer who has trained over 5,000 insurance professionals in his career and received training in the UK, Germany, Japan, Singapore, Hong Kong, Malaysia & South Africa. He has extensive experience in the areas of operations, life underwriting, life servicing, claims, product development ,re-insurance, branch operations, corporate solutions distribution, contact centers and logistics.

# BOARD OF DIRECTORS





## MR. YUDHISHTRAN KANAGASABAI
### Non-Executive Independent Director

Mr. Yudhishtran (Yudy) Kanagasabai is an experienced finance and business professional with extensive expertise in accounting, assurance, business consulting, technology consulting, and tax structuring.

He currently serves as the Non-Executive Chairman of Asia Capital PLC, Asia Leisure Holdings (Private) Limited, and Wadduwa Resort (Private) Limited. In addition, he holds Independent Non-Executive Director positions at Eswaran Brothers Exports (Private) Limited, MainGate (Private) Limited, Asia Capital Global Solutions (Private) Limited, ACAP Travels (Private) Limited, Arpico Insurance PLC, Kelani Cables PLC, Abans Finance PLC and Cargills Bank PLC.

Previously, he served in several senior Board positions, including:

- Chairman of South Asia Textiles Limited (Jan 2021 – May 2021) and Dankotuwa Porcelain PLC (Aug 2021 – Oct 2023)
- Non-Executive Director at Union Bank of Colombo PLC, EAP Holdings Limited, Hunter & Company PLC, Cargills (Ceylon) PLC, Cargills Retail (Pvt) Ltd, Dankotuwa Porcelain PLC, Lanka Canneries Limited, Taprobane Capital Plus (Pvt) Ltd, Ceylon Tobacco Company PLC, Ambeon Capital PLC, Colombo City Holdings PLC, and MillenniumIT ESP (Pvt) Ltd.
- Chairman of the Audit Committee at Union Bank PLC (Aug 2016 – Dec 2018)
- Commissioner of the Insurance Regulatory Commission of Sri Lanka (May 2018 – Nov 2018, Dec 2018 – Nov 2019)

Prior to undertaking these board roles following his retirement, Mr. Kanagasabai had a distinguished career at PricewaterhouseCoopers (PwC) Sri Lanka and Maldives, where he served as Senior Partner and CEO. He joined the firm in 1981 and progressed through a series of senior roles before being admitted to the partnership in 1991. He also gained international exposure through a secondment to PwC Singapore from June 1988 to May 1990, specialising in Information Security. His early career included positions as a Cost Trainee at Ernst & Young and as a Management Trainee at Management Aids Limited. Mr. Kanagasabai is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

## MR. AINSLEY ROHAN MUTURAJAH MUTTIAH
### Non-Executive Independent Director

Mr. Rohan Muttiah is a seasoned professional with over 45 years of experience across Banking, Technology, Cybersecurity, Airlines, Financial Services, Insurance, Micro Finance, and Hospitality. His distinguished career is marked by C-Suite roles including Chief Operating Officer (COO) at NDB Bank and Cargills Bank; Chief Information Officer (CIO) at Commercial Bank of Ceylon, and John Keells Holdings; and senior positions at IBM Global Services, Lend Lease Corporation, and Mayne Nickless.

His career highlights include pioneering Sri Lanka's first Banking Payment Hub, spearheading the adoption of Ripple Blockchain, and driving exponential growth in Mobile Banking. He was instrumental in the digitisation of banking processes, contributing to an organisation award from Google.

Beyond his corporate accomplishments, Rohan has held several prominent positions including Chairman (Non-Executive) of Lanka Communication Services, Chairman of the Sri Lanka Computer Emergency Readiness Team, and Chairman of the Shared KYC Blockchain Working Committee at the Central Bank of Sri Lanka. He represented Sri Lanka at the Council of Europe's Budapest Convention on Cyber Crime in Strasbourg, France, and played a key role in developing Sri Lanka's Baseline Security Standard for Banking.

Rohan is an alumnus of Monash University, Melbourne, Australia.

# CORPORATE MANAGEMENT



**MR. JAYALAL HEWAWASAM**
Chief Executive Officer



**MRS. SRIYONIE MENDIS**
Deputy General Manager
- Life Operations/Specified Officer



**MR. NELUSHAN GUNEWARDENA**
Head of Marketing



**MRS. PAVITHRA PEIRIS**
Senior Manager
- Conservation and Customer Care



**MR. DULANJITH KAWEESHA**
Financial Controller



**MRS. L. A. C. PRIYANTHI**
Manager - Actuarial



**MRS. SAJEE KAHAWEVIDANE**
Manager - Sales Administration



**MR. KITHMAL GODAGE**
Risk and Compliance Officer



**MR. CHATHURA JAYAWEERA**
Manager - IT



**MR. NISHABHA RANATUNGA**
Assistant Manager - Administration

# CORPORATE MANAGEMENT

## MR. JAYALAL HEWAWASAM
### Chief Executive Officer

Jayalal Hewawasam is an accomplished industry veteran with over 25 years of experience in Sales, Marketing, and General Management. He currently serves as the Chief Executive Officer of Arpico Insurance PLC, providing strategic leadership and driving sustainable growth within the organisation.

With extensive experience across the insurance and FMCG sectors, he brings a wealth of expertise in business transformation, market development, and operational excellence. His leadership is characterised by a strong focus on innovation, customer-centric strategies, and long-term value creation.

He is a Chartered Marketer (FCIM) and Chartered Insurer (FCII), and a Fellow of both the Chartered Insurance Institute (UK) and the Chartered Institute of Marketing (UK). He is also a Graduate Member of the Sri Lanka Institute of Directors (GSLID).

Academically, he holds an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, and is currently pursuing a Doctorate in Business Administration (DBA) at the same university.

He is committed to advancing professional excellence and contributing to the development of the life insurance industry in Sri Lanka through strong governance, innovation, and customer-focused leadership.

## MRS. SRIYONIE MENDIS
### Deputy General Manager – Life Operations / Specified Officer

Sriyonie counts over 25 years of experience in the Insurance Industry with extensive experience with practical knowledge in Life Underwriting, Policy servicing, Life claims, Customer Care, Complaints Management, Group Life Insurance, Reinsurance and Medical Insurance areas in leading Insurance Companies. She has joined the insurance industry after her Bachelor of Science degree in Physical Science from University of Colombo. She is a Chartered Insurer and Associate Member of the Chartered Insurance Institute of UK and holds an MBA from the University of Colombo Sri Lanka.

## MR. NELUSHAN GUNEWARDENA
### Head of Marketing

Nelushan is a key member of the Senior Management team and is a dynamic Management and Marketing professional with over 20 years of extensive experience. Defined by a proven track record of practical excellence, he delivers pragmatic management solutions that fuel organisational growth through integrated marketing and operational leadership.

His expertise encompasses areas of strategic business planning, marketing and brand management, integrated communications and public relations, alongside new product development, revenue generation, operations, and administration. These accomplishments are underscored by numerous business and academic accolades, reflecting a steadfast commitment to excellence. A Member of the Chartered Institute of Marketing (CIM) UK and a Chartered Marketer (CMktr), Nelushan holds an MBA from the London Metropolitan University (UK), a Postgraduate Diploma in Marketing from the Sri Lanka Institute of Marketing (SLIM) and possesses specialised local and international qualifications in Mechanical and Automotive Systems Engineering. Throughout his career, he has spearheaded successful business and brand transformations, achieving notable success within dynamic industries - including Retail, Automotive, Real Estate, Apparel, Advertising, and Insurance - across both local and multinational contexts.

## MRS. PAVITHRA PEIRIS
### Senior Manager – Policy Conservation and Customer Care

Pavithra brings over 12 years of extensive experience in the insurance industry, having built a distinguished career with a leading multinational life insurance company. She has demonstrated strong expertise in Policy Conservation and Customer Service, consistently contributing to operational excellence and enhanced customer satisfaction.

She holds a BA (Honours) in International Business Administration from Middlesex University (UK), a degree in Human Resource Management from Chartered Institute of Personnel Management (CIPM) and an Advanced Diploma in Business Management from Australian College of Business & Technology. (ACBT)

In her current leadership role, she oversees the Policy Conservation and Customer Care functions, driving strategic initiatives focused on customer retention, operational efficiency and service excellence while fostering a customer-centric culture across the organisation.

## MR. DULANJITH KAWEESHA
### Financial Controller

Mr. Dulanjith Kaweesha joined Arpico Insurance PLC in 2023 and serves as the Financial Controller of the Company. He is a seasoned finance professional with over 13 years of experience spanning Financial Reporting, Auditing, Budgeting, Financial Planning & Analysis, and Management Reporting.

Over the course of his career, he has developed extensive expertise in financial controls, regulatory compliance, performance analysis, and strategic financial management, contributing towards strengthening financial governance and operational efficiency.

He holds a Bachelor of Science Degree in Business Administration from University of Sri Jayewardenepura and a Master of Business Administration (MBA) in Finance from University of Colombo.

Mr. Kaweesha is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka.

## MRS. L. A. C. PRIYANTHI
### Manager - Actuarial

Priyanthi is a highly experienced professional with over 24 years of dedicated service in the insurance industry. Her career reflects a deep commitment to analytical excellence and technical precision, particularly in the fields of actuarial science, risk analysis, and data-driven decision making.

She holds a Bachelor of Science degree with First Class Honours in Mathematics and Statistics from the University of Colombo, and further enhanced her expertise by obtaining a Master of Science in Actuarial Science from the same institution. Her academic background has provided her with a strong foundation to excel in complex actuarial evaluations, pricing strategies, and insurance modeling.

Priyanthi continues to be a key contributor to Arpico Insurance PLC's actuarial and technical initiatives, ensuring the company's long-term financial soundness and regulatory compliance through robust data analysis and modeling expertise.

## MRS. SAJEE KAHAWEVIDANE
### Manager – Sales Administration

Sajee Kahawevidane is a valued and long-standing member of Arpico Insurance PLC, currently serving in the capacity of Manager – Sales Administration. Throughout her tenure, she has displayed a high level of professionalism, strong leadership capabilities, and sound technical proficiency, underpinned by over ten (10) years of experience in the Life Insurance industry.

She possesses a strong academic foundation, having successfully completed a Level 7 Extended Diploma in Strategic Management awarded by Awards for Training and Higher Education (ATHE – UK). In addition, she holds a Master of Business Administration (MBA) from the University of Northampton, United Kingdom.

Looking forward, she remains committed to undertaking greater responsibilities and continuing to make a meaningful contribution to the Company's sustained growth and strategic objectives. She is keen to further support the management team and uphold the Company's vision and values.

## MR. KITHMAL GODAGE
### Risk and Compliance Officer

Kithmal is an experienced Compliance Auditor and Trade Specialist with over 20 years of experience in the banking and insurance industry. He has developed deep expertise in Risk and Regulatory Compliance, KYC Operations, and International Trade Services, with significant experience at foreign banks, specialising in KYC & CDD operations, AML/CFT compliance and trade finance.

Kithmal is a fully qualified banking professional (AIB) and an Associate Member of the Institute of Bankers of Sri Lanka. He is also an ICA-certified Anti-Money Laundering (AML) and Global Sanctions Compliance Specialist.

Kithmal holds a Bachelor's Degree in Business Administration from the University of Sri Jayewardenepura, along with diplomas in Banking & Finance and Compliance from the Institute of Bankers of Sri Lanka (IBSL).

## MR. CHATHURA JAYAWEERA
### Manager – Information Technology

With over 11 years of experience in the IT industry and currently serve as the Manager of Information Technology at Arpico Insurance PLC. In this role, he leads the IT department in driving technological innovation and achieving operational excellence. He holds a Master's degree in IT and Strategic Innovation from Kingston University in the UK, which enables him to blend strong technical expertise with a strategic vision to align the department with the company's goals and long-term success.

In addition to his academic qualifications, He is certified as a Green Belt in Lean methodology, which enhances his ability to optimise processes and improve efficiency within IT operations. His leadership ensures that Arpico Insurance is well-prepared to adapt to the rapidly changing technology landscape, delivering high-quality solutions that provide value to both the business and its customers.

## MR. NISHABHA RANATUNGA
### Assistant Manager – Administration

Nishabha is a valued member of the Arpico Insurance PLC management team, bringing over 22 years of hands-on experience in Facilities Management within the insurance industry, including a distinguished tenure at an emerging insurance company. A highly dependable and technically adept professional, he has played a pivotal role in ensuring the smooth functioning of administrative and operational infrastructures.

His core competencies lie in facilities planning and coordination, vendor and asset management, compliance monitoring, and workplace safety protocols. Nishabha possesses a Diploma in Electronics & Electrical Engineering from the Open University of Sri Lanka and a Diploma in Facilities Management from the National Institute of Business Management (NIBM). His strong technical background, coupled with a deep understanding of operational best practices, has enabled him to contribute significantly to the company's efficiency and employee well-being.

Nishabha continues to play a crucial role in supporting the day-to-day operations of Arpico Insurance, ensuring that the administrative functions align with the organisation's strategic goals.

# INDEPENDENT ASSURANCE ON IR FRAMEWORK

Shape the future with confidence

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**Independent practitioner's assurance report to the Board of Directors of Arpico Insurance PLC on the Integrated Annual Report 2025**

## SCOPE

We have been engaged by Arpico Insurance PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Arpico Insurance PLC's Information on how it's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in Arpico Insurance PLC's (the "Entity's") Integrated Annual Report for the year ended 31st December 2025 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

## CRITERIA APPLIED BY ARPICO INSURANCE PLC

In preparing the Subject Matter, Arpico Insurance PLC applied the Integrated Reporting Framework (←IR→ Framework) issued by the International Integrated Reporting Council (IIRC) ("Criteria"):

Such Criteria were specifically designed for the purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organisational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

## ARPICO INSURANCE PLC'S RESPONSIBILITIES

Arpico Insurance PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

## ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Arpico Insurance PLC on 17th April 2026. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

## OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we 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.

## DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage FCA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

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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. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (←IR→ Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organisation creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organisation's strategy and how the organisation creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

## EMPHASIS OF MATTER

Economic, Environment, Social and Intellectual capital management data/ information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

## CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of Arpico Insurance PLC for the year ended 31 December 2025, in order for it to be in accordance with the Criteria.

Ernst + Young

4th June 2026
Colombo



# Responsibility

## at Every Turn

**At Arpico Insurance PLC, change begins from within. This year, fuelled by fresh perspectives and new leadership, our operation embraced opportunity and enhanced productivity with real progress at heart, and tangible results in mind.**

The journey of development sustains itself through reflection that influences the mind and sharpens skills - this, in turn, leads to unprecedented progress.



# CORPORATE GOVERNANCE



> Effective risk management is fundamental to sustaining long-term value at Arpico Insurance PLC. The Risk Committee supports the Board by ensuring that risks are **identified early, assessed rigorously, and managed proactively** within an enterprise-wide framework.
>
> **MR. RAMAL JASINGHE -** Chairperson

## CHAIRMAN'S INTRODUCTION

At Arpico Insurance PLC, sound governance is not merely a regulatory requirement but a fundamental expression of our corporate values and ethical standards. It is deeply woven into our operating philosophy and everyday business conduct, forming the foundation of our sustained performance and stakeholder trust. Over time, we have continuously refined and enhanced our governance framework, aligning it with emerging regulatory expectations and leading industry standards to ensure resilience, accountability, and long-term value creation.

In 2025, we made significant progress in strengthening our governance framework and internal control environment. The migration to a cloud-based database system, initiated in 2025 and completed in early 2026, has enhanced data security and cybersecurity safeguards, strengthened business continuity and disaster recovery resilience, improved system monitoring and audit trail capabilities, and increased operational efficiency and scalability. This strategic initiative has reinforced the Company's overall risk management architecture, supported stronger regulatory compliance, and enhanced the effectiveness of internal control mechanisms.

The governance framework was further reinforced through strengthened compliance oversight, continued readiness initiatives in preparation for the adoption of IFRS S1 and IFRS S2 sustainability reporting standards, and the enhancement of Board expertise following the appointment of an additional Independent Non-Executive Director.

During the year, the compliance framework was continually reviewed, ensuring full adherence to all applicable regulatory requirements and industry standards, and statutory returns, reports, and payments were submitted on time to relevant authorities, including the Insurance Regulatory Commission of Sri Lanka (IRCSL), Colombo Stock Exchange (CSE), Inland Revenue Department (IRD), and Central Bank of Sri Lanka (CBSL).

Internal compliance monitoring processes were enhanced to streamline alignment with emerging regulatory standards, including IFRS S1 and S2. Focus was also maintained on critical areas such as anti-money laundering (AML), data protection, and financial reporting compliance. These initiatives underscore Arpico Insurance PLC's ongoing commitment to transparency, accountability, and excellence in regulatory compliance.

Therefore, I confirm that the Board has diligently exercised its fiduciary responsibilities. The Board, Corporate Management, and all employees have discharged their duties in full compliance with applicable statutory and regulatory requirements and in accordance with the Company's Articles of Association and established governance framework.

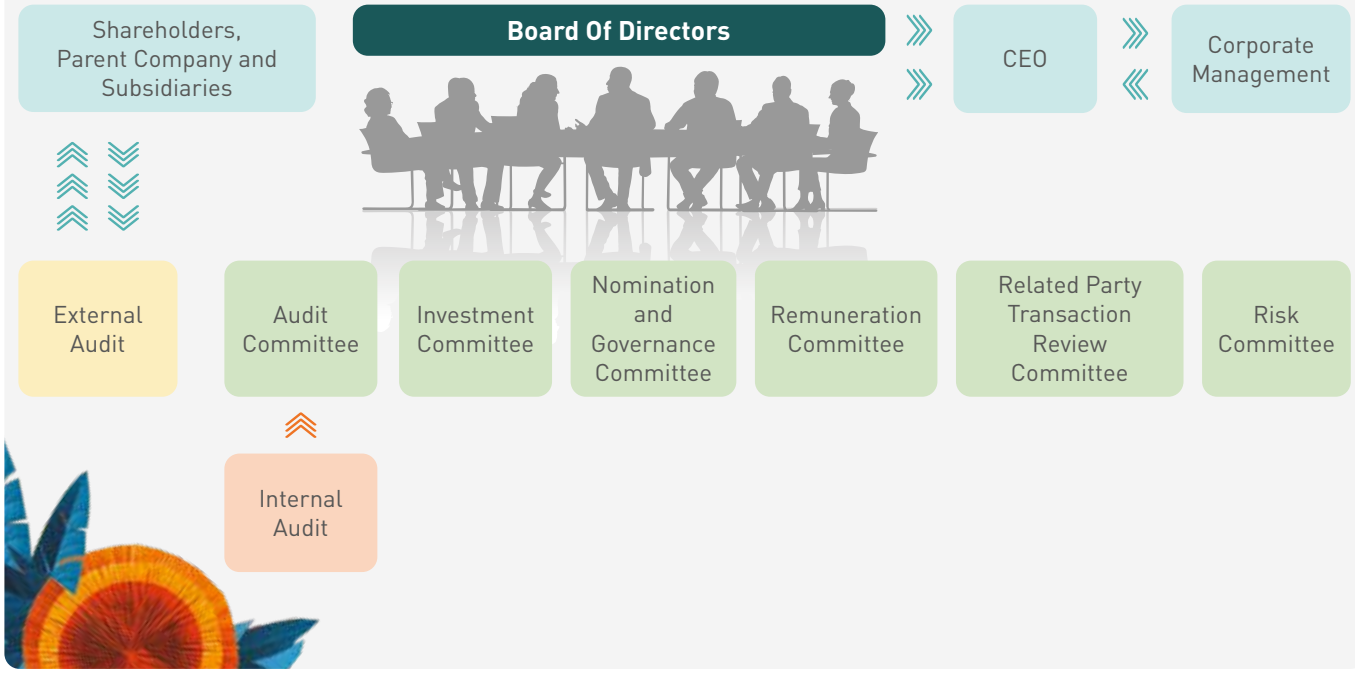
## CORPORATE GOVERNANCE PHILOSOPHY

Arpico Insurance PLC views corporate governance as a strategic imperative that underpins stakeholder confidence and sustainable value creation. The Company firmly believes that a strong governance culture is essential not only to protect stakeholder interests but also to support disciplined growth and long-term organisational stability.

Its governance framework is built on a foundation of rigorous compliance with all applicable regulatory requirements, recognising that such discipline enhances institutional resilience and operational integrity. However, the Company's commitment to good governance extends beyond compliance. It proactively incorporates globally recognised governance standards into its internal policies, processes, and control mechanisms, thereby fostering transparency, accountability, prudent risk oversight, and effective decision-making throughout the organisation.

In line with this philosophy, the Company continuously reviews and refines its governance structures and internal frameworks to remain responsive to regulatory developments and aligned with evolving international best practices.

## GOVERNANCE STRUCTURE




## GOVERNANCE BENCHMARKS

| Mandatory Frameworks | Voluntary Frameworks | Internal Governance |
|---|---|---|
| **Financial Reporting** | **Integrated Reporting** | |
| » Sri Lanka Accounting Standards<br>» The Regulations of Insurance Industry Act No. 43 2000 and amendments<br>» Statement of Recommended Practice(SoRP)<br>» Regulations and directions issued by the of Insurance Regulatory Commission of Sri Lanka (IRCSL)<br>» Companies Act No. 07 of 2007 and Amendments | » IFRS Foundation's International ←IR→ Framework<br>» Guidelines for Presentation of Annual Reports (CA Sri Lanka)<br>» Handbook on Integrated Corporate Reporting (CA Sri Lanka) | » Articles of Association<br>» Terms of Reference<br>» Committee Charters<br>» Department Policies<br>» Company Code of<br>» Conduct<br>» Operations, Finance, IT, HR<br>» Procurement, and Treasury, Reinsurance Policies<br>» Processes and Procedures of Risk Management and Internal Control of the Company<br>» Sustainable Governance Policy<br>» Whistleblower, Compliance and<br>» Complaint Handling Policy<br>» Business Continuity Plan and Code of Business Conduct and Ethics<br>» Sale Governance Policy |

# CORPORATE GOVERNANCE

| Mandatory Frameworks | Voluntary Frameworks | Internal Governance |
|---|---|---|
| **Corporate Governance** | **Corporate Governance** | |
| » Listing Rules of the Colombo Stock Exchange<br>» Companies Act No. 7 of 2007<br>» Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments<br>» Corporate governance framework for insurers issued under Section 96A of the Regulations of the Insurance<br>» Industry Act No. 43 of 2000 (IRCSL) | » Code of best practices on Corporate Governance 2023 (CA Sri Lanka)<br>» Integrated Risk Management<br>» Framework is crafted based on the guidelines provided in ISO 31000:2018 | |
| **Sustainability** | **Sustainability** | |
| » Sri Lanka Sustainability Disclosure Standards S1 – General Requirements of sustainability-related financial<br>» information<br>» Sri Lanka Sustainability Disclosure Standards S2 – Climate Related Disclosures | » GRI Standards<br>» Sustainability Accounting Standards<br>» Board (SASB) Standards<br>» Gender Parity Reporting Framework (CA Sri Lanka)<br>» Sustainable Development Goals (SDGs)<br>» Colombo Stock Exchange Guide on Communicating Sustainability<br>» United Nations Global Compact (UNGC) | |
| **Assurance** | **Assurance** | |
| » Sri Lanka Auditing Standards (SLAuSs)<br>» Sri Lanka Standard on Assurance Engagements SLSAE 3000<br>» Assurance Engagements other than Audits or Review of Historical Financial<br>» Information (CA Sri Lanka)<br>» Internal Auditing Framework of<br>» Institute of Internal Auditors | » Independent Assurance on Integrated Reporting (Ernst & Young) | |

## THE BOARD

Arpico Insurance PLC's Board of Directors functions as the highest governing authority of the Company. Operating within the framework of its Board Charter and clearly defined Terms of Reference, the Board is responsible for articulating the Company's mission, vision, and long-term strategic direction. In addition to setting strategy, the Board provides effective leadership to ensure disciplined execution while safeguarding stakeholder interests. As the principal steward of governance, the Board establishes, oversees, and continually strengthens the Company's corporate governance structures, ensuring adherence to all legal, regulatory, and ethical obligations.

## KEY BOARD RESPONSIBILITIES

### Regulatory Compliance

As the ultimate authority responsible for governance oversight, the Board ensures that the Company operates in full compliance with all applicable laws, regulations, and industry standards. Guided by a zero-tolerance stance on non-compliance, the Board works closely with its Committees and senior management to implement comprehensive compliance frameworks, policies, and monitoring mechanisms across the organisation. Clear and secure communication channels have also been established to enable employees at all levels to report potential breaches or concerns without fear of retaliation, thereby reinforcing a culture of accountability and transparency.

In light of the increasingly dynamic regulatory environment, the Board remains proactive in monitoring emerging requirements. This includes regular engagement with regulators and consultation with subject matter experts to anticipate and respond effectively to regulatory developments. Through this forward-looking approach, the Board strengthens compliance risk management while promoting a culture of early adoption and continuous enhancement.

During FY 2025, the Board and its Committees ensured full compliance with the revised Section 9 of the Colombo Stock Exchange Listing Rules on Corporate Governance, meeting all prescribed timelines. The Board also initiated structured preparations for the adoption of SLFRS 17, which introduces a fair value-based approach to measuring insurance liabilities, thereby enhancing transparency and comparability in financial reporting. A comprehensive gap analysis was undertaken, and a dedicated internal project team was appointed to manage the transition process and ensure seamless integration of the new standard into the Company's financial reporting framework ahead of the 2026 implementation deadline.

### Compliance with CSE Listing Rules on Corporate Governance introduced in 2024

| Rule Number | Requirement | Effective Date | Compliance Status |
|---|---|---|---|
| 9.9 | Alternate Directors compliance requirements | 1st Jan 2024 | No alternative Directors appointed |
| 9.7.3 | Fit and Proper Criteria for Directors and CEOs | 1st April 2024 | Complied |
| 9.14.2 (1) | Composition of the Related Party Transactions Review Committee;<br>Must comprise minimum, 3 Chairman should be independent Director and 2/3 of directors have to be independent. | 1st April 2024 | Complied |
| 9.2 | Formulation of 12 new policies and disclosure of same on the corporate website | 1st Oct 2024 | Complied |
| 9.3.3 | The Chairperson of the Board shall not be the Chairperson of the Board Committees | 1st Oct 2024 | Complied |
| 9.8.1 | Minimum five Directors on the Board | 1st Oct 2024 | Complied |
| 9.8.2 | The Board must include a minimum number of Independent Directors, which is determined as the greater of two or one-third of the total number of Directors on the Board. | 1st Oct 2024 | Complied |
| 9.11 | Establishment of the Nominations and Governance Committee | 1st Oct 2024 | Complied |
| 9.12.6 (1) | Establish a Remuneration Committee comprising a minimum of three Directors, with at least two-thirds of its members being Independent Directors. | 1st Oct 2024 | Complied |
| 9.13.3 | The Audit Committee must consist of a minimum of three Directors, all of whom must be Non-Executive Directors, with the majority being Independent Directors | 1st Oct 2024 | Complied |
| 9.13.4 and 9.13.5 | Functions and Disclosures in the Annual Report relating to the Audit Committee | 1st Oct 2024 | Complied |
| 9.8.3 | A Director shall not be considered 'independent' if he/ she is 70 years of age or above. | 1st Jan 2025 | Complied |

| Rule Number | Requirement | Effective Date | Compliance Status |
|---|---|---|---|
| 9.1.4 (3) | In respect of Listed Entities which have Directors who are declared as 'nevertheless independent' by its Board of Directors, notwithstanding such Directors not meeting the 'independence' criteria set out in the Listing Rules as at 1st October 2023, such Entities shall comply with the criteria for determining independence set out in Rule 9.8.3 of these Rules with effect from 1st January 2025. | 1st Jan 2025 | Complied |
| 9.1.4 (4) | The Rules relating to sharing of Board Committees in a situation where both the parent company (including the ultimate parent company) and the subsidiary are Listed Entities contained in Rules 9.12.6 (2), 9.13.3 (4) and 9.14.2 (2) shall cease to apply to Entities which have listed its shares on the Main Market Segment and/or Debt Securities | 1st Oct 2024 | Complied |

## FINANCIAL CONTROL AND REPORTING

The Board exercises its responsibility for sound financial stewardship through rigorous oversight of key financial and reporting functions across the organisation. During the year, the Company transitioned to a cloud-based platform, significantly enhancing the reliability, security, and speed of data processing. This digital transformation was further strengthened through the introduction of automation within the financial reporting process, improving accuracy, efficiency, and timeliness of reporting outputs.

In parallel, the Company progressed with the adoption of IFRS 17, supported by the implementation of new systems and advanced data models designed to meet the Standard's technical and disclosure requirements. All statutory and regulatory reports were submitted within stipulated timelines to the Insurance Regulatory Commission of Sri Lanka (IRCSL), Central Bank of Sri Lanka (CBSL), and the Colombo Stock Exchange (CSE), reflecting the Company's continued commitment to regulatory compliance and transparency.

The Board also supported capacity building within the finance function through participation in both internal and external training programmes focused on financial reporting and evolving accounting standards. Additionally, the recruitment framework was strengthened to attract high-calibre talent, including qualified professionals and Chartered Accountancy students, thereby enhancing the depth, technical capability, and succession readiness of the finance team.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board retains ultimate accountability for ensuring that the Company's risk management and internal control frameworks are robust, effective, and aligned with the achievement of its strategic objectives. In fulfilling this responsibility, the Board defines the Company's overall risk appetite and works closely with the Board Audit Committee to oversee the design and implementation of structured policies and procedures for the identification, assessment, and mitigation of risks that may adversely affect operations, reputation, or financial performance.

During the year, the Company further strengthened its Anti-Money Laundering (AML) framework through enhanced risk assessment methodologies, upgraded monitoring tools, and tighter internal control mechanisms. The three-lines-of-defence model was reinforced to clarify accountability and strengthen independent oversight, while risk reporting to the Board was enhanced to provide greater transparency and insight into emerging exposures. In addition, a more data-driven internal audit approach was adopted to improve the effectiveness of assurance activities, thereby reinforcing compliance, governance oversight, and overall risk discipline across the organisation.

## CONDUCT AND ETHICS

In 2025, Arpico Insurance PLC continued to demonstrate its strong commitment to high standards of corporate ethics and professional conduct across all levels of the organisation. The Company enhanced its ethical framework by strengthening governance oversight, updating internal policies, and actively promoting awareness of ethical responsibilities among employees. Emphasising the principle of "doing the right thing for the right reason," in line with its core values, the Company ensured that ethical considerations remained central to all business decisions.

Significant improvements were made in compliance monitoring and internal control mechanisms, fostering greater transparency, accountability, and operational integrity. By maintaining strict adherence to regulatory requirements and industry best practices, the Company reinforced stakeholder trust and confidence.

Ongoing employee engagement and communication initiatives further promoted a culture of integrity, respect, and professionalism, encouraging responsible behaviour and principled decision-making. Collectively, these measures strengthened the Company's ethical culture, underpinning sustainable growth and supporting long-term confidence among stakeholders.

## GOVERNANCE BENCHMARKS OF THE COMPANY

| Policy on internal code of business conduct and ethics | Policy on anti-bribery and corruption | Whistleblowing policy |
|---|---|---|
| The policy sets out the principles and standards that guide ethical behaviour and regulatory compliance across Arpico Insurance PLC. It applies universally to all Directors and employees, without exception.<br><br>The framework addresses key areas such as integrity, fairness, and transparency in all business activities, and includes specific provisions regarding the trading of the Company's listed securities. It is designed to ensure that every Director and employee upholds the highest ethical standards, avoids conflicts of interest, and meets all legal and regulatory obligations. By doing so, the policy safeguards the Company's reputation and reinforces a culture of responsibility and accountability throughout the organisation. | This policy articulates Arpico Insurance PLC's firm commitment to preventing bribery, corruption, and any form of unethical behaviour. It applies to all employees, Directors, and third-party associates, reinforcing the Company's zero-tolerance stance toward any conduct that could compromise its reputation or violate legal obligations. Through the implementation of this policy, the Company seeks to ensure full compliance with both local and international anti-corruption laws while promoting a culture of integrity and ethical accountability across all levels of the organisation. | The Whistleblowing Policy plays a vital role in promoting a culture of transparency and accountability within Arpico Insurance PLC. It provides employees and stakeholders with a secure and confidential channel to report unethical conduct, misconduct, or breaches of Company policies, without fear of retaliation. By fostering openness and protecting those who raise concerns, the policy safeguards the integrity and reputation of the organisation while supporting adherence to applicable legal and regulatory requirements. |

## INFORMATION TECHNOLOGY (IT) AND CYBERSECURITY GOVERNANCE

The Board of Arpico Insurance PLC is responsible for defining and maintaining comprehensive IT governance policies and procedures that enable effective management of technology resources, safeguard digital assets, and ensure full compliance with regulatory requirements. The Board also ensures that the Company's technology strategies are fully aligned with its broader business goals and risk management framework.

Under the guidance of the Board Audit Committee, the IT department monitors and evaluates the effectiveness of technology initiatives to ensure they deliver tangible value, improve operational efficiency, and foster innovation. The department also oversees information security governance, including the approval and review of security measures, risk assessments, and adherence to regulatory standards, thereby supporting the Company's resilience and protection against evolving cyber threats.

## STEWARDSHIP OF HUMAN CAPITAL

In 2025, Arpico Insurance PLC continued to enhance its human resource management practices, with a strong focus on employee development, engagement, and wellbeing. The Company implemented a series of structured training and development programmes for both Sales and Head Office employees, aimed at improving technical skills, boosting performance, and supporting career growth. These initiatives helped cultivate a more capable, motivated, and customer-focused workforce.

Employee engagement and wellbeing were further promoted through a range of initiatives, including company-led events designed to strengthen team cohesion, boost morale, and enhance overall satisfaction. The Company also organised a blood donation programme, reflecting its commitment to social responsibility and encouraging employees to actively participate in meaningful community activities.

Collectively, these efforts have fostered a positive and inclusive work environment, strengthened collaboration, and reinforced a culture of engagement and shared purpose across the organisation.

## STAKEHOLDER ENGAGEMENT

In 2025, Arpico Insurance PLC advanced its stakeholder engagement framework to enable more structured, transparent, and effective interactions with key stakeholder groups. The Company reinforced its governance approach by providing accurate, timely, and clear disclosures, empowering stakeholders to make informed decisions and strengthening trust in the organisation.

Engagement practices were closely aligned with the Company's ESG Sustainability Policy, ensuring that stakeholder expectations are systematically identified, considered, and addressed. Enhancements to communication channels and feedback mechanisms further enabled more responsive and meaningful dialogue. Collectively, these initiatives reinforced accountability, promoted transparency, and strengthened long-term relationships with stakeholders.

# CORPORATE GOVERNANCE

## SUSTAINABILITY AND CLIMATE GOVERNANCE

In 2025, Arpico Insurance PLC continued to advance its sustainability and climate change initiatives by embedding Environmental, Social, and Governance (ESG) principles more deeply into core business operations. A key focus during the year was the ongoing implementation of the Company's ESG Sustainability Policy, which strengthened structured oversight across environmental, social, and governance dimensions. The Company also made steady progress toward alignment with international best practices, including the adoption of GRI Standards and continued preparation for IFRS S1 and S2 climate-related disclosure requirements.

From an environmental standpoint, digital transformation initiatives were expanded to reduce reliance on paper-based processes, improving resource efficiency and operational sustainability. The migration to a cloud-based database system, initiated in 2025 and completed in early 2026, represented a major step in modernising infrastructure, enhancing energy efficiency, and strengthening data management and operational resilience.

In terms of climate governance, the Company incorporated climate-related considerations into risk management and strategic decision-making, supported by internal capacity-building programmes and governance-level engagement to enhance understanding of climate risks and opportunities.

These initiatives collectively demonstrate Arpico Insurance PLC's commitment to advancing sustainability, improving transparency, and building a resilient, future-ready organisation aligned with global best practices.

## SHAREHOLDER RELATIONS AND COMMUNICATION

During 2025, Arpico Insurance PLC continued to strengthen its shareholder relations by prioritising transparency and clear communication. The Company ensured that both financial and non-financial information was communicated accurately, promptly, and comprehensively, in full compliance with the requirements of the Colombo Stock Exchange and other relevant regulatory authorities. Regular disclosures, including financial results and the Annual Report, were provided to support transparency and enable shareholders to make informed investment decisions.

These initiatives, combined with ongoing engagement through formal platforms such as the Annual General Meeting, reinforced shareholder trust and confidence, further underpinning the Company's commitment to accountable and open communication with its investors.

## ANNUAL GENERAL MEETING (AGM)

The Annual General Meeting (AGM) is the main platform for shareholders to engage directly with the Board, raise questions, and offer feedback. All Directors and members of the executive management attend, ensuring full representation and enabling constructive dialogue.

To support informed participation, the Annual Report, notice of the AGM, resolutions requiring shareholder approval, and voting instructions are distributed to shareholders at least 15 working days in advance, allowing sufficient time for review and preparation.

Arpico Insurance PLC's next AGM is scheduled for 26th June 2026

## BOARD COMPOSITION

In 2025, the Board of Arpico Insurance PLC comprised five Board members and was constituted in compliance with the Board balance requirements set out under section 9.8.2 of the new CSE rules on corporate governance stipulating that at least two (02) Board Members, or 1/3rd of the Board, whichever is higher consists of Independent Directors. Further, in compliance with the provisions of the CSE's new Listing Rules on Corporate Governance issued in 2024, a formal Policy on Matters Relating to the Board of Directors, was approved by the Board and implemented with effect from September 2024. The policy establishes clear guidelines on such matters as Board balance, Board composition, requirement of Senior Independent Directors & Duties, participation at Board and Committee meetings, including via online channels, and any other policies on matters relating to the Board of Directors.

The five member Arpico Insurance PLC Board of 2025, comprised a balanced mix of Executive and Independent Non-Executive representation, ensuring strong governance, objective oversight, and strategic leadership. Accordingly, four out of five Directors are Independent Non-Executive Directors, ensuring a strong element of independence and effective oversight in line with corporate governance best practices.

### Board Composition by Designation

| Designation | Name |
|---|---|
| Independent Non-Executive Chairman | Mr. Ramal Jasinghe |
| Executive Director / Chief Executive Officer | Mr. Kelum Senanayake |
| Non-Executive Directors | Mr. Shiron Gooneratne |
| Independent Non-Executive Director | Mr. Yudhishtran Kanagasabai (appointed with effect from 18th July 2024) |
| Independent Non-Executive Director | Mr. Ainsley Rohan Muturajah Muttiah (appointed with effect from 3rd March 2025) |

### Gender Composition

While the present Board consists solely of five male Directors, the Company remains committed to promoting diversity and inclusion in its leadership framework and will continue to consider diversity in future Board appointments.

### Skills and Expertise

The Board possesses a broad spectrum of skills, industry knowledge, and professional expertise relevant to the Company's strategic direction and operational requirements. Key areas of expertise represented on the Board include insurance and risk management, finance, accounting and audit, banking and financial services, technology and digital transformation.

The Chairman, Mr. Ramal Jasinghe represents over 30 years of insurance leadership, while the CEO, Mr. Jayalal Hewawasam carries nearly 25 years of life insurance operational and executive experience and Mr. Yudhishtran Kanagasabai provides regulatory exposure via representation on the Insurance Regulatory Commission of Sri Lanka. Arpico Insurance PLC's strong financial stewardship is demonstrated through the inclusion of two Fellow Members of the Institute of Chartered Accountants of Sri Lanka, Mr. Shiron Gooneratne and Mr. Yudhishtran Kanagasabai with a high degree of experience in CFO, Finance Director, audit, assurance, and corporate finance roles across listed conglomerates and multinational corporations. The Board also incorporates a deep expertise in IT governance, cybersecurity, blockchain, core banking systems, and digital infrastructure through Mr. Ainsley Rohan Muttiah with leadership in national-level cybersecurity initiatives and financial sector digitalisation.

Expertise in Strategy and Corporate Leadership is ensured through Board-level experience across listed and unlisted entities in diverse sectors including insurance, banking, telecommunications, hospitality, exports, manufacturing, and ICT with proven experience in mergers, acquisitions, restructuring, and business transformation initiatives. The Governance & Regulatory Experience of the Board is evidenced through its members that have served on national regulatory and advisory bodies including the Central Bank of Sri Lanka Committees, Insurance Regulatory Commission of Sri Lanka and Industry Chambers and Professional Institutions.

In addition, the senior leadership has many years of experience in major financial institutions including Sri Lanka Telecom PLC, Commercial Bank of Ceylon PLC, Cargills Bank PLC and Union Bank of Colombo PLC with expertise in financial services regulation, capital markets, and structured finance.

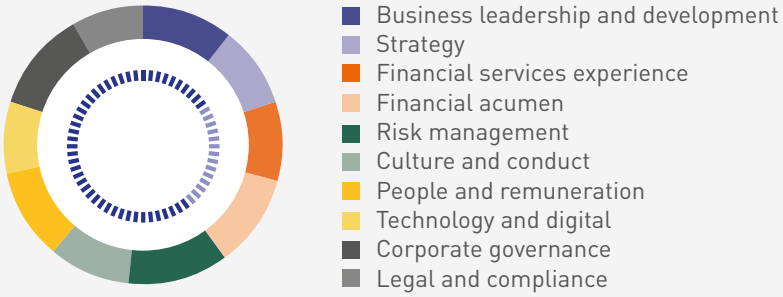
### Tenure of non-executive directors

| Director | Tenure (yrs) | Joining date |
|---|---|---|
| Mr. Ramal Jasinghe | 2 | 16th May 2023 |
| Mr. Shiron Gooneratne | 9 | 2nd May 2016 |
| Mr. Yudhishtran Kanagasabai | 1 | 18th July 2024 |
| Mr. Ainsley Rohan Muturajah Muttiah | 1 | 3rd March 2025 |

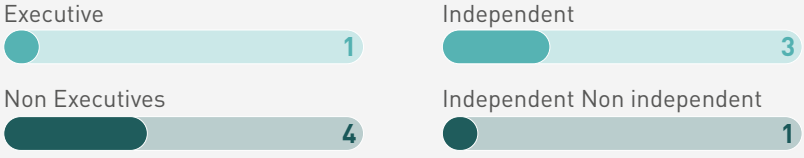
## GOVERNANCE BENCHMARKS OF THE COMPANY

The Board of Arpico Insurance PLC demonstrates a strong balance of executive leadership and operational experience, independent oversight, financial acumen, insurance sector depth, banking and financial services expertise, technology and digital governance capability, and regulatory and governance experience. This diversity of skills and experience ensures robust strategic direction, prudent risk management, and effective stewardship of the Company in a dynamic and evolving operating environment.

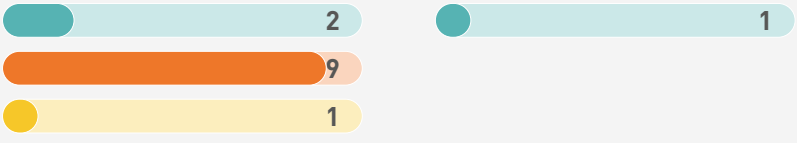
### DIVERSITY OF EXPERTISE




### COMPOSITION BY DESIGNATION




### TENURE OF THE NON-EXECUTIVE DIRECTORS



## APPOINTMENT / RE-ELECTION /RESIGNATION / RETIREMENT OF DIRECTORS

The Board ensures that due process is followed in informing the Colombo Stock Exchange (CSE) and shareholders of any appointment, re-election, resignation, or retirement of Directors.

Board members are appointed through a formal and transparent process established under the responsibilities of the Nominations and Governance Committee (NAGC). The NAGC evaluates the suitability of potential candidates by considering how their skills, experience, and expertise will enhance the overall effectiveness and diversity of the Board. As part of this process, the Committee also reviews the external directorships and professional commitments of prospective candidates to ensure these do not exceed a level that would prevent them from exercising due care, skill, and diligence in fulfilling their responsibilities as members of the Arpico Insurance Board.

In accordance with the Company's Articles of Association, one-third of the Non-Executive Directors are required to retire at each Annual General Meeting (AGM), but remain eligible to offer themselves for re-election by the shareholders. In this context, the NAGC also reviews the eligibility of the relevant Directors for re-election, taking into account their past performance in terms of participation, engagement, and contribution to Board deliberations and decision-making.

A Director appointed by the Board to fill a casual vacancy that arises between AGMs may also offer himself or herself for re-election at the next AGM for approval by the shareholders.

Directors who have served on the Board for nine consecutive years or who reach the age of 70 years—whichever occurs first—are required to retire. However, provisions under Sections 210 and 211 of the Companies Act No. 07 of 2007, together with Direction 17 of the Corporate Governance Framework for insurers issued by the Insurance Regulatory Commission of Sri Lanka, allow such Directors to be recommended for re-election through an ordinary resolution proposed by the majority shareholders of the Company.

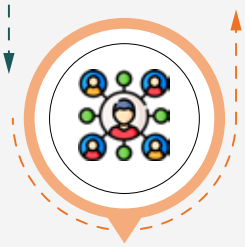
### PROCESS OF APPOINTMENT

**Identification of Board Needs**



» Every year, the Nominations Committee, evaluates the diversity expenses, and skill set of the percent board to determine whether more qualifications are needed for the position.

**Criteria for Board Members**



» 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.

**Search and 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 Arpico Insurance PLC.

**Selection**



» The new Director will be chosen in the end through a transparent, official appointment process that is subject to Board, shareholder, and regulatory authority approval (IRCSL)

**Announcement and On-Boarding**



» The Colombo Stock Exchange (CSE) and the shareholders will be informed of the new Director's appointment to the board through a press release that will include the new Director's brief resume, information about their ownership of the Company and information about their status as an independent.

## BOARD CHANGES IN 2025

In compliance with the provisions of the CSE's new Listing Rules on Corporate Governance issued in 2024, a formal Policy on Corporate Governance, Nominations and Re-election was approved by the Board and implemented with effect from September 2024. The primary objective of this policy is to promote strong governance practices, transparency, and fairness in the nomination and re-election of Board members. The Policy further seeks to ensure Arpico Insurance PLC is led by a high quality and competent Board.

| Status | Name and designation | Designation | Date |
|---|---|---|---|
| **New appointments** | Mr. Ainsley Rohan Muturajah Muttiah | Independent Non-executive Director | Joined 03rd March 2025 |
| **Re-elections** | | | |
| | Mr.Ramal Jasinghe | Independent Non-executive Director | - |
| | Mr.Shiron Gooneratne | Non-executive Director | - |
| | Mr.Yudhishtran Kanagasabai | Independent Non-executive Director | - |
| **Resignations** | Mr.Kelum Senanyake | CEO/Executive Director | Resigned from 31st December 2025. |

## MANAGING CONFLICTS OF INTEREST

In order to avoid conflicts of interest, all Directors are expected to act in good faith while fulfilling their fiduciary responsibilities to shareholders and other stakeholders, actively avoiding situations that could give rise to conflicts of interest. They are required to exercise due diligence and maintain transparency by promptly identifying and disclosing any potential conflicts to the Board.

The newly established Policy on Internal Business Conduct and Ethics, applicable to both Directors and employees, provides comprehensive guidance on managing conflicts of interest, including procedures for recusal from discussions or decisions where a conflict exists. The Company's Related Party Transactions Review Committee is responsible for evaluating all conflict of interest disclosures submitted by Directors and advising the Board on appropriate measures to mitigate or manage such conflicts effectively.

### Directors' Interests in Contracts

| Name of Director | Position on the Arpico | Directorships held in listed Companies | | Directorships held in | |
|---|---|---|---|---|---|
| | | Executive Capacity | Non-Executive Capacity | Executive Capacity | Non-Executive Capacity |
| Mr. Ramal Jasinghe | Chairman (Independent Non-Executive Director) | - | - | - | - |
| Mr. Shiron Gooneratne | Non-Executive Director | - | 2 | - | 14 |
| Mr. Kelum Senanayake | Executive Director | - | - | - | - |
| Mr. Yudhishtran Kanagasabai | Independent Non-Executive Director | - | 4 | - | 6 |
| Mr. Rohan Muttiah | Independent Non-Executive Director | - | - | - | - |

## DIRECTOR'S REMUNERATION

Arpico Insurance PLC's Policy on Remuneration establishes the framework for determining fair and competitive compensation for Directors, executives, and employees. It provides clear guidelines for the remuneration of both Executive and Non-Executive Directors. Non-Executive Independent Directors receive fees for their service on the Board and its Sub-Committees, aligned with market benchmarks and comparable fees in similar organisations.

The Board conducts an annual review to ensure that these fees remain consistent with prevailing industry standards.

For Executive Directors, remuneration is influenced by local market rates but primarily linked to the achievement of the Company's performance objectives. This approach ensures that compensation is competitive, performance-driven, and aligned with the long-term success and sustainability of the organisation. Executive Directors' remuneration typically includes a combination of fixed and variable components, such as performance-based incentives, bonuses, and long-term equity

awards. Key Management Personnel (KMP) remuneration is determined using the same performance-aligned principles.

## DIVISION OF RESPONSIBILITIES

In line with global best practices, Arpico Insurance has established a clear division of responsibilities at the leadership level to promote accountability, prevent conflicts of interest, and ensure that both governance and management functions are conducted with the highest levels of professionalism and integrity Accordingly, there exists a clear separation of roles between the Chairman and the CEO. The Arpico Insurance Board is led by a Non Executive Independent Chairman, who provides objective leadership and oversees Board effectiveness by promoting unbiased discussions and decision-making at the Board level. The Executive Director/CEO is responsible for executing the Board's strategic directives, managing day-to-day operations, and driving the Company's performance in alignment with its long-term goals.

## BOARD COMMITTEES

To assist in performing its oversight role, the Board has appointed several Sub Committees to provide oversight in specific key areas. In compliance with the provisions of the CSE's new Listing Rules on Corporate Governance issued in 2024, 2 new Board Committees, namely the Nominations and Governance committee (NAGC) and the Remuneration Committee were established in September 2024. Accordingly, from 31st December 2024, the Company had established all 04 mandatory Committees - the Board Audit Committee, the Related Party Transaction Review Committee, the Nominations and Governance Committee and the Remuneration Committee.

Moreover, the Policy on Board Committees was also approved by the Board established with effect from September 2024, setting out formal Terms of Reference (TOR's) for all 04 Committees, which hereinafter would be reviewed annually by the Board and updated as needed in line with regulatory changes and good governance practices.

## AUDIT COMMITTEE

**Objective** :

» Financial Reporting Integrity

» Risk Management & Internal Control

» External & Internal Audit Oversight

» Regulatory & Compliance Assurance

### Members and number of meetings in 2025

| Audit Committee | 7-May | 19-May | 14-May | 12-Nov |
|---|---|---|---|---|
| Mr. Shiron Gooneratne | √ | √ | √ | √ |
| Mr. Yudhishtran Kanagasabai | √ | √ | √ | √ |
| Mr. Rohan Muttiah | √ | √ | √ | √ |

### Invitees

1. Representatives from Ernst & Young (EY).

2. Group Management Committee,

3. Key members of the finance and risk teams

### Further readings

Committee Report on page 164.

## RELATED PARTY TRANSACTION REVIEW COMMITTEE

Objective : Review and approval of RPTs, compliance with regulations, transparency and disclosure, risk mitigation

### Members and number of meetings in 2025

| Related Party transaction review committee | 28-Mar | 7-May | 14-Aug | 24-Dec |
|---|---|---|---|---|
| Mr. Shiron Gooneratne | √ | √ | √ | √ |
| Mr. Yudhishtran Kanagasabai | √ | √ | √ | √ |
| Mr. Rohan Muttiah | √ | √ | √ | √ |

### Invitees

» Financial Controller

» Compliance officer

Further readings : Committee Report on page 178.

## BOARD REMUNERATION COMMITTEE

Objective : Fair & competitive compensation, performance-based rewards, regulatory compliance & governance, transparency & disclosure

| Members in 2025 |
|---|
| Mr. Rohan Muttiah (Appointed w.e.f. 3rd March 2025) |
| Mr. Shiron Gooneratne |
| Mr. Yudhishtran Kanagasabai |

Separate Remuneration Committee meetings were not held during the year, remuneration matters were fully integrated into Board deliberations

Further readings: Committee Report on page 172.

## RISK COMMITTEE

Objective : Risk oversight & governance, identification & assessment of risks, mitigation & internal controls, risk reporting & compliance.

| Members of meetings in 2025 |
|---|
| Mr. Yudhishtran Kanagasabai |
| Mr.Ramal Jasinghe |
| Mr. Rohan Muttiah (Appointed w.e.f. 3rd March 2025) |

Separate Remuneration Committee meetings were not held during the year, remuneration matters were fully integrated into Board deliberations

Further readings: Committee Report on page 161.

## NOMINATIONS AND GOVERNANCE COMMITTEE

Objective: Board composition & succession planning, corporate governance framework, performance evaluation, independence & conflicts of interest

| Members of meetings in 2025 |
|---|
| Mr. Yudhishtran Kanagasabai |
| Mr. Shiron Gooneratne |
| Mr. Rohan Muttiah (Appointed w.e.f. 3rd March 2025) |

Separate Remuneration Committee meetings were not held during the year, remuneration matters were fully integrated into Board deliberations

**Further readings:** Committee Report on page 176.

## INVESTMENT COMMITTEE

Objective: Investment strategy & policy oversight, risk-adjusted investment decisions, performance monitoring & optimisation, compliance & governance

| Members of meetings in 2025 |
|---|
| Mr. Yudhishtran Kanagasabai |
| Mr. Shiron Gooneratne |
| Mr. Rohan Muttiah |

During 2025, one separate Investment Committee meeting was held. All other investment-related matters were discussed at the Board level.

### Invitees

» Actuarial department representative

» Financial Controller

Further readings : Committee Report on page 169.

## COMPANY SECRETARY

The appointment of the Company Secretary is approved by the Board after rigorous screening, including a fit and proper scrutiny and the Board conducts an annual review to assess the performance of the Company Secretary.

The Company Secretary is responsible for providing guidance on corporate governance practices, regulatory compliance, and Board procedures. By acting as a liaison between the Board, management, and shareholders, the Company Secretary upholds transparency and accountability, contributing to the Company's commitment to good governance.

The Company Secretary's key responsibilities include coordinating Board meetings, preparing and distributing the Board pack and minutes, ensuring timely communication of Board decisions to relevant stakeholders and facilitating the induction and ongoing training of Directors. Directors have unrestricted access to the Company Secretary.

## PLANNING OF BOARD MEETINGS

Proper planning of Board meetings is vital to ensure coverage of material topics and adequate time for discussion. The Chairman sets the Board agenda, assisted by the Company Secretary. The meeting time is fixed to ensure all agenda items can be discussed adequately. Directors are allowed to make written requests to the Chairman for any additional matters to be included in the agenda.

The final agenda along with a comprehensive Board pack containing relevant Board Papers are circulated among all Directors at least seven (07) working days prior to the meeting date, allowing Board members sufficient time to review the same.

## DIRECTOR'S TRAINING

The Company recognises that training and awareness for Directors is essential to keep ahead of the extreme competition in the industry by equipping directors to fulfil their roles effectively. Directors trainings are organised by Company Secretary. Such events often focuses on emerging industry trends, risk management, corporate governance best practices, and regulatory changes.

As part of their orientation, all new Directors receive an special orientation pack with all relevant information to ensure adequate knowledge regarding the Company and its operations. New Directors are also given the opportunity to meet the Board and Key Management Personnel, as required.

## BOARD MEETINGS

Arpico Insurance PLC conducted Board meetings, every month, or more frequently if required. Board meetings are planned ahead of time under and circulated among all Directors as the annual meeting calendar.

As stipulated in the newly established Policy on Matters Relating to the Board of Directors, every Director required to participate in at least one or over 10% of the general Board meetings. The policy allows Directors to participate at Board meetings using audio visual channels with such participation taken quorum in the event that the physical quorum is not met.

Board members, regardless of whether they participate in-person or online, are expected to come well prepared and engage in robust discussions on key matters pertaining to the Company.

The Chairman takes the lead in ensuring effective Board meetings by ensuring all Directors have the opportunity to contribute, thereby promoting open, constructive discussions and encouraging diverse

perspectives, while keeping a strict focus on addressing all agenda items, including deliberation of Board resolutions.

Every Board meeting agenda includes a segment where the Chairman / Chairperson of each Board committee is required to provide an update on significant matters discussed at their respective Board sub-committee meetings held since the previous Board meeting.

Members of the Corporate Management team also often attend Board meetings on invitation.

The Company Secretary is responsible for maintaining the minutes of each Board meeting. These minutes are initially presented to the Chairman for approval before being shared with the Directors and other members of Corporate Management who attended the Board meeting. A total of 8 Board meetings were held in FY 2025.

| Audit Committee | 27-Feb | 3-Mar | 7-May | 4-Aug | 27-Oct | 6-Nov | 11-Dec | 30-Dec |
|---|---|---|---|---|---|---|---|---|
| Dr. Kelum Senanayake * | √ | √ | √ | √ | √ | √ | √ | √ |
| Mr. Ramal Jasinghe | √ | √ | √ | √ | √ | √ | √ | √ |
| Mr. Shiron Gooneratne | √ | √ | √ | √ | √ | √ | √ | Excused |
| Mr. Yudhishtran Kanagasabai | √ | √ | √ | √ | Excused | √ | √ | √ |
| Mr. Rohan Muttiah | - | √ | √ | √ | √ | √ | √ | √ |
| (Appointed w.e.f. 3 March 2025) | | | | | | | | |

*CEO/ED Mr.Kelum Senanyake resigned from 31st December 2025.

## BOARD AND BOARD SUBCOMMITTEE EVALUATION

The performance and effectiveness of the Board and its Subcommittees are reviewed annually. As part of this evaluation, each Director completes a self-assessment, offering their perspectives on the Board's composition, balance, and overall effectiveness in fulfilling its responsibilities.

## EVALUATING THE PERFORMANCE OF THE CEO

The performance of Arpico Insurance PLC's Executive Director/CEO is reviewed annually by the Board at the end of each financial year. This evaluation assesses the Company's performance and progress against the targets, goals, and objectives established at the beginning of the year. Based on the outcomes of this review, the Board makes recommendations to the Remuneration Committee regarding any revisions to the CEO's remuneration.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

| Principle | Terms as Best Practice Code | Best Practice Code Requirement | Compliance Status |
|---|---|---|---|
| A.1 | The Board | Every Public Company should be headed by an effective board | Complied |
| A.1.1 | Board Meetings | Board meeting should be held at least once in every quarter of a financial year (4 times during the year) in order to effectively execute the board's responsibilities | Complied |
| A.1.2 | Roles & Responsibilities | ▪ The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed<br>▪ Ensure formulation and implementation of a sound business strategy<br>▪ Appointing the chair and senior independent directors if relevant<br>▪ Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy<br>▪ Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy<br>▪ Approving budgets and major capital expenditure<br>▪ Determining the matters expressly reserved to the Board and those delegated to the management including limits of authority and financial delegation<br>▪ Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management<br>▪ Ensuring the availability of information communication technology (ICT) roadmap in line with business strategy of the company, and monitor the progress of implementation through the ICT dashboard, ensuring compliance with laws, regulations and ethical standards<br>▪ Ensuring all stakeholder interests are considered in corporate decisions<br>▪ Recognising sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting "integrated reporting"<br>▪ Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations<br>▪ Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks<br>▪ Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company<br>▪ Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned | Complied |
| A.1.3 | Act in accordance with the laws of the Country | Act in accordance with the laws of the Country The board collectively, and directors individually, must act in accordance with the laws of the country, as applicable to the business enterprise.<br><br>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 2023 issued by CA Sri Lanka. | Complied |

| Principle | Terms as Best Practice Code | Best Practice Code Requirement | Compliance Status |
|---|---|---|---|
| A.1.4 | Access to advice and services of the Company Secretary | All directors should have access to the advice and services of the company secretary, who is responsible to the board in ensuring that board procedures are followed, and that applicable rules and regulations are complied with.<br><br>The company should obtain appropriate insurance cover as recommended by the nominations committee for the board, directors, and key management personnel. | Complied |
| A.1.5 | Independence judgment | All directors should bring independent judgment to bear in discharging their duties and responsibilities on matters relating to the board, including strategy, performance, resource allocation, risk management, compliance, and standards of business conduct. | Complied |
| A.1.6 | Dedicate adequate time and effort to matters of the Company | Every director should dedicate adequate time and effort to matters of the board and the company, to ensure that the duties and responsibilities owed to the company are satisfactorily discharged. | Complied |
| A.1.7 | Procedures relating to Directors' Matters in the best interests of the Company | One third of directors can call for a resolution to be presented to the board where they feel it is in the best interest of the company to do so.<br><br>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. | Complied |
| A.1.8 | Board induction and training | Every director should receive appropriate training when first appointed to the board of a company, and subsequently as necessary.<br><br>A director must recognise that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform duties as a director.<br><br>The board should regularly review and agree on the training and development needs of the directors. | Complied |
| A.2 | Chairman and Chief Executive Officer (CEO) | The position of the Chairman and CEO 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.<br><br>The Chairman of the Company is Mr. Ramal Jasinghe and the CEO of the Company is Mr. Kelum Senanayake. | Complied |
| A.3 | Chairman's Role | The chairman's role in preserving good corporate governance is crucial.<br><br>As the person responsible for running the board, the chairman should preserve order and facilitate the effective discharge of board functions, maintain smooth functioning of the Board, preside at the Directors' and Shareholders' meetings to ensure Director participation and proper execution of Board proceedings, and promote and carry out responsibilities in the best interests of good governance. | Complied |
| A.4 | Financial Acumen | The board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance. | Complied |
| A.5 | The Board Balance | The board should include at least three non-executive directors or such number of non-executive directors, equivalent to one third of total number of directors, whichever is higher. In the event the chairman and CEO is the same person, or if the chairman is not an independent director, non-executive directors should comprise majority of the board. At least three or two third of total number of non-executive directors appointed to the board of directors whichever higher should be independent. | Complied |
| A.6 | Supply of Information | The board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties. | Complied |

| Principle | Terms as Best Practice Code | Best Practice Code Requirement | Compliance Status |
|---|---|---|---|
| A.7 | Appointment to the Board | Board should establish a formal and transparent procedure for the appointment of new directors to the board. | Complied |
| A.8 | Re-election and Resignation of Directors | All directors should be required to submit themselves for re-election at regular intervals and at least once in every three years. | Complied |
| A.9 | Appraisal of Board Performance | Boards should periodically appraise their own performance in order to ensure that board responsibilities are satisfactorily discharged. | Complied |
| A.10 | Information in Respect of Directors as Specified in the Code | Shareholders should be kept advised of relevant details in respect of directors, including profiles, qualifications, expertise, and appointments, as well as material business interests of directors.<br>Whether Executive, Non-Executive, and/or Independent Director.<br>Total number of Board seats held by each Director in other companies.<br>Number/percentage of Board meetings of the Company attended during the year.<br>Members of Committees and attendance at Board meetings and committee meetings. | Complied |
| A.11 | Appraisal of the Chief Executive Officer (CEO) | The Board should be required, at least annually, to assess the performance of the CEO. | Complied |

## Compliance with CSE listing rules

| Principle 9. Corporate Governance | Terms as CSE Listing Rules | Listing Rule Requirement | Compliance Status |
|---|---|---|---|
| 9.1 | Applicability of Corporate Governance Rules | By confirming its adherence to corporate governance guidelines, the company has complied with CSE Listing Rule 9. | Complied |
| 9.2.1 | Policies | Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website:<br>a) Policy on the matters relating to the Board of Directors<br>b) Policy on Board Committees<br>c) Policy on Corporate Governance, Nominations and Re-election<br>d) Policy on Remuneration<br>e) Policy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities<br>f) Policy on Risk management and Internal controls<br>g) Policy on Relations with Shareholders and Investors<br>h) Policy on Environmental, Social and Governance Sustainability<br>i) Policy on Control and Management of Company Assets and Shareholder Investments<br>j) Policy on Corporate Disclosures<br>k) Policy on Whistleblowing<br>l) Policy on Anti-Bribery and Corruption | Complied |

| Principle 9. Corporate Governance | Terms as CSE Listing Rules | Listing Rule Requirement | Compliance Status |
|---|---|---|---|
| 9.2.2 | Policies | Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report. | Complied |
| 9.2.3 | Policies | The policies have been disclosed on the company website, and no modifications have been made to the policies throughout the year. | Complied |
| 9.2.4 | Policies | Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy. | Complied |
| 9.3.1 | Board Committees | The Company maintains 4 mandatory committees required by CSE listing rules. Refer respective committee reports.<br>a) Nominations and Governance Committee<br>b) Human Resource and Remuneration Committee<br>c) Audit Committee<br>d) Related Party Transactions Review Committee | Complied |
| 9.3.2 | Board Committees | Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the Board committees as set out in these Rules | Complied |
| 9.3.3 | Board Committees | The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees | Complied |
| 9.4.1, 9.4.2 | Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders | Listed Entities shall retain records of all resolutions and the following information whenever a resolution is considered at any General Meeting of the entity. The entity shall provide copies of the same at the request of the exchange and/or SEC. The number of shares in respect of which proxy appointments have been validly made:<br>a) The number of votes in favour of the resolution;<br>b) The number of votes against the resolution; and<br>c) The number of shares in respect of which the vote was directed to be abstained.<br><br>Communication and relations with shareholders and investors | Complied |
| 9.5.1 | Policy on matters relating to the Board of Directors | Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors. | Complied |
| 9.5.2 | Policy on matters relating to the Board of Directors | Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action. | Complied |
| 9.6.1–9.6.4 | Chairperson and CEO | The Chairperson of every Listed Entity shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual. | Complied |
| 9.7.1 – 9.7.2 | Fitness of Directors and CEOs | The Listed Entities shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules.<br><br>In evaluating fitness and propriety of the persons referred in these Rules, Listed Entities shall utilise the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3. | Complied |

| Principle 9. Corporate Governance | Terms as CSE Listing Rules | Listing Rule Requirement | Compliance Status |
|---|---|---|---|
| 9.7.3 – 9.7.5 | Fitness of Directors and CEOs | A fit and proper assessment process to be implemented, and all directors need to be assessed annually in accordance with Rule, as well as IRCSL regulations. | Complied |
| 9.8.1 | Board Composition | The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors. | |
| 9.8.2 | Board Composition | The Board of Directors of Listed Entities shall include at least two (02) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors. | Complied* |
| 9.8.3 – 9.8.4 | Board Composition | The criteria for determining independence shall comply with Listing Rule 9.8.3. | Complied |
| 9.8.5 | Board Composition | Each Independent Director shall submit a signed and dated declaration annually of his or her "independence" or "non-independence".<br><br>The Board has reviewed these annual declarations and other available information to verify adherence to the criteria for assessing independence. (Refer Note 01) | Complied |
| 9.9 | Alternate Director | If a Listed Entity provides for the appointment of Alternate Directors, it shall be required to comply with the CSE Listing Rule. | The Company was not required to appoint an Alternate Director during the period. |
| 9.10.1 | Disclosures relating to Directors | Listed Entities shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Rule 9.5.1. | Not implemented |
| 9.10.2 | Disclosures relating to Directors | Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following:<br>I. A brief resume of such Director;<br>II. His/her capacity of directorship; and,<br>III. Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity. | Complied |
| 9.10.3 | Disclosures relating to Directors | Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board of Directors or Board Committees referred to in Rule 9.3. | Complied |
| 9.10.4 | Disclosures relating to Directors | Listed Entities shall also disclose the information required in Rule No. 9.10.4 in relation to the Directors in the Annual Report. | Complied |
| 9.11.1 – 9.11.3 | Nominations and Governance Committee | Established a Nominations and Governance Committee, which follows a formal procedure for appointing new Directors and re-electing existing Directors to the Board.<br><br>The Committee operates under a set of written terms of reference that clearly define its scope, authority, and responsibilities.<br><br>Refer to Nominations and Governance Committee Report. | Complied since October 2024 |

| Principle 9. Corporate Governance | Terms as CSE Listing Rules | Listing Rule Requirement | Compliance Status |
|---|---|---|---|
| 9.11.4 | Composition | Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. Not comprise of Executive Directors of the Listed Entity.<br><br>An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors. The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity. | Complied since October 2024* |
| 9.11.5 | Functions of the Committee | The Committee shall fulfil its duties by evaluating and recommending Director appointments, establishing selection criteria, reviewing the Board's structure, and updating governance policies in accordance with the stipulations outlined in Section 9.11.5, thereby ensuring compliance with regulatory requirements. Re-elections and new appointments have been disclosed. | Complied since October 2024 |
| 9.11.6 | Disclosures | Disclosure requirements, as follows:<br>a) The names of the Chairperson, Committee members and Directors;<br>b) Committee appointment date;<br>c) Nominating Director policy existence;<br>d) Directors' periodic re-election requirement;<br>e) Board diversity disclosure;<br>f) Effective Director appointment policy demonstration;<br>g) Re-elected Directors' details;<br>h) Board and Managing Director (CEO) performance evaluations;<br>i) Independent Directors' major entity issues awareness;<br>j) New Directors' induction on governance;<br>k) Annual updates on governance for Directors;<br>l) Directors' independence confirmation;<br>m) Listing Rules compliance statement, non-compliance explanation, and remedial actions. | Complied |
| 9.12.6 | Remuneration Committee | The Company shall operate with a separate Remuneration Committee.<br><br>The Remuneration Committee comprises Two (02) Independent Non-Executive Directors and One (01) Non-Executive Director. An Independent Director serves as the Chairperson. | Complied since October 2024* |
| 9.12.7 | Functions | Recommends and assesses the relevance of the remuneration payable to the Executive Directors of the Company. | Complied since October 2024 |
| 9.12.8 | Disclosures | a) Chairperson and members of the Remuneration Committee and their Directorships.<br>b) Statement on remuneration policy.<br>c) Aggregate remuneration of Executive and Non-Executive Directors. | Complied |
| 9.13 | Audit Committee | The Company shall establish an Audit Committee as a separate Board Sub-Committee to oversee Risk Management and Internal Controls.<br><br>The Committee operates under a set of written terms of reference that clearly outlines its scope, authority and duties. | Complied |

| Principle 9. Corporate Governance | Terms as CSE Listing Rules | Listing Rule Requirement | Compliance Status |
|---|---|---|---|
| 9.13.3 | Composition | Shall comprise Two [2] Independent Non-Executive Directors and One [1] Non-Executive Director.<br><br>During the year the Committee shall meet four [4] times with the participation of the Managing Director, CFO and Chief Audit and Compliance Officer by invitation.<br><br>An Independent Director serves as the Chairperson. | Complied*<br><br>Complied<br><br>Complied |
| 9.13.4 | Functions | The committee shall oversee the entity's compliance with financial regulations, including reviewing financial statements and accounting policies, recommending external auditor appointments, ensuring assurance on financial records and risk management, overseeing compliance with auditing standards and risk management, evaluating risk policies, taking corrective actions on excessive risks, reviewing audit effectiveness, establishing policies for external auditor engagement, justifying auditor changes when necessary, and promptly reporting breaches to the Board and relevant authorities. | Complied |
| 9.13.5 | Disclosures | a) Chairperson and Audit Committee members' details.<br>b) Risk management status for the Company.<br>c) CEO and CFO assurance statement.<br>d) Compliance opinion on financial reporting requirements.<br>e) Confirmation of Audit Charter existence.<br>f) Summary of internal audit method.<br>g) Details of functions discharged for the financial year.<br>h) Confirmation of external auditors' independence.<br>i) Auditor independence determination and engagement details. | Complied |
| 9.14.1 | Related Party Transactions Review Committee | Shall establish a Related Party Transactions Review Committee and comply with the requirements outlined in Rule 9.14.<br><br>The Committee operates under a set of written terms of reference that clearly outline its scope, authority, and duties. | Complied |
| 9.14.2 | Composition | The Related Party Transactions Review Committee shall comprise a minimum of three [03] Directors of the Listed Entity, out of which two [02] members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee. | Complied* |
| 9.14.3 | Functions | The Company shall set up a Related Party Transactions Review Committee to oversee such transactions, with the aim of safeguarding shareholders' interests and preventing abuse by Directors, CEOs, or Substantial Shareholders.<br><br>The rules prioritise the economic and commercial substance of transactions over the legal form or technicalities. The committee is tasked with establishing and maintaining clear policies, procedures, and processes for identifying, clarifying, and reporting related party transactions across the Company's operations. | Complied |

| Principle 9. Corporate Governance | Terms as CSE Listing Rules | Listing Rule Requirement | Compliance Status |
|---|---|---|---|
| 9.14.4 | General requirements | The Committee shall convene quarterly, ensuring thorough documentation of meeting minutes for the Board of Directors. Committee members have access to adequate expertise to evaluate proposed transactions, seeking professional advice when necessary. Approval from the Board of Directors is required for reviewed transactions as mandated by Rule 9.14.4. Directors with personal interests in such matters must abstain from participation and voting during relevant Board Meetings. | Complied |
| 9.14.5 – 9.14.6 | General Requirements | The Related Party Transactions Review Committee shall review all related party transactions, while also considering any material changes to previously reviewed transactions under Rule 9.14.5. They assess transaction details and Director independence, and may establish guidelines for ongoing deals, conducting annual compliance reviews. | Complied |
| 9.14.7 | Disclosures | There were no non-recurrent related party transactions which exceeded the aggregate value of 10% of the Equity or 5% of the Total Assets. There were no recurrent related party transactions which exceeded the 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. | Complied |
| 9.14.8 | Annual report disclosures | There were no transactions in the aggregate value of the non-recurrent Related Party Transactions exceeding 10% of the Equity or 5% of the Total Assets of the Company, as per the latest Audited Financial Statements. | Complied |
| 9.14.9 | Disclose | Acquisition and Disposal of Assets from/to related parties | No substantial acquisitions or disposals occurred during the year. |
| 9.14.10 | Exempted Related Party Transactions | Use definition given under exempted related party transactions when determine the related party transactions of the Company | Complied |
| 9.16 | Other disclosures | i) The Board of Directors has disclosed all material interests in Entity contracts and refrained from voting on such matters. (Refer page 143).<br>ii) The Board has reviewed internal controls and obtained reasonable assurance of effectiveness. Any inability to declare is explained. (Refer page 147).<br>iii) The Board stays informed about applicable laws, rules, and regulations. (Refer page 46).<br>iv) The Board discloses instances of non-compliance and material fines in Entity operated jurisdictions. | Complied (For i–iii).<br>Non-compliances were disclosed and no fines were incurred in 2024. |

## DIRECTION ON CORPORATE GOVERNANCE FOR INSURERS ISSUED BY THE INSURANCE REGULATORY COMMISSION OF SRI LANKA

| Principle | Implications | Compliance |
|---|---|---|
| A | Adherence of the Code of Best Practice on Corporate Governance 2024 | Complied |
| B.1 | A minimum of two Directors of the Board must be citizens and residents of Sri Lanka | Complied |
| B.2 | Total service period of a Non-Executive Director [NED] shall not exceed nine [9] years | Complied |
| B.3 | Age of a person who serves as a Director of the Company, shall not exceed 75 years | Complied |
| B.4 | Adherence to the Section 9 of the Listing Rules of the CSE | Complied |
| B.5 | Appointments in Other Boards 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 | Complied |
| B.6 | Disclosed compliance status as required in Section 9 of the Listing Rules of the CSE | Complied |
| B.7 | Any non-compliance status in respect of principle B of this direction Compliance requirements set by the "IRCSL Direction 17" specific to Principle B as mentioned above on Corporate Governance are successfully achieved as required | Complied |
| B.8 | In the case of a Director older than 70 years continuing in service | Not applicable |
| | 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. | |

| Name of the Director | Employed 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 | 70 Years of Age* | Status |
|---|---|---|---|---|---|---|---|---|---|---|
| Mr. Ramal Jasinghe | Not | Not | Not | Not | Not | Not | Not | Not | Not | Independent (INED) |
| Mr. Shiron Gooneratne | Not | Not | Not | Not | Yes | Not | Yes | Not | Not | Non Independent |
| Mr. Kelum Senanayake | Yes | Not | Not | Not | Not | Not | Not | Not | Not | Non Independent |
| Mr. Yudhishtran Kanagasabai | Not | Not | Not | Not | Not | Not | Not | Not | Not | Independent (INED) |
| Mr. Ainsley Rohan Muturajah Muttiah | Not | Not | Not | Not | Not | Not | Not | Not | Not | Independent (INED) |

## COMPLIANCE WITH OTHER APPLICABLE REGULATIONS

| Statement/Report | Regulatory Body | Relevant Act | Current Status |
|---|---|---|---|
| VAT | Insurance Regulatory Commission of Sri Lanka | VAT Act No 14 of 2002 | Complied |
| Returns to IRCSL (Quarterly/ Annual/ Further Returns/ Actuarial Returns/ Circular/ Management Letter) | Insurance Regulatory Commission of Sri Lanka | Regulation of Insurance Industry Act No 43 of 2000 | Complied |
| Annual Fee to IRCSL | Insurance Regulatory Commission of Sri Lanka | Regulation of Insurance Industry Act No 43 of 2000 | Complied |
| Reinsurance Arrangements to the Controller | Insurance Regulatory Commission of Sri Lanka | Regulation of Insurance Industry Act No 43 of 2000 | Complied |
| Copy of Register of Insurance Agents Registered with Arpico Insurance PLC | Insurance Regulatory Commission of Sri Lanka | Regulation of Insurance Industry Act No 43 of 2000 | Complied |
| Stamp Duty | Department of Inland Revenue | Stamp Duty (Special Provisions) Act No 12 of 2006 | Complied |
| CSE Quarterly Returns | Colombo Stock Exchange | CSE Listing Rules | Complied |
| Anti-Money Laundering Statements | Financial Intelligence Unit – Central Bank of Sri Lanka | Financial Transactions Reporting Act No 6 of 2006 | Complied |
| EPF and ETF | Central Bank of Sri Lanka / ETF Board | EPF Act No 15 of 1958 and ETF Act No 46 of 1980 | Complied |
| Legal Interest | Monetary Board | Civil Procedure Code | Complied |
| Annual Return to the Registrar of Companies | Registrar General of Companies | Companies Act No 7 of 2007 | Complied |

# Benefit

## at Every Turn

**We are people-first at Arpico Insurance PLC, and the value we create benefits not just our organisation, but every single customer whom we serve. Our philosophy is entrenched in fairness and in creating wide, shared impact for all stakeholders.**

Value is never singular – it contains layers of insight, action and procedure that allows one to continuously pursue it, and utilise it towards betterment.



# VALUE CREATION MODEL

## INPUTS

### Financial Capital

Financial resources to sustain Arpico Insurance core business operations and facilitate business expansion

- Equity: Rs 1.7Bn (Rs.1.8Bn)
- Debt: Nil (Nil 2024)

### Manufactured Capital

The physical infrastructure and IT systems that together facilitate the delivery of the Arpico Insurance value proposition to the market

- Branch Network
- Digital Channels
- Backend IT Infrastructure

### Intellectual Capital

Unique attributes that collectively represent the Company's competitive edge

- Brand Reputation
- Ethics and Values
- BCP Framework & DR Architecture

### Human Capital

- Total employees - 1068
- Gender ratio -1:0.2
- Gender ratio at a leadership level - 1:0.4

### Social & Relationship Capital

The primary stakeholder relationships that are crucial for sustaining the Company's business operations.

- Customers
- Agent Network
- Reinsurance Partners
- Suppliers
- Wider community

### Natural Capital

Environmental resources used to produce energy, water and paper used in the Company's day-to-day operations

- ESG Policy

## VALUE CREATION PROCESS

## OUR VISION

To be the most trusted and innovative solutions provider for life insurance needs.

## OUR MISSION

Provide unparalleled services to clients through team spirit nourished by passion and developing innovative life insurance solutions, technical expertise, value additions, and unique service capability.



## OUTPUTS

### Financial Capital

- Year-on-year GWP Growth (4%)
- NPAT: Rs. 8 Mn
- Tax liability: Nill
- Retained earnings: Rs. 1,012Mn
- Claim Ratio: 49%

### Manufactured Capital

- GWP per branch: Rs.27Mn
- Growth in digital channel adoption with approaching to a new cloud platform.

### Intellectual Capital

- New Products :1
- Investment in training: Rs 4.3 Mn.
- Awards: 2

### Human Capital

- Staff retention rate: 54%
- Incidents of Discrimination: 0

### Social & Relationship Capital

- Higher customer satisfaction with 96% Complaint resolution ratio
- Number of agents:840
- Reduction in the Average Time taken to deliver policy to the customer

### Natural Capital

- Reduction in energy consumption :553 GJ
- Organisation-wide Carbon footprint:522 GHG-Tons.

## STAKEHOLDER OUTCOMES

### SHAREHOLDERS

- EPS : 0.12
- ROE: 0.45%

### REGULATORS

- IRSCL and CSE regulations met throughout 2025.

### EMPLOYEES

- Total investments on employee benefits: Rs.306Mn
- New recruitments: 117

### CUSTOMERS

- Total value of claims settled: Rs.850Mn
- Total number of new policies: 7,957

### BUSINESS PARTNERS AND SUPPLIERS

- Agent fees : LKR 291Mn
- Training programmes for agents: 18
- Claims ceded to Reinsurers: Rs.91Mn
- Supplier payments: Rs.176Mn

## SDGs IMPACTED

# FINANCIAL CAPITAL

During 2025, Arpico Insurance undertook a series of targeted initiatives to strengthen and optimise its manufactured capital base, with a clear focus on enhancing operational efficiency, building employee capabilities, and advancing technological infrastructure to support sustainable growth at every turn. These efforts were directed towards refining the Company's physical and operational framework, enabling greater agility, improved resource utilisation, and a more resilient, future-ready operating environment.



A key initiative during the year, was the conversion of existing office space into a dedicated Training Centre, with an investment of approximately Rs. 850,000. This strategic enhancement was designed to facilitate continuous professional development and structured knowledge-sharing across the organisation. By repurposing existing infrastructure, the Company not only maximised asset utilisation but also strengthened its internal capability-building mechanisms. The Training Centre now functions as a centralised platform for staff development programmes, technical training sessions, and collaborative learning initiatives, supporting the ongoing upliftment of employee competencies.

## MANAGEMENT APPROACH

Arpico Insurance adopts a disciplined approach to managing Financial Capital to ensure long-term financial stability and sustainable value creation. The Company focuses on maintaining a strong capital base, supported by prudent risk management and effective capital allocation across investment portfolios and operational requirements.

In 2025, the Company continued to strengthen its financial oversight through enhanced monitoring of financial performance, disciplined investment management, and prudent expense control. Emphasis is also placed on maintaining adequate liquidity and strong solvency levels in compliance with regulatory requirements. This approach enables Arpico Insurance to optimise returns while safeguarding the interests of policyholders, shareholders, and other stakeholders

## ASSOCIATED RISKS

- Underwriting Risks
- Reinsurance Risk
- Claims Risk
- Insurance Market Risk
- Liquidity Risk
- Credit Risk
- Investment Risk

## KEY ACTIONS OF 2025

Strengthened insurance liability management by maintaining a well-diversified and stable customer base.

Optimised the customer portfolio by gradually reducing exposure to non–value-adding segments, thereby improving overall portfolio quality and profitability.

Achieved improved investment returns through active portfolio management and multiple negotiations with financial institutions, while ensuring full compliance with all regulatory requirements.

## OUTPUTS / OUTCOMES

| | | |
|---|---|---|
| Share Price Appreciation | % | 37 |
| Net Assets per share | (Rs) | 25 |
| Equity Balance | (Rs) | 1.7 Bn |
| Increase of financial assets | % | 7 |

### Return to shareholders of the company

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Market price of share | 36.4 | 26.5 | 22.5 |
| Market capitalisation | 2,410 | 1,755 | 1,490 |
| Earnings per share | 0.12 | 4 | (10) |
| Price Earnings Ratio | 300 | 7 | (2) |

## IMPACTED SDGS

### Segmental information

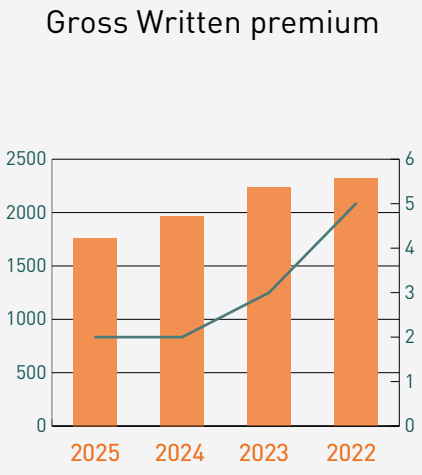
| Reportable Segments | Policy Holder fund | | Share Holder fund | | Company | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Net Revenue | 2,027,851,998 | 2,253,191,306 | 392,422,141 | 236,173,391 | 2,420,274,139 | 2,489,364,698 |
| Profit Before tax | - | - | (96,966,726) | 144,890,898 | (96,966,726) | 144,890,898 |
| **Total Assets** | 4,571,537,346 | 3,958,109,517 | 872,016,846 | 1,051,738,709 | 5,443,554,193 | 5,009,848,226 |

### Contribution by region

| Reportable Segments | Profitability change | % of company profit |
|---|---|---|
| Uva Segment | (106,457,489) | (44%) |
| Sabaragamuwa and Gampaha | (2,068,787) | (1%) |
| Corporate | 258,297,321 | 107% |
| North Central and East | (243,947,491) | (101%) |
| Southern and Central | (147,681,177) | (61%) |

## GROSS WRITTEN PREMIUM (GWP)

The total GWP declined by 10% to Rs 1,762 Mn from Rs 1,969 Mn in the previous year. This change was primarily due to the Company's decision to shift from group insurance policies to individual insurance policies. Consequently premiums from group insurance declined Rs 273.61 Mn in the previous financial year to Rs 56.67 Mn. However, we anticipate GWP to recover in the new financial year with sustained growth in individual policies.

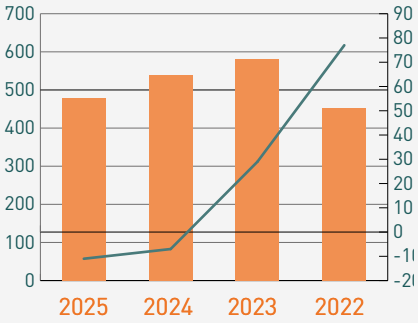


# FINANCIAL CAPITAL

## INVESTMENT INCOME

Interest income declined to Rs 479 Mn during the year, reflecting the declining interest rates. However fair value gains and realised gains contributed to the growth in investment income by 27% to Rs 723 Mn from Rs 572 Mn. This increase was mainly due to profits from exiting NDB Holdings. The sale of this parcel of shares generated over Rs 257 Mn in profits.

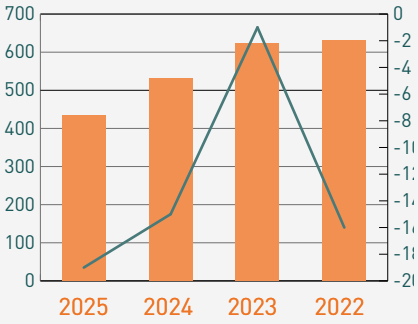
Investment Income




## UNDERWRITING ACQUISITION COSTS

During the year, we continually improved the management of expenses. In addition, the Commission structure was revamped in keeping with business model of the Company, while complying with all regulatory requirements. This resulted in a 18% reduction in underwriting costs to Rs 433 Mn in the current year, from Rs 532 Mn in the previous year.

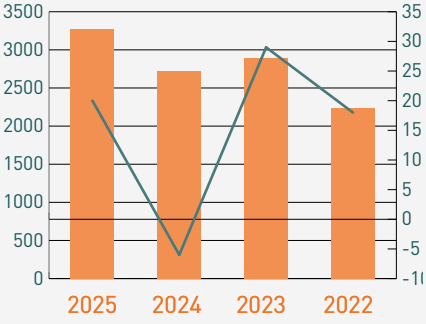
Underwriting cost




## CHANGE IN INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities increased by 20% to Rs 3,266 Mn from Rs 2,716 Mn due to the growth in new business during the year.

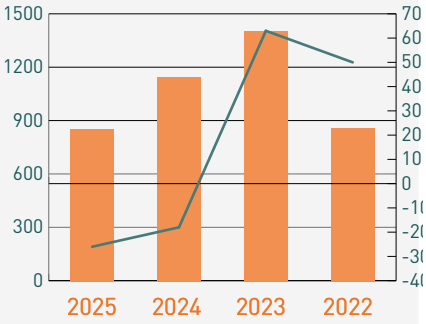
Insurance Contract liability




## BENEFITS AND CLAIMS

Improved management and screening of claims as well as the shift from group policies to individual coverage, resulted in a reduction in claims by 26 % to Rs 856 Mn during the year, from Rs 1,161 Mn in the previous year.

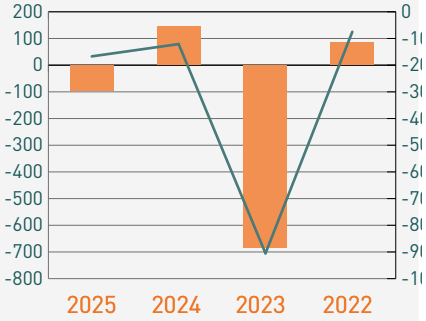
Benefits and claims




## PROFIT BEFORE TAX (PBT)

The PBT for the year dropped by Rs 241 Mn with Rs 477 Mn of deficit transfer made in the year ended 2025.

Profit Before tax



## VERTICAL ANALYSIS OF INCOME STATEMENT

| Income Statement | 2025 | | 2024 | |
|---|---|---|---|---|
| | Rs.Mn | % | Rs.Mn | % |
| Gross written premium | 1,762 | 100.0 | 1,969 | 100.0 |
| Premium ceded to reinsurers | (92) | (5.2) | (87) | (4.4) |
| **Net written premium** | 1,671 | 94.8 | 1,881 | 95.6 |
| Fees and commission income | 14 | 0.8 | 30 | 1.5 |
| Investment income | 480 | 27.2 | 540 | 27.4 |
| Fair value gains / (losses) | 12 | 0.7 | 14 | 0.7 |
| Net realised gains/(losses) | 236 | 13.4 | 18 | 0.9 |
| Other operating revenue | 8 | 0.5 | 6 | 0.3 |
| **Total other revenue** | 750 | 42.5 | 608 | 30.9 |
| **Net income** | 2,420 | 137.3 | 2,489 | 126.4 |
| Net insurance benefits and claims paid | (851) | (48.3) | (1,144) | (58.1) |
| Net change in insurance claims outstanding | (6) | (0.4) | (13) | (0.7) |
| Underwriting and net acquisition costs | (433) | (24.6) | (532) | (27.0) |
| Change in contract liabilities - life fund | (526) | (29.9) | 177 | 9.0 |
| Other operating and administrative expenses | (573) | (32.5) | (689) | (35.0) |
| Depreciation and Amortisation | (128) | (7.2) | (142) | (7.2) |
| **Total benefits, claims and other expenses** | (2,517) | (142.9) | (2,343) | (119.0) |
| **Profit before tax** | (97) | (5.5) | 146 | 7.4 |
| Income tax (expense)/reversal | 105 | 6.0 | 90 | 4.6 |
| **Profit for the year** | 8 | 0.5 | 236 | 12 |

## HORIZONTAL ANALYSIS OF INCOME STATEMENT

| Income Statement | CAGR* | 2025 | | 2024 | |
|---|---|---|---|---|---|
| | % | Rs.Mn. | % | Rs.Mn. | % |
| Gross written premium | (1) | 1,762 | (10) | 1,969 | (12) |
| Premium ceded to reinsurers | 0 | (92) | 5 | (87) | (8) |
| **Net written premium** | (1) | 1,671 | (11) | 1,881 | (12) |
| Fees and commission income | (17) | 14 | (56) | 30 | 4 |
| Investment income | 14 | 480 | (11) | 540 | (7) |
| Fair value gains / (losses) | 100 | 12 | (12) | 14 | (51) |
| Net realised gains | 100 | 236 | 1,238 | 18 | 100 |
| Other operating revenue | (2) | 8 | 39 | 6 | (28) |
| **Total other revenue** | 20 | 750 | 23 | 608 | (6) |
| **Net income** | 3 | 2,420 | (3) | 2,489 | (11) |
| Net insurance benefits and claims paid | 17 | (851) | (26) | (1,144) | (18) |
| Net change in insurance claims outstanding | (5) | (6) | (52) | (13) | (53) |
| Underwriting and net acquisition costs | 1 | (433) | (18) | (532) | (15) |
| Change in contract liabilities - life fund | 12 | (526) | (398) | 177 | (130) |
| Other operating and administrative expenses | - | (573) | (17) | (689) | (2) |
| Depreciation and Amortisation | 11 | (128) | (10) | (142) | 14 |
| **Total benefits, claims and other expenses** | 7 | (2,517) | 7 | (2,343) | (33) |
| **Profit before tax** | (181) | (97) | (166) | 146 | (121) |
| Income tax (expense)/reversal | (206) | 105 | 17 | 90 | 100 |
| **Profit for the year** | (47) | 8 | (97) | 236 | (135) |

*CAGR: Compound Annual Growth Rate

# FINANCIAL CAPITAL

## ANALYSIS OF FINANCIAL POSITION

### Total Assets

Total assets of the Company expanded by 9% year-on-year to Rs 5,444 Bn from Rs 5.00 Bn mainly due to growth in business volumes as well as cash assets.

### Insurance Contract Liabilities

Insurance contract liabilities in creased by 20% year on year, reflecting the growth in new business.

## VERTICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

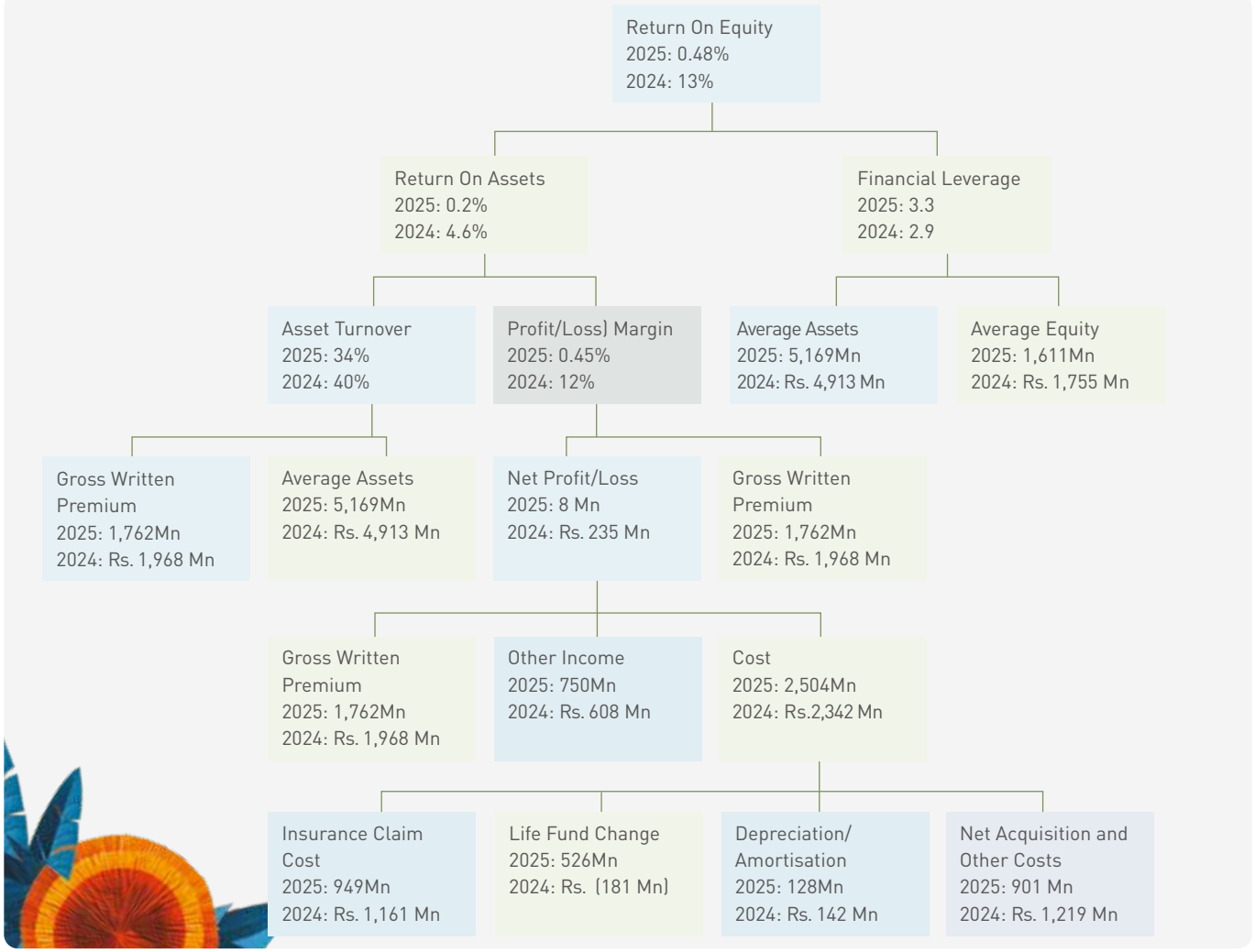
| Income Statement | 2025 | | 2024 | |
|---|---|---|---|---|
| | Rs.Mn | % | Rs.Mn | % |
| **Assets** | | | | |
| Intangible assets | 7 | 0.13 | 7 | 0.14 |
| Property, plant and equipment | 23 | 0.42 | 42 | 0.83 |
| Right of use assets | 199 | 3.66 | 171 | 3.41 |
| Deferred tax asset | 195 | 3.58 | 90 | 1.79 |
| Financial assets | 4,565 | 83.87 | 4,263 | 85.02 |
| Loans to life policyholders | 173 | 3.17 | 199 | 3.97 |
| Reinsurance receivables | 5 | 0.10 | 15 | 0.30 |
| Amounts due from related parties | 9 | 0.17 | 6 | 0.12 |
| Premium receivables | 65 | 1.19 | 60 | 1.19 |
| Other assets | 114 | 2.09 | 108 | 2.15 |
| Cash and cash equivalents | 88 | 1.62 | 54 | 1.07 |
| **Total assets** | 5,444 | 100 | 5,014 | 100 |
| | | | | |
| **Equity and liabilities** | | | | |
| **Shareholders' equity** | | | | |
| Stated capital | 676 | 12.41 | 676 | 13.47 |
| Retained earnings | 1012 | 18.60 | 1,007 | 20.09 |
| Available for sale reserves | 0 | - | 160 | 3.18 |
| **Total ordinary shareholders' equity** | 1688 | 31.01 | 1,842 | 36.74 |
| | | | | |
| **Liabilities** | | | | |
| Insurance contract liabilities | 3,266 | 60.01 | 2,720 | 54.25 |
| Employee benefit obligation | 18 | 0.33 | 16 | 0.32 |
| Reinsurance payables | 17 | 0.32 | 9 | 0.17 |
| Lease liabilities | 234 | 4.31 | 208 | 4.15 |
| Amounts due to related parties | 8 | 0.14 | 7 | 0.14 |
| Other financial liabilities | 192 | 3.52 | 178 | 3.55 |
| Other liabilities | 20 | 0.37 | 34 | 0.68 |
| **Total liabilities** | 3,756 | 68.99 | 3,172 | 63.26 |
| **Total equity and liabilities** | 5,444 | 100.00 | 5,014 | 100 |

## HORIZONTAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

| Income Statement | CAGR* | 2025 | | 2024 | |
|---|---|---|---|---|---|
| | % | Rs.Mn. | % | Rs.Mn. | % |
| **Assets** | | | | | |
| Intangible assets | 76 | 7 | (4) | 7 | 845 |
| Property, plant and equipment | (17) | 23 | (45) | 42 | (31) |
| Right of use assets | 8 | 199 | 16 | 171 | (14) |
| Deferred tax asset | 8 | 195 | 117 | 90 | 100 |
| Financial assets | 11 | 4,565 | 7 | 4,263 | 8 |
| Loans to life policyholders | (15) | 173 | (13) | 199 | (17) |
| Reinsurance receivables | (6) | 5 | (65) | 15 | 35 |
| Amounts due from related parties | 7 | 9 | 52 | 6 | (81) |
| Premium receivables | 16 | 65 | 9 | 60 | (35) |
| Other assets | 15 | 114 | 6 | 108 | (39) |
| Cash and cash equivalents | (33) | 88 | 64 | 54 | (4) |
| **Total assets** | 5 | 5,444 | 9 | 5,014 | 4 |
| | | | | | |
| **Equity and liabilities** | - | | - | | |
| **Shareholders' equity** | - | | - | | |
| Stated capital | - | 676 | - | 676 | - |
| Retained earnings | (3) | 1,012 | 0 | 1,007 | 31 |
| Available for sale reserves | - | - | (100) | 160 | (549) |
| **Total ordinary shareholders' equity** | (2) | 1,688 | (8) | 1,842 | 31 |
| | | | | | |
| **Liabilities** | - | | - | | |
| Insurance contract liabilities | 11 | 3,266 | 20 | 2,720 | (6) |
| Employee benefit obligation | 4 | 18 | 13 | 16 | 1 |
| Reinsurance payables | (27) | 17 | 99 | 9 | (77) |
| Lease liabilities | 9 | 234 | 13 | 208 | (6) |
| Amounts due to related parties | (14) | 8 | 7 | 7 | (86) |
| Other financial liabilities | 19 | 192 | 8 | 178 | 41 |
| Other liabilities | (19) | 20 | (41) | 34 | (50) |
| **Total liabilities** | 10 | 3,756 | 18 | 3,172 | (7) |
| **Total equity and liabilities** | 5 | 5,444 | 9 | 5,014 | 4 |

# FINANCIAL CAPITAL

## DUPONT ANALYSIS




## INVESTOR RELATIONS

Transparent communication and meaningful engagement remain fundamental to the manner in which Arpico Insurance builds trust and sustains long-term relationships with its shareholders and the wider investment community. In an increasingly dynamic and competitive market environment, the Company recognises the importance of maintaining open, consistent, and constructive engagement with both existing and prospective investors. Throughout the year under review, emphasis was placed on the timely dissemination of accurate and relevant information to ensure shareholders remained well informed of the Company's financial performance, strategic priorities, sustainability initiatives, and governance practices. Through continuous engagement and effective communication channels, the Company seeks to enhance stakeholder understanding of its operations, future growth prospects, and long-term sustainability aspirations.

At Arpico Insurance, the investor engagement framework is underpinned by a strong commitment to transparency, sound corporate governance, and sustainable value creation. In line with the Company's broader sustainability agenda, environmental, social, and governance (ESG) considerations continue to be integrated into strategic decision-making and operational activities. The Company remains committed to maintaining proactive engagement with shareholders in order to strengthen confidence and reinforce its position as a responsible and forward-looking corporate entity. Simultaneously, strategic expansion initiatives and business growth priorities continue to support the Company's long-term objective of enhancing shareholder value and sustaining market competitiveness.

## COLOMBO STOCK EXCHANGE (CSE) IN 2025

Maintaining the momentum established in late 2024, a substantial expansion in turnover was observed at the CSE in 2025, reflecting heightened investor activity and sustained liquidity. As of 31st December 2025, the All Share Price Index (ASPI) and the Standard & Poor's Sri Lanka 20 (S&P SL20) index of the CSE recorded annual growth of 41.9% and 26.6%, respectively. This growth was primarily driven by the contribution of domestic investors, supported by improved investor sentiment.

The average daily turnover was Rs. 5,179.2 Mn during 2025, representing a significant increase compared to Rs. 2,240.2 Mn recorded in 2024. Further, the average number of daily transactions increased to 31,483 trades from 14,684 trades in 2024.

Despite the noticeable improvement in market performance in terms of indices and turnover, the CSE continued to experience a net foreign outflow of Rs. 38.5 Bn, which amounts to approximately USD 127.7 Mn in the secondary market in addition to the net foreign outflow of Rs. 9.9 Bn, approximately equivalent to USD 32.6 Mn recorded in 2024.

However, reflecting the positive outlook among investors, key market valuation indicators continued to expand in 2025 with the Price-to-Book Value (PBV) improving to 1.4, from to 1.2 as at end 2024.

## STOCK EXCHANGE LISTING

Arpico Insurance PLC is a public quoted company which has listed ordinary shares in Colombo Stock Exchange (CSE). The Company's ordinary shares are traded in the Diri Savi Board of the Colombo Stock Exchange under the symbol of AINS.N0000.

## SHARE PRICE PERFORMANCE

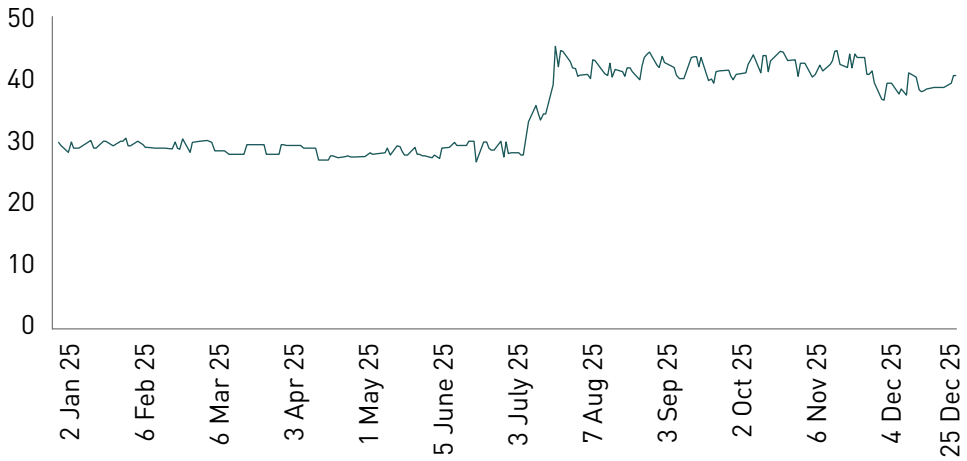
During the financial year ended 2025, the listed shares of Arpico Insurance demonstrated a significant improvement in market performance compared to the previous year, supported by increased investor interest and higher trading activity. The share price reached a high of Rs. 40.60 on 22nd July 2025, while the lowest price of Rs. 24.00 was recorded on 20 June 2025, reflecting moderate volatility during the year. The share closed at Rs. 36.4 as at 31st December 2025 compared to Rs. 26.5 at the end of 2024, representing an increase of approximately 37%, indicating strengthened investor confidence and positive market sentiment towards the Company.

Trading activity in the Company's shares also improved notably during the year, with several periods recording substantial trading volumes and heightened investor participation. Significant market activity was observed particularly during July, August, October, and November 2025, with trading volumes peaking at 785,353 shares on 24th July 2025 and 721,417 shares on 22nd October 2025. The sustained trading momentum throughout the year reflects improved liquidity and growing market interest in the Company's shares.

Consistent with the appreciation in share price, the Company's market capitalisation increased to Rs. 2,410 Mn in 2025 compared to Rs. 1,755 Mn in 2024, representing a year-on-year growth of approximately 37%. The increase in market capitalisation demonstrates the enhanced value generated for shareholders and the strengthening market position of the Company within the insurance sector.

Overall, the share performance of Arpico Insurance during 2025 reflects improved market participation, stronger investor confidence, enhanced liquidity, and sustained positive sentiment towards the Company's long-term strategic direction and growth outlook.

Share Price Movement(Rs.)



# MANUFACTURED CAPITAL

During 2025, Arpico Insurance undertook a series of targeted initiatives to strengthen and optimise its manufactured capital base, with a clear focus on enhancing operational efficiency, building employee capabilities, and advancing technological infrastructure to support sustainable growth at every turn. These efforts were directed towards refining the Company's physical and operational framework, enabling greater agility, improved resource utilisation, and a more resilient, future-ready operating environment.



A key initiative during the year, was the conversion of existing office space into a dedicated Training Centre, with an investment of approximately Rs. 850,000. This strategic enhancement was designed to facilitate continuous professional development and structured knowledge-sharing across the organisation. By repurposing existing infrastructure, the Company not only maximised asset utilisation but also strengthened its internal capability-building mechanisms. The Training Centre now functions as a centralised platform for staff development programmes, technical training sessions, and collaborative learning initiatives, supporting the ongoing upliftment of employee competencies.

## MANAGEMENT APPROACH

Arpico Insurance adopts a structured approach to managing Manufactured Capital through a comprehensive asset management framework that integrates capital expenditure (CAPEX) planning, budgeting, procurement guidelines, and sound asset management practices. This approach ensures that the Company's physical and digital infrastructure effectively supports current operational requirements while enabling future growth and operational resilience.

## ASSOCIATED RISKS

- Premises Risk
- Legal Risk
- Reputation Risk

## KEY ACTIONS OF 2025

- Converted office space in to a Training Centre
- Merged duplicate branches
- Enhanced Wi Fi access points
- Transitioned to a cloud-based hosting environment

## OUTPUTS / OUTCOMES

| (LKR Mn) | Revenue per Zone | | Revenue per Branch | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Central Province | 85 | 21 | 14 | 8 |
| Eastern Province | 206 | 28 | 26 | 7 |
| North Central Province | 62 | 27 | 12 | 21 |
| North Western Province | 79 | 13 | 20 | 13 |
| Northern Province | 461 | 179 | 58 | 67 |
| Sabaragamuwa Province | 144 | 43 | 24 | 14 |
| Southern Province | 105 | 36 | 13 | 32 |
| Uva Province | 118 | 28 | 29 | 23 |
| Western Province | 502 | 33 | 31 | 25 |

## IMPACTED SDGS

## OUR KPIS

**CAPEX**

**Rs. 1.8 Mn**

**2024 -Rs 11.3 Mn**

**Why we use this KPI:**
Demonstrates the Company's investment in infrastructure and capabilities required to sustain growth.

**How we performed:**
Investments during the year were directed towards strengthening digital infrastructure and operational capabilities, supporting scalable and efficient growth.



**TURNOVER TO PPE RATIO**

**Rs. 76**

**2024 -Rs 47**

**Why we use this KPI:**
Measures efficiency in utilising capital assets to generate revenue.

**How we performed:**
Improved asset utilisation contributed to operational efficiency, supporting the Company's ability to generate value from existing resources.

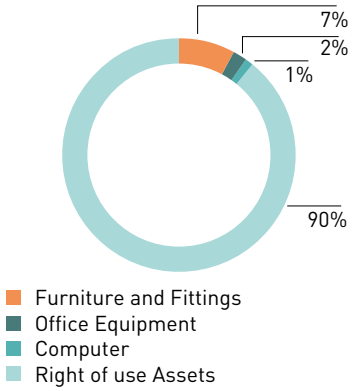


## ARPICO INSURANCE FIXED ASSET CAPITALISATION POLICY

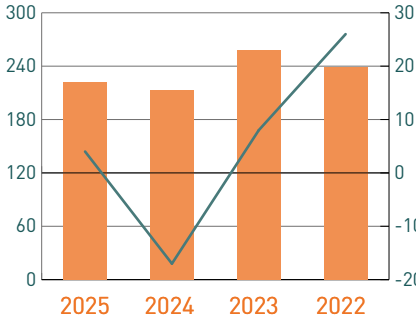
Fixed assets are defined as the resources purchased for long term use in the business and are not likely to be sold for cash within 12 months. On this basis, Property, Plant and Equipment shall be recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity; and, the cost of the item can be measured reliably.

Arpico Insurance PLC does not own land and building, with the head office or branch operations conducted on leasehold premises. Hence no property is recognised as a Right-of-Use Asset in the Company's books as per SLFRS 16. However, office equipment, furniture & fittings, computers and vehicles purchased by the Company are recognised as its fixed assets.

Asset Composition




Fixed Asset movement




Accordingly, the Company's asset base as at 31st December 2025 comprised Right-of-Use assets (Leased) to the value of Rs. 198 Mn and Rs. 23 Mn worth of property plant and equipment.

## ASSET MANAGEMENT PROTOCOLS

The Company has adopted a seven point asset management protocol in order to enhance our manufactured asset base, while sustaining growth at every turn.

1. Regular Asset Audits: Periodic audits are conducted to assess the condition and performance of physical and digital assets. These inspections enable us to identify emerging maintenance needs and upgrades, ensuring optimal asset functionality and preventing unforeseen breakdowns.
2. Planned Preventive Maintenance : A robust preventive maintenance programme is in place for critical assets, such as IT infrastructure and equipment. Routine servicing and inspections reduce downtime, enhance performance, and extend asset lifespans, supporting uninterrupted operations.
3. Employee Training: We invest in providing our staff with the knowledge and skills to use and maintain assets efficiently. This includes comprehensive training on software systems and equipment to minimise user errors, enhance efficiency, and safeguard asset integrity.
4. Energy Efficiency Measures : Implementing energy-efficient practices and equipment not only reduce operational costs but also align with our commitment to environmentally responsible practices.'
5. Proactive Feedback Mechanisms: We maintain open channels for employees to report issues and propose improvements related to asset performance. This proactive feedback system fosters prompt problem resolution and continuous enhancement of asset management practices.'

# MANUFACTURED CAPITAL

6. Data-Driven Monitoring : Leveraging data-driven systems to track maintenance schedules, asset performance, and associated costs, thereby supporting informed decision-making and maximising asset utilisation.
7. Safety Checks: Regular checks to ensure all assets conform to recommended safety standards and best practices, in turn enhancing long-term asset reliability.

## BRANCH NETWORK

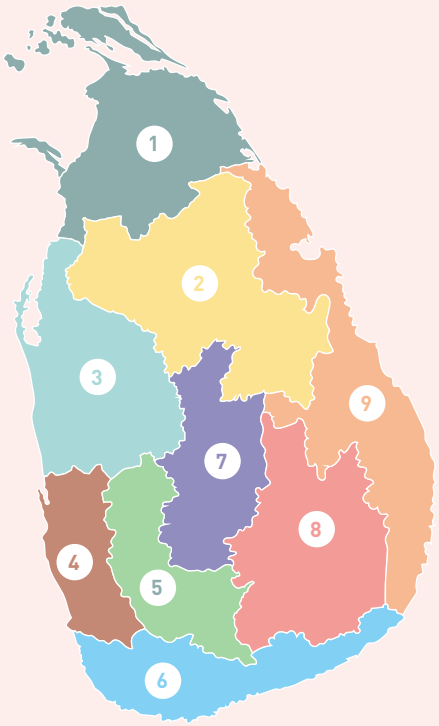
Our network to 65 branches is our largest physical asset, ensuring brand visibility and presence across the country and enabling growth at every turn.

Over the years, we have strategically expanded our branch network by locating branches across zones, based on population density, commercialisation and economic potential of a particular area. A key criterion is to ensure easy access to our branches for our customers.

In line with the Company's strategic focus on streamlining operations and enhancing cost efficiency, a branch rationalisation programme was implemented during 2025, resulting in the consolidation of duplicate locations. This initiative enabled more effective utilisation of physical infrastructure while strengthening service delivery through improved resource allocation, operational coordination, and process efficiency across the network. As part of this optimisation effort, four branches in Badulla, Hatton, Matara, and Nuwara Eliya, were closed during 2025. These closures were carefully executed to reduce overlapping geographic coverage and eliminate operational redundancies, while ensuring continuity of service through nearby branches and the expanded use of digital channels. This approach allowed the Company to maintain strong customer engagement while improving overall operational efficiency.

### NUMBER OF BRANCHES PROVINCE -WISE

| | | 2024 | 2025 |
|---|---|---|---|
| 1 | Northern Province | 8 | 8 |
| 2 | North-Central Province | 5 | 5 |
| 3 | North-Western Province | 4 | 4 |
| 4 | Western Province | 16 | 16 |
| 5 | Sabaragamuwa Province | 6 | 6 |
| 6 | Southern Province | 9 | 8 |
| 7 | Central Province | 8 | 6 |
| 8 | UVA Province | 5 | 4 |
| 9 | Eastern Province | 8 | 8 |



**DIGITAL CHANNELS**

- arpicoinsurance.com online pay
- Online Fund Transfer
- Commercial Bank Q+ app
- Dialog ezCash
- InstantPay

Arpico Insurance has leveraged digital technology to embed paperless operations through the introduction of user friendly online portals that enable customers to access insurance products and services seamlessly, reducing dependency on physical infrastructure and creating a scalable framework to facilitate business growth.

Enhancing customer convenience, InstantPay, an e-standing order system that simplifies premium payments, was introduced and premium payments was integrated directly in to the corporate website. A chatbot is now being incorporated to promote greater customer engagement on our website.

## IMPROVEMENTS TO DIGITAL SYSTEMS

The Company also enhanced its internal digital connectivity by upgrading Wi-Fi access points across office locations, as well as upgrading the firewall frame, ensuring improved network coverage, faster connectivity, and greater reliability and system security. This upgrade supports increasingly digital work processes and enhances productivity across departments.

Furthermore, as part of a broader IT modernisation initiative, the Company transitioned from traditional on-premises infrastructure to a cloud-based hosting environment. This strategic transformation significantly reduced reliance on physical IT infrastructure within Company premises while improving system scalability, operational resilience, and flexibility. The cloud environment also strengthens data accessibility and system performance, enabling the Company to adapt more efficiently to evolving technological and business requirements.

In addition a ticket system was introduced for project management and day-to-day system maintenance.

## FUTURE PLANS

In the upcoming financial year, the Company's strategy to strengthen its manufactured capital base will centre on advancing digital infrastructure to drive efficiency gains and enhance overall productivity. This will support the creation of a more agile, technology-enabled operating environment capable of responding effectively to evolving business demands.

As part of this focus, the organisation intends to further enhance its IT capabilities through the optimisation of cloud infrastructure, the implementation of advanced system monitoring and performance management tools, and the strengthening of cybersecurity frameworks. These initiatives are expected to improve system resilience, safeguard critical data assets, and enable more seamless and efficient operational processes across the business.



# INTELLECTUAL CAPITAL



Arpico Insurance PLC's financial strength is the critical foundation for of the Company, supporting compliance with regulatory requirements, while ensuring sufficient liquidity to sustain operations and growth initiatives. It also enhances the Company's ability to manage unforeseen financial impacts, pursue new business opportunities, and generate consistent returns for shareholders. By maintaining a resilient capital position, the Company reinforces its long-term sustainability and competitive standing within the insurance sector.

During the year, the impact of the Ditwah Cyclone and other natural events, on the Company's financial performance was limited, as only a few material claims were reported. Despite the relatively low financial impact, the Company remained committed to supporting affected policyholders by ensuring prompt and accurate claim assessments and settlements.

The Company actively engaged with customers throughout the claims process, providing timely assistance and maintaining clear communication. This approach not only ensured fair compensation but also strengthened customer trust and relationships during challenging circumstances.

## MANAGEMENT APPROACH

Our approach to developing Intellectual Capital in 2025 is centred on strengthening the collective knowledge, organisational systems, and innovative capabilities that enable Arpico Insurance PLC to deliver sustainable value. Recognising that intellectual capital extends beyond individual expertise to include the processes, technologies, and knowledge networks that support our operations, we continue to refine and align these elements to enhance our strategic execution.

## ASSOCIATED RISKS

- Underwriting Risk
- Reinsurance Risk
- Claims Risk
- Insurance Market Risk
- Fraud Risk
- Information Security / Cyber Security Risk

## KEY ACTIONS OF 2025

Introduced a new product named 'Arpico Smart Investment Plan.'

Invested in employee training and development. Segment wise investments on training

| Sector | % |
|---|---|
| Southern and Central | 11% |
| Sabaragamuwa and Gampaha | 57% |
| North, North Central and East | 24% |
| Uva | 1% |

## OUTPUTS / OUTCOMES

| | | |
|---|---|---|
| Enhanced digital platforms and data management systems | Captured a new customer base with a new product | Improved underwriting, actuarial, and risk assessment insights |
| 08 MDRT achievers | 02 Awards for 2025 | Development of innovative and customer-focused insurance solutions |

## IMPACTED SDGS

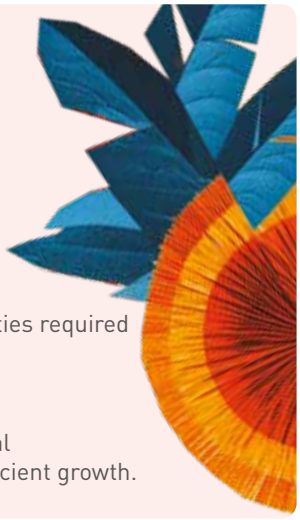
## OUR KPIS

### NEW PRODUCTS DEVELOPED

**1**

**2024 - Nil**

Product innovation remains a key indicator of the Company's ability to respond effectively to evolving customer expectations and market conditions. During 2025, the Company expanded its portfolio with the introduction of a new product, responding to market demand trends and underpinning its objective of achieving growth at every turn. This development demonstrates the organisation's capacity to develop innovative, market-ready solutions that enhance product offerings to customers and support business expansion.



**Why we use this KPI:**
Demonstrates the Company's investment in infrastructure and capabilities required to sustain growth.

**How we performed:**
Investments during the year were directed towards strengthening digital infrastructure and operational capabilities, supporting scalable and efficient growth.

## COMPANY CULTURE

For Arpico Insurance, company culture, systems, and processes form a critical part of its intellectual capital, particularly within the context of a life insurance service provider where trust, consistency, and long-term customer relationships are fundamental. These elements collectively shape how the organisation delivers value to policyholders, manages risk, and ensures service quality across the insurance lifecycle, while facilitating growth at every turn.

At Arpico Insurance, a values-driven culture underpins every aspect of operations, reinforcing integrity, customer centricity, and long-term stewardship of policyholder interests. This cultural foundation is especially important in the life insurance sector, where customer confidence is built over extended periods. Shared behavioural standards across the organisation support ethical decision-making, disciplined execution, and a strong focus on fulfilling long-term commitments to customers and beneficiaries.

The Company's systems and processes further strengthen this intellectual asset by enabling structured and reliable service delivery. From policy onboarding and underwriting to claims management and customer servicing, standardised processes ensure consistency, transparency, and efficiency. These frameworks also support regulatory compliance and risk governance, both of which are essential in maintaining financial stability and safeguarding customer interests in a highly regulated industry.

In addition, continuous improvements in operational systems enhance the organisation's ability to respond to evolving customer expectations and market conditions. Integrated workflows, supported by digital platforms and data-driven processes, enable better coordination across functions and improved turnaround times. Together, the organisation's culture and process architecture create a resilient intellectual foundation that supports sustainable growth, strengthens customer trust, and reinforces long-term value creation in the life insurance business.

## ORGANISATIONAL KNOWLEDGE

Shared organisational knowledge is another indispensable, intangible component of Arpico Insurance's intellectual capital, reflecting the collective experience, insights, and practical understanding developed across the organisation, establishing the foundation to support growth at every turn. In the context of a life insurance provider, this shared knowledge plays a critical role in ensuring consistent judgement, informed decision-making, and uniform application of processes across key functional areas such as underwriting, claims management, sales, and customer servicing. This knowledge base includes the qualifications, experiences, skills, and specialisations of employees across underwriting, actuarial, claims, sales, and customer service functions.

At Arpico Insurance, this collective capability is strengthened through continuous interaction between teams, enabling the exchange of operational insights and reinforcing a common understanding of customer needs, risk evaluation practices, and service standards. Over time, these shared experiences contribute to a more aligned and cohesive organisation, where employees apply similar principles and approaches when addressing complex or sensitive insurance-related decisions.

During the year, targeted training programmes were conducted across employee categories to further enhance this collective knowledge base. These initiatives were designed to strengthen technical competencies, improve product understanding, and reinforce compliance awareness across the organisation. By investing in structured learning opportunities, the Company ensured that knowledge was not only retained but also expanded and refreshed in line with evolving business and regulatory requirements.

# INTELLECTUAL CAPITAL

As a result, Arpico Insurance continues to benefit from a more informed and capable workforce, where knowledge is effectively transferred and applied across teams. This strengthens operational consistency, reduces dependency on individual expertise, and enhances the organisation's ability to deliver reliable and high-quality service to its policyholders.

The table below demonstrates the Company's expertise base during the year under review.

| Department | HOD | Number of Employees | PHD | Masters | Degree | Members of Professional Bodies | Diplomas | A/L | O/L |
|---|---|---|---|---|---|---|---|---|---|
| Finance | Yasas | 11 | - | 2 | 9 | 3 | - | 10 | 11 |
| Sales Admin | Sajee | 11 | - | 1 | 1 | 2 | 1 | 11 | 11 |
| Marketing | Nelushan | 4 | - | 1 | 1 | 1 | - | 2 | 2 |
| Life Dept | Sriyonie | 27 | - | 1 | 5 | 1 | 12 | 26 | 27 |
| IT | Chathura | 9 | - | 1 | 5 | - | 3 | 8 | 9 |
| Call Center | Pavithra | 11 | - | - | - | - | 4 | 6 | 11 |
| Actuarial | Priyanthi | 5 | - | 1 | 4 | - | - | 5 | 5 |
| Risk | Kithamal | 1 | - | - | 1 | 1 | 1 | 1 | 1 |
| Administration | Nishabha | 4 | - | 1 | 1 | - | 4 | 3 | 4 |
| **Total** | | 83 | - | 7 | 26 | 8 | 21 | 69 | 81 |

## BRAND REPUTATION

The Arpico Insurance brand constitutes a core pillar of the Company's Intellectual Capital, encapsulating the trust, technical expertise, and innovation that underpin its corporate identity. Anchored in the 90-year legacy of its parent, Richard Pieris & Company PLC, the brand represents a strong assurance of reliability, stability, and service excellence within Sri Lanka's insurance landscape.

During the year under review, the Company undertook a series of targeted brand-building initiatives aimed at strengthening brand equity and enhancing nationwide visibility. These included integrated digital marketing campaigns leveraging social media platforms to drive market penetration through interactive engagement strategies such as quizzes and reward-based promotions. In addition, the Company executed three strategic roadshows, including a collaborative initiative with the Insurance Regulatory Commission of Sri Lanka (IRCSL), alongside media partnerships and over 12 new business campaigns. Collectively, these efforts contributed to reinforcing brand positioning, expanding customer reach, and supporting sustainable business growth.

### Brand building initiatives in 2025



## PRODUCT CAPABILITIES

The Company maintains a diversified product portfolio designed to support customers at different stages of their financial journey.

In line with Growth at Every Turn, product development efforts were focused on enhancing:

- Investment-linked solutions
- Protection offerings
- Long-term savings and retirement products

These capabilities enable the Company to:

- Expand its customer base
- Improve policy persistency
- Strengthen its competitive positioning

## ETHICS AND VALUES

Arpico Insurance has established a comprehensive internal policy framework that governs the conduct of Directors, Management, and employees, ensuring the highest standards of ethical and professional behaviour across all stakeholder interactions, while driving growth at every turn. These policies include, but are not limited to:

- Policy on the Code of Business Conduct and Ethics applicable to Directors and employees
- Whistleblowing Policy
- Anti-Bribery and Corruption Policy

The Company's business ethics and values are embedded into daily operations through these formalised policies that are backed by stringent regulatory compliance, and well-integrated internal practices. The Company clearly articulated Code of Conduct which is aligned with industry best practices and the requirements of the IRCSL, provides a structured foundation for ethical decision-making. Employees are supported through continuous training and awareness programmes to ensure a strong understanding of key principles, including transparency, fairness, confidentiality, and customer protection.

Ethical conduct is further inculcated through strong leadership and governance practices, with Management setting an example on behaviour and accountability. The Company maintains a comprehensive system of internal controls, supported by periodic audits and compliance reviews, to monitor adherence to established standards. In parallel, a strong emphasis is placed on maintaining transparency and integrity in all customer interactions, particularly in relation to policy terms, claims management, and financial disclosures. Any breaches of ethical standards are addressed through formal disciplinary procedures, thereby reinforcing accountability and sustaining stakeholder trust.

## DIGITAL TRANSFORMATION

Digital transformation continues to be a key enabler in delivering Growth at Every Turn, enhancing both operational efficiency and customer experience.

**KEY FOCUS AREAS INCLUDE:**



**Digital literacy**
Building awareness and capability across the organisation

**Digital product delivery**
Enhancing customer-centric solutions

**Change and communication**
Supporting transformation initiatives

**Data-to-value**
Leveraging data for insights and decision-making

# INTELLECTUAL CAPITAL



*Empowering program at head office Training centre*

These initiatives are closely integrated with the Company's Business Continuity Planning (BCP) framework and Disaster Recovery (DR) architecture, ensuring resilience alongside growth.

During the year, the Company strengthened its digital infrastructure through migration to a cloud-based environment, improving scalability and operational continuity.

## BCP FRAMEWORK & DR ARCHITECTURE

Arpico Insurance maintains a comprehensive Business Continuity Plan (BCP) designed to ensure organisational resilience and the uninterrupted delivery of critical services in the face of potential disruptions as the Company pursues growth at every turn. The BCP incorporates well-defined incident response protocols covering containment, impact assessment, and escalation management, alongside robust recovery strategies that support the continuity of key operations, including policy administration, claims processing, and customer support. These measures enable both immediate response and sustained restoration of services.

The framework is further strengthened by clearly articulated communication protocols, continuous risk assessment processes, and periodic testing and review mechanisms to ensure ongoing alignment with regulatory requirements and industry best practices. Oversight is provided by a dedicated Crisis Management Team, responsible for coordinating response efforts and ensuring effective execution during contingency scenarios.

During the current financial year, the Company enhanced its Disaster Recovery (DR) architecture to align with its newly implemented cloud-based infrastructure. The revised DR strategy incorporates cloud-region recovery capabilities, automated data backup solutions, and remote infrastructure management functionalities, thereby significantly improving system resilience, recovery time objectives, and overall operational continuity.

## KEY COMPONENTS OF THE DR INFRASTRUCTURE

During the year under review, the Company further strengthened its DR infrastructure through the strategic migration from on-premises systems to a cloud-based environment, thereby enhancing overall resilience and scalability. Key improvements included the optimisation of data replication mechanisms, refinement of backup scheduling protocols, and the reinforcement of failover procedures between the primary cloud data centre and the designated cloud-based DR site.

In addition, the Company conducted periodic DR simulation exercises to validate recovery time and recovery point objectives (RTOs and RPOs), ensuring a high level of operational readiness and the effectiveness of response capabilities in the event of a disruption.

## STRATEGIC PARTNERSHIPS

Within its philosophy of achieving growth at every turn, Arpico Insurance continues to cultivate strategic partnerships to access specialised expertise, strengthen the Company's value proposition, and support the maintenance of a sustainable competitive advantage. In particular, long-standing relationships with global reinsurers play a pivotal role in underpinning underwriting capacity and reinforcing claims settlement capabilities.

The Company's partnerships with financial institutions, including banks and microfinance providers, have facilitated access to new customer segments through co-branded insurance solutions and bundled offerings, thereby improving insurance accessibility across broader segments of the population. In parallel, collaborations with healthcare providers further strengthen the Company's health insurance portfolio, delivering enhanced value and service outcomes for policyholders.

More recently, strategic alliances with technology partners specialising in digital infrastructure, cybersecurity, and data analytics have been instrumental in accelerating the Company's digital transformation

agenda. These partnerships have contributed to improved operational efficiency, strengthened data protection frameworks, and enhanced service delivery capabilities.

During the year under review, the Company onboarded new strategic partners to support its cloud migration initiatives, as well as to enhance cybersecurity infrastructure and firewall systems. In addition, Arpico Insurance entered into a Memorandum of Understanding (MoU) with the Department for Registration of Persons, enabling the streamlining of customer due diligence processes and further strengthening compliance and onboarding efficiency.

## FUTURE PLANS

In the new financial year, Arpico Insurance plans to further strengthen its Intellectual Capital through a series of targeted initiatives aimed at enhancing organisational capability, knowledge depth, and innovation. Key priorities include the development of employee competencies through structured training programmes focused on core insurance operations, risk management, digital tools, and evolving regulatory requirements, thereby ensuring alignment with industry advancements.

The Company also intends to advance its digital infrastructure and data capabilities to drive operational efficiency, enable data-driven decision-making, and enhance customer service delivery. In parallel, greater emphasis will be placed on expanding knowledge-sharing platforms and internal learning frameworks to foster collaboration, facilitate cross-functional learning, and ensure the effective retention of institutional knowledge.

Further, the Company will leverage advanced data analytics and technology-driven insights to strengthen underwriting processes, support product innovation, and deepen customer behaviour analysis. Enhancements to knowledge management systems will ensure that organisational expertise, best practices, and operational insights are systematically captured, centralised, and readily accessible across the enterprise.

Additionally, Arpico Insurance will continue to promote a culture of innovation and continuous process improvement, enabling greater operational agility and strengthening the organisation's ability to respond effectively to evolving market dynamics and competitive pressures.

# HUMAN CAPITAL

In the financial year 2025, the Company continued to strengthen its human capital as a strategic asset, recognising that long-term value creation is driven by skilled, engaged, and motivated employees.



## MANAGEMENT APPROACH

Human capital at Arpico Insurance is managed through a structured governance and operational framework underpinned by a strong governance structure, consistent performance management system and compensation and rewards system to retain talent and reward achievement. We foster a transparent communications and work culture to ensure alignment with strategic objectives, foster teamwork and maintain responsiveness to employee feedback.

## ASSOCIATED RISKS

- Talent Attraction & Retention Risk
- Skills Obsolescence
- Engagement and Wellbeing Risk
- Leadership Pipeline Risk
- Compliance & Regulatory Risk

## KEY ACTIONS OF 2025

- Develop leadership
- Optimised recruitment procedures
- Updated HR policy & DEI initiatives
- Strengthened the Board with expertise in technology and strategy

## OUTPUTS / OUTCOMES

| | |
|---|---|
| Increased Training Participation | Improved Engagement Results |

## IMPACTED SDGS

## OUR KPIS

### RETAINING TALENT

**Retention Rate**

**54%**

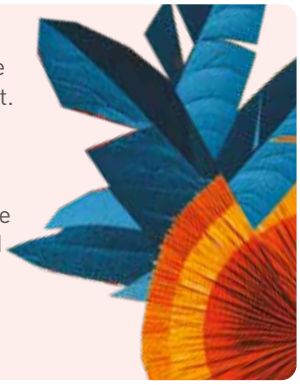
**2024 - 65%**

**Why we use this KPI:**

Measures employee satisfaction, effectiveness of HR strategies, and the Company's ability to create a conducive and engaging work environment.

**How we performed:**

The Company experienced a decline in retention levels during the year, reflecting continued talent mobility and competitive pressures within the labour market. In response, targeted initiatives have been implemented to strengthen employee engagement, enhance the employee value proposition, and improve retention going forward.



| | Status | Male | Female | Total |
|---|---|---|---|---|
| Employees by Type | Permanent | 80 | 148 | 228 |
| | Casual | 476 | 364 | 840 |

| | Age Group | Male | Female | Total |
|---|---|---|---|---|
| Employees by Age and Gender | 18 - 30 years | 220 | 262 | 482 |
| | 31 - 55 years | 288 | 196 | 484 |
| | 56 and above | 48 | 54 | 102 |

| | Region | Male | Female | Total |
|---|---|---|---|---|
| Employees by Region and | Central | 29 | 42 | 71 |
| | Eastern | 65 | 53 | 118 |
| | North Central | 22 | 28 | 50 |
| | North Western | 39 | 30 | 69 |
| | Northern | 99 | 79 | 178 |
| | Sabaragamuwa | 38 | 41 | 79 |
| | Southern | 59 | 53 | 112 |
| | Uva | 34 | 43 | 77 |
| | Western | 171 | 143 | 314 |

| | Category | Male | Female | Total |
|---|---|---|---|---|
| Employees by Age and Gender | 18 - 30 years | 220 | 262 | 482 |
| | 31 - 55 years | 288 | 196 | 484 |
| | 56 and above | 48 | 54 | 102 |

## TALENT MANAGEMENT

The Company aligned workforce planning with its growth strategy, ensuring the right capabilities were in place to support operational expansion, digital transformation, and customer-centric initiatives. Recruitment processes were enhanced through competency-based assessments, diversity-focused hiring practices, and strengthened employer branding. Leadership Development and Succession Planning

In Arpico Insurance a structured succession framework was implemented to identify high-potential employees and prepare future leaders. Targeted leadership development programmes enhanced strategic thinking, financial literacy, and people management skills

## OUR KPIS

### WOMEN IN LEADERSHIP ROLES

**Retention Rate**

**44%**

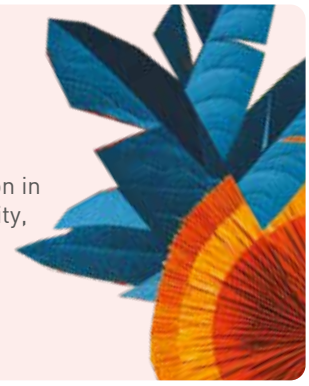
**2024 - 36%**

**Why we use this KPI:**

Demonstrates gender diversity in leadership and the effectiveness of initiatives to promote inclusive growth.

**How we performed:**

The Company recorded a notable improvement in female representation in leadership roles, reflecting its continued commitment to diversity, equity, and inclusion.



# HUMAN CAPITAL

Employee profile breakdown by region and by gender and permanent and non-permanent category

| | Male | | Female | |
|---|---|---|---|---|
| | Permanent | Non-Permanent | Permanent | Non-Permanent |
| Corporate | - | 1 | - | - |
| North, North Central and East | 20 | 218 | 42 | 153 |
| Sabaragamuwa and Gampaha | 45 | 95 | 51 | 80 |
| Southern and Central | 11 | 67 | 41 | 60 |
| Uva | 4 | 95 | 14 | 71 |

Employee profile breakdown by region and by gender and type of employment

| | Male | | | Female | | |
|---|---|---|---|---|---|---|
| | Executive | Non-Executive | Casual | Executive | Non-Executive | Casual |
| Corporate | - | - | 1 | - | - | - |
| North, North Central and East | 18 | 2 | 218 | - | 153 | 42 |
| Sabaragamuwa and Gampaha | 25 | 20 | 95 | 23 | 80 | 28 |
| Southern and Central | 11 | - | 67 | 3 | 60 | 38 |
| Uva | 3 | 1 | 95 | - | 71 | 14 |

## HR GOVERNANCE, COMPLIANCE AND BEST PRACTICES

### Changing Workplace

As the Company advances its journey of Growth at Every Turn, it continues to adapt to evolving workforce dynamics that shape how value is created:

- Demographics – A growing Gen Z workforce bringing new expectations and perspectives
- Well-being – Increasing importance of mental health and holistic employee wellness
- Shifting skill requirements – Integration of digital and analytical capabilities
- Evolving expectations – Demand for purpose-driven work and work-life balance
- New ways of working – Greater emphasis on flexibility, collaboration, and digital engagement

These dynamics are actively considered in shaping people strategies to support sustainable growth.

At Arpico Insurance we are continually evaluating and improving our human resource management systems and procedures in order to foster a happy and comfortable work environment form all employees. In 2025 HR governance was improved by:

- Introducing flexible working hours improve employee work–life balance and productivity.
- Improving the appraisal system by introducing clear KPIs, regular feedback meetings, and fair reward systems for employees.
- Providing structured training programmes, professional certifications, and leadership development opportunities for employees.
- Creating policies that promote equal opportunities, gender equality, and a respectful workplace environment.
- Strengthening policies that prevent harassment and discrimination, and establishing clear reporting procedures for employee complaints.

### Improvements to the HR Governance

- Established transparent decision-making processes for recruitment, promotions, and disciplinary actions.
- Created an HR governance committee or internal review mechanism to monitor HR practices and ensure accountability.
- Used digital platforms for performance evaluations and employee feedback.
- Introduced structured training and career development programmes for employees.
- Implemented leadership development programmes for future managers.
- Encouraged continuous professional development relevant to the insurance industry.
- Regularly measured employee engagement and satisfaction through surveys.
- Linked performance results with rewards, recognition, and career growth opportunities

### Voluntary HR best practices

We go above and beyond national labour regulations to support our employees. These voluntary practices include:

- Implementing transparent performance appraisal systems with clear goals, feedback sessions, and recognition for good performance.
- Organising team-building activities, employee recognition programmes, and engagement surveys to improve morale and motivation.
- Offering flexible working hours, wellness programmes, and mental health support to maintain employee wellbeing.
- Promoting equal opportunities regardless of gender, age, or background and creating an inclusive workplace environment.
- Encouraging employees to participate in community service and social responsibility activities organised by the Company

## CULTURE

A strong and aligned organisational culture is essential in enabling growth at every level of the Company.

During the year, focus was placed on strengthening cultural foundations that support sustainable performance:

- Ethical conduct – Reinforced through strong governance and accountability
- Sustainability awareness – Encouraging responsible and forward-looking decision-making
- Inclusivity – Creating an environment where diverse perspectives drive better outcomes
- Digital mindset – Enabling innovation through technology adoption and data-driven thinking

These cultural elements collectively create an environment where employees are empowered to contribute to the Company's growth ambitions.

| REGULATORY COMPLIANCE | VOLUNTARY BEST PRACTICES |
|---|---|
| • Shop and Office Employees Act of 1954<br>• EPF Act<br>• ETF Act<br>• Payment of Gratuity Act of Sri Lanka | • UNGC Principle 3: freedom of association and the effective recognition of the right to collective bargaining;<br>• UNGC Principle 4: elimination of all forms of forced and compulsory labour;<br>• UNGC Principle 5: effective abolition of child labour; and<br>• UNGC Principle 6: elimination of discrimination in respect of employment and occupation. |




### Employee Movement in FY 2025

| New Hires By Gender | Male | Female | Total |
|---|---|---|---|
| Permanent | 31 | 86 | 117 |
| Casual | 732 | 523 | 1,255 |

| New Hires by Age and Gender | Age Group | Male | Female |
|---|---|---|---|
| Permanent | 18 - 30 years | 18 | 52 |
| | 31 - 55 years | 13 | 26 |
| | 56 and above | - | 8 |
| Casual | 18 - 30 years | 520 | 323 |
| | 31 - 55 years | 179 | 160 |
| | 56 and above | 33 | 40 |

# HUMAN CAPITAL

| New Hires by Region and Gender | Region | Male | Female |
|---|---|---|---|
| Permanent | Central | - | 7 |
| | Eastern | 1 | 9 |
| | North Central | - | 6 |
| | North Western | 1 | 1 |
| | Northern | 1 | 9 |
| | Sabaragamuwa | 3 | 3 |
| | Southern | 2 | 13 |
| | Uva | 2 | 4 |
| | Western | 21 | 34 |
| Casual | Central | 75 | 43 |
| | Eastern | 89 | 75 |
| | North Central | 60 | 35 |
| | North Western | 91 | 35 |
| | Northern | 7 | 70 |
| | Sabaragamuwa | 77 | 7 |
| | Southern | 64 | 63 |
| | Uva | 66 | 47 |
| | Western | 143 | 47 |

| Employee Turnover by Gender | Male | Female | Total |
|---|---|---|---|
| Permanent | 65 | 94 | 159 |
| Casual | 636 | 864 | 1,500 |

| Employee Turnover by Age and Gender | Age Group | Male | Female |
|---|---|---|---|
| Permanent | 18 - 30 years | 24 | 45 |
| | 31 - 55 years | 39 | 34 |
| | 56 and above | 2 | 15 |
| Casual | 18 - 30 years | 306 | 564 |
| | 31 - 55 years | 259 | 254 |
| | 56 and above | 71 | 46 |

| Employee Turnover by Region and Gender | Region | Male | Female |
|---|---|---|---|
| Permanent | Central | 6 | 16 |
| | Eastern | 2 | 4 |
| | North Central | 3 | 6 |
| | North Western | 3 | 4 |
| | Northern | 4 | 9 |
| | Sabaragamuwa | 2 | 1 |
| | Southern | 7 | 12 |
| | Uva | 1 | 2 |
| | Western | 37 | 40 |
| Casual | Central | 56 | 94 |
| | Eastern | 89 | 90 |
| | North Central | 51 | 82 |
| | North Western | 48 | 71 |
| | Northern | 78 | 87 |
| | Sabaragamuwa | 49 | 75 |
| | Southern | 63 | 109 |
| | Uva | 62 | 77 |
| | Western | 140 | 179 |

## SEGMENTAL HUMAN CAPITAL

### New Recruitments 2025

| | Sum of Male | | Sum of Female | |
|---|---|---|---|---|
| **Sector** | **Non-Permanent** | **Permanent** | **Non-Permanent** | **Permanent** |
| North, North Central and East | 247 | 24 | 377 | 3 |
| Sabaragamuwa and Gampaha | 100 | 29 | 132 | 23 |
| Southern and Central | 60 | 26 | 88 | 3 |
| Uva | 116 | 7 | 135 | 2 |

| | Sum of Male | | | Sum of Female | | |
|---|---|---|---|---|---|---|
| **Sector** | **Non-Executive** | **Executive** | **Casual** | **Non-Executive** | **Executive** | **Casual** |
| North, North Central and East | 1 | 2 | 377 | 24 | - | 247 |
| Sabaragamuwa and Gampaha | 16 | 7 | 132 | 23 | 6 | 100 |
| Southern and Central | - | 3 | 88 | 25 | 1 | 60 |
| Uva | 1 | 1 | 135 | 7 | - | 116 |

### Resignations 2025

| | Sum of Male | | Sum of Female | |
|---|---|---|---|---|
| **Sector** | **Permanent** | **Non-Permanent** | **Permanent** | **Non-Permanent** |
| North, North Central and East | 14 | 315 | 24 | 414 |
| Sabaragamuwa and Gampaha | 33 | 107 | 32 | 147 |
| Southern and Central | 16 | 55 | 31 | 91 |
| Uva | 2 | 159 | 7 | 212 |

| | Sum of Male | | | Sum of Female | | |
|---|---|---|---|---|---|---|
| **Sector** | **Non-Executive** | **Executive** | **Casual** | **Non-Executive** | **Executive** | **Casual** |
| North, North Central and East | 11 | 3 | 315 | 1 | 23 | 414 |
| Sabaragamuwa and Gampaha | 11 | 22 | 107 | 8 | 24 | 147 |
| Southern and Central | 14 | 2 | 55 | 1 | 30 | 91 |
| Uva | 2 | - | 159 | - | 7 | 212 |

### Employee On-boarding

Our structured onboarding process is designed to help new employees integrate smoothly into the organisation by providing them with the tools, knowledge, and guidance required to perform their roles effectively.



**Onboarding process**

- Introduced a well-organised orientation session to explain the Company's mission, values, policies, and organisational structure to new employees.
- Provided training related to the employee's role, especially regarding insurance products, customer service, and Company procedures.
- Conducted check-ins with the HR department and supervisors to discuss the new employee's progress and address any challenges.
- Arranged meetings with team members and other departments to help the new employee understand collaboration and workplace culture.

# HUMAN CAPITAL



**Orientation process**

- Allow new employees to meet key departments such as HR, Finance, Sales, and Customer Service to understand how the organisation operates.
- Provide sessions about the insurance sector, Company products and services, to help employees understand the business environment.
- Use presentations, group discussions, and videos instead of only lectures to make the orientation more engaging.
- Provide a handbook, or digital materials containing Company policies, procedures, and contact details for easy reference.
- After a few weeks, HR can conduct a short review meeting to answer questions and ensure the employee understands Company processes.



**Training & Role-Specific Induction**

- Develop a clear training schedule for new employees based on their job roles, including learning objectives and timelines.
- Provide detailed training on insurance policies, products, and services so employees can better understand and explain them to customers.
- Conduct specialised training depending on the role, such as sales techniques for sales staff, customer service skills, and administrative training for office employees.
- Provide regular refresher training to update employees about new insurance products, Company policies, and industry changes.
- Assess training effectiveness through feedback forms, and performance reviews to improve future programmes.



**Integration & Engagement**

- Organise team-building activities to help new employees integrate with colleagues.
- Conduct regular employee engagement surveys to understand employee satisfaction.
- Create internal communication platforms where employees can share ideas and feedback.
- Introduce recognition programmes to appreciate employee achievements and motivate staff.



**Confirmation & Long-Term Development**

- Implement a structured probation review process with clear performance criteria before confirmation.
- Provide career development plans for employees after confirmation.
- Offer leadership and management training programmes for high-potential employees.
- Conduct annual performance reviews and provide opportunities for promotions and career growth



**Improvements to the remuneration and benefits**

- Regularly review salary structures to remain competitive in the insurance industry.
- Introduce performance-based bonuses and incentives.
- Improve health insurance coverage for employees and their families.
- Provide additional benefits such as transport allowances, wellness programs, or retirement planning support.

## REMUNERATION AND BENEFITS

The Company regularly reviews its salary structures to ensure competitiveness within the insurance industry and attract and retain top talent. Performance-based bonuses and incentive schemes are introduced to reward high achievers and align individual contributions with organisational objectives.

Employee wellbeing is further supported through enhanced health insurance coverage for employees and their families, alongside additional benefits such as transport allowances, wellness programmes, and retirement planning assistance. These initiatives collectively strengthen the overall employee value proposition and contribute to a motivated, engaged, and productive workforce.

Our compensation framework is designed to reward employees appropriately for their contributions while remaining aligned with industry standards and best practices. The Company also upholds the principle of gender pay equity, maintaining a 1:1 ratio in the basic salary offered to men and women in comparable roles. This approach supports our broader commitment to promoting diversity, equality, and inclusion within the workplace.

### Employee benefits

Arpico Insurance employee benefits include:

- Basic salary and performance incentives (for sales staff)
- Employees' Provident Fund (EPF) contributions
- Employees' Trust Fund (ETF) contributions
- Annual leave, casual leave, and medical leave
- Health insurance, or medical benefits
- Training and development opportunities
- Employee recognition and reward programmes

### Parental Leave

In compliance with the Shop and Office Employees Act of 1954, female employees are entitled to 84 days paid maternity leave, post-delivery as well as two hours nursing time for a period of one year after recurring to work. At Arpico Insurance we provide:

- Maternity leave for female employees, according to Sri Lankan labour law.
- Flexible work arrangements for parents returning to work.
- Supportive workplace policies that help employees balance work and family responsibilities.

**Total number of employees that were entitled to parental leave**

**2**

**Total number of employees that took parental leave**

**2**

**Total number of employees that returned to work in the reporting period after parental leave ended**

**2**

**Total number of employees that returned to work after parental leave ended and were still employed 12 months after their return to work**

**2**

## WORKPLACE SAFETY

While the nature of our business does not typically expose employees to significant safety or health risks, the Company is committed to maintaining a safe and secure working environment for all staff. Accordingly, we comply with national fire safety regulations and follow recommended best practices issued by the Ministry of Health of Sri Lanka and the National Institute of Occupational Health and Safety of Sri Lanka. To further strengthen workplace safety, designated fire wardens at each location monitor safety measures, identify potential risks, and promote safety awareness among branch teams.

In 2025, the Company strengthened its commitment to workplace health and safety through the implementation of structured and proactive initiatives. Regular safety training programmes were conducted to enhance employee awareness and preparedness, while periodic safety inspections and risk assessments were carried out across office environments to identify and mitigate potential hazards.

In parallel, employee health and wellbeing programmes were promoted to support a safe and balanced working environment. The Company also conducted regular safety drills and awareness workshops to reinforce emergency preparedness and cultivate a strong safety culture across the organisation. These efforts collectively contributed to enhancing workplace safety standards and safeguarding employee wellbeing.

# HUMAN CAPITAL

## TALENT RETENTION

Talent retention initiatives in 2025 included, but were not limited to:

- Competitive salaries and benefits to retain skilled employees.
- Provide career development and training opportunities.
- Introduce employee recognition and reward programmes.
- Improve work–life balance initiatives, such as flexible working hours.
- Conduct employee engagement surveys to understand and address employee concerns.

## PERFORMANCE MANAGEMENT

In 2025, the Company enhanced its performance management framework by conducting both mid-year and annual evaluations, moving beyond the traditional single-yearly review cycle. Managers received targeted training to ensure that performance assessments were conducted fairly, consistently, and effectively, supported by transparent and objective appraisal criteria designed to minimise bias.

The performance assessment process was structured to provide constructive feedback and coaching, enabling employees to identify areas for improvement and strengthen their competencies. Results from these evaluations were directly linked to rewards, promotions, and career development opportunities, reinforcing a performance-driven culture and aligning individual contributions with the Company's strategic objectives.

All permanent employees who complete one year of service are eligible for an annual performance appraisal. The process begins with a target-setting exercise, where departmental objectives are cascaded down to individual employees through clearly defined Key Performance Indicators (KPIs). Department heads work with employees to establish mutually agreed quantitative KPIs alongside qualitative and behavioural performance metrics. Managers are responsible for continuously monitoring employee performance and providing guidance where necessary through coaching, mentoring, and training to support performance improvement.

In addition to the annual appraisal, employee performance is also reviewed during the probationary period, at disciplinary hearings, and as part of exit interviews.



## OUR KPIS

### TRAINING AND DEVELOPMENT

**Number of Training Programmes**

**14**

**2024 - 17**

**Why we use this KPI:**

Measures the organisation's commitment to continuous learning, capability development, and building a future-ready workforce.

**How we performed:**

The number of programmes reflects a more focused and structured approach to training, with greater emphasis on quality, relevance, and impact, particularly in leadership and technical development.



Significant investments were made in upskilling and reskilling programmes to prepare employees for evolving industry requirements. During the year, the Company rolled out a series of role-specific training modules tailored to key functional areas, including sales, underwriting, and customer service, ensuring that employees are equipped with the technical expertise required to perform effectively in their respective roles.

In addition, a range of soft skills development programmes was conducted, focusing on communication, leadership, and teamwork, to support well-rounded professional growth. The Company also sponsored industry-relevant certifications and professional development initiatives, enabling employees to deepen their knowledge and stay aligned with evolving insurance practices and standards.

To sustain continuous learning, a dedicated budget was allocated for ongoing skill development, ensuring that employees remain competitive, adaptable, and capable of contributing to the Company's long-term success.

### Training event

- Vitoria's 'How to achieve goals'
- Four Goal Setting events
- Two Underwriting trainings
- Team empowerment programme
- Customer care training
- Outbound training
- Monthly review events

### Achieving excellence through training

Navigating Financial Markets a Practical Approach to Money, FX, and Bond Markets with Local Insights conducted by the Chartered Financial Analysts Institute

### Financial Forecasting

MDRT Achievers Night

### Career Progress

During the year, the Company implemented structured career development plans across all employee levels, reinforcing its commitment to long-term talent development and retention. These plans were designed to align individual career progression with organisational goals, ensuring employees are equipped to take on evolving roles and responsibilities.

Targeted training programmes and professional certification opportunities were offered in line with specific job functions and future leadership requirements, enabling employees to build relevant skills and competencies. In addition, clear and transparent promotion pathways were established, based on performance, experience, and demonstrated capability, fostering a merit-based culture and providing employees with well-defined career advancement opportunities.

Several structured leadership development initiatives have also been introduced to support employees in advancing their careers within the Company.

### Rewards and Recognition

Rewards and recognition are an important component in strengthening employee motivation and supporting talent retention. The Million Dollar Round Table (MDRT) programme serves as a key initiative to recognise and reward outstanding performance among frontline employees.

Other rewards and recognition initiatives of 2025 reflected the Company's commitment to motivating employees and reinforcing a high-performance culture. These included performance-based bonuses and incentive schemes linked to the achievement of individual and team targets, aligning employee efforts with organisational objectives.

Recognition programmes such as Employee of the Month and Employee of the Quarter awards were introduced to acknowledge outstanding contributions, while long-service awards honoured employee loyalty and sustained dedication to the Company. Achievements were also highlighted through public recognition at company events and internal communications, fostering a sense of pride and appreciation across the workforce.

In addition to monetary rewards, the Company offered non-financial incentives such as certificates, plaques, and additional leave benefits, providing a well-rounded and inclusive approach to employee recognition and engagement.

### Talent engagement












# HUMAN CAPITAL

## EMPLOYEE RELATIONS

Arpico Insurance does not have formal trade union affiliations, as longstanding strong relationships with employees have mitigated the need for collective bargaining agreements. However, we strive to maintain an inclusive and transparent environment where employees feel valued, heard, and invested in the Company's long-term success.

During the year, the Company continued to strengthen employee relations through a series of structured engagement initiatives aimed at fostering an inclusive and collaborative workplace culture. Regular employee feedback surveys were conducted to better understand staff concerns, identify areas for improvement, and enhance overall engagement levels.

Team-building activities and social events were actively promoted to strengthen interpersonal relationships and encourage a sense of unity across the organisation. In addition, employees were encouraged to participate in decision-making processes relating to relevant HR policies and initiatives, reinforcing a culture of openness, mutual respect, and shared ownership.

## GRIEVANCE HANDLING

Effective grievance management is a key component of our employee relations approach. Each department has a designated HR representative as the first point of contact for grievance resolution, while department heads are trained to address concerns fairly and efficiently.

For issues that remain unresolved or are of a serious nature, a formal escalation process ensures review and appropriate action by senior leadership.

Additionally, our whistleblowing policy allows employees to report grievances anonymously. Reports submitted through this channel are managed by the Head of Internal Audit, the relevant department head, or a Board member, ensuring sensitive or ethical concerns are handled with the highest level of accountability.

In 2025, the Company further strengthened its grievance handling framework by enhancing both accessibility and accountability across the process. Confidential reporting channels were established to encourage employees to raise concerns without fear of retaliation, fostering a culture of openness and trust.

Dedicated HR personnel and structured committees were appointed to ensure that complaints are reviewed, investigated, and resolved in a timely and impartial manner. In addition, digital grievance tracking systems were introduced to monitor the progress of each case, improving transparency, consistency, and overall accountability within the process.

To reinforce these mechanisms, targeted training programmes were conducted for both managers and employees, focusing on effective grievance handling, anti-harassment practices, and workplace ethics. These initiatives collectively support the creation of a respectful, safe, and well-governed working environment.

## FUTURE PLANS

To sustain Growth at Every Turn, the Company continues to build a workforce that is:

- Adaptable and resilient – Able to respond to evolving business conditions
- Human-centric – Strong in leadership, creativity, and critical thinking
- Digitally fluent – Leveraging technology for efficiency and innovation
- Purpose-driven – Aligned with organisational values and long-term strategy

In 2026, the Company will continue to invest in strengthening its human capital through structured and continuous development initiatives. Regular training programmes will be conducted to enhance insurance knowledge, customer service capabilities, and overall professional competencies, ensuring that employees are well-equipped to meet evolving industry and customer expectations. In parallel, staff will be trained in the use of emerging digital tools, data systems, and insurance technologies to improve operational efficiency and elevate service delivery standards.

The organisation will also place emphasis on talent identification and succession planning by nurturing high-potential employees through targeted leadership development programmes, preparing them for future managerial and strategic roles. Efforts will be made to foster a positive and engaging work environment through employee recognition schemes, team-building initiatives, and clearly defined career development pathways. Additionally, the recruitment of qualified and skilled professionals will remain a priority, enabling the Company to build a resilient and capable workforce that supports its long-term growth ambitions.

# SOCIAL & RELATIONSHIP CAPITAL

During 2025, Arpico Insurance continued to strengthen its Social and Relationship Capital by deepening engagement with key stakeholders, including customers, business partners, regulators, and communities, building a solid foundation to enable growth at every turn. Recognising that trust and long-term relationships form the foundation of sustainable value creation, the Company placed strong emphasis on improving service quality, strengthening partner collaboration, and maintaining transparent stakeholder communication.



Customer relationships were enhanced through continuous improvements in service responsiveness, claims management processes, and customer engagement initiatives. These efforts were aimed at strengthening customer confidence and ensuring that policyholders experience reliability and efficiency throughout their interactions with the Company.

The Company also continued to strengthen its partnerships with intermediaries, corporate partners, and distribution networks through regular engagement, knowledge sharing, and collaborative initiatives designed to enhance the delivery of insurance solutions. These relationships remain a key driver in expanding market reach and improving accessibility to insurance protection.

In addition, Arpico Insurance maintained strong engagement with regulators and industry stakeholders, ensuring that its operations remain aligned with evolving regulatory expectations and best practices. Through responsible corporate conduct, ethical business practices, and consistent stakeholder engagement, the Company continued to reinforce the trust associated with the Arpico brand.

Community engagement initiatives carried out during the year further strengthened the Company's social presence by supporting social wellbeing and financial awareness. These initiatives not only contributed to community development but also strengthened the Company's social licence to operate.

## MANAGEMENT APPROACH

Our management approach to Social and Relationship Capital focuses on building mutually beneficial relationships with key stakeholders, grounded in trust and core values. We prioritise ethical conduct, transparency, and regulatory compliance to strengthen stakeholder confidence and ensures responsible business practices and also integrate social considerations into our strategies to contribute positively to communities. Overall, our stakeholder-centric approach supports long-term sustainability by fostering loyalty and goodwill.

## ASSOCIATED RISKS

- Underwriting Risk
- Reinsurance Risk
- Claims Risk
- Insurance Market Risk
- Information Security / Cyber
- Security Risk

## KEY ACTIONS OF 2025

- Accelerated digital transformation
- Strengthened customer engagement frameworks
- Enhanced claims responsiveness
- Implemented targeted policy revival and retention programmes
- Reinforced distribution partnerships
- Expanded brand visibility and outreach

# SOCIAL & RELATIONSHIP CAPITAL

**OUTPUTS / OUTCOMES**

- Complaint resolution ratio of 96%
- Improved customer engagement and satisfaction levels
- Enhanced policy persistency
- Elevated brand recognition and customer awareness

**IMPACTED SDGS**

## OUR KPIS

### PAYMENTS TO SUPPLIERS

**Rs. 176 Mn**

**2024 - 184 Mn**

**Why we use this KPI:**
Reflects the Company's contribution to the wider economy and strength of supplier relationships.

**How we performed:**
The Company continued to strengthen supplier partnerships, supporting stable operations and long-term growth.

### NEW CUSTOMERS ACQUIRED

**7,957**

**2024 -10,3056**

**Why we use this KPI:**
Measures market expansion and future revenue potential.

**How we performed:**
Customer acquisition remained a key growth driver, enabling the Company to expand its market presence and strengthen its revenue base.

## CUSTOMERS




### TOTAL CUSTOMERS

**26,655**

**2024 - 26,396**

- Accelerated digital transformation initiatives, including e-policy implementation, digital onboarding, and integrated payment platforms, improving customer convenience and service reach.
- Strengthened customer engagement frameworks through automated communication systems, structured feedback mechanisms, and proactive service interventions.
- Enhanced claims responsiveness, prioritising impacted policyholders and improving turnaround times through better coordination across operational teams.
- Implemented targeted policy revival and retention programmes, contributing to improved persistency and long-term customer relationships.
- Expanded brand visibility and outreach through integrated ATL, BTL, and digital marketing campaigns across multiple regions.
- Supported industry-wide awareness initiatives, including participation in regulatory-led programmes to improve insurance literacy.
- Strengthened employee capabilities through continuous training in customer service excellence, ethical conduct, and relationship management.

During the year, the Company remained firmly committed to delivering a superior customer experience by adopting a strong customer-first philosophy centred on trust, transparency, and the development of long-term relationships as a fundamental pillar for growth at every turn. This approach guided all customer engagement initiatives, ensuring that policyholders received reliable, responsive, and value-driven services across every interaction.

To support consistent service delivery, the Company maintained clearly defined service standards and turnaround times (TATs) across key processes such as policy issuance, endorsements, claims processing, and customer inquiries. These standards helped ensure that requests were handled promptly and efficiently, thereby enhancing overall customer satisfaction. At the same time, the Company continued to operate in full compliance with the regulatory requirements and guidelines issued by the Insurance Regulatory Commission of Sri Lanka, reinforcing robust governance practices and safeguarding the interests of policyholders.

Digital transformation initiatives played a key role in enhancing convenience and accessibility for customers. The Company streamlined digital proposal submission processes to enable faster onboarding with reduced documentation delays. Electronic policy issuance and secure digital document delivery were further introduced to improve customer convenience while supporting sustainability initiatives by minimising paper usage. In addition, online premium payment facilities were strengthened with multiple payment options, allowing customers to settle premiums seamlessly through secure digital platforms. Automated SMS alerts were also implemented to keep policyholders informed through timely reminders on premium due dates, payment confirmations, and policy updates, thereby improving proactive communication.

Customer feedback remained an integral component of the Company's service enhancement strategy. Structured customer feedback surveys were conducted during the year to assess satisfaction levels and identify opportunities for improvement. In addition, the Company continued to monitor its Net Promoter Score (NPS) as a key indicator of customer advocacy and loyalty, reflecting the confidence customers place in the brand and its services.

The Company also undertook several initiatives aimed at strengthening policyholder retention and long-term protection. Targeted revival campaigns were carried out to support customers in reinstating lapsed policies and restoring their coverage. Dedicated retention teams were deployed to focus on policy conservation and maintaining persistency levels across the portfolio. Complementing these efforts, comprehensive staff training programmes were conducted to enhance service excellence, empathetic communication, and ethical customer engagement, ensuring that employees across all touchpoints consistently deliver a high standard of customer care.

## PRODUCT STEWARDSHIP

In 2025, the Company introduced the Arpico Smart Investment Plan, a flexible and long-term financial solution designed to provide protection up to 80 years of age. The plan offers a comprehensive combination of life protection for the policyholder, spouse, and children, while also enabling customers to benefit from potential investment growth. With features such as top-up options and optional covers for health and disability, the product was developed to support customers in building long-term financial security while safeguarding their family's future.

The development of customer-centric products remains an integral part of the Company's product development lifecycle and the customer value proposition to sustain the strategic thrust towards growth at every turn.

The process begins with an in-depth assessment of market needs and evolving customer expectations, followed by the preparation of a comprehensive product paper. Each proposal undergoes a rigorous evaluation process to ensure that it meets strategic, financial, and regulatory requirements. Successful product concepts are then presented for approval by the Board of Directors, while also obtaining the necessary authorisation from the insurance regulator before being introduced to the market.

In line with its commitment to continuous improvement, the Company also conducts a comprehensive review of all existing products at least once every two years. This review assesses compliance with evolving regulatory requirements while also evaluating the competitiveness of the Company's offerings in relation to changing market trends and customer preferences.

Every underwriting solution offered by the Company is designed with the objective of empowering customers to achieve their financial goals while ensuring adequate protection for the future. Accordingly, all products are structured to deliver financial security, long-term value, and peace of mind. The Company's in-house panel of underwriting experts carefully assesses and manages risk to ensure that policies are tailored to individual customer needs while maintaining the long-term stability of the portfolio. At the same time, underwriting decisions are carried out efficiently, with turnaround times aligned with industry best practices to ensure a seamless customer experience.

| Year | Number of Policies |
|---|---|
| 2020 | 18,902 |
| 2021 | 21,802 |
| 2022 | 16,239 |
| 2023 | 10,487 |
| 2024 | 10,305 |
| 2025 | 7,957 |

# SOCIAL & RELATIONSHIP CAPITAL

## PRODUCTS

- Endowment Plan
- Education Plan
- Loan Protection Plan
- Relief Plan
- Arpico HealthCare
- Arpico Trust Plan
- Term Assurance Plan
- Group Assurance Plan
- Customer Insurance Scheme
- Retirement Plan
- Arpico Investment Bound
- Arpico Smart Investment Plan

## CHALLENGES AND OPPORTUNITIES ENCOUNTERED IN 2025

| Challenges | Opportunities |
|---|---|
| Rising customer expectations for seamless, digital-first, and real-time service experiences. | Rapid digital adoption, enabling scalable service delivery and enhanced customer engagement. |
| High agent attrition levels, impacting distribution stability and relationship continuity. | Increasing awareness of financial protection, creating opportunities to expand insurance penetration. |
| Intensifying industry competition, placing pressure on pricing, differentiation, and customer retention. | Growth in strategic partnerships, particularly within bancassurance and intermediary channels. |
| External uncertainties, including adverse weather events and economic constraints, affecting customer affordability and protection priorities. | |

### In response, Arpico Insurance adopted a resilient and forward-looking strategy

- Accelerated digital transformation, enabling faster service delivery, improved accuracy, and enhanced customer experience.
- Strengthened distribution resilience through enhanced agent engagement, structured training, and performance management frameworks.
- Implemented customer-centric retention strategies, including targeted revival campaigns and dedicated service teams to improve persistency.



- Leveraged multi-channel distribution partnerships to expand reach and improve accessibility across customer segments.
- Focused on product innovation, introducing solutions aligned with evolving customer needs and financial goals.
- Focused on product innovation, introducing solutions aligned with evolving customer needs and financial goals.
- Promoted financial literacy and risk awareness, supporting customers in making informed protection decisions.

| Name | 2025 | Membership Status |
|---|---|---|
| Standard Time taken for underwriting decisions (non-medical) | Within 24 hours (one working day) | Our SLA is to attend the case within 48 hours |
| Standard Time taken for underwriting decisions (medical) | Within 24 hours (one working day) | Our SLA is to attend the case within 48 hours |
| Standard Time taken to deliver policy to the customer | 5 days | Our SLA is to attend the case within 48 hours |

## CLAIM MANAGEMENT

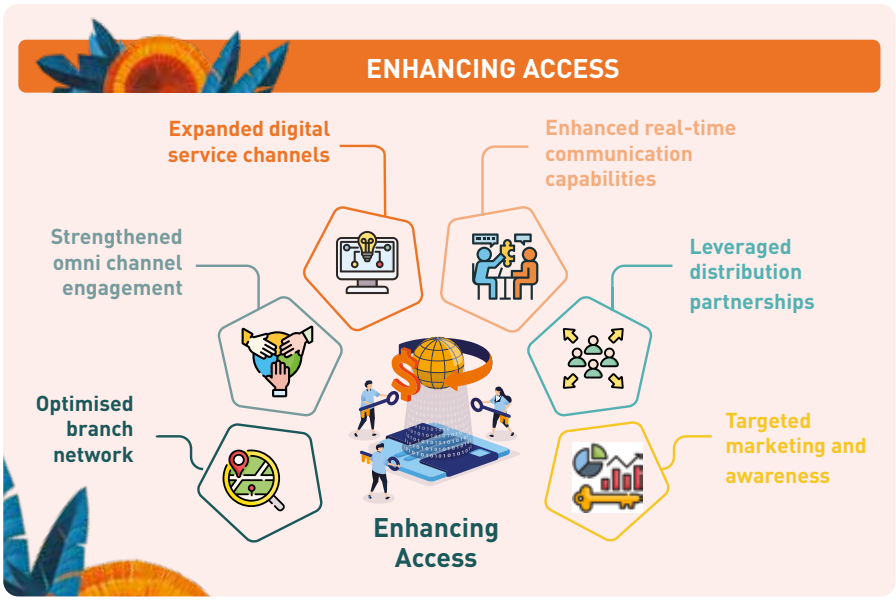
We are currently in the process of enhancing our claims management function through the automation of the claims processing system, with the objective of improving efficiency, accuracy, and overall service delivery. Our claims management framework has always been designed with the best interests of our policyholders at its core, ensuring that claims are handled in a fair, transparent, and timely manner, thereby supporting the overall philosophy of growth at every turn through customer satisfaction.

During the year, the Company further streamlined its internal claims handling procedures by introducing clearer operational guidelines governing escalation protocols, decision-making responsibilities, monitoring mechanisms, and oversight and review processes. These improvements were implemented to strengthen accountability and consistency across the claims management function while ensuring a more structured and responsive approach to claim settlements. Collectively, these initiatives were undertaken with the primary aim of reducing the average claim settlement period to five days, thereby providing policyholders with quicker access to the financial support they require during times of need.

## MULTI-CHANNEL ACCESS

During 2025, the Company significantly enhanced accessibility to its products through a balanced approach combining digital innovation and distribution optimisation, considering accessibility as a key channel to drive growth at every turn.

Arpico Insurance maintains a strategic focus on enhancing customer access through a multi-pronged approach. The core objective is to enhancing access to life insurance products for all citizens in all parts of the country. The Company has continually expanded digital service channels, which improves convenience and enables customers to interact seamlessly through online platforms. Strengthened omnichannel engagement further ensures a consistent and integrated customer experience across physical and digital touchpoints. Enhanced real-time communication capabilities support faster and more responsive interactions, improving service efficiency and customer satisfaction. In parallel, the optimisation of the branch network ensures better geographical reach and improved service delivery at the local level. The strategy is further reinforced through leveraged distribution partnerships, which extend market presence and accessibility, while targeted marketing and awareness initiatives help to improve customer reach and understanding of available services. Collectively, these initiatives contribute to building a more accessible, responsive, and customer-centric service ecosystem.




### During the year, we:

- Expanded digital service channels to enable end-to-end customer interaction through online proposals, e-policy delivery, and seamless premium payment systems.
- Strengthened omnichannel engagement, integrating digital platforms with traditional distribution channels to provide a consistent customer experience.
- Enhanced real-time communication capabilities through automated alerts and responsive customer support systems.

- Optimised the branch network, focusing on efficiency while maintaining accessibility through alternative and digital channels.
- Leveraged distribution partnerships to extend reach into underserved and emerging markets.
- Supported accessibility through targeted marketing and awareness initiatives, improving insurance penetration and customer inclusion.

## DIGITAL PLATFORMS

The IT Department continues to enhance Arpico Insurance's digital footprint by ensuring that our platforms remain secure, reliable, and high-performing. In 2025, we successfully launched the Arpico Smart Investment E-Policy Book, further advancing our digital offerings.

Ongoing initiatives focused on strengthening system reliability, reinforcing cybersecurity measures, and scaling infrastructure to accommodate increased digital interactions. Collaborating closely with business units, the IT team worked to improve user experience, ensure data accuracy, and provide uninterrupted access to our digital services.

By harnessing modern technologies and adhering to best-practice IT governance, Arpico Insurance sustains a trusted and resilient digital presence that drives operational efficiency, enhances customer engagement, and underpins the Company's long-term digital transformation journey.

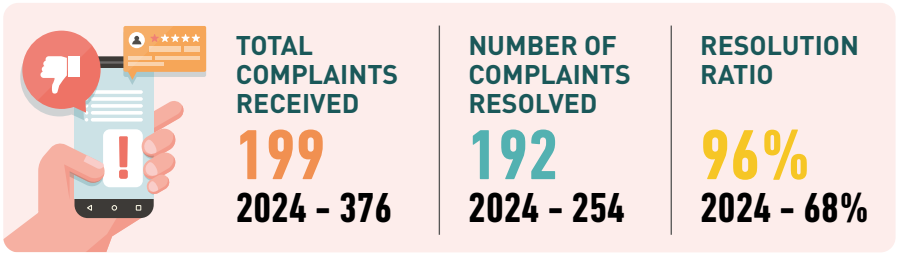
## MARKETING AND COMMUNICATIONS

In 2025, the Marketing Department undertook a wide range of initiatives to strengthen the Arpico Insurance brand and enhance engagement with both customers and staff. We launched an above-the-line campaign featuring television and radio advertisements, designed to raise brand awareness across the island. Complementing this, our team executed on-ground promotional activities, including town-storming events in multiple locations, alongside a variety of social media campaigns to drive interaction and visibility for both the brand and our products.

The Department also focused on targeted communications, issuing press releases for new offerings such as the Arpico Smart Investment Plan, while highlighting other key achievements throughout the year. Internally, several events were organised for sales and branch staff to promote welfare, motivation, and engagement. In line with our commitment to public awareness, we actively participated in government-led insurance campaigns, including the IRCSL Roadshows in Matara, Jaffna, and Kilinochchi. Beyond these initiatives, the Department contributed to community engagement through sponsorship of social events and participation in career fairs, reinforcing Arpico Insurance's presence and reputation across Sri Lanka.

## COMPLAINT HANDLING

Arpico Insurance places strong emphasis on effective and timely customer complaint handling as part of its commitment to service quality and customer satisfaction that underpins the business objective of growth at every turn. During the reporting period, the Company received a total of 199 customer complaints, of which 192 were successfully resolved, resulting in a high resolution ratio of 96%. This reflects the Company's proactive approach to addressing customer concerns and its focus on maintaining trust and transparency in all interactions. Continuous efforts are made to improve responsiveness and strengthen internal processes to ensure that complaints are resolved efficiently and root causes are addressed to prevent recurrence. Through this structured approach, Arpico Insurance reinforces its dedication to delivering a reliable and customer-centric service experience.

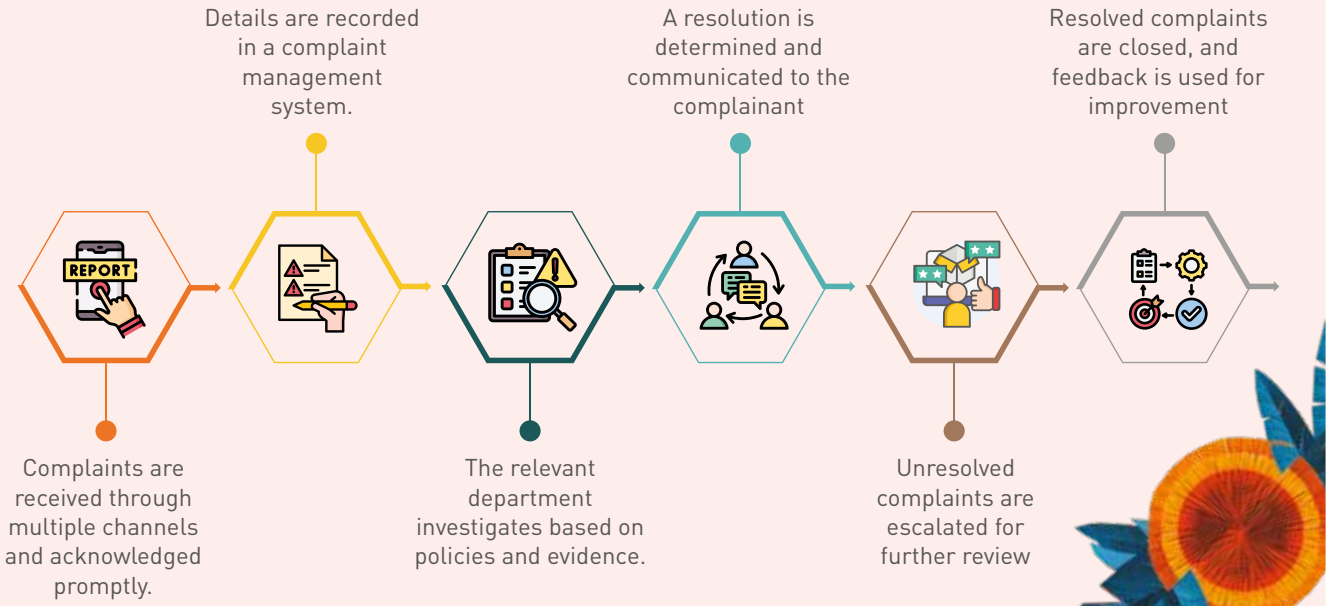



During the year, the customer complaint handling process was strengthened through a series of targeted initiatives. Regular training sessions were conducted for sales staff and personnel at service points to enhance service quality and ensure prompt, effective responses to customer concerns. In addition, the introduction of an online payments platform provided customers with a secure and convenient method for premium payments, helping to reduce the risk of misappropriation and improve overall transparency in transactions.

## COMPLAINT MANAGEMENT PROCESS

Arpico Insurance follows a structured and transparent complaint handling process to ensure timely resolution and continuous service improvement, while enabling growth at every turn. Complaints received through multiple channels are promptly acknowledged and formally recorded in a dedicated complaint management system. Each case is then assigned to the relevant department for detailed investigation, guided by internal policies and supporting evidence. Based on the findings, an appropriate resolution is determined and communicated clearly to the complainant. Where complaints cannot be resolved at the initial stage, they are escalated for further review to ensure fair and thorough consideration. Once resolved, cases are formally closed, and customer feedback is captured and utilised to strengthen processes and prevent recurrence. Through this systematic approach, the Company reinforces its commitment to accountability, responsiveness, and enhanced customer experience.

## COMPLAINT MANAGEMENT PROCESS




In addition to the internal customer complaints handling process, a dissatisfied customer may also refer the complaint to the Insurance Ombudsman, or the Insurance Regulatory Commission of Sri Lanka.

## CUSTOMER PRIVACY

Our approach to customer privacy is anchored in strict compliance with regulatory requirements and global best practices in data protection. We ensure transparency by clearly communicating how customer data is collected, stored, and used, emphasising that it is handled solely for legitimate business purposes. To safeguard this information, we have deployed robust systems, advanced encryption technologies, and stringent access controls, while also providing regular training to employees to maintain high standards of data security. During the year under review, no complaints were received concerning breaches of customer privacy.

## BUSINESS PARTNERS AND SUPPLIERS

Our strategic partnerships play a key role in driving business growth and operational efficiency. The two primary business partner categories are our insurance agents, who help broaden our market reach, and our reinsurance partners who are essential for effective risk management and scalability. In addition, we maintain relationships with a diverse range of suppliers who provide critical goods and services, from technology solutions to administrative support, enabling the Company to operate seamlessly and maintain a strong focus on customer satisfaction.

In the 2025 financial year, the Company continued to maintain strong and healthy relationships with its existing suppliers and partners. In line with evolving business strategies, new partnerships were established while certain engagements were streamlined to improve operational efficiency and strategic alignment.

### Our partners and suppliers

Arpico Insurance's value chain is supported by a diverse and well-integrated network of partners and suppliers that enable seamless service delivery across its operations, becoming a key component of the strategy for growth at every turn. The Company works closely with insurance agents and reinsurance partners to strengthen risk management capacity and ensure financial resilience. Its distribution network is further expanded through banks, brokers, and financial advisors, enhancing customer access and improving market reach. In delivering comprehensive protection solutions, Arpico Insurance collaborates with healthcare and medical service providers, including hospitals, laboratories, doctors via telemedicine, and diagnostic centres, ensuring efficient and reliable claims and health service support.

The Company is also supported by technology and system providers, including software support services and IT vendors, who enable digital transformation and operational

# SOCIAL & RELATIONSHIP CAPITAL

efficiency. Professional services such as external auditors, actuarial consultants, legal advisors, and regulatory consultants provide critical governance, compliance, and technical expertise. In addition, operational suppliers covering printing, communication services, and office infrastructure play an essential role in sustaining day-to-day business continuity. Together, these strategic partnerships strengthen Arpico Insurance's operational resilience, service quality, and long-term value creation.

| Agents | Munich RE | Heath care and medical service providers | Technology and System Providers | Professional Services Providers | Operational Suppliers |
|---|---|---|---|---|---|
| » Institutional<br>» Agents | » Banks<br>» Brokers<br>» Financial advisors | » Hospitals<br>» Laboratories<br>» Doctors via Teli Medicine<br>» Diagnostic centres | » Software support services providers<br>» IT vendors | » External auditors<br>» Actuarial consultants<br>» Legal advisors, and regulatory consultants | » Printing<br>» Communication services<br>» Office infrastructure etc |

## PARTNER AND SUPPLIER ENGAGEMENT

Arpico Insurance PLC ensures ethical and fair relationships with its business partners and suppliers through the following measures:






**NO OF PARTNERS**

**378**

**2024 - 376**

**NO OF SUPPLIERS**

**90**

**2024 - 90**

### 1. Transparent Procurement Processes

Suppliers and partners are selected based on clearly defined criteria, including quality, reliability, and cost-effectiveness. Wherever applicable, the Company follows competitive and transparent tendering processes to ensure fairness and eliminate bias.

### 2. Adherence to Governance and Compliance Standards

All engagements are conducted in full compliance with applicable regulatory requirements and the Company's internal policies. Contracts are structured to clearly outline responsibilities, ethical expectations, and compliance obligations for all parties involved.

### 3. Regular Monitoring and Evaluation

The performance of suppliers and partners is subject to regular monitoring and evaluation to ensure that established standards are consistently maintained. Structured feedback mechanisms and periodic audits are implemented to identify any deviations and facilitate timely corrective action.

### 4. Mutual Respect and Collaboration

The Company fosters relationships grounded in trust, transparency, and open communication. It actively promotes collaborative partnerships that create shared value while maintaining respect for ethical boundaries and professional standards.

### 5. Ethics and Anti-Corruption Commitment

All partners and suppliers are expected to strictly adhere to the Company's anti-bribery and anti-corruption policies. Ethical conduct is reinforced through clearly defined contractual obligations as well as ongoing awareness and sensitisation programmes.

## AGENT NETWORK

Our network of insurance agents is a cornerstone of our distribution strategy and plans to enable growth at every turn. Recognising their pivotal role in the value chain, our approach to agent development focuses on cultivating brand ambassadors who reflect the core values and mission of Arpico Insurance. This begins with a rigorous recruitment process that identifies individuals of integrity, dedication, and a customer-centric mindset.

Once onboard, agents benefit from continuous professional development programmes designed to enhance product knowledge, refine sales capabilities, and reinforce ethical conduct. Their performance is regularly evaluated to identify high achievers, highlight areas for improvement, and foster innovation, while ensuring alignment with our shared value principles. Outstanding performers are rewarded through incentives and recognition schemes, including the prestigious Million Dollar Round Table (MDRT) status, reinforcing their contribution to the Company's growth and reputation.

| | 2025 | 2024 |
|---|---|---|
| Total no. of Agents | 840 | 1,085 |
| No. of new Recruits | 1255 | 1,514 |
| Resignations / Terminations | 1500 | 2,012 |
| Attrition Rate | 64 | 1.5 |
| MDRT Winners | 08 | 10 |

## AGENT-SUPPORT PROGRAMMES IN 2025

- Structured capability development programmes were conducted covering product knowledge, compliance, and ethical selling practices.
- Continuous professional development initiatives were conducted through coaching, mentoring, and performance feedback mechanisms.
- Digital tools and platforms were provided to enhance productivity, customer engagement, and service delivery.
- Introduced performance-based incentives and a recognition frameworks, including MDRT support, to motivate high performance.
- Strengthened governance and supervision frameworks to ensure quality, consistency, and customer-centric service delivery.

## REINSURANCE PARTNERS

Reinsurers form a vital strategic link in Arpico Insurance's value creation process, supporting risk diversification and enhancing our ability to optimise capital utilisation. By transferring a portion of our risks to carefully selected reinsurance partners, we expand our underwriting capacity while safeguarding the financial stability and resilience of our business, ensuring we can consistently execute our strategic objectives.

We also leverage the global expertise of our reinsurers to refine product design and development, enabling us to respond to the evolving needs of our customers. Recognising their critical role in our value chain, we are selective in choosing reinsurance partners, working exclusively with highly reputed, A+ or A-rated global organisations with proven track records and long-standing financial stability. Currently, Arpico Insurance maintains arrangements with one of the world's leading reinsurers.

During the year, we strengthened our reinsurance agreements to cover specific high-risk categories, providing robust protection against large-scale claims and enabling us to continue offering competitive life insurance products while maintaining a resilient and secure business model.

| Name of Reinsurer | Logo | Credit Rating | Profile | Length of Relationship with Arpico Insurance |
|---|---|---|---|---|
| Munchener Ruckversicherungs – Gesellschaft Aktiengesellschaft (Munich Re)– Germany | Munich RE | AA- | World largest reinsurer by gross premium with expertise of over 144 years.<br><br>Total asset base of £ 313.4 Bn in 2025 | Since 2012 |

# SOCIAL & RELATIONSHIP CAPITAL




## SUPPLIERS

All transactions with suppliers are guided by the Company's "Purchasing Procedure," ensuring transparency and quality controls. Engagements are based on forming long term partnerships, and we evaluate suppliers based on their ability to meet quality standards, adherence to timelines, and alignment with our values and sustainability standards.

## MEMBERSHIPS AND AFFILIATIONS

Our memberships and affiliations with a range of professional and industry bodies enable us to engage with leading organisations, experts, and peers across the sector, supporting growth at every turn. These associations foster opportunities for collaboration, strategic partnerships, and knowledge sharing, strengthening our ability to respond effectively to evolving industry dynamics. Through participation in forums, research publications, and training initiatives, we gain valuable insights into emerging trends, regulatory developments, and best practices.

Such affiliations also provide a platform for constructive dialogue and advocacy, allowing us to contribute to policy discussions and support the development of regulations that promote sustainable industry growth. Furthermore, these networks enhance our access to both global perspectives and local market intelligence, creating opportunities for business expansion while reinforcing our commitment to innovation, resilience, and long-term value creation in an increasingly competitive landscape.

### Membership organisations

- Institute of Chartered Accountants of Sri Lanka
- Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Insurance Association of Sri Lanka (IASL)
- Sri Lanka Insurance Institute (SLII)
- Colombo Stock Exchange (CSE)
- Central Bank of Sri Lanka (CBSL)
- The National Chamber of Commerce Sri Lanka
- Registration of Persons for customer due diligence

## COMMUNITY

During the financial year under review, the Company actively engaged with local communities as a central pillar of its strategy to enable growth at every turn, through a series of roadshows conducted in collaboration with the Insurance Regulatory Commission of Sri Lanka, aimed at enhancing public awareness and understanding of insurance. In addition, the Company supported a range of sports, youth, and religious initiatives to strengthen community relationships and foster trust.

Further reinforcing its commitment to social responsibility, the Company undertook CSR initiatives, including the donation of stationery to underprivileged students of Aththidiya Primary School, thereby contributing to improved access to educational resources and supporting the development of local communities.

## FUTURE PLANS

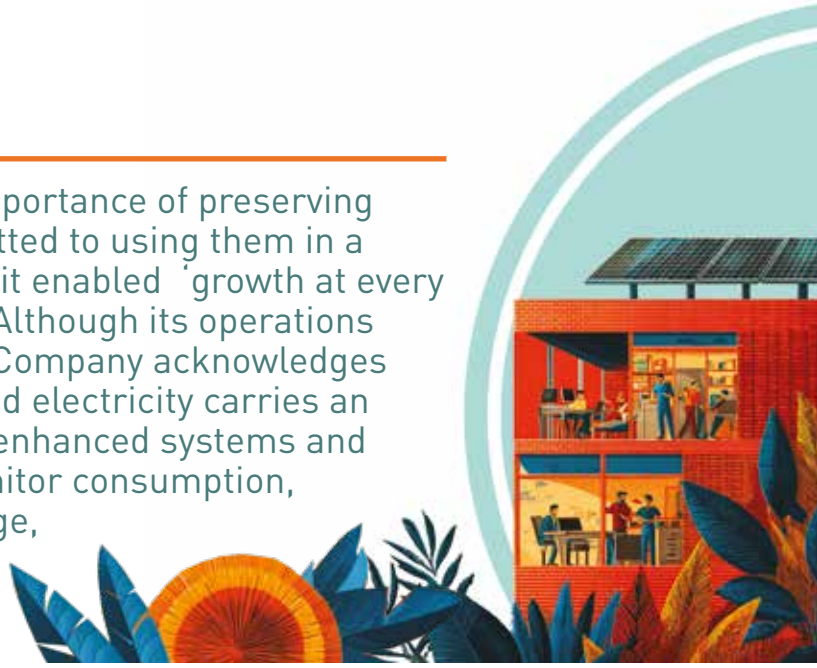
The Company aims to further strengthen its relationships with key stakeholders by enhancing customer-centric solutions, supporting the professional development of agents, and fostering long-term, mutually beneficial partnerships with suppliers and business partners. Future initiatives will focus on improving service accessibility through digital platforms, strengthening engagement with distribution partners, and promoting responsible and transparent business practices.

We will continue to enhance the customer experience through digital innovation and service improvements. Key initiatives include introducing dynamic value propositions that deliver seamless convenience and strengthening customer engagement. A cornerstone of this strategy is the implementation of a new CRM system, which was completed in 2025, enabling more personalised, efficient, and responsive interactions with our customers in the future.

In addition, the Company remains committed to contributing positively to the communities it serves through sustainable initiatives, financial protection solutions, and community engagement programmes that suppo long-term social well-being.

# NATURAL CAPITAL

Arpico Insurance PLC recognises the importance of preserving natural resources and remained committed to using them in a responsible and sustainable manner as it enabled 'growth at every turn,' during the current financial year. Although its operations are not directly resource-intensive, the Company acknowledges that the use of utilities such as water and electricity carries an environmental impact. To address this, enhanced systems and controls have been implemented to monitor consumption, improve efficiency, and minimise wastage, supporting the long-term stewardship of Natural Capital.



## MANAGEMENT APPROACH

As a responsible organisation, we acknowledge our responsibility to conserve natural resources for future generations. Guided by our ESG strategy, the Company has strengthened its policies and operational practices to embed sustainability across all activities. In parallel, key priority areas have been identified, with clearly defined targets in place to enhance resource efficiency and reduce wastage over time.

## ASSOCIATED RISKS

- Energy Risk
- Reputation Risk

## KEY ACTIONS OF 2025

- Invested in installing energy efficient lighting
- Installation of solar panels

## IMPACTED SDGS

## OUTPUTS / OUTCOMES

| 522 $tCO_2$ | 292 $m^3$ | 99 GJ |
|---|---|---|
| Organisation-wide Carbon footprint | Water consumption per branch | Energy Consumption per branch |

# NATURAL CAPITAL

## OUR KPIS

### GHG EMISSIONS

**6,439 GJ**

**2024 - 6,992 GJ**

**Why we use this KPI:**
Measures environmental impact and progress towards sustainable operations.

**How we performed:**
Operational efficiencies and responsible resource usage contributed to managing emissions while supporting business growth.



### WATER INTENSITY

**18,994 $M^3$**

**2024 - 29,059**

**Why we use this KPI:**
Measures efficiency in water utilisation.

**How we performed:**
Improved water management practices supported resource efficiency and environmental responsibility.



## APPROACH TO MANAGING ENVIRONMENTAL IMPACTS

In supporting Growth at Every Turn, the Company integrates environmental considerations into its strategy and decision-making processes to ensure long-term sustainability.

## SLFRS S2 REPORTING

The Company is an early adopter of SLFRS S2 – Climate-related Disclosures, demonstrating its proactive commitment to transparent climate-related reporting and alignment with emerging global sustainability standards. The voluntary early adoption has enabled the Company to identify, assess, and disclose climate-related risks and opportunities in a structured manner, while strengthening the integration of environmental considerations into its strategic and risk management processes. The Company's management of emissions and its carbon footprint are disclosed in the SLFRS S1 and S2 disclosures given in this report.

## DELIVERING ON OUR CLIMATE STRATEGY

Arpico Insurance continues to advance its climate strategy by strengthening its response to both climate-related risks and emerging opportunities across its operations. The Company places strong emphasis on enhancing energy efficiency within its operational footprint, thereby reducing environmental impact and promoting responsible resource use, while driving growth at every turn. Climate considerations are increasingly integrated into governance structures and risk management frameworks, ensuring that environmental risks are systematically assessed and managed as part of core business decision-making. In addition, Arpico Insurance aligns its sustainability priorities with financial planning processes, enabling a more holistic approach where long-term value creation is balanced with environmental responsibility. Through these focused actions, the Company reinforces its commitment to climate resilience and sustainable growth.

The Company continues to strengthen its approach to climate-related risks and opportunities by:

- Enhancing energy efficiency
- Integrating climate considerations into governance and risk management
- Aligning sustainability with financial planning

## ARPICO INSURANCE PLC - KEY ENVIRONMENTAL FOCUS



| CATEGORY | ENERGY AND EMISSIONS | WATER | WASTE |
|---|---|---|---|
| **Management approach** | » Identify areas of high energy consumption<br>» Identify potential energy improvements<br>» Analyse historical energy usage data and identify opportunities for optimisation | » Install water-efficient features such as low-flow faucets, toilets and urinals to reduce water consumption<br>» Upgrade to water-saving appliances in the cafeteria and meeting rooms | » Improve awareness on waste reduction techniques.<br>» Implement waste segregation<br>» Promote recycling<br>» Promote composting<br>» Reduce single use plastic |
| **Actions and controls** | » Upgrade to energy-efficient lighting system<br>» Install energy efficient applications and machinery<br>» Invest in renewable energy sources, such as solar panels<br>» Introduce remote work and virtual meetings<br>» Involve employees in energy saving initiatives through incentive programmes and<br>» Encourage employees to report energy related issues and | » Regularly inspect plumbing systems for leaks and promptly repair any identified issues<br>» Develop and Implement water management policies and guidelines that outline best practices for water conservation<br>» Install water meters to monitor and track water usage in different branches of the organisation.<br>» Educate employees about the importance of water conservation and ways to reduce water usage | » Provide clearly labelled recycling bins for different types of materials throughout the premises.<br>» Collaborate with local recycling facilities to ensure proper disposal and recycling of materials.<br>» Introduce composting bins for organic waste in common areas such as cafeterias and break rooms.<br>» Educate employees about the benefits of composting and the proper disposal of organic waste.<br>» Promote the use of reusable items |

# NATURAL CAPITAL

## ENERGY MANAGEMENT

Energy management is a key environmental responsibility that supports the reduction of greenhouse gas emissions and the efficient use of natural resources. By actively monitoring and optimising energy consumption across operations, Arpico Insurance aims to minimise its environmental footprint while improving operational efficiency in order to achieve growth at every turn. In its quest towards responsible energy management the Company considers the practical adoption of energy-efficient technologies, promoting responsible usage behaviours among employees, and integrating renewable energy solutions where feasible.

Effective energy management not only contributes to climate change mitigation but also strengthens long-term sustainability by reducing dependency on non-renewable energy sources and lowering operational costs. Through continuous improvement and awareness-building, we have aligned business practices with broader environmental stewardship goals and contributed meaningfully to sustainable development.

The most significant environmental impact through the Company occurs through energy consumption of the Company's head office and its island wide branch network. This is mainly in the form of electricity usage across branch locations and operational facilities. In order to manage its energy footprint, the Company monitors electricity consumption on a monthly basis at branch level, enabling management to track usage patterns, identify inefficiencies, and implement corrective actions where necessary. This systematic monitoring process supports improved energy efficiency and responsible resource utilisation across operations.

In the financial year 2025, the Company achieved 553 GJs of combined electricity and fuel energy, due to the number of branches declining from 69 to 65.

### TOTAL ENERGY CONSUMPTION AND PER BRANCH (ELECTRICITY + FUEL)

| | 2025 | 2024 | 2023 | Saving |
|---|---|---|---|---|
| **Gigajoule** | 6,439 | 6,992 | 6,491 | 553 |
| | | | | |
| Number of Branches | 65 | 69 | 69 | N/A |
| Per Branch | 99 | 101 | 94 | 2 |
| MDRT Winners | 08 | 10 | 12 | NA |

### SEGMENTAL CONSUMPTION

| Geographic Segment | 2025 GJ | 2024 GJ | 2023 GJ |
|---|---|---|---|
| North, North Central and East | 2,390 | 1,990 | 2,051 |
| Sabaragamuwa and Gampaha | 1,771 | 2,463 | 1,579 |
| Southern and Central | 1,852 | 1,907 | 2,189 |
| Uva | 426 | 632 | 672 |
| **Total** | 6,439 | 6,992 | 6,491 |

## WATER MANAGEMENT

While focusing on growth at every turn, water management remained an important and core aspect of the Company's broader environmental responsibility and sustainability commitment. Although the Company's direct operational water consumption is relatively low as a service-based organisation, Arpico Insurance focuses on promoting efficient water use within its offices and operational premises through awareness initiatives and responsible consumption practices.

Measures such as encouraging reduced water wastage, maintaining water-efficient sanitation systems, and regular monitoring of usage help ensure that water resources are used judiciously.

In addition, the Company recognises the indirect impact of water-related risks within its insurance portfolio and continues to strengthen its understanding of water scarcity, flooding, and climate-related water risks in order to enhance risk assessment and product responsiveness. Through these efforts, Arpico Insurance contributes to responsible water stewardship while supporting long-term environmental sustainability.

In 2025, the Company continued to:

- Monitor water usage across operations
- Improve efficiency through awareness and controls
- Align with evolving sustainability expectations

Water consumption across the Company's branch network is monitored monthly, allowing management to identify abnormal usage patterns and take corrective measures. The Company also promotes responsible water usage practices within its offices to ensure efficient utilisation of this resource.

### TOTAL WATER CONSUMPTION AND BREAKDOWN PER PERSON AND PER BRANCH

| Water Consumption | 2025 | 2024 | 2023 |
|---|---|---|---|
| Cubic meters | 18,994 | 29,059 | 30,103 |
| Per branch | 275 | 421 | 463 |
| Per person | 18 | 20 | 17 |
| Total staff | 1068 | 1464 | 1,771 |

### SEGMENTAL CONSERVATION

| Row Labels | 2025 $M^3$ | 2024 $M^3$ | 2023 $M^3$ |
|---|---|---|---|
| North, North Central and East | 953 | 573 | 918 |
| Sabaragamuwa and Gampaha | 16,270 | 25,947 | 26,118 |
| Southern and Central | 1,273 | 1,811 | 2,421 |
| Uva | 498 | 728 | 647 |
| **Total** | 18,994 | 29,059 | 30,103 |

## WASTE MANAGEMENT

The Company has introduced a range of mechanisms to manage its waste. These responsible workplace practices have contributed directly towards minimising environmental impacts through pollution and landfills.

**Key initiatives include:**

- Encouraging waste reduction through digitalisation and reduced paper usage.
- Promoting segregation of waste where possible within office premises.
- Ensuring proper disposal of office waste through authorised waste management services.
- Raising employee awareness on responsible waste management practices.

## FUTURE PLANS

Our approach to managing our impacts on the environment is deployed through a holistic framework covering the primary natural capitals that are most material to our business operations, which are energy, emissions, water, and waste. A key priority is enhancing energy efficiency, with a targeted 5% annual reduction in energy use per branch, while steadily advancing towards a net-zero ambition. This will be enabled through greater reliance on renewable energy and the redesign of operational spaces to improve efficiency. As these measures take effect, we expect a gradual decline in emissions, contributing to a lower overall environmental footprint.

Water stewardship will also remain a focus area, with plans to reduce per capita consumption by 2% each year, supported by the introduction of sustainable reuse initiatives. At the same time, efforts to curb waste generation will be strengthened, including a 5% reduction in paper usage through wider adoption of digital solutions and the promotion of reuse wherever practical. In parallel, the Company is working towards establishing a robust, long-term framework to address food waste through improved reduction and disposal practices.

# STAKEHOLDER ENGAGEMENT

Proactive stakeholder engagement is no longer a choice - it is a strategic imperative. At Arpico Insurance, we view every stakeholder interaction as an opportunity to learn, adapt, and grow, ensuring our decisions reflect the values, needs, and aspirations of those who matter most to us.

Building meaningful relationships with stakeholders remains a strategic priority for Arpico Insurance, enabling us to create sustainable value through transparency, responsiveness, and collaboration while aligning our decisions with the evolving expectations of those who matter most.

In an increasingly dynamic business environment shaped by economic uncertainty, technological transformation, evolving customer expectations, and emerging sustainability considerations, meaningful stakeholder engagement has become more important than ever. We recognise that maintaining open and constructive dialogue with our stakeholders enables us to better understand their concerns, anticipate changing needs, and respond proactively through informed decision-making.

During the year, Arpico Insurance continued to strengthen its engagement mechanisms to ensure that stakeholder perspectives are integrated into strategic planning, operational execution, governance practices, and sustainability initiatives. Through continuous engagement, we were able to identify key priorities, improve service delivery, enhance accountability, and build stronger relationships founded on mutual respect and shared value creation.

Our engagement approach is guided by the principles of inclusivity, responsiveness, transparency, and accountability. We engage with a broad spectrum of stakeholders including customers, employees, shareholders, regulators, intermediaries, business partners, and the wider community through multiple formal and informal channels. These interactions provide valuable insights that support our efforts to remain agile, customer-centric, and future-ready.

Arpico Insurance follows a structured four-step stakeholder engagement process designed to identify key stakeholder groups, understand their material concerns and expectations, implement responsive actions, and continuously monitor the effectiveness of our engagement initiatives. This systematic approach enables us to foster meaningful and lasting relationships while ensuring that stakeholder interests remain at the heart of our decision-making processes.

Through proactive engagement and collaborative partnerships, we remain committed to creating sustainable value for all stakeholders while strengthening our position as a trusted and responsible insurer in Sri Lanka.

## STAKEHOLDER ENGAGEMENT PROCESS



**Stakeholder Identification**

Establish Stakeholders of Arpico Insurance PLC



**Stakeholder Analysis and Mapping**

Prioritise Stakeholders based on Power/Interest Matrix



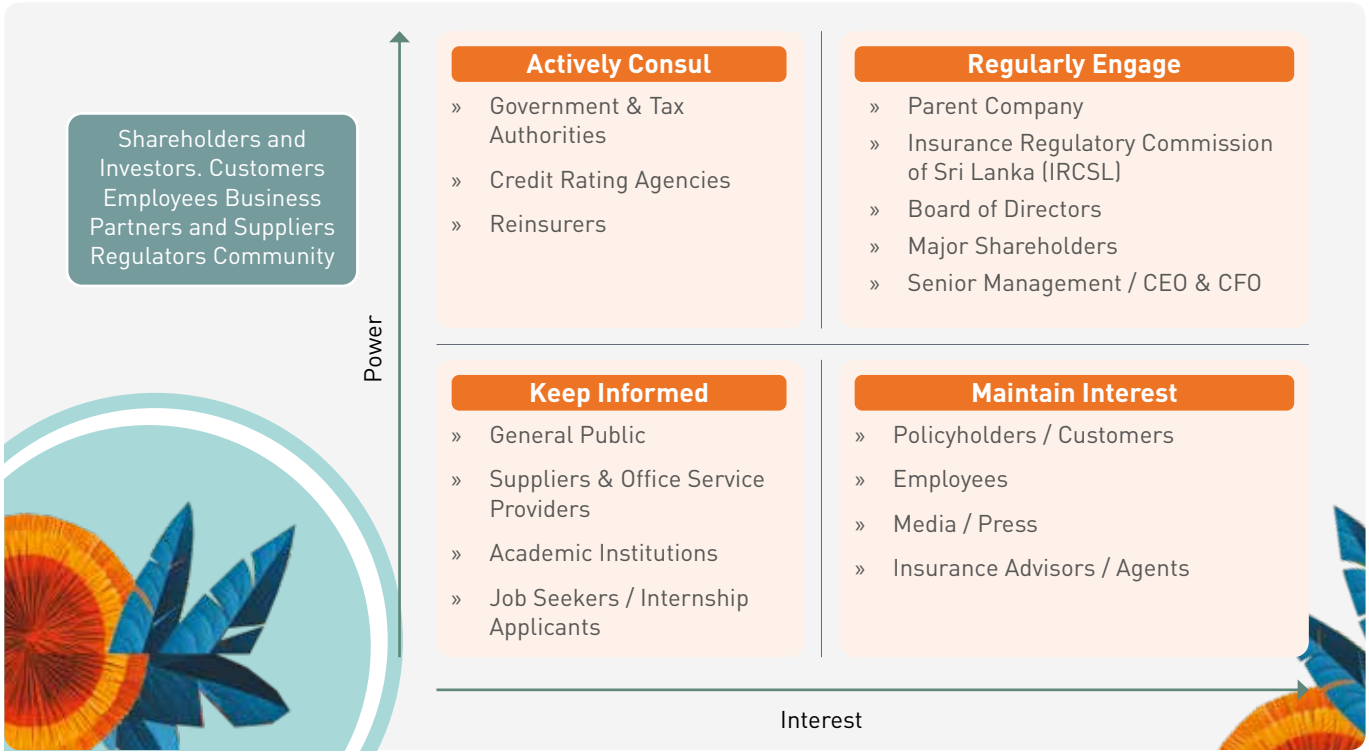
**Develop Suitable Stakeholder Communication Strategies**

Determine Stakeholder Engagement methodologies based on Power / Interest Matrix



**Review Feedback and Strengthen**

Review Stakeholder feedback and strengthen engagement methodologies




| Stakeholder | Mechanisms and Frequency of Engagement holder Engagement | Expectations and Concerns | Arpico Insurance PLC's Strategic Initiatives | Value Delivered |
|---|---|---|---|---|
| **SHAREHOLDERS AND INVESTORS**<br><br>Strength of Relationship - HIGH | » Annual Report (Annual)<br>» Annual General Meeting (Annual) CSE<br>» Interim Financial<br>» Reports (Quarterly)<br>» Announcements (As needed)<br>» Corporate Website<br>» (Continuous and Ongoing)<br>» One-on-one meetings (as needed) | » Consistent financial Performance<br>» Capital Adequacy<br>» Reliability of Dividends<br>» Transparent, accurate and timely disclosure of financial and nonfinancial information<br>» Regulatory Compliance<br>» Ethics and values including the commitment to anti bribery and Anti Corruption | » Focus on growing captive market share<br>» Disciplined underwriting principles<br>» Stringent management of capital and liquidity<br>» Robust risk management measures<br>» Strong governance and oversight | » Agency top line growth<br>» Capital Adequacy<br>» Liquidity Ratio<br>» ROE<br>» ZERO incidents<br>» regarding noncompliance of regulations<br>» ZERO incidents of bribery or corruption |

# STAKEHOLDER ENGAGEMENT

| Stakeholder | Mechanisms and Frequency of Engagement holder Engagement | Expectations and Concerns | Arpico Insurance PLC's Strategic Initiatives | Value Delivered |
|---|---|---|---|---|
| **CUSTOMERS**<br><br>Strength of Relationship - HIGH | » Sales Teams (Continuous and Ongoing)<br>» Customer Satisfaction Surveys (periodic)<br>» ATL/BTL / Digital/ Social Media Promotional Campaigns (As needed)<br>» Corporate Website (Continuous and Ongoing)<br>» Claim process (as needed)<br>» Complaint channels (as needed) | » Competitive pricing<br>» Diversity of product Portfolio<br>» Channels to access products and services<br>» Timeline for policy Delivery<br>» Efficiency of the claims process<br>» Overall convenience<br>» Data privacy | » Customer-centric product portfolio catering to segments<br>» Multi-Channel Access combining both digital and physical infrastructure<br>» Responsible marketing and communications<br>» End-to-end claim management Proactive Complaint Handling<br>» Continuous investment to upgrade core IT infrastructure<br>» Designing for the implementation of reliable BCP Framework & DR Architecture | » 1% growth in customers<br>» Base<br>» 75% policy retention rate for 1st year<br>» 7,951 of new policies<br>» Increase in new policies<br>» Through digital channels<br>» Average Time taken to deliver policy to the customer - 02 days<br>» ZERO incidents of customer privacy violations |
| **EMPLOYEES**<br><br>Strength of Relationship - SATISFIED | » Employee Surveys (As needed)<br>» Performance Appraisal (annual)<br>» Team Meetings / Briefings (Continuous and Ongoing)<br>» Internal Communications (Continuous and Ongoing)<br>» Employee Engagement<br>» Programmes (periodic) | » Remuneration and Benefits<br>» Training and Developments<br>» Work-life balance<br>» Gender parity<br>» Rewards and Recognition<br>» Job security and Prospects<br>» Safe workplace | » Governance, Compliance and Best Practices<br>» Fair and equitable Recruitment<br>» Competitive remuneration and benefits<br>» Performance Management<br>» Training and Development<br>» Career progression<br>» Rewards and Recognition<br>» Assurance of workplace safety<br>» Employee relations<br>» Grievance handling | » 8% average salary Increment<br>» 1,372 new recruits |

| Stakeholder | Mechanisms and Frequency of Engagement holder Engagement | Expectations and Concerns | Arpico Insurance PLC's Strategic Initiatives | Value Delivered |
|---|---|---|---|---|
| **BUSINESS PARTNERS AND SUPPLIERS**<br><br>Strength of Relationship - SATISFIED | » Contracts with insurers (Annual)<br>» Agent on-boarding process (as needed)<br>» Supplier evaluation process (as needed) | » Honouring contractual obligations<br>» Growth opportunities<br>» Timely settlement of dues | » Collaboration with reinsurers to enhance underwriting skills and develop and implement best practices<br>» Knowledge sharing and capacity building for insurance brokers<br>» Effective management of supplier networks | » Rs. 91 Mn premiums ceded to reinsurers<br>» Rs. 292 Mn of restorations paid to sales force.<br>» One new supplier relationships formed |
| **REGULATORS**<br><br>Strength of Relationship - SATISFIED | » Mandatory reporting disclosure (Annual / Quarterly)<br>» Compliance audits by regulators (Annual)<br>» Industry forums and meetings (periodic) | » Financial Transparency & Accuracy<br>» Compliance with governance frameworks, including effective risk assessment, mitigation measures, and internal audit<br>» Prompt reporting of material events that impact investors and stakeholders<br>» Shareholder Rights<br>» Environmental, Social, and Governance (ESG) Compliance<br>» Anti-Corruption & Ethical Conduct | » 100% compliance with regulatory requirements<br>» Early adoption of new regulations<br>» Voluntary adoption of good governance practices<br>» Timely payment of taxes | » ZERO incidents regarding noncompliance of regulations<br>» ZERO incidents of bribery or corruption |
| **COMMUNITY**<br><br>Strength of Relationship - HEALTHY | » Sales Teams (Continuous and Ongoing)<br>» Corporate Website (Continuous and Ongoing)<br>» Social Media (Continuous and Ongoing)<br>» CSR Initiatives (Periodic) | » Community support and wellbeing | » Educational Programmes<br>» Healthcare outreach<br>» Business development assistance<br>» Disaster relief | » Road shows to increase customer awareness<br>» Facilitating to regional sports events country wide |

# OPERATING ENVIRONMENT

## GLOBAL ECONOMY

According to the IMF World Economic Outlook and World Bank reports, the global economy in 2025 reflects a gradual transition from post-crisis recovery to a more stabilised growth phase. This shift has been supported by easing inflationary pressures and improving financial market conditions, creating a more predictable macroeconomic environment.

Global GDP growth remained steady at approximately 3.1% during the year, with projections indicating a stabilisation within the range of 3.0% to 3.2% over the medium term. At the same time, global inflation moderated to around 4%, with continued disinflation expected to bring it closer to the 3% range. Emerging markets continued to outperform advanced economies, recording growth of approximately 4.1%, driven by rapid digitalisation and expanding financial inclusion.

This increasingly stable global landscape provides a supportive foundation for the expansion of long-term financial services, particularly across emerging economies where structural growth drivers remain strong.

## GLOBAL LIFE INSURANCE INDUSTRY

According to Swiss Re's global outlook, the life insurance industry continued to demonstrate resilience and steady growth in 2025, supported by improving economic conditions and evolving customer needs.

Global life insurance premiums grew by approximately 2.6% during the year, with medium-term growth expected to remain in the range of 2.5% to 3.0% annually. Total global life premiums remained at around USD 3 trillion, with the Asia-Pacific region contributing approximately 35%, underlining its growing importance within the global insurance landscape. Emerging Asia is expected to lead future expansion, with projected annual growth of 4% to 5%.

Despite this progress, a significant global protection gap, exceeding USD 1.8 trillion, continues to highlight substantial unmet demand for life insurance solutions.

Key industry developments include the expansion of longevity and retirement-focused products, the integration of insurance offerings within digital ecosystems through embedded insurance models, and the increasing use of data analytics and artificial intelligence in underwriting and claims management.

## SRI LANKAN ECONOMY

Sri Lanka in 2025 is undergoing a pivotal transition from economic stabilisation towards a more structured and sustainable growth trajectory, supported by ongoing policy reforms and improved macroeconomic management. Following the International Monetary Fund programme, the country has made notable progress in restoring macroeconomic stability and rebuilding investor confidence.

Looking ahead to the medium-term period from 2026 to 2028, the economy is expected to maintain steady momentum. GDP growth is projected in the range of 3.5% to 4.5% annually, while inflation is anticipated to stabilise within 4% to 6%, reflecting improved monetary discipline. Fiscal consolidation efforts are also expected to yield results, with the fiscal deficit projected to decline to below 5% of GDP. Meanwhile, tourism is set to play a key role in economic recovery, with annual revenues forecast to exceed USD 4 billion.

Complementing these trends are several structural improvements, including the strengthening of foreign reserves, stabilisation of the Sri Lankan Rupee, and increased public investment in digital infrastructure, estimated at approximately 4% of GDP.

Together, these developments are creating a more predictable and supportive economic environment, providing a strong foundation for the long-term growth of financial services, including the insurance sector.

## THE SRI LANKAN INSURANCE INDUSTRY

The Sri Lankan insurance market in 2025 was highly competitive, featuring a dynamic mix of established leaders and emerging players striving to differentiate through product innovation, distribution strength, and digital capability.

## STRATEGIC IMPLICATIONS FOR THE INSURANCE INDUSTRY

The convergence of global economic stability, technological advancement, and Sri Lanka's domestic economic recovery presents a unique set of opportunities and challenges for the insurance sector.

On the opportunity side, rising awareness among consumers is driving increased demand for protection and health insurance products. The expansion of financial inclusion, particularly in underserved segments, opens new markets for insurers. Digital transformation is also enabling greater accessibility, operational efficiency, and customer engagement, while evolving consumer preferences create scope for innovative product offerings tailored to emerging needs.

At the same time, insurers must navigate a complex landscape marked by ongoing economic and regulatory uncertainties. Rising competition and cost pressures require careful management, while sustained investment in technology and operational efficiency is increasingly critical to remain competitive and meet evolving market expectations.

These dynamics suggest that insurers who strategically leverage technology, innovation, and market insight will be best positioned to capture growth in this evolving environment.

## THE SRI LANKAN INSURANCE INDUSTRY

The Sri Lankan insurance market in 2025 was highly competitive, featuring a dynamic mix of established leaders and emerging players striving to differentiate through product innovation, distribution strength, and digital capability.

### Key characteristics of Sri Lanka's insurance market in 2025



**Growth-Focused Competition**

Leading insurers continue to prioritise premium growth and market share expansion, with particular focus on the life and health insurance segments. This growth-oriented approach is driving both market penetration and the development of new offerings.



**Digital Differentiation**

Digital capability has emerged as a critical competitive advantage rather than a support function. Companies are increasingly leveraging digital onboarding processes, customer self-service platforms and data-driven personalisation. These initiatives enhance customer experience and operational efficiency while allowing insurers to tailor products more precisely to individual needs.



**Distribution Strength**

Distribution channels are evolving, with traditional agency networks still dominant, but bancassurance and strategic partnerships growing rapidly. Hybrid models that combine physical and digital channels are also emerging, providing broader market reach and flexibility.




**Profitability Pressure**

Despite strong top-line growth, insurers face ongoing profitability pressures due to rising claims, cost structures, and investment volatility. Balancing growth with financial sustainability remains a key strategic challenge.

This competitive environment underscores the need for insurers to innovate, invest in technology, and optimise distribution to maintain market leadership while managing operational and financial risks.

### Industry Performance Dashboard – 2025

| Indicator | 2024 | 2025 | Trend | Insight |
|---|---|---|---|---|
| Total Industry GWP Growth | 16% | ~19%–20% | ↑ Strong Growth | Industry recovering rapidly post-crisis |
| Life Insurance GWP Growth | 20% | ~24%+ | ↑ Very Strong | Main driver of industry expansion |
| General Insurance Growth | Moderate | Moderate | ↔ Stable | Slower compared to life segment |
| Insurance Penetration (Life) | 0.61 of GDP | ~0.6%–0.7% | ↓ Low | Significant untapped market potential |
| Claims & Cost Pressure | High | High | ↑ Increasing | Margin pressure remains a concern |
| Digital Adoption | Growing | Accelerating | ↑ Strong | Key competitive differentiator |

## PESTLE ANALYSIS

The operating landscape for the life insurance industry is influenced by a range of macroeconomic, regulatory, technological and societal forces. A comprehensive assessment of these factors enables Arpico Insurance PLC to proactively identify emerging risks while capitalising on opportunities that support sustainable value creation.

Guided by our strategic focus on "Purposeful Growth at Every Turn," the Company continuously monitors the evolving external environment to ensure that its strategy remains resilient, responsive and aligned with long-term market trends.

# OPERATING ENVIRONMENT

### Political Factors

| Key Trends | Risks | Opportunities | Strategic Response |
|---|---|---|---|
| Ongoing fiscal and economic reforms aimed at strengthening governance and stabilising Sri Lanka's macroeconomic environment. | Policy shifts, regulatory adjustments or political transitions may introduce uncertainty in the financial services sector. | Improved investor confidence and enhanced regulatory oversight can strengthen the credibility and stability of the insurance sector. | Maintaining strong regulatory engagement and governance practices while aligning corporate strategy with national economic reforms. |

### Economic Factors

| Key Trends | Risks | Opportunities | Strategic Response |
|---|---|---|---|
| Gradual economic stabilisation supported by moderating inflation, improved foreign reserves and recovery in economic activity. | External shocks, exchange rate volatility or slower economic recovery may affect consumer spending and investment returns. | Rising financial stability and improving household income levels may increase demand for protection and long-term savings products. | Expanding accessible insurance solutions while maintaining prudent investment strategies and disciplined financial management. |

### Social Factors

| Key Trends | Risks | Opportunities | Strategic Response |
|---|---|---|---|
| Ageing population, increasing health awareness and rising financial literacy among consumers. | Shifts in consumer expectations and changing lifestyle patterns may require continuous product innovation. | Growing demand for retirement planning, health protection and long-term financial security solutions. | Developing customer-centric insurance solutions with a stronger focus on health and protection-oriented products. |

### Technological Factors

| Key Trends | Risks | Opportunities | Strategic Response |
|---|---|---|---|
| Rapid digital transformation, increased adoption of data analytics and emergence of insurtech innovations. | Cybersecurity threats, data privacy risks and the need for continuous technology investment. | Digital platforms enable improved customer experience, operational efficiency and access to underserved market segments. | Investing in digital infrastructure, strengthening cybersecurity frameworks and leveraging data analytics for improved decision-making. |

### Legal and Regulatory Factors

| Key Trends | Risks | Opportunities | Strategic Response |
|---|---|---|---|
| Evolving regulatory frameworks focused on solvency, transparency and policyholder protection. | Increasing compliance requirements may raise operational complexity and costs. | Stronger regulatory standards enhance industry credibility and build stakeholder trust. | Strengthening compliance frameworks and aligning internal governance structures with evolving regulatory expectations. |

### Environmental Factors

| Key Trends | Risks | Opportunities | Strategic Response |
|---|---|---|---|
| Increasing exposure to climate-related risks including floods, droughts and extreme weather events. | Natural disasters may affect economic stability and increase financial vulnerability of communities. | Opportunities to develop climate-resilient insurance solutions and support sustainable risk management practices. | Integrating environmental considerations into risk management and supporting community resilience initiatives. |

## ARPICO INSURANCE PLC'S STRATEGIC POSITIONING

Within this competitive landscape, Arpico Insurance PLC is strategically positioned to capture emerging growth opportunities while strengthening its operational foundation.

The Company's strategic response in 2025 reflects a focused and realistic positioning strategy:

- Leveraging brand strength and distribution network to maintain market presence
- Addressing operational inefficiencies through branch rationalisation and cost optimisation
- Accelerating digital transformation, including cloud migration and infrastructure upgrades
- Enhancing workforce capability through structured training initiatives
- Targeting growth in health and protection segments, aligned with market demand trends

Rather than pursuing aggressive expansion alone, the Company has adopted a balanced strategy focused on sustainable growth, operational resilience, and long-term value creation.

## OUTLOOK

Arpico Insurance PLC enters the next phase of its strategic evolution with a sharpened mandate for sustainable, value-driven growth. The fiscal year under review, marked by actuarial assumption revisions within the liability valuation framework, has reinforced the imperative to fortify the Company's balance sheet, optimise risk management, and enhance operational resilience.

At the core of the Company's forward strategy is disciplined portfolio expansion, underpinned by a stronger in-force book and improved policy persistency metrics. Long-term value creation in life insurance is intrinsically linked to customer retention and engagement; accordingly, initiatives will focus on minimising lapses and surrenders through proactive policyholder interventions, structured education programmes, and robust service delivery frameworks.

Product development and innovation remain central to strategic growth. Rising healthcare awareness and evolving demographic trends necessitate the expansion of protection and health-focused insurance solutions. Leveraging actuarial insights, market analytics, and prudent underwriting principles, Arpico Insurance aims to engineer insurance products that optimise risk-adjusted returns while enhancing policyholder financial resilience.

Operational and digital transformation are critical enablers of the Company's strategy. Investments in process automation, advanced analytics, and digital customer interfaces are designed to streamline underwriting, claims adjudication, and service delivery, thereby reducing operational latency, enhancing transparency, and improving overall efficiency across the value chain.

Sustainability and corporate governance form a key dimension of strategic execution. Alignment with regulatory frameworks and emerging global standards—including SLFRS S1 and SLFRS S2—ensures that growth initiatives integrate Environmental, Social, and Governance (ESG) considerations, thereby embedding long-term resilience and accountability into the Company's operational and strategic decision-making.

Leveraging the institutional strength and legacy of the Richard Pieris and Company PLC Group, Arpico Insurance is strategically positioned to capitalise on market opportunities within Sri Lanka's life insurance sector. The Company's roadmap is underpinned by a singular objective: the creation of risk-mitigated, value-accretive growth that delivers measurable protection, enhanced financial outcomes for policyholders, and sustainable returns for shareholders.

## MANAGEMENT REFLECTION AND STRATEGIC OVERSIGHT

# Excellence

## at Every Turn

**At Arpico Insurance PLC, responding to anticipated change is a mastered art. Every decision is crafted through meticulous research and analyses; our operation expands as we take every step necessary to continue delivering excellence.**

Growth is a continuous concept that begins, but never ends. Where excellence is already abundant, a penchant for growth unlocks new avenues for advancement.



# STRATEGY AND RESOURCE ALLOCATION

Our growth strategy is anchored on the theme Purposeful Growth at Every Turn, reflecting a disciplined approach to achieving sustainable value creation while navigating a dynamic operating environment. The strategy deployment process includes continuous reviews of strategic progress against strategic objectives and macro environmental developments, in order to ensure optimum strategic responsiveness to threats and opportunities.

## ARPICO INSURANCE PLC'S GROWTH STRATEGY

The Company's strengths provide a strong foundation for growth, while identified weaknesses highlight areas for strategic enhancement. By leveraging opportunities arising from market expansion, digital transformation and increasing protection awareness, Arpico Insurance PLC aims to strengthen its competitive positioning.

At the same time, proactive risk management and continuous operational improvements will enable the Company to mitigate external threats and build long-term resilience, supporting its strategic ambition of achieving Purposeful Growth at Every Turn.

## STRATEGIC TIME FRAME

Our strategy is structured over a rolling three-year horizon, aligned with the corporate planning cycle:

| **Short Term** (2026): | **Medium Term** (2027-2028): | **Long Term** (Beyond 2028): |
|---|---|---|
| Through operational efficiency, cost optimisation, and strengthening core insurance fundamentals, including persistency and customer retention | Accelerated growth through digital transformation, product innovation, and expansion of distribution capabilities | Establishment of a resilient, customer-centric and technology-enabled insurance business delivering sustainable returns |

This phased approach ensures a balanced transition from recovery to growth, while maintaining financial discipline and strategic agility.

# STRATEGY AND RESOURCE ALLOCATION

## STRENGTHS

- **Strong Brand Heritage and Group Backing**
  The Company benefits from the reputation, market presence and diversified business strength of the Richard Pieris Group, which enhances brand credibility and customer trust.
- **Focused Life Insurance Expertise**
  A specialised focus on life insurance enables the Company to develop tailored products that address evolving customer protection and savings needs.
- **Growing Customer Base and Distribution Network**
  The Company continues to expand its reach through a growing network of advisors, branches and digital platforms, enabling greater accessibility to insurance solutions.
- **Customer-Centric Product Portfolio**
  A diverse portfolio of life, health and protection products allows the Company to respond effectively to changing consumer expectations.
- **Strong Governance and Risk Management Frameworks**
  Robust governance structures and risk management practices ensure operational resilience and regulatory compliance in a dynamic financial services environment.

## WEAKNESSES

- **Relatively Smaller Market Share Compared to Industry Leaders**
  The Company operates in a highly competitive insurance market where larger players possess stronger brand recognition and wider distribution networks.
- **Limited Economies of Scale**
  Smaller operational scale compared with industry leaders may affect cost efficiencies and marketing reach.
- **Exposure to Lapse and Surrender Risks**
  Changes in customer financial behaviour, particularly during periods of economic uncertainty, may lead to policy lapses and surrenders, impacting persistency ratios.
- **Technology Transformation Requirements**
  Rapid digitalisation within the insurance industry requires continuous investment in technology infrastructure and digital capabilities.

## OPPORTUNITIES

- **Growing Insurance Penetration in Sri Lanka**
  Insurance penetration in Sri Lanka remains relatively low compared to regional benchmarks, presenting significant long-term growth potential for insurers.
- **Increasing Demand for Health and Protection Products**
  Rising healthcare costs, greater health awareness and the prevalence of non-communicable diseases are increasing demand for protection-oriented insurance products.
- **Digitalisation and Insurtech Advancements**
  Technological innovations such as data analytics, artificial intelligence and digital onboarding platforms provide opportunities to enhance customer experience and operational efficiency.
- **Economic Stabilisation and Recovery**
  As Sri Lanka continues its economic recovery, improving consumer confidence and disposable income may drive demand for long-term financial protection and savings products.
- **Expansion into Underserved Market Segments**
  Emerging middle-income groups and underserved rural communities present opportunities for insurers to expand market reach.

## THREATS

- **Intense Competition within the Insurance Industry**
  The presence of well-established insurers with strong distribution capabilities intensifies competitive pressures within the market.
- **Macroeconomic Volatility**
  Exchange rate fluctuations, inflationary pressures and broader economic uncertainties may influence consumer spending patterns and investment returns.
- **Regulatory Changes and Compliance Costs**
  Evolving regulatory requirements may increase compliance obligations and operational complexity for insurers.
- **Climate-Related Risks and Natural Disasters**
  Increasing frequency of extreme weather events may affect economic stability and create financial stress for customers.
- **Cybersecurity and Data Privacy Risks**
  The growing reliance on digital platforms increases exposure to cybersecurity threats and data protection challenges.

## STRATEGIC PROGRESS IN 2025

The year 2025 marked a foundational phase of transformation, with the Company focusing on strengthening its operational base and enabling future growth.

**Key progress achieved during the year includes:**

» Operational optimisation through the consolidation of duplicate branches, improving cost efficiency and resource utilisation Capability enhancement with the establishment of a dedicated training centre to strengthen employee skills and productivity

» Advancement in digital transformation, including the transition from on-premises systems to a cloud-based infrastructure, improving scalability and resilience Improved technology infrastructure, with enhanced connectivity through upgraded Wi-Fi access points across locations.

» Improved technology infrastructure, with enhanced connectivity through upgraded Wi-Fi access points across locations

These initiatives collectively repositioned the Company towards a leaner, more efficient, and digitally enabled operating model, providing a strong foundation for future growth.

## RESOURCE ALLOCATION APPROACH

Our resource allocation has been prioritised under 5 pillars to maximise strategic outcomes as described below.

| **Pillar 1** | **Growth & Stability** | |
|---|---|---|
| Resource Allocation Approach | » Maintaining a well-diversified investment portfolio<br>» Optimising capital allocation<br>» Adhering to strict risk management protocols.<br>» Market expansion and product diversification,<br>» Digital transformation<br>» Robust governance frameworks that align with regulatory standards. | |
| Value creation / preservation / erosion metrics for FY 2025 | GWP : Rs. 1.8 Bn<br>CAR : 259%<br>ROE : 0.48% | |
| **Way Forward** | | **Capitals Impacted** |
| Short - Medium Term | Revenue Diversification: Establish collaborations with hospitals and clinics to explore revenue diversification | S&RC |
| | Portfolio Expansion: Expand the product portfolio to covering a broader range of offerings from mainstream life insurance products to premium services | S&RC |
| Long Term | Market Leadership: Aim to become a market leader in health insurance by continuously innovating and responding to customer needs | IC |
| **Pillar 2** | **Operational Excellence** | |
| Resource Allocation Approach | » Digital transformation and automation of key processes.<br>» Workforce development to deliver exceptional service<br>» Embed risk management and compliance into every aspect of operations<br>» Data-driven decision-making to optimise resource allocation, assess<br>» Performance metrics, and implement proactive strategies | |
| Value creation / preservation / erosion metrics for FY 2025 | » Average time taken to settle claims - 5 days<br>» Average time taken to resolve queries / complaints - 1 Day<br>» Incidents of product non-compliance : Nil<br>» Incidents of non-compliance :Nil<br>» Data security breaches : Nil | |

| Way Forward | | Capitals Impacted |
|---|---|---|
| Short - Medium Term | Process Optimisation: Conduct a comprehensive review of internal processes and implement lean management techniques to enhance efficiency. | MC |
| | Automation Implementation: Invest in technology solutions to automate repetitive tasks, reducing time and errors in processing claims and policy applications. | MC |
| Long Term | Continuous Improvement Culture: Foster a culture of continuous improvement through regular training and development programs for staff. | HC |
| | Data-Driven Decision Making: Utilise data analytics to inform operational decisions, ensuring agile responses to market changes and customer needs | IC |
| **Pillar 3** | **Customer Fulfilment** | |
| Resource Allocation Approach | » Combine personalised service, innovative insurance solutions, and digital accessibility.<br>» Prioritises the development of innovative insurance plans tailored to evolving customer needs<br>» Offer flexible coverage options, value-added benefits, and customised financial solutions.<br>» Leverage technology to streamline policy issuance, claims processing, and customer interactions<br>» Focus on customer engagement and education<br>» Provide dedicated support | |
| Value creation / preservation / erosion metrics for FY 2025 | » Increase in the customer base : 259<br>» New policies issued : 7,957<br>» EPS : Rs. 0.12 | |
| **Way Forward** | | **Capitals Impacted** |
| Short - Medium Term | Launch a Comprehensive Digital Platform: Develop and launch an integrated online portal for customers to manage their policies, make claims, and access resources | MC |
| | Personalised Customer Experience: Leverage customer data to create highly personalised experiences, ensuring tailored communication and service delivery. | IC |
| | Customer Feedback Systems: Implement robust customer feedback systems to gather insights and improve service quality continually | S&RC |
| Long Term | Continuous Platform Upgrades: Regularly update the digital platform with new features based on customer feedback and emerging technology | MC |
| | Customer Loyalty Programs: Develop loyalty programmes that reward long-term customers and encourage referrals. | S&RC |
| | Brand Advocacy: Build a community of brand advocates through engagement initiatives, enhancing customer loyalty and driving word-of-mouth referrals | IC |

| Pillar 4 | Engaged Workforce | |
|---|---|---|
| Resource Allocation Approach | » Competitive compensation<br>» Career progression opportunities<br>» Strong focus on work-life balance<br>» Promote open dialogue and team-building<br>» Investing training, leadership development, and skill-building | |
| Value creation / preservation / erosion metrics for FY 2025 | » Employee retention rate : 54%<br>» Revenue per employee : 7.3Mn<br>» Injuries : Nil | |
| **Way Forward** | | **Capitals Impacted** |
| Short - Medium Term | Employee Analytics - Use of AI-driven analytics to predict turnover trends and optimise talent management. | HC |
| Long Term | Work-life balance: Introduce hybrid work models and flexible working hours to boost employee well-being | IC |
| **Pillar 5** | **Sustainability and Climate Action** | |
| Resource Allocation Approach | » Integration of Environmental, Social, and Governance (ESG) factors into investment decisions<br>» Focus on energy efficiency and waste reduction to minimise the carbon footprint.<br>» Digital initiatives to enable paperless processes<br>» Promotes sustainability and climate action among wider communities through its CSR initiatives. | |
| Value creation / preservation / erosion metrics for FY 2025 | » Carbon Footprint : 522 CO2T<br>» Incidents of ethics violations : Nil | |
| **Way Forward** | | **Capitals Impacted** |
| Short - Medium Term | Community Engagement: Initiate community programmes focused on environmental sustainability, such as tree planting and awareness campaigns. | S&RC |
| | Adopt and publish annual sustainability reports following recognised frameworks, showcasing achievements and future commitments | IC |
| Long Term | Carbon Neutral Goals: Work towards becoming a carbon-neutral Company by implementing sustainability practices across all operations. | NC |

# MATERIAL TOPICS

Arpico Insurance PLC has an established process to identify material topics for disclosure in order to ensure maximum transparency and understanding regarding the activities of the Company during the period under review.

In identifying material topics, the Company draws upon a range of information sources including independent research, industry-focused studies, legal and regulatory developments, and insights into public sentiment derived from media coverage and social media analysis. These findings are then consolidated into a materiality matrix that identifies the issues of greatest significance to both the Company and its stakeholders. The matrix supports strategic decision-making and reporting processes, helping ensure that the Company's sustainability initiatives remain aligned with stakeholder expectations while fostering long-term value creation.

In order to identify material topics for the financial year 2025, the Company reviewed the material topics and disclosures of the financial year 2024, against macro environmental developments during 2025 utilising a PESTLE analysis that incorporated multiple data sources. In addition, the Company's strategic priorities for the year, as well as strategic progress, were taken into consideration, while also incorporating available stakeholder feedback, obtained through our stakeholder engagement channels. The PESTLE assessment of the 2025 macro environment is summarised below.

## PESTLE ANALYSIS – FY 2025



### POLITICAL

- Political stability was maintained throughout the year which enhanced economic confidence and had a positive effect on consumer spending on life insurance
- Government policies for the Sri Lankan insurance sector are being updated to increase the level of consumer protection and transparency while promoting digitisation. This resulted in a number of regulatory changes during 2025.



### ECONOMIC

- Inflation and interest rates remained largely stable, making insurance products more affordable
- Despite disruptions by Cyclone Diwah, GDP growth remained strong in 2025
- Employment rates declined marginally




### SOCIAL

- Rural penetration improved during the year, due to the 'Insurance for All' campaign
- Aging population is seen to increase demand for retirement and health-related insurance products
- Growing middle class leading to higher awareness of life insurance benefits
- Increasing awareness about life insurance as a savings alternative



### TECHNOLOGICAL

- Introduction of the digital motor insurance card
- Introduction of the Insurance Data Repository for stronger risk intelligence and digital claims processes
- Ongoing digital transformation in policy underwriting, claims processing, and customer service
- Cybersecurity risks associated with handling sensitive customer data have increased

## PESTLE ANALYSIS – FY 2025



### LEGAL

- New procedures to enforce Anti-Money Laundering and Countering Financing of Terrorism
- Implementation of guidelines on fair treatment of customers, strict underwriting procedures, and proper disclosure to policyholders.
- New requirements regarding the payment of premiums for general insurance
- Amended guidelines for long-term insurance products, focusing on innovation and customer-centricity.
- New guidelines for market conduct and the adoption of Environmental, Social, and Governance (ESG) principles
- The IRCSL initiated a strategic shift toward Risk-Based Supervision (RBS) and Risk-Based Capital (RBC) frameworks to align with international best practices



### ENVIRONMENTAL

- Impacts of Cyclone Ditwah on insurance claims
- Continued shift toward green initiatives and ESG (Environmental, Social, Governance) considerations in investment strategies
- SLFRS S1 & S2 reporting of sustainability and climate related risks and opportunities

## PROCESS FOR IDENTIFYING AND PRIORITISING MATERIAL TOPICS FOR DISCLOSURE

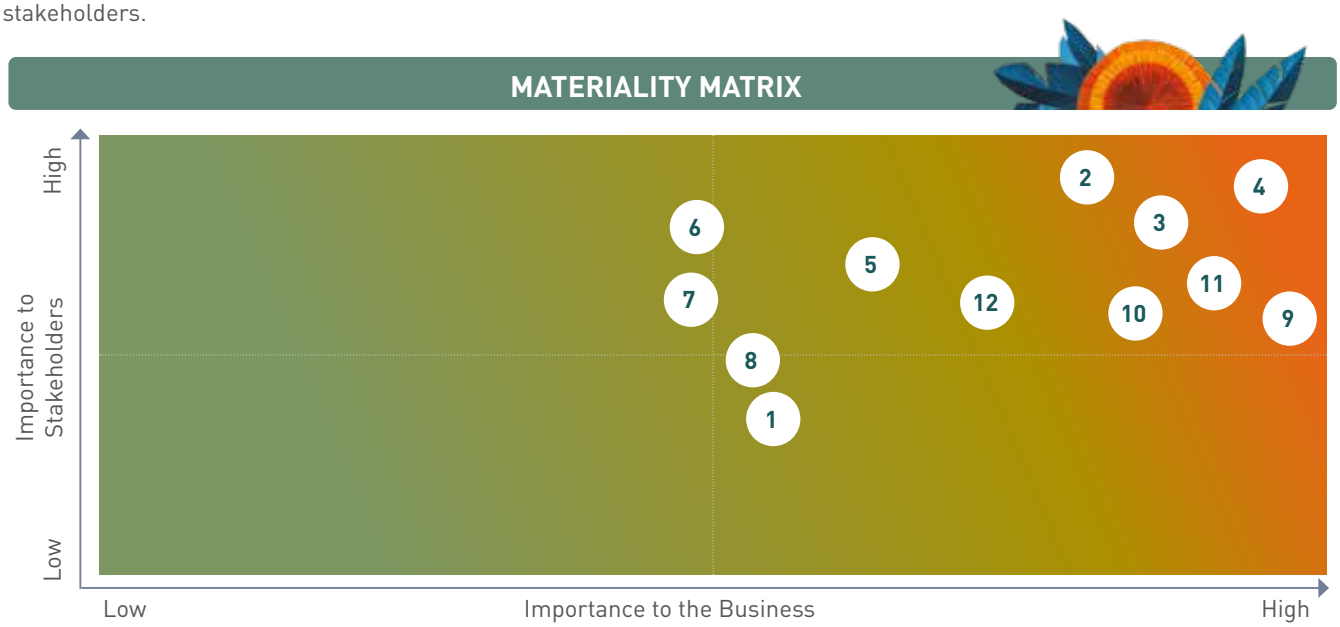
The Company a comprehensive process to identify and select material topics for disclosure, in order to ensure that stakeholder expectations are incorporated into the process and that our stakeholders understand not only the Company's financial performance during the year under review, but also the diverse factors that affected this performance.

| Stages | Objective | Actions |
|---|---|---|
| **Environmental stewardship** | » Identification of material topics | Identify material topics that have the potential to impact our earnings sustainability and ability to create value for our stakeholders |
| | » Clustering and categorising | Cluster potential material topics to categories and map them with the capitals |
| **Plan** | » Management discussions | Analyse and identify organisation's objectives, risk and impact on stakeholders |
| | » Material assessment survey | Understanding the stakeholders' perceptions on what is important to the Company |
| **Engage** | » Materiality matrix | Prioritising material topics to indicates its significance to the Company and stakeholders |
| | » Validation | Validation of the materiality matrix by Company's Leadership |
| **Analyse & Embed** | » Integration | Integration into the Company's business strategy to achieve stakeholder deliverables |
| | » Monitor and track<br>» Records | Continuous and ongoing monitoring to take account of changes in the operating environment and respond by realigning the Company's strategy to drive and sustain business and find new and innovative ways doing business. |

# MATERIAL TOPICS

## MATERIALITY MATRIX

The materiality matrix prioritises the most material topics that are of high importance for both the Company and its stakeholders.




## LIST OF MATERIAL TOPICS FOR 2025

| Material Topics | Management Approach | GRI Relevance | Link to Strategic Pillars | | | | | Resource Allocation |
|---|---|---|---|---|---|---|---|---|
| | | | Growth and Stability | Operational Excellence | Customer Fulfilment | Engaged Workforce | Sustainability and Climate Action | |
| ENVIRONMENT | 1. Resource Optimisation | Streamline operational processes, and adopting sustainable practices to ensure the efficient use of resources | GRI 302<br>GRI 303<br>GRI 306 | | | | | FC NC |
| SOCIAL | 2. Product Responsibility | Legally compliant insurance solutions supported by ethical underwriting and clear policy communication | GRI 416<br>GRI 417 | | | | | S & RC<br>IC |
| | 3. Inclusive Access | Building a strong distribution network comprising both physical and digital channels to serve all customer segments, including underserved groups | N/A | | | | | FC MC |
| | 4. Claim Management | Uphold rigorous standards of accuracy, compliance, and customer care, streamlining claims processing with digital innovations and dedicated service teams to provide financial security with minimal hassle | N/A | | | | | S&RC |
| | 5. Excellence in Customer Service | Providing personalised support, prompt assistance, and seamless policy management | N/A | | | | | S&RC<br>HC |

| Material Topics | Management Approach | GRI Relevance | Link to Strategic Pillars | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Growth and Stability | Operational Excellence | Customer Fulfilment | Engaged Workforce | Sustainability and Climate Action | Resource Allocation |
| | 6. Employment Equity | Fair hiring practices, merit-based promotions, and continuous learning initiatives to ensure a supportive environment that values talent, integrity, and respect for all | GRI 401, GRI 403, GRI 404, GRI 405, GRI 407, GRI 408, GRI 409 | | | | | FC HC |
| | 7. Career Progression | Offering tailored development programs, continuous learning opportunities, and clear advancement pathways to help employees achieve their professional goals and thrive within the organisation | N/A | | | | | FC HC |
| | 8. Safety and Wellbeing | Implementing comprehensive health and safety programs, providing mental health support, and fostering a workplace culture that prioritises work-life balance and employee wellness | N/A | | | | | HC |
| GOVERNANCE | 9. Market Share | Continuously innovating products, expanding distribution channels, and enhancing customer service to attract new clients and strengthen relationships with existing policyholders | N/A | | | | | FC S&RC |
| | 10. Digital Transformation | Strategic investments in innovative technologies to transform front end interfaces and back end infrastructure | N/A | | | | | FC S & RC MC |
| | 11. Business Ethics | Upholding the highest standards of business ethics by ensuring transparency, integrity, and accountability in all operations, while adhering to regulatory requirements | GRI 205 | | | | | IC |
| | 12. Information Security and Data Governance | Ensuring the highest standards of information security and data governance through robust security measures, compliance with regulations, and a transparent approach to data management to safeguard clients' sensitive data | GRI 418 | | | | | S&RC IC |

# ESG INTEGRATION

Arpico Insurance continually monitors and complies with voluntary and regulatory ESG reporting requirements, including the adoption of SLFRS S1 and S2, to provide comprehensive disclosures on sustainability and climate-related risks. The Company maintains rigorous reporting frameworks that offer stakeholders clear insights into its ESG performance, initiatives, and impact. By adhering to these recognised standards and regulatory requirements, Arpico Insurance demonstrates its commitment to responsible governance, transparency, and continuous improvement in sustainability practices

## COMPLIANCE STATUS OF KEY ESG GUIDELINE

| Institution | Standard | Effective date | Application stage |
|---|---|---|---|
| CA Sri Lanka | SLFRS – S1, SLFRS – S2 | 2025/01/01 | Early adoption |
| Global Reporting Initiatives | GRI – 200,300,400 Series | Voluntary Adoption | Adopted |
| The United Nations | Sustainable Development Goals | Voluntary Adoption | Adopted |
| Colombo Stock Exchange | CSE Sustainability Reporting Guide | Voluntary Adoption | Adopted |

## KEY ESG IMPACT DISCLOSURES

| Health | Investment | Operations | Culture | Good governance |
|---|---|---|---|---|
| » Improving access to quality Healthcare<br>» Total Policy Numbers – 26,655<br>» Hospitalisation Claims in 2025 - Rs. 120Mn (Gross) | » Total Investment on Government Securities Rs.2,197Mn | » Digital advancements<br>» Transformed Online Payments instead to<br>» Cheque Payment<br>» Staff Training Meetings conducted Via<br>» Zoom | » Accelerating Career Development through IBSL Exams fee reimbursements Rs.2.6Mn Diversified Religious and Gender Permanent employees:228<br>» Nationalities: 04<br>» Approved training Organisation of CA Sri Lanka | » Board awareness of ESG Practices<br>» New Committee on Sustainability |

## OUTCOMES OF ESG ADOPTION




## OVERVIEW OF SUSTAINABILITY REPORTING

**Economic**
GRI 200 Series
SDGs 7,8,9,10,11,12

**Environmental**
GRI 300 Series
SDGs 6, 7, 9, 11, 12, 13, 14, 15

**Social**
GRI 400 Series
SDGs 1, 2, 3, 4, 5, 6, 8, 9, 10, 12, 16

**Governance**
GRI 300 Series
SDGs 5, 8, 9, 11, 12, 13, 16, 17

## SUSTAINABILITY STRATEGY

Arpico Insurance PLC integrates sustainability into its overall business model, prioritising long-term value creation through responsible Environmental, Social, and Governance (ESG) practices. As highlighted in the 2024 Annual Report and formalised through the ESG Sustainability Policy (AINS/P8/Sep24), the Company embeds sustainability across its core functions, including product development, risk management, operations, and stakeholder engagement.

The strategy is anchored on three key pillars:

- Environmental Responsibility: Minimising environmental impact through digital transformation initiatives, reducing paper usage, improving energy efficiency, and adopting sustainable technologies.
- Social Responsibility: Creating value for customers through inclusive insurance solutions, promoting financial literacy, supporting community development, and fostering a diverse, equitable, and safe workplace.
- Governance Excellence: Upholding ethical business practices, ensuring regulatory compliance, and strengthening risk management frameworks, supported by robust Board oversight and alignment with CSE requirements, GRI Standards, and SLFRS S1 & S2 guidelines.

Sustainability is also recognised as a driver of operational efficiency and innovation, enabling the Company's strategic shift towards digitalisation, enhanced customer experience, and long-term business resilience.

## TARGETS AND PROGRESS OF SUSTAINABILITY STRATEGY IN 2025

For 2025, Arpico Insurance has set key sustainability targets, including advancing digitalisation to further reduce paper usage, promoting environmentally responsible operations, enhancing community engagement initiatives, and reinforcing ethical governance across all business functions. The Company also remains committed to improving financial literacy and insurance awareness among communities while fostering an inclusive and supportive workplace for employees.

During the year under review, the Company made steady progress toward these targets. Digital transformation initiatives were accelerated, improving customer accessibility and operational efficiency while minimising environmental impact. CSR activities were expanded, contributing meaningfully to community development and wellbeing. Governance practices were strengthened, with continued adherence to regulatory requirements, ethical standards, and robust risk management. Employee engagement and development initiatives further supported a culture of collaboration, innovation, and performance.

Through these integrated efforts, Arpico Insurance remains well-positioned to achieve its 2025 sustainability objectives, reinforcing its commitment to responsible business practices and long-term stakeholder value creation.

## ENVIRONMENTAL INITIATIVES

In order to reduce its environmental impact the Company has implemented a range of initiatives including energy and water conservation activities and waste management programmes. Energy consumption is reduced through the adoption of energy efficient technologies and practices across our operations, that have also significantly reduced greenhouse gas emissions. We are also investing in renewable energy sources such as solar power systems in our branches and exploring opportunities to enhance resource efficiency throughout our value chain.

Water usage is continually monitored and managed and waste management strategies include promote recycling and responsible disposal practices. Furthermore,

### Energy Management

| | 2025 | 2024 |
|---|---|---|
| Total Energy Consumption | 6,439 GJ | 6,992GJ |
| Total Energy Saving | 533GJ | 500GJ |
| Energy Consumption per Branch | 99GJ | 101 GJ |

### Water Management

| | 2025 | 2024 |
|---|---|---|
| Total Water Consumption | 18,994 m3 | 29,059m3 |
| Total Water Consumption per Person | 18 m3 | 20m3 |
| Total Water Consumption per Branch | 292 m3 | 421m3 |

### Waste Management

| | 2025 | 2024 |
|---|---|---|
| Paper Recycled | 50 kg | 50 kg |

### Emission Management

| | 2025 | 2024 |
|---|---|---|
| Carbon Footprint | 522 CO2T | 578 CO2T |

## SOCIAL RESPONSIBILITY

Social responsibility is a core business ethic at Arpico Insurance and the Company conducts its business in an ethical and professional manner ensuring fair treatment of customers, suppliers and business partners. In addition the Company maintains a range of social engagements through corporate philanthropy, volunteer programmes, and strategic partnerships with NGOs. These initiatives target education support and healthcare, to environmental conservation projects, that are aimed at benefiting wider society.

# ESG INTEGRATION

In addition, employee welfare is treated as a priority by offering comprehensive benefits, professional development opportunities, and a supportive work environment that fosters diversity and inclusion. We ensure fair labour practices and emphasise total compliance with all labour laws and regulations.

### Employee welfare

| | 2025 | 2024 |
|---|---|---|
| Female Representation | 48% | 54% |
| MDRT Members | 8 | 10 |

### Business Partners

| | 2025 | 2024 |
|---|---|---|
| Supplier Payment | Rs. 176 Mn | Rs. 184 Mn |
| Number of Branches | 65 | 69 |

### Customers

| | 2025 | 2024 |
|---|---|---|
| Gross Written Premium | Rs. 1,762Mn | Rs. 1,969 Mn |
| Total Claims Paid | Rs.850Mn | Rs. 1,144 Mn |
| New Policies | 7,957 | 10,305 |

## GOVERNANCE AND ETHICS

Arpico Insurance PLC's governance practices are guided by the principle of total compliance with all applicable regulations, as well as a deep commitment to transparency, accountability, and integrity, ensuring the highest standards of ethical business conduct. Stringent measures have been implemented to promote transparency and accountability in decision-making processes, including regular audits, disclosure of relevant information to stakeholders, and the establishment of independent oversight bodies such as the Board of Directors and Audit Committees.

- The Arpico Insurance Board is mainly made up of Independent Non-Executive Directors
- Board committees are chaired by and composed of Independent Non-Executive Directors.
- The Company has also established a dedicated committee on sustainability
- The Board is regularly updated regarding ESG Practices and compliance with SLFRS S1 & SLFRS S2 as well as SDGs 16,17




| | 2025 | 2024 |
|---|---|---|
| **ENVIRONMENTAL PERFORMANCE** | | |
| Total Energy consumption | 6,439 GJ | 6,992 GJ |
| Electricity Consumption | 733,453kWh | 710,131kWh |
| Fuel Consumption | 111,068l | 129,684l |
| GHG Scope 1 emission | 3,799 GJ | 4,436GJ |
| GHG Scope 2 emission | 2,640GJ | 2,556GJ |
| Carbon Foot print (GHG emission) | 522tCO2 | 578 tCO2 |
| Total water consumption | 18,994m3 | 20,059m3 |
| Environmental fines/Penalties | - | - |
| | | |
| **SOCIAL PERFORMANCE** | | |
| **EMPLOYEES** | | |
| Total Workforce | 1,068 | 1,464 |
| Sales Force | 840 | 1,085 |
| Administration | 228 | 379 |
| New recruits | 1,372 | 1,673 |
| Employee Retention | 54% | 65% |
| Return to work after maternity | 100% | 100% |
| Gratuity paid | 4.1Mn | 4.1Mn |

| | 2025 | 2024 |
|---|---|---|
| Work place fatalities | - | - |
| Female representation | 48% | 54% |
| MDRT achievers | 8 | 10 |
| **CUSTOMERS** | | |
| Revenue/Gross Written Premium | 1,762Mn | 1,968Mn |
| Claims paid | 851Mn | 1,144Mn |
| Complain resolution ratio | 96% | 67.6% |
| **BUSINESS PARTNERS** | | |
| Supplier payments | 176Mn | 184Mn |
| Number of Branches | 65 | 69 |
| **GOVERNANCE PERFORMANCE** | | |
| Number of directors | 5 | 5 |
| Number of board meetings | 8 | 8 |
| Number of audit committee meetings | 4 | 4 |

# PATHWAY TO SLFRS S1 & S2

As part of our continued commitment to transparency, accountability, and sustainability, Arpico Insurance PLC commenced reporting on SLFRS S1 and S2 disclosures in the previous financial year. In the current financial year, the Company continued building on this foundation.

This chapter has been prepared in accordance with the SLFRS Sustainability Disclosure Standards, SLFRS S1 on "General Requirements for Disclosure of Sustainability related Financial Information" (SLFRS S1), and SLFRS S2 on "Climate-related Disclosures" (SLFRS S2), issued by The Institute of Chartered Accountants of Sri Lanka.

## BASIS OF PREPARATION

### REPORTING ENTITY

The reporting entity is Arpico Insurance PLC (herein referred to as the "Company").

### REPORT BOUNDARY

The scope of these disclosures is limited to Arpico Insurance PLC. The reporting boundary is aligned with the Company's financial reporting perimeter and encompasses the Head Office and 65 branches located across Sri Lanka.

All operations within these locations that are under the direct control of the Company have been included in the assessment of sustainability-related risks and opportunities. There are no material subsidiaries, associates, or joint ventures outside this boundary for the purpose of these disclosures.

In line with the principles of IFRS S1 and IFRS S2, the Company has also considered relevant aspects of its value chain, including interactions with customers, intermediaries, and key service providers, where such relationships may give rise to material sustainability-related risks and opportunities. However, quantitative disclosures relating to the extended value chain are currently limited due to data availability and measurement constraints.

The disclosures presented herein primarily reflect sustainability-related impacts arising from the Company's core insurance operations within Sri Lanka. The Company is committed to progressively enhancing the scope and depth of its disclosures, including the expansion of value chain coverage and improvement of data collection processes, in future reporting periods.

### VALUE CHAIN

As a life insurance provider, Arpico Insurance PLC's value chain comprises a series of interrelated activities that support value creation across the policy lifecycle.

Primary activities include product development, underwriting, distribution through agency and bancassurance channels, policy administration, premium collection, claims management, and customer servicing.

Supporting activities include investment management, actuarial modelling, information technology systems, legal and regulatory compliance, and human resource management.

#### Exclusions in reporting

The Company also engages with value chain partners such as reinsurers, intermediaries, medical service providers, and technology vendors. The Company recognises that sustainability-related risks may arise across the value chain, particularly through customer behaviour, investment exposures, and third-party dependencies.

However, the current disclosures primarily cover operations under direct control of the Company and the above key, value chain partners have been excluded due to lack of data.






**UPSTREAM VALUE CHAIN**

- Product design
- Actuarial pricing
- Risk management,
- Securing reinsurance

**DOWNSTREAM VALUE CHAIN**

- Delivery of services
- Maintenance of the policies
- Continued customer engagement
- Final payout of insurance claims

## BASIS OF MATERIALITY

The Company determines material sustainability-related disclosures based on the principles set out in IFRS S1 and IFRS S2.

Information is considered material if omitting, misstating, or obscuring it could reasonably be expected to influence the decisions of primary users of the report. In this context, materiality is assessed based on the potential impact of sustainability-related risks and opportunities on the Company's financial position, financial performance, cash flows, and overall prospects.

The materiality assessment process involved identifying a range of sustainability-related risks and opportunities (SRROs) relevant to the Company's operations and evaluating their significance based on their potential financial impact and relevance to key stakeholders. This assessment considered impacts arising from the Company's operations as well as relevant aspects of its value chain, including interactions with customers, business partners, and service providers

As part of its assessment, the Company performed a qualitative review of potential climate-related risks and opportunities (CRROs), considering a range of possible future conditions, including changes in weather patterns, regulatory developments, and market dynamics. This high-level review supported the identification and prioritisation of key areas that may influence the Company's underwriting performance, claims patterns, and investment portfolio resilience over time.

### Financial materiality

As the SLFRS Sustainability Disclosure Standards require disclosures based on financial materiality, we mapped impact materiality alongside financial materiality to provide stakeholders with a broader view of sustainability considerations. The financial materiality assessment integrates both quantitative and qualitative factors to determine the significance of potential financial effects arising from the CRROs. In order to do so we adopted a score to evaluate the likelihood and severity of each CRRO during the reporting period.

### Quantitative criteria considered in evaluating financial materiality

The quantitative financial impact was measured by the outcome of the SRRO and/or CRRO on Total Assets (TA), for the year under review. Any SRRO and / or CRRO with:

- Outcome of over 1% of PBT = Severe
- Outcome of between 0.5% - 1% of Total Assets = Moderate
- Outcome below 0.5% of Total Assets = Insignificant

SRROs and CRROs with either positive or negative impacts on PBT that is over 5% was considered to have a material financial impact on the Company.

In addition to quantitative thresholds, the Company considered qualitative factors in determining materiality. These include the potential impact on the Company's reputation, regulatory compliance, customer trust, operational continuity, and strategic objectives. Risks that may not meet quantitative thresholds but have significant implications on stakeholder perception or long-term sustainability are also considered material. These are:

- **Investment Portfolio & Asset-Liability Management (ALM)**

How the Company incorporates climate factors into investment management processes to manage assets and liabilities is important for long term sustainability.

- **Insurance Liabilities & Underwriting**

The Company needs to consider the possible impacts of climate change such as heatwaves or new health risks on actuarial assumptions.

- **Regulatory changes**

New regulations pertaining to climate change need to be considered to continue operations.

## FUNCTIONAL CURRENCY

The functional currency used in this report id the Sri Lankan rupee (LKR)

## SOURCES OF GUIDANCE

- SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information
- SLFRS S2 – Climate-related Disclosures SASB Standards
- Central Bank of Sri Lanka's (CBSL) Sustainable Finance Roadmap 2.0
- Peer disclosures and best practices observed in the insurance sectors
- Last year material matters and identification process

## REPORTING PERIOD

1st January 2025 to 31st December 2025

## TIME HORIZON

| Time line | Years | Definition |
|---|---|---|
| Short term | Less than 3 years | Up to 2029 |
| Medium term | Medium Term : 3–7 years | Up to 2033 |
| Long term | Long Term : 7+ years | Beyond 2033 |

# SLFRS S1 AND S2 DISCLOSURES

## CONNECTED INFORMATION

This annual report contains information relating to sustainable operations of the Company. Therefore, please refer the chapter titled 'Material Topics' to understand how connected information regarding sustainability and climate change have been reported under different chapters, as well as connectivity with external impacts reported under the GRI Standards and the impacted capitals under each topic.

## TRANSITIONAL RELIEF

Last year, the Company voluntarily implemented SLFRS S1 and S2. This year, we are presenting sustainability related financial disclosures, including comparative information.

In accordance with transitional provisions:

» The Company claims relief from comprehensive climate related scenario analysis in the current financial year.

## SIGNIFICANT JUDGEMENTS AND UNCERTAINTIES

Sustainability-related financial disclosures presented in this section involve the application of significant professional judgement and estimation, due to the inherent uncertainty, forward-looking nature, and data limitations associated with the CRROs in particular, as well as uncertainties in relation to SRROs.

In reviewing this disclosure, readers are cautioned to consider the nature of changing environmental conditions along with the scale and nature of uncertainties in the science of understanding changes to the climate. Those climatic changes in turn lead to consequential changes within environments, and further consequential changes to biological and ecological processes occurring within that environment. The scale of the uncertainty in scientific understanding increases with each of the steps from physical climate forecasts to physical responses, and then again to the ensuing biological and ecological responses. Readers of this disclosure should therefore take into account those uncertainties when evaluating representations. This report contains forward-looking statements including climate-related metrics, climate scenarios, estimated climate projections, targets, assumptions, judgements, forecasts, and statements of our future intentions. Such statements are inherently uncertain and subject to limitations, particularly as inputs, available data and information are subject to change.

We base those statements and opinions on reasonable information we know at the date of publication. We do not:

» Represent those statements and opinions will not change or will remain correct after publishing this report, or

» Promise to revise or update those statements and opinions if events or circumstances change or unanticipated events happen after publishing this report, except as may be required by applicable law or climate-reporting standards.

Uncertainties and judgements herein include:

» GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.

» Climate-related impacts may not align precisely with the given time horizon and the Company cannot predict dates and geographic locations of extreme climate events and the extent of impacts. Therefore, future financial impacts of CRROs and SRROs are based on judgements.

» There are indirect climate risks that may have a bearing on financial impacts on the company, which cannot be calculated. For instance, climate events in other countries may impact policy holder, reinsurers and other key stakeholders, which might impact the Company indirectly.

» We cannot accurately quantify the ability of insurance policy holders to continue payments after climatic events

» Use of historical and modelled data may not fully capture future changes due to climate change.

» Direct and indirect impacts of transitional risks are not possible to capture and quantify within the given time frames.

## PROPORTIONALITY USE

The Company has utilised the proportionality mechanism permitted under SLFRS Disclosures in order to avoid undue cost or effort in compiling this report, by utilising available data and skills.

## STATEMENT OF COMPLIANCE

The Company has prepared these sustainability-related financial disclosures in accordance with Sri Lanka Financial Reporting Standards SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 – Climate-related Disclosures, issued by The Institute of Chartered Accountants of Sri Lanka.

## GOVERNANCE

The objective of financial disclosures on governance, is to explain the governance processes, controls and procedures used to monitor, manage and oversee sustainability and climate-related risks and opportunities.

### BOARD OVERSIGHT ROLE

The Board of Directors are vested with ultimate responsibility for oversight of SRROs and CRROs and for ensuring their integration into strategy, risk appetite, capital allocation, and performance management. These responsibilities are articulated in the Board Charter.

#### Board responsibilities

- Sets strategic direction and approves goals, operational plans, and budgets
- Reviews risk assessment policies, including climate-related risks, and defines risk appetite
- Monitors progress against climate risks, metrics, targets, and disclosures
- Receives updates on key sustainability issues at each meeting (~8 per year)
- Reviews remuneration policies and incentive schemes

### SKILLS AND COMPETENCIES

The Board has the requisite skills and competencies to ensure informed decision making regarding sustainability and climate change issues. Board members regularly review their skills, composition, and performance with the support of the Nominations Committee to ensure the team's expertise aligns with the Company's strategic goals, including sustainability and climate resilience.

### REPORTING TO THE BOARD

The Board receives regular updates on climate-related matters through management reports, which are discussed during most Board meetings. During the current financial year, the board met 8 times and the Audit Committee met 4 times.

### INCLUDING SRROS AND CRROS IN STRATEGY MAKING AND MAJOR TRANSACTIONS

Inclusion of climate-related risks in the Company's periodic strategic reviews ensures they are fully embedded in decision-making processes, from product development to risk underwriting. In addition key climate risks are reviewed regularly and have been integrated into the enterprise risk management framework.

### MONITORING

Long-term emissions reduction goals have been established and communicated across the Company, outlining pathways for sustainable operational practices, including cost projections and assumptions.

### THE MANAGEMENT'S ROLE

| Chief Executive Officer | Executive management |
|---|---|
| » Oversees business operations to execute strategy<br>» Establishes and implements the risk management framework<br>» Integrates climate-related actions and commitments into risk management, planning, and budgeting<br>» Identifies, monitors, and reports climate-related risks and opportunities to subcommittees and the Board<br>» Allocates capital for climate mitigation and response within the Board-approved budget<br>» Promotes a positive risk awareness culture within the business<br>» Monitors processes for risk reviews, and reports the same to the sub committees and Board as relevant. Reviews monthly sustainability updates which include sections on climate change policy, regulation, trends, and operational impacts<br>» Organises, facilitates and leads climate scenario evaluation and climate related risk and opportunity workshops<br>» Engages third-party experts to assist when appropriate such as audits, climate research and disclosure support | » Ensures climate related impacts and risks within each business area are managed, monitored and evaluated appropriately<br>» Implements and acts upon risk mitigation strategies approved by the Board, CEO and executive management team<br>» Monitors emerging and developing risks, including those relating to climate.<br>» Manages risk reporting and monitoring of residual risk levels<br>» Manages the collection of data to support tracking of metrics internally or with external assistance<br>» Tracks climate relevant research, trends and regulation |

# SLFRS S1 AND S2 DISCLOSURES

Arpico Insurance PLC is in the process of establishing a new committee dedicated towards the management and monitoring of sustainability related aspects. In addition board subcommittees also contribute towards managing SRROs and CRROs.

» **Audit, Related party, Risk, Investment committees:** These committees assist the Board in fulfilling oversight responsibilities in relation to financial management and related reporting, including the review of overall systems for risk management

» **Nomination and Remuneration committees**: Assisting the Board in fulfilling oversight responsibilities in relation to Board composition and structure, including in relation to sustainability and climate related expertise

## MONITORING AND CONTROLS

During the year, the Company continued to enhance its emission monitoring practices by maintaining the measurement of both direct and indirect greenhouse gas emissions.

Particular focus was placed on improving the consistency of data collection related to electricity consumption across branches, which represents the most significant contributor to indirect emissions. Periodic reviews were conducted to identify trends and potential opportunities for improving energy efficiency.

In addition, the Company continued to promote awareness among employees on responsible energy usage, supporting a culture of environmental responsibility across its operations.

Looking ahead, the Company aims to further strengthen its emission monitoring approach by refining its methodologies, expanding coverage where relevant, and enhancing alignment with the principles of IFRS S2 in future reporting periods.

## POLICIES AND PROCEDURES

» Policy on Environment, Social, and Governance (ESG) Sustainability : This policy aims to promote environmental responsibility, social equity, and strong governance standards across the Company. By adhering to ESG principles, Arpico Insurance PLC seeks to reduce its environmental impact, enhance stakeholder engagement, and ensure long-term value creation while contributing positively to the communities it serves. The policy underscores the company's dedication to ethical growth and sustainable development in line with global best practices.

## STRATEGY

Arpico Insurance PLC has identified 3 climate related risks. The impacts of these risks and strategies to manage each risk are tabulated below.

| Risks | | Materiality Rating |
|---|---|---|
| Risk 1 | Extreme weather events | High (Critical to the business model and strategy) |
| Risk 2 | Rising temperatures and health risks | Moderate (Important but manageable with planned Initiatives) |
| Risk 3 | Regulatory and stakeholder expectations | High (Critical to the business model and strategy) |

## CLIMATE RESILIENCE

### Resilience Assessment

The Company has undertaken a qualitative assessment of its resilience to climate-related risks, considering its operational structure, product portfolio, and risk management framework.

The assessment indicates that the Company remains operationally resilient in the short term, supported by diversified products and digital capabilities.

However, medium to long-term resilience will depend on the Company's ability to adapt to evolving climate risks through enhanced data, actuarial modelling, and strategic adjustments.

The Company intends to strengthen its resilience assessment through quantitative scenario analysis and stress testing in future reporting periods.

How and When Climate Scenario Analysis was performed. Disclosure of (i) Inputs; (ii) Key Assumptions, and (iii) Reporting period in which scenario analysis was carried out

During the reporting period, the Company conducted a qualitative climate scenario assessment as part of its risk identification process.

This assessment was carried out internally during FY 2025, using inputs such as historical claims data, climate trends in Sri Lanka, regulatory developments, and internal risk assessments.

### Key assumptions:

» That the frequency of extreme weather events, rising health risks, and evolving regulatory expectations, will increase in the future.

Due to data limitations, the Company has applied the transitional relief available under SLFRS S2 and has not conducted detailed quantitative scenario modelling. This will be developed in future periods.

## Judgements and Uncertainties

Please refer significant judgements and uncertainties in page 124.

| Risk 1 | Extreme Weather Events | |
|---|---|---|
| **Impact on Prospects** | Description | Floods and heavy rainfall have led to an increase in claims related to property damage and loss of livelihoods. |
| | Type of risk | Physical Risk |
| | Time Horizon | Short term (refer Time Horizon on page 123. |
| **Business Model and Value Chain** | Current Effects on Business Model and Value Chain | Extreme weather events, such as floods and prolonged rainfall, have indirect impacts on the Company's life insurance business. These include disruptions to customers' livelihoods, which may affect premium-paying capacity and lead to increased policy lapses or surrenders.<br><br>In addition, adverse living conditions and health impacts following such events may contribute to changes in morbidity patterns, potentially influencing claims experience.<br><br>Operationally, such events may also disrupt branch activities and customer servicing in affected regions. |
| | Anticipated Effects on Business Model and Value Chain | Looking ahead, increasing climate volatility may result in:<br>» Changes in mortality and morbidity trends, impacting actuarial assumptions<br>» Increased policy lapses or reduced new business volumes, due to economic stress on customers<br>» Greater need for flexible and protection-oriented insurance products<br>» Increased focus on digital service delivery to mitigate physical disruptions<br>» Potential impacts on investment portfolio performance, particularly in climate-sensitive sectors |
| | Where is it Concentrated? | The impact is concentrated across multiple components of the Company's business model and value chain, rather than a single function.<br><br>Primarily, the impact is observed in claims management, due to increased uncertainty in claim patterns, including potential changes in morbidity and mortality experience, which may affect claim frequency and severity.<br><br>In addition, significant impacts arise in actuarial and underwriting functions, where climate-related developments influence key assumptions such as mortality, morbidity, and persistency, thereby affecting pricing and liability valuation.<br><br>The impact is also evident in product development, as the Company may need to design and adapt insurance products to address evolving customer protection needs arising from climate-related risks.<br><br>Further, customer management and distribution channels may be affected through changes in policyholder behaviour, including reduced premium-paying capacity, leading to increased lapses or surrenders.<br><br>From a broader value chain perspective, there may also be indirect impacts on investment management, particularly where climate-related risks affect the performance of underlying assets, as well as on operational activities, including branch operations and service delivery in affected regions.<br><br>Accordingly, the impact is considered to be cross-functional, affecting multiple stages of the Company's value chain. |

| Risk 1 | Extreme Weather Events | |
|---|---|---|
| **Strategy and Decision Making** | Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets | **Strategy**<br>By embracing scenario analysis as part of our climate-related disclosure practices, we aim to integrate long-term sustainability into our operations.<br><br>**Managing the risk**<br>Climate-related risks are integrated into the enterprise risk management framework and periodic strategic reviews, ensuring they are fully embedded in decision-making processes, from product development to risk underwriting.<br><br>**Transition plans**<br>The Company is progressively integrating climate-related considerations into its business strategy and risk management processes.<br><br>Key initiatives include:<br>» Incorporating emerging climate-related insights into actuarial reviews and assumption setting<br>» Enhancing product design to address evolving customer protection needs<br>» Strengthening digital capabilities to ensure continuity of customer service<br>» Monitoring investment exposures to sectors that may be sensitive to climate-related risks<br><br>The Company will continue to refine its approach as data availability and analytical capabilities improve.<br><br>**Targets**<br>The Company has not yet established specific quantitative climate-related targets linked to extreme weather risks. However, focus areas include:<br>» Maintaining strong policy persistency levels<br>» Enhancing risk monitoring and data collection processes<br>» Strengthening resilience of operations and customer engagement channels<br><br>The Company intends to develop more structured climate-related targets over time. |
| | Progress (qualitative and quantitative) | » Climate-related considerations increasingly reflected in risk management discussions<br>» Ongoing monitoring of policyholder behaviour (lapses, surrenders) in affected regions<br>» Improvements in digital servicing capabilities to support customers during disruptions<br>» Initial steps taken to assess potential impacts on actuarial assumptions |

| Risk 1 | Extreme Weather Events | |
|---|---|---|
| **Financial Effects** | Current year financial effects to PL, BS and CF | During the year, extreme weather events had an indirect impact on financial performance through changes in policyholder behaviour, including potential increases in lapses and surrenders. There may also be emerging impacts on claims experience linked to health-related factors.<br><br>During the year, the Company experienced indirect financial impacts estimated at approximately LKR 2 Mn arising from disruptions linked to extreme weather conditions, primarily through changes in policyholder behaviour and operational interruptions. These have implications for insurance contract liabilities and cash flow patterns. |
| | Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year | There is a potential risk of material adjustments to actuarial assumptions, including mortality, morbidity, and persistency, which could impact the valuation of insurance contract liabilities under evolving climate conditions. |
| | Anticipated financial effect over short, medium and long term to PL, BS and CF | » **Short term:** Variability in persistency and potential operational disruptions<br>» **Medium term:** Adjustments to actuarial assumptions and product features<br>» **Long term:** Structural shifts in customer risk profiles and long-term liability valuations |

| Risk 2 | Rising temperatures and health risks | |
|---|---|---|
| **Impact on Prospects** | Description | Rising temperatures can lead to higher incidences of vector-borne diseases such as dengue impacting claims on health insurance policies. |
| | Type of risk | Physical Risk |
| | Time Horizon | Short term (refer Time Horizon on page 123. |
| **Business Model and Value Chain** | Current Effects on Business Model and Value Chain | Rising temperatures and changing climate conditions have contributed to an increase in climate-sensitive health conditions, including vector-borne diseases such as dengue.<br><br>This has the potential to influence morbidity experience, particularly in health-related riders and benefits attached to life insurance policies.<br><br>Additionally, increased healthcare costs and illness-related income disruptions may affect customers' ability to maintain premium payments, impacting persistency levels. |
| | Anticipated Effects on Business Model and Value Chain | Over time, the Company may experience:<br>» Changes in morbidity and mortality trends, impacting actuarial assumptions<br>» Increased demand for health-related insurance products and riders<br>» Potential deterioration in policy persistency due to economic and health stress<br>» Rising claims costs linked to medical inflation and disease prevalence<br>» Greater need for data-driven underwriting and pricing models |
| | Where is it Concentrated? | The impact is concentrated on claims management due to increased uncertainty on insurance claim management and settlement.<br><br>In addition, there is also an impact on product development as the Company needs to develop new products to respond to potential changes from CRROs. |

| Risk 2 | Rising temperatures and health risks | |
|---|---|---|
| **Strategy and Decision Making** | Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets | **Strategy**<br>By embracing scenario analysis as part of our climate-related disclosure practices, we aim to integrate long-term sustainability into our operations.<br><br>**Managing the risk**<br>Climate-related risks are integrated into the enterprise risk management framework and periodic strategic reviews, ensuring they are fully embedded in decision-making processes, from product development to risk underwriting.<br><br>**Transition plans**<br>The Company is progressively strengthening its response to climate-related health risks by:<br>» Incorporating emerging health trends into actuarial reviews and pricing assumptions<br>» Enhancing product offerings, including health riders and protection-focused solutions<br>» Monitoring claims experience and disease patterns to refine underwriting practices<br>» Promoting digital engagement and wellness awareness initiatives<br><br>The Company will continue to enhance its approach as more data becomes available.<br><br>**Targets**<br>While specific quantitative targets have not yet been established, the Company focuses on:<br>» Strengthening monitoring of morbidity trends<br>» Maintaining stable policy persistency levels<br>» Enhancing data quality and actuarial analysis capabilities<br><br>The Company intends to develop more structured climate-related health risk indicators in future periods. |
| | Progress (qualitative and quantitative) | » Ongoing monitoring of health-related claims trends<br>» Integration of emerging risks into risk management discussions<br>» Continued focus on improving customer engagement and service delivery<br>» Initial steps towards incorporating health risk considerations into actuarial processes |

| Risk 2 | Rising temperatures and health risks | |
|---|---|---|
| **Financial Effects** | Current year financial effects to PL, BS and CF | Rising health risks have contributed to emerging pressures on claims experience, particularly in health-related benefits. This may have implications for insurance service expenses and the measurement of insurance contract liabilities, particularly through adjustments to morbidity assumptions and expected future cash flows.(Refer 183 actuarial report and Note 31) |
| | Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year | There is a potential risk of revisions to morbidity and mortality assumptions, which may result in changes to insurance contract liabilities and related estimates. |
| | Anticipated financial effect over short, medium and long term to PL, BS and CF | » **Short term**: Increased variability in health-related claims<br>» **Medium term**: Adjustments to pricing and actuarial assumptions<br>» **Long term**: Structural changes in population health trends affecting long-term liabilities |

| Risk 3 | Regulatory risks | |
|---|---|---|
| **CRROs impact on Prospects** | Description | Regulatory and stakeholder expectations requiring enhanced transparency and disclosure regarding climate-related impacts. |
| | Type of risk | Transition Risk |
| | Time Horizon | Long term (refer Time Horizon on page 123. |
| **Business Model and Value Chain** | Current Effects on Business Model and Value Chain | Evolving regulatory and stakeholder expectations relating to climate-related disclosures have increased the need for enhanced transparency, governance, and reporting processes. This has led to additional internal efforts in data collection, monitoring, and alignment with emerging sustainability reporting standards such as IFRS S1 and IFRS S2. |
| | Anticipated Effects on Business Model and Value Chain | Looking ahead, the Company may experience:<br>» Increased compliance and reporting requirements<br>» Greater expectations for integration of climate risks into core business strategy<br>» Potential impacts on investment decisions, particularly in carbon-sensitive sectors<br>» Need for enhanced data systems, governance frameworks, and internal controls<br>» Increased scrutiny from regulators, investors, and other stakeholders |
| | Where is it Concentrated? | This risk is primarily concentrated at the corporate and governance level, including finance, risk management, actuarial, and investment functions. |

| Risk 3 | Regulatory risks | |
|---|---|---|
| **Strategy and Decision Making** | Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets | **Strategy**<br>By embracing scenario analysis as part of our climate-related disclosure practices, we aim to integrate long-term sustainability into our operations.<br><br>**Managing the risk**<br>Climate-related risks are integrated into the enterprise risk management framework and periodic strategic reviews, ensuring they are fully embedded in decision-making processes, from product development to risk underwriting.<br><br>**Transition plans**<br>The Company is taking steps to strengthen its readiness for evolving regulatory expectations by:<br>» Aligning disclosures with S1 and S2 requirements<br>» Enhancing internal governance and oversight of sustainability-related matters<br>» Improving data collection, validation, and reporting processes<br>» Building internal awareness and capabilities across relevant functions<br><br>The Company will continue to refine its approach in line with regulatory developments.<br><br>**Targets**<br>The Company aims to:<br>» Achieve progressive alignment with S1 and S2 disclosure requirements<br>» Strengthen internal reporting frameworks and controls<br>» Enhance quality, consistency, and comparability of sustainability disclosures<br><br>Formal quantitative targets will be developed over time. |
| | Progress (qualitative and quantitative) | **Progress (Qualitative and Quantitative)**<br>» Initial adoption and alignment with S1 and S2 frameworks<br>» Improved cross-functional coordination in sustainability reporting<br>» Strengthening of governance structures and oversight mechanisms<br>» Ongoing enhancements to data collection and disclosure practices |

| Risk 3 | Regulatory risks | |
|---|---|---|
| **Financial Effects** | Current year financial effects to PL, BS and CF | Increased costs associated with compliance, reporting, and capacity building have had a modest impact on operating expenses.<br><br>As a result, company incurred approximately 2.5 Mn on IFRS 17. |
| | Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year | There is a potential risk of increased costs related to system enhancements, data management, and compliance requirements, which may impact future expense recognition. |
| | Anticipated financial effect over short, medium and long term to PL, BS and CF | Short term: Incremental compliance and implementation costs<br><br>Medium term: Investment in systems, processes, and governance frameworks<br><br>Long term: Improved risk management, transparency, and potential access to sustainable investment opportunities<br><br>(Refer Note 124 – Transitional Relief) |

## CLIMATE RELATED OPPORTUNITIES

| Climate related opportunity | | Materiality Rating |
|---|---|---|
| Opportunity 1 | Increased awareness of climate-related risks | High (Critical to the business model and strategy) |
| Opportunity 2 | Trend towards digital adoption | Moderate (Important but manageable with planned Initiatives) |
| Opportunity 3 | Shift towards renewable energy | High (Critical to the business model and strategy) |

| Opportunity 1 | Increased awareness of climate-related risks | |
|---|---|---|
| **Impact on Prospects** | Description | Growth in demand for life insurance products that address climate risks |
| | Time Horizon | Long term (refer Time Horizon on page 123. |
| **Business Model and Value Chain** | Current Effects on Business Model and Value Chain | Growing awareness of climate-related risks has led to increased customer interest in protection-oriented life insurance products. This is reflected in greater demand for policies that provide financial security against uncertainty, including health-related and long-term protection solutions. |
| | Anticipated Effects on Business Model and Value Chain | » Increased demand for life and health protection products<br>» Opportunity to develop climate-sensitive insurance solutions<br>» Stronger customer engagement and risk awareness<br>» Expansion of advisory-driven sales models |
| | Where is it Concentrated? | Across the customer base, particularly among urban and financially aware segments. |
| **Strategy and Decision Making** | Plans to respond in Strategy, Risk Management, Transition Plans and Climate-related Targets | **Strategy**<br>To leverage increasing awareness by strengthening protection-oriented product offerings and enhancing customer education on risk preparedness.<br><br>**Managing the opportunity**<br>» Enhancing product positioning and communication strategies<br>» Strengthening distribution channels and advisory capabilities<br>» Aligning product features with evolving customer needs<br><br>**Transition plans**<br>» Gradual development of innovative protection and health-related products<br>» Integration of customer risk awareness into sales strategies<br><br>**Targets**<br>Increase contribution from protection-based products<br><br>Improve customer engagement and retention levels |
| | Progress (qualitative and quantitative) | Growth in demand for health and protection products<br><br>Improved customer awareness through engagement initiatives |
| **Financial Effects** | Current year financial effects to PL, BS and CF | Positive contribution to total business volumes and premium income from protection-oriented products. As a result total agency business improved by 1% |
| | Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year | No significant immediate risk identified. |
| | Anticipated financial effect over short, medium and long term to PL, BS and CF | » **Short term**: Increase in new business volumes<br>» **Medium term**: Improved persistency and revenue stability<br>» **Long term**: Stronger and more resilient portfolio |

| Opportunity 2 | Trend towards digital adoption | |
|---|---|---|
| **Impact on Prospects** | Description | Reduce paper waste and improved operational efficiency |
| | Time Horizon | Long term (refer Time Horizon on page 123. |
| **Business Model and Value Chain** | Current Effects on Business Model and Value Chain | Increased adoption of digital platforms has improved operational efficiency, reduced paper usage, and enhanced customer service delivery. |
| | Anticipated Effects on Business Model and Value Chain | » Improved cost efficiency and scalability<br>» Enhanced customer experience and accessibility<br>» Reduced environmental footprint<br>» Increased reliance on digital ecosystems |
| | Where is it Concentrated? | Across operations, customer servicing, and distribution channels. |
| **Strategy and Decision Making** | Plans to respond in Strategy, Risk Management, Transition Plans and Climate-related Targets | **Strategy**<br>To accelerate digital transformation to improve efficiency, customer experience, and environmental sustainability<br><br>**Managing the opportunity**<br>» Expanding digital platforms and self-service capabilities<br>» Reducing reliance on paper-based processes<br>» Enhancing data-driven decision-making<br><br>**Transition plans**<br>» Continued investment in digital infrastructure and platforms<br>» Integration of digital solutions across customer lifecycle<br><br>**Targets**<br>» Increase digital adoption rates among customers<br>» Reduce paper consumption across operations |
| | Progress (qualitative and quantitative) | » Increased usage of digital channels<br>» Reduction in paper-based transactions |
| **Financial Effects** | Current year financial effects to PL, BS and CF | Reduction in operational costs and improved efficiency in service delivery. |
| | Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year | No significant immediate risk identified. |
| | Anticipated financial effect over short, medium and long term to PL, BS and CF | » **Short term:** Cost savings and efficiency gains<br>» **Medium term**: Improved profitability through digital scalability<br>» **Long term**: Sustainable cost structure and competitive advantage |

| Opportunity 3 | Shift towards renewable energy | |
|---|---|---|
| **Impact on Prospects** | Description | Long-term cost savings and alignment with sustainability goals |
| | Time Horizon | Long term |
| **Business Model and Value Chain** | Current Effects on Business Model and Value Chain | Limited direct impact currently, as the Company's energy consumption is primarily electricity-based. |
| | Anticipated Effects on Business Model and Value Chain | » Reduction in energy costs over time<br>» Lower carbon footprint (Scope 2 emissions)<br>» Alignment with sustainability expectations<br>» Opportunities for green investments |
| | Where is it Concentrated? | Primarily within operations (energy usage) and investment portfolio. |
| **Strategy and Decision Making** | Plans to respond in Strategy, Risk Management, Transition Plans and Climate-related Targets | **Strategy**<br>To support the transition towards cleaner energy sources and enhance sustainability performance.<br><br>**Managing the opportunity**<br>» Encouraging efficient energy usage<br>» Exploring opportunities to align with renewable energy sources<br>» Considering sustainability in investment decisions<br><br>**Transition plans**<br>» Gradual shift towards energy-efficient operations<br>» Evaluation of renewable energy adoption opportunities<br><br>**Targets**<br>» Improve energy efficiency across operations<br>» Reduce carbon intensity over time |
| | Progress (qualitative and quantitative) | » Monitoring of energy consumption trends<br>» Initial steps towards improving environmental performance |
| **Financial Effects** | Current year financial effects to PL, BS and CF | No significant immediate financial impact. |
| | Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year | Low risk in the short term. |
| | Anticipated financial effect over short, medium and long term to PL, BS and CF | » **Short term**: Minimal impact<br>» **Medium term**: Gradual cost efficiencies<br>» **Long term**: Reduced energy costs and improved sustainability positioning |

# MANAGING RISKS AND OPPORTUNITIES

## PROCESSES AND POLICIES RELATING TO SRROS AND CRROS

SRROs and CRROs are identified, assessed, and managed as part of the Company's Enterprise Risk Management framework. The scope of the assessment includes the Company's operations as well as relevant aspects of its value chain, including customers, partners, and service providers.

## INPUTS AND PARAMETERS USED TO IDENTIFY RISKS AND OPPORTUNITIES

Key inputs include:

- Historical claims and persistency trends
- Emerging climate and health-related patterns
- Regulatory developments and market expectations
- Internal risk assessments and actuarial insights

## SCENARIO ANALYSIS

The Company has undertaken a qualitative assessment of potential climate-related risks and opportunities, considering a range of possible future conditions. This assessment supports strategic decision-making and risk identification. The Company intends to enhance its scenario analysis capabilities over time in line with IFRS S2. For the current financial year the Company is claiming the available two year transitional relief on resilience assessment.

| Inputs | Assumptions | Materiality Rating |
|---|---|---|
| » Historical claims data<br>» Climate trends (Sri Lanka)<br>» Regulatory outlook | » Increase in extreme weather frequency<br>» Rising health risks<br>» Regulatory outlook | Analysis was conducted during FY 2025 |

## ASSESSMENT OF EFFECTS

The Company evaluated the potential impact of major physical climate hazards on its portfolio by analysing their effects on the Company's financial health as well as their potential impacts on employees and customers.

Potential effects of transition risks are assessed by monitoring potential impacts on underwriting and assets.

The Company uses a combination of Scenario Analysis and Stress Testing, Asset-Liability Management (ALM) Integration, and Portfolio Alignment and Exposure Mapping to understand the potential impact of climate change related risks and opportunities.

## PRIORITISATION OF SRROS AND CRROS

SRROs and CRROs are prioritised relative to other types of risk by integrating these risks into its overall risk management framework and through regular feedback to the Board regarding the status of these risks.

## MONITORING OF SRROS AND CRROS

SRROs and CRROs and sustainability and climate opportunities are monitored through the overall enterprise risk management structure as well as the Company's three-lines of defence model. In addition, the Board and Board sub committees are involved in monitoring and managing risks.

## CHANGES IN THE PROCESS

Changes in the risk management process for CRROS and SRROs, compared to the previous reporting period include:

- Initial integration of climate-related risks into the Enterprise Risk Management (ERM) framework, enabling structured identification, assessment, and monitoring of SRROs and CRROs alongside traditional risk categories
- Formalisation of governance oversight, with increased involvement of the Board and Board subcommittees in reviewing sustainability and climate-related risks and disclosures
- Introduction of structured risk identification processes, including internal workshops and cross-functional discussions to identify key climate-related risks and opportunities
- Enhanced focus on data collection and monitoring of climate-related indicators, particularly in relation to GHG emissions, energy consumption, and policyholder behaviour (e.g., lapses and claims trends)
- Development of qualitative climate scenario analysis, supporting forward-looking assessment of potential impacts on underwriting, claims, and investment performance
- Improved linkage between climate risks and core business functions, including actuarial modelling, product development, underwriting, and investment decision-making
- Strengthening of internal reporting processes, with more frequent management reporting on sustainability and climate-related matters to support decision-making
- Initial alignment with SLFRS S1 and S2 disclosure requirements, improving the structure, consistency, and transparency of sustainability-related financial disclosures

» Increased awareness and capacity building across the organisation, including management engagement in climate-related risk discussions and integration into strategic planning processes

These enhancements reflect the Company's transition from an initial awareness stage to a more structured and integrated approach to managing sustainability-related and climate-related risks and opportunities.

## METRICS AND TARGETS

### CROSS INDUSTRY METRICS

**Greenhouse Gas Emissions (GHG)**

Arpico Insurance measures and discloses its greenhouse gas (GHG) emissions in accordance with the GHG Protocol Corporate Standard, ISO 14064-1:2018, and SLFRS S2 requirements

GHG emissions are categorised into Scope 1, 2, and 3 emissions.

**Scope 1 (Direct Emissions):** Emissions from owned or controlled sources, such as fuel combustion in company vehicles and backup generators.

**Scope 2 (Location-based Indirect Emissions):** Emissions from purchased electricity, calculated using grid emission factors.

### BASIS OF DETERMINATION OF ORGANISATIONAL BOUNDARY AND OPERATIONAL BOUNDARY

The Company adopts the operational control approach in defining its organisational boundary. Accordingly, all operations over which the Company has operational control, including Head Office and branch network, are included.

The operational boundary includes Scope 1 emissions from company-owned vehicles and generators, and Scope 2 emissions from purchased electricity. Selected Scope 3 emissions such as business travel are disclosed where data is available.

### METHODOLOGY USED FOR THE MEASUREMENT AND DISCLOSURE OF GHG EMISSIONS

GHG emissions are calculated based on activity data such as fuel consumption and electricity usage, applying appropriate emission factors. The Company follows internationally recognised methodologies, including the GHG Protocol and relevant standards, to ensure consistency and comparability of disclosures.

**GHG Scope 1 and Scope 2 Emissions**

| Description | Greenhouse gas emissions (metric tones CO2e) 2024/25 | | |
|---|---|---|---|
| | Scope 1 | Scope 2 | Total |
| Consolidated accounting group | 280 | 242 | 522 |
| Other investee (investment in associate, joint ventures) | N/A | N/A | N/A |
| Total (Operational control approach) | 280 | 242 | 522 |

**Key Assumptions and Sources of GHG Measurement**

| Scope | Emission Sub-category | Activity | Data Source | Emission Factor | Source of GWP Values |
|---|---|---|---|---|---|
| Scope 1 | Fuel combustion (Company vehicles) | Petrol/Diesel consumption | Fuel bills, logbooks | Standard fuel emission factors ($kgCO_2e$ per litre) | Country grid emission factor |
| Scope 1 | Fuel combustion (Generators) | Diesel used for backup generators | Fuel purchase records | Standard diesel emission factor | IPCC |
| Scope 2 | Purchased electricity (Location-based) | Electricity consumption across Head Office and branches | Electricity bills (CEB/LECO) | Sri Lanka grid emission factor ($kgCO_2e$ per kWh) | IPCC |
| Scope 3 | Business travel | Fuel | Travel records, claims | Standard fuel emission factors ($kgCO_2e$ per litre) | IPCC |

## SUMMARY OF GHG EMISSIONS

| Scope | 2025 ($mtCO_2e$) |
|---|---|
| Scope 1 | 280 |
| Scope 2 | 242 |
| **Total** | 522 |

## JUDGEMENTS AND UNCERTAINTIES

The measurement of GHG emissions involves certain assumptions and estimates, including:

- Use of standard emission factors for electricity and fuel
- Variability in data availability across operational locations

The Company will continue to refine its methodologies and improve data accuracy over time.

## INTERNAL CARBON PRICING

The Company has not implemented an internal carbon pricing mechanism during the current financial year. However, it recognises the potential importance of such mechanisms and will evaluate their applicability in future as part of its sustainability strategy.

## REMUNERATION

Climate-related performance metrics are not currently linked to remuneration structures. However, sustainability considerations are increasingly integrated into management decision-making, and the Company intends to explore incorporating ESG-related performance indicators into remuneration frameworks in the future.

## INDUSTRY SPECIFIC METRICS
## SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) INDEX
### Insurance Sustainability Accounting Standard (Version 2025-12)
**Table 1: Sustainability Disclosure Topics & Metrics**

| Topic | Metric | Category | Unit of Measure | Code | Disclosure reference and/or response |
|---|---|---|---|---|---|
| Transparent Information & Fair Advice for Customers | Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers | Quantitative | Presentation currency | FN-IN-270a.1 | Rs .Nill |
| | Complaints-to-claims ratio | Quantitative | Rate | FN-IN-270a.2 | 0.10% |
| | Customer retention rate | Quantitative | Rate | FN-IN-270a.3 | 1st Year 75%<br>2nd Year 47%<br>3rd Year 33% |
| | Description of approach to informing customers about products | Discussion and Analysis | n/a | FN-IN-270a.4 | Usually, products are explained to customers by sales personals.<br><br>Effective from 1st October 2025, as per the guidelines of Insurance Regulatory Commission of Sri Lanka, the sales team has been advised to provide the customer with a product briefing called "Insurance Product Information Document (IPID)" along with the quotations given to customers. Customer would agree and sign for quotations, after going through the IPID of the product. |
| Incorporation of Environmental, Social and Governance Factors in Investment Management | Description of approach to incorporation of environmental, social and governance (ESG) factors in investment management processes and strategies | Discussion and Analysis | n/a | FN-IN-410a.2 | The Company incorporates ESG considerations into its investment management processes by prioritising investments in compliant and low-risk sectors, while avoiding exposure to sectors with significant environmental or regulatory risks. Investment decisions are aligned with long-term liability profiles and risk management principles. The Company is in the process of enhancing its ESG integration framework. |

| Topic | Metric | Category | Unit of Measure | Code | Disclosure reference and/or response |
|---|---|---|---|---|---|
| | Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities | Discussion and Analysis | n/a | FN-IN-550a.3 | The Company manages capital and liquidity risks through maintaining adequate regulatory capital levels, prudent investment strategies, and effective asset-liability management practices. Climate-related systemic risks are considered indirectly through investment risk assessments and ongoing regulatory monitoring. |

**Table 2: Activity Metrics**

| Activity Metric | Category | Unit of Measure | Code | Disclosure reference and/or response |
|---|---|---|---|---|
| Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance4 | Quantitative | Number | FN-IN-000.A | The Company primarily operates within the life insurance segment, and the number of policies in force is monitored and reported internally.<br>Enhanced segmentation and disclosure will be developed in future reporting periods. |

# TARGETS

The Company is in the process of setting specific climate targets the selected time horizon. These are described below

## GHG REDUCTION TARGETS

| CRRO 2 | GHG Emission |
|---|---|
| Metric/measurement/KPI | Total Scope 1 and Scope 2 emissions ($tCO_2e$) |
| Objective | Reduce operational carbon footprint |
| Scope | Scope 1 and Scope 2 |
| Period | 2026–2030 |
| Base Period | 2025 |
| Milestones and interim targets | 10% reduction |
| Target type (Gross or Net GHG emission target) | Gross |
| Target type (absolute or intensity) | Absolute |
| Alignment to sectorial decarbonisation approach | Aligned with general decarbonisation pathways applicable to financial institutions, though not formally benchmarked to a specific sectoral pathway at present. |
| Entity's plan to use Carbon credits to offset GHG emissions | The Company does not currently utilise carbon credits but may evaluate their use in the future as part of its emission reduction strategy. |
| Alignment with jurisdiction<br><br>Commitment | Aligned with Sri Lanka's national commitments towards reducing greenhouse gas emissions. |
| Validation | Targets are internally reviewed and approved by management. |
| Review Process | Progress is reviewed annually as part of sustainability reporting processes. |
| Metrics for monitoring progress | Annual GHG emissions (Scope 1 and Scope 2) compared against baseline year. |
| Revision | Targets will be revised periodically based on operational changes and regulatory developments. |
| Progress achieved during the year and status at year end | Baseline established |

# SLFRS S1 AND S2 DISCLOSURES

## RENEWABLE ENERGY ADOPTION TARGETS

| CRRO 1 | Renewable energy adoption |
|---|---|
| Metric/measurement/KPI | Percentage of total electricity consumption derived from renewable sources |
| Objective | Increase use of renewable energy and reduce carbon footprint |
| Scope | Electricity consumption across Head Office and branch network |
| Period | 2026–2032 |
| Base Period | 2025 |
| Milestones and interim targets | 20% of Arpico branches driven by renewable energy on 2032 |
| Target type (if quantitative whether it is a absolute or intensity target) | Percentage-based target |
| Alignment with jurisdiction Commitment | Supports national renewable energy goals |
| Validation | Internally reviewed by management |
| Review Process | Annual monitoring and reporting |
| Metrics for monitoring progress | Renewable energy consumption as a percentage of total electricity usage |
| Revision | Subject to periodic review |
| Progress achieved during the year and status at year end | Currently under evaluation |

## DIGITAL ADOPTION TARGET

| CRRO 1 | Renewable energy adoption |
|---|---|
| Metric/measurement/KPI | Percentage of customer transactions conducted digitally |
| Objective | Enhance digital adoption and reduce paper usage |
| Scope | Customer servicing and internal operations |
| Period | 2026–2028 |
| Base Period | 2025 |
| Milestones and interim targets | 30% paper usage reduction |
| Target type (if quantitative whether it is a absolute or intensity target) | Combination of percentage-based and reduction target |
| Alignment with jurisdiction Commitment | Supports digital transformation initiatives |
| Validation | Internally reviewed |
| Review Process | Monitored department wise consumption periodically by management |
| Metrics for monitoring progress | Digital transaction ratio and paper consumption levels |
| Revision | Subject to operational review |
| Progress achieved during the year and status at year end | Initial improvements observed |

# SUSTAINABILITY COMMITMENTS

We regard sustainability as a fundamental responsibility that guides the way we conduct business and create long-term value for our stakeholders. Our approach integrates Environmental, Social and Governance (ESG) considerations into strategic decision-making, operational practices, and stakeholder engagement, ensuring that the Company operates responsibly while contributing positively to society and the environment.

In addition to complying with regulatory requirements and industry expectations relating to ESG, the Company has also aligned its sustainability agenda with the principles of the United Nations Sustainable Development Goals (UNSDGs). Through this alignment, we seek to support the country's overall national development agenda aimed at alleviating poverty and promoting inclusive economic growth.

Through our voluntary commitments, and compliance with ESG regulations, we make all efforts to conduct business ethically, managing risks responsibly, and contribute to a more sustainable and resilient future for the Company and our stakeholders.

| ESG category | Action | Description |
|---|---|---|
| **Environmental stewardship** | » Carbon Footprint Reduction | We are reducing our carbon footprint through energy-efficient practices and sustainable resource management. We are promoting the use of renewable resources within our operations and we are transitioning to digital processes to reduce paper usage and encouraging employees to adopt eco-friendly practices. |
| **Social responsibility** | » Community Engagement<br>» Diversity and Inclusion<br>» Corporate Social Responsibility | Our Corporate Social Responsibility (CSR) strategy is designed to support community development and promote social wellbeing by supporting education, health, and livelihoods. We also foster a diverse and inclusive workplace. |
| **Governance & ethics** | » Governance Structure | The Board of Directors spearhead our sustainability vision and strategy, ensuring alignment with the Company's mission and long-term objectives, approve sustainability goals and provide strategic direction and oversight. The implementation of these initiatives is overseen by a dedicated Sustainability Team operating under the guidance of the Board. |
| | » Responsible Investment Practices | Our Investment Policy incorporates ESG criteria, to assess potential investments based on their long-term sustainability impact. The Company's dedicated Investment Team conducts thorough evaluations, considering both financial performance and broader ESG implications, including opportunities in sectors that create positive social and environmental value. |
| | » Stakeholder Engagement | Stakeholder engagement is prioritised to better understand and address the concerns of employees, customers, investors, and community members. Their insights play a crucial role in shaping our<br><br>sustainability strategies, ensuring our initiatives align with their needs and expectations. We also participate in industry forums and sustainability networks, to exchange knowledge and explore innovative solutions. |

# SUSTAINABILITY COMMITMENTS

| ESG category | Action | Description |
|---|---|---|
| | » Regulatory compliance (IRCSL, CSE) | **Solvency and Capital Adequacy Regulations :**<br>Arpico Insurance conducts regular assessments to ensure sufficient capital reserves and solvency margins are maintained as required by regulatory standards. The Company's risk department<br><br>performs comprehensive financial analysis and stress testing to evaluate our capital adequacy and risk exposure. Our risk management team also monitors compliance with these regulations, and we provide regular reports to the Board and regulatory authorities to demonstrate adherence to solvency requirements.<br><br>**Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) Regulations :**<br>We conduct customer due diligence and monitor transactions for suspicious activities. Our compliance team conducts regular training for employees on AML and CTF regulations to empower employees to identify and report suspicious activities. A comprehensive internal reporting system is in place to ensure that any potential violations are promptly investigated and reported to the relevant authorities.<br><br>**Data Protection and Privacy Regulations:**<br>Arpico Insurance complies with local data protection regulations under the Personal Data Protection Act. We have also established data protection policies and procedures that govern the collection, processing, and storage of customer data. Our IT and compliance teams work together to implement security measures to protect sensitive information, and we conduct regular audits to ensure compliance with data protection laws.<br><br>**Consumer Protection Regulations:**<br>We uphold consumer protection regulations by providing clear and accurate information about our products, services, and fees. We have also developed customer service protocols that include comprehensive product disclosure statements and standardised communication materials. Our customer service team receives training on consumer protection regulations to ensure that they provide accurate and transparent information to policyholders. |
| | » Global best practices (SDG's) | **United Nations Sustainable Development Goals (SDG's)**<br>Arpico Insurance PLC aligns its sustainability strategy with the United Nations Sustainable Development Goals (UN SDGs), focusing on areas where it can create meaningful impact. These commitments reflect the Company's focus on financial inclusion, environmental responsibility, social wellbeing, and strong governance practices. |

| ESG Category | Relevant SDG |
|---|---|
| Economic | |
| Environmental | |
| Social | |
| Governance | |

## CONTINUOUS IMPROVEMENT

In order to effectively integrate and monitor adoption of sustainability commitments, Arpico Insurance PLC has established a Sustainability Team tasked with the responsibility of formulating sustainability policies and action plans to address Environmental, Social, and Governance (ESG) challenges, promoting awareness and participation in sustainability initiatives across the organisation, and engaging among both internal and external stakeholders. The team consists of cross-functional representation from key departments, encompassing operations, marketing, risk management, and human resources.

## INTEGRATION OF KPIS

A structured approach has been implemented to align department-level sustainability performance with Company-wide sustainability commitments.

- Sustainability KPIs are established by the Board of Directors in collaboration with the Sustainability Team, and are clearly communicated across all levels of the organisation.
- Sustainability-related KPIs are embedded across all departments, with each team setting specific, measurable targets enabling departments to track progress, address challenges, and refine their strategies as needed.
- The Sustainability Team conducts separate department-wise meetings, often providing detailed guidelines and resources to assist departments in developing action plans that define targeted initiatives, timelines, and resource allocations. Cross-functional collaboration are strongly encouraged to promote sharing of best practices and fosters innovation for the purpose of amplifying sustainability efforts.

## MONITORING AND REPORTING

We regularly track and report on key performance indicators (KPIs) to evaluate progress toward our sustainability goals. The Sustainability Team oversees this process, with each department required to submit quarterly reports detailing their performance, challenges, and key initiatives.

A dedicated analyst within the Sustainability Team collects and analyses data to identify trends and assess the effectiveness of sustainability initiatives. These insights are compiled into reports and presented for review by the executive leadership team and the Board of Directors.

Once approved by the Board, we publish our achievements, challenges, and future goals through an Integrated Annual Report to allow stakeholders to track our progress over time. To further support transparency, integrity and comparability of sustainability disclosures Arpico Insurance adheres to the Global Reporting Initiative (GRI) framework. The Board seeks independent assurance regarding the accuracy and completeness of sustainability disclosures prior to publication of the Annual Report.

## TRAINING AND CAPACITY BUILDING

The Company recognises that training and capacity building is integral to continuous improvements in sustainability performance. Therefore, regular trainings and workshops are conducted to update employees on regulatory changes and industry best practices. The Company also provides resources and tools to support compliance at all levels of the organisation.

## ENVIRONMENTAL COMMITMENTS

Arpico Insurance is committed to minimising its environmental footprint through responsible resource management, the reduction of carbon emissions, and the adoption of sustainable business practices. The Company's key environmental commitments include promoting energy efficiency, reducing paper consumption through greater digitalisation, and adopting environmentally responsible technologies within its operational processes.

### Discharging our environmental commitments in 2025

During 2025, the Company strengthened its environmental stewardship through accelerated digital transformation initiatives, including the migration towards cloud-based data systems. Greater adoption of e-proposals, digital payment platforms, and electronic customer communications enabled the Company to significantly reduce paper consumption while improving operational efficiency and customer convenience.

In parallel, the Company continued to optimise the use of resources across its operations and encourage environmentally responsible practices among its employees and stakeholders. These efforts reflect Arpico Insurance PLC's broader commitment to reducing its environmental impact while maintaining high standards of service excellence.

## SOCIAL COMMITMENTS

Arpico Insurance is committed to creating a positive social impact by fostering an inclusive workplace, enhancing employee wellbeing, and contributing to the development of the communities it serves. The Company also places strong emphasis on improving financial literacy and expanding access to insurance solutions, thereby supporting greater financial security and inclusion.

### Discharging our social commitments in 2025

During 2025, the Company continued to strengthen employee engagement through a range of training, development and wellbeing initiatives, nurturing a culture built on teamwork, professional growth and high performance.

Community engagement efforts were further expanded through programmes aimed at improving financial literacy, raising awareness of the value and importance of insurance, and supporting broader social development initiatives. In parallel, the Company reaffirmed its commitment to diversity, equity and inclusion, ensuring a

# SUSTAINABILITY COMMITMENTS

respectful, supportive and inclusive work environment for all employees.

## GOVERNANCE COMMITMENTS

Arpico Insurance is committed to upholding high standards of corporate governance through transparency, accountability, ethical conduct, and effective Board oversight. The Company ensures compliance with all applicable regulatory requirements while maintaining robust risk management and internal control frameworks that support responsible and sustainable business operations.

### Discharging our governance commitments in 2025

During 2025, the Company took further steps to strengthen its governance framework and Board composition. Following a period where the Board comprised four directors at the end of the previous financial year, the governance structure was enhanced with the appointment of Rohan Muttiah as an Independent Non-Executive Director.

This appointment further strengthened the Board's collective expertise, particularly in the areas of technology, risk management and strategic oversight, while also enhancing Board diversity and independence.

In addition, the Company continued to reinforce its governance practices through strengthened compliance with regulatory requirements, enhanced risk management processes, and ongoing preparations for the adoption of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures standards. These efforts reflect the Company's continued commitment to maintaining strong governance practices and building long-term stakeholder confidence.

## PROGRESS UNDER SDGS IN 2025

During 2025, Arpico Insurance PLC continued to contribute towards its identified SDGs through a range of initiatives embedded within its business operations and stakeholder engagement.

The Company promoted financial inclusion and financial literacy by expanding access to insurance solutions and conducting awareness initiatives aimed at empowering individuals and communities. These efforts supported broader goals relating to poverty reduction, quality education, decent work and economic growth, and reduced inequalities (SDGs 1, 4, 8 and 10).

At the same time, the Company enhanced its digital capabilities to improve accessibility, efficiency and customer convenience. By strengthening digital service platforms and technology-driven processes, the Company contributed to innovation, resilient infrastructure and the development of more sustainable and inclusive urban and business ecosystems (SDGs 9 and 11).

Environmental responsibility remained an important priority. During the year, the Company implemented initiatives aimed at reducing its environmental footprint, including efforts to minimise paper usage and encourage more resource-efficient operational practices. These actions contributed towards responsible consumption and climate action (SDGs 12 and 13).

The Company also remained committed to fostering a supportive and inclusive workplace by promoting employee wellbeing, diversity and equal opportunities. These initiatives supported gender equality while strengthening the Company's commitment to decent work and sustainable economic growth (SDGs 5 and 8).

In parallel, Arpico Insurance PLC continued to strengthen its governance, transparency and compliance frameworks to ensure accountability and ethical business conduct. These efforts contributed to the promotion of strong institutions and collaborative partnerships aligned with SDGs 16 and 17.

Further reinforcing its sustainability commitments, the Company commenced the implementation of the International Financial Reporting Standards Foundation sustainability and climate-related disclosure frameworks, namely IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. These frameworks support improved transparency in sustainability reporting and contribute to global efforts addressing responsible consumption, climate action and the protection of life below water and life on land (SDGs 12, 13, 14 and 15).

## SUSTAINABILITY FOCUS FOR 2026

For 2026, Arpico Insurance PLC aims to further advance its sustainability journey by:

- Advancing digital transformation to reduce environmental impact and enhance the customer experience.
- Enhancing SLFRS S1 and S2 disclosures for sustainability and climate-related reporting.
- Introducing sustainable, customer-centric insurance solutions that address evolving needs responsibly.
- Strengthening climate risk assessment and management practices across operations.
- Expanding community engagement and financial literacy initiatives to support social development.
- Improving ESG performance measurement and reporting frameworks to drive accountability and continuous improvement.

These initiatives reflect the Company's ongoing commitment to responsible business practices, operational resilience, and long-term value creation for stakeholders.

# Deliberation

## at Every Turn

**Growth is paramount at Arpico Insurance PLC – and in service of holistic development and sustainable impact, we engineer paths of prosperity that not only uplift our offering, but also strengthen the satisfaction of our policyholders.**

Growth depends on many factors, and pursuing avenues of possibility remains a factor that promotes growth, when they are pursued with utmost care and consideration.



# APPROACH TO RISK MANAGEMENT

Arpico Insurance PLC conducts its operations within a comprehensive Enterprise Risk Management (ERM) framework, guided by a formal Policy on Risk Management and Internal Control. Developed in accordance with the revised Section 9 (9.2) of the Corporate Governance Rules issued by the Colombo Stock Exchange (CSE) and other relevant regulatory requirements governing the insurance sector, the Policy establishes a robust governance structure that integrates risk management and internal control considerations into the Company's business processes, operational activities, and strategic decision-making.

The ERM framework supports prudent and disciplined risk management in alignment with the Company's strategic and operational objectives, industry best practices, and applicable regulatory requirements. It incorporates structured risk assessment methodologies to systematically identify, evaluate, and mitigate material risks that may affect the Company's earnings, capital adequacy, liquidity position, operational performance, and corporate reputation. Accordingly, the framework provides a comprehensive approach to the management of key risk categories relevant to the Company, including insurance, financial, operational, and strategic risks.

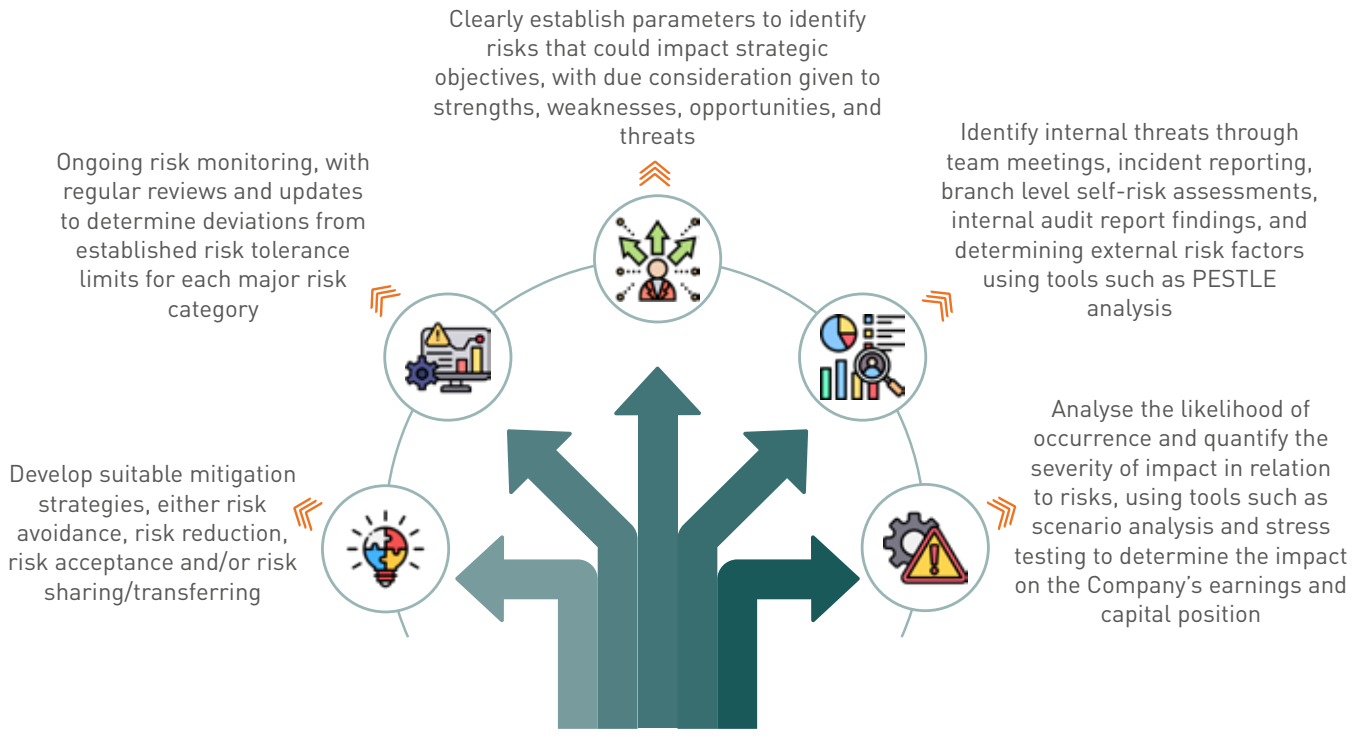
## KEY OBJECTIVES OF THE ERM PROCESS

- Ensuring Financial Stability and Solvency
- Protecting Policyholders' Interests
- Safeguarding Against Operational and Strategic Risks
- Maximising Risk- Adjusted Returns
- Ensuring Effective Claims Management
- Maintaining Reputational Integrity

### Risk Management Process

The Company's risk management process is implemented through a structured cycle that encompasses the establishment of the risk context, identification of potential risk events, risk analysis and evaluation, and the assessment of the likelihood and potential impact of identified risks. This is followed by the development and implementation of appropriate risk mitigation and control measures. The process also incorporates continuous monitoring and review mechanisms to ensure the effectiveness of risk controls, together with the systematic reporting of key risk indicators and risk insights to relevant internal governance bodies, thereby supporting informed decision-making and ensuring ongoing regulatory compliance.

## RISK MANAGEMENT PROCESS



## RISK GOVERNANCE

The Board of Arpico Insurance PLC serves as the ultimate authority for risk oversight and has implemented a robust Three Lines of Defence framework to promote clear accountability and effective risk management across the organisation.

**First Line of Defence** – Comprises risk owners, including Heads of Departments and Branches, who are directly responsible for managing risks within their day-to-day operations. They ensure internal controls are implemented, risk policies are adhered to, and risk considerations are integrated into operational decision-making. Additionally, they identify and report potential risks encountered during routine activities.

**Second Line of Defence** – Includes the Risk Department and the Risk Committee, which monitor the effectiveness of risk management activities undertaken by the first line. The Risk Department conducts risk assessments to ensure operations remain within the Company's defined risk appetite and identifies emerging risks for escalation. The Risk Committee acts as the Board's primary advisor on risk matters, reviewing risk policies, guiding necessary updates, and escalating significant issues to the Board for decision-making.

**Third Line of Defence** – The Internal Audit function provides independent and objective assurance to the Board on the overall effectiveness of the risk management framework. Internal auditors evaluate the implementation of controls, policies, and procedures, identifying areas for improvement and verifying that all lines of defence operate effectively. This function strengthens accountability, transparency, and continuous enhancement of risk management practices.




## RISK MANAGEMENT TOOLS AND METHODOLOGIES

Arpico Insurance's ERM framework is supported by specialised tools and methodologies that enable effective risk identification, assessment, mitigation, and monitoring. These methods ensure that risk-taking activities are aligned with the Company's strategic objectives, while safeguarding policyholder and stakeholder interests. Key tools within the ERM framework include:

**Policies and Procedures** – A comprehensive set of risk management policies and procedures ensures consistency, accountability, and compliance with regulatory requirements. These policies serve as practical guidance for employees, embedding risk management into daily operations. Regular reviews and updates maintain alignment with emerging risks and corporate governance standards.

**Risk Register** – The Risk Register provides a detailed record of all identified risks across the organisation, categorised by type and assessed for potential impact and likelihood. It is regularly updated to capture emerging risks and the effectiveness of mitigation strategies. Each entry includes action plans, responsible parties, and timelines, enabling informed decision-making, proactive risk management, and accountability across the Company.

# APPROACH TO RISK MANAGEMENT

**Stress Testing** – Stress testing evaluates the Company's resilience under adverse financial and economic conditions. By simulating extreme but plausible scenarios, it identifies vulnerabilities and informs contingency planning, strengthening the Company's ability to maintain financial stability and sustain long-term operations.

**Risk-Aware Culture** – A strong culture of risk awareness is fundamental to effective ERM. Through continuous training, communication, and leadership engagement, employees at all levels are equipped to understand and apply risk management principles in their daily responsibilities. This fosters proactive risk identification and mitigation, enhancing overall organisational resilience.

## MANAGING KEY RISKS IN 2025

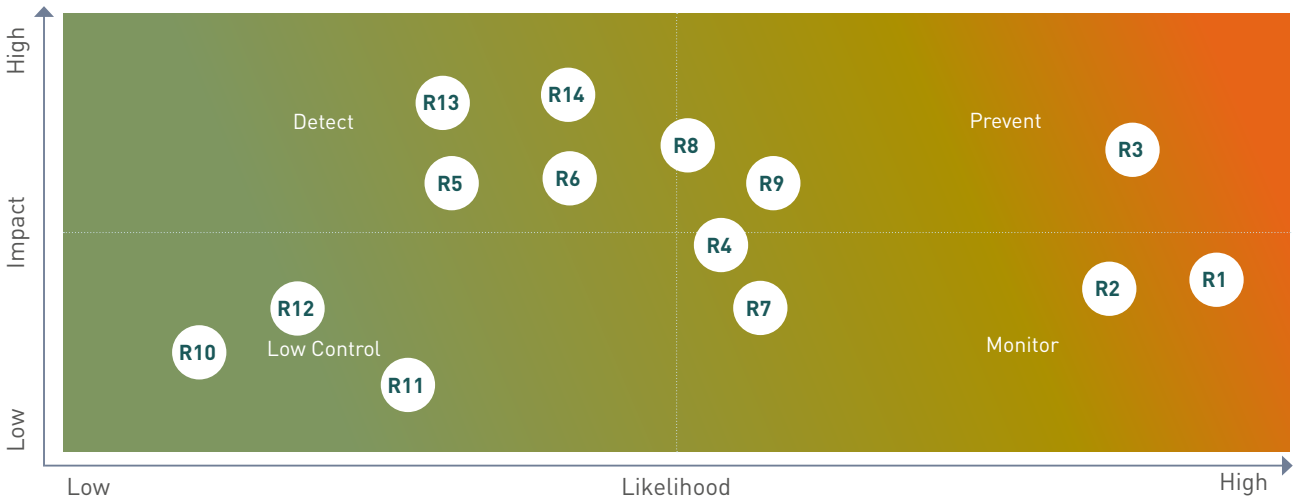
### Risk context and strategy for 2025

In 2025, Arpico Insurance PLC operated within a dynamic risk environment which included a rapidly changing economic landscape, climate events, and evolving demographic trends within the life insurance sector. The Company continued to enhance its risk management framework, emphasising proactive identification, assessment, and mitigation of risks across all business functions. Operational strategies were aligned with the needs of targeted demographic segments, ensuring that products and services remained relevant and responsive.

The impact of Cyclone Ditwah was effectively managed through robust reinsurance arrangements and prudent policy design, enabling the Company to meet all obligations to policyholders. Building on the strategic recalibration of 2024, 2025 saw a strong focus on digital enablement and operational resilience, highlighted by the transition to a cloud-based database system (initiated in 2025 and completed in February 2026), which strengthened data security, system resilience, and disaster recovery capabilities.

These initiatives demonstrate Arpico Insurance PLC's disciplined approach to risk management, strategic adaptability, and ongoing commitment to safeguarding policyholder interests while supporting sustainable long-term growth.

### RISK MAP OF 2025




| Risk category | Description | Overall risk score | Mitigating actions |
|---|---|---|---|
| Insurance risks | | | |
| R1.Underwriting Risks | Risk due to inaccurate assessment of risks when accepting policies | HIGH | » Adequate segregation of duties between sales and underwriting functions<br>» A manual detailing clear underwriting guidelines<br>» Continuous and ongoing discussions with Actuarial consultants and reinsurers to refine underwriting assumptions |

| Risk category | Description | Overall risk score | Mitigating actions |
|---|---|---|---|
| | | | » Perform trend analysis based on regular reviews of mortality, morbidity, and longevity trends using credible medical reports to adjust premium rates dynamically to reflect emerging risk factors such as aging populations and climate-related health issues<br>» Define the residual risk and ensure this is within the risk appetite as defined in the RAS |
| R2 Reinsurance Risk | Risk due to inaccurate assessment of risks when accepting policies | HIGH | » Build a diverse network of globally reputed<br>» reinsurance partners, rated A or above<br>» Continuous and ongoing engagement with existing reinsurance partners<br>» Continuous monitoring and follow up of insurance receivables |
| R3 Claims Risk | Insufficient provisioning of reserves to support reported claims | HIGH | » Prudent claim provisioning practices<br>» Continuous monitoring of actual claim trends<br>» Review of significant claims under the expertise of the Claims Panel |
| R4 Insurance Market Risk | Failure to adapt to changing market dynamics | MODERATE | » Frequent discussions with global reinsurance partners to monitor global trends<br>» Invest in digital technology to deliver innovative products and seamless convenience to the policyholder |
| R5 Liquidity Risk | Lack of adequate liquidity to support continuity of day-to-day operations and meet contractual obligations | MODERATE | » Maintaining a healthy mix of short, medium and long term investments<br>» Regularly review the Company's cash flows and liquidity position<br>» Strict guidelines to build liquidity buffers to meet insurance claims and other contractual obligations<br>» Special clauses incorporated in reinsurance contracts to account for instances when claims exceed provisional values |
| R6 Credit Risk | Financial stress owing to counterparties failing to meet their obligations towards the Company | MODERATE | » Credit risk evaluation of counterparties in line with established investment guidelines<br>» Expert teams to carry out credit evaluations<br>» Strict policy mandating corporate debt investments with counterparties with a proven track record including BB+ and above issuer rating<br>» Monitoring credit risk exposure with regard to investment counterparties<br>» Regularly review the Company's cash flows and liquidity position<br>» Strict guidelines to build liquidity buffers to meet insurance claims and other contractual obligations<br>» Special clauses incorporated in reinsurance<br>» Contracts to account for instances when claims exceed provisional values |

# APPROACH TO RISK MANAGEMENT

| Risk category | Description | Overall risk score | Mitigating actions |
|---|---|---|---|
| R7 Investment Risk | Weak investor confidence owing to economic conditions influencing investment returns | MODERATE | » Maintaining a healthy mix of short, medium and long term investments<br>» Continuous monitoring of the investment climate in the country |
| Operational Risks | | | |
| R8 Fraud Risk | Potential for misappropriation of financial or nonfinancial resources, including claims | MODERATE | » Strict internal controls to prevent fraud<br>» Ongoing risk assessment to determine areas for fraud potential within departments and branches<br>» Code of conduct setting out behaviours and consequences of misconduct<br>» Fraud awareness and training<br>» Whistle-blower procedure for reporting of fraud coupled with an independent investigation and appropriate disciplinary measures |
| R9 Cybersecurity risk | Potential for unauthorised access to the company's IT system poses a threat to network and data security, leading to the loss of confidential data. | MODERATE | » Necessary policy implementation.<br>» Isolated network connection across branch networks.<br>» Vulnerability assessments and penetration testing to enhance and safeguard connectivity security mechanisms.<br>» Awareness sessions on cybersecurity.<br>» Comprehensive access control mechanisms. |
| R10 Health and Safety | Business disruption caused by employee ill health | LOW | » Compliance with fire safety regulations<br>» Safety awareness training<br>» Health insurance coverage |
| R11 Premises Risk | Damage to physical infrastructure owing to unforeseen events, including extreme climate-related disasters | LOW | » Comprehensive insurance coverage for all physical infrastructure;<br>» Robust cloud-based Disaster Recovery (DR) infrastructure supporting critical operations |
| R12 Legal Risk | Potential adverse impact owing to litigation | LOW | » Strong in-house legal expertise from the Group<br>» Hiring if external consultants as needed |
| Strategic Risks | | | |
| R13 Reputation Risk | Damage to the Company's reputation and brand image owing to the inability to meet stakeholder deliverables | LOW | » Robust stakeholder engagement process<br>» Strong conduct and ethics supported by Code of Conduct setting out appropriate behaviours and expectations from employees<br>» Tone from the top by the Board of Directors<br>» Internal grievance process for employees<br>» Whistle-blower process |
| R14 Regulatory Risk /Compliance Risk | Adverse impacts owing to the failure to comply with regulatory requirements | LOW | » Board oversight for compliance<br>» Attendance of industry forums and other workshops by the Board and senior management to keep abreast of the latest regulatory developments<br>» Annual review and update of policies and procedures undertaken by Board committees to capture changes in regulatory requirements Internal audit programme to detect and address compliance gaps |

## KEY PRIORITIES AND PLANS FOR 2026

In 2026, our primary focus will be strengthening Anti-Money Laundering (AML) and countering Financing of Terrorism (CFT) attempts, in line with requirements of the Insurance Regulatory Commission of Sri Lanka and the Financial Intelligence Unit of Sri Lanka.

Key priorities include:

- Enhancing customer due diligence (CDD) and on-going transaction monitoring.
- Strengthening sanctions screening and politically exposed persons (PEP) monitoring.
- Increasing AML-focused staff training and awareness.
- Upgrading systems to support risk-based monitoring and regulatory reporting.

Further focus will be to increase our risk mitigation strategies with the following:

- Risk Appetite Statement (RAS) – The RAS will define the types and levels of risk the Company is willing to accept in pursuit of its strategic goals. It will establish clear risk tolerance limits, guiding decision-making and resource allocation. The Board, in consultation with the Risk Committee will periodically review and update the RAS to reflect regulatory changes, industry best practices, and evolving market conditions.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## WELCOME TO THE 2025 ARPICO INSURANCE PLC ANNUAL REPORT

The Board of Directors of Arpico Insurance PLC is pleased to present its Annual Report together with the audited Financial Statements for the year ended 31 December 2025.

This Report has been prepared in accordance with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry Act No. 43 of 2000, Listing Rules of the Colombo Stock Exchange, and other applicable regulatory frameworks. The Board approved this Report on 30th April 2026

## CORPORATE OVERVIEW

Arpico Insurance PLC is a licensed life insurer operating under the regulatory supervision of the Insurance Regulatory Commission of Sri Lanka (IRCSL). Since its incorporation in 2011 and subsequent re-registration under the Companies Act No. 07 of 2007, the Company has continued to evolve as a responsible financial services provider committed to long-term value creation.

The Company's shares are listed on the Diri Savi Board of the Colombo Stock Exchange, reflecting its commitment to transparency, governance, and investor accountability.

## PRINCIPAL ACTIVITIES AND BUSINESS MODEL

The Company's principal activity remains the provision of life insurance solutions in Sri Lanka, focused on:

- Protection-based life products
- Long-term savings instruments
- Group insurance solutions

No material changes occurred in the nature of business during the year.

## VISION, MISSION AND CORPORATE VALUES

Company's vision and mission are provided on page no 9 of this Annual Report. The Directors ensure that the business activities of the Company are carried out within the framework of objectives outlined in the vision and mission and are in conformity with the values of the Company reflecting a commitment to the highest ethical standards and integrity.

## VALUE CREATION MODEL

The Board adopts an Integrated Value Creation Framework, linking strategy, risks, and performance across six capitals:

Financial | Manufactured | Intellectual | Human | Social | Natural

### Value Creation Flow:

- **Inputs:** Capital base, human expertise, technology, brand
- **Transformation**: Underwriting, risk management, investment discipline
- **Outputs**: Policyholder protection, investment returns, stakeholder trust
- **Outcomes**: Sustainable profitability, resilience, long-term growth

## FINANCIAL STATEMENTS

The audited financial statements that include the Income Statement and Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements of the Company for the financial year ended 31st December 2025 on pages 193 to 256 form an integral part of the annual report of the Directors.

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the Companies Act No 7 of 2007, Regulations of the Insurance Industry Act No 43 of 2000 and other rules and regulations of the Insurance Regulatory Commission of Sri Lanka and the listing rules of the Colombo Stock Exchange.

## AUDITORS' REPORT

The Auditors' Report can be found on pages 184 to 186 of this Annual Report.

## AUDITORS

The current auditors Messrs. Ernst & Young will be considered reappointed as auditors, at the Annual General Meeting of the Company in terms of Section 158 of the Companies Act No. 07 of 2007. A resolution authorising the Directors to determine Their audit fee for the year is disclosed below. As far as the Directors are aware, the auditors do not have any other relationship with the Company other than those disclosed in this Annual Report.

| Audit Fee | | |
|---|---|---|
| Auditor | 2025 | 2024 |
| Ernst and Young | Rs. 4,160,680 | Rs. 3,798,008 |

## REVIEW OF COMPANY PERFORMANCE

The Company demonstrated resilience during the year, navigating a challenging operating environment while maintaining solvency and strengthening operational discipline.

- Profit after tax: Rs.8 Mn
- Net Insurance Revenue: Rs. 1,671 Mn
- Strong profit improvement from prior year

The Board notes that performance recovery was driven by:

- Improved cost discipline
- Better persistency management
- Strategic portfolio adjustments

Detailed performance analysis is presented in the Financial Review section 10.

| | 2025 Rs.'000 | 2024 Rs.'000 | 2023 Rs.'000 |
|---|---|---|---|
| Net written premium | 1,671,572 | 1,881,275 | 2,141,063 |
| Total other revenue | 749,702 | 608,089 | 647,262 |
| Net Income | 2,420,274 | 2,489,364 | 2,788,325 |
| Total benefits, claims and other expenses | (2,517,241) | (2,344,474) | (3,472,157) |
| Profit before tax | (96,967) | 144,891 | (683,832) |
| Income tax | 105,000 | 90,000 | - |
| Profit/(Loss) for the year | 8,033 | 234,891 | (683,832) |

## ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 193 to 256 There were no significant changes to the accounting policies of the Company during the year.

## GROSS WRITTEN PREMIUM

The table below gives growth in gross written premium for the year 2025.

| For the year ended 31 December | 2025 RS. | 2024 RS. |
|---|---|---|
| First year premium | 663,622,130 | 694,163,807 |
| Renewal premium | 1,041,837,428 | 1,000,978,872 |
| Group premium | 56,675,297 | 273,619,893 |
| Total gross written premium | 1,762,134,855 | 1,968,762,572 |

Further details on financial performance are given on pages 187 to 192.

## ACTUARY'S REPORT

This Annual Report includes reports from the Life Actuary of Arpico Insurance PLC. The Actuary has expressed satisfaction with the progress achieved by the Company to date and of the performance of the Company during the year under review. Actuarial Reports are provided on page 183.

## TAXATION

Based on the management's latest last year projections of future taxable income, the Company has assessed further Rs.105 Mn of the deferred tax asset is recoverable within the tax loss claimable time frame. Company did not recognise further deferred tax assets for the remaining carried forward tax loss of Rs. 224 Mn.

## RISK GOVERNANCE & RBC COMPLIANCE

The Company has complied with the requirements of the Risk Based Capital (RBC) framework on solvency margin as required by the IRCSL. Total Available Capital (TAC) and Risk Based Capital Adequacy Ratio (CAR) of the Company were maintained in excess of the minimum requirements as prescribed by the IRCSL throughout the year.

Details on RBC of the Company is given in page 251 of the Annual Report.

## PROPERTY, PLANT AND EQUIPMENT

The book value of Property, Plant & Equipment of the Company stood at Rs. 23 Mn as at 31st December 2025.

Details are given in Note 20 to the financial statements (pages 214 to 216).

## INVESTMENTS

Investments of the Company amounted to Rs. 4.5 Bn. Details are given in Note 22 to the financial statements.

Stated Capital and total equity of the company as at 31st December 2025 stood at Rs. 1,688 Mn and Rs. 1.8 Bn. Respectively.

Details for Statement of Changes in Equity are given on page 190.

## HUMAN RESOURCES

The company's human resource policy is driven to reach its corporate goals and objectives by inculcating in employees a strong value system and ethics. While the Company is focused on developing employee ability to optimise results, the policies and procedures in place ensure equitable treatment of all employees.

## BOARD OF DIRECTORS

The Board of Directors of the Company consists of five (05) Directors with wide financial knowledge and experience.

The names of the Directors who held office are given below and their brief profiles appear on pages 20 to 22.

| Name of the Director | Date of Appointment | Directorship Status |
|---|---|---|
| Mr. Ramal Jasinghe | 16th May 2023 | Chairman (Independent Non-Executive Director) |
| Mr. Shiron Gooneratne | 2nd May 2016 | Non-Executive Director |
| Mr. Kelum Senanayake | 1st December 2023 | Executive Director (Ceased to hold office since 31st December 2025) |
| Mr. Yudhishtran Kanagasabai | 18th July 2024 | Independent Non-Executive Director |
| Mr. Ainsley Rohan Muturajah Muttiah | 3rd Mar 2025 | Independent Non-Executive Director |

| | 2025 No. of Shares | 2024 No. of Shares |
|---|---|---|
| Mr. Ramal Jasinghe | Nil | Nil |
| Mr. Shiron Gooneratne | Nil | Nil |
| Mr. Kelum Senanayake (Ceased to hold office since 31st December 2025) | Nil | Nil |
| Mr. Yudhishtran Kanagasabai | Nil | Nil |
| Mr. Ainsley Rohan Muturajah Muttiah(With effect from 03rd Mar 2025) | Nil | N/A |
| Mrs. Dilukshika Fernando (Ceased to hold office since 30th Nov 2024) | N/A | Nil |
| Mrs. Lasinee Seresinhe (Ceased to hold office since 17th January 2024) | N/A | Nil |

* New independent non-executive director Mr. Naresh A. Tillekeratne was appointed on 30th March 2026.

## GOVERNANCE EXCELLENCE

The Board whilst assuming responsibility for the management and the smooth running of the Company has established subcommittees to ensure effective control over specific functions of the Company. The sub committees consist of

- Audit Committee
- Risk and Compliance Committee
- Investment committee.
- Nominations and Governance Committee
- Remuneration Committee
- Related Party Transactions Review Committee

The Board acknowledges their responsibility to ensure that the Company complies with good corporate governance practices as set out on pages 30 to 52.

## DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Directors' and other key management personnel's interest in transactions of the Company are disclosed in Note 38 to the Financial Statements. The Company maintains an interest register in conforming to the provisions of the Companies Act No. 07 of 2007. Directors' Responsibility for Financial Reporting the Statement of Directors' Responsibility is given on page 158. The Financial Statements of the Company are prepared 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). Corporate Governance the Board acknowledges their responsibility to ensure that the

Company complies with good corporate governance practices as set out on pages 30 to 52.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Statement of Directors' Responsibility is given on page 158. The Financial Statements of the Company are prepared 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).

## NEW REGULATIONS

SLFRS 17 will be effective w.e.f. 1st January 2026 which requires significant changes in Arpico Insurance PLC existing business model and it will affect to the core business 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 close stakeholders at an early stage.

The Board oversaw:

- Systems transformation
- Actuarial model enhancement
- Stakeholder education
- Governance framework upgrades

This transition represents a fundamental shift from volume-based to value-based performance measurement, strengthening transparency and comparability.

## HUMAN CAPITAL & CULTURE

The Board recognises employees as a strategic asset and continues to promote:

- Ethical conduct and integrity
- Continuous capability development
- Performance-driven culture

## RISK MANAGEMENT AND SYSTEM OF

### Internal Controls

The board recognises effective risk management and internal control systems are essential parts of the management of the organisation. Company has implemented a comprehensive risk management process which is monitored through the Board risk management committee and the audit committee. Detailed outline of the risk management process is given on pages 240 to 251 of this Annual Report.

### Contingencies

There were no significant contingencies identified throughout the year to disclose in the Annual Report.

## DONATIONS

In line with its commitment to social responsibility and community engagement, the Company extended financial support during the year towards a range of initiatives, primarily focused on youth development and sporting activities.

Contributions were made towards souvenir advertisements in connection with the Royal–Thomian Cricket Encounter, reflecting the Company's continued support for nationally significant school sporting events. In addition, sponsorships were provided for community-based initiatives, including a youth sports festival and other promotional and outreach activities. A further contribution was extended towards a social cause facilitated through Theresa, demonstrating the Company's broader commitment to community welfare.

All such contributions were made in accordance with approved policies and within the governance framework of the Company, ensuring transparency, accountability, and alignment with the Company's values.

Through these initiatives, the Company continues to play a meaningful role in supporting youth, sports, and community development in Sri Lanka.

## STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the government, other regulatory institutions and in relation to the employees have been made on time.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity against the prevailing laws and regulations. Compliance with the provisions of laws and regulations has been confirmed to the Board of Directors at Board meetings.

Events after the Balance Sheet Date
Details of events after the balance sheet date are provided in Note 41 (page 253) to the financial statements.

## EVENTS AFTER THE BALANCE SHEET DATE

Details of events after the balance sheet date are provided in Note 41 (page 253) to the financial statements.

## GOING CONCERN

The Directors have adopted the going concern basis in preparing the financial statements. They have reviewed the Company's performance and financial standing and are satisfied that it has adequate resources to continue its operations in the foreseeable future.

## SUSTAINABILITY AND ESG COMPLIANCE

During the year, Arpico Insurance further strengthened its commitment to sustainable business practices by enhancing the integration of Environmental, Social, and Governance (ESG) principles across its operations. In line with this commitment, the Company has commenced reporting under the Sri Lanka Financial Reporting Standards – Sustainability Disclosure Standards (SLFRS S1 and S2).

Other sustainability standards used in reporting include the Integrated Reporting Framework and the GRI Standards. The Company has continued to adopted Integrated Reporting as part of its broader reporting framework, enabling a more connected presentation of how strategy, governance, performance, and prospects lead to value creation over time. This approach enhances transparency by linking financial and non-financial performance and providing stakeholders with a holistic view of the Company's long-term sustainability. Meanwhile, the adoption of GRI Standards supports greater consistency, comparability, and completeness in sustainability reporting, and aligns the Company with globally recognised best practices in non-financial reporting.

This multi-framework approach reflects Arpico Insurance's proactive commitment to ESG accountability, regulatory alignment, and continuous improvement in sustainability reporting. The Company continues to strengthen internal systems, enhance data quality, and embed sustainability considerations into strategic and operational decision-making to support long-term resilience and responsible growth.

## ANNUAL GENERAL MEETING

Annual General Meeting will be held at Richard Pieris and Company Auditorium, No.310, High Level Road, Navinna, Maharagama on 26th June 2025.The notice of the Annual General

Meeting is on page 289 of this publication.

## FUTURE OUTLOOK – 2026

The Board remains focused on:

- Successful SLFRS 17 adoptions
- Strengthening persistency and in-force portfolio
- Enhancing digital capabilities
- Improving profitability and capital efficiency
- DECLARATION
- The Directors confirm that:
- The Company has complied with all applicable laws and regulations
- Adequate systems of internal control are in place
- The Company remains a going concern

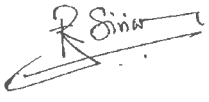
For and on behalf of the Board,



**Mr. Ramal Jasinghe**
Chairman



**Mr. Yudishtran Kanagasabai**
Director



**Mrs. J Siriweera**
Company Secretary
2nd June 2026

# STATEMENT OF DIRECTORS' RESPONSIBILITY ON FINANCIAL REPORTING

The Companies Act No.7 of 2007 Sections 150 (1) and 151 places responsibility on the Directors to prepare and present financial statements for each year comprising Statement of Financial Position as at year end date Statements of Comprehensive Income, Statement of Cash Flows Statement of Changes In Equity for the year together with the significant accounting policies and explanatory notes.

The Board adopts a **Three Lines of Defence Model**:

1. **Management Control** – Operational ownership of risks
2. **Risk & Compliance Functions** – Oversight and monitoring
3. **Internal Audit** – Independent assurance

This framework ensures robust governance and accountability, aligning with global best practices.

In preparing and presenting the financial statements, the Directors are responsible to ensure that:

a) Sri Lanka Accounting Standards, as applicable, have been followed,

b) Appropriate accounting policies have been selected and applied consistently and they disclose material departures and reasons for departures,

c) Reasonable and prudent judgments and estimates have been made,

d) The Companies Act No. 7 of 2007, Regulation of Insurance Industry Act No.43 of 2000, and subsequent amendments there to

e) Listing Rules of Colombo Stock Exchange have been complied with

f) Statement of Recommended Practice (SoRP),

g) Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka

And while conforming to the standards, policies, laws, rules and regulations stated herein; to discharge their responsibility to ensure disclosure of the financial position of the Company with reasonable accuracy; they are mindful of their responsibility to ensure that the Company maintains adequate accounting records for the purpose.

The Directors have a responsibility to ensure that the Company has adequate resources to continue business in the foreseeable future. They, after a comprehensive review of the Company's financial position, have adopted the going concern basis for the preparation of the financial statements.

The Directors are responsible for the proper management of the resources of the Company. They have taken steps to establish and maintain an appropriate system of internal control to obtain reasonable assurance that the Company is protected from undue risks, frauds and other irregularities.

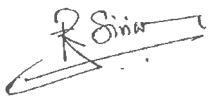
The Directors confirm that they have provided the auditors all the information and explanations which were considered necessary for the conduct of their audit.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

## COMPLIANCE REPORT

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, except as detailed in Note 39 (page 252) to the Financial Statements, relating to contingent liabilities.

By order of the Board



**Richard Pieris Group Services (Private) Limited**
Company Secretary

Colombo, Sri Lanka
2nd June 2026

# CHIEF EXECUTIVE OFFICER'S AND FINANCIAL CONTROLLER'S RESPONSIBILITY STATEMENT

The financial statements of Arpico Insurance PLC as at 31st December 2025 are prepared and presented in compliance with the following;

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CASL)
- 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 there to Statement of Recommended
- Practice (SoRP)
- Listing Rules of the Colombo Stock Exchange (CSE) and
- Code of Best Practice on Corporate Governance 2017 issued jointly by the CASL and Securities and Exchange Commission (SEC).
- Sustainability Disclosure Standards (SLFRS S1 and S2)

Accordingly, the Company has prepared the financial statements which comply with SLFRSs / LKASs and related interpretations applicable for the year ended 31st December 2025, together with the comparative data as at and for the year ended 31st December 2024, where required, as described in the accounting policies.

The 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. There have been no changes in the accounting policies adopted by the Company during the year under review.

Significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with our External Auditors and the Board Audit Committee.

We confirm that to the best of our knowledge, the Financial Statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report. We are responsible for establishing and maintaining internal controls and procedures to be designed under our supervision, and procedures. We have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us and for safeguarding the Company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the Company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report and on an ongoing basis.

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. Ernst & Young; Chartered Accountants and their Report is given on pages 184-186. The Audit Committee pre-approves the audit and non-audit services provided by Messrs. Ernst & Young, in order to ensure that the provision of such services does not impact to the Ernst & Young's independence and objectivity.

The Board Audit Committee also reviews the External Audit Plan, the Internal Audit Plan, all Internal Audit reviews and Management Letter, and follows up on any issues raised during the Statutory Audit as well as the Internal Audits. The Board Audit Committee also meets with the External and Internal Auditors to review the effectiveness of the audits. We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those arising in the normal course of conducting insurance business. We also confirm that the Company has complied with the following Insurance Regulatory Commission of Sri Lanka (IRCSL) requirements;

- All provisions in the RII Act No. 43 of 2000, and subsequent amendments there to, and all rules, regulations, determinations, directions issued by IRCSL; complied with all orders made by the Ministry of Finance and Planning under the RII Act No. 43 of 2000
- Terms and conditions pertaining to reinsurance placements issued by IRCSL in terms of Section 31(1) of the RII Act, No. 43 of 2000 All applicable circulars issued by IRCSL
- All provisions in the Financial Transactions Reporting Act No. 06 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. 06 of 2006
- Guidelines on Anti Money Laundering Programme for Insurers issued by IRCSL



**Mr. Jayalal Hewwasam**
Chief Executive Officer



**Mr. K.L.Yasas Chamara**
Accountant
2nd June 2026

# DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The statement fulfils the requirement to publish the Directors' Statement on risk management and internal control as per the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

The Board of Directors is responsible for maintaining a sound system of internal controls and risk management to safeguard shareholders' investments and the Company's assets. The Board identifies principal risks on an ongoing basis and ensures the implementation of appropriate systems to evaluate and manage these risks by considering the nature and extent of risks, the adequacy of the entire risk management framework, the likelihood of the risks concerned materialising, and the Company's ability to reduce the incidence and costs of operating particular controls.

The Board has established an appropriate control environment and is responsible for reviewing the design and effectiveness of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules,directives, and guidelines. The Board defines the process to be adopted for its review of the design and effectiveness of internal control, encompassing both the scope and frequency of the reports it receives and reviews during the year,and the process for its assessment. The Board implements and forms its own view on the design and effectiveness of the Company's internal control systems after due and careful enquiry based on the information and assurances provided to it. The Board takes responsibility for the implementation of effective internal controls and related disclosures in the annual report, with the Audit Committee ensuring the carrying out of reviews of internal controls and reporting to the Board thereon.

The Board ensures that an effective and comprehensive internal audit of the internal control systems is carried out by operationally independent, appropriately trained, and competent staff. Reports presented by management, internal, and external audit are reviewed to ensure that significant risks are identified, documented, evaluated, monitored, and managed. The design and effectiveness of the related system of internal control are assessed, with particular regard to any significant failures or weaknesses in internal control that have been reported, and necessary action is taken promptly to remedy any significant failings or weaknesses. If the findings indicate a need for more extensive monitoring of the system of internal controls, sufficient resources are deployed. The Company evaluates internal controls across 4 maturity levels:

- Basic
- Developing
- Established
- Optimised

As at 2025, key financial and compliance controls are assessed as "Established to Optimised".

The Audit Committee of the Company assesses internal control matters raised by the Internal Audit Department, regulatory authorities, External Auditors, and management. It evaluates the adequacy and effectiveness of the Company's risk management and internal control systems. Additionally, the committee reviews the internal audit function, focusing on the scope of audits, independence, available resources, and overall quality. The minutes of Audit Committee meetings are periodically presented to the Board of Directors.

Further details on the committee's activities can be found in the 'Audit Committee Report' on pages 164-168.

## CONCLUSION

There is an ongoing process for identifying, evaluating, and managing the significant risks faced by the Company. This process has been in place for the year under review, is regularly reviewed by the Board, and accords with such direction.

The financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.



**Mr. Ramal Jasinghe**
Chairman



**Mr. Yudy Kanagasabai**
Chairman – Audit Committee

Colombo,Sri Lanka
2nd June 2026

# RISK COMMITTEE REPORT



Effective risk management is fundamental to sustaining long-term value at Arpico Insurance PLC. The Risk Committee supports the Board by ensuring that risks are **identified early, assessed rigorously, and managed proactively** within an enterprise-wide framework.

**MR. YUDHISHTRAN KANAGASABAI -** Chairperson, Risk Committee

**INPUT**
- Risk Data
- Regulatory requirements

**PROCESS**
- Risk assessment
- Monitoring

**OUTPUT**
- Resilience
- Solvency
- Sustainability

## RISK GOVERNANCE FRAMEWORK

The Company adopts a 4-Pillar Risk Governance Model:

1. Risk Identification – Enterprise-wide risk scanning
2. Risk Assessment – Quantification using KRIs and stress testing
3. Risk Response – Mitigation strategies aligned with risk appetite
4. Risk Monitoring – Continuous oversight and reporting

This structured approach ensures alignment with IRCSL requirements and global ERM practices.

## RISK COMMITTEE CHARTER

The Risk Committee ("the Committee") is appointed by the Board of Directors and is accountable to the Board. The Committee's primary responsibility is to oversee the Company's risk management framework, ensuring that an effective risk management system is in place to identify, assess, and mitigate key risks. The Committee supports the Board in fulfilling its responsibility to establish and maintain an enterprise-wide risk management framework.

In 2025, risk management discussions were incorporated within the main Board meetings, and the Risk Committee did not hold separate meetings. However, risk-related matters were continuously reviewed,

## COMPOSITION OF THE COMMITTEE

The Risk Committee comprises Non-Executive Directors, with all ensuring objectivity and independence in oversight. The following members were appointed to the Committee:

Throughout 2025, the Committee comprised three members. In addition, the following members participated in risk-related discussions by invitation:

- Chief Executive Officer
- Head of Actuarial, Risk,Compliance, and Investments
- Risk & Compliance Officer Financial Controller
- Other corporate management team members

| Name | Directorship Status | Membership Status |
|---|---|---|
| Mr. Yudhishtran Kanagasabai | Independent Non-Executive Director | Chairman |
| Mr. Ramal Jasinghe | Board Chairman and Independent Non-Executive Director | Member |
| Mr. Rohan Muttiah | Independent Non-Executive Director (w.e.f. 3rd March 2025) | Member |

# RISK COMMITTEE REPORT

## AUTHORITY OF THE BOARD RISK COMMITTEE

The Board Risk Committee, functioning as a duly constituted Sub-Committee of the Board of Directors, is empowered to exercise comprehensive oversight of the Company's risk management framework. In discharging its responsibilities, the Committee has unrestricted access to Senior Management and is entitled to receive timely, accurate, and comprehensive reports on all risk-related matters.

The Committee is authorised to seek and obtain any information, explanations, or clarifications it considers necessary from any employee or function within the organisation to support informed decision-making. Furthermore, it retains the discretion to engage independent external professionals, including legal, financial, or risk specialists, where deemed appropriate, to provide objective advice and enhance the effectiveness of its oversight role.

This authority enables the Committee to ensure robust risk governance, strengthen internal controls, and support the Board in safeguarding the long-term interests of the Company.

## TERMS OF REFERENCE

The Risk Committee's duties and responsibilities include:

- Reviewing the Company's risk management framework, including risk appetite, risk strategy, and the effectiveness of risk management controls.
- Assessing risks such as market, liquidity, operational, strategic, compliance, and technological risks, using appropriate risk indicators.
- Ensuring compliance with all applicable laws, regulations, and internal policies.
- Reviewing concerns raised by auditors and regulators regarding risk exposure and mitigation strategies.
- Evaluating and approving updates to the Company's AML/CFT Compliance Policy and other key risk-related policies.
- Monitoring capital adequacy, solvency, and financial sustainability within the risk tolerance framework.
- Providing recommendations to the Board regarding risk strategies and responses to emerging threats.

## ENHANCING COMPETENCE AND EXPERTISE

The Committee recognises the importance of remaining abreast of evolving developments in risk management and the broader regulatory landscape. During the year, members actively engaged in a range of internal and external training programmes, presentations, and seminars, covering key areas pertinent to the Company's risk profile.

These initiatives facilitated the enhancement of the Committee's collective knowledge and competencies, enabling members to effectively discharge their oversight responsibilities while aligning with emerging best practices and industry standards in risk management.

## ACTIVITIES IN 2025

Although no separate meetings were held, risk oversight was fully integrated into Board deliberations, ensuring:

- Continuous monitoring of solvency and RBC compliance
- Review of regulatory inspection findings
- Oversight of operational and compliance risks

## KEY RISK THEMES IDENTIFIED

- Regulatory transition risk (SLFRS 17)
- Persistency and lapse risk
- Market volatility and investment risk
- Operational and IT risks

## FUTURE FOCUS - 2026

The Risk Committee aims to strengthen the Company's risk governance framework further in the coming year. Key focus areas for 2026 include:

- Conducting a formal review of the risk management framework, policies, and internal controls.
- Implementing a structured approach to Enterprise Risk Management (ERM) aligned with international best practices.
- Establishing risk dashboards to provide real-time risk exposure monitoring.
- Enhancing stress testing methodologies to better evaluate financial resilience.
- Ensuring ongoing compliance with emerging regulatory requirements.

The Committee remains dedicated to supporting Arpico Insurance PLC in achieving a robust and proactive risk management culture while maintaining strong corporate governance and regulatory alignment.

## VALUE CONTRIBUTION

- Strengthened financial resilience
- Improved regulatory compliance
- Enhanced strategic decision-making



**Mr. Yudhishtran Kanagasabai**
Chairperson, Risk Committee

Arpico Insurance PLC

2nd June 2026

## REFERENCES

Code of best practice on corporate governance issued by CA Sri Lanka

| Principal | Heading | Listing Rules Requirement | Company`s Status |
|---|---|---|---|
| D4.1 | Composition | » Minimum 3 directors<br>» Majority of committee should be non-executive directors Chairman needs to be an independent director<br>» CFO and CEO must attend all meetings<br>» CIO and CRO(Risk officer) must participate as adequate | Complied |
| D 4.2 | Terms of reference | Risk Committee has established terms of reference delineating its authority and duties.<br><br>The responsibilities include establishing the risk management framework, assessing outcomes and mitigation strategies, overseeing insurance and information security, monitoring ESG risks, and maintaining a strong disaster recovery plan. The committee will provide regular reports to the Board and conduct annual reviews of risk management frameworks, processes, and practices to ensure ongoing effectiveness. | Complied |

# AUDIT COMMITTEE REPORT



The Audit Committee plays a vital role in ensuring transparency, integrity, and accountability across all financial reporting processes. We provide independent oversight of internal controls, financial statements, and audit functions - thereby reinforcing stakeholder confidence and aligning our operations with the highest standards of corporate governance.

**MR. YUDHISHTRAN KANAGASABAI -** Chairperson, Audit Committee

**INPUT**
- Financial Data
- Audit Findings
- Regulatory updates

**PROCESS**
- Review
- Challenge
- Validation

**OUTPUT**
- Reliable financial reporting and investor confidence

**OUTCOME**
- Reliable Financial reporting
- Strengthened internal control environment
- Regulatory compliance assurance

## FINANCIAL GOVERNANCE MODEL

The Committee operates using a 3-Dimensional Assurance Model:

- Financial Integrity – Accuracy of financial reporting
- Control Effectiveness – Strength of internal controls
- Regulatory Compliance – Adherence to laws and standards

## CHARTER OF THE COMMITTEE

The Audit Committee Charter, approved by the Board, defines the scope, authority, and duties of the Committee. It is reviewed annually to incorporate emerging governance requirements.

### The Charter mandates:

- Oversight of Financial Reporting and Disclosures
- Assessment of Internal and External Audit Functions
- Evaluation of Risk Management and Internal Control Frameworks
- Ensuring Compliance with Legal and Regulatory Standards
- Review of Ethical Conduct, Governance, and Whistleblowing Mechanisms

The most recent review and approval of the Audit Committee Charter took place on 12th November 2025. The Committee works closely with senior management and has unrestricted access to financial information, executives, and relevant operational data, ensuring transparency and accountability.

The Audit Committee plays a pivotal role in ensuring financial integrity, governance excellence, and regulatory compliance at Arpico Insurance PLC. Operating within the framework of the Rules on Corporate Governance under the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka, the Committee provides independent oversight of financial reporting, internal controls, risk management, and external audit functions.

To maintain global best practices, the Audit Committee Charter is reviewed annually to integrate emerging governance trends and ensure continued compliance with Sri Lanka Accounting Standards (SLFRS/LKAS).

## COMPOSITION OF THE COMMITTEE AND BAC MEETINGS AND ATTENDANCE

The Audit Committee consists exclusively of Non-Executive Directors, a majority of whom are independent.

This structure ensures impartial decision-making and enhanced governance oversight. As of 2025, the Committee was composed as follows:

### Expertise and Diversity

» **Mr. Yudhishtran Kanagasabai**
Non-Executive Independent Director (Chairman)

Mr. Kanagasabai is a Fellow of the Institute of Chartered Accountants of Sri Lanka

» **Mr. Shiron Gooneratne**
Non-Executive Director (Member)

Mr. Gooneratne is a Fellow of the Institute of Chartered Accountants of Sri Lanka

» **Mr.Rohan Muttiah**
Non-Executive Independent Director (w.e.f 3rd March 2025)

Mr.Rohan holds a Bachelor of Computing from Monash University, Melbourne with over 35 years of experience in Banking, Technology, Cybersecurity, Airlines,Energy, Financial Services, and Hospitality

The Committee members bring a diverse range of expertise in finance, risk management, actuarial analysis, and corporate governance, ensuring robust oversight. Further details on their experience, qualifications, and expertise are available on pages 20 - 22 of the Annual Report.

All members of the Committee engage in continuous professional development (CPD), attending internal and external training sessions, industry conferences, and governance seminars to stay abreast of evolving regulatory requirements including listing rules, capital market provisions and financial reporting standards.

Representatives from Ernst & Young (EY), the Group Management Committee, and key members of the finance and risk teams attended discussions as required, ensuring effective oversight of financial reporting and internal controls.

| Name | Directorship Status | Membership Status | Date of appointment | Attendance |
|---|---|---|---|---|
| Mr. Yudhishtran Kanagasabai | Non-Executive Independent Director | Chairman | 18th July 2024 | 4/4 |
| Mr. Shiron Gooneratne | Non-Executive Director | Member | 02nd May 2016 | 4/4 |
| Mr.Rohan Muttiah -Non-Executive Independent Director | Non-Executive Independent Director | Member | 03rd March 2025 | 4/4 |

## MEETINGS HELD

| Quarter | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| No of Meetings | 1 | 1 | 1 | 1 | 4 |

## SECRETARY TO THE COMMITTEE

Richard Pieris Group Services (Pvt) Limited serves as the Secretary to the Board Audit Committee.

## ACTIVITIES

### 1. MEETINGS

The Committee met four times during the year. The attendance of the members at these meetings is stated on page 165 . Other members of the Board and the Group Management Committee, as well as the External Auditors, were present at discussions where it was appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

### 2. FINANCIAL REPORTING

The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Company's published financial information including reviewing its full-year and quarterly financial results. The Committee undertakes this with the management and concentrates on ensuring compliance with the relevant financial and governance reporting requirements. The Committee considers the principal accounting

### 3. INTERNAL AUDIT

The work of the internal audit function spans the whole Company including, as and when relevant, acquired businesses and provides independent and objective assurance over the Company's systems of internal controls through a risk-based approach. The Committee reviews and approves the scope and resourcing of the internal audit plan annually with the Audit and Risk. The scope of the plan is determined by reference to the Company's operating risks and strategy as well as functional and external risks.

The Committee reviewed;

1. The Internal Audit Plan and monitored its implementation through regular communication
2. All major findings revealed through audit investigations and potential fraud monitoring activities carried out during the year.

### 4. RISK MANAGEMENT

The Audit and Risk provide quarterly reports to the Committee which cover the performance of the Company's system of internal control and its effectiveness in managing the Company's principal risks and identifying any control failings or weaknesses. These reports highlight matters which might impact the

# AUDIT COMMITTEE REPORT

delivery of the Company's key strategic objectives or which indicate improvement is required in any of the Company's processes or controls. The Committee carefully considers these findings and discusses appropriate actions where necessary. An annual review of the Company's risk management processes is undertaken by the Committee, as required by the Code, the Institute of Chartered Accountants of Sri Lanka (ICASL) Guidance on Audit Committees and the recommendations of the ICASL Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. These processes include material controls which cover financial, operational and compliance controls and risk management systems. The outcomes of these reviews are shared with the Board.

These, in combination with other updates to the Board on the Company's principal risks, allowed the Board to assess the effectiveness of the Company's systems of internal control and residual risk prior to making its statement in this Annual Report and Accounts. The internal control system and risk management process have been in place during the year and up to the date of this Report and Accounts.

### 5. EXTERNAL AUDIT

The Committee is responsible for reviewing the performance and effectiveness of the external Auditors, as well as their appointment and remuneration. A review of the external Auditors' performance and effectiveness is undertaken by the Committee each year. The review includes looking at qualification, expertise, resources and reappointment of the external Auditors, as well as ensuring that no issues have arisen which might adversely affect their independence and objectivity. The review also considers how robust the external audit itself has been, as well as the quality of delivery. It also addresses the ICASL's Audit Committee Report as well as any feedback received from the Company's senior managers. How well the external Auditors have exercised professional scepticism and whether they have provided an appropriate degree of constructive challenge to management is assessed by the Committee and, as part of risk evaluation planning, the Committee also considers the risk of external auditors withdrawing from the market.

### 6. 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 2023 issued by CA Sri Lanka, the Committee has received a declaration from EY confirming that they do not have any relationship with the Company, which may have a bearing on their independence.

### 7. ETHICS, GOOD GOVERNANCE AND WHISTLE BLOWING

The committee continuously emphasised on upholding ethical values of the staff members. In this regard, the Company has a Code of Ethics and a whistleblower's charter which ensure and encourage all staff members to be ethical, transparent and accountable and resort to whistleblowing if they suspect any wrongdoings or other improprieties. The Company takes steps in line with good business practice to detect and prevent fraudulent activity. Highest standards of corporate governance and adherence to the Company's Code of Ethics were ensured.

### 8. SRI LANKA ACCOUNTING STANDARDS

Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/ LKAS) applicable to the Company and made recommendation to the Board of Directors. The Committee continuously monitored the progress of implementation of SLFRS as per the requirements of Sri Lanka Accounting Standards. The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

## REGULATIONS/ RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The role, functions and the composition of the Board Audit Committee (BAC) are defined by the provisions of the Insurance Industry Act No.43 of 2000 by the Insurance Board of Sri Lanka (the Direction); Section 9.13 of Listing Rules of the Colombo Stock Exchange (the CSE Rules); and Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

## PURPOSE

The purpose of the audit committee is to

- Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.
- Review the system of internal control and risk management procedures
- Monitor the effectiveness of internal audit function
- Review the Company's process for monitoring compliance with laws and regulations
- Assess the independence and performance of the Company's external auditors
- Make recommendations to the Board on the appointment of external auditors, their remuneration and terms of appointment

## KEY RESPONSIBILITIES OF THE COMMITTEE

- Reviewing financial information and monitoring the integrity of the financial statements of the Company, its annual report, accounts and quarterly reports prepared for disclosure, prior to submission to the Board and ensuring compliance with statutory provisions, accounting standards and accounting policies.
- Reporting to the Board on the quality, appropriateness and acceptability of the Company's accounting policies and practices.
- Assessing the reasonableness of the

underlying assumptions based on which estimates and judgments are made when preparing the financial statements.

» Overseeing the Internal Audit function and reviewing of audit reports to ensure that appropriate actions are taken by the Management to implement the recommendations made by the Internal Auditors.

» Assessing the independence and reviewing the adequacy of the scope, functions and resources of the Internal Audit Department, including the appointment of the Chief Internal Auditor and the performance of the Head and senior staff members of the Internal Audit Department.

» Overseeing the appointment, compensation, resignation and dismissal of the External Auditor, including review of the External Audit function, its cost and effectiveness and monitoring of the External Auditors' independence and/or objectivity.

» Reviewing the adequacy and effectiveness of the Internal Controls, Risk Management and ensure compliance with Corporate Governance and regulatory requirements.

» Reviewing the Terms of Reference of the Committee periodically and ensuring that it reflects the best practices of the industry at all times.

## SLFRS 17 INSURANCE CONTRACTS NEW ACCOUNTING POLICY DISCLOSURES

The 2025 financial statements include expected qualitative disclosures of transitioning to the new standard.

SLFRS 17 represents a material change in accounting for the Company in 2026 and accordingly the estimated qualitative impact on transition has been disclosed in the financial statements. As noted under the heading 'Accounting Standards' the Committee held several sessions during the year on SLFRS 17 training and reviewing proposed methodologies. The Committee is reviewing the proposed disclosures' compliance with accounting standards. The Committee also considered the appropriateness of the qualitative and quantitative disclosures and the range provided for the impact on the opening balance sheet in the context of the progress of the implementation project.

Arpico Insurance PLC is actively working towards the implementation of IFRS 17 (Insurance Contracts), which is mandated for adoption by 2026. To facilitate a seamless transition, we have selected KPMG as our strategic implementation partner. The Company is presently in the Transition and opening balance phase, which includes:

» Determine the Transition Approach

» Identify and Group Contracts

» Measure Insurance Contract Liabilities at Transition Date

» Recognise and Derecognise Balances

» Determine the Contractual Service Margin (CSM)

» Adjust Equity at Transition Date

» Apply SLFRS 9

» Prepare Disclosures for Transition

» Systems, Data, and Controls Validation

» Audit and Governance Review

The Audit Committee closely monitors this transition to ensure compliance, accuracy, and financial transparency, aligning with global accounting standards and regulatory expectations.

## KEY ACHIEVEMENTS IN 2025

Throughout the year, the Committee took proactive measures to address critical financial and governance challenges, including:

» **Oversight of SLFRS 17 transition readiness :**

Successfully navigating the transition, ensuring compliance and seamless financial reporting adjustments.

» **Strengthening internal control environment:**

Strengthening fraud detection mechanisms, AML/CFT compliance, and governance structures.

» **Monitoring RBC and solvency position :**

Assessing the Company's risk- based capital adequacy and recommending strategies to bolster financial resilience.

» **Ensuring external auditor independence**

## LOOKING AHEAD TO 2026

As part of its strategic agenda for 2026, the Audit Committee will:

» Ensure the successful implementation of IFRS 17, collaborating closely with KPMG to navigate technical challenges.

» Enhance cybersecurity and IT risk governance, ensuring data protection and regulatory compliance.

» Strengthen financial reporting standards, ensuring continued compliance with SLFRS 17 and emerging global standards.

» Ensure continued external auditor independence, reinforcing objectivity and governance best practices.

» Deepen risk governance frameworks, expanding oversight on enterprise risk management, regulatory compliance, and evolving market risks.

Through its unwavering commitment to governance excellence, the Audit Committee plays an indispensable role in strengthening investor confidence, regulatory compliance, and long-term value creation for Arpico Insurance PLC.

## VALUE IMPACT

» Strengthened investor confidence

» Improved financial transparency

» Enhanced governance credibility



**Mr. Yudhishtran Kanagasabai**
Chairperson, Audit Committee

Arpico Insurance PLC
2nd June 2026

# AUDIT COMMITTEE REPORT

## REFERENCES

Listing Rules Issued by Colombo Stock Exchange [CSE] on Corporate Governance

| Principal | Heading | Listing Rules Requirement | Company`s Status |
|---|---|---|---|
| 9.13.1 | Establish | » Maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee | Complied |
| 9.13.2 | Terms of reference | Should have a written terms of reference clearly defining its scope, authority and duties | Complied |
| 9.13.3 | Composition | Minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent. | Complied |
| | | Exclusively should consist of Non-Executive Directors.<br><br>During the year the Committee met four [4] times with the participation of the CEO, CFO, and Chief Audit and Compliance Officer by invitation. An Independent Director serves as the Chairperson. | Complied |
| 9.13.4 | Functions | The Committee fulfils its duties by overseeing the entity's compliance with financial regulations, reviewing financial statements and accounting policies, recommending external auditor appointments, ensuring assurance on financial records and risk management, overseeing compliance with auditing standards and risk management, evaluating risk policies, taking corrective actions on excessive risks, reviewing audit effectiveness, establishing policies for external auditor engagement, justifying auditor changes when necessary, and promptly reporting breaches to the Board and relevant authorities. | Complied |
| 9.11.6 | Disclosures | During the year, the Company has demonstrated compliance with the necessary disclosure requirements, as follows.<br>a) Chairperson and Audit Committee members' details,<br>b) Risk management status for the Company.<br>c) CEO and CFO assurance statement.<br>d) Compliance opinion on financial reporting requirements.<br>e) Confirmation of Audit Charter existence.<br>f) Summary of internal audit method.<br>g) Details of functions discharged for the financial year.<br>h) Confirmation of external auditors' independence.<br>i) Auditor independence determination and engagement details report. | Complied |

### Code of Best Practice on Corporate Governance

*Issued by CA Sri Lanka*

| Code | Requirement | Company's Status |
|---|---|---|
| D3 | The Audit Committee consists of 2 [Two] Independent Non-Executive Directors and 1 [one] Complied Non-independent Non-Executive Director. | Complied |
| | The Audit Committee assists the Board in executing its oversight responsibility for the integrity Complied of the financial statements of the Company.<br><br>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. | |

# INVESTMENT COMMITTEE REPORT



Prudent investment decisions are central to the long-term success of Arpico Insurance. The Investment Committee ensures optimal asset allocation aligned with the Company's risk appetite and return expectations, while remaining responsive to market changes and regulatory compliance to safeguard policyholder and shareholder value.

**MR. YUDHISHTRAN KANAGASABAI -** Chairperson, Investment Committee

**INPUT**

- Investment portfolio data
- Market trends and economic indicators
- Interest rates and yield curves
- Regulatory investment guidelines

**PROCESS**

- Portfolio review and rebalancing
- Asset-liability matching (ALM)
- Risk-return optimisation
- Strategic asset allocation

**OUTPUT**

- Investment decisions
- Portfolio performance reports
- Asset allocation strategies

**OUTCOME**

- Stable investment returns
- Optimised portfolio performance
- Managed market risk

## INVESTMENT PHILOSOPHY

The Committee operates on a 3-Layer Investment Discipline Framework:

1. Capital Preservation
2. Risk-Adjusted Returns
3. Strategic Growth Opportunities

### Objective

The primary goal of an Investment Committee is to establish a sound and cautious approach for managing investment strategy. Its main responsibilities include providing strategic oversight and closely monitoring the performance of the investment portfolio.

The Investment Committee remains dedicated to refining and optimising the Company's investment strategy, ensuring long-term value creation for shareholders and policyholders. Through robust governance, strategic foresight, and risk-aware decision-making, the Committee continues to position the Company for financial resilience and sustainable growth.

## KEY DUTIES & RESPONSIBILITIES

- Oversee portfolio performance, liquidity management, and asset-liability matching to ensure financial stability.
- Ensure full compliance with investment regulations set by IRCSL.
- Approve and integrate new asset classes and counterparties to enhance portfolio diversification.
- Continuously evaluate investment policies, strategies, and market trends to align with corporate objectives.
- Analyse macroeconomic indicators, including inflation and interest rates, to inform future investment strategies.

# INVESTMENT COMMITTEE REPORT

## COMPOSITION, ATTENDANCE & MEETINGS

The Investment Committee comprises Non-Executive Directors, all of whom ensure objectivity and independence in the oversight of the Company's investment activities. The following members were appointed to the Committee:

| Name | Directorship | Position | Attendance |
|---|---|---|---|
| Mr. Yudhishtran Kanagasabai | Non-Executive independent Director | Chairman (w.e.f. 18th July 2024) | 1/1 |
| Mr. Shiron Gooneratne | Non-Executive Director | Chairman | 1/1 |
| Mr. Rohan Muttiah | Non-Executive Independent Director (w.e.f 3rd March 2025) | Member | 1/1 |

During 2025, one separate Investment Committee meeting was held. All other investment-related matters were discussed at the Board level.

## KEY ACTIVITIES IN 2025

### Portfolio Management & Economic Analysis:

The Committee carried out regular and structured reviews of the Company's investment portfolio, taking into account prevailing macroeconomic conditions, market volatility, and movements in interest rates. These reviews ensured that investment decisions remained aligned with the Company's risk appetite and long-term financial objectives.

During the year, increased focus was placed on assessing the impact of evolving monetary policy measures and interest rate adjustments on fixed income instruments and overall portfolio returns. The Committee closely monitored yield curve movements and reinvestment risks, taking timely actions to optimise returns while preserving capital.

In addition, the Committee actively identified, evaluated, and monitored the implementation of medium- and long-term investment strategies, ensuring enhanced portfolio resilience, diversification, and sustainability in a dynamic economic environment.

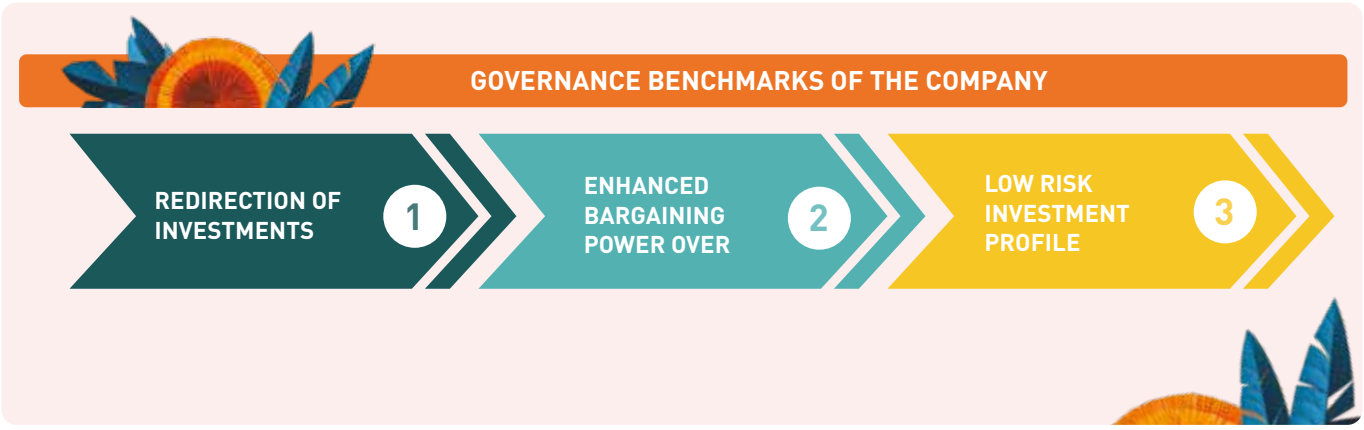
### Risk & Opportunity Assessment:

Continuously monitored investment projections to identify emerging risks and capitalise on growth opportunities.

Strengthened oversight mechanisms to enhance risk-adjusted returns and optimise asset allocation.

Strategic Decision-Making & Governance

- Ensured alignment of investment policies with regulatory standards set by the Insurance Regulatory Commission of Sri Lanka (IRCSL).
- Maintained active engagement with senior management to support data-driven investment decisions.
- Upheld high governance standards by convening scheduled committee meetings and fostering a culture of financial discipline.



## COMMITTEE AUTHORITY

The committee is granted unrestricted access to obtain regular updates from the management at any given moment. To fulfil its obligations with utmost effectiveness and efficiency, the committee is empowered to acquire and seek information from the management pertaining to its responsibilities.

## AHEAD 2026

Looking ahead, the Investment Committee remains committed to:

- Enhancing investment returns while maintaining a disciplined risk-reward framework. Strengthening asset liability management at both product and fund levels.
- Exploring innovative investment opportunities to sustain long-term financial growth.

## VALUE IMPACT

- Stable investment returns
- Improved liquidity management
- Enhanced financial resilience



**Mr. Yudhishtran Kanagasabai**
Chairperson, Investment Committee

Arpico Insurance PLC
2nd June 2026

# REMUNERATION COMMITTEE REPORT



Fair, transparent, and performance-linked remuneration underpins employee motivation and retention. The Remuneration Committee ensures our compensation policies reflect market realities, align with long-term strategic goals, and support a culture of accountability, inclusivity, and excellence across all levels of Arpico Insurance.

**MR. ROHAN MUTTIAH -** Chairperson, Remuneration Committee

### INPUT

- Performance evaluations
- Market salary benchmarks
- Company financial performance
- HR policies and talent data

### PROCESS

- Design remuneration structures
- Evaluate CEO and KMP performance
- Align pay with performance and strategy
- Review incentives and benefits

### OUTPUT

- Approved remuneration policies
- Salary revisions and incentives
- Performance-linked compensation structures

### OUTCOME

- Approved remuneration policies
- Salary revisions and incentives
- Performance-linked compensation structures

## REMUNERATION PHILOSOPHY MODEL

The Company adopts a Pay-for-Performance Framework:

- Fixed Pay → Role-based
- Variable Pay → Performance-linked
- Long-term alignment → Strategic objectives

## GOVERNANCE PRINCIPLES

- Independence in decision-making
- No Director involved in own remuneration
- Market benchmarking

## CHARTER OF THE COMMITTEE

The Committee is empowered to evaluate, assess, decide, and recommend policies and strategies concerning the Company's Human Resource Management.

## KEY OBJECTIVES, RESPONSIBILITIES, AND DUTIES

- Executive and Board Remuneration: Determines remuneration for the Chairman, Deputy Chairman, Managing Director, and other Board members, ensuring independence in decision-making.
- Senior Management Compensation: Establishes remuneration structures for Key Management Personnel (KMP), including performance-based incentives.
    - Remuneration Policy Formulation: Develops and reviews policies to maintain industry competitiveness and strategic alignment.
    - Performance Evaluation: Assesses the performance of the Managing Director and KMP against predefined goals.

- Succession Planning: Recommends key promotions and ensures a robust leadership pipeline.
- Compensation Benchmarking: Reviews executive pay trends to ensure alignment with market standards.
- Approval of Incentives & Benefits: Sanctions annual increments, bonuses, and incentive schemes to reward employee performance.

## COMPOSITION AND ATTENDANCE

The Board Human Resource and Remuneration Committee (the "Committee") comprises three Non-Executive Directors, the majority of whom are independent. The profiles of the Committee members are detailed on pages 20 to 22 of this report.

| Name | Directorship Status | Membership Status |
|---|---|---|
| Mr. Rohan Muttiah | Non-Executive Independent Director (w.e.f 3rd March 2025) | Chairman since February 2025 |
| Mr. Yudhishtran Kanagasabai | Non-Executive Independent Director | Chairman until February 2025 |
| Mr. Shiron Gooneratne | Non-Executive Director | Member |

Although no separate Remuneration Committee meetings were held during the year, remuneration matters were fully integrated into Board deliberations, ensuring that:

- The Company's remuneration policies remained aligned with its strategic objectives and long-term sustainability;
- Compensation structures were regularly reviewed to ensure they were fair, competitive, and aligned with market practices;
- Performance-based remuneration appropriately reflected individual and Company performance;
- Remuneration decisions were made with due regard to risk management considerations and did not encourage excessive risk-taking; and
- Appropriate governance and oversight were maintained in respect of executive and Board remuneration.

## SECRETARY TO THE COMMITTEE

Richard Pieris Group Services (Pvt) Limited serves as the Secretary. Throughout 2025, the Committee comprised three members.

## GOVERNANCE AND REGULATORY FRAMEWORK

The Committee operates in accordance with Rule 7.10.5 of the Colombo Stock Exchange's Listing Rules, ensuring compliance with best practices in corporate governance.

## KEY ACTIVITIES IN 2025

- **Review of Executive Remuneration Policies:** Conducted an in-depth review to ensure alignment with industry standards and Company strategy.
- **Performance-Based Compensation Adjustments:** Recommended salary revisions and incentive structures for Key Management Personnel based on individual and Company performance.
- **Succession Planning Initiatives:** Assessed and recommended leadership development programs to strengthen future talent pipelines.
- **Employee Benefits Enhancement:** Reviewed and approved revisions to employee benefit schemes, ensuring competitiveness and retention of key talent.
- **Compliance with Regulatory Frameworks:** Ensured adherence to the latest corporate governance regulations and best practices in executive remuneration.
- **Engagement with Independent Consultants:** Sought external expertise to benchmark remuneration packages with peer companies and best market practices.

## REMUNERATION POLICY

The Company's Remuneration Policy is designed to attract, motivate, and retain high-calibre professionals necessary to achieve corporate objectives. The Committee ensures that compensation structures remain competitive within the industry and across sectors.

## REMUNERATION STRUCTURE

### Board of Directors

- Non-Executive Directors receive only Directors' fees, determined by participation in Board and Committee meetings.
- No retirement benefits, share options, or Company loans are provided.
- Details of Directors' remuneration are disclosed in Note 38 on page 251 of this report.

### Chief Executive Officer (CEO)

- The CEO's remuneration comprises a fixed salary and performance-based incentives.
- Compensation is reviewed annually, aligning with Company performance and market trends.
- The CEO is entitled to retirement benefits but not Company loans or share options.

### Employees

- Fixed Pay: Salaries and allowances are determined based on job scope and complexity, with annual reviews.

# REMUNERATION COMMITTEE REPORT

- Variable Pay: Performance-linked bonuses and incentive schemes reward individual and Company-wide achievements.
- Other Benefits: Employees receive examination loans and insurance benefits.
- Retirement Benefits: Employees receive gratuity, with no additional retirement schemes.
- Employee Share Schemes: The Company does not offer employee share schemes.

There are 09 senior managers who directly report to CEO/Executive Director. Their aggregate remuneration amounted to Rs. 29 Mn in 2025.

## COMMITTEE PERFORMANCE EVALUATION

In 2025, the Committee conducted a self-assessment, led by the Chairman, evaluating effectiveness and compliance. The results indicated a satisfactory performance in fulfilling its mandate.

## PROFESSIONAL ADVICE

The Committee has the authority to seek independent professional advice on remuneration matters when necessary, ensuring informed decision-making.

## OUTLOOK FOR THE YEAR AHEAD 2026

The Committee remains committed to:

- Strengthening the Remuneration Policy to attract and retain top talent.
- Aligning executive compensation with long-term corporate strategy.
- Enhancing performance-linked incentive structures.
- Ensuring continued compliance with governance and regulatory requirements.

The Committee will continue to evolve its remuneration strategy to foster a high-performance culture, driving sustainable business growth and stakeholder value.

## VALUE IMPACT

- Attracting top talent
- Driving performance culture
- Supporting long-term strategy



**Mr. Rohan Muttiah**
Chairperson, Remuneration Committee

Arpico Insurance PLC
2nd June 2026

| Principal | Heading | Listing Rules Requirement | Company`s Status |
|---|---|---|---|
| 9.12.3 | Availability | The Company needs to have a Remuneration Committee in place and follow a formal and transparent process for developing policies on Executive Directors' remuneration and determining individual Directors' remuneration packages. No Director is involved in deciding their own remuneration. | Complied |
| 9.12.4 | Composition | Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired. | Complied |
| 9.12.5 | Terms of Reference | Shall have a written terms of reference clearly defining its scope, authority, duties and matters | Complied |
| 9.12.6 | Composition | Exclusively comprised with non-executive directors. | Complied |
| | | Minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors. | Complied |
| 9.12.7 | Functions | Recommends and assesses the relevance of the remuneration payable to the Executive Directors of the Company. | |
| 9.12.8 | Disclosures | a) Chairperson and members of the Remuneration Committee and their Directorships.<br>b) Statement on remuneration policy.<br>c) Aggregate remuneration of Executive and Non-Executive Directors. | |

## Code of Best Practice on Corporate Governance Issued by CA Sri Lanka

| Principal | Heading | Listing Rules Requirement | Company`s Status |
|---|---|---|---|
| B.1 | Remuneration Procedure | Establish formal and transparent procedure for executive employees and individual directors. | Complied |
| B.2 | Composition | The Board ensures that the remuneration of the Executive Director and KMPs remains competitive to attract and retain top talent. The Remuneration Committee sets appropriate pay levels considering performance and risk factors, while NEDs' remuneration reflects their time commitment and responsibilities. No Directors receive share options as part of their compensation. The Committee also addresses early termination policies, performance-based pay, and best practices, with annual reviews of the CEO's and senior management's performance to align incentives with company goals. | Complied |
| B.3 | Disclosures | Statement of remuneration policy.<br><br>Number and amount of aggregate remuneration of senior management reporting directly to Chief Executive Officer. | Complied |

# NOMINATIONS AND GOVERNANCE COMMITTEE REPORT



Strong leadership and sound governance are pillars of our success. The Nominations and Governance Committee ensures the Board is diverse, skilled, and future-ready, while upholding the highest standards of governance to support sustainable value creation and stakeholder trust in Arpico Insurance.

**MR. YUDHISHTRAN KANAGASABAI -** Chairperson, Nominations Committee

**INPUT**

- Board composition data
- Skills matrix
- Governance requirements
- Regulatory guidelines

**PROCESS**

- Evaluate Board structure and independence
- Identify suitable candidates
- Review succession planning
- Strengthen governance frameworks

**OUTPUT**

- Board appointment recommendations
- Governance improvements
- Succession plans

**OUT COME**

- Effective Board composition
- Strong governance practices
- Leadership continuity

## BOARD EFFECTIVENESS MODEL

The Committee evaluates the Board using a 3-Dimension Framework:

- Skills & Expertise
- Independence & Diversity
- Performance & Contribution

## COMPOSITION AND ATTENDANCE

The Board of Directors of Arpico Insurance PLC established the Nominations Committee in October 2024 to enhance corporate governance

and strengthen the oversight of Board appointments and key management positions. Prior to its establishment, the functions related to Director nominations and governance were handled by the main Board.

The Committee is composed entirely of Non-Executive Directors, with a majority being independent. The profiles of the members are provided on pages 20 to 22 of this report.

| Name | Directorship Status | Membership Status |
|---|---|---|
| Mr. Yudhishtran Kanagasabai | Non-Executive Independent Director | Chairman |
| Mr. Shiron Gooneratne | Non-Executive Director | Member |
| Mr. Rohan Muttiah | Non-Executive Independent Director (w.e.f. 3rd March 2025) | Member |

During the financial year ended 31st December 2025, no separate meetings of the Nominations and Governance Committee were convened.

Notwithstanding the absence of formal Committee meetings, all matters falling within the scope of the Committee's responsibilities—including Board composition, assessment of independence of Directors, and succession planning considerations—were duly deliberated at the Main Board level.

This approach ensured that governance-related matters were addressed in a timely, structured, and comprehensive manner, with the full participation of the Board, thereby maintaining the effectiveness of oversight during the year under review.

The Committee is expected to formalise its meeting cadence and operate through dedicated meetings in 2026, in line with evolving governance best practices and regulatory expectations.

## SECRETARY TO THE COMMITTEE

Richard Pieris Group Services (Pvt) Limited serves as the Secretary.

## CHARTER OF THE COMMITTEE

The Nominations Committee was established to ensure that the Board maintains an effective composition with qualified individuals possessing the necessary expertise, independence, and leadership qualities. The Committee oversees the selection, appointment, re-election, and succession planning of the Board of Directors and key management personnel.

## TERMS OF REFERENCE

The Committee operates within a well-defined Terms of Reference,covering its composition, authority, and scope of responsibilities. The key functions of the Committee include:

- Evaluating and recommending individuals for appointment or re-election to the Board.
- Assessing qualifications, competencies, independence, and potential conflicts of interest of nominees.
- Reviewing the structure, composition, and skills matrix of the Board and making recommendations regarding any necessary changes.
- Advising on succession planning for Directors and key management personnel to ensure leadership continuity.
- Recommending governance best practices in Board appointments, ensuring alignment with corporate governance principles and regulatory requirements.
- Considering the re-election of Directors based on their performance and contributions.
- Seeking external professional advice when necessary to ensure an objective selection process.

## METHODOLOGY OF THE COMMITTEE

The Committee meets as and when necessary to assess the suitability of individuals for appointment as Directors and Key Management Personnel. It also oversees any other matters mandated under its Charter. The Committee ensures a rigorous and transparent selection process, adhering to corporate governance best practices.

## PROFESSIONAL ADVICE

The Committee has the authority to seek independent professional advice on matters within its scope whenever required. This ensures that the nomination and appointment process remains objective and is based on merit and strategic alignment.

## ACTIVITIES IN 2025

During the year under review, no separate meetings of the Nominations Committee were convened. Notwithstanding the absence of formal Committee meetings, all matters falling within the scope and responsibilities of the Nominations Committee were duly taken up for deliberation at the Main Board level. This approach ensured that key governance matters relating to Board composition, succession planning, and the assessment of independence of Directors were adequately considered in a timely and structured manner.

## OUTLOOK FOR 2026

The Nominations Committee will play a vital role in shaping the governance structure of Arpico Insurance PLC. The key focus areas for 2026 include:

- Conducting a formal review of Board composition and ensuring a balanced mix of skills and expertise.
- Identifying and recommending suitable candidates for Board and senior leadership positions.
- Establishing a framework for Board evaluations and performance assessments.
- Conducting periodic assessments of the Committee's effectiveness in achieving its objectives.

The Committee remains committed to ensuring that Arpico Insurance PLC continues to be governed by a highly competent and diverse Board that aligns with the Company's strategic vision and governance principles.

## VALUE IMPACT

- Strong leadership structure
- Improved governance quality
- Strategic alignment



**Mr. Yudhishtran Kanagasabai**
Chairperson, Nominations Committee

Arpico Insurance PLC
2nd June 2026

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE



Integrity in all transactions is a non-negotiable value at Arpico Insurance. The Related Party Transactions Review Committee provides independent oversight to ensure transparency, fairness, and compliance in dealings with related parties-protecting stakeholder interests and maintaining the Company's reputation for good governance

**MR. YUDHISHTRAN KANAGASABAI -** Chairperson, Related Party Transactions Review

### INPUT

- Related party transaction data
- LKAS 24 requirements
- CSE listing rules
- Declarations from Directors

### PROCESS

- Identify related parties
- Review transactions for fairness
- Evaluate compliance with regulations
- Monitor ongoing transactions

### OUTPUT

- Reviewed and approved RPTs
- Disclosure reports
- Compliance confirmations

### OUTCOME

- Transparent transactions
- Reduced conflict of interest
- Regulatory compliance

## GOVERNANCE MODEL

The Committee applies a 3-Step Assurance Framework:

1. Identification of related parties
2. Independent evaluation of transactions
3. Continuous monitoring and disclosure

## CHARTER OF THE COMMITTEE

The committee's charter outlines its purpose, authority, and responsibilities in alignment with LKAS 24. This includes overseeing related party transactions, evaluating their fairness, and ensuring compliance with regulatory requirements.

## OBJECTIVES, RESPONSIBILITIES, AND DUTIES

The committee's primary objectives include safeguarding the Company's interests, preventing conflicts of interest, and ensuring transparency. Responsibilities encompass a rigorous review of all related party transactions, assessment of their terms, and validation of adherence to the LKAS 24 standards.



The Related Party Transactions Review Committee of Richard Pieris and Company PLC acts on behalf of Arpico Insurance PLC. Through relevant procedures, the Board and the committee ensure that the Company does not engage in transactions that would grant such a related party 'more favourable treatment' beyond the ordinary course of treatment relayed to third parties of the business.

## COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Related Party Transactions Review Committee (RPTRC) comprises experienced professionals with diverse backgrounds. The members include representatives from the Board, internal audit, finance, and legal departments. Regular attendance and participation were maintained throughout the year, ensuring comprehensive oversight.

| Member | Directorship Status | Membership Status | Attendance Record |
|---|---|---|---|
| Mr. Yudhishtran Kanagasabai | Independent Non-Executive Director | Member/Director – Chairman | 4/4 |
| Mr. Shiron Gooneratne | Non-Executive Director | Member/Director | 4/4 |
| Mr. Rohan Muttiah | Non-Executive Independent Director (w.e.f. 3rd March 2025) | Member | 4/4 |

## SECRETARY TO THE COMMITTEE

Richard Pieris Group Services (Pvt) Limited serves as the Secretary.

## ACTIVITIES IN 2025

In 2025, the committee diligently reviewed all related party transactions, providing a detailed analysis in adherence to LKAS 24. Notable activities included comprehensive risk assessments, due diligence on significant transactions, and continuous monitoring of related party relationships.

- Throughout the financial year that concluded on December 31, 2025, the committee met four times and the proceedings of the committee meetings have been regularly reported to the Board of Directors during the financial year.
- Reviewed all related party transactions over the previous four quarters and verified that they happened at a fair price.
- There were no non-recurrent or recurrent RPT that exceeded the respective thresholds mentioned in the Listing Rules of the CSE.

Transparent disclosures regarding related party transactions were made in the financial statements for the year 2025, complying with the disclosure requirements outlined in LKAS 24 (Refer Note 38, page 251). This ensured stakeholders were well-informed about the nature, extent, and financial impact of these transactions.

## DECLARATION

The Directors have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested. All committee members declared their independence and confirmed their commitment to act in the best interests of Arpico Insurance PLC. Conflicts of interest, if any, were disclosed and appropriately managed in line with established protocols.

## THE YEAR AHEAD 2026

Looking forward, the committee is committed to enhancing its processes, staying abreast of regulatory changes, and proactively addressing emerging challenges. Continued vigilance in 2025 will be pivotal to maintaining the integrity and transparency of related party transactions.

This report attests to the committee's dedication to upholding the highest standards of corporate governance and compliance with LKAS 24.

## VALUE IMPACT

- Protection of minority shareholders
- Enhanced transparency
- Reduced conflict of interest risk



**Mr. Yudhishtran Kanagasabai**
Chairperson,
Related Party Transactions Review Committee

Arpico Insurance PLC
2nd June 2026

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

## COMPLIANCE STATUS ACCORDING TO COLOMBO STOCK EXCHANGE LISTING RULES REQUIREMENT

| Code | Requirement | Compliance Status |
|---|---|---|
| 9.14.3 | Related Party Transactions Review Committee shall establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Entity's operations. | ✓ |
| 9.14.4 | Meet quarterly, have access to enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person, where necessary the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction and if director is having material personal interest to a transaction under the approval of board he shall not voice or participate in the decision. | ✓ |

## COMPLIANCE STATUS ACCORDING TO THE BEST PRACTICE CODE 2023 REQUIREMENT

| Principle D5 | Requirement | Compliance Status |
|---|---|---|
| D.5.2 | Comprise of a minimum three members | ✓ |
| | Minimum three non-executive directors of whom the majority is independent | ✓ |
| | Chairman should be independent non-executive director | ✓ |
| | Committee will meet at least four times a year. | ✓ |
| D.5.3 | Should have written terms of reference dealing clearly with its authority and duties. | ✓ |
| | Declarations of related parties and related party transactions should obtain quarterly. | ✓ |
| | Prior entering to any related party transaction, related party transactions review committee or the board must review. | ✓ |
| | Should have list of related parties and process in place to capture and report related party transactions | ✓ |

# Strength

## at Every Turn

**At Arpico Insurance PLC, our financials bear witness to our renewed sense of direction. New products, new perspectives and new innovations drive us forward, and with the collective strength of our organisation, the future ahead is prosperous and sustainable.**

Every decision made in the present impacts success in the future; as the road ahead clears, the twists and turns that unfold with resilience, lead to continued prosperity.



# FINANCIAL CALENDER

| | For the year 2026 | For the year 2025 |
|---|---|---|
| **Annual Report** | In March 2027 | On 4th June 2026 |
| **Annual General Meeting** | In April 2027 | On 26th June 2026 |
| | | |
| **Interim Financial Statements Calendar** | | |
| For the three months ended March 31st | On or before 15th May 2026 | 7th May 2025 |
| For the three months ended June 30th | On or before 15th August 2026 | 15th August 2025 |
| For the three months ended September 30th | On or before15th November 2026 | 13th November 2025 |
| For the three months ended December 31st | On or before 28th February 2027 | 6th March 2026 |

# FINANCIAL HIGHLIGHTS

## PROFITABILITY / RETURN

**8**
**PROFIT AFTER TAX (Rs. Mn)**
2024 - 235
Change: (227)

**69**
**EBITDA (Rs. Mn)**
2024 - 337
Change: (268)

**0.10%**
**NET PROFIT MARGIN**
2024 - 12%
Change: (11.9%)

**0.15%**
**RETURN ON ASSETS**
2024 - 5%
Change: (4.85%)

## MARKET PERFORMANCE

**36.4**
**MARKET PRICE PER SHARE (Rs.)**
2024 - 26.5
Change: 9.9

**0.12**
**EARNING PER SHARE (Rs.)**
2024 - 3.5
Change: (3.38)

## EFFICIENCY RATIOS

**31%**
**ASSET TURNOVER**
2024 - 39%
Change: (8%)

## GEARING RATIOS

**69%**
DEBT/TOTAL ASSETS
2024 - 63%
Change: 6%

**2.22**
**DEBT / EQUITY**
2024 -1.72
Change: 0.50

## INDUSTRY SPECIFIC RATIOS

**25%**
**ACQUISITION COST TO GWP**
2024 - 27%
Change: (2%)

# ACTUARIAL REPORT

28th May 2026

**To the Shareholders of Arpico Insurance PLC.**

**ACTUARIAL VALUATION OF THE LONG TERM INSURANCE BUSINESS AS AT 31 DECEMBER 2025**

We have carried out an actuarial valuation of the Long Term Insurance Business as at 31 December 2025. We hereby certify that, in our opinion,

1) Proper records have been kept by the Company, which are appropriate for the purpose of the actuarial valuation of the liabilities of the Long-Term Insurance Fund;

2) Adequate and proper reserves have been provided as at 31 December 2025, for all liabilities in respect of the Long Term Insurance Fund, considering all current and contingent liabilities as at that date;

3) As at 31 December 2025, the Company maintained a Capital Adequacy Ratio of 259% calculated as per the Solvency Margin (Risk Based Capital) Rules 2015 issued by the Insurance Regulatory Commission of Sri Lanka as required under the Regulation of Insurance Industry Act No. 43 of 2000. This is well above the minimum Capital Adequacy Ratio of 120% as per the same rules;

4) We carried out a Liability Adequacy Test ("LAT") for Long Term Insurance fund as at 31 December 2025 as required by SLFRS 4 - Insurance Contracts and the assets excluding of one-off surplus, are sufficiently adequate as compared to liabilities under the LAT, after the shareholder transfer and One off surplus is carried forward within the Life Insurance Fund.

Signature:

.....

Saket Singhal, FIAI
Appointed Actuary
COP No: 175/058

31st December 2025

Actsure Lab (Pvt) Limited
No 11/2, 1st Lane Pagoda Rd, Nugegoda, Sri Lanka
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# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARPICO INSURANCE PLC




Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARPICO INSURANCE PLC

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Arpico Insurance PLC ("the Company"), which comprise the statement of financial position as at 31st December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2025, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors' 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 for Professional Accountants 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditors' opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **1. LIFE INSURANCE CONTRACT LIABILITIES**<br>Assessing the Carrying Value of Life Insurance Contract Liabilities<br><br>Life Insurance Contract Liabilities amounting to Rs. 3.3 Bn represent 87% of total liabilities of the Company as at 31st December 2025 and are estimated by management using actuarial techniques as described in Note 31 to the financial statements. The Life Insurance Contract Liabilities were determined by the management specialist engaged by the Company. | Our audit procedures included the following key procedures:<br>▪ Assessed the competence, capability and objectivity of the management specialist engaged by the Company.<br>▪ Obtained an understanding of the liability valuation process.<br>▪ Agreed key information used in estimating Insurance Contract Liabilities to source documents and accounting records. |

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage FCA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| This was a key audit matter due to:<br>▪ materiality of the reported Life Insurance Contract Liabilities; and<br>▪ the degree of management judgements, assumptions and estimation uncertainties associated with the actuarial techniques used to estimate Life Insurance Contract Liabilities and perform the Liability Adequacy Test used to determine the adequacy of the carrying value of Life Insurance Contract liabilities.<br><br>Key areas of significant judgements, assumptions and estimates made by management include mortality rate, morbidity rate, lapses ratio and surrenders ratio, loss ratios, bonus, interest rates, discount rates and related claim handling expenses, as disclosed in Note 31 to the financial statements. | ▪ With the support of an Expert, we assessed the reasonableness of the key judgements, assumptions and estimates made and actuarial technique used to estimate the value of Life Insurance Contract Liabilities, and the Liability Adequacy Test. Reasonableness was assessed by reference to market data and policyholder experience.<br><br>We assessed the adequacy of the disclosures in Note 31 and 2.2 to the financial statements. |

## Other information included in the Company's 2025 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditors' 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 auditors' 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 scepticism 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.

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARPICO INSURANCE PLC

- 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 auditors' 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 auditors' 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 relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

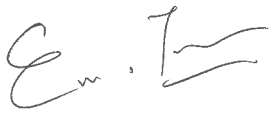
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation 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, 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 auditors' report is 4169.



2nd June 2026
Colombo

# INCOME STATEMENT

| Year ended 31st December | Note | Page | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|---|---|
| Gross written premium | 6 | 202 | 1,762,134,855 | 1,968,762,572 |
| Premium ceded to reinsurers | 7 | 202 | (91,562,656) | (87,487,646) |
| **Net written premium** | | | 1,670,572,199 | 1,881,274,926 |
| | | | | |
| **Other revenue** | | | | |
| Fees and commission income | 8 | 203 | 13,535,660 | 30,467,426 |
| Net Investment income | 9 | 203 | 479,646,471 | 539,983,615 |
| Net fair value gains / (losses) | 10 | 204 | 12,380,167 | 14,012,635 |
| Net realised gains / (losses) | 11 | 204 | 235,766,249 | 17,615,861 |
| Other operating revenue | 12 | 205 | 8,373,393 | 6,010,235 |
| **Total other revenue** | | | 749,701,940 | 608,089,772 |
| | | | | |
| **Net income** | | | 2,420,274,139 | 2,489,364,698 |
| | | | | |
| Net insurance benefits and claims paid | 13 | 205 | (850,559,521) | (1,143,558,636) |
| Net change in insurance claims outstanding | 13 | 205 | (6,284,804) | (17,472,163) |
| Underwriting and net acquisition costs | 14 | 206 | (433,312,285) | (531,502,361) |
| Change in contract liabilities - life fund | 31.5 | 233 | (526,159,201) | 181,059,252 |
| Other operating, administrative and selling expenses | 15 | 207 | (573,178,566) | (690,527,683) |
| Depreciation and Amortisation | 19/20/21 | 212 | (127,746,489) | (142,472,209) |
| **Total benefits, claims and other expenses** | | | (2,517,240,866) | (2,344,473,800) |
| | | | | |
| **Profit/(Loss) before tax** | | | (96,966,727) | 144,890,898 |
| | | | | |
| Income tax expense | 17.3 | 210 | 105,000,000 | 90,000,000 |
| | | | | |
| **Profit for the year** | | | 8,033,273 | 234,890,898 |
| | | | | |
| **Earning / (Loss) per share** | | | | |
| Basis (Rs.) | 18 | 211 | 0.12 | 3.55 |
| Diluted (Rs.) | 18 | 211 | 0.12 | 3.55 |

The accounting policies and notes as set out in pages 193 to 256 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

| Year ended 31st December | Note | Page | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|---|---|
| **Profit / (Loss) for the year** | | | 8,033,273 | 234,890,898 |
| | | | | |
| **Other comprehensive income** | | | | |
| **Items that are or may be reclassified to profit or loss** | | | | |
| | | | | |
| Net change in fair value of available-for-sale (AFS) financial assets | | | (159,513,183) | 195,050,188 |
| | | | | |
| Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets | 31 | 234 | (24,570,913) | (10,905,758) |
| Net change in fair value of AFS reserve transferred to insurance liabilities | 31 | 234 | 24,570,913 | 10,905,758 |
| Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement | | | - | - |
| | | | | |
| **Items that will never be reclassified to profit or loss** | | | | |
| | | | | |
| Actuarial loss on defined benefit plan | 32 | 236 | (1,615,576) | 660,193 |
| | | | | |
| **Other comprehensive income, net of tax** | | | (161,128,759) | 195,710,381 |
| | | | | |
| **Total comprehensive income for the year, net of tax** | | | (153,095,486) | 430,601,279 |
| | | | | |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | | | (153,095,486) | 430,601,279 |
| Non - controlling interests | | | - | - |

The accounting policies and notes as set out in pages 193 to 256 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

| As at 31st December 2025 | Note | Page | 31.12.2025 Rs. | 31.12.2024 Rs. |
|---|---|---|---|---|
| **Assets** | | | | |
| Intangible assets | 19 | 212 | 6,954,017 | 7,252,280 |
| Property, plant and equipment | 20 | 214 | 23,112,291 | 41,808,801 |
| Right of use assets | 21 | 217 | 198,976,482 | 171,032,028 |
| Deferred tax asset | 17 | 208 | 195,000,000 | 90,000,000 |
| Financial assets | 22 | 220 | 4,565,464,789 | 4,262,978,831 |
| Loans to life policyholders | 23 | 224 | 172,658,497 | 199,044,250 |
| Reinsurance receivables | 24 | 225 | 5,311,350 | 10,519,552 |
| Amounts due from related parties | 25 | 226 | 9,031,305 | 5,936,182 |
| Premium receivables | 26 | 226 | 64,996,481 | 59,716,100 |
| Other assets | 27 | 226 | 113,622,615 | 107,691,105 |
| Cash and cash equivalents | 28 | 227 | 88,426,366 | 53,869,097 |
| **Total assets** | | | 5,443,554,193 | 5,009,848,226 |
| | | | | |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Stated capital | 30 | 232 | 675,564,870 | 675,564,870 |
| Retained earnings | | | 1,012,417,668 | 1,005,999,971 |
| Available for sale reserves | | | - | 159,513,183 |
| **Total equity** | | | 1,687,982,538 | 1,841,078,024 |
| | | | | |
| **Liabilities** | | | | |
| Insurance contract liabilities | 31 | 232 | 3,266,440,502 | 2,715,710,389 |
| Employee benefit obligation | 32 | 236 | 18,012,333 | 15,878,745 |
| Reinsurance payables | 33 | 238 | 17,300,371 | 8,696,647 |
| Lease liabilities | 21 | 218 | 234,433,002 | 208,113,822 |
| Amounts due to related parties | 34 | 238 | 7,580,344 | 7,114,065 |
| Other financial liabilities | 35 | 239 | 191,622,027 | 177,860,728 |
| Other liabilities | 36 | 239 | 20,183,076 | 35,395,805 |
| **Total liabilities** | | | 3,755,571,655 | 3,168,770,202 |
| | | | | |
| **Total equity and liabilities** | | | 5,443,554,193 | 5,009,848,226 |

The accounting policies and notes as set out in pages 193 to 256 form an integral part of these financial statements.

I certify that the above financial statements comply with the requirements of the Companies Act No. 07 of 2007

**K.L.Y.Chamara**
*Accountant*

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the board.

**Ramal Jasinghe**
*Chairman*

**Yudhishtran Kanagasabai**
*Director*

Colombo
2nd June 2026

# STATEMENT OF CHANGES IN EQUITY

| Year ended 31st December | Stated Capital Rs. | AFS Reserve Rs. | Retained Earnings Rs. | Total Equity Rs. |
|---|---|---|---|---|
| **As at 1st January 2024** | 675,564,870 | (35,537,005) | 770,448,880 | 1,410,476,745 |
| Profit for the year | - | - | 234,890,898 | 234,890,898 |
| Actuarial loss on defined benefit plan | - | - | 660,193 | 660,193 |
| Net change in fair value of available-for-sale financial assets | - | 195,050,188 | - | 195,050,188 |
| **Total comprehensive income** | 675,564,870 | 159,513,183 | 1,005,999,971 | 1,841,078,024 |
| **As at 31st December 2024** | 675,564,870 | 159,513,183 | 1,005,999,971 | 1,841,078,024 |
| **As at 1st January 2025** | 675,564,870 | 159,513,183 | 1,005,999,971 | 1,841,078,024 |
| Profit / (Loss) for the year | - | - | 8,033,273 | 8,033,273 |
| Actuarial loss on defined benefit plan | - | - | (1,615,576) | (1,615,576) |
| Net change in fair value of available-for-sale financial assets | - | (159,513,183) | - | (159,513,183) |
| **Total comprehensive income** | 675,564,870 | - | 1,012,417,668 | 1,687,982,538 |
| **As at 31st December 2025** | 675,564,870 | - | 1,012,417,668 | 1,687,982,538 |

The accounting policies and notes as set out in pages 193 to 256 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

| Year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| **Cash flows from operating activities** | | |
| Insurance premium received | 1,737,768,318 | 1,991,804,237 |
| Reinsurance premium paid | (82,958,931) | (116,370,203) |
| Insurance benefits and claims paid | (938,563,303) | (1,213,810,474) |
| Reinsurance claim received | 81,072,137 | 56,275,224 |
| Payments to intermediaries to acquire insurance contracts | (303,117,243) | (363,099,337) |
| Other operating cash flows | (599,115,945) | (681,975,155) |
| **Cash generated from operating activities** | (104,914,967) | (327,175,709) |
| | | |
| Employee benefits paid | (4,174,000) | (4,068,271) |
| Income tax paid | - | - |
| Net cash generated from operating activities | (109,088,967) | (331,243,978) |
| | | |
| **Cash flows from investing activities** | | |
| Acquisition of financial investments | (213,852,725) | (86,415,932) |
| Proceeds from maturity of financial investments | - | - |
| Interest received | 478,993,913 | 563,198,107 |
| Dividend received | 27,038,311 | 18,987,559 |
| Acquisition of property, plant and equipment | (1,806,603) | (4,378,003) |
| Purchase of intangible assets | - | (6,923,367) |
| Advance paid to right of use assets | (134,889,566) | (91,985,714) |
| **Net cash flows used in investing activities** | 155,483,330 | 392,482,650 |
| **Net cash flows used before financing activities** | 46,394,363 | 61,238,672 |
| | | |
| **Cash flows from financing activities** | | |
| Payment of lease liability | (11,837,094) | (63,766,049) |
| **Net cash used in financing activities** | (11,837,094) | (63,766,049) |
| | | |
| Net increase / (Decrease) in cash and cash equivalents | 34,557,269 | (2,527,377) |
| Cash and cash equivalents at the beginning of the year | 53,869,097 | 56,396,474 |
| Cash and cash equivalents at the end of the year | 88,426,366 | 53,869,097 |

The accounting policies and notes as set out in pages 193 to 256 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

## STATEMENT OF CASH FLOWS FROM OPERATING ACTIVITIES

| Year ended 31st December | Note | Page | 2025 Rs. | 2024 Rs. |
|---|---|---|---|---|
| **Reconciliation of profit before taxation with cash from operating activities** | | | | |
| Profit before tax | | | (96,966,727) | 144,890,898 |
| | | | | |
| **Adjustment for :** | | | | |
| **Non - cash items included in profit before tax** | | | | |
| Depreciation of property, plant & equipment | 20 | | 20,503,114 | 22,912,538 |
| Amortisation of intangible assets | 19 | | 298,263 | 438,314 |
| Interest income | | | (452,608,160) | (520,996,055) |
| Net depreciation of right of use assets | 21 | | 106,945,112 | 119,121,357 |
| Dividend income | 123 | | (27,038,311) | (18,987,559) |
| Interest expense of lease Liability and borrowings | 15.2 | | 38,156,269 | 50,102,490 |
| Unrealised Gain | | | (12,380,167) | (14,012,635) |
| Realised Gain | | | (235,766,249) | (17,615,861) |
| Provision for employee benefit | 15.1 | | 4,692,013 | 4,939,728 |
| Income tax reversal | | | - | 63,145,989 |
| **Profit before working capital changes** | | | (654,164,844) | (166,060,796) |
| | | | | |
| **Net change in operational assets** | | | | |
| Net change in reinsurance assets | | | 5,208,202 | 589,296 |
| Net change in premiums receivable | | | (5,280,381) | 31,758,928 |
| Net change in receivables and other assets | | | (5,931,510) | 94,463,610 |
| **Net change in operating assets** | | | (6,003,689) | 126,811,834 |
| | | | | |
| **Net change in operational liabilities** | | | | |
| Net change in life insurance contract liabilities | | | 550,730,114 | (170,153,494) |
| Net change in reinsurance liabilities | | | 8,603,724 | (28,882,557) |
| Net change in other liabilities | | | (4,080,272) | (88,890,694) |
| **Net change in operating liabilities** | | | 555,253,566 | (287,926,745) |
| Gratuity paid | | | (4,174,000) | (4,068,271) |
| Income tax paid | | | - | - |
| Interest paid on loans obtained | | | - | - |
| **Cash flows from operating activities** | | | (109,088,967) | (331,243,978) |

The accounting policies and notes as set out in pages 193 to 256 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS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## 1 CORPORATE INFORMATION

### 1.1 Reporting entity

Arpico Insurance PLC ("Company") is a Public limited liability company incorporated and domiciled in Sri Lanka and the ordinary shares of the company are listed on the stock exchange. The company is registered under the Insurance Industry Act No.43 of 2000 and amendments there to. The registered office of the company is located at 310, Highlevel Road, Nawinna, Maharagama and the principal place of business is located at No. 55/20, Vauxhall Lane, Colombo 02.

### 1.2 Principal activities and nature of operations

Arpico Insurance PLC is primarily engaged in carrying out life insurance business. Life Insurance is a protection against financial losses that would result from an insured event that adversely affecting the insured. In such situations, the beneficiary nominated 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 of the company during the financial year under review.

### 1.3 Parent enterprise

The company's ultimate parent undertaking and controlling party is Richard Pieris & Company PLC which is incorporated in Sri Lanka.

### 1.4 Date of authorisation for issue

The financial statements of Arpico Insurance PLC for the period ended 31st December 2025 were authorised for issue by the board of directors on 2nd June 2026.

### 1.5 Number of Employees

The staff strength of the Company as at 31st December 2025 is 242 (2024 - 379).

### 1.6 Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility in the annual report and certification of financial position.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

### 2.1 Statement of compliance

The financial statements of the company have been prepared in accordance with Sri Lanka Accounting Standards as issued by the Institute of Chartered Accountants of Sri Lanka. The preparation and presentation of these financial statements are also complying with the requirements of Section 151 (2) of the Companies Act, No.7 of 2007 and the regulation of insurance industry Act, No. 43 of 2000 and amendments there to Sri Lanka Accounting Standards, rules and regulations of the insurance regulatory commission of Sri Lanka and listing rules of the Colombo Stock Exchange (CSE)

These SLFRSs and LKASs are available at the website of CA Sri Lanka www.casrilanka.com

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The company has not adopted any inappropriate accounting treatments, which are not compliance with the requirements of the SLFRS and LKASs, regulations governing the preparation and presentation of these Financial Statements.

#### Changes in accounting policies

The accounting policies adapted by the company is consistent with those used in the previous year.

The company financial statements include the following components:

(i) The Income Statement and Statement of profit and loss and other Comprehensive Income

Providing information on the profitability of the company as at the year-end (Refer page 188)

(ii) The Statement of Financial Position

Providing information on the financial position of the company as at the year-end (Refer page 189)

(iii) The Statement of Changes in Equity

Depicting all changes in shareholders' (Refer page 190)

(iii) The Statement of Cash Flows

Providing information to the users, on the ability of the company to generate cash and cash equivalents and the needs of entities to utilise those cash flows (Refer pages 191 and 192)

(iv) Notes to the Financial Statements

Comprising Accounting Policies and other explanatory information (Refer pages 193 to 256)

### 2.2 Basis of measurement

The Company Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

| Item | Basis of measurement | Note no |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Available-for-sale financial assets are measured at fair value | Fair Value | 29 |
| Fair value through profit & loss | Fair Value | 29 |
| Held to maturity | Amortised Cost | 29 |
| Loans & receivable | Amortised Cost | 29 |
| | | |
| **NON-FINANCIAL ASSETS/LIABILITIES** | | |
| Insurance Contract liabilities | Actuarially valued in line with the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) | 31 |
| Employee Benefits Obligation | Actuarially valued and recognised at present value of the defined benefit obligation | 32 |

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 Company Financial Statements.

The amounts in the Financial Statements have been rounded off to the nearest rupee except where otherwise indicated as permitted by the Sri Lanka Accounting Standard -LKAS 1 Presentation of Financial Statements.

## 2.3 Materiality and Aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 - Presentation of Financial Statements.

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 nature or functions.

## 2.4 Going concern

In determining the basis of preparing the financial statements for the year ended 31st December 2025, based on all available information the management has considered the consequences of current economic downturn, other events and conditions such as current market uncertainty and market volatility, Economic factors (exchange rates, Inflation, Unemployment, ect.) and it has determined that they do not create a material uncertainty that casts substantial doubt upon the entity's ability to continue as a going concern.

The directors have made an assessment and reasonably satisfied that the company have adequate resources together with sufficient renewing income from customers, to continue in operational existence for the foreseeable future. The company does not foresee a need for liquidation or cessation of trading, taking into account all available information about future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Further, the Company has taken actions to mitigate the impact from adverse macroeconomic conditions such as expense management and curtailment, development of product strategy to meet new environment, digitalisation and innovation, claims and surrender management, prudent asset allocation etc. Therefore, the Financial Statements of the Company are continued to be prepared on a going concern basis.

## 2.5 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 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.

### 2.6 Supplementary Statements - Statement of Financial Position of the Life Insurance Fund

Supplementary Statement of Financial Position of the Life insurance fund together with the notes are disclosed in page 259 of annual report, continuing the past practice which is a requirement of the Statement of Recommended Practice (SORP) for insurance contracts, adopted by the ICASL.

### 2.7 Reporting period

The Financial Statements are prepared for the twelve months period ended and as at 31st December 2025.

### 2.8 Comparative Information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the financial statements. The presentation and classification of the financial statement of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

### 2.9 Offsetting

Assets and liabilities including financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, only when Sri Lanka Accounting Standards allows. Incomes and Expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that 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 based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

| Critical Judgements | Note | Page |
|---|---|---|
| Lease terms - extension options | 21 | 218 |
| Classification of financial assets | 29 | 228 |
| Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features" | 31 | 232 |
| Impairment of financial assets | 29 | 229 |
| Impairment of intangible assets | 19 | 213 |
| Measurement of defined benefit obligations: key actuarial assumptions | 32 | 236 |
| Recognition and measurement of provisions and contingencies: key assumptions on the likelihood and magnitude of an outflow of resources | 40 | 253 |
| Impairment of non-financial assets: key assumptions underlying recoverable amounts | 5.1 | 202 |
| Measuring insurance and reinsurance contracts: key assumptions | 31 | 234 |
| Liability Adequacy Test | 31 | 233 |
| Measurement of GWP accrual adjustment | 6 | 202 |

Accounting assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustments for the year ended 31st December 2025are included in the following notes

| Critical assumptions and estimation uncertainties | Note | Page |
|---|---|---|
| Insurance contract liabilities and key actuarial assumptions | 31 | 233 |
| Fair value of financial instruments with significant unobservable inputs | 29 | 229 |
| Impairment measurement of financial assets: determination of inputs into the Incurred Credit Loss (ECL) measurement model, including key assumptions and incorporation of forward looking information | 29 | 229 |
| Useful life-time of property, plant and equipment | 20 | 214 |
| Recognition of deferred tax asset | 17 | 209 |
| Measurement of defined benefit obligation: key actuarial assumptions | 32 | 236 |
| Estimating the incremental borrowing rate for lease liabilities | 21 | 218 |
| Provisions and contingencies | 40. | 253 |
| Modifications to the discount rate used for valuation of insurance contract liabilities | 31 | 233 |
| Going concern basis | 2.4 | 195 |
| Liability Adequacy Test (LAT) | 31 | 233 |

## 4 FORWARD-LOOKING INFORMATION

The following standards have been issued and are effective for annual period beginning on or after 1st January 2018. Further, early adoption was permitted with the transitional rules. However, these standards have not been applied to these financial statements.

### 4.1 SLFRS 9 – Financial instruments

The standard became effective for the annual periods beginning on or after 1st January 2018, with early adoption permitted.

The Company met the eligibility criteria for temporary exemption under the amendments to SLFRS 4 from applying SLFRS 9 in 2018 and has accordingly deferred the adoption of SLFRS 9 until SLFRS 17, 'Insurance Contracts' is adopted upon its mandatory effective date.

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

#### Temporary exemption from SLFRS 9

An Insurer may apply the temporary exemptions from SLFRS 9 if, and only if:

(a) It has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at Fair Value through profit or Loss and;

(b) Its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date.

As the company's activities are predominantly connected with insurance and it has not previously applied any version of SLFRS 9 as indicated above, the company will be eligible for the temporary exemption from applying SLFRS 9.

| As at 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| Insurance contract liabilities | 3,266,440,502 | 2,715,710,389 |
| Claim payable | 15,501,708 | 21,356,751 |
| Reinsurance payables | 17,300,371 | 8,696,647 |
| **Liabilities connected with insurance** | 3,299,242,582 | 2,745,763,787 |
| | | |
| **Total liabilities** | 3,755,571,655 | 3,168,770,202 |
| **Predominance ratio** | 88% | 87% |

### Financial Assets

SLFRS 9 has introduced new classification and measurement approach for financial assets based on the characteristics of cash flows of financial asset and the business model in which assets are managed. Accordingly, SLFRS 9 includes three principal classification categories to financial assets.

- Amortised cost – Financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Fair Value through other comprehensive income – Financial asset held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Fair value through profit or loss - Financial asset which has not identified as amortize cost or Fair value through other comprehensive income.

### Impact Assessment

- The equity investment securities that are classified as fair value through profit or loss (FVTPL) under LKAS 39, will be remained under FVTPL and measured at fair value.
- Debt investment securities that are classified as available for sale under LKAS 39, may classified as fair value through other comprehensive income under SLFRS 9, or be classified at amortised cost and measured at fair value / amortised cost respectively.
- Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at amortised cost under SLFRS 9.
- Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9.
- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9.

### Impairment – Financial Assets

SLFRS 9 has replaced the "Incurred loss" model which is introduced by LKAS 39, by introducing "Expected Credit Loss" (ECL) model. In this impairment of financial assets is recognized under 3 stages.

- Stage 01 - As soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest is calculated on the gross carrying amount (i.e. without deduction for expected credit losses).
- Stage 02 - If the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest is the same as for Stage 1. (Gross carrying amount)
- Stage 03 - If the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance which is the net carrying amount). Financial assets in this stage will generally be assessed individually.

This will be required considerable judgement over how changes in economic factors affect to Expected Credit Loss (ECL), which will be determined on a probability weighted basis.

### Financial liabilities

Under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or Loss, whereas under SLFRS 9 the amount of change in the fair value that is attributed to changes in the credit risk of the liability is presented in Other Comprehensive Income and the remaining amount of change in the fair value is presented in profit or Loss.

## 4.2 SLFRS 17 – Insurance contracts

As recommended by the Accounting Standards Committee, the Institute of Chartered Accountants of Sri Lanka has decided to adopt SLFRS 17 - Insurance Contracts with effective from annual reporting periods beginning on or after 1 January 2026.

SLFRS 17 Insurance contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of

SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

This standard allows to recognise a group of insurance contracts it issues from the earliest of the following:

(a) the beginning of the coverage period;

(b) the date when the first payment from a policyholder becomes due; and

(c) when the group becomes onerous if facts and circumstances indicate that there is such a group.

SLFRS – 17 has introduced three measurement approaches;

**1. Building block approach (BBA)**
On initial recognition, an entity shall measure a group of contracts at the total of:

a) the amount of fulfilment cash flows ("FCF"), which comprise; estimates of future cash flows, an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows and risk adjustment for non-financial risk.

b) the contractual service margin ("CSM")

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- the initial recognition of an amount for the FCF
- the derecognition at that date of any asset or liability recognised for acquisition cash flows; and;
- any cash flows arising from the contracts in the group at that date.

**2. Premium allocation approach (PAA)**
An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

(a) the entity reasonably expects that this will be a reasonable approximation of the General Model, or

(b) the coverage period of each contract in the group is one year or less.

Where, at the inception of the group, an entity expects significant variances in the FCF during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

Using the PAA, the liability for remaining coverage shall be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus Amortisation of acquisition cash flows, minus the amount recognised as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

**3. Variable fee approach (VFA)**
Insurance contracts with direct participation features apply a modified version of the general model called the variable fee approach. One of the concerns that respondents had with the application of the general model to insurance contracts with participation features was that it could result in the reporting of artificial volatility in profit or loss. This volatility could arise from a mismatch between the accounting treatment of investment gains and losses on underlying items attributable to policyholders, and the accounting treatment of the liability to those policyholders. The requirement in the general model to report the impacts of all changes in financial assumptions in comprehensive income (rather than by adjusting the CSM) was also considered to create artificial profit volatility in cases where the returns from underlying items would be paid to policyholders. The variable fee approach therefore addresses these concerns by adjusting the general model.

**Discount rates**
The discount rates applied to the estimate of cash flows shall:

(a) reflect the time value of money (TVM), the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;

(b) be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts; and

(c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts

**Risk adjustment for non-financial risk**
The estimate of the present value of the future cash flows is adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

**Subsequent measurement**
On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

(a) the liability for remaining coverage comprising the FCF related to future services and the CSM of the group at that date;

(b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

**Onerous contracts**
An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognised acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

On subsequent measurement, if a group of insurance contracts become onerous (or more onerous), that excess shall be recognised in profit or loss. Additionally, CSM cannot increase and no revenue can be recognised, until the onerous amount previously recognised has been reversed in profit or loss as part of a service expense.

**Modification and de-recognition**

Modification of an insurance contract
If the terms of an insurance contract are modified, an entity shall derecognise the original contract and recognise the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The modification is substantive if any of the following conditions are satisfied:

(a) if, had the modified terms been included at contract's inception, this would have led to:

I. exclusion from the Standard's scope;

II. unbundling of different embedded derivatives;

III. redefinition of the contract boundary; or

IV. the reallocation to a different group of contracts; or

(b) if the original contract met the definition of a direct participating insurance contracts, but the modified contract no longer meets that definition, or vice versa; or

(c) the entity originally applied the PAA, but the contract's modifications made it no longer eligible for it.

**De-recognition**
An entity shall de-recognise an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

**Transition**
An entity shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilise reasonable and supportable information and maximise the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. Under this approach the use of hindsight is permitted, if that is the only practical source of information for the restatement of prior periods.

Under the fair value approach, an entity determines the CSM or the loss component at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date. Using this approach, on transition entity has a choice need for annual groups.

At the date of initial application of the Standard, those entities already applying SLFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the standard.

Entities can choose not to restate SLFRS 9 comparatives with any difference between the previous carrying amount of those financial assets and the carrying amount at the date of initial application recognised in the opening equity at the date of initial application. Any restatements of prior periods must reflect all the requirements of SLFRS 9.

Other new standards and amendments applicable on or after 01st January 2025

- Classification of liabilities as current or non current (amendments to LKAS 1)

- Disclosure of accounting policies (amendments to LKAS 1 and SLFRS practice statement 2)
- Supplier Finance Arrangements (Amendments to LKAS 7)
- Definition of accounting estimates (amendments to LKAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12)
- International Tax Reform - Pillar Two Model Rules (Amendments to LKAS 12)
- Lease Liability in a Sale and Leaseback (Amendments to SLFRS 16)
- Lack of exchangeability (Amendments to LKAS 21)
- General Requirements for Disclosure of Sustainability-related Financial Information (SLFRS S1 Early adoption)
- Climate Related Disclosures (SLFRS S2 Early adoption)
- Classification and Measurement of Financial Instruments (Amendments to SLFRS 9 and SLFRS 7) – Effective on or after 1st January 2026, with early adoption permitted.
- Contracts Referencing Nature-dependent Electricity (Amendments to SLFRS 9 and SLFRS 7) – Effective on or after 1st January 2026, with early adoption permitted.
- Annual Improvements to SLFRS – Volume 11 – Effective on or after 1st January 2026, with early adoption permitted.
- SLFRS 17 Insurance Contracts – Effective on or after 1st January 2026, with early adoption permitted together with SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers.
- SLFRS 9 Financial Instruments – The Company early adopted SLFRS 9 effective 01 January 2019 and intends to reassess its business models and classification of financial assets in conjunction with the adoption of SLFRS 17 to ensure alignment with the measurement of insurance contract liabilities.
- SLFRS 18 Presentation and Disclosure in Financial Statements – Effective on or after 1st January 2027, with early adoption permitted.
- SLFRS 19 Subsidiaries without Public Accountability: Disclosures – Effective date subject to adoption requirements, with early adoption permitted where applicable.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements. The accounting policies are presented along with the respective notes.

Set out below is an index of the significant policies


| Note | Significant Accounting Policies | Page |
|---|---|---|
| 5.1 | Impairment Of Non-Financial Assets | 202 |
| 6 | Gross Written Premium | 202 |
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| 14 | Underwriting And Net Acquisition Costs | 206 |
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| 17 | Income Tax Expense | 208 |
| 18 | Earning Per Share | 211 |
| 19 | Intangible Assets | 211 |
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| 36 | Other Liabilities | 239 |
| 40 | Provisions and Contingencies | 253 |
| 41 | Events occurring after the reporting period | 253 |
| 42 | Segment Reporting | 253 |

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD...)

### 5. 1 Other Significant Accounting Policies Not Covered With Individual Notes

Impairment of non-financial assets

The carrying amounts of the company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other asset

### 5.2 Changes in significant accounting policies

During the current annual reporting period company has not made any change in material accounting policies .

The details of the new and amendments to existing SLFRSs effective from 1st January 2025 which have been duly considered in the preparation of the Financial Statements of the Company have been disclosed in Note 4.3.Further, the Company has voluntarily commenced reporting aligned with SLFRS S1 and S2 standards during the current period.

## 6 GROSS WRITTEN PREMIUM

***Accounting Policy***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Gross written premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30-day grace period are considered as due). Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to 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 the reporting date

| For the year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| First year premium | 663,622,130 | 694,163,807 |
| Renewal premium | 1,041,837,428 | 1,000,978,872 |
| Group premium | 56,675,297 | 273,619,893 |
| **Total gross written premium** | 1,762,134,855 | 1,968,762,572 |

## 7 PREMIUM CEDED TO REINSURERS ON INSURANCE CONTRACTS

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 are recognised as an expense on the earlier of the due date or date on which the policy is effective. Value of the premiums are decided on the rates agreed with reinsurers and accounted on an accrual basis.

| For the year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Conventional policies | 91,562,656 | 87,487,646 |
| **Total premium ceded to reinsurers** | 91,562,656 | 87,487,646 |
| | | |
| **Total net written premium** | 1,670,572,199 | 1,881,274,926 |

## 8 FEES AND COMMISSION INCOME

***Accounting Policy***

Policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed.

| For the year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Policyholder administration fees | 13,535,660 | 30,467,426 |
| **Total fees and commission income** | 13,535,660 | 30,467,426 |

## 9 INVESTMENT INCOME

***Accounting Policy***

Investment income comprises interest income on funds invested and dividend income (including AFS financial assets).

Interest income is recognised in the income statement as it accrues and is calculated by using the Effective Interest Rate method (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.

The calculation of the EIR includes all transaction costs and fees that are an integral part of EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the EIR of the instrument.

Dividend Income is recognised when the Company's right to receive the payment is established. For equity securities this is the ex-dividend date.

Dividends are presented under net investment income in the Income Statement

| For the year ended 31st December | Note | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|---|
| Held to maturity financial assets | 9.1 | 144,949,111 | 176,387,792 |
| Loans and receivables | 9.2 | 269,909,049 | 307,030,801 |
| Available for sale financial assets | 9.3 | 64,788,311 | 56,565,022 |
| **Total investment income** | | 479,646,471 | 539,983,615 |

### 9.1 Investment Income from Held to maturity financial assets

| For the year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Treasury bonds | 144,949,111 | 176,387,792 |
| | 144,949,111 | 176,387,792 |

## 9 INVESTMENT INCOME (CONTD...)

### 9.2 Investment Income from Loans and receivables Financial Assets

| For the year ended 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| **Interest income** | | |
| Reverse repurchase agreements | 47,139,911 | 38,305,242 |
| Fixed deposits | 146,582,154 | 191,832,927 |
| Savings account interest | 1,849,769 | 1,477,765 |
| Debentures | 56,532,698 | 70,944,633 |
| Commercial Paper | 17,804,517 | 1,442,308 |
| Treasury bills | - | 3,027,926 |
| | 269,909,049 | 307,030,801 |

### 9.3 Investment Income from Available for sale financial assets

| For the year ended 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| **Interest income** | | |
| Treasury bonds | 37,750,000 | 37,577,463 |
| | | |
| Dividend income | 27,038,311 | 18,987,559 |
| | 64,788,311 | 56,565,022 |

## 10 FAIR VALUE GAIN/(LOSS)

***Accounting Policy***

Fair value gains and losses recorded in the income statement on investments include fair value gains / losses on financial assets at FVTPL.

| For the year ended 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| **Fair value through profit or loss financial assets** | | |
| Fair value gain from Unit Trusts | 12,380,167 | 14,012,635 |
| **Total fair value gains/(losses)** | 12,380,167 | 14,012,635 |

## 11 NET REALISED GAINS / (LOSSES)

***Accounting Policy***

Net realised gains represent the reclassification of cumulative gains or losses previously recognised in equity in respect of Available-for-Sale (AFS) financial assets upon their disposal.

In accordance with LKAS 39 Financial Instruments: Recognition and Measurement, changes in the fair value of AFS financial assets are initially recognised in other comprehensive income and accumulated in the Available-for-Sale reserve within equity.

Upon derecognition of an AFS financial asset, the cumulative gain or loss previously recognised in equity is reclassified to the statement of profit or loss as a realised gain or loss. Accordingly, "Net realised gains" presented in the statement of profit or loss comprise solely such amounts reclassified from the AFS reserve.

The realised gain or loss is measured as the difference between the net disposal proceeds and the original cost of the financial asset, adjusted for any previously recognised impairment losses.

**Presentation and Scope**
Net realised gains are presented within "Net gains/(losses) from financial investments" in the statement of profit or loss.

No realised gains or losses from financial assets classified as Fair Value Through Profit or Loss (FVTPL) or other categories are included within this line item, as such gains and losses are recognised separately in accordance with their respective accounting treatments.

| For the year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Treasury bonds | (21,748,513) | 17,615,861 |
| Quoted equities | 257,514,762 | - |
| | 235,766,249 | 17,615,861 |

## 12 OTHER OPERATING REVENUE

***Accounting Policy***
Other income is recognised on an accrual basis. This includes fees ,miscellaneous income and disposal gains of property plant and equipment.

Any gain or loss arising from the disposal of a PPE item is determined as the difference between the net proceeds from the sale and the asset's carrying amount at the time of disposal. This gain or loss is recognized as 'Other Income' in the Income Statement in the year the Company transfers control of the asset to the buyer. In the case of revalued assets, any related balance in the revaluation reserve is transferred to retained earnings upon disposal.

| | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Gain on sale of property, plant and equipment | - | - |
| Other operating revenue | 8,373,393 | 6,010,235 |
| **Total other operating revenue** | 8,373,393 | 6,010,235 |

## 13 NET BENEFITS AND CLAIMS

***Accounting Policy***

### 13.1 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 processing and settlement of claims. Death, Hospitalisation and surrenders are recorded on the basis of notifications received. Maturity payments are recorded when due.

### 13.2 Reinsurance Recoveries

Reinsurance claims recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

## 13 NET BENEFITS AND CLAIMS (CONTD...)

### 13.3 Analysis of life insurance claims and benefits paid

| For the year ended 31st December | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Gross claims paid | Claims recovered from reinsurers | Net claims paid | Gross claims paid | Claims recovered from reinsurers | Net claims paid |
| Hospitalisation | 120,089,275 | (60,251,778) | 59,837,497 | 310,934,006 | (47,650,076) | 263,283,930 |
| Death | 106,792,893 | (15,612,157) | 91,180,736 | 237,450,286 | (8,035,850) | 229,414,436 |
| Surrender payments | 200,046,926 | - | 200,046,926 | 288,063,610 | - | 288,063,610 |
| Policy maturities | 499,494,362 | - | 499,494,362 | 362,796,660 | - | 362,796,660 |
| **Total life insurance claims and benefits** | 926,423,456 | (75,863,935) | 850,559,521 | 1,199,244,562 | (55,685,926) | 1,143,558,636 |

### 13.4 Net change in insurance claims outstanding

***Accounting Policy***

Any differences between the initial estimated cost of claims and the final settlement amount or revised estimates are recorded in the Income Statement in the year they occur. Additionally, any changes in outstanding insurance claims are also reflected in the Income Statement.

| For the year ended 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| **Gross change in insurance claims outstanding** | | |
| Hospitalisation | 4,479,509 | 8,491,291 |
| Death | 11,170,578 | 15,667,687 |
| Policy maturities | - | - |
| | 15,650,087 | 24,158,978 |
| | | |
| **Change in contract liabilities ceded to reinsurers** | | |
| Hospitalisation and death | (9,365,283) | (6,686,815) |
| **Total net change in insurance claims outstanding** | 6,284,804 | 17,472,163 |

## 14 UNDERWRITING AND NET ACQUISITION COSTS

***Accounting Policy***

All acquisition costs for insurance contracts are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

| For the year ended 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| Commission Expenses for Insurance Contracts | 291,881,958 | 378,311,458 |
| Staff Cost - Marketing | 141,430,327 | 153,190,903 |
| | 433,312,285 | 531,502,361 |

## 15 OTHER OPERATING AND ADMINISTRATIVE 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 year ended 31st December | | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|---|
| Administration & establishment expenses | | 206,023,543 | 255,073,245 |
| Employee benefits expense | 15.1 | 306,497,391 | 355,063,419 |
| Selling expenses | | 22,501,363 | 30,288,529 |
| Finance cost | 15.2 | 38,156,269 | 50,102,490 |
| **Total other operating and administrative expenses** | | 573,178,566 | 690,527,683 |

### 15.1 Employee benefits expense

***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 scheme where the company makes fixed contributions to a separate fund without any further financial obligation beyond these payments. These contributions are recognized as employee benefit expenses in the Income Statement during the periods in which they are incurred.

**Employees' Provident Fund (EPF)**

All employees of the company are enrolled in the Employees' Provident Fund (EPF). Under this scheme, the company contributes 12% of each employee's salary, while employees contribute 8%.

**Employees' Trust Fund (ETF)**

All employees of the company are also enrolled in the Employees' Trust Fund (ETF), to which the company contributes 3% of each employee's salary.

| For the year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| **Short Term Employee Benefit Expenses** | | |
| **Administrative employees** | | |
| Staff remuneration and Other expenses | 109,453,578 | 116,256,112 |
| Employees' provident fund - EPF | 9,014,589 | 9,673,973 |
| Employees' trust fund - ETF | 2,982,169 | 3,240,501 |
| **Sales force** | | |
| Staff remuneration and Other expenses | 166,188,675 | 205,681,771 |
| Employees' provident fund - EPF | 11,945,595 | 12,962,004 |
| Employees' trust fund - ETF | 2,220,772 | 2,309,330 |
| | 301,805,378 | 350,123,691 |
| **Long Term Employee Benefits** | | |
| Contributions to employee benefit obligation plans | 4,692,013 | 4,939,728 |
| **Total employee benefits expense** | 306,497,391 | 355,063,419 |

## 15 OTHER OPERATING AND ADMINISTRATIVE EXPENSES (CONTD...)

### 15.2 Finance cost/(gains)

***Accounting Policy***

Interest cost is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate method.

| For the year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Interest expenses on lease liabilities and borrowings | 38,156,269 | 50,102,490 |
| **Total employee benefits expense** | 38,156,269 | 50,102,490 |

## 16 PROFIT BEFORE TAX

***Accounting Policy***

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes share of profit of equity-accounted investees and income taxes.

Profit before tax is stated after charging all expenses including the following;

| For the year ended 31st December | Notes | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|---|
| Director fee and emoluments | 16.1 | 3,406,304 | 2,234,481 |
| Statutory audit and audit related services | | 7,412,301 | 4,344,679 |
| Depreciation of property plant and equipment | 20.1 | 20,503,114 | 22,912,538 |
| Amortisation of intangible assets | 19 | 298,263 | 438,314 |
| Depreciation of right of use assets | 21.11 | 106,945,112 | 119,121,357 |
| Amortisation of lease liabilities | 20.3 | 34,317,346 | 41,059,179 |
| EPF | 15.1 | 20,960,184 | 22,635,977 |
| ETF | 15.1 | 5,202,941 | 5,549,831 |
| Defined benefit plan cost | 32.1 | 4,692,013 | 4,939,729 |

### 16.1 Director fee and emoluments

Directors' emoluments represent the salaries and fees paid Non-Executive Directors of the Company.

## 17 INCOME TAX EXPENSE

***Accounting Policy***

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to items recognised in the Other Comprehensive Income or directly in equity, when it is recognised in the OCI equity respectively.

### 17.1 Current Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Provision for taxation is based on the profit for the year adjusted for Taxation purposes in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017.

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

The Inland Revenue Department (IRD) has issued an assessment on the Company for the Years of Assessment (Y/A) 2022/2023 amounting to approximately Rs. 24.7 Mn, including penalties and interest. The company has requested an administrative review in respect of the assessment under the Sec. 139(1) of the Inland Revenue Act, No. 24 of 2017. Based on advice received from its tax consultants and legal advisors, the Directors are of the opinion that there are reasonable grounds to support the Company's position, and accordingly, no provision has been made in these financial statements.

## 17.2 Deferred Tax

***Accounting Policy***

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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 profits will be available against which they can be used. The reversal of relevant taxable temporary differences are determined based on future taxable profits. If the amount of taxable temporary differences is insufficient to recognise 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 reductions 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 is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

### Use of Judgements and Estimates

**Judgements**

The company uses judgement to utilize the deficit transfer against the taxable income generated in the Shareholder fund with agreement of the tax consultant and the Board of Directors.

**Deferred Tax Assets**

The company use judgement in recognising a deferred tax asset in its financial statements. Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available to the company which 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.

**Applicable tax law**

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 the Inland Revenue (Amendment) Act, No. 45 of 2022

### Tax Rates

| Taxable Income Sources | Tax Rate |
|---|---|
| Surplus distributed to shareholders from the life insurance policyholders fund as certified by the actuary | 30% |
| Investment income of the shareholder fund less any expenses incurred in the production of such income | 30% |
| Dividend paid out of profit | 15% |

## 17 INCOME TAX EXPENSE (CONTD...)

### 17.3 Amounts recognised in Profit or Loss

17.3. (a) Current year tax charge

| For the year ended 31st December | Note | 2025 Rs. | 2024 Rs. |
|---|---|---|---|
| **Current income tax** | | | |
| Income tax on current year's profit | | - | - |
| Over/under provision of income taxes | | - | - |
| **Total current income tax** | | - | - |
| | | | |
| **Deferred income tax** | | | |
| Deferred tax assets | 17.3. (d) | (105,000,000) | (90,000,000) |
| **Deferred taxation** | | (105,000,000) | (90,000,000) |
| **Total income tax (reversal)/expense** | | (105,000,000) | (90,000,000) |

17.3. (b) Reconciliation of tax charge

| For the year ended 31st December | 2025 | | 2024 | |
|---|---|---|---|---|
| | % | Rs. | % | Rs. |
| **Profit /(Loss) for the year** | | (96,966,727) | | 144,890,897 |
| | | | | |
| **Shareholder Investment Income** | | 151,120,792 | | 207,829,293 |
| **Less :** | | | | |
| **Allowed expenditure** | | (5,900,534) | | |
| **Utilization of Tax losses** | | - | | (207,829,293) |
| **Surplus distributed from shareholders** | | (477,347,034) | | - |
| **Taxable Income** | | (332,126,776) | | - |
| | | | | |
| **Tax using the Company's domestic tax rate** | | | | |
| Dividend Income | 15% | - | 15% | - |
| Other | | | | |
| First half of the year | | | | |
| Other | 30% | - | 30% | - |
| **Tax on exempt Income** | | | | |
| (Reversal) / Origination of deferred tax asset | | 105,000,000 | | 90,000,000 |
| | | | | |
| **Income tax expense** | | 105,000,000 | | 90,000,000 |

17.3. (c) Tax loss analysis

| | 2025 Rs. | 2024 Rs. |
|---|---|---|
| Balance as at 1st January | 541,387,933 | 749,217,226 |
| Tax losses incurred during the year | 332,126,777 | - |
| Tax losses utilised during the year | - | (207,829,293) |
| **Balance as at 31st December** | 873,514,710 | 541,387,933 |

17.3. (d) Deferred taxation

| | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Deferred tax asset | 262,054,413 | 162,416,380 |
| Derecognition due to revised projection | (67,054,413) | (72,416,380) |
| **Deferred tax asset** | 195,000,000 | 90,000,000 |

In accordance with LKAS 12 – Income Taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilized.

Based on the management's latest last year projections of future taxable income, the Company has assessed further Rs.105 Mn of the deferred tax asset is recoverable within the tax loss claimable timeframe. Company did not recognized further deferred tax assets for the remaining carried forward tax loss of Rs. 224 Mn.

## 18 EARNING PER SHARE

***Accounting Policy***

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit after tax and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

The EPS calculations have been prepared in accordance with LKAS 33 – Earnings Per Share,

### 18.1 Basic Earnings / (Loss) per Share

| For the year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Profit / (Loss) for the year attributable to ordinary share holders | 8,033,273 | 234,890,898 |
| Weighted average number of ordinary shares (Nos) | 66,230,407 | 66,230,407 |
| **Basic Earning/(Loss) per ordinary share Rs.** | 0.12 | 3.55 |

### 18.2 Diluted Earnings per Share

There was no dilution of ordinary shares outstanding. Therefore, diluted earnings per share is the same as basic earnings per share as shown in IS

## 19 INTANGIBLE ASSETS

***Accounting Policy***

**Recognition and Measurement**

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 - Intangible Assets.

**Computer Software**

Computer software acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the statement of financial position at cost, less accumulated Amortisation and accumulated impairment losses.

## 19 INTANGIBLE ASSETS (CONTD...)

**Research and Development cost**
Research costs are expensed as incurred. Development expenditure 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.
- The potential for the asset to generate future economic benefits.
- The availability of resources necessary to complete the asset.
- The ability to reliably measure the expenditure incurred during development.
- The ability to use the intangible asset generated.

Following initial recognition, the development expenditure is carried as an asset at cost, less any accumulated amortization and impairment losses.

**Subsequent Expenditure**
Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

**Useful Economic Life and Amortisation**
Amortisation is calculated to write off the cost of the computer software on straight line basis over their estimated useful lives of 5 years and is generally recognised in profit or loss. None of the intangible assets are assumed to have a residual value.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life or the expected pattern of future economic benefits embodied in the assets is accounted for by changing the useful life or method as appropriate and are treated as changes in accounting estimates.

**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 de-recognition of such intangible assets is included in income statement.

| | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| **Computer software** | | |
| **Cost** | | |
| Balance as at 1st January | 9,252,767 | 2,329,400 |
| Acquisitions during the year - separately acquired | - | 6,923,367 |
| As at 31st December | 9,252,767 | 9,252,767 |
| | | |
| **Accumulated Amortisation and impairment losses** | | |
| As at 1st January | 2,000,487 | 1,562,173 |
| Amortisation charge for the year | 298,263 | 438,314 |
| As at 31st December | 2,298,750 | 2,000,487 |
| **Carrying amount** | | |
| **As at 31st December 2025** | 6,954,017 | |
| **As at 31st December 2024** | | 7,252,280 |

### 19.1 Acquisition of intangible assets during the year

During the financial year, the Company has acquired no intangible assets (2024 - 6.9Mn).

### 19.2 Intangible assets with indefinite useful life

The Company does not have intangible assets with indefinite useful life as at the reporting date. (2024 - Nil).

### 19.3 Research and development cost

There are no research and development cost incurred during the year which is eligible for capitalisation in the Financial Statements.

### 19.4 Internally-generated intangible assets and separately acquired intangible assets

All intangible assets are separately acquired during the year and there are no such internally generated intangible assets during the year.

### 19.5 Fully amortised intangible assets in use

There were no fully amortised intangible assets in use as at reporting date.

### 19.6 Title restriction on intangible assets

There were no restrictions that existed on the title of the intangible assets of the company as at the reporting date.

### 19.7 Assessment of impairment of intangible asset

The Board of Directors has evaluated the potential impairment of intangible assets as of 31st December 2025. Based on this assessment, no impairment provision is required in the Financial Statements as of the reporting date (2024 – Nil).

### 19.8 Borrowing cost capitalization

No borrowing costs were capitalized in relation to the acquisition of intangible assets during the year 2025 (2024 – Nil).

### 19.9 Individually material / significant intangible assets

As of 31st December 2025, the Company's total intangible assets amounted to Rs. 9 million, of which Rs. 6.9 million relates to a firewall upgrade carried out during 2024 year. This upgrade enhances the Company's cybersecurity infrastructure and will be amortized over its estimated useful life of further 4 years.(2024-9 Million)

### 19.10 Intangible Assets Pledged as Security

None of the Intangible assets have been pledged as security as at the reporting date.

### 19.11 Revaluation of intangible assets

Since, cost model has been followed, there is no revaluation adjustment for intangible assets.

### 19.12 Intangible assets acquired by way of government

As at reporting date, the Company has not acquired Intangible assets by way of government grants.

### 19.13 Amount of Contractual Commitments for the Acquisition of Intangible Assets

There were no any contractual commitments for the acquisition of Intangible assets as at reporting date.

## 20 PROPERTY, PLANT AND EQUIPMENT

***Accounting Policy***

The Company applies the requirements of the Sri Lanka Accounting Standard LKAS 16 - Property, Plant and Equipment, in accounting for its owned assets which are held and used in the provision of services or for administrative purposes and are expected to be used for more than one year.

**Basis of Recognition**

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. Company recognise Property, plant and equipment if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

**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 cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located.

**Cost model**

The Company applies the cost model and records at cost of purchase together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

**Subsequent Costs**

The cost of replacing a component of property or equipment is added to the carrying amount of the asset if it is probable that the replacement will generate future economic benefits for the Company and its cost can be reliably measured. The carrying amount of the replaced component is derecognized. Routine maintenance and servicing costs of property and equipment are recognized as expenses when incurred.

**Repairs and Maintenance**

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

**Capital Work in Progress**

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in property, plant and equipment, awaiting for capitalisation.

**Cost of dismantling**

The estimated costs of dismantling, removing, or restoring items of property, plant and equipment is Nil.

**Useful Economic Life and Depreciation**

Depreciation is recognised in the Income Statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embedded in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Furniture Fittings | 5 years |
| Office Equipment | 5 years |
| Computer | 4 years |
| Motor Vehicle | 5 years |

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

**De-recognition**
The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the Income statement when the item is derecognised.

**Carrying value**
The carrying value of an asset or a significant component within a class is assessed annually against its fair value. If the fair value is lower than the carrying value, the asset is written down to its fair value, with the adjustment recognized in the Income Statement.

For assets with material residual values, an annual reassessment is conducted. A comprehensive breakdown of all classes of property, plant, and equipment, including the reconciliation of carrying amounts and accumulated depreciation at the beginning and end of the year, is provided in Note 20.1

## 20.1 Reconciliation of Gross Carrying Value of Property, Plant, and Equipment

| Rs. | Office Equipment | Furniture & Fittings | Computer | Motor Vehicle | 2025 Total | 2024 Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 1st January | 39,616,775 | 137,603,373 | 63,007,671 | 5,800,000 | 246,027,819 | 241,649,816 |
| Additions | 29,205 | - | 1,777,398 | - | 1,806,603 | 4,378,003 |
| Disposals | - | - | - | - | - | - |
| As at 31st December | 39,645,980 | 137,603,373 | 64,785,069 | 5,800,000 | 247,834,422 | 246,027,819 |
| | | | | | | |
| **Accumulated depreciation** | | | | | | |
| As at 1st January | 32,124,620 | 107,961,419 | 58,332,978 | 5,800,000 | 204,219,018 | 181,306,480 |
| Depreciation charge for the year | 3,133,347 | 12,235,755 | 5,134,012 | - | 20,503,114 | 22,912,538 |
| Disposals | - | - | - | - | - | - |
| As at 31st December | 35,257,966 | 120,197,174 | 63,466,991 | 5,800,000 | 224,722,131 | 204,219,018 |
| | - | - | - | - | | |
| **Carrying amount** | | | | | | |
| **As at 31st December 2025** | 4,388,013 | 17,406,199 | 1,318,079 | - | 23,112,291 | |
| **As at 31st December 2024** | 7,492,154 | 29,641,954 | 4,674,693 | - | | 41,808,801 |

## 20.2 Other changes to property, plant and equipment

Except as disclosed in Note 20.1, there were no other impacts on property, plant, and equipment from sources such as assets classified as held-for-sale, acquisitions through business combinations, reversals of impairment losses recognized in OCI or the Income Statement, or exchange rate differences during the period ended 31st December 2025 (2024 - Nil except note 20.1)

## 20.3 Capitalisation of borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2025 (2024 – Nil).

## 20.3 Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of property, plant and equipment of the Company as at the reporting date.

## 20.4 Acquisition of PPE during the year

During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs. 1.8 Million (2024 - Rs. 4.4 Million). Cash payments amounting to Rs. 1.8 Million (2024 - Rs. 4.4 Million) were made during the year to purchase of property, plant & equipment.

## 20 PROPERTY, PLANT AND EQUIPMENT (CONTD...)

### 20.5 Disposal of Property, Plant and Equipment During the Year

There was no disposal of property, plant and equipment during the year (2024 - Nil)

### 20.6 Amount of Contractual Commitments for the Acquisition of Property, Plant and Equipment

There are no contractual commitments for the acquisition of property, plant and equipment as at the reporting date.

### 20.7 Impairment of property, plant and equipment

The Board of Directors has evaluated the potential impairment of property, plant, and equipment as of 31st December 2025. Based on this assessment, no impairment provision is required in the Financial Statements as of the reporting date (2024 - Nil)

### 20.8 PPE pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities during the year. (2024 - Nil)

### 20.9 Temporarily idle property, plant and equipment

There were no temporarily idle property as at the year ended 31st December 2025. (2024 - Nil)

### 20.10 Compensation from Third Parties for Property, Plant, and Equipment

No compensation was received or receivable from third parties for property, plant, and equipment that were impaired, lost, or disposed of as of the reporting date.

### 20.11 Compensation from Third Parties for Property, Plant, and Equipment

As of the reporting date, there were no property, plant, and equipment under construction (2024 – Nil).

### 20.12 Property, Plant, and Equipment Retired from Active Use

No property, plant, and equipment were retired from active use as of the reporting date (2024 – Nil)

### 20.13 Permanent Decline in Value of Property, Plant, and Equipment

There has been no permanent decline in the value of property, plant, and equipment requiring an impairment provision in the Financial Statements as of 31st December 2025 (2024 – Nil).

### 20.14 Fully depreciated PPE in use

PPE includes fully depreciated assets which are in the use of normal business activities. The initial cost of fully depreciated PPE which are still in use as at reporting date, is as follows;

| As at 31st December, | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Computer | 56,421,242 | 46,766,355 |
| Furniture | 84,094,288 | 67,908,498 |
| Office Equipment | 25,420,580 | 22,778,176 |
| | 165,936,110 | 137,453,029 |

### 20.15 Fair value of property, plant and equipment

The carrying amount of property, plant, and equipment, as disclosed in Note 20.1, closely reflects their fair value as of the reporting date.

### 20.16 Revaluation of Property, Plant, and Equipment

The Company has not conducted any revaluation since it does not own any freehold land or buildings, as all land and buildings utilized are leased assets.

## 21 RIGHT OF USE ASSETS AND LEASE LIABILITIES

### 21.1 Right of use assets

***Accounting Policy***

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 assesses whether :

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified
- The company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The company has the right to direct the use of the asset. The company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the company has the right to direct the use of the asset if either
- The company has the right to operate the asset; or
- The company designed the asset in a way that predetermines how and for what purpose it will be used.

**Initial measurement**

At the commencement date the company measure the right-of-use asset at cost. Cost include the amount of the lease liability (present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined company's incremental borrowing rate), any lease payment made at or before the commencement date less any lease incentives received, initial direct cost incurred and estimate of cost to be incurred by the company in dismantling and removing the underlying asset or restoring the site on which it is located.

**Subsequent measurement**

The recognised right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

Depreciation has been charged to income statement under operating and administration expenses.

**Impairment**

As of the reporting date, the Company has not recognized any impairment loss on right-of-use assets, as each business unit continues to operate under the business continuity plans outlined in the Company's risk management strategy.

**Short-term leases and leases of low-value assets**

The company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**Nature of the leasing activity**

The Company has lease agreements for its head office and branches, typically ranging from 1 to 5 years, with extension options. Lease terms are negotiated individually and vary based on specific terms and conditions

**Presentation**

The Company presents right-of-use assets, excluding those classified as investment property, under a separate line item titled "Right-of-Use Assets" and lease liabilities under a separate line item titled "Lease Liabilities.

## 21 RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTD...)

Reconciliation of the carrying value of Right of use assets

| As at 31st December | | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|---|
| Opening as at 1st January | | 171,032,028 | 198,167,665 |
| Additions of right of use asset during the period | | 129,713,492 | 85,070,180 |
| Net depreciation for the period | 21.2 | (106,945,112) | (119,121,357) |
| Advance payment for leases | | 5,176,074 | 6,915,540 |
| **Closing right of use asset balance as at 31st December** | | 198,976,482 | 171,032,028 |
| | | | |
| 21.1 Amounts recognized in income statement | | | |
| Net depreciation for the period | | | |
| Lease depreciation | | (101,669,245) | (106,064,474) |
| Amortisation of advance | | (5,275,867) | (13,056,883) |
| | | (106,945,112) | (119,121,357) |

### 21.2 Amounts recognized in statement of cash flows

Lease payments for short-term leases, leases of low-value assets, and variable lease payments not included in the lease liability measurement are classified under operating activities. The principal portion of lease payments is classified under financing activities, while the interest portion is recorded under operating activities. During the period, the Company did not receive cash from leases, as it operates as the lessee.

| | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Total cash flow (out) of lease | 146,726,660 | 155,751,763 |

### 21.3 Extension Options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

### 21.4 Lease Liabilities

**Initial recognition and measurement**

At the commencement 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 using the company's incremental borrowing rate.

Generally company use incremental borrowing rate as discount rate. Incremental borrowing ranges between 9% to 25%.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and making necessary adjustments to reflect the specific terms of the lease and the nature of the leased asset.

Lease payments considered in measuring the lease liability include:

- Fixed payments, including in-substance fixed payments.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date.
- Expected amounts payable under a residual value guarantee.
- The exercise price of a purchase option if the Company is reasonably certain to exercise it.
- Lease payments during an optional renewal period if the Company is reasonably certain to extend the lease.

- Penalties for early termination, unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in:

- Future lease payments due to a change in an index or rate.
- The Company's estimate of amounts payable under a residual value guarantee.
- The Company's assessment of whether it will exercise a purchase, extension, or termination option.
- In-substance fixed lease payments.

**Interest Expense on lease liability**
Interest expenses on lease liabilities are calculated using the effective interest rate method and recognized as finance expenses in the Income Statement.

**Subsequent measurement**
After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

| As at 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Opening as at 1st January | 208,113,822 | 221,777,381 |
| Additions during the period | 129,713,492 | 85,070,180 |
| Finance cost recognised in profit and loss | 34,317,346 | 41,059,179 |
| Lease payments | (137,711,658) | (139,792,918) |
| **Closing as at 31st December** | 234,433,002 | 208,113,822 |

Maturity analysis – Contractual undiscounted cash flows

| As at 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Less than one year | 127,043,063 | 91,693,179 |
| Between one to five years | 139,408,103 | 159,825,224 |
| More than five years | 1,270,500 | 2,541,000 |
| Total Undiscounted lease liabilities | 267,721,666 | 254,059,403 |
| Finance cost | (33,288,664) | (45,945,581) |
| Lease liability as at 31-12-2025 | 234,433,002 | 208,113,822 |

**Lease commitment for short term leases**
As of the reporting date, the Company has no commitments for short-term leases.

**Restrictions and covenants imposed by the leases**
There are no restrictions or covenants under lease agreements that require disclosure in these Financial Statements.

**Sale and lease back transaction**
The Company has not engaged in any sale and leaseback transactions as of the reporting date (2024: Nil).

**Sub lease**
The Company does not have any subleased properties as of the reporting date (2024: Nil).

## 22 FINANCIAL ASSETS

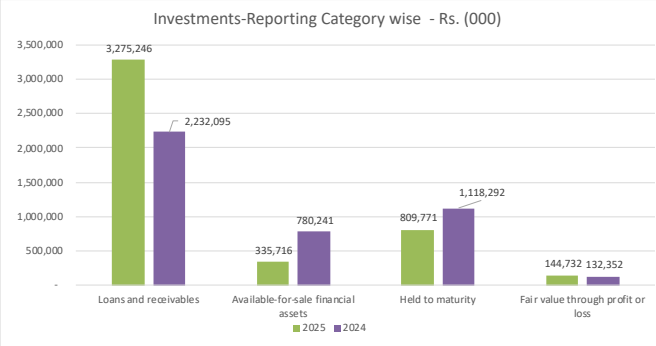
***Accounting Policy***

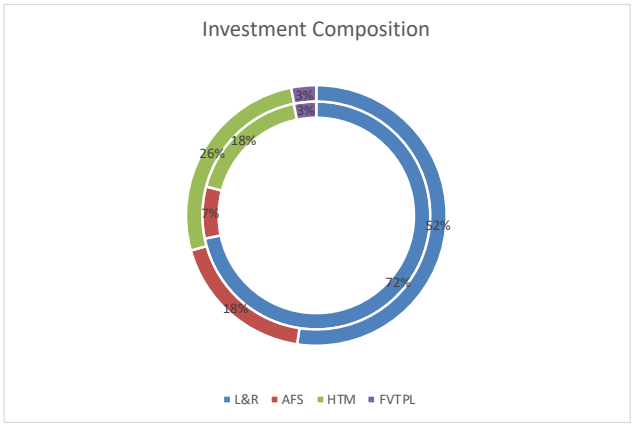
See accounting policy in Note 29

The risk management practices adopted by the Company in relation to the investment portfolio and risk management disclosures are outlined in the financial statements.

The Company's financial instruments are summarised by categories together with their carrying values as follows;

| | Note | 2025 | | 2024 | |
|---|---|---|---|---|---|
| | | Carrying value Rs. | Fair value Rs. | Carrying value Rs. | Fair value Rs. |
| Loans and receivables | 22.1 | 3,275,245,648 | 3,263,608,307 | 2,232,094,687 | 2,218,010,715 |
| Available-for-sale financial assets | 22.2 | 335,716,450 | 335,716,450 | 780,240,836 | 780,240,836 |
| Held to maturity | 22.3 | 809,770,877 | 891,668,135 | 1,118,291,661 | 1,214,517,246 |
| Fair value through profit or loss | 22.4 | 144,731,814 | 144,731,814 | 132,351,647 | 132,351,647 |
| **Total financial instruments** | | 4,565,464,789 | 4,635,724,706 | 4,262,978,831 | 4,345,120,444 |




### 22.1 Loans and receivables (L&R)

| As at 31st December | Note | 2025 Rs. | 2024 Rs. |
|---|---|---|---|
| **Amortised cost** | | | |
| Debentures | 22.1. (a) | 471,211,422 | 471,257,072 |
| Fixed deposit | | 1,584,845,290 | 1,072,650,120 |
| Reverse repurchase agreements | | 1,051,272,593 | 436,742,023 |
| Commercial Papers | | 167,916,343 | 151,442,308 |
| RPAF loan | | - | 100,003,164 |
| Treasury bills | | - | - |
| | | 3,275,245,648 | 2,232,094,687 |
| Provision for impairment | | - | - |
| | | 3,275,245,648 | 2,232,094,687 |

22.1. (a) Debentures

| As at 31st December | 2025 | | | | |
|---|---|---|---|---|---|
| Issuer | Credit rating | Maturity date | Carrying value Rs. | Market value Rs. | Interest (%) |
| Seylan Bank | A- | 4/12/26 | 18,788,464 | 17,570,000 | 10% |
| Seylan Bank | A- | 4/12/26 | 18,788,464 | 17,570,000 | 10% |
| Sampath Bank | A | 4/12/28 | 53,199,321 | 50,000,000 | 9% |
| Sampath Bank | A | 4/12/28 | 53,199,321 | 50,000,000 | 9% |
| Singer Finance PLC | BBB- | 6/25/26 | 22,246,615 | 21,250,000 | 9% |
| Singer Finance PLC | BBB- | 6/25/26 | 22,246,615 | 21,250,000 | 9% |
| LOLC Unlisted | A- | 7/30/26 | 26,051,551 | 23,312,500 | 10% |
| LOLC Unlisted | A- | 7/30/26 | 26,051,551 | 23,312,500 | 10% |
| Commercial Bank | A | 9/21/26 | 20,493,199 | 20,000,000 | 9% |
| Commercial Bank | A | 9/21/28 | 51,300,700 | 50,000,000 | 10% |
| Commercial Bank | A | 9/21/26 | 30,739,799 | 30,000,000 | 9% |
| Nation Development Bank | BBB+ | 11/24/26 | 50,589,418 | 50,000,000 | 12% |
| Nation Development Bank | BBB+ | 11/24/26 | 30,353,651 | 30,000,000 | 12% |
| Commercial Bank | A | 12/11/27 | 3,976,769 | 5,566,400 | 28% |
| Commercial Bank | A | 12/12/27 | 7,055,727 | 9,883,200 | 28% |
| Sampath Bank | A- | 2/9/28 | 12,458,709 | 12,750,000 | 28% |
| Sampath Bank | A- | 2/9/28 | 23,671,548 | 24,225,000 | 28% |
| | | | 471,211,422 | 456,689,600 | |

| As at 31st December | 2024 | | | | |
|---|---|---|---|---|---|
| Issuer | Credit rating | Maturity date | Carrying value Rs. | Market value Rs. | Interest (%) |
| Seylan Bank | BBB | 4/12/26 | 18,789,329 | 17,570,000 | 9.75 |
| Seylan Bank | BBB | 4/12/26 | 18,789,329 | 17,570,000 | 9.75 |
| Sampath Bank | BBB+ | 4/12/28 | 53,202,735 | 50,000,000 | 9.00 |
| Sampath Bank | BBB+ | 4/12/28 | 53,202,735 | 50,000,000 | 9.00 |
| Commercial Bank (A) | BBB+ | 9/21/26 | 20,494,785 | 20,000,000 | 9.00 |
| Commercial Bank (B) | BBB+ | 9/21/28 | 51,307,097 | 50,000,000 | 9.50 |
| Commercial Bank (A) | BBB+ | 9/21/26 | 30,742,178 | 30,000,000 | 9.00 |
| NDB | BBB | 11/24/26 | 50,594,983 | 50,000,000 | 11.90 |
| NDB | BBB | 11/24/26 | 30,356,990 | 30,000,000 | 11.90 |
| COM | BBB+ | 12/11/27 | 3,976,795 | 5,566,400 | 28.00 |
| COM | BBB+ | 12/12/27 | 7,058,431 | 9,883,200 | 28.00 |
| Sampath | BBB+ | 2/9/28 | 12,462,377 | 13,500,000 | 28.00 |
| Sampath | BBB+ | 2/9/28 | 23,678,517 | 25,650,000 | 28.00 |
| Singer Finance PLC | BBB | 6/25/26 | 22,247,594 | 20,404,250 | 9.25 |
| Singer Finance PLC | BBB | 6/25/26 | 22,247,594 | 20,404,250 | 9.25 |
| LOLC | A- | 7/30/26 | 26,052,801 | 23,312,500 | 10.25 |
| LOLC | A- | 7/30/26 | 26,052,801 | 23,312,500 | 10.25 |
| | | | 471,257,072 | 457,173,100 | |

## 22 FINANCIAL ASSETS (CONTD...)

### 22.2 Available for sale financial assets

| As at 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Treasury bonds | 335,716,450 | 332,894,050 |
| Quoted equities | - | 447,346,786 |
| | 335,716,450 | 780,240,836 |

### 22.3 Held to Maturity

| | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Treasury bonds | 809,770,877 | 1,118,291,661 |
| | 809,770,877 | 1,118,291,661 |

### 22.4 Fair Value Through Profit or Loss

| | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Unit trust | 144,731,814 | 132,351,647 |
| | 144,731,814 | 132,351,647 |

### 22.5 Carrying values of financial instruments

The movement of carrying value of above financial instruments as of reporting date is as follow;

| As at 31st December | Loans and Receivables<br>Rs. | Available-For Sale<br>Rs. | Held to Maturity | Fair Value Through Profit & Loss | Total<br>Rs. |
|---|---|---|---|---|---|
| **At 1st January 2024** | 2,193,341,372 | 547,159,911 | 1,091,046,902 | 118,336,033 | 3,949,884,218 |
| Purchases | 599,298,555 | | 170,684,544 | | 769,983,099 |
| Script Dividend | | 9,683,618 | | | 9,683,618 |
| Maturities | (867,576,040) | | (319,827,577) | | (1,187,403,617) |
| Disposals | | | | | - |
| Fair value gains recorded in income statement | | | | 14,015,614 | 14,015,614 |
| Fair value gains recorded in other comprehensive income | | 195,050,188 | | | 195,050,188 |
| Amortisation adjustment/accrued interest | 307,030,800 | 28,347,120 | 176,387,792 | | 511,765,712 |
| **At 31st December 2024** | 2,232,094,687 | 780,240,836 | 1,118,291,661 | 132,351,647 | 4,262,978,831 |
| | | | | | |
| **At 1st January 2025** | 2,232,094,687 | 780,240,836 | 1,118,291,661 | 132,351,647 | 4,262,978,831 |
| Purchases | 2,576,153,966 | | | | 2,576,153,966 |
| Script Dividend | | 10,072,709 | | | 10,072,709 |
| Maturities | (1,754,941,674) | | (353,752,447) | | (2,108,694,122) |
| Interest received | (47,970,379) | (43,285,100) | (99,717,447) | | (190,972,926) |
| Disposals | | (555,421,075) | | | (555,421,075) |
| Fair value gains recorded in income statement | | | | 12,380,167 | 12,380,167 |
| Fair value gains recorded in other comprehensive income | | 106,359,079 | | | 106,359,079 |
| Amortisation adjustment/accrued interest | 269,909,049 | 37,750,000 | 144,949,111 | | 452,608,160 |
| **At 31st December 2025** | 3,275,245,648 | 335,716,450 | 809,770,877 | 144,731,814 | 4,565,464,789 |

## 22.6 Equity securities

| As at 31st December 2025 | Market Price | No of shares | Cost | Carrying amount/Fair Value |
|---|---|---|---|---|
| **Listed Bank** | | | | |
| Nil | N/A | Nil | Nil | - |

| As at 31st December 2024 | Market Price | No of shares | Cost | Carrying amount/Fair Value |
|---|---|---|---|---|
| **Listed Bank** | | | | |
| National Development Bank PLC | 113 | 3,950,082 | 287,833,604 | 447,346,786 |

## 22.6 Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements (i.e., held to maturity and loans and receivables).

**Assets for which fair value approximates carrying value**

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

**Fixed rate financial instruments**

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. 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.

## 22.7 Determination of fair value and fair values hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 : valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 : valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| As at 31st December 2025 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| Available for sale financial assets | - | 335,716,450 | - | 335,716,450 |
| Fair Value Through Profit or Loss | 144,731,814 | - | - | 144,731,814 |
| | 144,731,814 | 335,716,450 | - | 480,448,264 |

## 22 FINANCIAL ASSETS (CONTD...)

| As at 31st December 2024 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| Available For Sale Financial Assets | - | 780,240,836 | - | 780,240,836 |
| Fair Value through Profit or Loss | 132,351,647 | - | - | 132,351,647 |
| | 132,351,647 | 780,240,836 | - | 912,592,483 |

### 22.8 Financial assets pledged as security for liabilities

There were no items of financial assets pledged as securities for liabilities during the year. (2024 - Nil)

## 23 LOANS TO LIFE POLICYHOLDERS

***Accounting Policy***

General
Policyholder loans are granted up to 90% of the surrender value of a life insurance policy at an interest rate equivalent to the prevailing market rate. These loans are initially recognized at fair value, which corresponds to the loan amount granted, and subsequently measured at amortized cost using the effective interest rate method. In the event of the policyholder's death before full repayment, any outstanding loan balance is deducted from the death benefit payable under the policy.

See Note 29 to see how financial assets measured under amortized costs are accounted.

| As at 31st December | 2025 | 2024 |
|---|---|---|
| | Rs. | Rs. |
| **Movement of policy loan** | | |
| Balance as at 1st January | 199,044,250 | 241,246,301 |
| Loans granted during the year | 16,166,497 | 1,499,786 |
| Provision for surrender | (34,920,350) | (5,181,008) |
| Repayments during the year | (22,626,464) | (51,967,546) |
| Balance as at 31st December | 157,663,933 | 185,597,533 |
| Interest receivable | 14,994,564 | 13,446,717 |
| **Total loans to life policyholders** | 172,658,497 | 199,044,250 |

Please refer Note 37.4 for maturity analysis on loans to life policyholders.

### 23.1 Credit exposure on policy loan

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 subjected to policy loans.

This mitigates the company's credit exposure on policy loans.

The company grants policy loans at a rate equivalent to the market rate, hence initial recognition is at carrying value equal to the fair value.

### 23.2 Concentration risk of loans to life policyholders

Credit risk concentration related to loans granted to life policyholders is minimal, as the Company maintains a widely dispersed portfolio of receivables across a large number of policyholders.

### 23.3 Fair value of loans to life policyholders

The fair value of policyholder loans is considered to be equal to their carrying amount, as these loans are granted at prevailing market rates.

### 23.4 Impairment losses on loans to life policyholders

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 Policyholders (2024 - Nil)

### 23.5 Policy Loans pledged as security for liabilities

There were no items of policy loans pledged as securities for liabilities during the year. (2024 - Nil)

## 24 REINSURANCE RECEIVABLES

***Accounting Policy***

The company cedes insurance risk in the normal course of business to recognised reinsurers through formal reinsurance arrangements.

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists. Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss, if any is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

| As at 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Reinsurance receivable on outstanding claims | 5,311,350 | 10,519,552 |
| | 5,311,350 | 10,519,552 |

The carrying amounts disclosed above is in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

Please refer Note 37.4 for maturity analysis on reinsurance receivables.

### 24.1 Impairment losses on reinsurance receivables

The Board of Directors has assessed potential impairment loss of reinsurance receivables as at 31st December 2025. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of reinsurance receivables. Please refer Note no.23 for reinsurance rating analysis.

### 24.2 Reinsurance receivables pledged as security for liabilities

There were no items of reinsurance receivables pledged as securities for liabilities during the year. (2024 - Nil)

## 25 AMOUNTS DUE FROM RELATED PARTIES

***Accounting Policy***
See accounting policy in Note 05

| As at 31st December | Note | 2025 Rs. | 2024 Rs. |
|---|---|---|---|
| Amounts due from related companies | 25.1 | 9,031,305 | 5,936,182 |

### 25.1 Related party

| As at 31st December | Relationship | Note | 2025 Rs. | 2024 Rs. |
|---|---|---|---|---|
| Richard Pieris & Company PLC | Ultimate Parent | | - | - |
| Richard Pieris Distributors PLC | Fellow Subsidiary | | 9,031,305 | 5,936,182 |
| | | | 9,031,305 | 5,936,182 |

### 25.2 Related party receivables pledged as security for liabilities

There were no items of related party receivables pledged as securities for liabilities during the year. (2024 - Nil)

## 26 PREMIUM RECEIVABLE

***Accounting Policy***
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Life insurance premiums (only the premiums due in the 30-day grace period) are recognised at each reporting date and will be reversed if the premiums are not settled during the subsequent month, and thus the policies will be lapsed as per the company policy.

| As at 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| Premium receivable from policyholders | 64,996,481 | 59,716,100 |
| | 64,996,481 | 59,716,100 |

**Impairment of premiums receivables**
The Management has assessed potential impairment loss of premiums receivable as at 31st December 2025. Based on the assessment, there was no impairment loss on premiums receivable (2024 - Nil)

**Collateral Details**
The Company does not hold any collateral as security against potential default by policyholders or intermediaries.

## 27 OTHER ASSETS

***Accounting Policy***
Inventories are valued at the lower of cost or net realizable value. Cost is primarily determined using the weighted average cost method. Net realizable value represents the estimated selling price in the ordinary course of business, reduced by any estimated selling expenses.

Other receivables and assets, excluding inventories, are recorded at cost, net of any accumulated impairment losses.

| As at 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Advances, deposits & prepayments | 17,650,605 | 38,354,463 |
| Taxation recoverable | 78,759,484 | 51,413,934 |
| Inventories | 17,212,526 | 17,922,708 |
| | 113,622,615 | 107,691,105 |

Please refer Note 7 for maturity analysis on other assets.

**Fair value**
Other financial receivables are recorded at their notional amounts and are typically settled within one year. There is no significant difference between their notional and fair values.

**Loans granted to directors**
No loans have been granted to the Directors of the Company.

### 27.1 Other assets pledged as security for liabilities

There were no items of other assets pledged as securities for liabilities during the year. (2024 - Nil)

## 28 CASH AND CASH EQUIVALENTS

***Accounting Policy***
Cash and cash equivalents comprise 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. The cash and cash equivalents include cash in-hand, balances with banks and short-term deposits with banks.

| As at 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Cash in hand | 5,090,200 | 3,182,858 |
| Cash at bank | 83,336,166 | 50,686,239 |
| **Total cash and cash equivalent balance** | 88,426,366 | 53,869,097 |

### 28.1 Cash and bank accounts pledged as security for liabilities

There are no Cash and bank accounts pledged as securities for liabilities during the year. (2024 - Nil)

## 29 FINANCIAL INSTRUMENTS

***Accounting Policy***

**Initial Recognition and Measurement**
The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

In the case of financial assets not measured at fair value through profit or loss, it is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Depending on the intention and ability to hold the invested assets, the financial assets categories and their classification criteria are shown in the table below;

## 29 FINANCIAL INSTRUMENTS (CONTD...)

| Classification | Classification criteria |
|---|---|
| Held-To-Maturity (HTM) | Financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold it to maturity. |
| Loans and Receivables (L&R) | Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. |
| Fair Value Through Profit or Loss (FVTPL) | Financial assets held for trading and those designated upon initial recognition at FVTPL and investments typically bought with the intention to sell in the near future. |
| | For investments designated at FVTPL, the following criteria must be met; |
| | The designation eliminates or significantly reduces the inconsistent treatment that would otherwise rise from measuring the assets or liabilities or recognising gains or losses on a different basis, or |
| | The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or |
| Available for Sale (AFS) | Financial assets that are designated as AFS and that are not classified in any of the previous categories. |
| | AFS financial investments includes debt securities. Securities in this category are those that are intended to be held till maturity and which maybe sold in response to the need for liquidity or in response to changes in the market conditions. |

The company's existing types of financial assets and their classifications are shown in the table below.

| Financial Asset | Category | | | |
|---|---|---|---|---|
| | HTM | L&R | FVTPL | AFS |
| Treasury bonds | ✓ | | | ✓ |
| Treasury bills | | ✓ | | |
| Quoted shares | | | | ✓ |
| Reverse repurchase agreements | | ✓ | | |
| Corporate debts | | ✓ | | |
| Fixed deposits | | ✓ | | |
| Unit trusts | | | ✓ | |
| Policy loans | | ✓ | | |
| Reinsurance receivables | | ✓ | | |
| Premiums receivable | | ✓ | | |
| Other receivables | | ✓ | | |
| Cash in hand and at bank | | ✓ | | |

**Subsequent Measurement**

**Held to maturity (HTM)**

Subsequent to initial measurement, held to maturity financial assets are measured at amortised cost, using the Effective Interest Rate (EIR), less impairment. The EIR Amortisation is included in 'Interest Income' in Profit or Loss.

**Loans and receivables (L&R)**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company also decided to classify unquoted corporate debts under this category since there is no active market for these instruments.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment.

**Fair Value Through Profit or Loss (FVTPL)**
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

**Available-for-sale financial assets (AFS)**
After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in Other Comprehensive Income (OCI) in the available-for-sale reserve. The company has applied the shadow accounting principles and recognised the fair value movement in life fund under movement on AFS reserve.

Interest earned whilst holding available-for-sale investments is reported as interest income using the EIR.

If the asset is determined to be impaired, the cumulative loss is recognised in the Income Statement in the Other Revenue and removed from the available-for-sale reserve.

The company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity
For a financial asset that is reclassified out of the available for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. The fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. Without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

## 29.1 Impairment of financial assets

The company assesses at each reporting date whether a financial asset or group of financial assets is impaired. The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

## 29 FINANCIAL INSTRUMENTS (CONTD...)

**Assets carried at amortised cost**

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Income Statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**Available for sale financial asset**

For available-for-sale financial investments, the company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Investment Income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

### 29.2 Maturity analysis

The maturity analysis of financial instruments are given in Note 36.4

### 29.3 Reclassification of Financial Assets

Reclassifications are only permitted in rare circumstances as allowed under LKAS 39. Financial assets may be reclassified from the available-for-sale category to loans and receivables if the asset meets the definition of loans and receivables and the Company has the intention and ability to hold the asset for the foreseeable future or until maturity.

### 29.4 Offsetting Financial Assets and Liabilities

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a legally enforceable right to offset and an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### 29.5 De-recognition

The company derecognises a financial asset when,

- The rights to receive cash flows from the asset have expired or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The company has transferred substantially all the risks and rewards of the asset, or

(b) The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the 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 transferred), and the sum of;

(a) the consideration received (including any new asset obtained less any new liability assumed) and

(b) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

## 29.6 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

| | L&R | | AFS | | HTM | | FVTPL | | Other Financial Assets/ Liabilities | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| As at 31st December | 2025 Rs. | 2024 Rs. | 2025 Rs. | 2024 Rs. | 2025 Rs. | 2024 Rs. | 2025 Rs. | 2024 Rs. | 2025 Rs. | 2024 Rs. | 2025 Rs. | 2024 Rs. |
| **Financial assets by categories** | | | | | | | | | | | | |
| Financial investments | 3,275,245,648 | 2,232,094,687 | 335,716,450 | 780,240,836 | 809,770,877 | 1,118,291,661 | 144,731,814 | 132,351,647 | - | - | 4,565,464,789 | 4,262,978,831 |
| Loans to life policyholders | 172,658,497 | 199,044,250 | - | - | - | - | - | - | - | - | 172,658,497 | 199,044,250 |
| Premium receivables | 64,996,481 | 59,716,100 | - | - | - | - | - | - | - | - | 64,996,481 | 59,716,100 |
| Reinsurance receivable | 5,311,350 | 10,519,552 | - | - | - | - | - | - | - | - | 5,311,350 | 10,519,552 |
| Amounts due from related parties | 9,031,305 | 5,936,182 | - | - | - | - | - | - | - | - | 9,031,305 | 5,936,182 |
| Cash and cash equivalent | | | - | - | - | - | - | - | 88,426,366 | 53,869,097 | 88,426,366 | 53,869,097 |
| Total Financial Assets | 3,527,243,280 | 2,507,310,771 | 335,716,450 | 780,240,836 | 809,770,877 | 1,118,291,661 | 144,731,814 | 132,351,647 | 88,426,366 | 53,869,097 | 4,905,888,788 | 4,592,064,012 |
| | | | | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | | | | |
| Reinsurance Payables | | | | | | | | | 17,300,371 | 8,696,647 | 17,300,371 | 8,696,647 |
| Amounts due to related parties | | | | | | | | | 7,580,344 | 7,114,065 | 7,580,344 | 7,114,065 |
| Lease liabilities | | | | | | | | | 234,433,002 | 208,113,822 | 234,433,002 | 208,113,822 |
| Financial liabilities | | | | | | | | | 191,622,027 | 177,860,728 | 191,622,027 | 177,860,728 |
| Total | | | | | | | | | 450,935,745 | 401,785,261 | 450,935,746 | 401,785,261 |

The management assessed that cash and short-term deposits, amount due from related parties, reinsurance receivables, premium receivables, reinsurance payables, amount due to related parties, financial liabilities and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.

## 30 STATED CAPITAL

***Accounting Policy***

**Ordinary Shares**

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.

**Rights of Ordinary Shareholders**

The ordinary shares of Arpico Insurance PLC are listed on the Colombo Stock Exchange (CSE) Diri Savi Board. All issued shares are fully paid and belong to a single class, carrying equal voting rights. Shareholders are entitled to receive dividends as declared and have one vote per share at company meetings.

**Movements in ordinary voting shares**

These is no movement in ordinary voting shares within the year.

**Dividends on ordinary share capital**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's shareholders. Interim dividends are deducted from equity when they are paid.

| As at 31st December | 2025 | | 2024 | |
|---|---|---|---|---|
| | Nos | Rs. | Nos | Rs. |
| At the beginning of the year | 66,230,407 | 675,564,870 | 66,230,407 | 675,564,870 |
| Addition/ New Shares | - | - | - | - |
| At the end of the year | 66,230,407 | 675,564,870 | 66,230,407 | 675,564,870 |

## 31 INSURANCE CONTRACT LIABILITIES

***Accounting Policy***

### 31.1 Recognition and Measurement

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation, which cash flows discounted using the risk free rate issued by the IRCSL. All other assumptions are at best estimate with risk margins as per RBC basis.

### 31.2 Use of Judgements, Estimates and Assumption

31.2. **(a) Product Classification**

According to SLFRS 4, Insurance Contract is a contract under which one party (the insurer) accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affect the policyholder.

Insurance contracts are those contracts when the company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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 expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Company are insurance contracts and therefore classified as Insurance contracts under the SLFRS 4 – Insurance Contracts. Thus, the company does not have any investment contracts within its product portfolio as at the reporting date.

31.2. **(b) Valuation of Life Insurance Contract Liabilities**

The liability of the insurance contracts is valued using the Gross Premium Valuation (GPV) methodology. GPV liability is a prospective valuation method which is derived by discounting the projected future cash flows of each individual policy. These policy cash flows reflect the best estimate assumptions of the current portfolio and increased with a margin for risk an adverse deviation. All contracts are subject to a Liability Adequacy Test (LAT), which reflect management's best current estimate of future cash flows.

The main assumptions used relate to discount rate, mortality, morbidity, withdrawal, expenses and expense inflation, lapses, surrender rates and discount rates as further detailed in Note 31.7. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to the life style, which could result in significant changes to the expected future mortality exposure.
Estimates are also made for future investment income arising from the assets backing life insurance contracts.

These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the company's historical experience of lapses and surrenders

Discount rates are is the Risk Free Rate issued by the Insurance Regulatory Commission of Sri Lanka as at 31st December 2025.

Actuarial valuation of life insurance fund
The directors agree to the long-term insurance provision for 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.

## 31.3 Liability adequacy test for financial reporting

As required by the SLFRS 4 - Insurance Contracts, the Company performed a Liability Adequacy Test (LAT) in respect of Life Insurance contract liabilities with the assistance of the Appointed Actuary. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as premium income, claims, reinsurance inflows and outflows, claims handling and policy administration expenses, including commissions and management expenses and surrender outgo etc are projected to the future and discounted using the Risk Free Rate issued by the IRCSL. If that assets in the life fund is insufficient to cover the liabilities calculated in light of the estimated future cash flows, the deficiency is recognised in the Statement of Income by creating an additional provision in the Statement of Financial Position.

## 31.4 Insurance Contract Liabilities - Life

| As at 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Life Insurance Fund | 3,225,837,569 | 2,699,678,369 |
| AFS Reserve | 40,602,933 | 16,032,020 |
| | 3,266,440,502 | 2,715,710,389 |

## 31.5 Change in contract liabilities - life fund

| During 2025 | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Increase in life insurance fund before surplus transfer | 48,812,167 | (181,059,252) |
| Surplus transferred from / (to) shareholders | 477,347,034 | - |
| | 526,159,201 | (181,059,252) |

## 31 INSURANCE CONTRACT LIABILITIES (CONTD...)

### 31.6 Movement in Life Fund

| As at 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Balance as at 1st January | 2,715,710,389 | 2,885,863,883 |
| **Change in contract liabilities life fund** | | |
| Increase in life insurance fund before surplus transfer | 48,812,167 | (181,059,252) |
| Surplus transferred from / (to) shareholders | 477,347,034 | - |
| Increase in life insurance fund | 526,159,201 | (181,059,252) |
| Movement in AFS reserve transferred to life fund | 24,570,913 | 10,905,758 |
| Balance as at 31st December | 3,266,440,502 | 2,715,710,389 |

The valuation of the Life Insurance business as at 31st December 2025 was assessed by Actsure Lab (Pvt.) Limited. According to the Actuarial Valuation which is based on a distribution basis, the reserve amounted to Rs. 3,266 Mn (2024 - 2,715 Mn) is adequate to cover the liabilities pertaining to the Life Insurance Business.

Long duration contract liabilities included in the Life Insurance Fund, result primarily from traditional non - participating Life Insurance products. The actuarial reserves have been established based on gross premium valuation (GPV) with cash flows discounted using the best estimate investment return.

In accordance with the Direction No. 16 issued by the IRCSL on 20 March 2018, which permitted insurers to transfer such one-off surplus (LKR 320.084 million) to the shareholder fund as a restricted reserve, the Company elected to continue retaining the one off surplus within the life fund to further strengthen the policyholder fund. Further as informed by the IRCSL, the one off surplus should be maintained within the life insurance fund as a restricted reserve and it should be shown in the balance sheet under the Insurance Contract Liabilities.

The Life Insurance Fund included in the financial statements shows Rs. 2,789.036 Mn inclusive of one off surplus as at 31 December 2025, before any transfers to shareholders. Accordingly, Rs.477.347 Mn transfer from the Shareholders' Fund to the Life Insurance Fund has been recommended by the Actuary for the year 2025 to cover the deficit in the fund.

With respect to the Non-Participating Fund, the one-off surplus Rs. 320.084 Mn should be carried forward in the fund after covering for the policyholder liabilities.

Liability Adequacy Test (LAT)
A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Actsure Lab (Pvt) Ltd, as at 31 December 2025 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability.

### 31.7 Key assumptions

The main assumptions used to estimate liability are as follows.

| | |
|---|---|
| Mortality | Standard table is the SLA07/09 for the insured mortality table for the Sri Lankan market adjused for the company's expereince |
| Discount rate | Discount rate is the Risk Free Rate issued by the Insurance Regulatory Commitsion of Sri Lanka as at 31st December 2025 |
| Inflation | Based on the IMF indicators for Sri Lanka about the future inflation |
| Morbidity | Based on the company experience |

## 31.8 Sensitivity Analysis

The following analysis provides the sensitivity of the life insurance liability due to possible movements in key assumptions with all other assumptions held constant, and shows the impact on gross liabilities.

| 31-Dec | Change in assumption | Impact on gross liabilities 2025% |
|---|---|---|
| | | |
| Expenses | + 10 % | 2.08% |
| Mortality | + 10 % | 0.40% |
| Mortality | - 10 % | -0.07% |
| Discount Rate | + 50 basis points | -1.14% |
| Discount Rate | - 50 basis points | 1.53% |

## 31.9 Expected Maturity Profile for Reserves for Insurance Contracts, Net of Reinsurance (Undiscounted Cash Flows)

| As at 31st December | 2025 Rs. (000) | 2024 Rs. (000) |
|---|---|---|
| <1 year | 139,151 | 78,646 |
| 1 to 5 years | 1,156,337 | 1,623,649 |
| 5 to 10 years | 1,602,182 | 1,317,817 |
| 10 to 20 years | 2,024,447 | 1,623,156 |
| > 20 years | 777,280 | 551,721 |

## 32 EMPLOYEE BENEFIT OBLIGATION

***Accounting Policy***

Short-term employee benefit obligations are recognized on an undiscounted basis and expensed as the related service is rendered. A liability is recorded for expected short-term cash bonuses if the Company has a present legal or constructive obligation due to past employee service and if the amount can be reliably estimated.

**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 during which related services are rendered by employees.

**Employees' Provident Fund**
All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary, monthly to the Employees Provident Fund managed by the Central Bank of Sri Lanka.

**Employees' Trust Fund**
All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes each month at the rate of 3% of the salaries of each employee, to the Employees' Trust Fund administrated by the Employees' Trust Fund Board.

Following contributions have been made to the employee provident fund and employee trust fund during the year

| For the year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| **Employees' Provident Fund (EPF)** | | |
| Employer's contribution (12%) | 20,960,184 | 22,635,977 |
| Employee's contribution (8%) | 13,973,456 | 15,090,651 |
| **Employees' Trust Fund (ETF)** | | |
| Employer's contribution (3%) | 5,202,941 | 5,549,831 |

### 32.1 Defined Benefit Plans - Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. . The Company is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, according to which a liability to pay gratuity arises only on completion of 5 years of continued service. In order to meet this liability, a provision is carried forward in the statement of financial position as per Sri Lanka Accounting Standard LKAS 19 - Employee Benefits. The actual valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees and projected unit credit method has been applied for the valuation. Due to the long term nature of plans such estimates are subject to significant uncertainty.

As per LKAS 19 - Employee Benefits, the re- measurement of the net defined benefit liability, which comprises actuarial gains and losses are recognised immediately in other comprehensive income. Interest cost and current service cost are recognised in profit or loss.

| | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| **Gratuity benefit obligation** | | |
| Balance as at 1st January | 15,878,745 | 15,667,480 |
| | | |
| **Included in Profit or Loss:** | | |
| Current service cost | 3,104,138 | 2,746,281 |
| Past service cost | | |
| Interest cost on benefit obligation | 1,587,874 | 2,193,448 |
| | | |
| **Included in OCI:** | | |
| (Gain) / Loss arising from changes in assumptions | 1,615,576 | (660,193) |
| | | |
| **Other** | | |
| Gratuity transfer | | |
| Gratuity paid / payable for those who left during the period | (4,174,000) | (4,068,271) |
| Balance as at 31st December | 18,012,333 | 15,878,745 |

The actuarial valuation for the gratuity liability was carried out as at 31st December 2025, by Mr. K.Arumugam, of Acturial and Management Consultants (Pvt) Ltd.

## 32.2 Principal Actuarial Assumptions Used

The cost of defined benefit plans which is gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used by the actuary in valuation of gratuity liability are set out as below;

| Assumption | 2025 | 2024 |
|---|---|---|
| Discount rate | 9.00% | 10.00% |
| Future salary increases | 8.00% | 8.00% |
| Staff turnover rate | 37% - 39% | 31% - 39% |
| Retirement age | 60 years | 60 years |

## 32.3 Sensitivity Analysis

Sensitivity analysis on discounting rate and salary increment rate to Statement of Financial Position and Comprehensive Income

| Assumption | 2025 | | | 2024 | |
|---|---|---|---|---|---|
| | Rate change | Impact to Financial Position- Increment / (Reduction) of Liability (Rs. 000) | Impact to Comprehensive Income Charged / (Reversal) (Rs. 000) | Impact to Financial Position- Increment / (Reduction) of Liability (Rs. 000) | Impact to Comprehensive Income Charged / (Reversal) (Rs. 000) |
| Discount rate | 1% | (17,654) | (17,654) | (15,479) | (15,479) |
| Discount rate | -1% | 18,389 | 18,389 | 16,302 | 16,302 |
| Salary increment rate | 1% | 18,427 | 18,427 | 16,328 | 16,328 |
| Salary increment rate | -1% | (17,611) | (17,611) | (15,447) | (15,447) |

## 32 EMPLOYEE BENEFIT OBLIGATION (CONTD...)

### 32.4 Maturity profile of defined benefit obligation

The following payments are expected on employee benefit liabilities in future years

| As at 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| Less than one year | 7,265,547 | 4,639,366 |
| Between 1-2 years | 6,600,749 | 5,595,909 |
| Between 3-5 years | 2,693,126 | 3,834,520 |
| Beyond 5 years | 1,452,911 | 1,808,950 |
| | 18,012,333 | 15,878,745 |

Weighted Average Duration of defined benefit obligation is 2.2 Years

## 33 REINSURANCE PAYABLES

***Accounting Policy***

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

| As at 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| Munich Re | 16,095,857 | 7,234,979 |
| Hannover Re | 1,204,514 | 1,461,668 |
| | 17,300,371 | 8,696,647 |

## 34 AMOUNTS DUE TO RELATED PARTIES

| As at 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| Amounts due to related companies [Note 34 (a)] | 7,580,344 | 7,114,065 |

34. (a) Related Parties

| As at 31st December | Relationship | 2025 Rs. | 2024 Rs. |
|---|---|---|---|
| Richard Pieris & Company PLC | Ultimate Parent | 7,580,344 | 7,114,065 |
| Kegalle Plantation PLC | Immediate parent | - | - |
| Richard Pieris Distributors Limited | Fellow Subsidiary | - | - |
| Arpico Interiors | Fellow Subsidiary | - | - |
| Arpitech (pvt) Ltd | Fellow Subsidiary | - | - |
| | | 7,580,344 | 7,114,065 |

## 35 OTHER FINANCIAL LIABILITIES

***Accounting Policy***

### 35.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

### 35.2 Subsequent measurement

The measurement of financial liabilities depends on their classification as follows.

**Financial liabilities at fair value through profit or loss**
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the statement of income. The company has not designated any financial liabilities upon initial recognition as fair value through profit or loss.

**Other financial liabilities**
Loans and borrowings are carried at amortised cost after initial recognition.

### 35.3 De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires

| As at 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Agency commission payable | 7,014,265 | 18,249,550 |
| Accrued expenses | 169,106,054 | 138,254,427 |
| Claims outstanding | 15,501,708 | 21,356,751 |
| | 191,622,027 | 177,860,728 |

## 36 OTHER LIABILITIES

***Accounting Policy***

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 .

Other Liabilities include advances and Government levies payable and these liabilities are recorded at the amounts that are expected to be paid.

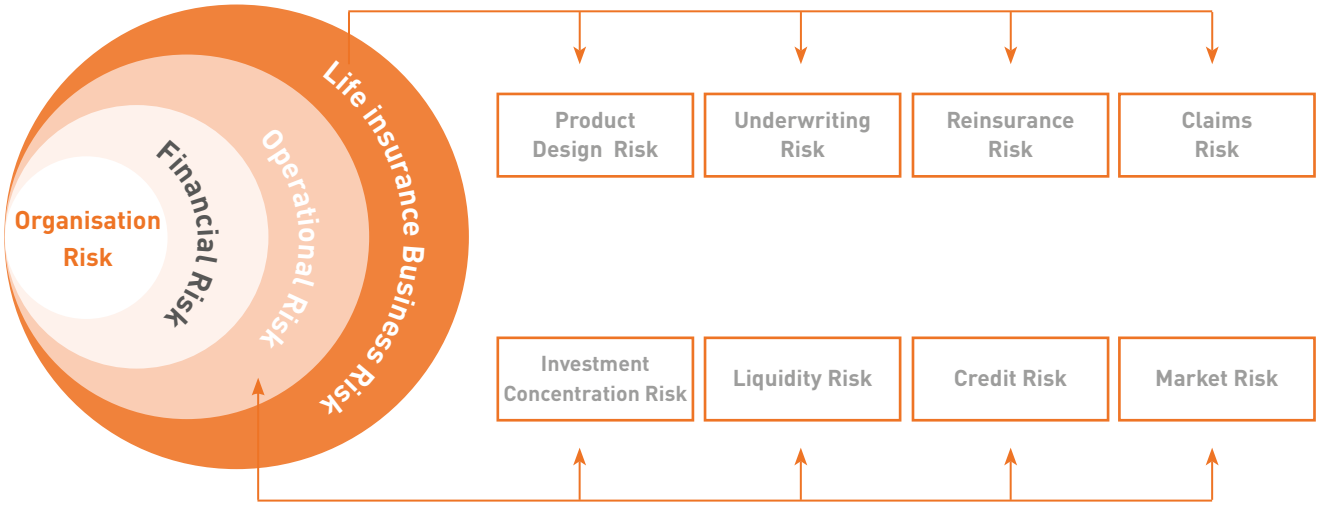
| As at 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Policyholder advance payments | 38,236,422 | 57,322,577 |
| Government levies | (18,053,346) | (21,926,772) |
| | 20,183,076 | 35,395,805 |

## 37 RISK MANAGEMENT FRAMEWORK

### 37.1 Overview

The mission of risk management of the company is to promptly identify, measure, manage, report and monitor risks that affect the achievement of strategic, operational and financial objectives. This includes adjusting the risk profile in line with the Company's stated risk tolerance to respond to new threats and opportunities in order to optimise returns.

The Company is exposed to the following risks and considers in Risk Management




This note presents information about Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring/managing such risks, and the manner in which the Company manages its capital.

### 37.2 Risk management framework

37.2. **(a) Governance framework**

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that could hinder the sustainable achievement of financial objectives, including failure to exploit opportunities. The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework and thus, their approval is necessary for the risk management strategy and risk policies pertaining to all activities of the Company. Further, the Board also ensures that adequate resources, expertise and support are provided for the effective implementation of the risk management strategy, policies and procedures of the Company. Management recognises the paramount importance of having efficient and effective risk management systems in place.

The board of directors has appointed a Risk Management Committee, chaired by an independent director comprising members of the senior management from business operations and control functions, which oversees 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 updating of the risk profile, delegation of authority, monitoring of risk mitigation activities, etc.

The Board of Directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

37.2. **(b)Capital management objectives, policies and approach**

The Company has established the following capital management objectives, policies and approaches to manage the risks that affect its capital position:

- To maintain the required level of solvency of the Company, thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meets the requirements of its shareholders and policyholders

- To retain financial flexibility by maintaining strong liquidity
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and other stakeholders
- To maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value

The operations of the Company are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. Solvency Margin, Approved Assets Requirements of IRCSL) to minimise the risk of default and insolvency on the part of the Company to meet unforeseen liabilities as these arise. The Company has been in compliance with all these regulatory requirements throughout the financial year to the best of our knowledge.

**Approach to capital management**

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders. The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

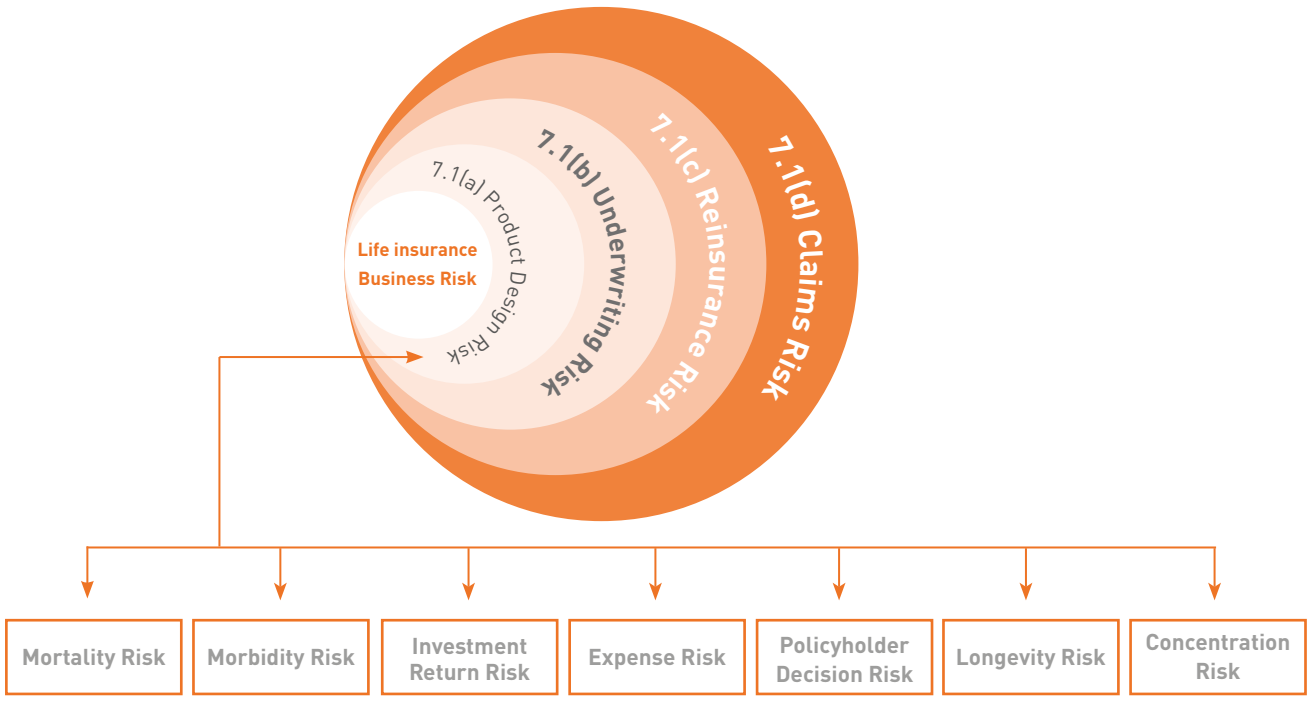
The primary source of capital used by the Company is equity shareholders' funds. The capital requirements are routinely forecasted on a periodic basis by the management and the Board. The solvency margins are calculated on a monthly basis and shared with the Board.

### (c) Regulatory framework

Insurance regulator in the Country, Insurance Regulatory Commission of Sri Lanka (IRCSL) is primarily interested in protecting the rights of policyholders and monitors the Company closely to ensure that it is satisfactorily managing affairs for the benefit of policyholders. At the same time, they are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks, natural disasters, etc.

Thus, the operations of the Company are subject to regulatory requirements of the IRCSL as well as various other regulators such as Central Bank of Sri Lanka (CBSL), Department of Inland Revenue etc. The Company is also regulated by the Companies Act No. 07 of 2007.

## 37.3 Life Insurance Business Risk



## 37 RISK MANAGEMENT FRAME WORK (CONTD...)

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

**Risk Response**

- Diversification across a large portfolio of insurance contracts and geographical areas.
- The variability of risks is improved by careful selection and implementation of underwriting strategy guidelines
- Use of reinsurance arrangements.
- Ensure compliance (determination) requirements imposed by the regulator (IRCSL)

Risk management procedures adopted by the Company to manage insurance risk is given on pages 150 to 152.

37.3 **(a) Product design risk**

Life insurance product design is largely depending on futuristic hypothetical assumptions. Accordingly there is a risk of introducing unprofitable product to the market due to inappropriate use of assumptions or judgments.

The risk that the company is exposed to under Life Insurance Contracts are as follows.

| Risk | Description |
|---|---|
| Mortality risk | Risk of loss arising due to policyholders' death experience being different from expected |
| Morbidity risk | Risk of loss arising due to policyholders health related claim experience being different from expected |
| Longevity risk | Risk that annuitants live longer than expected. |
| Investment return risk | Risk that actual returns being difference from expected. |
| Expense risk | Risk that expenses incurred in acquiring and administering policies being difference from expected. |
| Policyholder behaviour risk | Risk that policyholders' behaviour in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of the contracts are difference from expected. |
| Concentration risk | Risk of losses due to maintaining inadequate product portfolio/ mix. (Over dependence on a product, product type or geographical area) |

37.3 **(b) Underwriting Risk**

The company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the company has the right not to renew individual policies, it has the right to reject the payment of fraudulent claims.

**Risk responses**

- Maximum input is obtained from the Consultant Actuary and Reinsurer in deciding on the terms and conditions of products in order to ensure that products are adequately priced.
- Only registered laboratories are used when obtaining medical reports and regular visits are made by the management to such laboratories to monitor the quality of service.
- Focused training is provided to Insurance Advisors on proper selling in Sinhala, Tamil and English.
- A proposal form with Customer Need Analysis is used to identify customers' requirements and sell the most appropriate policy.

## 37.3 (c) Reinsurance risk

The Company's objectives for purchasing reinsurance are to provide market-leading capacity for customers while protecting the balance sheet and optimising the Company's capital efficiency. Reinsurance ceded is placed on a proportional basis. A proportional reinsurance arrangement includes both Quota Share and Facultative Treaty programmes which is taken out to reduce the overall exposure of the Company to certain classes of business. Premium ceded to the reinsurers is in accordance with the terms on the programmes already agreed based on the risks written by the insurance companies.

Recoveries from reinsurers on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from policyholders rests with the Company. Default of reinsurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each reinsurer.

The Company's placement of reinsurance is arranged in a manner that is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract. The Company uses Munich Re as its reinsurance provider for individual policies as well as for Group policies. The company also uses Hannover Re in certain cases.

Credit ratings of the reinsurance companies with whom the Company has arrangements.

| Reinsurer | Rating | Rating Agency | Date |
|---|---|---|---|
| Munich Re | AA- | Fitch | 14th October 2025 |
| Hannover Re | A+ | Fitch | 14th October 2025 |

### Risk Responses

- Reinsurance is placed in line with policy guidelines approved by the Board of Directors on an annual basis based on the guidelines issued by the IRCSL.
- Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables on time.
- A very close and professional relationship is maintained with all reinsurers.
- Only a globally trusted and stable portfolio of reinsurance companies which are rated highly by Standard & Poor's or AM Best is used.

The Company reinsurers approximately 3 - 5 % of gross written premium

| For the year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Gross written premium | 1,762,134,855 | 1,968,762,572 |
| Reinsurance | (91,562,656) | (87,487,646) |
| Net Written Premium | 1,670,572,199 | 1,881,274,926 |

The Company has recovered approximately 8% of gross claims from reinsurers during the period under review (2024- 5%)

| For the year ended 31st December | 2025 | | 2024 | |
|---|---|---|---|---|
| | % | Rs. | % | Rs. |
| Gross claims paid | | 926,423,456 | | 1,199,244,562 |
| Claims recovered | 8% | (75,863,935) | 5% | (55,685,926) |
| **Net Claims** | | 850,559,521 | | 1,143,558,636 |

## 37 RISK MANAGEMENT FRAME WORK (CONTD...)

37.3 **(d) Claim Risk**

The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the company. For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. The Company limits exposure on any single life by way of retention limits agreed with the reinsurers.

**Risk responses**

- Obtaining adequate Reinsurance cover
- An Independent Actuary is engaged to carry out a valuation of the Life Fund twice a year.
- Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured
- The Claims Panel (comprising Specified Officer, Principal Officer and Manager Actuarial) is involved in taking decisions on significant / problematic claims and appeals made in respect of claims.

37.4 (a) Investment Concentration Risk

Investment concentration risk is arising due to less diversification of investment portfolio or investing too heavily in one industry, one geographic area or one type of security

**Risk Response**

- The Company ensures that an acceptable level of risk. diversification is maintained on an ongoing basis.
- Assets allocation limits are regularly reviewed by the Risk Officer.

Investment concentration related to financial investments is given below.

| As at 31st December | 2025 | | 2024 | |
|---|---|---|---|---|
| | Rs. | % | Rs. | % |
| Government securities | 2,196,759,920 | 48 | 1,887,927,734 | 43 |
| Corporate debt securities | 639,127,765 | 14 | 622,699,380 | 17 |
| Fixed deposits | 1,584,845,290 | 35 | 1,072,650,120 | 28 |
| Quoted equities | - | - | 447,346,786 | 6 |
| RPAF loan | - | - | 100,003,164 | 3 |
| Unit trusts | 144,731,814 | 3 | 132,351,647 | 3 |
| | 4,565,464,789 | 100 | 4,262,978,831 | 100 |

37.4 **(b) 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, or would have to incur excessive costs to do so. In respect of catastrophic / unexpected large claim events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries

**Risk response**

- The Board Investment Committee (BIC) manages this risk by diversifying investment durations and reviewing cash flow projections regularly.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance and investment contract obligations.
- Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.
- Reviewing the maturity mix of the investment portfolio by the Management and the Investment Committee (IC) on a regular basis.
- Maintaining sufficient cash balances, overnight investments and other short tenure investments to accommodate expected obligations and commitments of the Company.

Excess liquidity position of the Company excluding insurance contract liabilities is given below;

| As at 31st December | 2025 | | 2024 | |
|---|---|---|---|---|
| | Rs. | % | Rs. | % |
| Up to one year | 2,879,975 | 65 | 1,518,701 | 36 |
| 1 - 5 years | 1,527,512 | 34 | 2,048,732 | 49 |
| Over 5 years | 47,466 | 1 | 622,846 | 15 |
| | 4,454,953 | 100 | 4,190,280 | 100 |

The table below summarises the maturity profile of the non- derivative financial assets and Liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

| As at 31st December 2025 | Carrying Amount | Up to a year | 1-3 years | 3-5 years | Above 5 years | Total |
|---|---|---|---|---|---|---|
| | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| **Financial assets** | | | | | | |
| Loans & receivables | 3,275,246 | 2,726,931 | 548,314 | - | - | 3,275,246 |
| Available for sale | 335,716 | - | 335,716 | - | - | 335,716 |
| Held to maturity | 809,771 | - | 761,149 | - | 48,622 | 809,771 |
| Fair value through profit or loss | 144,732 | 144,732 | - | - | - | 144,732 |
| Life policyholders loans | 172,658 | 172,658 | - | - | - | 172,658 |
| Amounts due from related parties | 9,031 | 9,031 | - | - | - | 9,031 |
| Reinsurance receivable | 5,311 | 5,311 | - | - | - | 5,311 |
| Premiums receivable | 64,996 | 64,996 | - | - | - | 64,996 |
| Cash and cash equivalents | 88,426 | 88,426 | - | - | - | 88,426 |
| **Total assets** | 4,905,889 | 3,212,087 | 1,645,180 | | 48,622 | 4,905,889 |

| As at 31st December 2025 | Carrying Amount | Up to a year | 1-3 years | 3-5 years | Above 5 years | Total |
|---|---|---|---|---|---|---|
| | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| **Financial liabilities** | | | | | | |
| Reinsurance payables | 17,300 | 17,300 | - | - | - | 17,300 |
| Amounts due to related parties | 7,580 | 7,580 | - | - | - | 7,580 |
| Other financial liabilities | 191,622 | 191,622 | - | - | - | 191,622 |
| Lease Liabilities | 234,433 | 115,609 | 63,431 | 54,237 | 1,156 | 234,433 |
| **Total liabilities** | 450,936 | 332,112 | 63,431 | 54,237 | 1,156 | 450,936 |
| **Total excess liquidity** | 4,454,953 | 2,879,975 | 1,581,749 | ( 54,237 ) | 47,466 | 4,454,953 |

| As at 31st December 2024 | Carrying Amount | Up to a year | 1-3 years | 3-5 years | Above 5 years | Total |
|---|---|---|---|---|---|---|
| | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| **Financial assets** | | | | | | |
| Loans & receivables | 2,232,095 | 1,217,237 | 891,184 | 123,674 | - | 2,232,095 |
| Available for sale | 780,241 | - | - | 332,894 | 447,347 | 780,241 |
| Held to maturity | 1,118,292 | 316,184 | 297,415 | 388,585 | 116,108 | 1,118,292 |
| Fair value through profit or loss | 132,352 | 132,352 | - | - | - | 132,352 |
| Life policyholders loans | 199,044 | - | 59,713 | 77,627 | 61,704 | 199,044 |
| Amounts due from related parties | 5,936 | 5,936 | - | - | - | 5,936 |
| Reinsurance receivable | 10,520 | 10,520 | - | - | - | 10,520 |
| Premiums receivable | 59,716 | 59,716 | - | - | - | 59,716 |
| Cash and cash equivalents | 53,869 | 53,869 | - | - | - | 53,869 |
| **Total assets** | 4,592,065 | 1,795,814 | 1,248,312 | 922,780 | 625,159 | 4,592,065 |

## 37 RISK MANAGEMENT FRAME WORK (CONTD...)

| As at 31st December 2024 | Carrying Amount Rs '000 | Up to a year Rs '000 | 1-3 years Rs '000 | 3-5 years Rs '000 | Above 5 years Rs '000 | Total Rs '000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Reinsurance Payables | 8,697 | 8,697 | - | - | - | 8,697 |
| Amounts due to related parties | 7,114 | 7,114 | - | - | - | 7,114 |
| Other financial liabilities | 177,861 | 177,861 | - | - | - | 177,861 |
| Lease liabilities | 208,114 | 83,441 | 72,720 | 49,640 | 2,312 | 208,114 |
| **Total liabilities** | 401,785 | 277,112 | 72,720 | 49,640 | 2,312 | 401,785 |
| **Total excess liquidity** | 4,190,280 | 1,518,701 | 1,175,591 | 873,140 | 622,846 | 4,190,280 |

37.4 **(c) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company's credit risk could mainly arise from financial assets such as its investment portfolios, premium receivables from policyholders, receivables from reinsurers, loans given to policyholders and cash and cash equivalents etc.

**Credit exposure**

Company's exposure to credit risk as at the Balance sheet date is given in below table with the comparative figures.

| As at 31st December | 2025 | | 2024 | | 2023 | |
|---|---|---|---|---|---|---|
| | Rs '000 | % of Allocation | Rs '000 | % of Allocation | Rs '000 | % of Allocation |
| Financial Investments | 4,565,465 | 93 | 4,262,980 | 93 | 3,949,884 | 90 |
| Life policyholders loans | 172,658 | 4 | 199,044 | 4 | 241,246 | 6 |
| Reinsurance receivable | 5,311 | 0 | 10,520 | 0 | 11,109 | - |
| Amounts due from related parties | 9,031 | 0 | 5,936 | 0 | 30,986 | 1 |
| Premiums receivable | 64,996 | 1 | 59,716 | 1 | 91,475 | 2 |
| Cash in hand and at bank | 88,426 | 2 | 53,869 | 1 | 56,396 | 1 |
| **Total credit risk exposure** | 4,905,887 | 100 | 4,592,065 | 100 | 4,381,096 | 100 |

As of 31st December 2025 the largest credit risk exposure of 93% (2024 - 93%) is arising from financial investments.

**Credit Risk Related to Financial Investments**

The Company is exposed to credit risk from counterparties where the Company holds securities issued by those entities.

Credit ratings of counterparties were downgraded during the year following downgrading of the country's overall credit rating as a direct result of suspension of servicing foreign debt. However, there is no significant impact to the financial statements stemming from downgraded debenture investments of the Company.

**Risk Response**

- The Company's investment policy prohibits non-graded investments, unless specifically authorised.
- Appropriate actions are implemented when the Company identifies investments that are expected to be downgraded.
- The Company identifies and selectively reduces unsecured and subordinated credit exposure issued by third parties with weak credit profiles.
- Structured finance exposures are assessed on a look through basis prior to acquisition and not merely on the strength of prevailing credit ratings or credit profiles.

The Company actively manages its investment portfolio to ensure that there is no significant concentration of credit risk. The Company monitors concentration of credit risk by sector and instrument. An analysis of concentration of credit risk and credit quality of financial investments are shown below.

| As at 31st December | Held to maturity financial assets | Loans and receivables | Available for sale financial assets | Financial assets at fair value through profit or loss | 2025 | % of allocation |
|---|---|---|---|---|---|---|
| | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| **Financial investments** | | | | | | |
| **Government securities** | | | | | | |
| Treasury Bonds | 809,771 | - | 335,716 | - | 1,145,487 | 25 |
| Treasury Bills | - | - | - | - | - | - |
| Reverse Repo | - | 1,051,273 | - | - | 1,051,273 | 23 |
| **Corporate debt securities** | - | - | - | - | | - |
| A+ A- | - | 345,775 | - | - | 345,775 | 8 |
| BBB+ BBB- | - | 293,353 | - | - | 293,353 | 6 |
| Deposits | - | 1,584,845 | - | - | 1,584,845 | 35 |
| Unit Trusts | - | - | - | 144,732 | 144,732 | 3 |
| **Maximum exposure to credit risk, carrying amount** | 809,771 | 3,275,246 | 335,716 | 144,732 | 4,565,465 | 100 |

| As at 31st December | Held to maturity financial assets | Loans and receivables | Available for sale financial assets | Financial assets at fair value through profit or loss | 2024 | % of allocation |
|---|---|---|---|---|---|---|
| | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 | Rs '000 |
| **Financial investments** | | | | | | |
| **Government securities** | | | | | | |
| Treasury Bonds | 1,118,292 | - | 332,894 | - | 1,451,186 | 34 |
| Treasury Bills | - | - | - | - | - | 0 |
| Reverse Repo | - | 436,742 | - | - | 436,742 | 10 |
| **Corporate debt securities** | | - | | | | - |
| A+ A- | - | 52,106 | - | - | 52,106 | 1 |
| BBB+ BBB | - | 670,597 | - | - | 670,597 | 16 |
| Deposits | - | 1,072,650 | - | - | 1,072,650 | 25 |
| Unit Trusts | - | - | - | 132,352 | 132,352 | 3 |
| **Maximum exposure to credit risk, carrying amount** | 1,118,292 | 2,232,095 | 332,894 | 132,352 | 3,815,632 | 90 |

## 37 RISK MANAGEMENT FRAME WORK (CONTD...)

**Credit risk - financial investments in debt securities**
Company limits its exposure to credit risk by analysing the creditworthiness of each debt security investment. The credit worthiness of a potential debt security investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue. The debt security investments are broadly categorised into investments in government securities and investments in corporate debt securities.

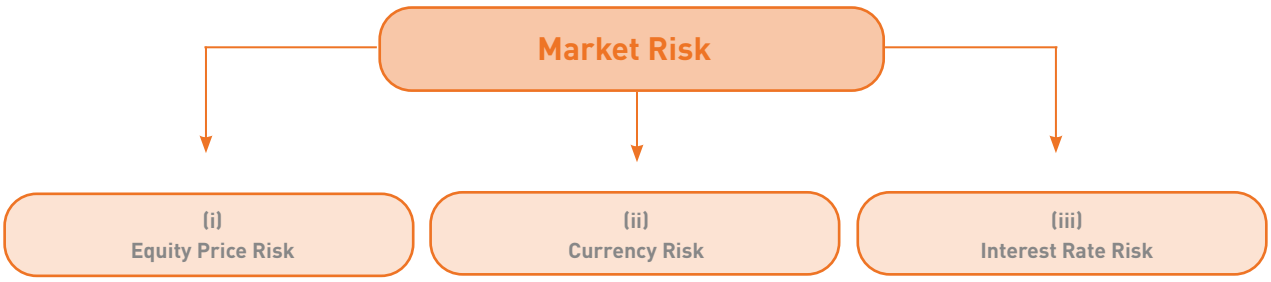
(i) Government securities
As shown in table above, as at 31st December 2025, 48% (2024 - 44%) of total credit exposure are from investments in government securities comprising treasury bonds, bills and repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

(ii) Corporate debt securities
As at 31st December 2025, corporate debt securities comprise 14% (2024 - 17%) of the total credit exposure which were rated "BBB" or better.

**Credit risk relating to loans to life policyholders**
A loan issued by an insurance company considers the surrender value of the life policy as collateral. As at the balance sheet date, the value of policy loans granted amounted to Rs. 173 Million (2024 - Rs. 199 Million)

**Credit risk relating to cash and cash equivalents**
In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The company held cash and cash equivalents of Rs. 88 Million at 31st December 2025 (2024 - Rs. 54 Million). The cash and cash equivalents are held with banks and financial institutional counterparties, which are rated BBB or better.

37.4 **(d) 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.




**Risk Response**

- A company market risk policy setting out the assessment and determination of what constitutes market risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the company investment committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Set asset allocation and portfolio limit structure, to ensure that assets back specific policyholder liabilities and the assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

(i) **Equity price risk**

Equity price risk is the risk that the fair value / present value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market.

The company has no significant concentration of risk.

(ii) **Currency risk**

Currency risk is the risk that the fair value / present value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Sri Lankan Rupees and its exposure to foreign exchange risk is very minimal.

Risk Response

- The Company's financial assets are primarily denominated in the same currencies as its insurance.
- Prioritising critical foreign currency payments with bank partners to ensure continuous settling of foreign currency payments
- As agreed with reinsurers settling net reinsurance payment after setting off reinsurance receivable against reinsurance payable.

(iii) **Interest rate risk**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

During the financial year 2025, the interest rate environment remained relatively stable compared to the significant volatility experienced in prior years, supported by monetary policy measures implemented by the Central Bank of Sri Lanka. Market interest rates and government security yields continued to influence the Company's investment income, although movements in yields were comparatively moderate during the year. Recent monetary conditions, including the operation of the Overnight Policy Rate framework, supported improved market stability while maintaining a disciplined interest rate environment.

Given the direct relationship between government security yields and the Company's investment returns, the Company continued to proactively manage its asset allocation to optimize returns within approved risk parameters, while maintaining a prudent balance between yield enhancement, liquidity considerations and duration management. The Company also continued to closely monitor reinvestment risk and the sensitivity of assets and liabilities to changes in interest rates through established asset-liability management practices.

While the prevailing interest rate environment supported investment income generation, fluctuations in market yields may continue to affect the valuation of fixed income securities and the Company's Capital Adequacy Ratio (CAR). Accordingly, the Company implemented appropriate measures to mitigate potential impacts on capital adequacy through portfolio rebalancing, disciplined duration management and ongoing monitoring of regulatory capital requirements. These measures supported the Company's resilience in managing interest rate exposures while safeguarding financial stability.

## 37 RISK MANAGEMENT FRAME WORK (CONTD...)

**Risk Response**

- The Investment Committee keeps a regular track of macroeconomic scenarios and their likely impact on interest rates and corresponding impact on the investment portfolio.
- Monthly review of upcoming cash flows and established suitable investment strategies to take advantages of the increasing interest rate.
- Proactively evaluate and execute forward purchases to lock in future cash flows at favourable interest rates.
- Initial recognition of investments is closely monitored.
- Re-design of investment portfolio to keep in par with the interest rate movements.

### 37.5 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial losses. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

**Risk Response**

- Segregation of duties, including the independent authorisation 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
- Reporting of operational losses and proposed remedial actions.
- Development of contingency plans
- Ethical and business standards.
- Risk mitigation, including insurance, where it is cost effective"
- Compliance with Company standards, policies and procedures 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

### 37.6 Capital Management

Objectives, Policies and Processes for Capital Management
For the purpose of the Company's capital management, capital includes stated capital, reserves and retained earnings. The primary objectives of the Company's capital management are to maximise shareholder returns, share price appreciation, sustain financial stability and financial strength.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and regulatory requirements to maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using the Risk Based Capital method.

In terms of using capital, the Company engages in following value adding processes in order to provide the desired output to it's varied stakeholders, while maintaining the right balance of risk based capital required.

- Providing financial security to citizen's (Underwriting process)
- Management of overall business operations
- Prudent investments and risk management
- Delivering benefits and claims assured
- Closely follow up RBC guidelines issued by IRCSL

The Company has adequate Total Available Capital (TAC) to support the Risk-Based Capital Required (RCR) or Surrender Value Capital Charge (SVCC) whichever is higher.

**Summary Quantitative Data**

| As at 31st December | 2025<br>Rs. (000) | 2024<br>Rs. (000) |
|---|---|---|
| Total Available Capital (TAC) | 1,922,889 | 1,611,333 |
| Formula Risk Based Capital Required (RCR) | 621,649 | 625,363 |
| Surrender Value Capital Charge (SVCC) | 742,693 | 498,785 |
| Risk based Capital requirement (RCR) | 742,693 | 625,363 |
| Risk based Capital Adequacy Ratio (CAR) | 259% | 258% |

## 38. RELATED PARTY TRANSACTIONS

The company carries out transaction in the ordinary course of business with parties who are defined as related party is in Sri Lanka Accounting Standard, LKAS 24 "Related Party Disclosures".

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

This note provides details of Arpico Insurance's related parties and the transactions which have taken place between the company and its related parties.

### 38.1 Terms and conditions

Transactions with related parties occur in the normal course of business. As of year-end, outstanding balances remain unsecured and interest-free, with settlements conducted in cash.

### 38.2 Guarantees

No guarantees were given or received during the period (2024 - Nil).

### 38.3 Transactions with Key Management Personnel (KMP) of the Company and close family members

According to Sri Lanka Accounting Standard LKAS 24 "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity.

Accordingly Arpico Insurance, considers its Board of Directors(Including Executive & Non-Executive Directors) and Board of Directors of Parent (Including Executive & Non-Executive Directors) as the KMP of the company.

| | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| Short term employee benefits | 3,406,304 | 2,234,481 |

As at the reporting date, there were no receivable/payable amount relating to KMP.

Therefore, no Impairment losses have been recorded against balances outstanding from KMP.

Immediate Family Members (IFM) of a KMP are those family members who are likely to influence or be influenced by the KMP in their transactions with the Company. This includes the KMP's domestic partner, children, children of the domestic partner, and any dependents of either the KMP or their domestic partner. IFMs are considered related parties of the Company.

There were no transactions with IFMs of the Company's KMP during the year (2024: Nil).

There were no share-based transaction with KMP and IFM during the reporting period. (2024- Nil).

There were three changes to the board of directors of the company that is disclosed in the corporate governance section of this report.

## 38. RELATED PARTY TRANSACTIONS (CONTD...)

### 38.4 Transactions with the ultimate controlling party of the company.

Richard Pieris & Company PLC is the parent/ ultimate controlling party of Arpico Insurance. The Company has transactions with its parent as follows

Insurance contracts transactions with the ultimate controlling party of the company.

| | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| **Nature of the transaction** | | |
| Insurance premium received /receivable | 42,077,704 | 27,161,491 |
| Claim paid | (14,667,874) | (16,888,312) |

Other transactions with the ultimate controlling party of the company.

| | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| **Nature of the transaction** | | |
| Expenses incurred behalf of the company | (80,270,154) | (85,965,373) |
| Fund transfers | (154,313,487) | 159,000,000 |

38.4. (b) Transaction with / between subsidiary companies of parent company

| Year ended 31st December | 2025<br>Rs. | 2024<br>Rs. |
|---|---|---|
| **Nature of the transaction** | | |
| **Fellow subsidiaries** | | |
| Claim paid | (1,561,637) | (2,825,885) |
| Insurance premium received / receivable | 4,373,319 | 7,862,846 |
| Purchase of fixed assets | - | (1,650,330) |
| Rent paid | (6,955,283) | (11,630,898) |
| Interest received/receivables | 13,871,047 | 12,377,260 |
| Others | (68,166) | - |

38.4. (c) Recurrent related party transactions
There were no recurrent related party transactions which in aggregate value exceeded 10% of the gross revenue of the Company as per 31st December 2025 audited financial statements, which required additional disclosures in the 2025 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.

38.4. (d) 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 which ever is lower of the Company as per 31st December 2025 Audited Financial Statements, which required additional disclosures in the 2025 Annual Report under Colombo stock exchange listing rule 9.3.2

## 39. COMMITMENT

There were no capital commitments and contingent liabilities as at the reporting date.

## 40. 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 cash flows at a pre - tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in the profit or loss.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

There have been no contingent Liabilities identified to recognise or disclose during the period.

## 41. EVENTS OCCURRING 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.

No events have arisen since the reporting date which would require adjustment to or disclosure in the Financial Statements.

## 42 SEGMENT REPORTING

***Accounting Policy***

**Operating Segment**
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chairman and the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**Reportable Segment**
Reportable segments are operating segments or aggregations of operating segments that meet following criteria: its reported revenue, from both external customers and inter segment sales or transfers is 10% or more of the combined revenue, internal and external, of all operating segments; or the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or its assets are 10% or more of the combined assets of all operating segments.
Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principles of the standard, the segments have similar economic characteristics and are similar in various prescribed respects.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the entity's revenue is included in reportable segments."

## 42 SEGMENT REPORTING (CONTD...)

**Basis of Segmentation**
The company's operating segments are determined based on internal reports reviewed by the Chairman and the Board of Directors, who act as Chief Operating Decision Maker(CODM),for the purpose of resource allocation and performance assessment.

Arpico Insurance PLC presents segment information based on:

1. Primary segmentation : Geographic business units
2. Secondary (Supplementary) :Stake Holder based analysis, reflecting the distinct nature of insurance operations.

**Primary Segments -Geographic**
The Company operating through the following strategic geographic business units:

| Segment | Operations |
|---|---|
| UVA | Branch operations in UVA province |
| Sabaragamuwa and Gampaha | Branch operations in Sabaragamuwa province and Gampaha district |
| Corporate | Company wide Group policies |
| North, North Central and East | Branch operations in North, North Central and Eastern province |
| Southern and Central | Branch operations in Southern and Central and province |

**Secondary Segment - Stake Holder based**
For enhanced transparency, Arpico insurance PLC presents performance based on the following stake holder segments:

1.Policy Holder Segment :

Presents insurance operations including premiums,claims,and movements in insurance contract liabilities.

2.Share Holder Segment:

Represents returns attributable to equity holders, including investment income and underwriting surplus/(deficit )

**Performance of Geographic segments**
Following table illustrate show the value is generated and distributed across geographic business units of the entity.

| As at 31st December | 2025 | | | | | | 2024 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | UVA | Sabaragamuwa and Gampaha | Corporate | North, North Central and East | Southern and Central | Total | UVA | Sabaragamuwa and Gampaha | Corporate | North, North Central and East | Southern and Central | Total |
| Gross written premium | 137,570,886 | 209,029,800 | 56,675,297 | 886,108,364 | 472,750,507 | 1,762,134,855 | 214,962,752 | 338,923,577 | 287,867,195 | 701,943,394 | 425,065,654 | 1,968,762,572 |
| Premium ceded to reinsurers | (7,148,349) | (10,861,441) | (2,944,917) | (46,043,261) | (24,564,687) | (91,562,656) | (9,552,490) | (15,061,047) | (12,792,210) | (31,192,880) | (18,889,019) | (87,487,646) |
| **Net written premium** | 130,422,537 | 198,168,360 | 53,730,380 | 840,065,103 | 448,185,820 | 1,670,572,199 | 205,410,262 | 323,862,530 | 275,074,985 | 670,750,514 | 406,176,635 | 1,881,274,926 |
| | | | | | | | | | | | | - |
| | | | | | | | | | | | | - |
| Total other revenue | 58,529,664 | 88,931,926 | 24,112,559 | 376,995,641 | 201,132,150 | 749,701,940 | 72,103,897 | 128,769,683 | 95,968,173 | 183,083,415 | 128,164,603 | 608,089,772 |
| | | | | | | | | | | | | - |
| **Net income** | 188,952,201 | 287,100,285 | 77,842,939 | 1,217,060,744 | 649,317,970 | 2,420,274,139 | 277,514,160 | 452,632,213 | 371,043,158 | 853,833,929 | 534,341,239 | 2,489,364,697 |
| | | | | | | | | | | | | - |
| Net insurance benefits and claims | (51,853,887) | (76,817,899) | (76,471,403) | (361,165,220) | (290,535,916) | (856,844,325) | (75,746,906) | (175,858,887) | (467,233,719) | (255,820,797) | (186,370,491) | (1,161,030,799) |
| Underwriting and net acquisition costs | (36,793,682) | (50,372,341) | (4,652,186) | (251,207,108) | (90,286,969) | (433,312,285) | (79,694,843) | (98,126,874) | (60,018,935) | (191,279,623) | (102,382,086) | (531,502,361) |
| Change in contract liabilities - life fund | (44,677,557) | (61,165,749) | (5,649,021) | (305,033,888) | (109,632,985) | (433,312,285) | 27,148,494 | 33,427,468 | 20,445,786 | 65,160,473 | 34,877,030 | 181,059,252 |
| Other operating, administrative and selling expenses | (96,877,164) | (43,621,379) | - | (271,979,252) | (160,700,771) | (573,178,566) | (81,878,926) | (146,226,816) | (108,978,448) | (207,903,787) | (145,539,706) | (690,527,683) |
| Depreciation and Amortisation | (14,758,982) | (21,514,654) | - | (50,528,045) | (40,944,808) | (127,746,489) | (16,893,561) | (30,170,054) | (22,484,834) | (42,895,473) | (30,028,287) | (142,472,209) |
| **Total benefits, claims and other expenses** | (244,961,272) | (253,492,022) | (86,772,610) | (1,239,913,513) | (692,101,449) | (2,517,240,866) | (227,065,742) | (416,955,163) | (638,270,150) | (632,739,207) | (429,443,539) | (2,344,473,801) |
| **Profit/(Loss) before tax** | (56,009,071) | 33,608,263 | (8,929,671) | (22,852,769) | (42,783,479) | (96,966,727) | 50,448,418 | 35,677,050 | (267,226,992) | 221,094,722 | 104,897,700 | 144,890,897 |

Performance of Stakeholder segments

Following table illustrates show the value is generated and distributed between policy holders and share holders within the entity.

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Company | Share Holder Fund | Policy Holder Fund | Company | Share Holder Fund | Policy Holder Fund |
| Gross written premium | 1,762,134,855 | - | 1,762,134,855 | 1,968,762,572 | - | 1,968,762,572 |
| Premium ceded to reinsurers | (91,562,656) | - | (91,562,656) | (87,487,646) | - | (87,487,646) |
| **Net written premium** | 1,670,572,199 | - | 1,670,572,199 | 1,881,274,926 | - | 1,881,274,926 |
| | - | | | | | - |
| **Other revenue** | - | | | | | - |
| Fees and commission income | 13,535,660 | - | 13,535,660 | 30,467,426 | - | 30,467,426 |
| Net Investment income | 479,646,471 | 151,120,792 | 328,525,679 | 539,983,615 | 212,474,985 | 327,508,630 |
| Net fair value gains / (losses) | 12,380,167 | - | 12,380,167 | 14,012,635 | 6,082,545 | 7,930,090 |
| Net realised gains / (losses) | 235,766,249 | 241,301,349 | (5,535,100) | 17,615,861 | 17,615,861 | - |
| Other operating revenue | 8,373,393 | - | 8,373,393 | 6,010,235 | - | 6,010,235 |
| **Total other revenue** | 749,701,940 | 392,422,141 | 357,279,799 | 608,089,772 | 236,173,391 | 371,916,381 |
| | - | | | | | - |
| **Net income** | 2,420,274,139 | 392,422,141 | 2,027,851,998 | 2,489,364,698 | 236,173,391 | 2,253,191,306 |
| | - | | | | | - |
| Net insurance benefits and claims paid | (850,559,521) | - | (850,559,521) | (1,143,558,636) | - | (1,143,558,636) |
| Net change in insurance claims outstanding | (6,284,804) | - | (6,284,804) | (17,472,163) | - | (17,472,163) |
| Underwriting and net acquisition costs | (433,312,285) | - | (433,312,285) | (531,502,361) | - | (531,502,361) |
| Change in contract liabilities - life fund | (526,159,200) | (477,347,034) | (48,812,166) | 181,059,252 | (70,000,000) | 251,059,252 |
| Other operating, administrative and selling expenses | (573,178,566) | (12,041,834) | (561,136,733) | (690,527,683) | (21,282,493) | (669,245,190) |
| Depreciation and Amortisation | (127,746,489) | - | (127,746,489) | (142,472,209) | - | (142,472,209) |
| **Total benefits, claims and other expenses** | (2,517,240,866) | (489,388,868) | (2,027,851,998) | (2,344,473,800) | (91,282,493) | (2,253,191,307) |
| | - | | | | | - |
| **Profit/(Loss) before tax** | (96,966,727) | (96,966,727) | - | 144,890,898 | 144,890,898 | - |
| Income tax expense | 105,000,000 | 105,000,000 | - | 90,000,000 | 90,000,000 | - |
| **Profit for the year** | 8,033,273 | 8,033,273 | - | 234,890,898 | 234,890,898 | - |

# Purpose

## at Every Turn

**As we reflect on a year of definitive shifts, we note the insistence with which we continued to place our policyholders at the top of our list of priorities. As we execute growth at every turn, the ultimate benefactor remains the same.**

As much as growth depends on swift moves and great decisions, it is also shaped in the small moments, the details and the deliberate steps that one takes to secure tomorrow.



# INSURANCE REVENUE ACCOUNT

| | 2025<br>Rs. (000) | 2024<br>Rs. (000) | 2023<br>Rs. (000) |
|---|---|---|---|
| Gross written premium | 1,762,134,854 | 1,968,762,571 | 2,236,604,711 |
| Premium ceded to reinsurers | (91,562,656) | (87,487,646) | (95,541,262) |
| **Net written premium** | 1,670,572,199 | 1,881,274,925 | 2,141,063,449 |
| | | | |
| **Other revenue** | | | |
| Fees and commission income | 13,535,660 | 30,467,426 | 29,250,346 |
| Net Investment income | 328,525,679 | 327,508,630 | 325,928,195 |
| Net fair value gains / (losses) | 12,380,167.20 | 7,930,090.13 | 12,767,926.75 |
| Net realised gains/(losses) | (5,535,100.35) | - | - |
| Other operating revenue | 8,373,393 | 6,010,235 | 5,660,615 |
| **Total other revenue** | 357,279,799 | 441,916,381 | 373,607,083 |
| | | | |
| **Net income** | 2,027,851,997 | 2,253,191,306 | 2,514,670,532 |
| | | | |
| Net insurance benefits and claims paid | (850,559,521) | (1,143,558,636) | (1,401,134,620) |
| Net change in insurance claims outstanding | (6,284,804) | (17,472,163) | (27,835,847) |
| Underwriting and net acquisition costs | (433,312,285) | (531,502,361) | (624,048,548) |
| Change in contract liabilities - life fund | (526,159,201) | 181,059,252 | (591,734,541) |
| Other operating, administrative and selling expenses | (688,883,220) | (811,717,398) | (818,873,210) |
| **Total benefits, claims and other expenses** | (2,505,199,031) | (2,323,191,306) | (3,463,626,766) |
| | | | |
| **Deficit Transfer to Life fund** | (477,347,034) | - | (948,956,234) |
| | | | |
| **Shareholder Fund** | | | |
| Expenses not attributable to policy holders | (489,388,868) | (91,282,493) | (8,530,321) |
| Total revenue from share holders fund | 392,422,141 | 236,173,391 | 273,654,630 |
| Income tax expense | 105,000,000 | 90,000,000 | - |
| Profit from share holder fund | (96,966,727) | 144,890,898 | 265,124,309 |
| Profit after tax | 8,033,273 | 234,890,898 | (683,831,926) |

# STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

| | 31.12.2025<br>Rs. (000) | 31.12.2024<br>Rs. (000) | 31.12.2023<br>Rs. (000) |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 6,954,017 | 7,252,280 | 767,227 |
| Property, plant and equipment | 23,112,291 | 41,808,801 | 60,343,336 |
| Right of use assets | 198,976,482 | 171,032,028 | 198,167,665 |
| Financial assets | 2,953,256,493 | 2,855,053,335 | 1,942,890,318 |
| Loans to life policyholders | 172,658,497 | 199,044,250 | 241,246,301 |
| Reinsurance receivables | 5,311,350 | 10,519,552 | 11,108,850 |
| Amounts due from related parties | 9,031,305 | 5,936,182 | - |
| Premium receivables | 58,335,645 | 59,716,100 | 91,475,027 |
| Other assets | 173,950,224 | 82,402,960 | 717,511,595 |
| Cash and cash equivalents | 969,951,041 | 525,344,029 | 138,905,787 |
| **Total assets** | 4,571,537,346 | 3,958,109,517 | 3,402,416,106 |
| | | | |
| **Reserve and liabilities** | | | |
| **Reserves** | | | |
| Other reserves | - | - | (4,164,915) |
| | | | |
| **Total equity** | - | - | (4,164,915) |
| | | | |
| **Liabilities** | | | |
| Insurance contract liabilities | 3,266,440,502 | 2,715,710,389 | 2,885,863,883 |
| Employee benefit obligation | 18,012,333 | 15,878,745 | 15,667,480 |
| Reinsurance payables | 17,300,371 | 8,696,647 | 37,579,204 |
| Lease liabilities | 234,433,002 | 208,113,822 | 221,777,381 |
| Amounts due to related parties | 7,567,032 | 7,114,065 | 49,590,990 |
| Other financial liabilities | 160,298,838 | 179,396,606 | 130,062,245 |
| Other liabilities | 867,485,267 | 823,198,803 | 66,039,838 |
| **Total liabilities** | 4,571,537,346 | 3,958,109,517 | 3,406,581,021 |
| | | | |
| **Total equity and liabilities** | 4,571,537,346 | 3,958,109,517 | 3,402,416,106 |

# 10 YEAR SUMMARY - INCOME STATEMENT

| | 2025<br>Rs. | 2024<br>Rs. | 2023<br>Rs. | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|---|---|---|
| Gross written premium | 1,762,134,855 | 1,968,762,572 | 2,236,604,711 | 2,318,578,356 | 2,311,632,930 |
| Premium ceded to reinsurers | (91,562,656) | (87,487,646) | (95,541,262) | (71,539,608) | (103,292,315) |
| Net written premium | 1,670,572,199 | 1,881,274,926 | 2,141,063,449 | 2,247,038,748 | 2,208,340,615 |
| **Other revenue** | | | | | |
| Fees and commission income | 13,535,660 | 30,467,426 | 29,250,346 | 50,077,425 | 45,547,057 |
| Investment income | 479,646,471 | 539,983,615 | 581,234,628 | 452,057,515 | 256,205,977 |
| Fair value gains / (losses) | 12,380,167 | 14,012,635 | 28,455,896 | 14,011,738 | 870,338 |
| Net realised gains | 235,766,249 | 17,615,861 | - | 4,601,930 | - |
| Other operating revenue | 8,373,393 | 6,010,235 | 8,320,843 | 31,077,813 | 7,149,084 |
| **Total other revenue** | 749,701,940 | 608,089,772 | 647,261,713 | 551,826,421 | 309,772,456 |
| **Net income** | 2,420,274,139 | 2,489,364,698 | 2,788,325,162 | 2,798,865,169 | 2,518,113,071 |
| Net insurance benefits and claims paid | (850,559,521) | (1,143,558,636) | (1,401,134,620) | (860,031,040) | (573,138,341) |
| Net change in insurance claims outstanding | (6,284,804) | (17,472,163) | (27,835,847) | 13,762,008 | (31,167,632) |
| Underwriting and net acquisition costs | (433,312,285) | (531,502,361) | (624,048,548) | (630,173,632) | (753,929,519) |
| Change in contract liabilities - life fund | (526,159,201) | 181,059,252 | (591,734,541) | (408,860,708) | (58,943,480) |
| Other operating and administrative expenses | (573,178,566) | (690,527,683) | (702,909,591) | (747,448,886) | (671,118,030) |
| Depreciation and Amortisation | (127,746,489) | (142,472,209) | (124,493,940) | (80,920,951) | (92,434,528) |
| **Total benefits, claims and other expenses** | (2,517,240,866) | (2,344,473,800) | (3,472,157,088) | (2,713,673,209) | (2,180,731,530) |
| **Profit before tax** | (96,966,727) | 144,890,898 | (683,831,926) | 85,191,960 | 337,381,541 |
| Income tax (expense)/reversal | 105,000,000 | 90,000,000 | - | (48,955,682) | (100,680,805) |
| **Profit for the year** | 8,033,273 | 234,890,898 | (683,831,926) | 36,236,278 | 236,700,736 |

| 2020<br>Rs. | 2019<br>Rs. | 2018<br>Rs. | 2017<br>Rs. | 2016<br>Rs. |
|---|---|---|---|---|
| 1,836,100,261 | 1,633,157,997 | 1,387,432,253 | 1,038,085,079 | 745,386,354 |
| (91,424,657) | (88,849,485) | (41,327,272) | (28,370,148) | (24,436,905) |
| 1,744,675,604 | 1,544,308,512 | 1,346,104,981 | 1,009,714,931 | 720,949,449 |
| | | | | |
| 34,222,629 | 28,825,103 | 10,666,036 | 8,064,174 | 6,269,983 |
| 253,389,343 | 261,012,023 | 205,215,741 | 163,757,872 | 114,148,063 |
| - | 21,327,018 | 13,823,318 | 85,349 | (1,089,247) |
| - | - | - | - | - |
| 9,039,175 | 10,573,868 | 6,935,285 | 5,872,807 | 4,773,224 |
| 296,651,147 | 321,738,012 | 236,640,380 | 177,780,202 | 124,102,023 |
| 2,041,326,751 | 1,866,046,524 | 1,582,745,361 | 1,187,495,133 | 845,051,472 |
| (395,053,475) | (298,735,091) | (164,148,852) | (117,741,823) | (78,125,724) |
| | | | | |
| (7,955,560) | (7,350,853) | (4,797,718) | (2,015,224) | (872,422) |
| (418,946,461) | (374,031,638) | (319,820,986) | (213,455,102) | (114,124,472) |
| (296,040,673) | (221,785,330) | (309,732,195) | (280,513,648) | (290,207,532) |
| | | | | |
| (557,458,730) | (563,234,348) | (565,145,575) | (355,656,190) | (247,014,772) |
| (87,276,940) | (84,801,644) | (20,265,126) | (12,099,932) | (6,817,379) |
| | | | | |
| (1,762,731,839) | (1,549,938,904) | (1,383,910,452) | (981,481,919) | (737,162,301) |
| 278,594,912 | 316,107,620 | 198,834,909 | 206,013,214 | 107,889,171 |
| (77,918,674) | (88,849,801) | 300,349,604 | - | - |
| 200,676,238 | 227,257,819 | 499,184,513 | 206,013,214 | 107,889,171 |

# 10 YEAR SUMMARY - STATEMENT OF FINANCIAL POSITION

| As at 31st December | 2025<br>Rs. | 2024<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
|---|---|---|---|---|
| **Assets** | | | | |
| Intangible assets | 6,954,017 | 7,252,280 | 767,227 | 1,118,327 |
| Property, plant and equipment | 23,112,291 | 41,808,801 | 60,343,336 | 75,284,032 |
| Right of use assets | 198,976,482 | 171,032,028 | 198,167,665 | 163,439,549 |
| Deferred tax asset | 195,000,000 | 90,000,000 | - | - |
| Financial assets | 4,565,464,789 | 4,262,978,831 | 3,949,884,217 | 3,681,717,640 |
| Loans to life policyholders | 172,658,497 | 199,044,250 | 241,246,301 | 321,812,161 |
| Reinsurance receivables | 5,311,350 | 10,519,552 | 11,108,850 | 1,902,666 |
| Amounts due from related parties | 9,031,305 | 5,936,182 | 30,985,542 | 21,654,039 |
| Premium receivables | 64,996,481 | 59,716,100 | 91,475,027 | 99,334,584 |
| Other assets | 113,622,616 | 107,691,105 | 175,300,704 | 83,994,218 |
| Cash and cash equivalents | 88,426,366 | 53,869,097 | 56,396,474 | 169,799,679 |
| **Total assets** | 5,443,554,193 | 5,009,848,225 | 4,815,675,345 | 4,620,056,895 |
| **Equity and liabilities** | | | | |
| **Shareholders' equity** | | | | |
| Stated capital | 675,564,870 | 675,564,870 | 675,564,870 | 675,564,870 |
| Retained earnings | 1,012,417,668 | 1,005,999,971 | 770,448,880 | 1,458,445,722 |
| Available for sale reserves | - | 159,513,183 | (35,537,005) | (216,692,952) |
| **Total ordinary shareholders' equity** | 1,687,982,538 | 1,841,078,024 | 1,410,476,745 | 1,917,317,640 |
| **Liabilities** | | | | |
| Insurance contract liabilities | 3,266,440,502 | 2,715,710,389 | 2,885,863,883 | 2,241,859,388 |
| Employee benefit obligation | 18,012,333 | 15,878,745 | 15,667,480 | 17,057,855 |
| Reinsurance payables | 17,300,371 | 8,696,647 | 37,579,204 | 32,402,323 |
| Lease liabilities | 234,433,002 | 208,113,822 | 221,777,381 | 175,394,254 |
| Amounts due to related parties | 7,580,344 | 7,114,065 | 49,590,990 | 30,795,272 |
| Other financial liabilities | 191,622,027 | 177,860,728 | 126,283,782 | 117,550,937 |
| Other liabilities | 20,183,076 | 35,395,805 | 68,435,879 | 87,679,226 |
| **Total liabilities** | 3,755,571,656 | 3,168,770,201 | 3,405,198,600 | 2,702,739,255 |
| **Total equity and liabilities** | 5,443,554,193 | 5,009,848,225 | 4,815,675,345 | 4,620,056,895 |
| | | | | - |
| **Investor Information** | | | | |
| Gross Profit margin | (8) | 19 | (23) | 16 |
| Operating Profit Margin | (3) | 10 | (28) | (28) |
| Return on Net Assets (%) | 0.45 | 13 | (41) | 2 |
| Earning per share - basic (Rs.) | 0.12 | 4 | (10) | 1 |
| Net Assets Per Share (Rs.) | 25 | 28 | 21 | 29 |
| Market Price Per Share (Rs.) | 36.4 | 26.5 | 22.5 | 23 |
| Market Capitalisation (Rs. Mn) | 2,411 | 1,755 | 1,490 | 1,503 |
| Price Earnings Ratio (Times) | 300 | 7 | (2) | 41 |
| | | | | |
| **Other Information** | | | | |
| No of Shares ('000) | 66,230 | 66,230 | 66,230 | 66,230 |

| 2021<br>Rs. | 2020<br>Rs. | 2019<br>Rs. | 2018<br>Rs. | 2017<br>Rs. | 2016<br>Rs. |
|---|---|---|---|---|---|
| | | | | | |
| 586,844 | 413,031 | 675,531 | 303,750 | - | - |
| 57,691,938 | 59,060,218 | 60,142,522 | 63,045,746 | 57,597,796 | 21,850,521 |
| 129,675,417 | 137,336,423 | 119,555,926 | - | - | - |
| 36,979,105 | 137,659,910 | 215,578,584 | 304,428,385 | - | - |
| 3,470,094,773 | 2,682,476,454 | 2,376,948,902 | 2,028,265,792 | 1,346,980,154 | 1,245,402,750 |
| 425,525,375 | 389,694,262 | 286,270,410 | 228,616,921 | 157,711,170 | 111,675,715 |
| 8,373,896 | 7,170,413 | 68,351,851 | 26,939,303 | 20,702,073 | 7,706,821 |
| 12,002,002 | 6,448,559 | 51,716,671 | 26,907,609 | 181,589 | - |
| 62,470,094 | 30,808,290 | 69,528,421 | 73,071,532 | 105,775,413 | 39,491,469 |
| 62,822,687 | 55,874,973 | 103,514,705 | 74,414,275 | 94,318,212 | 54,329,540 |
| 150,015,184 | 668,548,192 | 295,514,738 | 170,483,254 | 320,778,531 | 106,504,318 |
| 4,416,237,315 | 4,175,490,725 | 3,647,798,261 | 2,996,476,567 | 2,104,044,938 | 1,586,961,134 |
| | | | | | |
| | | | | | |
| 675,564,870 | 675,564,870 | 675,564,870 | 675,564,870 | 675,564,870 | 675,564,870 |
| 1,422,126,083 | 1,185,243,956 | 984,881,654 | 756,752,988 | 257,632,154 | 79,145,018 |
| (26,545,650) | - | - | - | - | - |
| 2,071,145,303 | 1,860,808,826 | 1,660,446,524 | 1,432,317,858 | 933,197,024 | 754,709,888 |
| | | | | | |
| 1,897,003,107 | 1,904,914,105 | 1,562,743,701 | 1,325,869,400 | 1,025,457,000 | 726,047,856 |
| 16,146,223 | 14,743,507 | 11,452,108 | 9,488,251 | 6,568,317 | 4,608,990 |
| 70,001,400 | 85,918,647 | 102,961,206 | 50,022,714 | 30,859,018 | 22,729,392 |
| 157,443,360 | 155,319,117 | 128,171,022 | - | - | - |
| 2,105,460 | 16,573,459 | 7,203,351 | 7,184,537 | 9,694,866 | 6,676,507 |
| 107,718,526 | 79,190,578 | 132,994,405 | 115,608,712 | 72,456,338 | 54,461,564 |
| 94,673,936 | 58,022,486 | 41,825,944 | 55,985,095 | 25,812,375 | 17,726,937 |
| 2,345,092,012 | 2,314,681,899 | 1,987,351,737 | 1,564,158,709 | 1,170,847,914 | 832,251,246 |
| 4,416,237,315 | 4,175,490,725 | 3,647,798,261 | 2,996,476,567 | 2,104,044,938 | 1,586,961,134 |
| - | - | - | - | - | - |
| | | | | | |
| 34 | 34 | 39 | 39 | 38 | 32 |
| - | 16 | 21 | NA | NA | NA |
| 12 | 11 | 15 | 42 | 24 | 15 |
| 4 | 3 | 3 | 8 | 3 | 2 |
| 31 | 28 | 25 | 22 | 14 | 11 |
| 28 | 24 | 19 | 18 | 17 | 12 |
| 1,881 | 1,583 | 1,272 | 1,212 | 1,126 | 795 |
| 8 | 8 | 6 | 2 | 5 | 7 |
| | | | | | |
| | | | | | |
| 66,230 | 66,230 | 66,230 | 66,230 | 66,230 | 66,230 |

# QUARTERLY ANALYSIS INCOME STATEMENT

| | 2025 | | | | |
|---|---|---|---|---|---|
| | 31st March 2025 | 30th June 2025 | 30th September 2025 | 31st December 2025 | Total |
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Revenue | | | | | |
| Gross written premium | 447,483,879 | 410,369,213 | 412,996,101 | 491,285,662 | 1,762,134,855 |
| Premium ceded to reinsurers | (21,557,173) | (21,830,562) | (22,200,792) | (25,974,129) | (91,562,656) |
| **Net written premium** | 425,926,706 | 388,538,651 | 390,795,309 | 465,311,533 | 1,670,572,199 |
| **Other revenue** | | | | | |
| Fee and commission income | 4,468,225 | 3,304,493 | 3,138,772 | 2,624,170 | 13,535,660 |
| Income from investments | 139,580,223 | 126,370,191 | 101,890,118 | 111,805,939 | 479,646,471 |
| Net fair value gains / (losses) | 3,129,765 | 2,960,337 | 3,090,666 | 3,199,399 | 12,380,167 |
| Net realised gains | - | - | | 235,766,249 | 235,766,249 |
| Other income | 681,282 | 1,262,188 | 512,370 | 5,917,553 | 8,373,393 |
| Total other revenue | 147,859,495 | 133,897,209 | 108,631,926 | 359,313,310 | 749,701,940 |
| **Net income** | 573,786,201 | 522,435,860 | 499,427,235 | 824,624,843 | 2,420,274,139 |
| Net insurance benefits and claims paid | (206,897,608) | (233,545,220) | (201,242,188) | (208,874,505) | (850,559,521) |
| Net change in insurance claims outstanding | (28,164,171) | 35,614,051 | (9,246,454) | (4,488,230) | (6,284,804) |
| Underwriting and net acquisition costs | (105,421,309) | (121,159,578) | (114,224,078) | (92,507,320) | (433,312,285) |
| Change in contract liabilities - life fund | (44,696,333) | 35,825,936 | 3,245,114 | (520,533,918) | (526,159,201) |
| Other operating and administrative expenses | (167,112,280) | (192,151,335) | (179,349,620) | (162,311,820) | (700,925,055) |
| **Net benefits and claims** | (552,291,701) | (475,416,146) | (500,817,226) | (988,715,793) | (2,517,240,866) |
| Profit/(Loss ) before tax | 21,494,500 | 47,019,714 | (1,389,991) | (164,090,950) | (96,966,727) |
| Income tax expense | (9,660,350) | (9,680,021) | (8,856,125) | 133,196,496 | 105,000,000 |
| **Profit/(Loss) for the period** | 11,834,150 | 37,339,693 | (10,246,116) | (30,894,454) | 8,033,273 |

| | 2024 | | |
|---|---|---|---|
| 31st March 2024 | 30th June 2024 | 30th September 2024 | 31st December 2024 |
| Rs. | Rs. | Rs. | Rs. |
| | | | |
| 568,240,498 | 400,404,408 | 425,494,797 | 367,995,152 |
| (22,268,362) | (21,771,889) | (22,571,722) | (24,950,683) |
| 545,972,136 | 378,632,519 | 402,923,075 | 343,044,469 |
| | | | |
| 5,295,940 | 7,215,476 | 5,269,092 | (4,244,848) |
| 137,828,756 | 152,057,021 | 114,740,671 | 75,020,023 |
| 4,138,612 | 3,308,032 | 3,323,397 | 1,610,126 |
| - | - | - | 235,766,249 |
| 525,588 | 518,476 | 506,550 | 6,822,779 |
| 147,788,896 | 163,099,005 | 123,839,710 | 314,974,329 |
| 693,761,032 | 541,731,524 | 526,762,785 | 658,018,799 |
| (321,229,138) | (259,026,995) | (257,565,406) | (12,737,982) |
| (748,071) | (10,102,472) | 2,605,711 | 1,960,028 |
| (97,828,237) | (165,834,556) | (147,759,945) | (21,889,547) |
| (13,027,767) | 176,828,280 | 59,556,661 | (490,350,568) |
| | | | |
| (194,503,450) | (218,687,716) | (185,015,087) | (102,718,802) |
| (627,336,663) | (476,823,459) | (528,178,066) | (625,736,873) |
| 66,424,369 | 64,908,065 | (1,415,281) | 32,281,927 |
| (19,180,040) | (15,987,974) | (10,520,501) | 45,688,515 |
| 47,244,329 | 48,920,091 | (11,935,782) | 77,970,442 |

# INVESTOR INFORMATION

| | 2025 Rs. | 2024 Rs. | 2023 Rs. | 2022 Rs. | 2021 Rs. | 2020 Rs. | 2019 Rs. | 2018 Rs. | 2017 Rs. | 2016 Rs. |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Profit Margin | (8) | 19 | (23) | 16 | 34 | 34 | 39 | 39 | 38 | 32 |
| Operating profit margin | (3) | 10 | (28) | (28) | - | 16 | 21 | NA | NA | NA |
| Gap between Gross and operating Profit | (5) | 9 | 6 | 44 | 34 | 18 | 19 | NA | NA | NA |
| Return on Net Assets (%) | 0.48 | 13 | (41) | 2 | 12 | 11 | 15 | 42 | 24 | 15 |
| Earning per share - basic (Rs.) | 0.12 | 4 | (10) | 1 | 4 | 3 | 3 | 8 | 3 | 2 |
| Net Assets Per Share (Rs.) | 25 | 28 | 21 | 29 | 31 | 28 | 25 | 22 | 14 | 11 |
| Market Price Per Share (Rs.) | 36 | 27 | 23 | 23 | 28 | 24 | 19 | 18 | 17 | 12 |
| Market Capitalisation (Rs. Mn) | 2,411 | 1,755 | 1,490 | 1,503 | 1,881 | 1,583 | 1,272 | 1,212 | 1,126 | 795 |
| Price Earnings Ratio (Times) | 300 | 7 | NA | 41 | 8 | 8 | 6 | 2 | 5 | 7 |
| **Other Information** | | | | | | | | | | |
| No of Shares ('000) | 66230 | 66230 | 66230 | 66230 | 66230 | 66230 | 66230 | 66230 | 66230 | 66230 |

## Common Size Analysis - Statement of Profit and Loss

| | As a % of Gross Written Premium | | |
|---|---|---|---|
| | **2025 Rs.** | 2024 Rs. | 2023 Rs. |
| Gross written premium | 100.0 | 100.00 | 100.00 |
| Premium ceded to reinsurers | (5.2) | (4.44) | (4.27) |
| Net written premium | 94.8 | 95.56 | 95.73 |
| Other revenue | | | |
| Fees and commission income | 0.8 | 1.55 | 1.31 |
| Investment income | 27.2 | 27.43 | 25.99 |
| Fair value gains / (losses) | 0.7 | 0.71 | 1.27 |
| Net realised gains | 13.4 | 0.89 | - |
| Other operating revenue | 0.5 | 0.31 | 0.37 |
| **Total other revenue** | 42.5 | 30.89 | 28.94 |
| **Net income** | 137.3 | 126.44 | 124.67 |
| Net insurance benefits and claims paid | (48.3) | (58.09) | (62.65) |
| Net change in insurance claims outstanding | (0.4) | (0.89) | (1.24) |
| Underwriting and net acquisition costs | (24.6) | (27.00) | (27.90) |
| Change in contract liabilities - life fund | (29.9) | 9.20 | (26.46) |
| Other operating and administrative expenses | (32.5) | (35.07) | (31.43) |
| Depreciation and Amortisation | (7.2) | (7.24) | (5.57) |
| **Total benefits, claims and other expenses** | (142.9) | (119.08) | (155.24) |
| **Profit before tax** | (5.5) | 7.4 | (30.6) |
| Income tax (expense)/reversal | 6 | 4.57 | - |
| **Profit for the year** | 0.46 | 12 | (31) |

## Common Size Analysis - Statement of Financial Position

| | As a % of Total Assets | | |
|---|---|---|---|
| | 2025 Rs. | 2024 Rs. | 2023 Rs. |
| **Assets** | | | |
| Intangible assets | 0.13 | 0.14 | 0.02 |
| Property, plant and equipment | 0.43 | 0.83 | 1.25 |
| Deferred tax asset | 3.58 | 3.41 | - |
| Right of use assets | 3.66 | 1.80 | 4.12 |
| Financial assets | 83.87 | 85.09 | 82.02 |
| Loans to life policyholders | 3.17 | 3.97 | 5.01 |
| Reinsurance receivables | 0.10 | 0.21 | 0.23 |
| Amounts due from related parties | 0.19 | 0.12 | 0.64 |
| Premium receivables | 1.19 | 1.19 | 1.90 |
| Other assets | 2.09 | 2.15 | 3.64 |
| Cash and cash equivalents | 1.62 | 1.08 | 1.17 |
| **Total assets** | 100 | 100.00 | 100.00 |
| **Equity and liabilities** | | | |
| **Shareholders' equity** | | | |
| Stated capital | 12.41 | 13.48 | 14.03 |
| Retained earnings | 18.60 | 20.08 | 16.00 |
| Available for sale reserves | - | 3.18 | (0.74) |
| **Total ordinary shareholders' equity** | 31.01 | 36.75 | 29.29 |
| **Liabilities** | | | |
| Insurance contract liabilities | 60.01 | 54.21 | 59.93 |
| Employee benefit obligation | 0.33 | 0.32 | 0.33 |
| Reinsurance payables | 0.32 | 0.17 | 0.78 |
| Lease liabilities | 4.31 | 4.15 | 4.61 |
| Amounts due to related parties | 0.14 | 0.14 | 1.03 |
| Other financial liabilities | 3.52 | 3.55 | 2.62 |
| Other liabilities | 0.37 | 0.71 | 1.42 |
| **Total liabilities** | 68.99 | 63.25 | 70.71 |
| **Total equity and liabilities** | 100.00 | 100.00 | 100.00 |

## SLFRS 17 – Insurance Contracts and SLFRS 9 – Financial Instruments

A number of new accounting standards and amendments become effective for annual reporting periods beginning after 1st January 2025. However, the Group has not early adopted these standards in preparing these Financial Statements.

The Group will adopt SLFRS 17 – Insurance Contracts and SLFRS 9 – Financial Instruments with effect from 1 January 2026. These Standards are expected to significantly change the accounting, measurement, presentation and disclosure of insurance contracts and financial instruments and will materially impact the Group's future Financial Statements, reported earnings patterns, equity position and key performance indicators.

SLFRS 17 replaces SLFRS 4 Insurance Contracts and establishes a comprehensive framework for the recognition, measurement, presentation and disclosure of insurance contracts. The Standard introduces a market-consistent and principle-based accounting framework intended to improve comparability and transparency across the global insurance industry. Under SLFRS 17, insurance contract liabilities are measured using current estimates of future cash flows, explicit risk adjustments and the recognition of unearned profits over the period in which insurance services are provided.

The implementation of SLFRS 17 represents one of the most significant changes to financial reporting ever introduced for the insurance industry. The Standard changes not only how insurance contracts are measured, but also how financial performance is presented and interpreted by shareholders, regulators, investors and other stakeholders.

Under the current SLFRS 4 framework, revenue is largely driven by premium recognition patterns and profits may emerge earlier during the life cycle of a policy depending on product structures and accounting practices. Under SLFRS 17, insurance revenue will instead represent the value of insurance services provided during the reporting period. Consequently, profit recognition patterns are expected to become more gradual and aligned with the delivery of insurance and investment-related services.

One of the key concepts introduced by SLFRS 17 is the Contractual Service Margin ("CSM"), which represents the unearned profit relating to insurance contracts. Rather than recognizing profits upfront, profits will generally be deferred and recognized systematically over the coverage period as services are provided to policyholders. As a result, the timing of profit emergence under SLFRS 17 is expected to differ significantly from the current reporting framework, although the underlying economics and long-term cash generation capability of the business remain unchanged.

The measurement framework under SLFRS 17 is primarily based on the following components:

### Fulfilment Cash Flows ("FCF")

Fulfilment Cash Flows represent the present value of future cash inflows and outflows expected to arise as the Group fulfils insurance contract obligations. These estimates incorporate:

- expected future premiums;
- expected claims and benefits;
- policy maintenance and administration expenses;
- acquisition cash flows;
- policyholder behaviour assumptions;
- discounting using current market-consistent assumptions; and
- other directly attributable fulfilment expenses.

The estimates are required to be current, explicit, unbiased and reflective of all reasonable and supportable information available at the reporting date.

### Discount Rates

Under SLFRS 17, future cash flows are discounted using current market-based discount rates reflecting:

- the time value of money;
- liquidity characteristics of the insurance contracts; and
- characteristics of the underlying cash flows.

This represents a significant change from certain existing valuation methodologies currently applied under SLFRS 4. The use of current discount rates may introduce additional volatility to reported insurance liabilities and equity depending on prevailing market interest rates and economic conditions.

### Risk Adjustment for Non-Financial Risk

SLFRS 17 requires an explicit Risk Adjustment for non-financial risk representing the compensation the Group requires for bearing uncertainty associated with insurance cash flows. The Risk Adjustment reflects uncertainties relating to mortality, morbidity, persistency, claims frequency, claims severity and other insurance-related risks.

The introduction of an explicit Risk Adjustment methodology under SLFRS 17 represents a major enhancement to transparency compared to existing reporting practices under SLFRS 4.

### Contractual Service Margin ("CSM")

The CSM represents the unearned future profit associated with groups of insurance contracts. The CSM is recognized gradually in profit or loss over the coverage period based on the provision of insurance and investment-related services.

The introduction of the CSM mechanism is expected to significantly alter profit emergence patterns for long-term insurance products. Under the current framework, certain

profits may be recognized at earlier stages of the policy lifecycle, whereas under SLFRS 17 profits are generally deferred and recognized over time. Accordingly, the implementation of SLFRS 17 is expected to increase insurance contract liabilities on transition due to the deferral of future profits that would otherwise have been recognized earlier under SLFRS 4.

### Measurement Models

SLFRS 17 introduces three principal measurement approaches depending on the nature of insurance contracts issued by the Group.

### General Measurement Model ("GMM")

The General Measurement Model, also referred to as the Building Block Approach, is the default measurement model under SLFRS 17 and is expected to apply to most long-term insurance contracts issued by the Group. Under this approach, insurance liabilities are measured using:

- Fulfilment Cash Flows;
- Risk Adjustment; and
- Contractual Service Margin.

### Variable Fee Approach ("VFA")

The Variable Fee Approach applies primarily to participating and investment-linked contracts where policyholders participate in returns on underlying items. Under this approach, changes in underlying asset values may directly impact the measurement of insurance liabilities and the recognition of profit.

### Premium Allocation Approach ("PAA")

The Premium Allocation Approach is a simplified approach permitted for certain short-duration contracts where the results are expected to approximate those produced under the General Measurement Model. The PAA is expected to apply mainly to eligible short-term insurance contracts.

Based on current assessments, the Group expects to apply the following measurement models across major product categories:

| Product Category | Expected Measurement Model |
|---|---|
| Participating Products | General Measurement Model (GMM) |
| Universal Life Products | General Measurement Model (GMM) |
| Unit Linked Products | Variable Fee Approach (VFA) |
| Group Life Products | General Measurement Model (GMM) |
| Eligible Short-Term Insurance Contracts | Premium Allocation Approach (PAA) |

### Contract Boundaries and Level of Aggregation

SLFRS 17 introduces new requirements relating to contract boundaries and grouping of insurance contracts. Insurance contracts are required to be grouped into portfolios comprising contracts subject to similar risks and managed together. Each portfolio is further divided into annual cohorts and profitability groupings.

The level of aggregation required under SLFRS 17 is significantly more granular than current reporting practices under SLFRS 4 and may result in earlier recognition of losses on onerous contracts. Groups of contracts identified as onerous are required to recognize losses immediately in profit or loss.

The determination of contract boundaries under SLFRS 17 may also result in changes to the scope of future cash flows included within the measurement of insurance contract liabilities compared to existing practices.

### Insurance Acquisition Cash Flows

SLFRS 17 changes the accounting treatment relating to acquisition costs associated with insurance contracts. Under the new Standard, insurance acquisition cash flows directly attributable to groups of insurance contracts may be recognized as part of insurance contract assets and amortized over the related coverage periods.

This differs from certain existing accounting practices under SLFRS 4 where acquisition costs may be recognized separately as Deferred Acquisition Costs ("DAC"). Under SLFRS 17, acquisition cash flows will generally form part of the carrying amount of the related insurance contract groups.

### Presentation and Disclosure Changes

SLFRS 17 significantly changes the presentation of insurance-related balances in both the Statement of Financial Position and the Statement of Profit or Loss.

### Statement of Financial Position

Under SLFRS 17, insurance contract balances will be presented using categories such as:

- Liability for Remaining Coverage ("LRC");
- Liability for Incurred Claims ("LIC");
- Insurance contract assets;
- Reinsurance contract assets and liabilities; and
- Contractual Service Margin ("CSM").

Balances such as insurance receivables, insurance payables and Deferred Acquisition Costs currently presented separately may instead be included within the carrying amount of insurance contract portfolios.

### Statement of Profit or Loss

The presentation of financial performance will also change substantially. Under the new framework, the Group will separately present:

- Insurance Revenue;
- Insurance Service Expenses;
- Insurance Service Result; and
- Insurance Finance Income or Expenses.

Traditional performance indicators such as Gross Written Premiums and Net Earned Premiums may no longer represent the primary indicators of performance under SLFRS 17. Instead, greater emphasis will be placed on insurance service results and CSM release patterns.

Insurance finance income or expenses arising from discounting effects and changes in financial assumptions may either be recognized fully in profit or loss or partially through Other Comprehensive Income ("OCI"), depending on accounting policy elections made by the Group.

### Transition Approach

SLFRS 17 requires retrospective application unless impracticable. Where complete historical information is unavailable or impracticable to obtain, entities are permitted to apply either:

- the Modified Retrospective Approach; or
- the Fair Value Approach.

Based on assessments performed to date, the Group expects to apply the Fair Value Approach for certain portfolios due to limitations in obtaining sufficiently reliable and complete historical information required for full retrospective application. Under this approach, the CSM at transition is determined as the difference between the fair value of insurance contract groups and the corresponding fulfilment cash flows at the transition date.

### Expected Financial Impact of SLFRS 17

Based on assessments performed to date, the Group expects the adoption of SLFRS 17 to materially impact reported equity and insurance contract liabilities upon transition.

The anticipated reduction in opening equity primarily arises from:

- the deferral of future profits through the CSM mechanism;
- introduction of explicit Risk Adjustments;
- revised discounting methodologies using current assumptions;
- revised treatment of acquisition cash flows; and
- increased granularity in identifying onerous contracts.

Although the transition is expected to alter the timing of profit recognition and presentation formats, the adoption of SLFRS 17 does not change the fundamental economics, underlying cash flows or long-term value generation capability of the Group's insurance business.

### SLFRS 9 – Financial Instruments

The Group will also adopt SLFRS 9 – Financial Instruments from 1 January 2026 simultaneously with SLFRS 17, having previously applied the temporary exemption available to qualifying insurers.

SLFRS 9 replaces LKAS 39 Financial Instruments: Recognition and Measurement and introduces significant changes relating to:

- classification and measurement of financial assets;
- impairment methodologies; and
- hedge accounting.

Under SLFRS 9, financial assets are classified based on:

- the business model within which the assets are managed; and
- the contractual cash flow characteristics of the instruments.

Financial assets will generally be classified into:

- Amortized Cost;
- Fair Value Through Other Comprehensive Income ("FVOCI"); or
- Fair Value Through Profit or Loss ("FVTPL").

A significant change introduced by SLFRS 9 is the Expected Credit Loss ("ECL") impairment framework, which replaces the incurred loss model currently applied under LKAS 39. The ECL framework requires forward-looking assessment of credit risk and consideration of macroeconomic information when determining impairment provisions.

The adoption of SLFRS 9 is expected to increase estimation complexity and may introduce additional volatility to earnings and equity depending on changes in economic conditions and credit risk assumptions.

### SLFRS 17 and SLFRS 9 Implementation Program

The implementation of SLFRS 17 and SLFRS 9 represents a major transformation initiative for the Group involving significant changes across finance, actuarial, risk management, information technology, operations and governance functions.

The Group has established a structured implementation program with dedicated governance arrangements, including oversight by senior management and the Board of Directors. The implementation program includes:

- accounting policy development;
- actuarial methodology design;

- system enhancements and integrations;
- finance and actuarial model development;
- internal control enhancements;
- data governance and transformation initiatives;
- parallel run testing;
- reporting framework redesign; and
- stakeholder training and awareness programs.

The Group continues to work closely with external actuarial and financial reporting specialists to support implementation activities and ensure compliance with the requirements of SLFRS 17 and SLFRS 9. Most key accounting policy decisions and implementation methodologies have been substantially finalized and the Group is currently progressing through advanced implementation, testing and operational readiness phases ahead of the mandatory effective date.

The final impact of adopting SLFRS 17 and SLFRS 9 remains subject to refinement as implementation activities continue. The actual financial impact may change due to:

- refinement of methodologies, assumptions and judgements;
- completion of parallel runs and testing activities;
- evolving regulatory interpretations and guidance;
- system and process enhancements; and
- finalization of governance and control frameworks.

The Board of Directors and management continue to closely monitor implementation progress to ensure readiness for adoption by the mandatory effective date of 1 January 2026.

# SHAREHOLDER INFORMATION

## SHARE LEDGER MANAGEMENT SYSTEM

Twenty Largest Shareholders

| As at 31st December | 2025 | |
|---|---|---|
| | No. of Shares | % |
| **Name of the Shareholder** | | |
| 1. KEGALLE PLANTATIONS LIMITED | 26,685,001 | 40.29% |
| 2. RICHARD PIERIS DISTRIBUTORS LIMITED | 17,790,001 | 26.86% |
| 3. RICHARD PIERIS AND CO LTD - ACCOUNT NO. 01 | 15,125,001 | 22.84% |
| 4. MR.D.G.WIJEMANNA DINAL GITANJAN | 918,919 | 1.39% |
| 5. MR.R.C.D.DE SILVA RUWANPURA CHANAKA DHARMAJITH | 788,138 | 1.19% |
| 6 MRS.T.T.A.DE SILVA WEERASOORIA THUSHARIE TILOTTAMA ANJALEE | 622,237 | 0.94% |
| 7 MR.R.P.WEERASOORIYA RAJINDA PRIYANJITH | 526,980 | 0.80% |
| 8. MR.D.ABARATHAMANICKAM DIVEK AMRITH | 500,000 | 0.75% |
| 9. MR.S.SENTHILNATHAN SHANMUGAN | 500,000 | 0.75% |
| 10. MR.B.T.DE S WEERASOORIA BUDRIKA TARUSHA | 431,945 | 0.65% |
| 11. T R L HOLDINGS (PVT) LIMITED | 314,214 | 0.47% |
| 12. MR.D.P.NAVARATNAM DINESH PRAKASH | 149,600 | 0.23% |
| 13. UNIVERSAL CAPITAL HOLDINGS (PVT) LTD | 125,000 | 0.19% |
| 14. MR.W.G.C.SILVA WELHENAGE GAYAN CHAMINDA | 100,000 | 0.15% |
| 15. FLYBRUNEI SDN BHD | 99,700 | 0.15% |
| 16. MR.T.A.N.GOMIS THONDAMAN ARACHCHIGE NALAKA | 98,825 | 0.15% |
| 17. MR.S.A.OBEYESEKERE SIRIDEV AJIT | 93,300 | 0.14% |
| 18. MR.M.L.A.BENEDICT MARK LAWRENCE AJIT | 92,214 | 0.14% |
| 19. FINEXTRA CAPITAL (PVT) LTD | 91,911 | 0.14% |
| 20. MISSN.SIVAPRAGASAM NILANTHI | 90,000 | 0.14% |
| Other | 1,087,417 | 1.64% |
| | 66,230,403 | 100% |

Twenty Largest Shareholders

| As at 31st December | 2024 | |
|---|---|---|
| | No. of Shares | % |
| **Name of the Shareholder** | | |
| 1. KEGALLE PLANTATIONS LIMITED | 26,685,001 | 40.29 |
| 2. RICHARD PIERIS DISTRIBUTORS LIMITED | 17,790,001 | 26.86 |
| 3. RICHARD PIERIS AND CO LTD - ACCOUNT NO. 01 | 15,125,001 | 22.84 |
| 4. MR.D.G.WIJEMANNA | 1,757,970 | 2.46 |
| 5. MRS.T.T.A.DE SILVA WEERASOORIA | 1,101,076 | 1.5 |
| 6 MR.C.S.N.SILVAPULLE | 654,195 | 1.01 |
| 7 MR.B.T.DE S WEERASOORIA | 257,678 | 0.38 |
| 8. T R L HOLDINGS (PVT) LIMITED | 253,372 | 0.38 |
| 9. MR.J.P.PAUL | 239,085 | 0.3 |
| 10. MR.R.P.WEERASOORIYA | 196,980 | 0.29 |
| 11. MR.A.P. ARUMUGAMPILLA | 191,350 | 0.23 |

| As at 31st December | 2024 | |
|---|---|---|
| | No. of Shares | % |
| 12. MR.D.P. NAVARATNAM | 154,500 | 0.22 |
| 13. MR.S.A.OBEYESEKERE | 103,300 | 0.2 |
| 14. TRADING PARTNERS (PVT) LTD | 100,000 | 0.16 |
| 15. FLYBRUNEI SDN BHD | 99,700 | 0.15 |
| 16. MR.T.A.N.GOMIS | 98,825 | 0.15 |
| 17. SANDWAVE LIMITED | 94,500 | 0.14 |
| 18. MR.M.L.A.BENEDICT | 92,214 | 0.13 |
| 19. MR.H.A.S.MADANAYAKE | 78,300 | 0.12 |
| 20. MRS.K.ELANKAINESAN | 70,000 | 0.12 |
| Other | 1,087,359 | 2.07 |
| | 66,230,407 | 100 |

## Composition of Shareholders

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | No. of Shareholders as at 31.12.2025 | No. of Shares | % of Shareholding | No. of Shareholders as at 31.12.2024 | No. of Shares | % of Shareholding |
| Institutional investors | 43 | 60,443,375 | 91.26% | 35 | 60,305,444 | 91% |
| Individual investors | 773 | 5,787,032 | 8.74% | 679 | 5,924,963 | 9% |
| **Total** | 816 | 66,230,407 | 100% | 714 | 66,230,407 | 1 |
| Resident investors | 807 | 66,122,863 | 99.8% | 703 | 65,722,923 | 99% |
| Non-resident investors | 9 | 107,544 | 0.2% | 11 | 507,484 | 1% |
| **Total** | 816 | 66,230,407 | 100% | 714 | 66,230,407 | 100% |

## Distribution of Shareholdings

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | No. of Shareholders | No. of Shares Held | % | No. of Shareholders | No. of Shares Held | % |
| **Less than or equal** | | | | | | |
| 1 - 1,000 | 667 | 121,188 | 0.18% | 564 | 107,418 | 0% |
| 1,001 - 10,000 | 107 | 387,268 | 0.58% | 106 | 418,875 | 1% |
| 10,001 - 100,000 | 29 | 1,244,915 | 1.88% | 31 | 1,194,605 | 2% |
| 100,001 - 1,000,000 | 10 | 4,877,033 | 7.36% | 8 | 2,050,460 | 3% |
| Over 1,000,000 | 3 | 59,600,003 | 89.99% | 5 | 62,459,049 | 94% |
| **Grand total** | 816 | 66,230,407 | 100% | 714 | 66,230,407 | 100% |

# SHAREHOLDER INFORMATION

## PUBLIC SHARE HOLDING

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | No. of Shares | % of Shareholding | No. of Shares | % of Shareholding |
| Public share holding | 6,630,400 | 10% | 6,630,400 | 10% |

## DIRECTORS SHAREHOLDINGS

| No. of shares as at 31st December | 2025 | 2024 |
|---|---|---|
| Mr.Ramal Jasinghe | Nil | Nil |
| Mr. Bodiyabaduge Shiron Adrian Gooneratne | Nil | Nil |
| Mr.Kelum Senanayake | Nil | Nil |
| Mr. Yudhishtran Kanagasabai | Nil | Nil |
| Mrs. Lasinee Sriyanthie Amala Serasinhe | N/A | Nil |
| Mrs. Wewalage Dilukshika Neelangi Fernando | N/A | Nil |
| Mr. Ainsley Rohan Muturajah Muttiah | Nil | Nil |

## MARKET PRICE PER SHARE

| For the year ended 31st December | 2025 Rs. | 2024 Rs. |
|---|---|---|
| Net Asset Value Per Share | 27.8 | 27.8 |
| Highest Price Per Share | 40.6 | 28.1 |
| Lowest Price Per Share | 24 | 21 |
| Last traded Price Per Share | 36.4 | 26.5 |
| | | |
| Market capitalization | 2,410,786,815 | 1,755,105,786 |
| Number of public shareholders | 813 | 711 |
| | | |
| Float adjusted market capitalization | 241,346,560 | 175,705,706 |

The Company complies with option 1 of the Listing Rules 7.13.1 (b) which requires 10% minimum public holding percentage and requires minimum 6,623,040 shares with public holding.

# GRI CONTENT INDEX

| | |
|---|---|
| Statement of use | Arpico Insurance PLC has reported the information cited in this GRI content index for the period January 1st, 2025 to December 31st 2025 with reference to the GRI Standards. |
| GRI 1 used | GRI 1: Foundation 2021 |

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 2: General Disclosures 2021 | 2-1 Organizational details | About Arpico Insurance |
| | 2-2 Entities included in the organization's sustainability reporting | About the report |
| | 2-3 Reporting period, frequency and contact point | About the report |
| | 2-4 Restatements of information | None |
| | 2-5 External assurance | Independent Assurance on IR Framework |
| | 2-6 Activities, value chain and other business relationships | Value creation model |
| | 2-7 Employees | Human Capital |
| | 2-8 Workers who are not employees | Human Capital |
| | 2-9 Governance structure and composition | Corporate Governance |
| | 2-10 Nomination and selection of the highest governance body | Corporate Governance |
| | 2-11 Chair of the highest governance body | Corporate Governance |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | Corporate Governance |
| | 2-13 Delegation of responsibility for managing impacts | Corporate Governance |
| | 2-14 Role of the highest governance body in sustainability reporting | Corporate Governance |
| | 2-15 Conflicts of interest | Corporate Governance |
| | 2-16 Communication of critical concerns | Corporate Governance |
| | 2-17 Collective knowledge of the highest governance body | Corporate Governance |
| | 2-18 Evaluation of the performance of the highest governance body | Corporate Governance |
| | 2-19 Remuneration policies | Corporate Governance |
| | 2-20 Process to determine remuneration | Corporate Governance |
| | 2-21 Annual total compensation ratio | Corporate Governance |
| | 2-22 Statement on sustainable development strategy | Corporate Governance |
| | 2-23 Policy commitments | ESG Integration |
| | 2-24 Embedding policy commitments | ESG Integration |
| | 2-25 Processes to remediate negative impacts | ESG Integration |
| | 2-26 Mechanisms for seeking advice and raising concerns | ESG Integration |
| | 2-27 Compliance with laws and regulations | Corporate Governance/ Compliance Tables |
| | 2-28 Membership associations | Social and Relationship Capital |
| | 2-29 Approach to stakeholder engagement | Stakeholder Engagement |
| | 2-30 Collective bargaining agreements | Human Capital |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | Materiality |
| | 3-2 List of material topics | Materiality |
| | 3-3 Management of material topics | Materiality |

# GRI CONTENT INDEX

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed | ESG Integration |
| | 201-2 Financial implications and other risks and opportunities due to climate change | SLFRS S1 and S2 Disclosures |
| GRI 207: Tax 2019 | 207-1 Approach to tax | Note 17 |
| | 207-2 Tax governance, control, and risk management | Note 37 |
| GRI 302: Energy 2016 | 302-1 Energy consumption within the organization | Natural Capital |
| GRI 303: Water and Effluents 2018 | 303-1 Interactions with water as a shared resource | Natural Capital |
| | 303-5 Water consumption | Natural Capital |
| GRI 305: Emissions 2016 | 305-1 Direct (Scope 1) GHG emissions | SLFRS S1 and S2 Disclosures |
| | 305-2 Energy indirect (Scope 2) GHG emissions | SLFRS S1 and S2 Disclosures |
| | 305-3 Other indirect (Scope 3) GHG emissions | SLFRS S1 and S2 Disclosures |
| | 306-2 Management of significant waste-related impacts | Natural Capital |
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | Human Capital |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | Human Capital |
| | 401-3 Parental leave | Human Capital |
| GRI 403: Occupational Health and Safety 2018 | 403-1 Occupational health and safety management system | Human Capital |
| GRI 404: Training and Education 2016 | 404-2 Programs for upgrading employee skills and transition assistance programs | Human Capital |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | Human Capital |

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| **GENERAL DISCLOSURES** | | |
| GRI 2: General Disclosures 2021 | 2-1 Organisational details | 8 |
| | 2-2 Entities included in the organisation's sustainability reporting | 118 |
| | 2-3 Reporting period, frequency and contact point | 4-6 |
| | 2-4 Restatements of information | N/A |
| | 2-5 External assurance | 26-184 |
| | 2-6 Activities, value chain and other business relationships | 85 |
| | 2-7 Employees | 74 |
| | 2-8 Workers who are not employees | 74 |
| | 2-9 Governance structure and composition | 29 |
| | 2-10 Nomination and selection of the highest governance body | 176 |
| | 2-11 Chair of the highest governance body | 14 |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | 29 |
| | 2-13 Delegation of responsibility for managing impacts | 29 |

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| | 2-14 Role of the highest governance body in sustainability reporting | 158 |
| | 2-15 Conflicts of interest | 39 |
| | 2-16 Communication of critical concerns | 100 |
| | 2-17 Collective knowledge of the highest governance body | 14 |
| | 2-18 Evaluation of the performance of the highest governance body | 172 |
| | 2-19 Remuneration policies | 172 |
| | 2-20 Process to determine remuneration | 172 |
| | 2-21 Annual total compensation ratio | 251 |
| | 2-22 Statement on sustainable development strategy | 143 |
| | 2-23 Policy commitments | 143 |
| | 2-24 Embedding policy commitments | 143 |
| | 2-25 Processes to remediate negative impacts | 148 |
| | 2-26 Mechanisms for seeking advice and raising concerns | 164 |
| | 2-27 Compliance with laws and regulations | 164 |
| | 2-28 Membership associations | 85 |
| | 2-29 Approach to stakeholder engagement | 100 |
| | 2-30 Collective bargaining agreements | 74 |
| **MATERIAL TOPICS** | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 114 |
| | 3-2 List of material topics | 114 |
| Economic performance | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed | 118 |
| | 201-2 Financial implications and other risks and opportunities due to climate change | 118 |
| | 201-3 Defined benefit plan obligations and other retirement plans | 236 |
| | 201-4 Financial assistance received from government | N/A |
| Market presence | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 202: Market Presence 2016 | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage | 74 |
| | 202-2 Proportion of senior management hired from the local community | N/A |
| Indirect economic impacts | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 Infrastructure investments and services supported | 64 |
| | 203-2 Significant indirect economic impacts | N/A |
| Procurement practices | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 204: Procurement Practices 2016 | 204-1 Proportion of spending on local suppliers | 86 |
| Anti-corruption | | |

# GRI CONTENT INDEX

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 205: Anti-corruption 2016 | 205-1 Operations assessed for risks related to corruption | 148 |
| | 205-2 Communication and training about anti-corruption policies and procedures | 35 and 148 |
| | 205-3 Confirmed incidents of corruption and actions taken | N/A |
| Anti-competitive behaviour | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 206: Anti-competitive Behaviour 2016 | 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | N/A |
| Tax | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 207: Tax 2019 | 207-1 Approach to tax | 154 |
| | 207-2 Tax governance, control, and risk management | 154 |
| | 207-3 Stakeholder engagement and management of concerns related to tax | 154 |
| | 207-4 Country-by-country reporting | N/A |
| Materials | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | N/A |
| GRI 301: Materials 2016 | 301-1 Materials used by weight or volume | N/A |
| | 301-2 Recycled input materials used | N/A |
| | 301-3 Reclaimed products and their packaging materials | N/A |
| Energy | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 302: Energy 2016 | 302-1 Energy consumption within the organisation | 95 |
| | 302-2 Energy consumption outside of the organisation | 95 |
| | 302-3 Energy intensity | 95 |
| | 302-4 Reduction of energy consumption | 95 |
| | 302-5 Reductions in energy requirements of products and services | 95 |
| Water and effluents | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 303: Water and Effluents 2018 | 303-1 Interactions with water as a shared resource | 95 |
| | 303-2 Management of water discharge-related impacts | N/A |
| | 303-3 Water withdrawal | N/A |
| | 303-4 Water discharge | 95 |
| | 303-5 Water consumption | 95 |
| Biodiversity | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| 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 | 286 |
| | 304-2 Significant impacts of activities, products and services on biodiversity | N/A |
| | 304-3 Habitats protected or restored | N/A |
| | 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations | N/A |

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| **Emissions** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 305: Emissions 2016 | 305-1 Direct (Scope 1) GHG emissions | 95 |
| | 305-2 Energy indirect (Scope 2) GHG emissions | 95 |
| | 305-3 Other indirect (Scope 3) GHG emissions | 95 |
| | 305-4 GHG emissions intensity | 95 |
| | 305-5 Reduction of GHG emissions | 95 |
| | 305-6 Emissions of ozone-depleting substances (ODS) | N/A |
| | 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions | N/A |
| **Waste** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 306: Waste 2020 | 306-1 Waste generation and significant waste-related impacts | 95 |
| | 306-2 Management of significant waste-related impacts | N/A |
| | 306-3 Waste generated | N/A |
| | 306-4 Waste diverted from disposal | 95 |
| | 306-5 Waste directed to disposal | 95 |
| **Supplier environmental assessment** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1 New suppliers that were screened using environmental criteria | N/A |
| | 308-2 Negative environmental impacts in the supply chain and actions taken | N/A |
| **Employment** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | 74 |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 74 |
| | 401-3 Parental leave | 74 |
| **Labour/management relations** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 402: Labour/Management Relations 2016 | 402-1 Minimum notice periods regarding operational changes | 74 |
| **Occupational health and safety** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |

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| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 403: Occupational Health and Safety 2018 | 403-1 Occupational health and safety management system | 74 |
| | 403-2 Hazard identification, risk assessment, and incident investigation | N/A |
| | 403-3 Occupational health services | 74 |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | 74 |
| | 403-5 Worker training on occupational health and safety | 74 |
| | 403-6 Promotion of worker health | N/A |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | N/A |
| | 403-8 Workers covered by an occupational health and safety management system | N/A |
| | 403-9 Work-related injuries | N/A |
| | 403-10 Work-related ill health | N/A |
| Training and education | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | N/A |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | 74 |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | 74 |
| Diversity and equal opportunity | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 74 |
| | 405-2 Ratio of basic salary and remuneration of women to men | 74 |
| Non-discrimination | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | N/A |
| GRI 406: Non-discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | N/A |
| Freedom of association and collective bargaining | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 74 |
| Child labour | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | N/A |
| GRI 408: Child Labour 2016 | 408-1 Operations and suppliers at significant risk for incidents of child labour | N/A |
| Forced or compulsory labour | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | N/A |
| GRI 409: Forced or Compulsory Labour 2016 | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour | N/A |
| Security practices | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 410: Security Practices 2016 | 410-1 Security personnel trained in human rights policies or procedures | N/A |

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| **Rights of indigenous peoples** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | N/A |
| GRI 411: Rights of Indigenous Peoples 2016 | 411-1 Incidents of violations involving rights of indigenous peoples | N/A |
| **Local communities** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 413: Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments, and development programs | 85 |
| | 413-2 Operations with significant actual and potential negative impacts on local communities | N/A |
| **Supplier social assessment** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 414: Supplier Social Assessment 2016 | 414-1 New suppliers that were screened using social criteria | 85 |
| | 414-2 Negative social impacts in the supply chain and actions taken | 85 |
| **Public policy** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | N/A |
| GRI 415: Public Policy 2016 | 415-1 Political contributions | N/A |
| **Customer health and safety** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | N/A |
| GRI 416: Customer Health and Safety 2016 | 416-1 Assessment of the health and safety impacts of product and service categories | N/A |
| | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | N/A |
| **Marketing and labelling** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 114 |
| GRI 417: Marketing and Labelling 2016 | 417-1 Requirements for product and service information and labelling | N/A |
| | 417-2 Incidents of non-compliance concerning product and service information and labelling | 109 |
| | 417-3 Incidents of non-compliance concerning marketing communications | 109 |
| **Customer privacy** | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | N/A |
| GRI 418: Customer Privacy 2016 | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | N/A |

# GLOSSARY OF INSURANCE TERMS

## 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 old adequate assets to fund the company's liabilities.

## AVAILABLE FOR SALE (AFS)

Securities that have been acquired neither for short-term sale nor to be held to maturity. These are shown at fair value on the statement of financial position.

## AVERAGE PREMIUM PER POLICY

Measures of Total premium divided by number of policies. This is a measure to understand market segment company is accessing.

## 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.

## CASH FLOWS STATEMENT

Statement on the origin and utilisation of cash and cash equivalents during the accounting period. It shows the changes in liquid funds separated into cash flows from operating, investing and financing activities.

## 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 insuring 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.

## CLAIMS OUTSTANDING – LONG TERM INSURANCE

The amounts provided to cover the estimated ultimate cost of settling claims arising out of an event which have been notified by the date of Statement of Financial Position, being sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

## COMBINED RATIO

Sum of the loss ratio and expense ratio.

## COMMISSION

Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition expenses.

## DEPOSIT PREMIUM

A premium paid on the inception of a contract of insurance or reinsurance, which is subject to adjustment at a later date.

A deposit premium may represent the minimum amount payable.

## EARNINGS PER SHARE

Ratio calculated by dividing the consolidated net income/ (loss) by the weighted average number of shares outstanding.

## 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.

## FAIR VALUE

The price that a reasonable buyer would be willing to pay and a reasonable seller would be willing to accept for a product on the open market.

## GROSS WRITTEN PREMIUM – LIFE

Premium to which the insurer is contractually entitled and received in the accounting period.

## INSURANCE

Insurance is a contract whereby one party the insurer, in return for a consideration i.e. the premium, undertakes to pay the other party – the insured, a 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.

## 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.

## LONG TERM INSURANCE

Commonly referred to as Life Insurance contracts, as opposed to annual non-life insurance policies.

## MATURITY

The time at which payment of the sum insured under a Life insurance policy falls due at the end of its term.

## NET EARNED PREMIUM

Gross written premium adjusted for the reinsurance incurred and for the increase or decrease in unearned premium.

## NET WRITTEN PREMIUM

Gross written premium less reinsurance premium payable.

## NET CLAIMS INCURRED

Claims incurred less reinsurance recoveries.

## POLICY LOANS

A loan given to the policyholder on the security of the surrender value of a Life Insurance policy. The loan is limited to a percentage of the current surrender value of the policy and interest is charged on such loan

## PREMIUM

The consideration payable by the insured for an insurance contract.

## PROFIT COMMISSION

Commission received from the reinsurer based on the net profit of the reinsurer as defined in the agreement between the insurer and the reinsurer.

## REVENUE ACCOUNT

An account which shows a financial summary of the insurance related revenue transactions for the accounting period.

## REINSURANCE

Transfer of all or part of the risk assumed by an insurer under one or more insurances to another insurer, called the reinsurance.

## REINSURANCE COMMISSION

Commission received or receivable in respect of premium paid or payable to a reinsurer.

## REINSURANCE PREMIUM

The premium payable to the reinsurer.

## 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 = (Total Available Capital/Risk Based Capital Required) * 100

## SOLVENCY MARGIN – LIFE

The difference between the value of assets and the value of liabilities, required to be maintained by the insurer who carries on Long Term Insurance business as defined in the Regulation of Insurance Industry Act No. 43 of 2000.

## 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.

# ABBREVIATION

| Abbreviation | Full Form |
|---|---|
| AFS | Available-for-Sale |
| AML | Anti-Money Laundering |
| ARP | Arpico Relief |
| BCP | Business Continuity Plan |
| BIC | Board Investment Committee |
| CA | Chartered Accountants |
| CAR | Capital Adequacy Ratio |
| CASL | Chartered Accountants of Sri Lanka |
| CBSL | Central Bank of Sri Lanka |
| CDD | Customer Due Diligence |
| CEA | Central Environmental Authority |
| CEO | Chief Executive Officer |
| CIM UK | Chartered Institute of Marketing |
| Co2 | Carbon Dioxide |
| CO2T | Carbon Dioxide Tons |
| CRM | Customer Relationship Management |
| CSM | Contractual service margin |
| CSR | Corporate Social Responsibility |
| CTF | Counter-Terrorism Financing |
| DR | Disaster Recovery |
| EBITDA | Earnings Before Interest, Taxes, Depreciation, and Amortisation |
| ECL | Expected Credit Loss |
| EIR | Effective Interest Rate |
| END | Arpico Endowment |
| EPS | Earnings per share |
| ERM | Enterprise Risk Management |
| ESG | Environmental, Social, and Governance, |
| FATF | Financial Action Task Force |
| FCF | Fulfilment cash flows |
| FIU | Financial Intelligence Unit |
| FVTPL | Fair value through profit or loss |

| Abbreviation | Full Form |
|---|---|
| GDP | Gross domestic production |
| GHG | Greenhouse gases |
| GJ | Giga Joule |
| GRI | Global Reporting Initiative |
| GWP | Gross Written Premium |
| HTM | Held to maturity |
| IFM | Immediate Family Members |
| IIRC | International Integrated Reporting Council |
| INED | Independent Non-Executive Director |
| IPO | Initial Public Offering |
| IRCSL | Insurance Regulatory Commission of Sri Lanka. |
| IT | Information & Communication Technology |
| KPIs | Key Performance Indicators |
| KYC | Know Your Customer |
| L&R | Loans and Receivables |
| LAT | Liability Adequacy Test |
| LKAS | Sri Lanka Accounting Standards. |
| MBA | Master of Business Administration |
| MDRT | Million Dollar Round Table |
| NAGC | Nominations and Governance Committee |
| NGOs | Non-Governmental Organisations |
| NPAT | Net Profit After Tax |
| OCI | Other Comprehensive Income. |
| OPD | Outpatient Department |
| PAA | Premium Allocation approach |
| PDPA | Personal Data Protection Act |
| PESTLE | Political, Economic, Social, Technological, Legal, and Environmental |
| PPE | Property, Plant, and Equipment |
| R&D | Research and Development |

| Abbreviation | Full Form |
|---|---|
| **RAS** | Risk Appetite Statement |
| **RBC** | Risk-Based Capital |
| **RCR** | Risk based Capital requirement |
| **ROA** | Return on Assets |
| **ROE** | Return on Equity |
| **RPTRC** | Related Party Transaction Review Committee |
| **SASB** | Sustainability Accounting Standards Board |
| **GBPs** | Global Best Practices |
| **SDGs** | Sustainable Development Goals |
| **SEC** | Securities Exchange Commission |
| **SLA** | Service Level Agreement |
| **SLFRS** | Sri Lanka Financial Reporting Standards |
| **SLIM** | Sri Lanka Institute of Marketing |
| **SORP** | Statement of Recommended Practice |
| **SVCC** | Surrender Value Capital Charge |
| **SWOT** | Strengths, Weaknesses, Opportunities, and Threats. |
| **TAC** | Total Available Capital |
| **TAGS** | Transparency, Accountability, Governance, and Sustainability |
| **TOR** | Terms of Reference |
| **TVM** | Time Value of money |
| **UNGC** | United Nations Global Compact |
| **VAT** | Value Added Tax |
| **VFA** | Variable Fee approach |
| **VPN** | Virtual Private Network. |
| **WEF** | With Effect From |

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| 47 | Mulathiivu | Kalapaddu North, Mullathivu | 021 2035020 - 021 | 1440 to 1441 | J Nishaliny | nishaliny.j@arpicoinsurance.com | mulathiwe@arpicoinsurance.com |
| 48 | Muttur | A 15, Batticaloa Road, Periya Palam, Muttur | 026 2117310 - 313 | - | P. Parimalkanthi | parimala.p@arpicoinsurance. com | |

| | Branch | Address | Telephone Number | Ext. | Officer | E-mail | FIELD8 |
|---|---|---|---|---|---|---|---|
| 49 | Negombo | No.349/1A, Main Street, Negombo | 031 2035000 - 004 | 1130 - 1134 | Ishara Fernando | ishara.f@arpicoinsurance.com | negombo@arpicoinsurance.com |
| 50 | Nittambuwa | No.224/1, Kandy Rd, Aluthgama, Bogamuwa, Yakkala | 033 2018010 - 013 | 1750 to 1753 | Charuni Kavindika | charuni.k@arpicoinsurance.com | gampaha@arpicoinsurance.com |
| 51 | Nochchiyagama | Opposite Vidarshana Maha Viduhala, Puttalam Road, Nochchiyagama | 025 2031010 - 012 | 1380 to 1382 | Nirmani Pabasara | nirmani.n@arpicoinsurance.com | nochchagama@arpicoinsurance. |
| 52 | Nuwaraeliya - Sector 4 | No. 170, Bambarakele , Nuwara Eliya. | 052 2030510 - 512 | N/A | | | |
| 53 | Panadura | No. 445/1/1, Galle Road, Panadura | 038 2034000 - 005 | 1400 to 1405 | P Sahasra | pramudi.s@arpicoinsurance.com | panadura@arpicoinsurance.com |
| 54 | Polonnaruwa | No. 125/1A, Batticaloa, Polonnaruwa | 027 2117300 - 002 | 7300 to 7302 | Poornima Andrew | poornima.a@arpicoinsurance.com | polonnaruwa@arpicoinsurance.com |
| 55 | Puttalam | No. 171/1, Kurunegala Road, Puttalam | 032 2035000 - 002 | 1410 to 1412 | T M N Nadeeshani | nadeeshani.n@arpicoinsurance.com | putalam@arpicoinsurance.com |
| 56 | Rathnapuara - S1 | No.450 1/1, First Floor, Main Street, Rathanapura | 045 2235000 - 003 | 1210 to 1213 | Kasun Vidanage | kasun.vidanage@arpicoinsurance.com | rathnapura@arpicoinsurance.com |
| 57 | Rathnapuara- S4 | No.450 1/1, First Floor, Main Street, Rathanapura | 045 2235070 - 073 | - | | | |
| 58 | Thambuthegama | No.145, Rajina Junction, Thambuththegama | 025 2031030 - 033 | 1660 to 1663 | Tharuka Dilrukshi | tharuka.d@arpicoinsurance.com | |
| 59 | Thissamaharama | No. 182, Hambanthota Road, Kachcheriyagama, Tissamaharama | 047 2037020 - 024 | 1420 to 1424 | Sumudu Ishara | sumudu.i@arpicoinsurance.com | thissamaharama@arpicoinsurance.com |
| 60 | Trincomalee | No.314, Central Road, Trincomalee | 026 2031000 - 004 | 1150 to 1154 | S Shivashankar | shivashankar.s@arpicoinsurance.com | trinco@arpicoinsurance.com |
| 61 | Valachchenai | Main Street, Karuwakkerny, Valachchcenai | 065 2031000 - 002 | 1110 to 1112 | Kumaravel Gayathri | gayathri.k@arpicoinsurance.com | valachchenai@arpicoinsurance.com |
| 62 | Vavuniya | No. 52, Jaffna Road, Vavuniya | 024 2230010 - 013 | 1160 to 1163 | Nivya Sivathasan | niviya.s@arpicoinsurance.com | vauniya@arpicoinsurance.com |
| 63 | Warakapola | No. 25E 1/1,Dharmasiri Senanayake Mw, Piladuwa, Warakapola. | 035 2031000 - 003 | 1510 to 1513 | Umesha Sewwandi | umesha.s@arpicoinsurance.com | warakapola@arpicoinsurance.com |
| 64 | Wattala | No. 669 1/1-2/1, Keragapokuna, Wattala | 011 2127280 - 283 | 1350 to 1353 | | | wattala@arpicoinsurance.com |
| 65 | Welimada | Aradeka Gedara Watta, Aradeka, Welimada | 057 2236000 - 002 | 1520 to 1522 | Malki Viveka Sithani | maliki.v@arpicoinsurance.com | |

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the **Fourteenth (14th) Annual General Meeting** of Arpico Insurance PLC will be held at the Richard Pieris and Company Auditorium , No. 310, High Level Road, Nawinna, Maharagama on Friday, 26th June 2026 at. 3.30 p.m. and the business to be brought before the meeting will be as follows;

1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31st December 2025 with the Report of the Auditors thereon.
2. To elect Mr. Naresh Tillekeratne who retires in terms of Article 29 (2) at the Annual General Meeting, a Director
3. To re elect Mr. Shiron Gooneratne who retires by rotation in terms of Article 31 (1) at the Annual General Meeting, a Director
4. To re -appoint M/s. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine contributions to charities
6. To consider any other business of which due notice has been given

By order of the Board,



**Richard Pieris Group Services (Private) Limited**
*Secretaries*
No. 310, High Level Road, Nawinna, Maharagama

2nd June 2026

## NOTES:

a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.

b) A Proxy need not be a member of the Company. The Form of Proxy will be found inserted in the Annual Report

c) The completed Form of Proxy should be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not less than 48 hours before the time appointed for the holding of the meeting.

# NOTES

# FORM OF PROXY

I/We* (in block letters) ..... of

..... being

a member / members of the ARPICO INSURANCE PLC , hereby appoint .....

..... of

.....

whom failing BODIYABADUGE SHIRON ADRIAN PERERA GOONERATNE whom failing RAMAL GITHAN JASINGHE whom failing YUDHISHTRAN KANAGASABAI whom failing ROHAN MUTTIAH whom failing NARESH AJANTHA TILLEKERATNE as my/our proxy to represent me/us and to vote on my/our behalf at the **14TH ANNUAL GENERAL MEETING** of the Company to be held on 26th June 2026 and any adjournment thereof, and at every poll which may be taken in consequence thereof to vote:-

| | | In favour | Against |
|---|---|---|---|
| 1. | To consider the Report of the Directors and the Statement of Accounts for the year ended 31st December 2025 with the Report of the Auditors thereon. | | |
| 2. | To elect Mr. Naresh Tillekeratne , who retires in terms of Article 29(2) at the Annual General Meeting , a Director | | |
| 3. | To re-elect Mr. Shiron Gooneratne, who retires by rotation in terms of Article 31 (1) at the Annual General Meeting, a Director | | |
| 4. | To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration. | | |
| 5. | To authorize the Directors to determine contributions to charities | | |
| 6. | To consider any other business of which due notice has been given | | |

Dated this ..... day of ..... 2026

.....
Signature of shareholder

## NOTES:

(i) Please delete the inappropriate words
(ii) A proxy need not be a member of the Company.
(iii) Instruction as to completion appear on the reverse of this form

# FORM OF PROXY

**INSTRUCTIONS AS TO COMPLETION OF PROXY FORM**

- To be valid, this Form of Proxy must be deposited at the Registered Office of the Company No. 310, High Level Road, Nawinna, Maharagama., not later than 3.30 p.m. on Wednesday 24th day June 2026
- In perfecting the Form of Proxy, please ensure that all details are legible.
- 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 its Articles of Association.
- Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution. If no indication is given the proxy at his/her discretion will vote as he/she thinks fit.
- This Form of Proxy shall in the case of an individual be signed by the appointor or his/her Attorney. Where the Form of Proxy is signed under a Power of Attorney, which has not been registered with the Company, the original Power of Attorney together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company, along with the Form of Proxy.

# STAKEHOLDER FEEDBACK FORM

To request information or submit a comment/query to the Company, please complete the following and return this page to,

**Richard Pieris Group Services (Pvt) Limited**
No. 310, High Level Road,
Nawinna, Maharagama.
Sri Lanka.
Tel : 0114 310 500
Fax : 0114 310 777
E mail : yasas.c@arpicoinsurance.com

**Name** : .....

**Permanent Mailing Address** : .....

**Contact Numbers (Tel)** : .....

Country Code Area Code Number

**(Fax)** : .....

**Email** : .....

**Name of Company** (If Applicable) : .....

**Designation** (If Applicable) : .....

**Company Address** (If Applicable) : .....

**Comments/Queries** : .....

.....

.....

.....

.....

# CORPORATE INFORMATION

## THE COMPANY

Arpico Insurance PLC

## LEGAL FORM OF THE COMPANY

A limited liability company incorporated in Sri Lanka on 22nd June 2011, as a public limited liability company under the Companies Act No. 07 of 2007.

## COMPANY REGISTRATION NO.

P B 4739 P Q

## STOCK EXCHANGE LISTING

The shares of the Company are Listed on the Colombo Stock Exchange, Diri Savi Board

## ACCOUNTING YEAR-END

December 31st

## TAX PAYER IDENTIFICATION NUMBER (TIN)

134047399

## REGISTERED OFFICE

Arpico Insurance PLC
No. 310, High Level Road, Nawinna, Maharagama.
Tel : 0114 310 500
Fax : 0114 310 777

## CORPORATE OFFICE

Arpico Insurance PLC
No. 55/20, Vauxhall Lane, Colombo 02.
Tel : 0112 200 900
Fax : 0112 330 713

## CHAIRMAN

Mr. Ramal Jasinghe

## CHIEF EXECUTIVE OFFICER

Mr. Jayalal Hewawasam

## BOARD OF DIRECTORS OF ARPICO INSURANCE PLC

Mr. Ramal Jasinghe - Chairman – Independent Non-Executive Director
Mr. Shiron Gooneratne - Non-Executive Director
Mr. Kelum Senanayake - Non-Independent Executive Director
Mr. Yudhishtran Kanagasabai – Independent Non-Executive Director
Mr. Rohan Muttiah – Independent Non-Executive Director

## MANAGEMENT COMMITTEE

Mrs. Sriyonie Mendis - Deputy General Manager - Life Operations / Specified Officer
Mr. Nelushan Gunewardena - Head of Marketing
Mrs. Pavithra Peiris - Senior Manager - Conservation & Customer Care
Mr. Yasas Chamara - Accountant
Mrs. L. A. C. Priyanthi- Manager - Actuarial
Mrs. Sajee Kahawevidane -Manager - Sales Administration
Ms. Pamodhi Hulugalle - Risk and Compliance Officer
Mr. Chathura Jayaweera - Manager - IT
Mr. Nishabha Ranatunga - Assistant Manager - Administration

## SECRETARIES OF THE COMPANY

Richard Pieris Group Services (Pvt) Limited
No. 310, High Level Road, Nawinna, Maharagama.
Tel : 0114 310 500
Fax : 0114 310 777

## AUDITORS TO THE COMPANY

Ernst & Young Chartered Accountants
P.O.Box 101,Colombo.
Tel : 0112 463 500
Fax : 0112 697 369

## CONSULTANT ACTUARY

Actsure Lab (Pvt) Ltd

## REINSURANCE PANEL

Munich Re India Branch

## BANKERS TO THE COMPANY

National Development Bank PLC
Commercial Bank of Ceylon PLC
Union Bank of Colombo PLC
Seylan Bank PLC
Sampath Bank PLC
People's Bank
Pan Asia Banking Corporation PLC
Nations Trust Bank
Hatton National Bank PLC
DFCC Bank PLC
Bank of Ceylon
National Savings Bank
Regional Development Bank
Sanasa Development Bank PLC

## FOR ANY CLARIFICATION IN THIS REGARD PLEASE WRITE TO;

Accountant
Yasas Chamara
No. 55/20, Vauxhall Lane, Colombo 02.
Tel : 0112 200 924
Email: yasas.c@arpicoinsurance.com