



SOFTLOGIC LIFE INSURANCE PLC
Integrated Annual Report 2023





BIG



Here at Softlogic Life, we're augmenting value year on year. We're building an entity that's influential and ever-expanding, designed to deliver **BIGGER** value to our stakeholders, while serving our nation with an ambition to pursue impactful growth both today, and beyond.

BET



We strive to uplift and enhance the many lives we touch – exploring new ways to inspire positive transformation for Sri Lankans across the island. We constantly seek opportunities to create a future for our stakeholders that's safe, secure and **BETTER** than ever before.

BOLI



Ours is the passion to innovate. We're leading the way by changing the game and establishing our role as trendsetters in a constantly evolving industry. Guided by an overarching purpose to shape the future of life insurance, we're built to be **BOLDER**; even as we venture forth into the unknown to explore new avenues of growth.



VISION

TO REVOLUTIONISE INSURANCE IN SRI LANKA THROUGH WORLD-CLASS INNOVATIONS AND DELIVER EXTRAORDINARY STAKEHOLDER VALUE.

MISSION

WE EXIST TO NURTURE YOUR WELL-BEING, SO YOU CAN ENJOY LIFE TODAY.



DIGITALISED
LIFE INSURER

Uatitive

LIFE INSURER

VALUES

CARING FOR YOU EVERY STEP OF THE WAY AS A PARTNER FOR LIFE.

NEVER LEAVING SPACE TO COMPROMISE ON OUR **AUTHENTICITY.**

BEING **COURAGEOUS** TO CHALLENGE THE STATUS QUO TO GIVE CUSTOMERS THE BEST SOLUTION.

NURTURING THE SPIRIT OF **INNOVATION** TO UPGRADE CUSTOMER LIFE STYLES.

WE BRING TOGETHER WORLD-CLASS SOLUTIONS TO **SIMPLIFY** THE CUSTOMER'S LIFE.

10
YEARS
CAGR
(Industry
CAGR 14%)



26 %



20 %
ROE

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INTEGRATED REPORT (page 12 to 89)



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Investor/Stakeholder Feedback Form / Annexure 2



<https://softlogiclife.lk/annual-reports/>

OUR REPORTING UNIVERSE



UNLOCKING THE UNIVERSE

Softlogic Life has embarked on a transformative digital journey in recent years, leading the market with our innovative approach. Our 2023 report has been crafted to offer enhanced digital experiences and improved usability, catering to the growing preference for digital engagement among our stakeholders.

In our 2023 value creation narrative, we've introduced an array of supplementary information in a more digital format to meet the diverse informational needs of our stakeholders, accessible through our website. www.softlogiclife.lk



INTEGRATED ANNUAL REPORT

The Integrated Reporting journey from the year 2013, provides a holistic view of the Company's ability to create value in short, medium and long term and the ability to create competitive sustainable value to our key stakeholders for the 11th consecutive year and 24th year of its operations. This report is prepared "in accordance" with the international integrated Reporting Framework of the International

Integrated Reporting Council (IIRC) and amendment thereto, together with our regular financial reporting.

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

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



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

We have compressed our value creation story to video version of our annual report which provide key insights to our report 2023. You can access our video version of annual report for the seventh consecutive year by scanning below QR.

UNVEILING DIGITAL FRONTIERS- REDEFINING REPORTING IN A DIGITAL SPHERE



CREATE CONTENT SPECIFIC REPORT

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



INVESTOR INFORMATION

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

Available at our website –
Softlogiclife.lk>Financials>Investor Information



QUARTERLY REPORTS

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



SHAREHOLDERS MEETING

Our notice of AGM and form of proxy provide valuable information to shareholders who want to vote at the 25th AGM of Softlogic Life.

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

Available at our website – Softlogiclife.lk>Financials>Shareholder Information



TRILINGUAL EXECUTIVE STATEMENTS AND FINANCIAL STATEMENTS

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



REVOLUTIONIZING REPORTING - SRI LANKA'S INAUGURAL AI-DRIVEN DIGITAL ANNUAL REPORT

As the foremost innovative insurer in Sri Lanka, Softlogic Life has integrated its inventive approaches into the country's reporting framework. This pioneering concept will elevate the accessibility of annual reports through the integration of "Artificial Intelligence." This revolutionary advancement will redirect the course of reporting methodologies towards a new trajectory, catering to a more technologically adept user base in the future. We have designed this feature to be user-friendly, ensuring effortless adoption by individuals of any background.



Visit our
micro site



AI enabled
analysis

ABOUT OUR INTEGRATED REPORT



GRI

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WELCOME TO OUR 11TH INTEGRATED ANNUAL REPORT

Softlogic Life is proud to present its 11th Integrated Annual Report for the year ended 31st December 2023, which provides Company's financial and non-financial performance. This Report presents a balanced and comprehensive view of the progress made towards achieving our strategic priorities during the reporting year. In addition to an assessment of our operating landscape, governance practices and stakeholder value creation, the Report highlights company's ability to create value in short, medium and long term and the ability to create competitive sustainable value to our key stakeholders for the 11th consecutive year and 24th year of its operations.

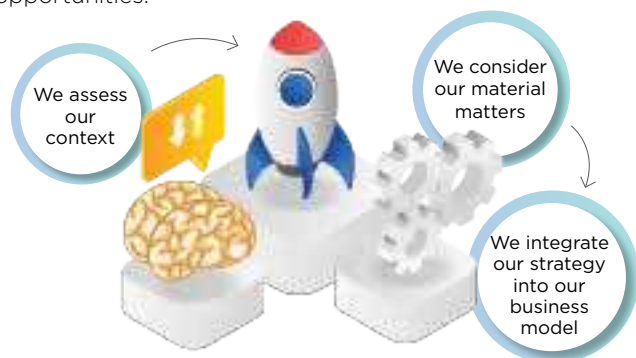
We adopt an annual reporting cycle for both financial and sustainability reporting. Our financial reporting process and disclosures were guided by the requirements of the Sri Lanka Financial Reporting Standards (SLFRS) and sustainability reporting practices are align with below reporting standards.

SUSTAINABILITY REPORTING STANDARDS REFERRED IN PREPARATION OF OUR ANNUAL REPORT



OUR INTEGRATED THINKING

We apply INTEGRATED THINKING to recognize factors that may impact our capacity to generate value in a more sustainable manner over an extended period. These considerations shape our strategy, aiming to mitigate risks and capitalize on emerging opportunities.



STRATEGIC ORIENTATION

The Annual Report outlines the company's current and future business strategies aimed at achieving sustainable growth, providing valuable insights for its stakeholders.

NON-FINANCIAL INFORMATION

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

COMPARATIVE INFORMATION

This report offers comparative data for the year ending 31st December 2023, Reclassifications and restatements have been made as necessary to enhance presentation and ensure compliance with regulations.

ICON NAVIGATION

CAPITALS



Financial



Manufactured



Natural



Human



Intellectual



Social and Relationship

STAKEHOLDERS



Investors



Customers



Employees



Sales Staff



Re-Insurers



Government & Regulator



Suppliers



Community



Environment

OUR STRATEGIC PILLARS



Most Caring Life Insurer



Smart IT Digitalisation



King of Data



Phenomenal Sales



Lean and Fast



Governance



Risk Management

BOUNDARY AND SCOPE

This Integrated Annual Report covers the performance of Softlogic Life for the 12-month period ended 31st December 2023 and material events up to the approval of the report by the Company’s Board of Directors on 4 March 2024. The scope of the annual report spans to matters arising in the external environment and stakeholder engagement.

INTEGRATED REPORTING BOUNDARY

Our Operating Context → 61	Our Strategy → 82
Our Business Model and Impact on the six capitals → 26	Stakeholder Engagements → 72

FINANCIAL REPORTING BOUNDARY

Aligns with our financial statements reporting boundary → 26

Softlogic Life Insurance (SLI) is a publicly listed company on the Colombo Stock Exchange (CSE) and currently doesn’t own any subsidiaries as at reporting date. There were no notable alterations in the organization’s type, structure, or ownership, and no changes occurred in reporting financial or non-financial information during the reporting period.

Defining Report Content

We continuously improve the content of our annual report to provide thorough, balanced, and pertinent information. Our assessment of the report’s content is in accordance with the guiding principles set forth in the IR framework. Maintaining the quality of the information is ensured through internal controls and established processes, with a focus on Transparency, Accountability, Governance, and Sustainability.

GUIDING PRINCIPLES (IR FRAMEWORK)

- Conciseness
- Reliability and completeness
- Consistency and comparability
- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality (Refer page 78 materiality determination process)



OTHER MEASURES (SLI INTERNAL CONTROLS)

- Transparency – Obtaining external assurance (Page 89 and 148), adoption of many voluntarily reporting frameworks
- Accountability – Board assurance on accountability (Page 196)
- Governance – governance to ensure compliances and fair and balance reporting
- Sustainability – Board commitment for sustainability (Page 174)

FUTURE REPORTING PERIODS

When presenting our narrative, we’ve organized information across three reporting periods: “Short term,” “Medium term,” and “Long term,” as appropriate. In this context, management designated the year 2024 as the Short term future, 2025 and 2026 as the Medium term, and any period beyond 2026 as the Long term.

ABOUT OUR INTEGRATED REPORT



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REPORTING FRAMEWORK

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

Mandatory Reporting Frameworks and Guidelines	Voluntary Reporting Frameworks and Guidelines
FINANCIAL REPORTING - Sri Lanka Accounting Standards (SLFRSs/LKASs) - The Regulations of Insurance Industry Act No.43 2000 and amendments thereto. - Statement of Recommended Practice (SoRP) - Regulations and directions issued by the of Insurance Regulatory Commission of Sri Lanka (IRCSL). - Companies Act No. 07 of 2007 and amendments thereto	INTEGRATED REPORTING - Integrated Reporting Framework of the International Integrated Reporting Council "Guidelines for Presentation of Annual Reports" issued by the Institute of Chartered Accountants of Sri Lanka - Handbook on Integrated Corporate Reporting (CA Sri Lanka)
CORPORATE GOVERNANCE REPORTING - Listing Rules of the Colombo Stock Exchange - Laws and Regulations of the Companies Act No. 7 of 2007 - Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended). - Corporate governance framework for insurers issued under Section 96A of the Regulations of the Insurance Industry Act No. 43 of 2000 (IRCSL).	- Code of best practices on Corporate Governance 2017 (CA Sri Lanka). - Integrated Risk Management Framework is crafted based on the guidelines provided in ISO 31000:2018.
ASSURANCE - Sri Lanka Auditing Standards (SLAuSs) - Sri Lanka Standard on Assurance Engagements SLSAE 3000; Assurance Engagements other than Audits or Review of Historical Financial Information (CA Sri Lanka). - Internal Auditing Framework of Institute of Internal Auditors - Independent Assurance on Integrated Reporting by KPMG - Independent Assurance on GRI Reporting by KPMG	SUSTAINABILITY REPORTING - GRI Standards: This Report has been prepared in accordance with the GRI Standards - Sustainability Accounting Standards Board (SASB) Standards - Gender Parity Reporting Framework of the Institute of Chartered Accountants of Sri Lanka - Sustainable Development Goals (SDGs) - Guide on communicating sustainability issued by the Colombo Stock Exchange - United Nations Global Compact (UNGC)

IMPROVEMENTS TO THE REPORT

IMPROVEMENTS TO THE CONTENT

- Align reporting practices with UN Global Compact ten principles
- Stakeholder value creation is linked to stakeholder engagement
- UN SDG targets are linked to capital reports
- IR framework content index
- The assessment of the target set in the previous year is integrated with explanations for any deviations
- Company Strategy for next 3 years is presented with KPI comparing past 3 years.
- Actions taken to implement IFRS S1 and IFRS S2 is provided in separate note.

IMPROVEMENTS TO THE USER-FRIENDLINESS

- Sri Lanka's first ever AI enabled digital annual report
- Launch video version of 2023 annual report for the seventh consecutive year
- Chairman's Review, Managing Director's Review and primary financials statements have been provided in three languages. (English, Sinhala and Tamil)

IMPROVEMENTS TO THE TRANSPARENCY

- Obtained the External Assurance for Integrated Reporting for the third consecutive year. We were the first in Sri Lanka to obtain assurance on Integrated Reporting which shows the transparency of our reporting.
- Complied with Insurance Sustainability Accounting Standard by SASB (Sustainability Accounting Standard Board).



GRI

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PROCESS DISCLOSURES

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

- An expert reporting project team ensures that a mature and effective report preparation process is followed. Detailed debriefing together with internal and external feedback on processes and content, <IR> Framework application in the prior year's reporting was used to improve this integrated report.
- Executives and senior management throughout the company provide oversight and guidance for the processes, particularly in the reporting approach and content planning.
- The robust strategy setting process and company risk management framework facilitate the identification of material matters that form the foundation for the preparation of the integrated report. Material issues undergo review, finalization, and approval by the board within the annual corporate planning cycle.
- The information contained in this report is gathered from interviews with the leadership team, as well

as data collected through internal processes established to adhere to the requirements of both local and international reporting frameworks and guidelines

- The company's leadership team is accountable to the board for preparing the integrated report. The board is review and approve the content of the annual report before publishing.

EXTERNAL ASSURANCE

The Financial Statement and Non-Financial Information Sections included in this report have been audited by Messrs. KPMG who have expressed an opinion on the true and fair view of the annual financial statements as shown on pages 268 to 270, limited assurance on the Integrated reporting is provided on pages 89 to 90. Reasonable and limited assurance in respect of the sustainability indicators including the financial highlights on pages 30 to 31, capital reports on pages 92 to 146 is presented on page 148 to 150. The Board of Directors do not have any relationship with KPMG, apart from above engagement as the Independent External Auditor of the Company.

DISCLAIMER ON FUTURE ACTIONS

This report may include forward-looking statements regarding the Company's future performance and prospects. While these statements reflect our future expectations, it's crucial to note that various risks, uncertainties, and other significant factors could lead to actual results differing materially from our expectations. We are committed to transparently and relevantly providing all future-oriented information to stakeholders wherever applicable.

FEEDBACK

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



Nuwan Withanage

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



nuwan.withanage@softlogiclife.lk



RESPONSIBILITY FOR SUSTAINABILITY PRACTICES

The Board of Directors of the Company are responsible for sustainability practices and disclosures made in this Report and acknowledges its responsibility to ensure the integrity of this report. In our view we have prepared the annual report complying with all material aspects of amended Framework published in January 2021. In assessing compliance with Framework the management evaluated the report against the Guiding Principles and Content Elements stipulated in the framework. The Board has applied collective mind to the preparation and presentation of this Integrated Report and believes to the best of our knowledge that this Integrated Report fairly discusses all material issues.

Sgd
Nuwan Withanage
Chief Financial Officer

Sgd
Iftikar Ahamed
Managing Director

Sgd
Ashok Pathirage
Chairman

(On behalf of the Board of Directors)



SOFTLOGIC LIFE AT A GLANCE

Overview Of Softlogic Life **19** | Softlogic Life In Context **20** | Awards and Accolades **24**
Our History **24** | Our Value Creating Business Model **26** | Financial Highlights **30**
Year At A Glance **32** | Organizational Structure **34**



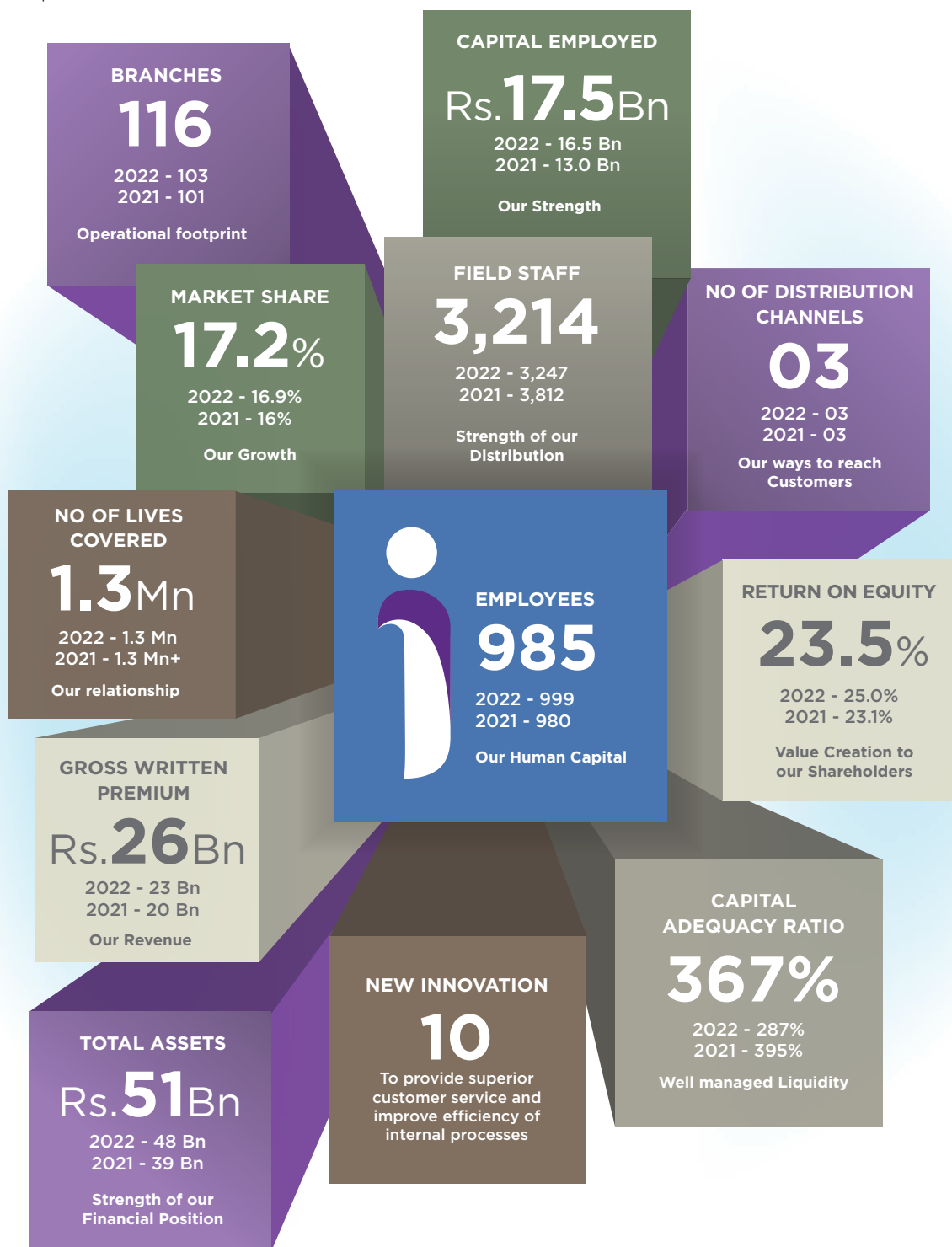
FITTER.
FASTER.
FIERCER.

We believe that our streamlined structures and innovative capabilities enable us to rapidly respond to changes in the environment, strengthening us with the ability to remain competitive, and relentlessly pursue growth today and beyond.

OVERVIEW OF SOFTLOGIC LIFE

<IR> 4A

Softlogic Life Insurance PLC is a rapidly expanding provider of life insurance solutions in Sri Lanka. Our core mission revolves around safeguarding individuals and enhancing their quality of life through the adoption of creativity and disruptive innovation. As the fastest-growing life insurer in Sri Lanka, we have attained the position of the second largest life insurer on the island. Year after year, we propel the industry forward, establishing new benchmarks by embracing creative and disruptive innovations. Presented below is our balanced scorecard, offering essential insights into our organisation's performance.

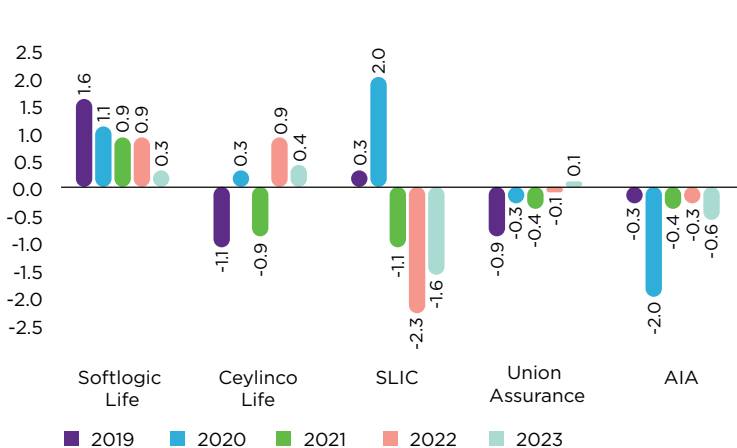


SOFTLOGIC LIFE IN CONTEXT

Softlogic Life Insurance PLC (SLI) has made significant strides in Sri Lanka’s life insurance sector, marked by remarkable growth, world-class innovation, and outstanding efficiency across various domains. This achievement stems primarily from our relentless dedication to innovating every aspect of our business. It is further bolstered by our lean organizational structure, organizational culture, and management philosophy embraced by our executive leadership.

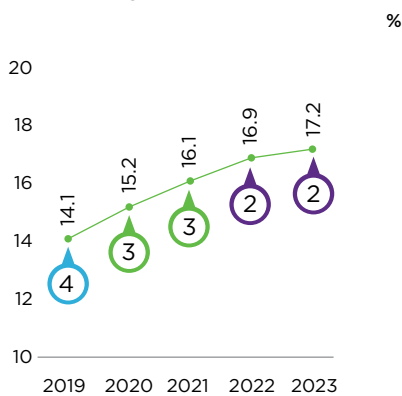
SLI has sustained its growth trajectory over the last decade, swiftly becoming the second-largest insurer in a relatively short span of time. To accomplish this feat, we have consistently maintained a growth rate double that of the industry average. Presently, we command a 17.2% market share, consistently expanding it annually despite adversities in the external landscape.

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



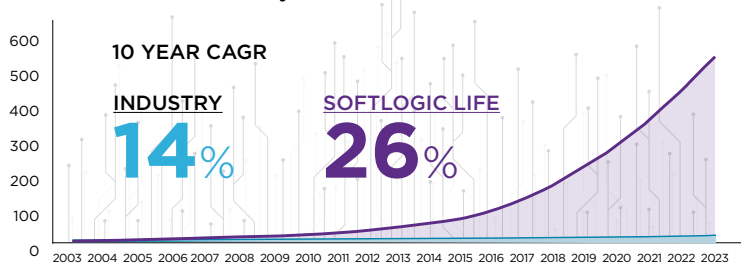
SLI is the only insurer (within top five life insurers) in the industry to maintain market share growth consistently over last five years

G2-MARKET SHARE



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

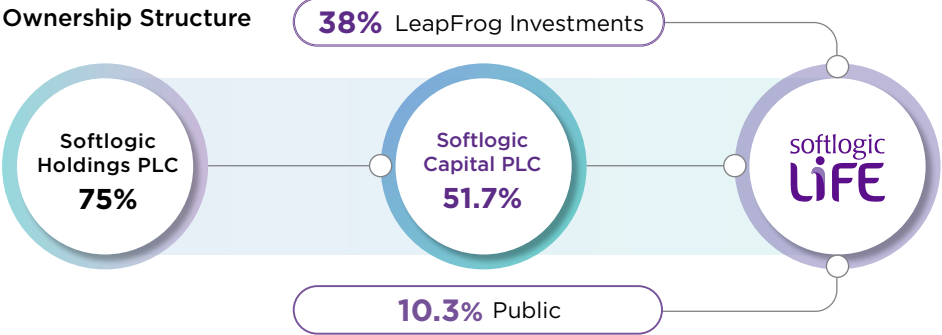
G3-SLI Growth vs Industry Growth



SLI growth trajectory is clearly showcased in this graph. Taking 2002 as the base year we have grown by 162 times where as industry grew by 18 times. During past 10 years we have closed to 2 times exponential growth than the industry

Our growth momentum started after 2011 subsequent to acquisition by the Softlogic Group. This demarcates the focus and purposeful drive of the Company based on its performance pre and post-acquisition. This turnaround resulted to attract some foreign shareholders for Softlogic Life. Therefore it is important to have correct ownership to drive for success and our ownership structure is provided below.

Ownership Structure



ORGANIZATIONAL STRUCTURE

In the context of SLI operations, the Organizational Structure plays a critical role. You can find our organizational structure on page 34.



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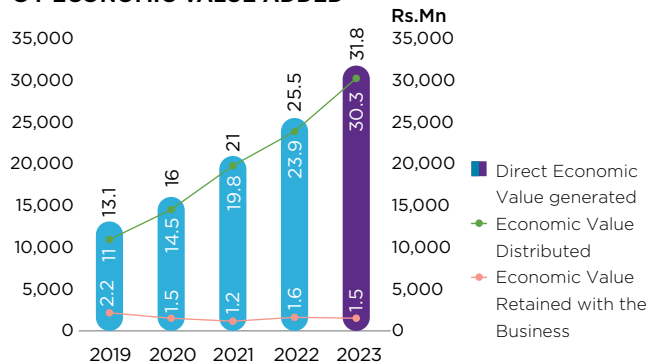
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HOW WE CREATE AND DISTRIBUTE VALUE TO OUR STAKEHOLDERS AND ECONOMY

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



G4-ECONOMIC VALUE ADDED



G5-MARKET VALUE ADDED



SOFTLOGIC LIFE IN CONTEXT

THE EDGE WE BROUGHT TO THE MARKET

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

CUSTOMER CENTRIC INNOVATION - We use innovation to provide unique experience to our customers.



ONE DAY CLAIMS SETTLEMENT

Game changing, One-day claims settlement process is introduced for the first time in Sri Lanka to settle our customer claims within one day.



SPEEDY CUSTOMER DISCHARGE

A dedicated team is coordinating with customer and hospital regularly to make sure hassle free discharge.



CASHLESS LESS CLAIMS SETTLEMENT

Available Over 60 hospitals island-wide, and Apollo Hospitals India and Parkway Group of Hospitals Singapore which include Mount Elizabeth Hospital in order to provide a superior service.



OMNI CHANNEL CUSTOMER CARE

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



CUSTOMER JOURNEY MAPPING

Customer touch points are identified and their satisfaction level assessed. Accordingly, any factors causing dissatisfaction are immediately taken into management consideration.



TELE UNDERWRITING

A novel concept introduced to the insurance industry, where a specially trained telephone interviewer completes the Life Insured's statement required for the life insurance application.

DIGITALISATION - Digitalize processes to improve customer service and improve productivity



'LIFEUP' APPLICATION

The 'LifeUp' smartphone application serves as an invaluable tool, offering a broad range of services to customers.



AUTOMATIC POLICY ISSUANCE

Policy issuance is automated for no proposal-based policies. This provide greater convenience to our Bancassurance partners with minimal documentation while our customers receive speedy service.



100% DIGITAL SALES PLATFORM

100% digitalized selling process, "Future Advisor Platform" was initiated. This initiative will facilitate an effective and speedy selling process eliminating all the delays.

HIGH TECH - Invest in latest technology to increase business value creation



AUTOMATED CLAIMS ASSESSMENT "CLAIMIT"

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



AUTO UNDERWRITING WITH ENHANCED CAPABILITY

Policy proposals received digitally are cross-checked with worldwide accepted underwriting standards and policies passed through get automatically underwrite in the system.



AI ENABLED MARKETING CAMPAIGN

SLI pioneered Sri Lanka's inaugural marketing campaign utilizing AI deep fake technology, generating significant interest across society.

OUR UNIQUE VALUE PROPOSITION - The uniqueness in the market



BEST HEALTH INSURER IN SRI LANKA

SLI holds 35% share in the Sri Lankas health insurance market holding strong position as largest health insurer in Sri Lanka.



FASTEST CLAIM SETTLEMENT IN SRI LANKA

SLI settle 75% of claims within one day, honouring our commitment to customers.



SRI LANKA'S FIRST MICRO INSURANCE PROVIDER

SLI introduced micro insurance to the life insurance industry as a telco platform based product.

EXPANDING OUR PROTECTION TO LOW INCOME COMMUNITY



As responsible corporate in Sri Lanka we took bold decision to extend life insurance business to low income population in order to provide them financial support when they need it. Accordingly we launched per day insurance partnering with Dialog

Axiata where end to end process is operate on mobile platform. We have extended protection to 502,590 low-income individuals in Sri Lanka, offering assistance when they need it most.

502,590

No. of Micro Insurance Policies

Further our business strategies are aligned to achieve below UNSDG targets. We thoroughly discuss our dedication to aligning business practices with UNSDGs under each capital, providing references where applicable for other areas within this report. We have mapped UNSGD with applicable GRI indicators & summary is provided on page 392.





AWARDS AND ACCOLADES

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

OUR HISTORY

1999

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

2011

Acquisition of the Company by the Softlogic Group

2016

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

2018

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

"Leapfrog Investments" invested 19% stake.

2000

Commencement of Life Insurance Business

2012

DEG and FMO invested for a stake of 19% each

2017

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



CA: Overall Excellence corporate reporting- Silver award • Insurance sector- Gold award • Integrated report- Silver award • Corporate Governance Disclosure- Bronze award • **CMA:** Overall Excellence in Integrated reporting- Gold award • Best Integrated Report- Insurance sector • Special Award for Best Disclosure on Materiality • Among top ten integrated reports in Sri Lanka • **South Asian Business Excellence Award:** Best use of IT and Technology • Life Insurer of the year in the private sector • **EFFIE Awards:** Corporate reputation category- Silver award • Seasonal category- Bronze • Social Good Non-profit category- Bronze • Insurance category- Bronze • **Asia Insurance Awards:** Best Micro Insurer (Sri Lanka) • Best Health Insurance Coverage • **South Asian Federation of Accountants Awards:** Integrated report- Silver award • Insurance category- Bronze

2020

Ranked 3rd largest entity in the Life Insurance Industry

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

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

2022

Ranked as the 2nd largest entity in the Life Insurance Industry

Recorded Highest ever PBT of Rs. 4 Bn

2019

Softlogic Life positioned as the 4th largest entity in the Life Insurance industry

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

2021

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

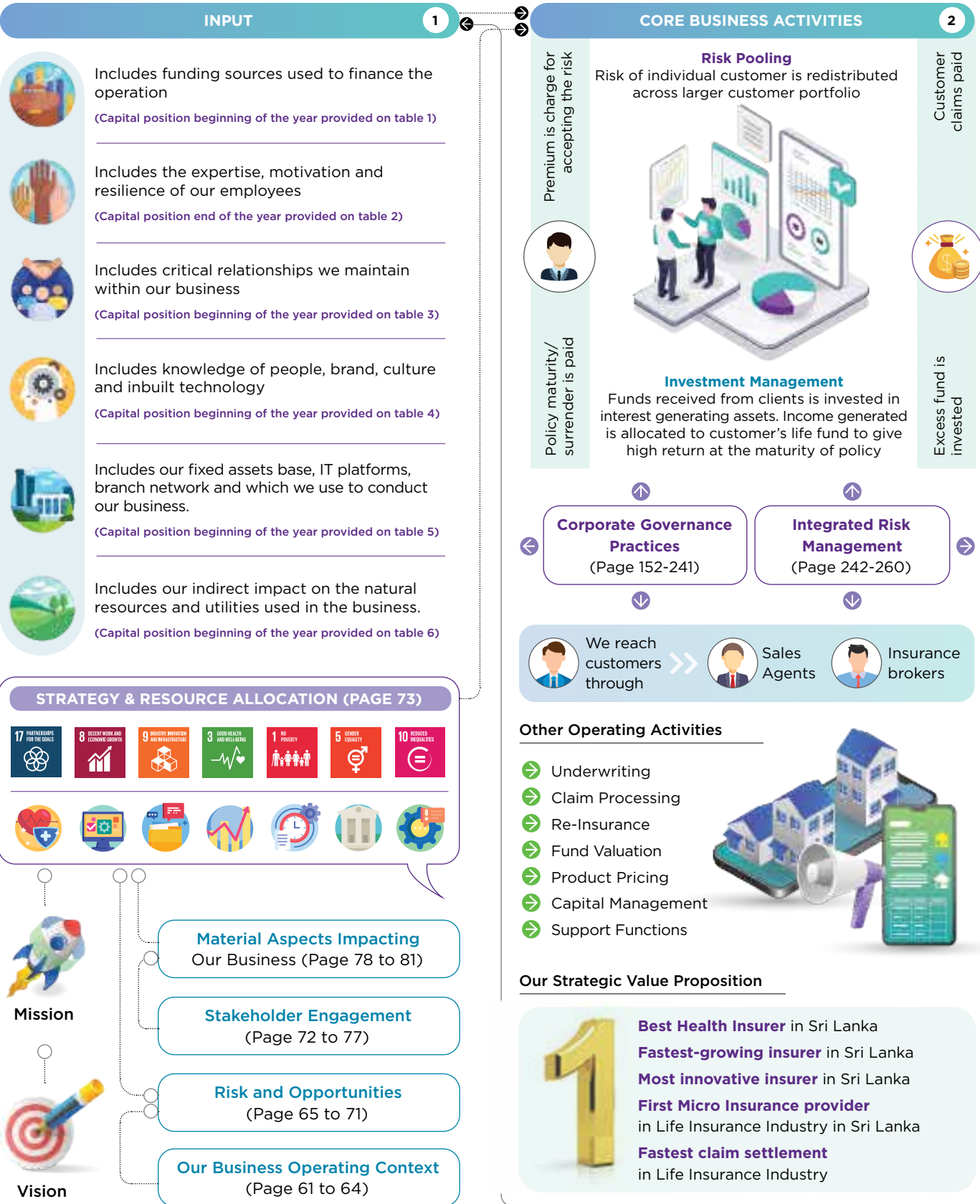
Winning the trust of over 2 Mn Customers
Fastest to reach 20 Bn GWP in Sri Lankan Insurance Industry

2023

Recorded highest ever GWP of Rs 26 Bn

Introduction of unit linked product

OUR VALUE CREATING BUSINESS MODEL



Redeploy



Financial Capital - Statement of capital position Table 1

Measurement Criteria	Unit	Outcome 31.12.2023	Input 31.12.2022	G%
Total Equity	Rs Mn	13,333	10,873	23%
Financial investments	Rs Mn	43,500	42,600	2%
Market capitalisation	Rs Mn	20,175	32,475	-38%
Total Assets	Rs Mn	51,339	48,248	6%
Insurance contract liabilities	Rs Mn	27,925	25,339	10%

Human Capital - Statement of capital position Table 2

Measurement Criteria	Unit	Outcome 31.12.2023	Input 31.12.2022	G%
No of employees	No	985	999	-1%
% of Female employees	%	32	29	3
No of senior management employees	No	25	26	-4%

Social & Relationship Capital-Statement of capital position Table 3

Measurement Criteria	Unit	Outcome 31.12.2023	Input 31.12.2022	G%
No of policies in force	No	733,002	844,398	-13%
No of new policies issued	No	74,827	133,872	-44%
Sales staff	No	3,214	3,247	-1%
MDRT qualifiers	No	263	263	0%
No of reinsurers	No	5	6	-17%
No of suppliers	No	277	228	21%
Value of lives covered	Rs Bn	1,257	1,239	1%

Intellectual Capital - Statement of capital position Table 4

Measurement Criteria	Unit	Outcome 31.12.2023	Input 31.12.2022	G%
Our employees	NO	985	999	-1%
Investment in intangible assets	Rs Mn	0.52	1.8	-71%

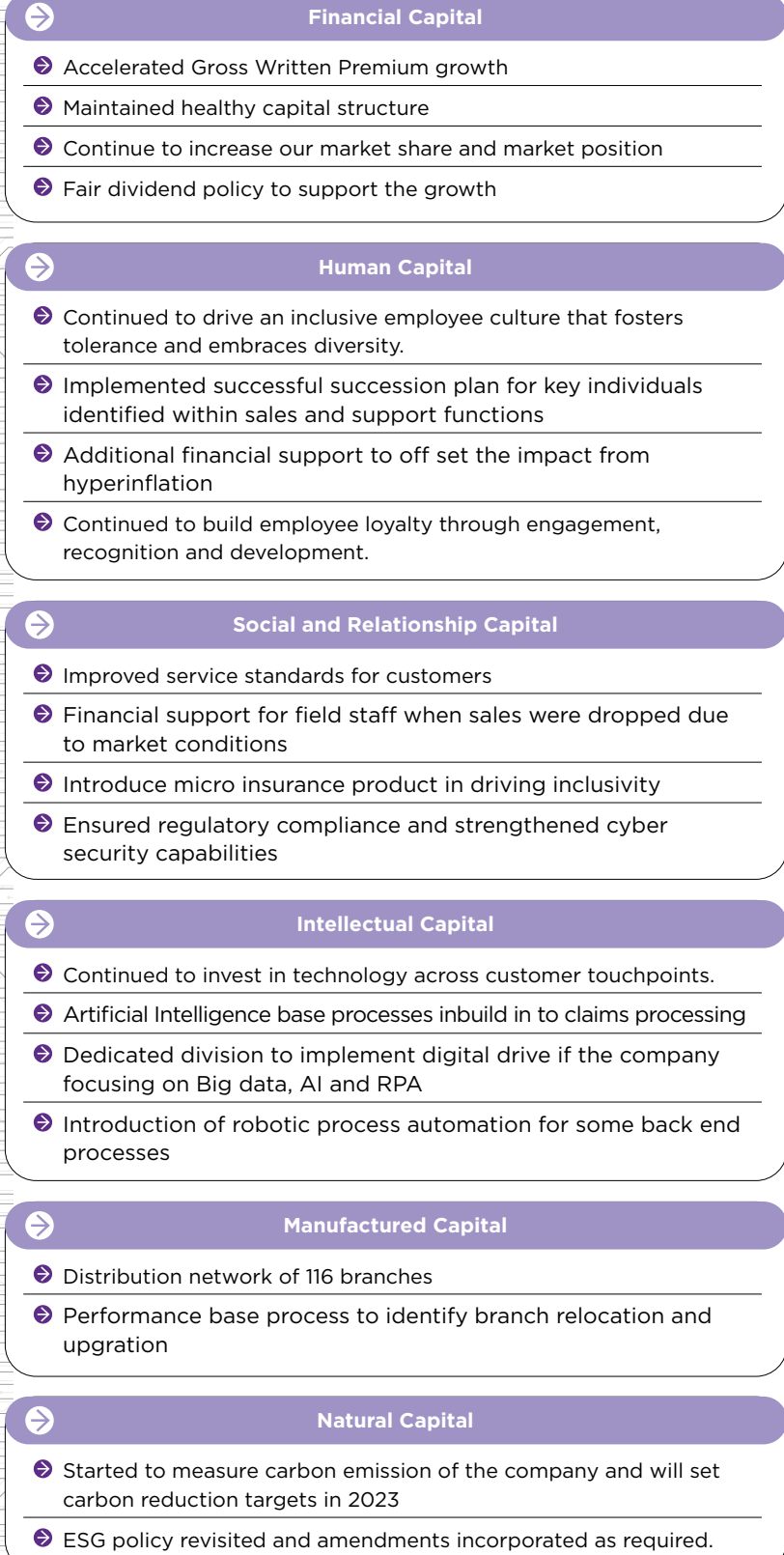
Manufactured Capital - Statement of capital position Table 5

Measurement Criteria	Unit	Outcome 31.12.2023	Input 31.12.2022	G%
Number of branches	No	116	103	13%
Net book value of capital assets	Rs Mn	707	579	22%

Natural Capital - Statement of capital position Table 6

Measurement Criteria	Unit	Outcome 31.12.2023	Input 31.12.2022	G%
Papers Recycled	Kg	5,253	362	1,352%
Electricity Consumption	KJMN	7,028	5,700	23%
Water Consumption	M3	14,713	12,147	21%

Our action to preserve value for future





As a Life Insurer, our business model revolves around accepting, managing, and sharing risk. We leverage cutting-edge technology throughout our business processes to ensure thorough assessment and acceptance of risk within our risk appetite. We share risk with reinsurers to secure customer claims and benefits. Additionally, we continuously innovate to enhance the customer experience, striving to raise standards every day. We have introduced numerous digital options for customers to easily access our services when needed.

The effective implementation of this business model will generate value for the company's key stakeholders, particularly shareholders, customers, and employees, as well as other stakeholders such as suppliers, financiers, and regulators. Rooted in the company's business philosophies across its operating segments, the business model sets the company apart from its industry peers, characterized by its unique DNA. This distinction provides a sustainable, competitive advantage.

OUR VALUE CREATING BUSINESS MODEL

Sharing and managing risk is central to what we do. Understanding, measuring and modelling risks helps us to price risk fairly and offer competitive premiums to customers who also look to us to provide expertise aimed at mitigating their risk.

RISK POOLING

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

INVESTMENT MANAGEMENT

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

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

RISK MANAGEMENT



Risk assessment and product development	Re-insurance	Investment management												
What we do:- Analyse market needs, design product features, decide on risk pooling mechanism and get regulatory approval to launch the product. IT systems are modified as required. Value Creation:- Customer gets comprehensive protection at competitive price / Revenue increase due to market acceptability of the product. Impact to:- 	What we do:- Excess risk to Company's risk appetite on policyholders is reinsured with the reinsurance panel. The arrangement could be facultative arrangement or Treaty arrangement. Value creation:- Financial backup for unexpected risks, Customer comfort on claim recovery KPI:- Financial Rating "A" or above <table><tr><td>100%</td><td>100%</td><td>100%</td></tr><tr><td>2023</td><td>2022</td><td>2021</td></tr></table> Impact to :- 	100%	100%	100%	2023	2022	2021	What we do:- Matching assets to liability on short, medium and long term and generate adequate yield on investment fund Value creation:- Regulatory compliance and comfort on recoverability of the investment KPI:- Minimum investment in Government Securities 30% (From Life fund) <table><tr><td>96%</td><td>67%</td><td>41%</td></tr><tr><td>2023</td><td>2022</td><td>2021</td></tr></table> Impact to :- 	96%	67%	41%	2023	2022	2021
100%	100%	100%												
2023	2022	2021												
96%	67%	41%												
2023	2022	2021												

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

 PHENOMENAL SALES	Sales through distribution channel	
	What we do:- Sell our products through field staff, banks, mobile platform of Dialog, Sri Lanka Postal Department and Insurance brokers. Value creation:- Revenue generation and income for field staff and distributors KPI:- Achieving the sales targets Impact to:-   	
 SMART IT DIGITALISATION AND KINGS OF DATA	Underwriting	Claim processing
	What we do:- Assess policyholder risk profile and Ensure appropriate price is charged Value creation:- Regulatory compliance and comfort on recoverability of the investment KPI:- Underwrite 75% of proposals within one day (%) 77% 68% 76% 2023 2022 2021 Impact to :-  	What we do:- Validate claim with policy criteria, real-time processing of claim payments Value creation: Customer gets financial assistance when it is really required and customer satisfaction KPI:- More than 80% one day claim settlement (%) 75% 95% 94% 2023 2022 2021 Impact to :-  
 GOVERNANCE	Capital management	Fund valuation
	What we do:- Maintaining adequate capital as per the guidelines issued by IRCSL Value creation:- Ensure liquidity of the business KPI:- Capital Adequacy Ratio (CAR) above 120% 367% 287% 395% 2023 2022 2021 Impact to :- 	What we do:- Appointed external Actuary to value the Life fund and difference between experience in assumptions used in previous valuation and current valuation is recognized as surplus Value creation:- Ensure future ability to generate profits KPI:- New business margin percentage and embedded value Impact to :- 

OUR DIFFERENTIATION

Innovation is the key differentiator of SLI in the market where Company introduced many industry first processes and technologies in Sri Lanka as summarised on the pages 22 to 23..

INNOVATION AND ADOPTABILITY

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

an innovation driven culture within our organization and was able to introduce many industry first innovations as listed on page 22 of this report.

DEVELOPING OUR PEOPLE

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

regularly and keep them ready to accept new challenges of tomorrow. Our effort development is discussed in detailed under Human Capital on page 98.

ENGAGE OUR STAKEHOLDERS

We are aware that our action will directly affect our stakeholders in many ways. Therefore we have established a structured process to regularly engage with our stakeholders which is described in detail on page 72 of this report.

FINANCIAL HIGHLIGHTS

Financial Performance and Ratios		2023	2022	2021	(%)
Gross Written Premium	Rs.million	26,341	23,083	20,053	14.1
Net Earned Premium	Rs.million	23,850	20,405	18,196	16.9
Underwriting results (Operating profit)	Rs.million	5,521	7,055	8,243	(21.7)
Earnings Before interest, tax, depreciation & amortization (EBITDA)	Rs.million	4,365	5,006	3,643	(12.8)
Profit Before Taxation (PBT)	Rs.million	3,197	4,030	2,966	(20.7)
Income Tax Expense	Rs.million	359	1,348	861	(73.4)
Profit After Taxation (PAT)	Rs.million	2,838	2,683	2,105	5.8
Dividend Paid	Rs.million	1,313	1,050	938	25.0
Retained Profits	Rs.million	1,526	1,633	1,168	(6.6)
Financial Position as at the Year End					
Financial Investments	Rs.million	43,500	42,600	34,217	2.1
Total Debt	Rs.million	5,015	5,644	3,065	(11.1)
Total Assets	Rs.million	51,339	48,248	39,258	6.4
Equity and Reserves	Rs.million	13,333	10,873	10,588	22.6
Retained Earning	Rs.million	13,618	12,113	10,454	12.4
Insurance Contract Liabilities	Rs.million	27,925	25,339	21,493	10.2
Total Liability	Rs.million	38,006	37,375	28,669	1.7
Share Information					
Market value per share					
- Highest value recorded during the year	Rs.	136.0	249.0	73.5	(45.4)
- Lowest value recorded during the year	Rs.	53.5	27.0	29.0	98.1
- Value as at end of the year	Rs.	53.8	86.6	71.0	(37.9)
No of shares in issue	million	375	375	375	-
Market Capitalisation	Rs. million	20,175	32,475	26,625	(37.9)
Profitability Ratios					
Underwriting Margin /Gross Profit/Operating profit Margin	%	21.0	30.6	41.1	(31.4)
Return on Total Assets	%	5.7	6.2	6.0	(7.0)
Return on Capital Employed (ROCE)	%	23.1	31.1	27.0	(25.8)
Investment Yield	%	18.4	13.3	8.9	38.6
Liquidity Ratios					
Current Ratio	Times	3.5	3.0	5.7	15.6
Quick Assets Ratio	Times	3.5	3.0	5.7	15.6
Equity Ratios					
Net Assets value per share	Rs.	33.4	26.9	26.1	24.4
Basic Earnings per share (EPS)/ Diluted Earning Per Share	Rs.	7.6	7.2	5.6	5.8
Dividend per share (DPS)	Rs.	3.5	2.8	2.5	25.0
Effective Dividend rate (Dividend Yield)	%	6.5	3.2	3.5	101.2
Dividend Payout Ratio	%	46.2	39.1	44.5	18.2
Dividend cover	Times	2.2	2.6	2.2	(15.4)
Price Earnings Ratio	Times	7.1	12.1	12.6	(41.3)
Earning Yield Ratio	%	14.1	8.3	7.9	70.3
Return on Equity	%	23.5	25.0	20.5	(6.2)

Financial Performance and Ratios		2023	2022	2021	(%)
Efficiency Ratios					
Total Asset Turnover ratio	Times	0.6	0.6	0.6	9.5
Fixed Asset Turnover Ratio	Times	40.9	38.6	31.4	6.2
Debt Ratios					
Debt to Asset Ratio	%	9.8	11.7	7.8	(16.5)
Debt to Equity Ratio	%	37.6	51.9	28.9	(27.5)
Interest cover	Times	6.0	9.1	12.4	(33.8)
Equity Assets Ratio	%	26.0	22.5	27.0	15.2
Industry Specific Ratios					
Capital Adequacy Ratio (Minimum requirement 120%)	%	367	287	395	28
Determination Ratio (Minimum requirement 100%)	%	140	126	114	11
Investment in Government Securities (Minimum 30%)	%	96	67	41	44
Premium Growth Ratio	%	14.1	15.1	28.1	(7)
Investments, Supporting One-off Surplus (Restricted Regulatory Reserve) - Minimum requirement Rs. 798 Mn	Rs.million	1,251	839	868	49.1
Net Claim Ratio (Net Claims/ Net Earned Premium)	%	53.8	41.1	32.4	30.9
Total Expense ratio(Expense to NEP)	%	44.4	45.6	42.7	(2.6)
Combined ratio	%	98.3	86.8	75.2	13.3
Combined ratio (without maturities and surrenders)	%	84.6	79.2	70.3	6.9
Acquisition cost to GWP	%	20.8	21.5	20.2	(3.0)
Operational expenses Ratio	%	19.4	18.9	18.6	2.8
Reinsurance Expense Ratio	%	9.5	11.6	9.3	(18.5)
Reinsurance claim recovery Ratio (Re-insurance recovery/ Gross Claims)	%	4.1	8.2	8.5	(49.7)
Key Value Drivers					
Annualised New Business Premium	Rs.million	6,000	5,887	5,083	1.9
Average Premium Per Policy (Endowment)	Rs.	176,872	169,090	138,983	4.6
Premium Persistency Ratio Year 1	%	83	84	85	(1)
Premium Persistency Ratio Year 2	%	61	66	67	(7)
Premium Persistency Ratio Year 3	%	54	58	58	(7)
Annualised New Business Premium per Agent	Rs.million	2.1	2.0	1.7	0

FINANCIAL GOALS AND ACHIEVEMENTS

Indicator (%)	Goal	Achievement		
		2023	2022	2021
Gross Written Premium Growth	Over 20%	14	15	28
Annualised New Business Premium Growth	Over 25%	2	16	31
Profit After Tax Growth	Over 15%	6	27	38
Return On Equity	Over 20%	23.5	25.0	20.5

YEAR AT A GLANCE

FEBRUARY

The Townhall Meeting serves as a vital forum for communicating the company & objectives for the year while also providing an open platform for employees to voice their opinions and concerns. This interactive session encourages transparency, fosters a sense of belonging, and facilitates constructive dialogue between management and staff.



THE
Voice
OF EMPLOYEE



MARCH

Conducted 4Her inspirational session with Ms Thilanka Abeywardena on her success story.



APRIL

The Investor Forum serves as a platform for engaging in dialogue with our current and prospective investors, as well as other interested stakeholders, fostering transparency and facilitating meaningful interactions regarding our company's performance, strategies, and future prospects.



JUNE

The Softlogic Life Karaoke Competition was organized to offer our staff an avenue to showcase their talents and foster a vibrant, engaging workplace environment.

JUNE

Introduced the first-ever marketing initiative in Sri Lanka, built on an Artificial Intelligence platform.



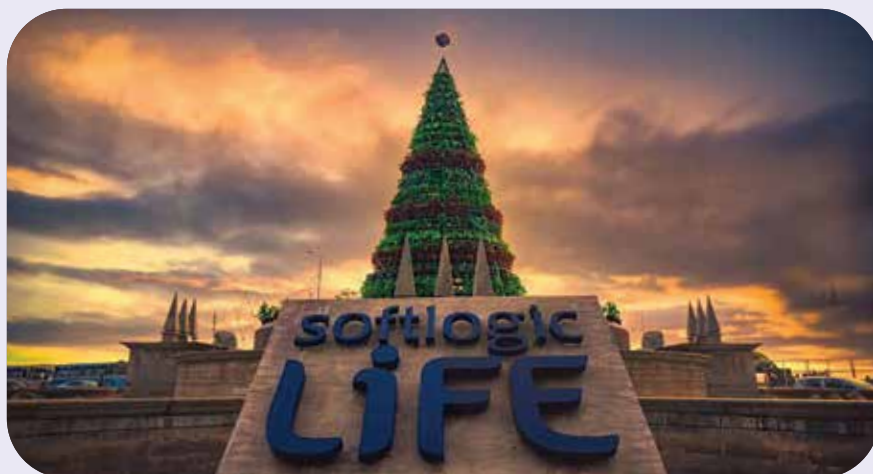
JULY

The company celebrated its 'Hawaiian Mingle' beach party in grand style



NOVEMBER

Our sales team win big at SLIM NASCO Awards 2023



SRI LANKA'S FIRST EVER CROWD-SOURCED

**VEGETABLE PLANT
CHRISTMAS TREE**

MOST SIGNIFICANT EVENTS OF THE YEAR



MDRT

263

**SLI PRODUCED RECORD
BREAKING MDRT MEMBERS
IN THE INDUSTRY**

LAUNCHING UNIT-LINKED PRODUCT

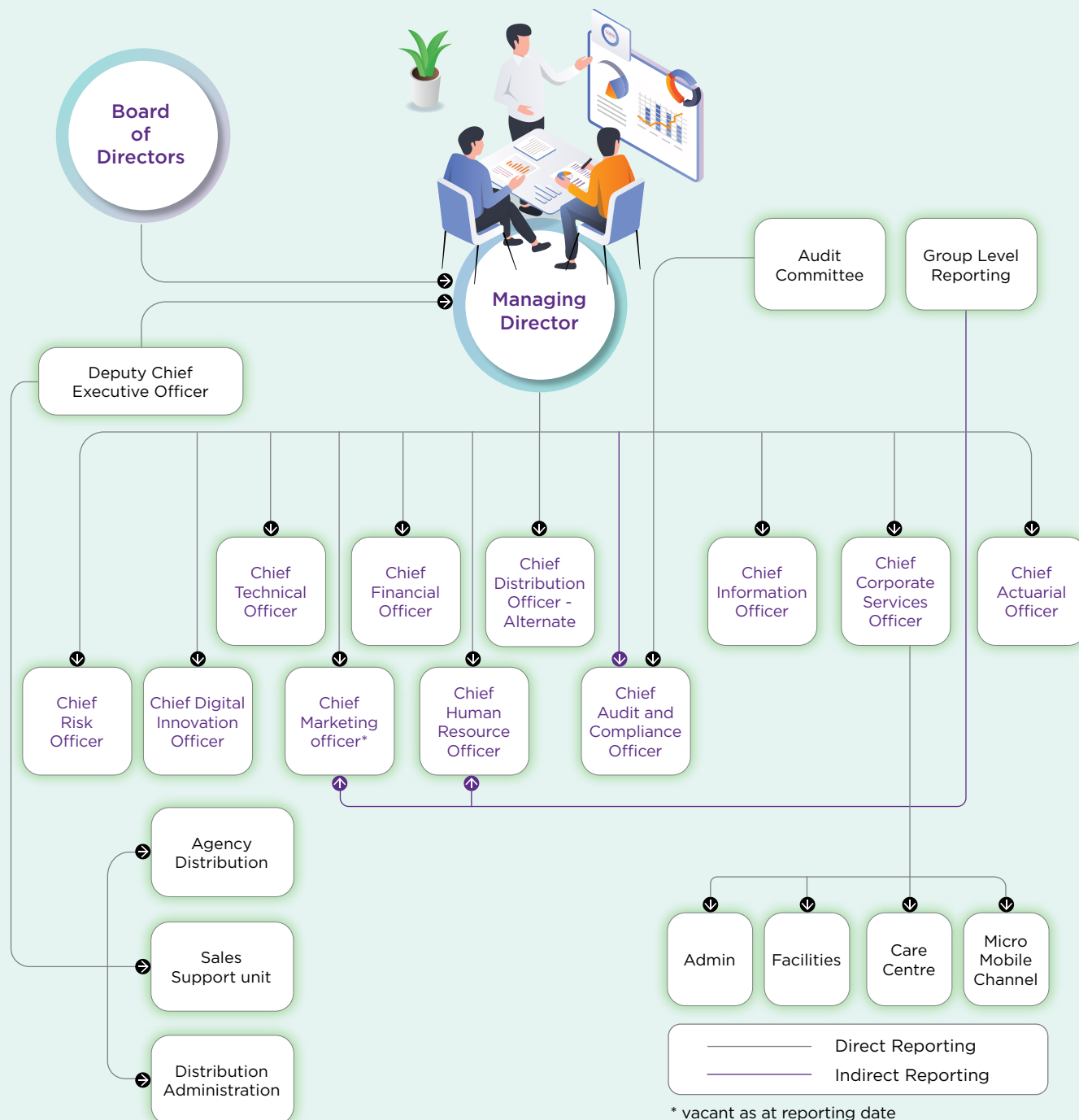
Unit Linked Products, offered by SLI, blend investment and insurance components into a single package, providing investors with a unique opportunity to grow wealth while securing their financial future. These products allow policyholders to allocate their premiums into various investment funds, such as equities, bonds, or money market instruments, based on their risk appetite and financial goals.

The prevailing high interest rate environment in the market during the initial six months of the year bolstered demand for this product and contributed to an increase in our revenue. This enabled us to uphold a well-balanced product portfolio, thereby enhancing our ability to cater to the diverse needs of our customers more effectively.

ORGANIZATIONAL STRUCTURE

IMPORTANCE OF ORGANIZATIONAL STRUCTURE IN VALUE CREATION

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



UNFOLDING OUR SUCCESS STORY

Reflections from Our Chairman **36** | Reflections from Our Managing Director **40**
Operational Review **43**



TOUGHER.
TRUSTIER.
TIMELIER.

Our inherent resilience and the trustworthy partnerships we have built over the years are key enablers that support timely strategies and interventions that build long-term value for stakeholders from all walks of life.

REFLECTIONS FROM OUR CHAIRMAN

WE HAVE ESTABLISHED OUR LONG-TERM VISION TO BECOME THE MARKET LEADER THROUGH SUSTAINABLE GROWTH. FOR US, MARKET LEADERSHIP ENTAILS NOT ONLY ACHIEVING A SIGNIFICANT MARKET SHARE, BUT ALSO DRIVING THE MARKET FORWARD THROUGH INNOVATIVE PRODUCTS AND PRACTICES, CONTINUOUSLY SETTING HIGHER STANDARDS.

Total Assets

LKR
51,339
Million



Ashok Pathirage
Chairman



Dear Stakeholders,

It gives me immense pleasure to welcome you to the 25th Annual General Meeting of Softlogic Life PLC and to place before you the Annual Report and audited financial statements for the year ended 31st December 2023. Your company navigated yet another difficult year with characteristic fortitude, consolidating its strong foundation and taking measured steps to continue as the second-largest life insurer in the country during the period under review. It is highly encouraging to note that we have emerged as a stronger and a more competitive organization notwithstanding the challenging economic conditions we had to contend with in 2023.

TURNING CHALLENGES INTO SUCCESS: NOTEWORTHY RESULTS DESPITE ECONOMIC HARDSHIP

Softlogic Life performed well in the year 2023 despite the challenges that prevailed during the year under review to post Revenue in excess of Rs. 26 Bn, which reflects a 14% growth over the previous year which is notably higher than the industry growth. Along with top line growth, the Company reported Profit After tax (PAT) of Rs. 2.8 Bn. This translates into a return on investment (ROE) of 23.5%. The company also recorded earnings per share of Rs. 7.57. Softlogic Life was successful in managing its operations in a manner that maintained its operating expense ratio at 19.4% while its capital adequacy ratio of 367% was well above the regulatory requirement of 120%.

Further, Softlogic Life recorded total assets of Rs. 51 Bn which marks a growth of 6% compared with the previous year. Insurance contract liabilities also grew by 10% to reach Rs. 28 Bn which is the provision maintained to meet future benefits and claims of the customer base. The liquidity and current ratio recorded 3.5% demonstrates its liquidity, and compared with previous year, places us the Company in a comfortable position. The company has low gearing seen through the debt to equity ratio which was at 37.6% in 2023. We are happy to say that equity or the shareholders' funds of the company stood to Rs. 13.3 Bn with impressive growth of 22.6%.

The management of Softlogic Life is sharply focused on the company's financial health as we are in a long-term business that secures obligations on behalf of our policyholders and we have to be there for them when they need us the most. When it comes to maturity, death or health claims, it is of paramount importance that our financial position is strong to deliver those obligations and commitments.

BUSINESS CLIMATE DURING THE YEAR

The year 2023 was preceded by four years of severe hardship, commencing with the Easter attacks in 2019, the pandemic, and then the economic crisis. The impact of the 2022 economic crisis caused the Central Bank and the Government of Sri Lanka to take unprecedented measures that impacted many into 2023.

Sri Lanka however has done brilliantly to gain approval for the much needed International Monetary Fund (IMF)

endorsement within 12 months, despite the challenging circumstances witnessed during the peak of the economic crisis. The stringent conditions laid down in the IMF agreement and the ad hoc manner in which Sri Lanka's economy and public finances were managed in the past necessitated a number of tax increases in 2023. Coupled with high inflation and steep hikes in utility costs, these measures proved detrimental for consumers, giving rise to a host of various hardships.

Meanwhile, by end 2023, Sri Lanka did well to improve and increase reserves up to US\$ 4.4 Bn to cover three months of imports. As the year progressed, the country had to negotiate the second tranche with the IMF and received the necessary approval, signalling that Sri Lanka is on the right path and has made significant progress on debt restructuring with bilateral creditors whereas on the issue of international sovereign bonds, final negotiations are awaited. Hopefully, the tough measures taken by the Central Bank to get the economy back on track will allow Sri Lanka towards a positive growth path in 2024.

Welcome developments have been witnessed with increases in foreign remittances that was seen in 2023 whilst the tourism sector also recorded higher receipts with tourists exceeding 1.5 million. These foreign inflows are an extremely positive development for the economy after having faced a situation where there were no foreign reserves to pay for even essential imports on a regular basis. In light of this, it is heartening to see these steady inflows and we continue to look to

the government to do more and take Sri Lanka further along the path of economic recovery.

Market interest rates remained elevated in the first quarter of the year under review. However, with the cumulative reduction of 650 basis points in policy rates throughout the year and the completion of DDO, a noticeable downtrend in interest rates was witnessed towards the second half of the year. The 3-month treasury bill rates closed the year at 14% levels, compared to the 31% interest rate observed at the beginning of the year. The prevailing high interest rate environment, particularly evident in elevated bank lending rates, significantly impeded various financial products such as housing loans, leading to stagnation in market activity. This environment also exerted a notable impact on our credit life business or DTAP, resulting in a deceleration of its operations. We anticipate a substantial reduction in interest rates, with expectations for them to reach their lowest point in the second quarter of 2024.

DIVIDEND

Whilst we grow in the most optimal way possible, we are also a company that rewards its shareholders on an annual basis - with 50% of PAT distributed amongst shareholders. We hope due to this consistent practice we will be able to garner loyalty and continuous support from all our investors. The Company declared an interim dividend of Rs. 3.75 per share amounting to a total pay-out of Rs. 1,406 Mn for the year 2023 and paid Rs. 1,313 Mn dividend in March 2023 which was relevant to the 2022 financial year.

SUSTAINING OUR MULTIPRONGED STRATEGY

In terms of our immediate future, Softlogic Life has been built on a platform of growth and considering that national penetration of life insurance is currently at 0.5% compared to 1.2% in the region, we envisage 2X near term growth potential in the local

		2023	2022	G%
Gross Written Premium	Rs Bn	26.3	23.1	14%
Profit After Tax	Rs Bn	2.8	2.7	6%
Earnings per Share	Rs	7.6	7.2	6%
Return on Equity	%	23.5	25.0	-6%
Operating expenses Ratio	%	19.4	18.9	3%

REFLECTIONS FROM OUR CHAIRMAN

market. Softlogic Life has the greatest momentum and is at the forefront of the industry that is seeking to increase penetration and to serve all segments of the community, from the bottom of the pyramid ensuring inclusive offerings, all the way to the top making sure that all customers are served as per their requirements. We look ahead to the year 2024 as the start of a promising cycle as we exit the disastrous cycle of the past five years. We are a resilient company and have proven our mettle in tackling adversity with an outstanding effort as during the last five extremely challenging years, we managed ten-year CAGR of 26% as compared to industry growth of 14%.

Throughout the year, the Company's diversified distribution channel strategy further yielded advantages by connecting with a wide range of customers and safeguarding their well-being. The Agency force, responsible for selling personal insurance products through one to one interactions, now exclusively utilizes digital formats for all proposal submissions, marking a significant shift towards digitalization. The channel achieved 95% of the revenue target set for the year.

The primary emphasis was on capturing the top half of the market segment, anticipating minimal impact from the country's economic situation. This is evidenced by an average annual policy premium rising to Rs. 176,872, which is substantially higher compared to the market average, which is likely less than half.

The Alternate distribution channel, which focusing on corporate clients, continued its momentum by ensuring Softlogic life remained a market leader in terms of the Group Health business segment. They completed the year with an achievement of 80% primarily due to almost non-existent credit life or DTAP business which was a result due to high interest rates as well as lower market liquidity especially for the first nine

months of the year. The Company over-achieved the target set for the micro and mobile channels, which operate on digital functionality.

Being proactive to changes in the market, Softlogic Life was quick to alter its product mix during the year in order to maintain growth levels. The high interest rate environment pushed us to focus on some investment related products where customers are keen to have competitive returns. The Company anticipates that a number of new initiatives and strategies that we implemented in 2023 to overcome limitations and challenges of the tough environment will yield positive results in the upcoming year.

GOOD GOVERNANCE AND SUSTAINABLE GROWTH

In terms of governance and risk management, we continue to be a company that spares no efforts to practice good governance and responsible risk management to ensure stability and safety of all operations. We hold ourselves accountable to the highest degree and this aspect has been reflected in Softlogic Life being recognised with various awards. At the CA Sri Lanka annual report awards, Softlogic Life were placed overall second amongst corporate giants who have been in this space for many years.

SUSTAINABILITY PRACTICES FOR SUSTAINABLE JOURNEY

As a Company we want to make a big statement towards sustainability as we explore ways to make meaningful contributions in this area and ensure that we can measure our current position and then improve year on year. As time goes by, we want to establish clear milestones and goals where we strive towards achieving sustainability targets and are unique in the manner in which we achieve these as we believe that we are a company that is valuable to all our stakeholders who are keen on all facets of our existence.

DIVERSITY AND INCLUSIVITY

We continue to be a company that is focused on diversity and equity and inclusion. Whilst we do this from an internal perspective, we ensure that all stakeholders within the Softlogic Life family are comfortable and able to reap benefits of these policies. What we will also focus is to ensure policy holders and external stakeholders have the advantage and will be able to benefit from all measures we take. Female participation is promoted across all tiers of the organization. The dedicated "4HER" initiative is crafted to empower women, prioritizing their well-being, growth, and active involvement within the company.

STRATEGIC NAVIGATION: MANAGING RISKS, MAXIMIZING OPPORTUNITIES

As for our expectations about the economy in the months ahead, we believe inflation will subside and as a result, market rates will reduce in 1st half 2024 however, we are cautious about inflation rising in 2nd Half and therefore we will be monitoring with caution to ensure optimum management of our investments. We look forward to the revival of the economy so that all industries can move forward. The exchange rate is expected to be stable with low volatility and as 2024 progresses it will be a year of consolidation as the economy comes together. We are hopeful that the upcoming elections will not disrupt economic growth and that the country's leadership maintain consistent policy that is paramount towards attracting foreign investment capital.

We envisage continuous opportunity in the market and are committed to developing products and solutions to tap into these emerging opportunities. Bank lending, which had contracted over the last two years, will recommence. Significant opportunity exists in credit life business with the lower interest rate environment and we expect to regain the volumes we lost previous year. On the risk side, the high

taxation, inflation, direct tax and indirect tax in terms of VAT being introduced for a number of items will increase prices of other items and impact disposable incomes. Whilst incomes will be impacted, we should not forget that we have been through the worst inflationary phase and as the situation normalises there is bound to be relief measures forthcoming at some point. Being protected through insurance in these tough times we feel is essential and this spend should now be placed at a higher point in the list of all household expenditure.

FUTURE OUTLOOK

Our anticipation in short-term

As the market leader in the health insurance space, Softlogic Life commands 35% of the entire health insurance market and this is a position that we want to develop further and continue to serve with greater emphasis in the years to come. In order to ensure this, we will reassess our products, continually review benefits and the coverages that we have on these products and go further to focus on providing much needed protection to our policyholders.

In the near future, specifically in the year 2024, we expect to face a mix of challenges and opportunities that will likely have a more positive impact on our business compared to 2023. We have already pinpointed the areas we need to focus on and are rolling out new strategies to guide the company through risks while making the most of available opportunities. Our multi distribution channel strategy will continue to generate revenue by expanding its coverage through increased market penetration efforts. We are optimistic about the significant contributions from our recently launched wealth protection products and bancassurance channels. Additionally, we will be concentrating on strengthening distribution and improving efficiency to maintain our growth trajectory and profitability.

Long-Term Vision

The country's under-penetrated level compared with regional peers presents a considerable opportunity to expand the market. However, external factors such as continuing economic shocks in Sri Lanka hinder this opportunity time and again. Consequently, we have established our long-term vision to become the market leader through sustainable growth. For us, market leadership entails not only achieving a significant market share, but also driving the market forward through innovative products and practices, continuously setting higher standards.

To achieve this vision, we must focus on various areas including customer behaviour, innovation, digitalization, and data-driven decision-making. We have structured our strategy around five strategic pillars directly addressing these aspects. A detailed overview of our strategy is provided on page 82 of this report.

We aim to be at the forefront of industry innovation, building on our past successes. Business sustainability is fundamental to our decision-making process, and we embrace new developments in this regard. We are proud to be among the few companies in Sri Lanka that have proactively adopted the newly issued sustainability standards by the International Sustainability Standards Board. Our Board of Directors is fully committed to aligning with these standards, and we understand that their requirements will be gradually integrated into our business operations. We believe that adhering to these standards will help us better manage our risk profile.

We anticipate maintaining a return on equity of over 20%, while ensuring a healthy financial position and liquidity ratios.

ACKNOWLEDGEMENTS

I would like to thank the IRC SL and its Chairman and Director General for being there for the industry at every juncture and for guiding us through difficult situations. Amid the tough challenges that Sri Lanka's economy has gone through and that we have emerged somewhat unscathed on the other side shows the deft hand played by the regulator in managing the insurance industry amidst all adversities.

Softlogic Life is all about its people and its Board of Directors need to be appreciated for the role they have played in guiding the company forward. What we have at Softlogic Life is an exceptional management team that is easily the best in the industry and together with the entirety of Team Softlogic Life have demonstrated that they have what it takes to come out of any tough situation with flying colours.

Sgd.

Ashok Pathirage

Chairman

Colombo, Sri Lanka.

04 March 2024

REFLECTIONS FROM OUR MANAGING DIRECTOR

OUR FOREMOST PRIORITIES INCLUDE ENHANCING PRODUCT AND DISTRIBUTION FOCUS, ENSURING THEIR ROBUST DEVELOPMENT. EXPLORING OPPORTUNITIES BEYOND SRI LANKA REMAINS PIVOTAL FOR US, AIMING TO BOLSTER REVENUE AND MARKET SHARE FOR SOFTLOGIC LIFE LOCALLY

Gross Written
Premium

LKR

26,341

Million



Iftikar Ahamed
Managing Director



Softlogic Life faced upto 2023 with grit and determination as market conditions see-sawed and challenges and opportunities ebbed and flowed. We approached what was going to be a tough year with planning and contingencies in place with the main thought of taking care of our policyholders who are also going through some of the toughest economic difficulties and times that are on record. We felt that it was important not to be blindsided or distracted by economic volatility. Instead, we simply focused on what was achievable amidst the prevailing unprecedented circumstances. As a Company, Softlogic Life possesses an exceptional set of people and a combination of these resources and the fantastic effort they have made in 2023 delivered a GWP of Rs. 26 Bn, marking a growth of 14%, which is higher than the industry growth rate for the year.

Despite the challenging events that unfolded during the year under consideration, Softlogic Life achieved 92% of budgeted GWP and recorded a Profit After Tax of Rs. 2.8 Bn compared to 2022, reflecting a growth of 6%. It is the second-largest life insurer in the market and has achieved this position over the last five years, which were particularly challenging ones. The relentless drive to mobilise all resources, motivate teams, drives growth which is how the Company has accomplished its position to be catapulted to the forefront of the industry.

We remain intent on upholding and maintaining this position and consolidating it further. At Softlogic Life, we continue to work on impactful strategies by being meaningful in what we achieve to ensure sustainable growth, not particularly interested in short-term gains. Our journey is and has always been sustainable and we will continue to focus on strategies and measures that deliver this nature of growth in the period ahead.

THE DYNAMICS OF OUR BUSINESS ENVIRONMENT, OPERATING CHALLENGES AND OPPORTUNITIES

The period under review was an extremely difficult year as all the negatives of the previous year came home to roost in 2023 in terms of economic impact. One of the most impactful occurrences was inflation - and since Softlogic Life is in the health insurance space, we had to deal with medical inflation that posed a formidable issue during the year. The situation was further exacerbated due to strains of viral flu, dengue and COVID-19, with upper respiratory tract infections that caused claims to spike across the health insurance book. One of the causes has been climate change. Sri Lanka witnessed unprecedented rainfall from September to the start of 2024, causing flooding and water stagnation, providing a breeding ground for various diseases.

Softlogic Life prides itself on being the market leader in health insurance with a 35% share of the market. We want to be there for customers when they need us in the health space or at any other moment in their lives where insurance is needed. As a result, a substantial hike in claims was witnessed in the month of May and then again towards the latter part of the year.

Moreover, due to various factors relating to the frequency and severity of claims we are seeing the expense level now migrating to a new normal. This situation has brought about a new paradigm. When life policies are

sold to customers, those who opt for health covers via riders gain protection related to hospitalisation and illnesses. These policies at the outset take into account average inflation and hence cannot bear the brunt of excessive inflation that has been evident in the recent months. Whilst life premiums will remain fixed for the term of the policy, health premiums that are annually reviewable, will hence need to keep pace with health inflation. We feel that the onus is on us to communicate these developments in a transparent and reassuring manner so that policyholders will be able to accurately assess their positions.

As the year progressed disposable incomes were impacted as a result of higher taxation that was both direct and indirect that have had an impact on retention rates of policies. We are therefore working hard to catch up with the persistency levels we had in the previous year. On the flip side, the average premium value paid per policy increased to Rs. 176,000 per annum during the year under review reflecting a push towards the higher end of the market. This is a positive sign and an area we will leverage further as annual inflation in the past years had so far largely been ignored by the market. With inflation pushing through customers need to realise that larger covers and higher value policies are required which provides an opportunity compared to previous years.

Considering the product mix performance in 2023, the DTAP business was impacted and contracted by 82%, however with market interest rates dropping in 2024, this business is set to resume and we are anticipating an increase of volumes and are geared up with our partner institutions to serve customers in this segment.

Softlogic Life has three distribution channels - agency, alternate and micro mobile channels. The agency channel, which is our main distribution force, comprises the best agency force in the

country, and recorded 13% growth in 2023. The alternate channel, which was pioneered by Softlogic Life, grew by 17% and the micro mobile channel grew by 15% during the year.

Softlogic Life remains focused on expanding products within the alternate channels and looking to commence a number of key bancassurance relationships which will bring in stability of earnings for the channel and usher in a substantial customer base, which then becomes available for a number of cross-selling opportunities.

LEVERAGING DIGITALIZATION FOR DISTINCTION

At Softlogic Life, we believe technology holds the key to the future. We are an organisation that focuses on how we can harness technology better: technology that is affordable, easily implemented and quick to adapt, so that new products or processes that need to be changed can be done speedily and enable customers to transact with greater convenience. Our focus on technology will continue to deliver meaningful customer solutions.

We have introduced technology that adds value all along the chain commencing from persistency alerts on proposal submission by the sales team and taken that through underwriting, servicing and claims. AI and machine learning have taken big strides in 2023 and we are looking at a number of areas to incorporate these technologies to improve our operations, especially on the claims side for efficient processing of the substantial volumes that we handle every day. We are keen to continue with our credo of paying as many claims as possible within a single day which is indicated and updated weekly on our website.

Digitalisation will involve robotic process automation that we have harnessed in a number of instances across the organization in all non value-adding tasks and have seen the huge benefits that appropriate technology

REFLECTIONS FROM OUR MANAGING DIRECTOR

can provide to the organisation. We are continuing to explore ways in which we can improve insurance products through underwriting mechanisms which will utilise the latest technology that will set us apart from the rest of the industry. In the present day there is access to enormous amounts of data and we will utilize technology in the most meaningful way to both avoid uncertain risks and take on newer underwriting opportunities.

CUSTOMER-CENTRICITY AT ITS FINEST

Softlogic Life exists for its customers and hence customer care is paramount with a number of touch points in place through which interactions can be made with the Company. These are subject to regular review so that we can understand areas of improvement and customer assistance in a speedy manner. There are times when we are unable to meet customer expectations, especially with regard to claims and we feel that this is an area that customer awareness on the details relating to insurance are key. We want to continue to be the insurer who always accommodates customer requests, and although insurance policies have fine print, we endeavour to rise above these to provide solutions when our customers are facing difficulties.

WINNING STRATEGIES

Softlogic Life is a company that has been built on growth. The brand stands for performance and growth that we want to achieve in a meaningful and progressive manner. We want to take longer strides and tap into under penetrated markets, compete, and garner a larger market share. Our strategy through three distribution channels is aimed at increasing market share across every area that is possible as all three channels are important to us.

During the year, we launched unit linked operations as a new product proposition. We are also looking at certain wealth management

propositions in 2024. Although Softlogic Life had previously focused on the protection market, we believe there is opportunity on the investment platform and we will compete in this area with a suite of wealth product propositions for customers whilst taking care of their protection requirements as well.

COMMITMENT TO COMMUNITY

In terms of community we are conscious about the company's responsibility to the community, even more so since we insure the largest number of lives 1.3 million. Softlogic Life engages with many eco systems with the objective to expand products and provide insurance solutions for all elements of society. This ethos goes hand-in-hand with its growth aspirations.

FUTURE OUTLOOK

Moving ahead, product and distribution focus will be our key priorities. We will solidly build on these aspects as we move forward. We are also a company that is unafraid to explore new opportunities, and some of these opportunities lie outside the shores of Sri Lanka. We are keen to see how we can access those opportunities and bring in revenue and market share for Softlogic Life in Sri Lanka.

The Company's fundamental pillars encompass its commitment to excellence in customer service and driving digital and technological advancements to streamline operations. Customer satisfaction remains a paramount yardstick of our accomplishments, while our digital strategy continually seeks to optimize both internal and customer-facing processes. Furthermore, fostering product innovation is vital to sustaining our growth trajectory.

A meticulous evaluation of the resources needed for future expansion was conducted and I am pleased to state that we are assured of our readiness across financial, human and intellectual dimensions to achieve our

strategic goals. We remain focused on enhancing our talent pool with the appropriate skilled resources to effectively tackle forthcoming work challenges.

APPRECIATION

I would like to express my appreciation to the Chairman and board members for their guidance and encouragement at all times. We have an outstanding senior management team that leads the way and together with everyone at Team Softlogic Life they have completed another exceptional year.

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

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

Sgd.
Iftikar Ahamed
Managing Director

Colombo, Sri Lanka.
04 March 2024

OPERATIONAL REVIEW

Bold decision to navigate business through **Biggest** challenges

In 2023, the landscape was predominantly characterized by the aftershocks of soaring inflation. The introduction of a new income tax act effective January 1, 2023, notably affected salaried workers universally. This effect was compounded by successive escalations in fuel and electricity prices, consequently driving up the costs of essential commodities. Furthermore, the impact was compounded by the elevation of VAT and the broadening scope of VAT-eligible goods and services as of January 1, 2024. Towards the year's conclusion, interest rates experienced a gradual decline and reflected economic growth prospects. We manage the business through many headwinds during the year 2023. Our performance during the year is discussed below under each strategic pillar.

Below table analysed our performance against the target set for the year 2023.



PHENOMENAL SALES

Key Value Drivers		2023 Actual	2023 Target	A%		Discussion points
GWP contribution by Agency channel	%	67	64	104%	=	Channel wise performance
GWP contribution by non-Agency channel	%	33	36	93%	=	
GWP growth	%	14	25	56%	↓	Our Key value drivers
Average Case Size (Rs)	Rs	176,872	163,535	108%	↑	
Annualized New Business (ANBP) growth	%	2	19	10%	↓	
ANBP per agent	Rs Mn	2.1	2.2	95%	↓	
Persistency - Year 1	%	83	85	98%	↓	
Persistency - Year 2	%	61	67	91%	↓	
Persistency - Year 3	%	54	59	92%	↓	

Five year analysis of all key performance indicators above are provided on page 56.

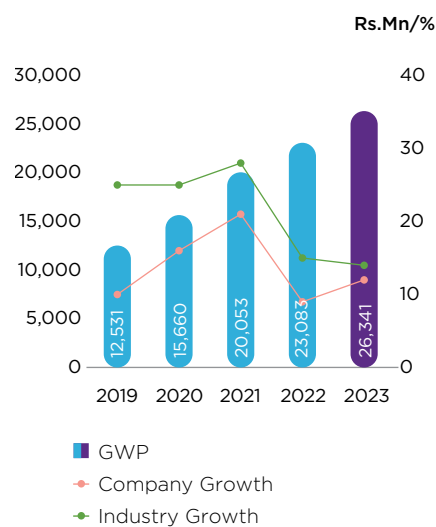
CHANNEL WISE PERFORMANCE

The Agency, Alternate, and Micro channels have experienced growth rates of 13%, 17%, and 15%, respectively, while the company itself reported a growth rate of 14%. The Agency channel accounted for 67% of the total, exceeding the budgeted figure of 64% by 3%. This variance can be attributed to the failure to achieve the DTAP target and the lower-than-anticipated traction of dividend-based investment products in a high-interest-rate environment, resulting in a deviation from the expected channel mix for the year.

Challenges we faced are explained below.

Channel Rs Mn	2023	2022	G%	Mix 2023	Mix 2022
Agency	17,562	15,545	13%	67%	67%
Alternate	7,426	6,361	17%	28%	28%
Micro	1,353	1,178	15%	5%	5%
Company	26,341	23,083	14%	100%	100%

G6-GROSS WRITTEN PREMIUM



OPERATIONAL REVIEW

CHALLENGES ENCOUNTERED DURING THE YEAR 2023

- **High Interest Rates :-** we expected gradual increase of DTAP portfolio during the year based on our interest rates forecast during the corporate planning cycle which was not materialized during the year. therefore were have achieved 23% of the budget of DTAP segment. Nevertheless, we observed a gradual increase in the number of new policies issued during the fourth quarter of 2023, indicating a positive outlook for our short-term objectives.
- **High Inflation :-** The high inflation rate experienced during the year significantly affected new business generation, resulting in us achieving only 91% of our First Year Premium budget. The decrease in disposable income has had a notable impact on this underperformance.
- **Tax Increases :-** The significant tax increases introduced during the year 2023

GWP GROWTH

We recorded GWP growth of 14% during the year against 25% target due to many headwinds persist during the year 2023. However, we recorded a growth of above industry growth. Seeing long-term sustainability, we have reported 10 year CAGR of 26% which is almost double the industry growth of 14%.

26%

10Y CAGR SLI

14%

10Y CAGR Industry

STRATEGIES IMPLEMENTED

Throughout the year, we successfully navigated various challenges and achieved excellent results, thereby adding value to our stakeholders. Our management team implemented a set of strategies tailored to the prevailing operating conditions, outlined as follows.

Market Penetration Strategy

Leading the market as 2nd largest life insurer

The company pursued a market penetration strategy through three primary distribution channels (Refer to page 117 for distribution channels). The Agency channel notably expanded its branch network by opening 13 new branches, aligning with the company's market penetration objectives. To bolster this branch expansion and support the growth of the existing extensive network, we hired 2,287 new field staff throughout the year. The anticipated benefits of these initiatives are expected to materialize in 2024 and beyond.

The alternate channel implemented its strategies to attract new corporate clients and successfully surpassed the budget, achieving 123% of the target and recording a 41% growth. Additionally, the channel reinforced its bancassurance portfolio by onboarding a leading state bank. We are actively working to gain traction in this segment, recognizing its significant future potential (Refer to page 70 for opportunities identified in bancassurance). Furthermore, the channel introduced a new product during the year, which is elaborated on under the product development strategy below.

The Micro channel excelled in selling fund accumulative investment products, achieving 199% of the target. Additionally, the Micro channel concentrated its strategy onboarding another state bank to further promote our products.

Product Development Strategy

A premier insurance solutions provider in Sri Lanka

This activity stands as a cornerstone in SLI's value creation process. Our success hinges on our capacity to meet the diverse insurance expectations of our customers. In 2023, with people increasingly focused on investment opportunities due to prevailing high interest rates, we capitalized on this trend by introducing the "Unit Linked Product" to the market (Refer page 116 for more details on the new product development). This product offers investment opportunities to customers while addressing their insurance needs. It has gained significant traction, presenting another growth opportunity for the short to medium term future.

Product Mix Strategies

Capitalising on the opportunities through diverse products

The product mix in the Agency channel remained largely consistent with its original budget. However, the Alternate channel did not fully offset the deficit of the DTAP budget through fund accumulating investment-based products as initially anticipated. Nonetheless, efforts were directed towards compensating for this shortfall through Group Life products, which proved to be highly successful during the year. It's important to note that this shift had an impact on profitability due to variations in product margins.

Strategising renewal collection

Managing risk of our customer throughout their life

We encountered a substantial negative impact on our renewal portfolio due to adverse economic conditions in the country. This setback hindered us from reaching our renewal target, resulting in an achievement of 97%. The main contributors to this shortfall were the sudden effects of taxes and inflation,

which affected our customers' disposable income. Consequently, our renewal persistency ratios experienced a significant decline, as highlighted in the Key Value Drivers. In response, during the year, we launched a policy revival campaign to enable customers to reinstate their policies. Additionally, we implemented rigorous collection follow-up through our unique operating model, the Policy Conservation Unit resulting 97% achievement of our target.

Digitalisation and innovation strategy

Innovation define our success

Digitalisation and innovation is integral parts of our strategy execution. We are taking bold initiatives to adopt new technology and introduce innovative solutions to our products and processes. This resulted we are introducing many industries first innovation focusing on better customer services and maintaining competitive edge over other industry players.

OUR KEY VALUE DRIVERS

The company's Gross Written Premium (GWP) performance is a direct result of the meticulous management of key value drivers outlined in the table below. Our internal processes, including compensation structures, are intricately linked to these key value drivers to enhance outcomes. Throughout the year, we diligently monitor and take necessary actions to align these drivers with the targets set for optimal performance.

Annualized New Business Premium (ANBP)

ANBP, serving as the measure of new business generated over a 12-month period, experienced a modest 2% growth in the face of challenging economic factors in 2023, as discussed earlier. Despite this nominal increase, our estimations for future

years anticipate substantial growth aligned with our strategic initiatives and market conditions.

Average Premium Per Policy/ Average Policy Value

This demonstrates the quality of the business we underwrite. Despite the challenges we achieved the target per policy value demonstrating our commitment to get quality business. We reached to Average Premium per policy value of Rs 176,872 which above the industry average.

Premium Persistency/ Retention Ratio (Year 1 - 3)

In the Life Insurance industry, premium persistency refers to the timely payment of premiums throughout the policy period without any overdue amounts. Unfortunately, during the year, we witnessed a notable decline in persistency ratios primarily attributed to the lingering effects of the financial crisis situation in the country, as discussed in the challenges section above. Nevertheless, we have formulated strategies to mitigate these lapses to maximum possible extent and enhance persistency ratios in 2024.

Average ANBP per agent

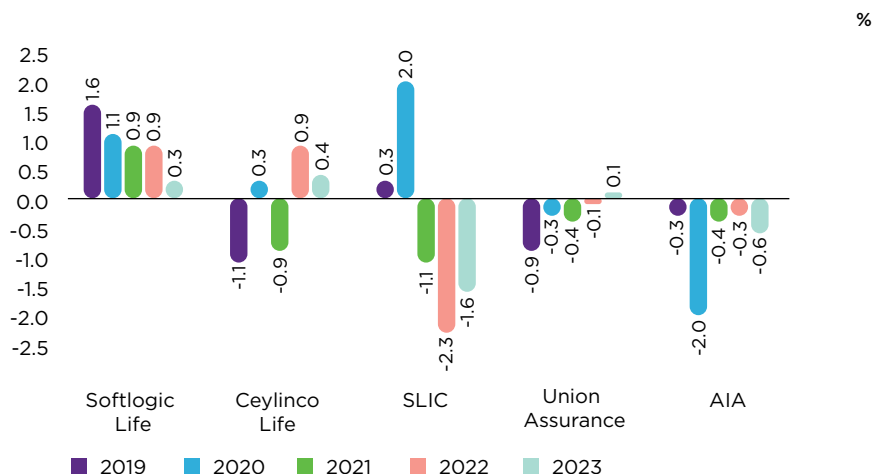
The productivity of our agents stands as a crucial value driver for the Company. Throughout the year, the Annualized New Business Premium (ANBP) per Agent was reported at Rs. 2.1 million per agent, achieving 95% of the target. While there was a marginal impact observed during the year, leveraging agent productivity remains a key method for fostering organic growth within a life insurance company. It's also recognized as the most cost-effective approach to acquiring new business.

OUR PERFORMANCE IN COMPARISON TO INDUSTRY

Market share growth

Continuous increase in market share

G7-MARKET SHARE MOVEMENT OF TOP FIVE PLAYERS IN THE INDUSTRY



OPERATIONAL REVIEW

During the year the Company increased its market share by 0.3% reaching to 17.2% compared to 16.9% market share held in 2022. SLI sustainable growth is showcased in graph 8 highlighting only insurer (among top 5) to continuously increase its market share over last five years.

INDUSTRY RANKING

Strengthening our position

G8-MARKET SHARE



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

PRODUCT TYPE WISE GWP ANALYSIS

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

Protection products

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

Fund accumulating investment products

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

The majority of our portfolio primarily consists of protection premiums, serving as a key indicator of profitability. However, due to the prevailing economic conditions in Sri Lanka, the investment-related portfolio has notably increased as a result of the strategies outlined earlier. Our future strategies are being developed to optimize the portfolio and yield improved results.

	2023	2022	2021
Protection Products	65%	72%	69%
Fund accumulating investment product	35%	28%	31%



MOST CARING LIFE INSURER

Below table analysed our performance against the target set for the year 2023

Key Value Drivers		2023 Actual	2023 Target	A%	
Digital proposal submission	%	100	100	100%	↑
One-day proposal acceptance	%	77	75	103%	↑
Auto underwriting of policy	%	69	70	99%	↓
One-day claim settlement	%	75	+90	83%	↓
Hospital discharge within one hour	%	94	+90	104%	↑
Acknowledge customer complains within a day	%	100	100	100%	↑

This strategic pillar focuses on critical activities within the business process aimed at delivering exceptional customer service. Consequently, we have established internal Key Performance Indicators (KPIs) to monitor our performance effectively. These KPIs are established based on the understanding that customers acquire life insurance policies to secure financial support during challenging times in their lives. Therefore, our responsibility lies in ensuring fairness and promptness in settling claims to ensure customer satisfaction. In the discussion below, we will provide insights into how we managed this strategic pillar, particularly focusing on claims payment and related activities throughout 2023.

INSURANCE BENEFIT AND CLAIMS PAID



Table 6 :- Insurance benefits and claims

Rs Mn	2023	2022	G%
Regular Claims			
Death, disability and other riders – Endowment	4,660	3,616	29%
Death and hospitalisation - Group life	3,954	2,733	45%
Death - Decreasing Term Assurance (DTA)	1,529	1,426	7%
Total Gross Regular Claims	10,144	7,776	30%
Re-insurance Recovery	(553)	(934)	(41%)
Net Regular Claims	9,590	6,842	40%
Benefits			
Policy maturities / surrenders - Investment products	1,786	743	140%
Policy maturities - Endowment	764	378	102%
Policy surrenders - Endowment products	703	431	63%
Total Benefit Paid	3,253	1,552	110%
Total Net Insurance Benefits and Claims Paid	12,843	8,394	53%

During the fiscal year, we disbursed a total gross benefit and claims summing up to Rs 13.4 billion, reflecting a 44% increase compared to the previous year. On a net basis (post re-insurance recovery), the growth stood at 53%. Adhering to our brand promise, we honoured every legitimate claim filed by our customers. Endowment products notably contributed to a 29% growth, driven partly by claims from the health portfolio and remaining by the significant 54% expansion in the bancassurance channel's portfolio. The 45% growth in claims related to group life products was primarily fuelled by health-related claims. Re-insurance recovery witnessed a decline due to optimization in the health portfolio. Policy maturities under endowment and investment products didn't impact profitability. Notably, surrenders surged by 140%, reflecting prevailing market conditions in 2023.

We also monitor claim ratios on regular basis in order to take management action during our management practices. The significant ratios are discussed on page 57.

CHALLENGES ENCOUNTERED DURING THE YEAR 2023

- **Surge in Epidemics:** Throughout the year, we faced significant challenges stemming from epidemics such as Dengue and viral flu, among others. Sri Lanka witnessed its highest-ever Dengue cases in 2023, exacerbated by abnormal rainfall patterns that facilitated the spread of Dengue and other health-related issues. These social impacts translated into a substantial increase in claims outgo during the year.
- **Maintaining Service Standards:** Maintaining service standards related to claim settlement proved challenging due to the high volume of claims reported throughout the year. To address this, we implemented initiatives aimed at preventing fraudulent claims through additional verification methods. These measures were essential to safeguard our genuine policyholders and uphold the integrity of our processes.

STRATEGIES IMPLEMENTED

- **Introduction of Health Claim Analysis Team :** In response to the significant volume of claims received during the year, we allocated a dedicated team to analyse claim patterns and identify notable trends. These analyses encompass various factors such as districts, cities, and hospitals where high claims volumes were reported. Subsequent actions, including policyholder education initiatives, are being undertaken as preventive measures to address these trends proactively.
- **Suspicious Claims Analysis:** We conducted a detailed analysis of suspicious claims that were identified, and we monitored those policies for future reference and investigation.
- **Climate Actions:** There are numerous root causes contributing to the high volumes of claims, with climate change-related impacts playing a significant role. Recognizing

OPERATIONAL REVIEW

this as an emerging risk for the company, we initiated a process aimed at conducting impact assessments and strategising to mitigate these risks effectively. This initiative aligns with the newly issued IFRS standards S1 and S2, as outlined in detail on page 69.

- Digitalization and Innovation:**
 We expanded our digitalization and process innovations to encompass claim assessment and payment-related activities as well. Details of these advancements are elaborated under intellectual capital on page 130.

OUR KEY VALUE DRIVERS

We've established key value drivers to gauge the efficiency and effectiveness of our procedures. As the Most Caring Life Insurer, these KVDs are established to guarantee customer satisfaction. We've met all the KVDs except for the one-day claims settlement ratio, as outlined below. This indicates our success in delivering on our strategic pillar. Additionally, our success is evident in achieving the highest "Net Promoter Score" in the industry, as detailed on page 119.

One-Day Claim Settlement

The ratio reached 75%, falling short of the 80% expectation primarily due to the strategies we implemented throughout the year to optimise the claim processing system. These strategies, outlined above, include additional verification processes that had an impact on this outcome.

The business environment in which we operate is evolving rapidly, and our customers expect fast service. Drawing from our accumulated experience over the years, we have been careful to integrate certain parameters regarding policy issuance under the strategic pillar of being the "Most Caring Life Insurer."

Consistent with this strategy, we have introduced numerous innovations in the past and continue to do so, enabling our customers to obtain insurance coverage quickly. We have digitized the process and monitor the following value drivers closely.

Digital proposal submission

We encourage our sales staff to submit customer proposals through digital platforms, and at present, we do not accept manual proposals.

One-day proposal acceptance

We have a dedicated team that meticulously reviews and processes the proposals. The conversion ratio has also been steadily improving year after year. In 2023, we achieved a conversion ratio of 77%, aided by the digitalization of certain aspects of the process.

Auto underwriting of policy

The feature is activated once all the requirements are fulfilled at the proposal stage, enabling automatic policy underwriting. Throughout the year, 68% of policies underwent underwriting.

Hospital discharge within one hour

This is a critical customer touchpoint where customers anticipate swift resolution. As a result, we achieved a 94% customer discharge rate within one hour, meeting their expectations for rapid service.

Acknowledge customer complaints within a day

Customers expect personalized attention to their concerns, and we have a well-established approach for handling customer complaints. We ensure that we acknowledge 100% of complaints within one day, demonstrating our commitment to addressing their concerns promptly and effectively.

OUR CRITICAL SUCCESS FACTOR

We consider our critical success factor in this area is our ability to handle customer claims quickly and fairly. We have introduced various digital tools and processes such as one-day claim settlement and life up app etc. to achieve this objective which are detailed on page 22.

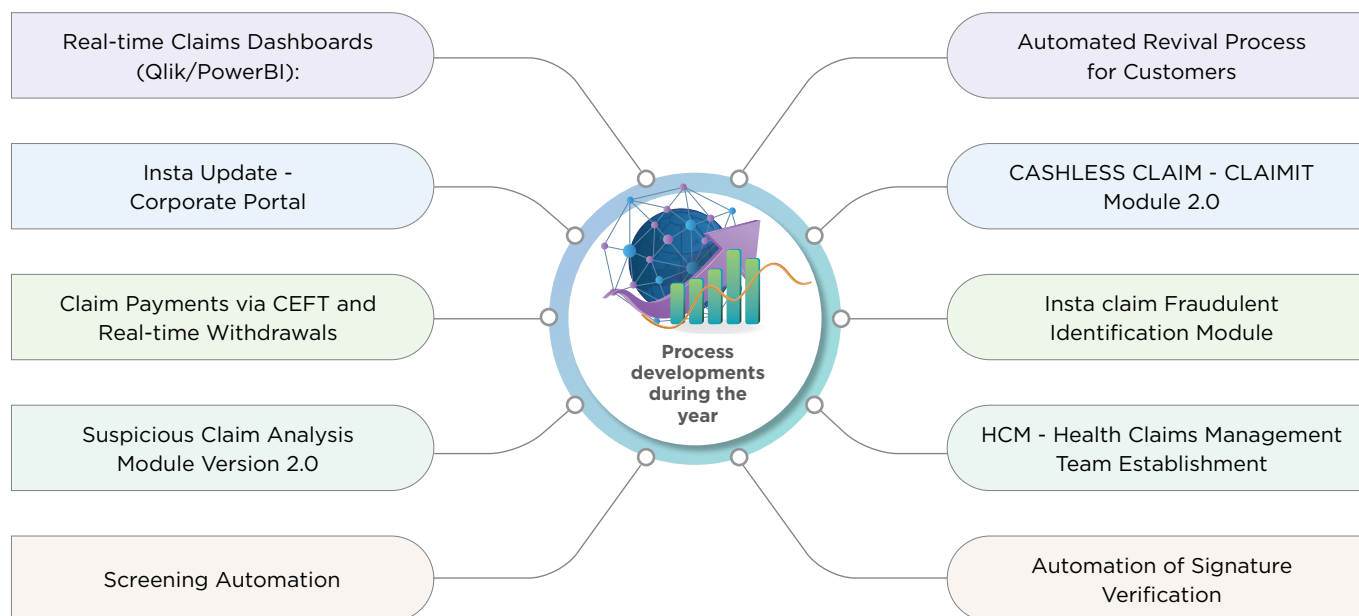


SMART IT DIGITALISATION & KING OF DATA

Below table analysed our performance against the target set for the year 2023

Key Value Drivers		2023 Actual	2023 Target	A%	
One-day proposal acceptance	%	77	75	103%	↑
Auto underwriting of policy	%	69	70	99%	↓

Throughout the year, we introduced numerous new solutions and innovations, as outlined below. At SLI, we attribute much of our success to our distinctive culture of innovation, considering it one of our key strategic pillars. During the planning stage, we evaluate potential value creation through innovation and digitalization to determine feasibility. Our innovations and digitalisation are presented below.



Detailed discussion on above innovation implemented during the year is provided under Intellectual capital on page 134.

The value creation through above innovation and digitalization is summarised in the below table.

Activity	Applicable Strategic Pillars	Value to SLI	Value to Stakeholders
Suspicious Claim Analysis Module Version 2.0		Prevent claims leakage from fraudulent claims	Staff - Efficient discharge of responsibility to identify fraudulent claims
Screening Automation			
Insta claim Fraudulent Identification Module		- End to end process automation enhanced efficiency - Prevent claims leakage from fraudulent claims	Customer - The rights of genuine customers are safeguarded Speedy settlement of claims
HCM - Health Claims Management Team Establishment		- Prevent claims leakage from fraudulent claims - Get more business insights for future business drive	
Automation of Signature Verification		Prevent claims leakage from fraudulent claims	
Automated Revival Process for Customers		Activating lapsed policies bring additional GWP as well as support the profitability	Customer - Convenient process to revive policy Sales Staff - Managing better relationship with customers
Real-time Claims Dashboards (Qlik/PowerBI)		- Real-time monitoring claims status - Efficient resource allocation - Identify abnormal trends	Customer - Get faster and better service Staff - Ability to prioritise the work allocation based on the data driven process

OPERATIONAL REVIEW

Activity	Applicable Strategic Pillars	Value to SLI	Value to Stakeholders
Insta Update - Corporate Portal)	 	- Improve efficiency in the process - Cost efficiency due to no resources are required to enter data to the system	Customer – no time delays for getting insurance cover Staff - Reduce time allocation non value adding actions
Claim Payments via CEFT and Real-time Withdrawals	 	- Achieving our strategic goal of “Most Caring Life Insurer” - Maintaining efficiency through digital processing	Customer – Speedy settlement of claims
Cashless Claims - CLAIMIT Module 2.0	 	End to end process automation enhanced efficiency	Customer – Speedy settlement of claims

CHALLENGES ENCOUNTERED DURING THE YEAR 2023

- Resource Allocation** : The primary challenge in managing this strategic pillar was determining the priority among the list of digitalization projects we had identified recognizing the limitations of our IT resources.
- High Inflation** : The persistent high inflation experienced throughout the year led to an increase in the cost of digital infrastructure. Consequently, this prompted us to prioritize actions as explained below under strategy.

STRATEGIES IMPLEMENTED

We prioritized projects based on the value they would deliver to stakeholders. This approach served as the foundation for prioritization throughout the year.



LEAN AND FAST

Below table analysed our performance against the target set for the year 2023

Key Value Drivers		2023Actual	2023 Target	A%	
Operating Expense (Ex: Finance cost)	%	19.4	19.9	97%	↓
GWP per employee	%	26.7	23.5	113%	↑

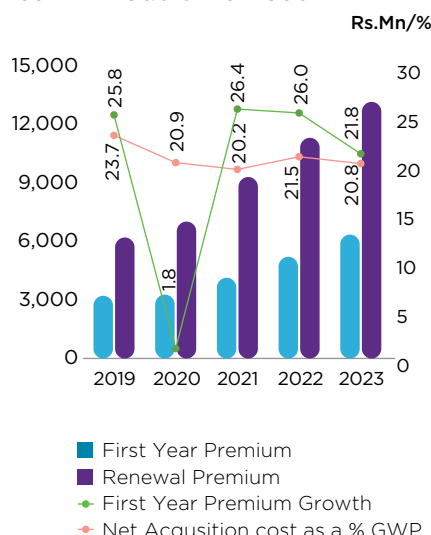
This strategic pillar centres around achieving efficiency and effectiveness. As a result, management decisions are made with the aim of attaining this target in every action. While our innovation and digitalization efforts improve the lean and fast aspects of our operations, management has also integrated expense and acquisition cost management into this strategic pillar.

The impact on the Lean and Fast pillar from digitalization has been discussed in detail under “Smart IT Digitalisation and King of Data” strategic pillars and analysis on expenses and acquisition cost management is explained below.

UNDERWRITING AND NET ACQUISITION COST

Underwriting and policy acquisition costs, (including reinsurance commission income), refer to the commissions and incentives paid by insurance companies to intermediaries for acquiring business, minus any commission income received from reinsurers for placing business with them.

Management has identified this as a critical area for value creation within our business model. Consequently, we diligently manage this expense to improve efficiency while not disturbing the morale of the sales staff.

G9-NET ACQUISITION COST

The cost of underwriting and net acquisition reached Rs 5,486 million, marking a 11% growth compared to the previous year. The acquisition cost as a percentage of GWP stands at 17.4%, reflecting a 4% decrease compared to the 21.4% recorded in the previous year. This is mainly due to the 1% reduction in First Year Premium contribution under agency channel. (Refer page 45 for discussion on ANBP reduction)

CHALLENGES ENCOUNTERED DURING THE YEAR 2023

- New business slowdown :** Due to the economic conditions elaborated on page 61, the generation of new business was affected, resulting in a 2% growth over the previous year. This directly impacted our sales staff by reducing their income. Moreover, they experienced added stress due to the persistent high inflation throughout the year, which also affected their morale.

STRATEGIES IMPLEMENTED

Considering the business impact resulting from the aforementioned challenges during the year,

management provided some relief by relaxing the evaluation criteria that defined the income level for the sales staff. However, this adjustment was implemented only in the second half of the year. With the situation showing signs of normalization, management decided to reinstate the stringent criteria that were previously in place.

OUR KEY VALUE DRIVERS

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

OPERATING AND ADMINISTRATIVE EXPENSES

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

Table 7 : Operating and administrative expenses

Rs Mn	2023	2022	G%	Mix 2023	Mix 2022
Staff related expenses	2,461	2,335	5%	48%	54%
Administration and Establishment Expenses	1,552	1,173	32%	30%	27%
Selling Expenses	691	426	62%	14%	10%
Depreciation / Amortisation	408	423	-4%	8%	10%
Total Regular Expenses	5,111	4,357	17%	100%	100%
Finance cost	849	654	30%	17%	15%
Impairment provision on financial investments	1,082	2,139	-49%		
Exchange gain	402	(2,722)	-115%		
Total Expenses	7,444	4,428	68%		

Total regular expenses amounted to Rs 5,111 million, reflecting a 17.3% growth over the Rs 4,357 million reported in 2022. When including one-off expenses, there is a 68% growth compared to 2022, primarily due to the exchange gain recorded in the previous year

CHALLENGES ENCOUNTERED DURING THE YEAR 2023

- High Inflation:** This has affected nearly all line items of our expenses. Sales-related expenses, which have seen significant growth, reflect the impact of currency depreciation, a key driver of high inflation.

STRATEGIES IMPLEMENTED

Management exercised strict budgetary control over expenses throughout the year and successfully managed to stay within the allocated budget. Budget allocations for certain non-core activities were redirected towards key activities critical for the value creation process.

OUR KEY VALUE DRIVERS

We monitor expense as a percentage of GWP to assess its efficiency. During the year expense ratio stood at 19.4% compared to 18.9% reported last year. The 0.5% negative deviation is a outcome of low top line growth.

OPERATIONAL REVIEW



RISK MANAGEMENT

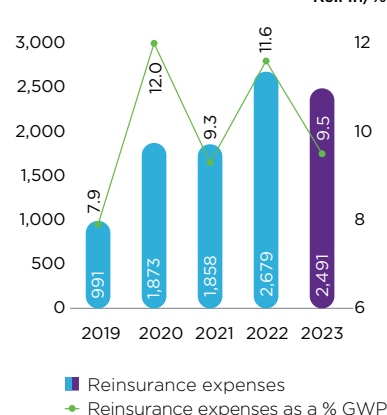
The insurance business involves assessing and pooling risks to mitigate adverse financial consequences for both policyholders and shareholders. Accepting and managing risks within an appropriate risk appetite is a key element of our value creation journey. We have integrated numerous areas of business processes related to risk management and regularly monitor them.



MAINTAINING ADEQUATE RE-INSURANCE COVERS

Insurance companies frequently transfer a portion of the risk they assume from customers to reinsurance companies in accordance with the Company's risk management policy. In exchange for assuming this risk, the reinsurers receive a portion of the premium paid by customers to the Company. Consequently, this expense is termed Reinsurance expense. Reinsurance stands as one of the key elements of our "Risk Management" strategic pillar.

G10-REINSURANCE EXPENSES AS A % GWP
Rs.Mn/%



The Company incurred Rs 2,491 million as reinsurance expense during the year, marking a degrowth of 7% compared to 2022. The reduction is mainly due to Re-insurance optimization did during the year 2023 which is detailed under strategies below.

CHALLENGES ENCOUNTERED DURING THE YEAR 2023

- **Exchange Rates:** Exchange rate fluctuation was high during the year 2023 which result significant Re-insurance outflow in rupee term.

STRATEGIES IMPLEMENTED

As the first life insurer in Sri Lanka to venture into the health insurance segment, we initially relied heavily on our reinsurers due to limited data and experience in claim trends. However, over the past few years, we have emerged as leaders in the health insurance market in Sri Lanka and have accumulated substantial data and experience in this segment. As we gained more experience, we gradually reduced our dependency on reinsurance, and in the previous year, we eliminated it. This decision was made after a thorough assessment of past data and enabled us to optimize the creation of company value.

OUR KEY VALUE DRIVERS

The Company closely monitors the reinsurance expense as a percentage of Gross Written Premium (GWP) at various levels, including line of business (LOB) and product class levels. This allows for precise management of portfolio risk through reinsurance arrangements and optimization of the portfolio. Detailed analysis of reinsurance experience serves as a crucial factor in annual reinsurance negotiations.

OUR CRITICAL SUCCESS FACTORS

The Company upholds a reliable and transparent relationship with its reinsurers, offering assurance for the smooth implementation of its business strategies. This fosters confidence among customers, knowing that their future benefits are supported by the world's largest multinational reinsurers, in addition to the local Company. Moreover, there exists a mutual understanding with our reinsurers to monitor their profit margins, allowing us to extend benefits to our customers where feasible, without compromising our sustainable relationship.

MANAGING APPROPRIATE INVESTMENT PORTFOLIO – INVESTMENT AND OTHER OPERATING INCOME

Managing an appropriate investment portfolio is a crucial activity in the life insurance business. It is essential for generating high yields while effectively managing liquidity and risk. This section emphasizes income-related activities, and the investment asset portfolio is analysed under liquidity management on page 52. While prioritizing risk coverage, customers also expect fair yields on their accumulated funds, which ultimately determine the payout they receive at the maturity of their policy.

Investment yields were at high phase during first half of the year and then gradually decline towards the end of the year. Below table showcase our performance during the year.

Table 8 :- Investment and other operating income

Rs Mn	2023	2022	G%
Net finance income	6,977	4,991	40%
Net realised gains	227	170	34%
Net fair value (losses) / gains	733	-51	-1535%
Other operating income	10	10	-3%
	7,948	5,120	55%

CHALLENGES ENCOUNTERED DURING THE YEAR 2023

- **ISB Impairment :-** During the year we made Rs 1,082 Mn impairment on our dollar denominated investments tightening our profitability. More details are provided on page 286 under financial section.
- **Shortage of long term assets :-** As we maintain long term liability on our books it is important to have long term assets to match future liabilities. It was difficult to find long term assets in the market during the year.

STRATEGIES IMPLEMENTED

While actively pursuing high-yielding assets in the market, we also prioritize long-term investment options to ensure sustained future income and liquidity. During the year, we achieved a remarkable 55% growth in overall investment and other income, with a significant portion attributed to net finance income, which grew by 40%.

OUR KEY VALUE DRIVERS

Investment Yield – this is key KVD of investment fund manager where company expects to earn attractive yield to support policyholder dividend and bonus payments.

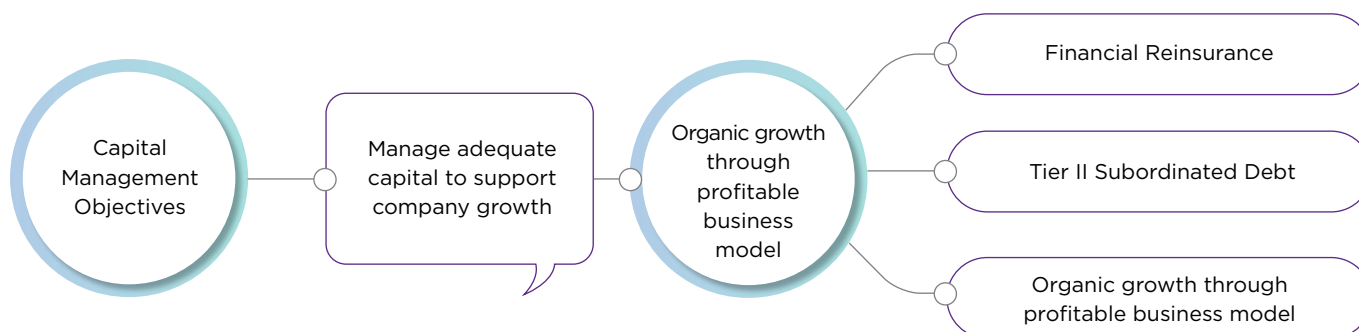
Maturity Matching – Company's expectation here is to match investment tenure with future liability in order to maintain sufficient liquidity at any given point.

CAPITAL & LIQUIDITY MANAGEMENT

Softlogic Life, as a life insurance company, considers managing liquidity and capital as its highest priority. A well-managed liquidity position and capital signify a well-managed company risk profile. Furthermore, accountability will be reinforced in this function through enhanced corporate governance practices.

OPERATIONAL REVIEW

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Financial Reinsurance

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

Tier II Subordinated Debt

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

Organic growth through profitable business model

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

Regulatory capital performance

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

Table 9: Capital Adequacy Ratio (CAR)

Rs Mn	2023	2022	2021
Total Available Capital (TAC) (Rs Mn)	37,107	32,302	27,082
Risk Based Capital requirement(RCR) (Rs Mn)	10,113	11,262	6,851
Risk Based Capital Adequacy Ratio (CAR) %	367	287	395
Required minimum Capital Adequacy Ratio (CAR) Ratio %	120		

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

Table 10: Statement of Approved Assets

Rs Mn	2023	2022	2021
Approved assets maintained in business (Rs Mn)	37,888	30,787	23,891
Insurance fund (Rs Mn)	27,036	24,469	20,880
Approved assets in excess of the insurance fund (Rs Mn)	10,852	6,319	3,010
Approved assets as a % of insurance fund	140	126	114
Required ratio %	100		

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

Table 11: Investment in Government Securities as % of Life Fund

Rs Mn	2023	2022	2021
Life fund (Rs Mn)	27,036	24,469	20,880
Investment in government securities (Rs Mn)	26,014	16,319	8,511
Investment in government securities as % of Life fund	96	67	41
Required ratio %	30		

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

Table 12: Leverage and Capital Structure

Rs Mn	2023	Mix %	2022	Mix %
Stated capital	1,063	6	1,063	6
Restricted regulatory reserve	798	4	798	5
Other reserves	(2,145)	(12)	(3,100)	(19)
Retained earnings	13,618	75	12,112	74
Total equity	13,333	73	10,873	66
Loans and borrowings	5,015	27	5,644	34
Total Capital Employed	18,348	100	16,517	100

Total capital employed reached Rs. 18.3 Bn recording 11% growth over last year mainly due to increase in revenue reserves by Rs 1.5 Bn. This further elevated by reduction of other reserves by Rs 1.0 Bn. This increase was partly offset by Rs 0.6 Bn decrease borrowing. Borrowings represent dollar denominated capital which is decreased significantly due to changes in exchange rates. The total equity reached Rs. 13.3 Bn.

FINANCIAL LEVERAGE - DEBT TO EQUITY RATIO

The company maintained low gearing in its equity position by recording debt to equity ratio at 37.6% in 2023. Compared to 2022 this shows significant change in the structure. However it was due to revaluation of dollar liability at current exchange rates. Out of total available capital 88.3% qualified for Tier 1 capital under Risk Based Capital (RBC) framework, which is an indicator of the quality of the equity of the Company.

CASH FLOW MANAGEMENT

Managing a healthy cash flow is crucial for any company, and as a life insurer, we must exercise additional caution due to our responsibility to

promptly pay claims and maturity benefits to our customers. During the year, we generated Rs 1.7 billion in operational cash flow, which includes settling all dues to our customers. However, this represents a 67% decrease compared to the previous year, primarily due to the slowdown

in top-line growth and income tax payments.

IMPACT FROM IMPLEMENTATION OF SLFRS 17

The implementation of SLFRS 17 will have a significant impact on the insurance industry. Unlike previous standards, SLFRS 17 extends beyond financial reporting to include actuarial valuation, asset liability management, and risk management. The implications and requirements of SLFRS 17 will be felt across virtually every aspect of the insurance organization. These impacts range from the measurement of insurance contracts to recognition in financial statements and key metrics used to evaluate business performance. It is crucial for shareholders and other users of financial statements to understand SLFRS 17 and its implications moving forward.

As part of our commitment to educate relevant stakeholders, we periodically release technical updates and provide video content regarding the impacts of SLFRS 17 on Softlogic Life. Please refer to page 65 of this annual report to review the risks and challenges we face in terms of

implementing SLFRS 17. Additionally, further content is available online to reach a wider audience of users.



SLFRS 17 Implementation impact on financial statement



Video version of impact SLFRS 17

BUSINESS RISK MANAGEMENT

Softlogic Life maintains a comprehensive framework of risk management to ensure that the entity remains within the boundaries of its risk appetite. Detailed information about this framework and how it is implemented within the organization can be found in the "Integrated Risk Management" section on page 242 of this report.

MEASURING OUTCOME OF THE STRATEGY EXECUTION

Evaluation of Business Key Performance Indicators

The successful implementation of the six discussed strategies has led to improvements in internal performance indicators, as listed below. The table provides an internal balanced scorecard of the Company, which is monitored on a monthly basis and reported to the Board of Directors quarterly. These ratios and numbers encompass all critical areas of the business and help identify potential issues that could impact business sustainability. Management prudently oversees the business, ensuring that many key performance indicators (KPIs) are positive year on year, while corrective actions are taken for others. This approach also offers valuable insights into the business's future viability.

OPERATIONAL REVIEW

Table 13: Life Insurance Industry Specific Ratios and Its Discussion - Income Statement

Description	Movement	2023	2022	2021	2020	2019	Growth 2023 %	Page Reference
Key Operating Ratios								
First Year / Renewal GWP Mix %	N/A	32/68	32/68	32/68	32/68	33/67	-	-
Net Claims Ratio								
Net Claims Ratio (with maturities and surrenders)	●	53.8	41.1	32.4	25.9	26.0	13	57
Net Claims Ratio Endowment (with Group life and DTA)	●	40.2	33.5	27.6	20.2	18.1	7	
Net Claims Ratio (without Group life and DTA)	●	26.0	20.0	17.3	10.0	9.7	6	
Expense Ratios								
Reinsurance Expense Ratio %	●	9.5	11.6	9.3	12.0	8.0	(2)	57
Net Acquisition Cost Ratio % GWP	●	20.8	21.5	20.2	20.9	24.0	(1)	
Operational expenses as a % of GWP	●	22.6	21.7	18.6	21.2	26.0	1	
Total Expense Ratio % GWP	●	43.5	43.2	38.8	42.1	50.0	0	
Total Expense Ratio % NEP	●	48.0	48.8	44.7	47.7	54.0	(1)	
Combined Ratio								
Combined Ratio % NEP - without maturities and surrenders	●	88	83	73	58	64	5	57
Combined Ratio % NEP - with maturities and surrenders	●	102	90	77	74	80	12	
Regulatory Ratios								
Capital Adequacy Ratio (Min 120%)	●	367	287	395	302	182	80	57
Determination Ratio % (Min 100%)	●	140	126	114	118	109	14	
Investment in Government Securities % Life fund (Min of 30%)	●	96	67	41	54	42	29	
Key Value Drivers								
Premium persistency – Year 1	●	83	84	85	83	85	(1)	43
Premium persistency – Year 2	●	61	66	67	65	64	(5)	
Premium persistency – Year 3	●	54	58	58	52	52	(4)	
Average Premium per policy (Rs.)	●	176,872	169,090	138,983	136,852	137,032	5%	
Annualised New Business Premium Rs. Mn	●	6,000	5,887	5,083	3,880	3,967	2%	
Annualized new Business per Agent Rs. Mn	●	2.1	2	1.6	1.3	1.4	5%	
No of New policies	●	74,827	133,872	237,453	262,605	250,407	-44%	-
Life fund Rs. Mn	●	27,202	24,469	21,493	17,484	10,377	11%	52
Surplus Rs. Mn (without one off surplus)	●	3,015	4,378	2,295	1,779	2279	-31%	

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

Claim Ratio

The claim ratio in the insurance industry refers to net claims (gross claims deducted for reinsurance recovery) as a percentage of Net Earned Premiums. It is more appropriate to measure the claims ratio without considering maturities and surrenders, as they typically do not have a significant impact on the profitability of the Company. This allows for a clearer understanding of the actual claims experience relative to premiums earned.

Table 14:- Net Claim Ratio

Presented in %	2023	2022
Net Claims Ratio (without maturities and surrenders)	40.2	33.5
Net Claims Ratio Endowment (without Group life and DTA)	26.0	20.0
Net Claims Ratio (with maturities and surrenders)	53.8	41.1

Net Claims Ratio Endowment (without Group life and DTA)

The claim ratio for the Endowment product has increased by 6% to 26%. This increase is primarily driven by the high health claims reported due to influenza, dengue, and virus flu that spread throughout the community during the year. Details of the actions taken to address this issue are provided on page 129.

Expense Ratio

In the Life Insurance business, the expense ratio comprises Net Acquisition costs, which represent the net expenses (commissions/incentives) incurred for acquiring business, and other operating expenses, which are incurred for the maintenance (Management Expenses) of the business. Details of these ratios are presented in the table below.

Table 15: Expense Ratio

Presented in %	2023	2022
Net Acquisition Cost Ratio % GWP	20.8	21.5
Operational expenses as a % of GWP	22.6	21.7
Overall Expense Ratio % GWP	43.4	43.2

The overall expense ratio has marginally increased by 0.2% during the year. The operating expense ratio increased by 0.9% due to high inflation and the impact from exchange rates. However, this impact was partly offset by the reduction in Net acquisition costs, which was realized from changing the business mix.

Combined Ratio

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

Table 16: Combined Ratio

Presented in %	2023	2022
Combined Ratio % NEP - without maturities and surrenders	88	83
Combined Ratio % NEP - with maturities and surrenders	102	90

Regulatory Ratios

The regulator specifies key ratios and minimum standards, which will be discussed below.

Risk Based Capital Adequacy Ratio	Table 9
Determination Ratio	Table 10
Investment in Government Securities % Life fund	Table 11

Regulatory restricted reserve - Assets to one off surplus

The Company is required to invest in government securities and deposits at a minimum of Rs. 798Mn as required by Direction 16 - identification and treatment of One-off Surplus. As at 31st December 2023, the Company maintains assets of Rs. 1,251 Mn.

SEGMENTAL INFORMATION

The Company diligently tracks its operational efficacy through two distinct operating segments: the 'Policyholder fund' and the 'Shareholder fund'. These segments serve as pivotal indicators of strategic direction. Exploring deeper into the financial intricacies, the following summary encapsulates the Company's fiscal standing and operational efficiency across these key segments, offering stakeholders valuable insights into its overall performance and trajectory.

OPERATIONAL REVIEW

Table 17: Segmental Information

Rs Mn	Policyholder Fund		Shareholder Fund		Company	
	2023	2022	2023	2022	2023	2022
Net Revenue	29,619	23,721	2,179	1,803	31,799	25,525
Profit Before Tax	3,015	4,378	182	(348)	3,197	4,030
Total Assets	39,400	35,399	11,939	12,849	51,339	48,248
Cash flows from operating activities	2,282	3,750	(594)	1,374	1,688	5,124

Policyholder funds reflect the financial results of our interactions with customers, ranging from the sale of insurance policies to claim payments or maturities. Surplus evaluation occurs post-actuarial valuation, verified by external actuaries as detailed on page 264. Comprehensive analysis of this segment, covering key risks, strategies, performance assessment, and key value drivers, is presented on page 378. Further scrutiny of financial details, encompassing income statements, financial position, and cash flows, is available on pages 271 to 275.

The Shareholder Fund is established to acknowledge the surplus generated from policyholder funds. Its primary function is investment management, governed by the company's investment management policy and overseen by the board investment committee. Shareholder dividends are declared through this fund.

Segment strategies and risk management

Policy holder fund is strategised under six strategic pillars as discussed on page 82 and risks and opportunities are identified on page 65 and 70 respectively. Further financial risk management with regards to its investment portfolio and insurance risk is provided on page 291 to 319. Shareholder fund is created to separate shareholder

value creation from policyholders in monetary terms. Hence increasing in policy holder value eventually increase the shareholder value also.

However risk management may be different based on the financial instrument the shareholder fund carry which also covered under financial risk management on page 291.

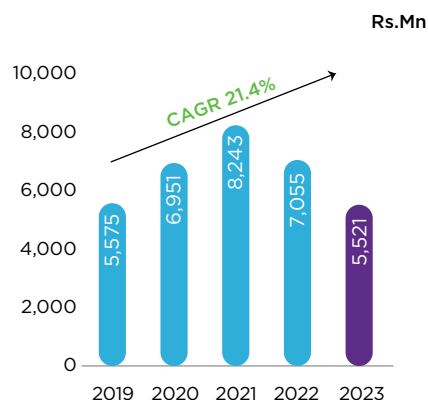
SUSTAINING PROFITABILITY

Underwriting results

Operating profit/ Gross Profit

Underwriting results showed the new inflow generated from the business before the investment income and expenses, but after paying the claims to policyholders and direct acquisition cost to intermediaries. In the Life insurance business, this is a critical factor and key value driver which contributes to the profitability. This is in combination with product we sell key insight of future profitability as well. Details are provided in the Graph 11.

G11-UNDERWRITING RESULTS



Underwriting results stood at Rs 5,521 Mn which is 22% degrowth compared to previous year. This is mainly due to High claims outgo we experienced during the year in combination with impact on our top line growth which are detailed on page 43 to 46. However we have taken corrective measures and set out future strategies to sustain business performance. These actions and strategies are outlined on page 82 to 87.

Profit before tax

The profit of the Life Insurance Company is mainly determined based on the actuarial valuation made by the Appointed Actuary which is called "Surplus". In addition to the surplus, the profit of the Company consists of investment income of the shareholder funds. The Company recorded Rs 3 Bn PBT in 2023 compared to Rs 4 Bn recorded in previous year. The variance primarily stems from the reasons outlined for underwriting results above, partially mitigated by the growth in investment income.

Profit after tax

Profit After Tax (PAT) for the year 2023 is Rs 2.8 Bn is a growth of 6% compared to Rs 2.6 Bn recorded in 2022. PAT growth is supported by the recognition of deferred tax asset of Rs 839 Mn Profit After Tax and its composition over last 5 years are provided in the Graph 12 below:

G12-PROFIT AFTER TAXATION



Profitability and Investor Attractiveness – Industry Peer Analysis

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

Table 18: Analysis of SLI's share of profitability

Rs Mn	2023	2022
Profit After Tax of the Company	2,838	2,683
Total profit from listed companies	14,062	14,803
SLI share of profit as a % of total profit from listed companies	20	18

It shows that the Company reported a significant percentage of (20%) profit out of total profit of listed insurance companies for the year 2023.

Dividend

The Company declared an Interim dividend of Rs. 3.75 per share amounting to a total pay out of Rs. 1,406 Mn for the year 2023.

Dividend Policy

According to the dividend policy of the company, it distribute 50% of profit after tax as dividend



GOVERNANCE

Below table analysed our performance against the target set for the year 2023

Key Value Drivers	2023	2023 Target
Compliance with mandatory provisions of corporate governance	✓	✓
Compliance with voluntary provisions of corporate governance	✓	✓

Within this strategic pillar, we evaluate our governance framework along with specific areas of governance actions, as described below

Area	Page reference
Performance Governance	185
Operations Governance	184
Investment Governance	219-220
Sustainability Governance	174
IT Governance	192
Risk Governance	186
Actuarial Governance	185

Statement of Compliance by Board of Directors

Softlogic Life Insurance PLC is a publicly listed company engaged in the life insurance business. The company's operations are managed by the management committee, which in turn reports to the Board of Directors. The Board offers insights and strategic guidance, while the management team executes these directions

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

Mandatory Compliances

- Companies Act No. 07 of 2007 and amendments thereto.
- Regulations and directions issued by the of Insurance Regulatory Commission of Sri Lanka (IRCSL).

- The Regulations of Insurance Industry Act No.43 2000 and amendments thereto.
- Sri Lanka Accounting Standards (SLFRSs/ LKASs)
- Statement of Recommended Practice (SoRP)
- Listing Rules of the Colombo Stock Exchange
- Laws and Regulations of the Companies Act No. 7 of 2007
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended).
- Corporate governance framework for insurers issued under section 96A of the Regulations of the Insurance Industry Act No. 43 of 2000 (IRCSL).

Board affirmation on this compliance is provided on pages 196 to 204.

CREATING VALUE IN SUSTAINABLE MANNER THROUGH OUR STRATEGY

The Operational Landscape We Navigate **61** | Our Risk Profile **65** | Creating Resilient Business Model to Sustainability and Climate Risks **69** | Leveraging Opportunities for Strategy Execution **70** | Managing Diverse Stakeholder Interests **72** | Materiality in Focus, Our Strategic Imperatives **78** | Strategy Formulation and Resource Deployment **82** | Our Future **88** | Independent Assurance Report on Integrated Reporting **89**



GREENER.
GRiTTIER.
GREATER.

Every activity we undertake is built on a foundation of sustainability. Our green principles enable us to serve as a responsible entity that is driven by a firm resolve to boldly pursue excellence across the entire gamut of our operations.

THE OPERATIONAL LANDSCAPE WE NAVIGATE

Facing another year replete with challenges, yet maintaining optimism for the future

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As we direct our business towards its objectives, we maintain a sharp focus on changes in the external environment. The year 2023 illustrated how external factors can profoundly affect businesses across the board. However, we acknowledge that the internal environment also holds significant influence over our ability to achieve targets. Consequently, we conducted a thorough analysis of our operational landscape before charting out future strategies. From this point onward, our discussion will delve into forward-looking insights that have been factored into the reshaping of our future targets.

EXTERNAL ENVIRONMENT ANALYSIS

The external environment undergoes analysis through PESTEL factors to ensure comprehensive coverage. The results of the analysis indicate an overall positive outlook for the insurance business, presenting growth opportunities and areas for improvement.

POLITICAL ENVIRONMENT

Political instability that has plagued the country over the past two years is anticipated to be resolved by 2024. The upcoming presidential election scheduled for the end of the year is expected to be a catalyst for significant changes in the country's economy, with far-reaching effects across all industries.

ECONOMIC ENVIRONMENT



	World		Emerging Asia		Sri Lanka	
	GDP growth	Inflation	GDP growth	Inflation	GDP growth	Inflation
2023	3.1%	6.8%	4.7%	4.2%	-3.8%	18.7%
2024	3.1%	5.8%	4.5%	3.3%	1.7%	5.5%
2025	3.2%	4.4%	4.3%	3.8%	2.4%	Not-available

Source :-

<https://www.imf.org/en/News/Articles/2024/01/30/013124-apdreo-presser-opening-remarks>

<https://thedocs.worldbank.org/GlobalEconomicProspects--January2024>

<https://www.adb.org/where-we-work/sri-lanka/economy>

Sri Lanka is anticipated to achieve GDP growth in 2024 and gradually transition towards a recovery trajectory, with inflation expected to stabilize soon. This presents a more positive outlook in terms of growth opportunities.

SOCIAL ENVIRONMENT

Area	Fact	Impact to SLI	Opportunity / Risk
 Increasing Aging population	25% of Sri Lanka's population will be over 60 of age by 2035. (Source:- https://blogs.worldbank.org/)	High	SLI has already expanded its health portfolio to cater to this segment. Opportunity to expand pension portfolio
 Time spent on social media	People spent more time on social media platforms	High	Opportunity to do marketing campaign through social media Could use as distribution channel
 Per capita income	The declining trend of per capita income is accompanied by a deteriorating purchasing power.	High	Risk of declining sales

THE OPERATIONAL LANDSCAPE WE NAVIGATE

TECHNOLOGICAL ENVIRONMENT

Area	Fact	Impact to SLI	Opportunity / Risk
 Robotic Process Automation (RPA)	Use of RPA for insurance under writing. We have already deployed RPA in our repetitive works.	High	Process efficiency, increase productivity, cost reduction and enhance customer satisfaction
 Increase Cybercrime	As we are increasingly adopting new technologies cyber security is paramount important	High	The risk of data theft and the impact of viruses are significant concerns
 Big data and Predictive Analytics	Bigdata and predictive analysis is used in risk identification and assessments	High	effective marketing, new revenue opportunities, customer personalization and improved operational efficiency
 Machine Learning (ML)	Global level trend to Increase use of ML to manage and analytics data in insurance industry	High	SLI is developed automated claim assessment system. Improve operational efficiency while reducing the existing risk of insurance fraud
 Growing Internet and Mobile Penetration	Society is experiencing a rapid increase in digital adoption.	High	Opportunity for new distribution options, focus on digital marketing

ENVIRONMENTAL FACTORS

As an insurance service provider, we aren't required to follow environmental protection regulations. Despite this, we actively evaluate our environmental impact and have implemented several internal initiatives to minimize it. You can find a comprehensive outline of these actions in our Natural Capital report on page 142.

LEGAL ENVIRONMENT

We regard the following requirements from various institutions as essential compliances within our legal environment, crucial for maintaining our organization as a legal entity. We have evaluated the new regulations enacted in 2023, recognizing their potential impact on our future operations and strategies.

Regulatory Requirement	Compliance	Impact to SLI
Insurance Regulatory Commission of Sri Lanka - Industry Regulation		
Direction 02 of 2023 (27th July 2023) – Principal Officers of Insurance Companies and Insurance Brokering Companies (in place of Direction #5 of 2021)	Complied	No Impact
Colombo Stock Exchange - Listing rules		
Submission of Financial Statement & Compliance Officer's Report – Revised	Complied	No Impact
Inland Revenue Department – Tax Regulation		
Exemption of goods and services under the Value Added Tax Act, No. 14 of 2002 [as last amended by the Value Added Tax (Amendment) Act, No. 32 of 2023] and amendments of VAT rate.	Complied	Will have significant impact on managing our expenses.
CA Sri Lanka - Reporting Standards		
Implementation of SLFRS 17 w.e.f 01 Jan 2026	Ongoing	Impact on performance measurement
Introduction of IFRS sustainability Standards (IFRS S1 & S2)	Ongoing	Changes are required to the business process in terms of climate change impact assessment (Refer page 69)

INTERNAL ENVIRONMENT ANALYSIS

Our SWOT analysis, detailed below, aims to evaluate the internal environment. SLI possesses strengths and opportunities that can be leveraged in the execution of our future strategies to attain a competitive advantage, while also addressing weaknesses and threats.

S Strengths

- Flexible business with automation process
- Innovative products
- Strong reinsurance panel
- Wide distribute branch network
- Maintain customer service above the industry
- Stable Agency channel with fast growing alternate channels

W Weaknesses

- High attrition among sales force
- Certain business functions have been partially integrated but require further advancement.

O Opportunities

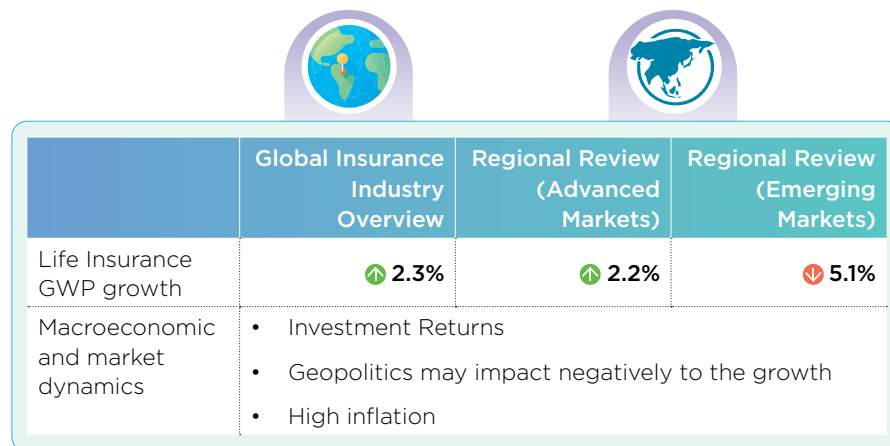
- New customers through online platforms
- New business opportunities and process improvement with digital innovation
- Further Opportunities are identified through PESTEL analysis above
- Strategy related opportunities have short listed on page 70

T Threats

- We identify threats through PESTEL analysis and stakeholder engagement, as detailed on pages 61 and 64, respectively
- Risk associated with strategic pillars provided on page 65

UNDERSTANDING THE DYNAMICS OF THE INSURANCE MARKET

Global and regional Life insurance industry review

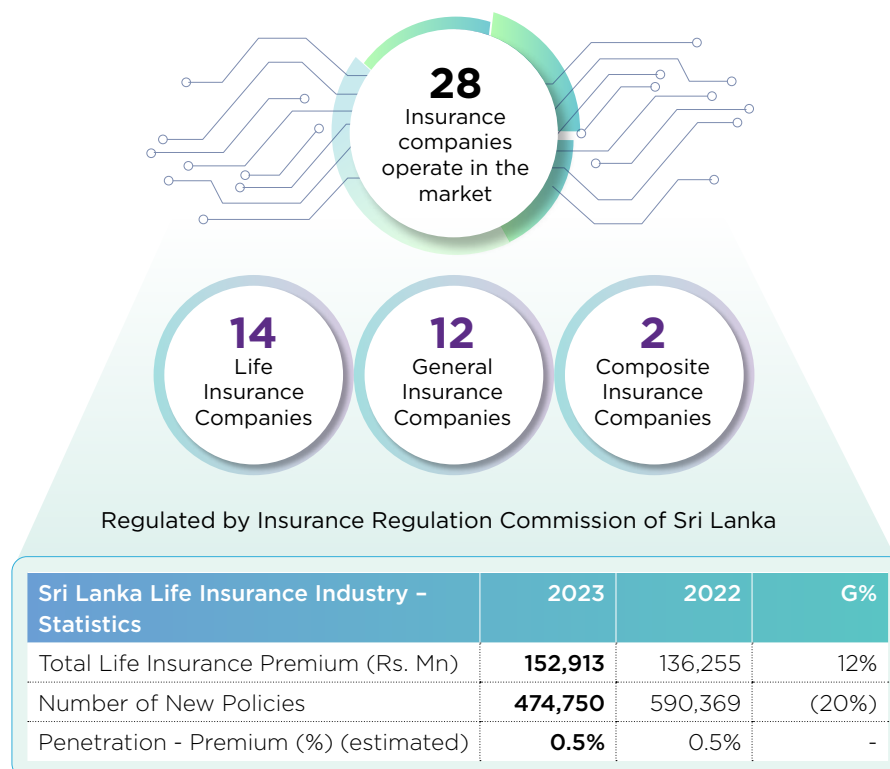


	Global Insurance Industry Overview	Regional Review (Advanced Markets)	Regional Review (Emerging Markets)
Life Insurance GWP growth	↑ 2.3%	↑ 2.2%	↓ 5.1%
Macroeconomic and market dynamics	• Investment Returns • Geopolitics may impact negatively to the growth • High inflation		

(Source :- Swiss Re Institute / Sigma report / no 6/2023)

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

SRI LANKA INSURANCE INDUSTRY



THE OPERATIONAL LANDSCAPE WE NAVIGATE

INSURANCE INDUSTRY ATTRACTIVENESS

The Sri Lankan life insurance industry undergoes analysis using Porter's Five Forces analysis to comprehend the forces impacting the industry's value creation process and profitability. With the insights derived from the analysis, Softlogic Life can adapt the company's business strategy by capitalizing on advantages, seizing available opportunities, transforming threats into opportunities, and addressing weaknesses proactively. Furthermore, this analysis provides positive indicators to both existing and potential investors regarding the attractiveness of the life insurance industry in Sri Lanka.

Threat of New Entrants	Threat of Substitutes	Bargaining power of Suppliers	Bargaining power of Buyers	Rivalry among Existing Life Insurance
- Difficult – being the minimum capital requirement is Rs. 500 Mn. - Brand equity significantly influences customers' decisions to switch from one insurance provider to another. A newcomer in the industry cannot cultivate as much brand awareness and equity as an established player within shorter timeframes. Risk - There is a chance of established financial industry players or any other high brand equity firm entering into the insurance industry.	- SLI is leading health insurance space in Sri Lanka - There isn't an exact alternative to health insurance - While investments, savings, and pension plans can be seen as alternatives to health insurance, they don't offer the same benefits or coverage for healthcare expenses. Risk – Health benefits can be replicated by other players in the industry	Demand from Insurance expertise like Actuarial valuers, reinsurers and sales forces are high as there is a scarcity of resources.	- Corporate customers have the bargaining power than individual customers - Customers have Weak perception over Insurance Products and need massive effort to attract new customers - High switching cost due to low surrender value at the initial stage	- There are a decent number of players in this industry already. - We have the opportunity to leverage product differentiation, pricing strategies, and competitive customer service to our advantage. Risk – There is high risk of hiring high performing sales staff resulting disruption to the growth.
Moderate	Moderate	High	Low	High
Impact to business model Refer Page 121	Impact to business model Refer Page 115	Impact to business model Refer Page 121	Impact to business model Refer Page 113	Impact to business model Refer Page 121

ECONOMIC IMPACT ON LIFE INSURANCE INDUSTRY

The Sri Lankan economy has encountered numerous challenges over the past few years, starting from 2019. Each year brought its share of shocks, rendering the business operating environment exceedingly difficult. The impact on the life insurance industry mirrored that of other sectors, with direct repercussions on the shrinking disposable income of individuals. Nevertheless, the life insurance industry resiliently confronted these

challenges and sustained its growth trajectory. Despite extraordinary inflation increases and numerous tax hikes, the industry managed to achieve an impressive 12% growth in 2023.

OUTLOOK OF THE LIFE INSURANCE INDUSTRY

In our assessment of the future, we designate 2023 as the baseline year, during which we experienced numerous negative impacts on the economy, leading to DGP degrowth

compared to the previous year. Presently, several positive indicators suggest growth prospects in the Life Insurance industry. Notably, positive GDP growth forecasts for 2024, along with easing inflation and a gradual decline in interest rates, signal optimism. A positive outlook is evident for the Life insurance industry in Sri Lanka. However, potential concerns arise from fuel and electricity price hikes, considering the global economic scenario, which may warrant caution regarding prospects.

OUR RISK PROFILE

Swift action for emerging risks

<IR> 4D

In response to the swiftly evolving macroeconomic landscape witnessed in 2023, we conducted a comprehensive assessment of our risk profile across various potential scenarios. We developed detailed plans to mitigate these risks effectively. We have conducted a thorough analysis of the company's comprehensive risk profile concerning strategy execution and presented below.

INTEGRATED RISK MANAGEMENT

The integrated risk management section included in this annual report, located on page 242, provides a comprehensive overview of our company's approach to risk management. It encompasses our risk management principles, objectives, frameworks, strategy, and risk appetite. Additionally, it addresses any other risks that, while not significant to our strategy execution, are still pertinent to our overall risk management framework. This section serves to offer detailed insight into how we identify, assess, and mitigate risks to protect our assets, ensure compliance, maintain operational continuity, and enhance long-term value for stakeholders.

For a thorough grasp of the company's risk profile, please review the following content in conjunction with the "Integrated Risk Management" section located on page 242. Risk impacts are delineated for the short term (2024), medium term (2025-2026), and long term (2026<). This information provides insights into the potential risks facing the company across different time horizons, aiding in strategic decision-making and risk mitigation efforts.

 High Risk  Medium Risk

Risk Classification : Economic and Political Risk

Risk Item :- Medical Inflation and Risk of Epidemic

	Risk Behaviour	Impact		Our Response	Areas of impact	
2023	2023 Update Sri Lanka recorded highest medical inflation in history and in the region.	High	The company's health portfolio constitutes 35% of the total health market in Sri Lanka, leading to increased claim outflows primarily due to an epidemic that affected most parts of the year.	- Strengthen the processes to identify fraudulent claims - Use of AI based technology to identify duplicate bills - Identified customer group with high claims and marked as vulnerable group and pay additional attention	Affected Capitals from risk	     
2024	Short term expectation Moderate impact due to exchange rate risk	High			Affected strategy pillars	   
2025-26/ 2026<	Medium to long term view Neutral impact expecting normalized economic environment	Low			Overall Risk assessment for future	
The business impact is provided on page 43 to 59.						

OUR RISK PROFILE

Risk Classification : Economic and Political Risk

Risk Item :- Inflation

	Risk Behaviour	Impact	Our Response	Areas of impact	
2023	2023 Update Sri Lanka experienced high inflationary scenario	High	• Focus on expense efficiency • Strategies are set to have volume growth over short to medium term. • Market penetration through	Affected Capitals from risk	-  + 
2024	Short term expectation Ease out the inflation	High		Affected strategy pillars	-  + 
2025-26/ 2026<	Medium to long term view Settle at single digit rate	High		Overall Risk assessment	
The business impact is provided on page 43 to 59.					

Risk Classification : Insurance Risk

Risk Item :- Persistency Risk

	Risk Behaviour	Impact	Our Response	Areas of impact
2023	2023 Update We experienced significant persistency drop during the year	High	- Used Policy Conservation Unit to collect premium. - Regular follow ups and performance monitoring were done to take timely decisions on policies lapsing - Carryout policy revival campaign during the year allowing customers to reinstate the policy by paying outstanding premiums.	Affected Capitals from risk      
2024	Short term expectation Persistency is expected to stabilize without any further drops and gradually begin to rise.	Moderate		Affected strategy pillars      
2025-26/ 2026<	Medium to long term view Persistency is expected to stabilize without any further drops and gradually begin to rise.	Moderate		Overall Risk assessment 
The business impact is provided on page 43 to 59.				

Risk Classification : Insurance Risk**Risk Item :- Climate Risk**

	Risk Behaviour	Impact	Our Response	Areas of impact
2023	2023 Update We experienced some impacts of climate change such as heat waves, unusual rainfalls etc:	Moderate	We initiated the process by involving the board at a high level in this area and made efforts to align these aspects with the implementation requirements of IFRS S1 and IFRS S2.	Affected Capitals from risk      
2024	Short term expectation Expect to have material changes in the social environment due to climate change	High		Affected strategy pillars      
2025-26/ 2026<	Medium to long term view Expect direct business	High		Overall Risk assessment for future 
The business impact is provided on page 43 to 59.				

Risk Classification : Operational Risk**Risk Item :- Competitor Risk**

	Risk Behaviour	Impact		Our Response	Areas of impact	
2023	2023 Update Solicited our top advisors by competitors and aggressively entered in to the health market	High	Competitors are actively targeting our sales staff in attempts to lure them away. Throughout the year, a significant number of our field staff have joined competitors, which has made it challenging for us to meet our targets.	We already working on this matter and took preventive actions. Some of these actions will secure our future growth prospects and even improve profitability.	Affected Capitals from risk	-  - 
2024	Short term expectation Strategise to manage the impact	Moderate			Affected strategy pillars	-  - 
2025-26/ 2026<	Medium to long term view No impact is expected.	Low			Overall Risk assessment for future	
The business impact is provided on page 43 to 59.						

OUR RISK PROFILE

Risk Classification : Operational Risk

Risk Item :- Technological and Skill Gap Risk

	Risk Behaviour	Impact	Our Response	Areas of impact	
2023	2023 Update New technologies are available in the market which could gain competitive advantage	Low	• We took measures to retain our existing people. (Refer page 98 for human capital report) • Sourcing knowledge from third parties	Affected Capitals from risk	   
2024	Short term expectation This will evolve over the time	Moderate		Affected strategy pillars	   
2025-26/ 2026<	Medium to long term view This will evolve over the time	Moderate		Overall Risk assessment for future	
The business impact is provided on page 43 to 59.					

Risk Classification : Operational Risk

Risk Item :- Cyber and Data Security Risk

	Risk Behaviour	Impact	Our Response	Areas of impact		
2023	2023 Update No cyber threat of data security breaches is reported	Moderate	• As cyber threats continue to escalate, our vulnerability increases due to our high adoption of digital infrastructures and processes within our operations. • Data security is paramount given that we maintain large volumes of confidential customer data.	• We maintain high level of IT security (Refer page 130 of Intellectual capital) • Having stringent data security mechanisms.	Affected Capitals from risk	-  - 
2024	Short term expectation There will be more emerging threats	High		Affected strategy pillars	-  - 	
2025-26/ 2026<	Medium to long term view There will be more emerging threats	High		Overall Risk assessment for future		
The business impact is provided on page 43 to 59.						

OTHER SOURCES OF RISK

Based on operation we exposed to variety of other risk factors which may have impact on our long term sustainability. These risk includes following.

Underwriting Risk

Product design Risk

Legal and Regulatory Risk

Reputation Risk

These risks have been evaluated in detail on page 242 under integrated risk management section.

CREATING RESILIENT BUSINESS MODEL TO SUSTAINABILITY AND CLIMATE RISKS

A **Bold** step to adopt of IFRS S1 and S2 reporting standards



GRI

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8

The ISSB has introduced two sustainability reporting standards, namely IFRS S1 and S2, with a focus on addressing sustainability and climate-related risks and opportunities. We anticipate that adopting these reporting standards will enhance business sustainability and strengthen internal processes, enabling organisations to better navigate challenging business landscapes.

IS REQUIREMENTS OF IFRS S1 AND S2 MATERIAL TO SOFTLOGIC LIFE ?

Operating Context

Softlogic Life currently holds a prominent position in the health insurance market of Sri Lanka. We have strategically positioned our brand as the "Best Health Insurer in Sri Lanka." A substantial portion of our portfolio comprises health-related products, reflecting our commitment to providing comprehensive coverage in the healthcare sector.

Impacts

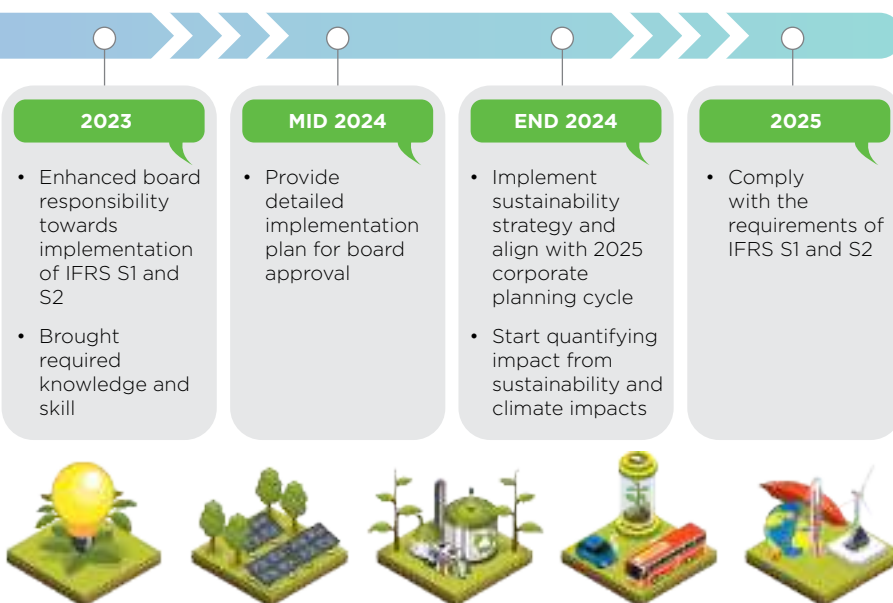
As a leading health insurer, we prioritize the prompt and fair processing of all legitimate claims submitted by our customers. To ensure efficiency and maintain high standards in claim processing, we have implemented numerous initiatives during last few years. In 2023 alone, we disbursed Rs 12.8 billion in claims, representing 54% of our revenue.

Furthermore, we have observed a concerning trend of increased epidemics during the year, which we believe is directly linked to climate change and other sustainability issues. For instance, the abnormal rainfall experienced in 2023 contributed to the spread of diseases such as Dengue fever and viral flu. Additionally, the elevated atmospheric temperatures witnessed during the same period have been associated with the prevalence of various illnesses, indirectly impacting mortality rates.

What We Did ?

Throughout the year, we proactively identified potential external factors that could affect our business operations. Concurrently, we devised a comprehensive work plan aimed at integrating these risks into our existing business processes and implementing mitigation strategies accordingly.

We have successfully onboarded individuals with the necessary expertise and knowledge to support our organizational objectives. These individuals bring relevant skills that align with our sustainability and climate-related initiatives. Additionally, we have obtained board commitment by amending risk committee terms of reference to systematically measure sustainability metrics and assess climate-related risks and opportunities.



OUR IMPACTS

Changes in temperature and rainfall directly affect spread of the vector borne and zoonotic diseases. The rapid spread of vector borne diseases such as dengue and malaria, has been identified as a main impact from climate change

Extreme cold and extreme heat directly affect the incidence of cardiovascular diseases such as chest pain, stroke, and cardiac dysrhythmia (irregular heart beat).

High temperature, water scarcity and water abundance due to floods may linked to increased diarrheal diseases.

Prolonged exposure to extreme heat can cause heat exhaustion, heat cramps, heat stroke, and death, as well as exacerbate preexisting chronic conditions, such as various respiratory, cerebral, and cardiovascular diseases.

Increased exposure to toxic chemicals, known or suspected to cause cancer, that are released into the environment following heavy rainfall or flooding.

LEVERAGING OPPORTUNITIES FOR STRATEGY EXECUTION

Implement plans with a **Stronger** impact, resulting in **Bigger** outcomes

<IR> 4E

We assess our external environment to pinpoint opportunities that offer growth potential and facilitate the smooth execution of our strategies. This constitutes a pivotal agenda item in our annual planning sessions, during which management collaboratively identify achievable opportunities for future strategy execution, as outlined below.

GWP Growth

Strategic pillar - **Phenomenal Sales** 

Capital Affected -   

1.3%

The positive GDP growth is expected in 2024 after two consecutive years of degrowth. This provide positive economic outlook for life insurance industry

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

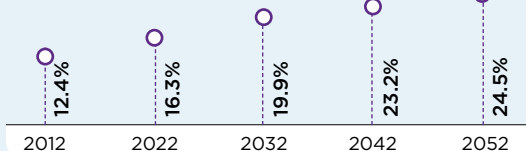
SLI STRATEGY

- Expanding sales force
- Identify market segments with opportunity to sell insurance
- Maintain well diverse product portfolio

Growing Aging Population

Strategic pillar - **Phenomenal Sales** 

Capital Affected -  



Population of age above 60 years is expect to increase up to 24.5% by 2052. Expect increasing demand for health insurance.

Source :- <https://srilanka.unfpa.org/>

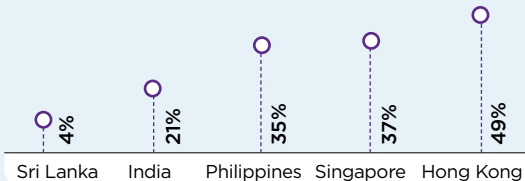
SLI STRATEGY

- Continue to build health portfolio
- Market positioning as "Best Health Insurer in Sri Lanka"
- Continue to have product development process to which cater changing customer needs.

Under Utilisation of Bancassurance Channel

Strategic pillar - **Phenomenal Sales** 

Capital Affected -  



Sri Lanka has huge opportunity to use bancassurance as a distribution channel. This provide growth opportunity to life insurance industry

Source :- FALIA Bancassurance Survey 2016

SLI STRATEGY

SLI already secured bancassurance distribution with two leading estate banks and will be focusing to expand coverage for no of branches

Forecasted Low Interest Rates

Strategic pillar - **Phenomenal Sales** 

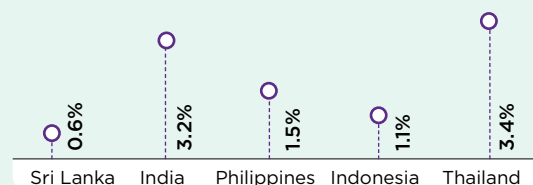
Capital Affected -  



With interest rates gradually declining and inflation expected to normalize in 2024, we anticipate a gradual rise in credit growth, as evidenced by the gradual increase observed in Q4 - 2023.

SLI STRATEGY

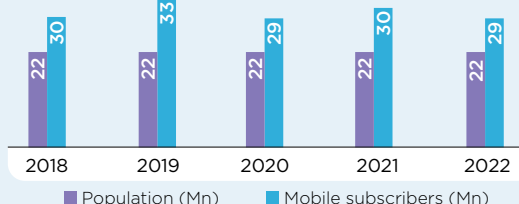
In the Sri Lankan context, life insurance is predominantly sold with a personal touch, emphasizing the importance of customer care as a core element for success. SLI has undertaken various initiatives in this regard and remains committed to continuously enhancing its customer care activities.

Low Life Insurance PenetrationStrategic pillar – **Most Caring Life Insurer** Capital Affected –   

Sri Lanka is maintaining lowest level of penetration compared to region. This evident growth prospects for life insurance industry

SLI STRATEGY

In the Sri Lankan context, life insurance is predominantly sold with a personal touch, emphasizing the importance of customer care as a core element for success. SLI has undertaken various initiatives in this regard and remains committed to continuously enhancing its customer care activities.

Growing Internet and Mobile PenetrationStrategic pillar – **Smart IT Digitalization** Capital Affected –   

Enabling wider outreach, streamlined processes, enhanced customer engagement, personalized services, and data-driven insights for informed decision-making and sustainable growth will be an outcomes.

SLI STRATEGY

- Expanding microinsurance which is selling on mobile platform
- Introduce more digital tools that enable customers more convenient

Big Data and Artificial IntelligenceStrategic pillar – **King of Data** Capital Affected –   

Big data and predictive analytics help Insurance companies to make data-driven decisions to better manage their risk. AI can be used to make automated decision making.

SLI STRATEGY

SLI already embark its journey in Big data, AI etc: and introduced many industry first innovations. We will further integrate new technologies within the business function to better serve our customer.

Robotic Process Automation (RPA)Strategic pillar – **Lean and Fast** Capital Affected –   

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

SLI STRATEGY

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

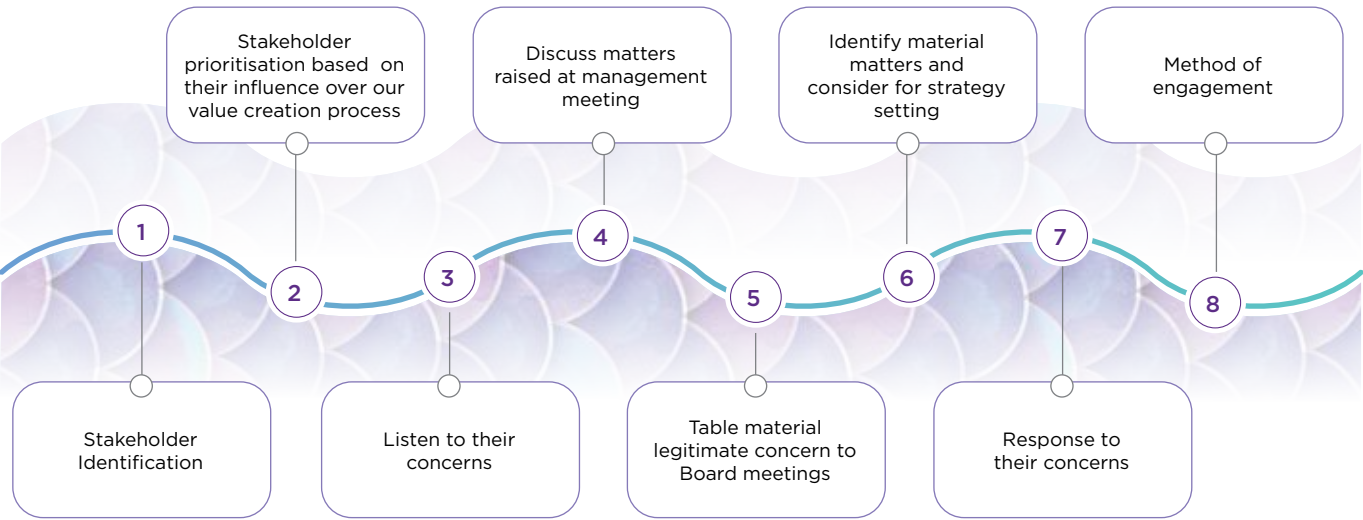
MANAGING DIVERSE STAKEHOLDER INTERESTS

Striking the Perfect Balance: Unleashing Extraordinary Stakeholder Value

<IR> 4F

Our stakeholders embody the social networks vital to our operations. We adopt a people-centred, stakeholder-inclusive philosophy to create value. This entails seamlessly integrating stakeholder engagement throughout our value creation process. We are aware of the diverse expectations of individual stakeholders, which we strategically manage based on our operational context and stakeholder prioritization framework. To gauge the value, we derive from our networks, we have established objectives for each key stakeholder group. We assess our performance against these objectives using value creation indicators and the strength of our relationships.

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



STAKEHOLDER IDENTIFICATION AND PRIORITISATION

We prioritize our stakeholders according to their level of influence and their interest in our operations. The map below plots all our significant stakeholders based on their priority. We strategically address their concerns to foster mutual success.

Stakeholder Landscape



GOVERNANCE OF STAKEHOLDER ENGAGEMENT

Stakeholder engagement is governed through company's governance structure and actions taken by governance body is provided on page 197.

ENGAGING STAKEHOLDERS TO SHAPE ORGANIZATIONAL STRATEGY

Our stakeholders contribute strategic insights to our corporate strategy, which we identify during our engagement with them. We have identified their legitimate concerns, outlined below, and incorporate them into our future strategic planning.

The tables below outline the key indicators measuring the value created for each stakeholder group. The collective value generated for the company by respective stakeholders represents our performance throughout the year, with detailed insights provided on pages 43 to 59.

Analysis of Stakeholder (Network size, density and diversity)	Key Concerns and Our Response	Method of Engagement			
 Investor 212 Shareholders 21.5 of public shareholding 1.3 Stake hold by non-resident shareholders	1. Sustainable return - Strategic focus and prospects provided on page 92 to 97 under financial capital. 2. Business risk management - Integrated risk management (page 242) 3. Transparency of management - Strong Corporate Governance (Page 152 to 241) 4. Comply with regulatory and legal requirement - Our Compliance (Page 59) 5. Timely communication - Financial Calendar (Page 266)	● Annual General Meetings ● Interim Financial Statements ● Announcements to CSE ● Press conference and media releases ● Corporate website			
Shareholder value creation - Key performance indicators					
Value Unlock	Value Driver	Yoy Change	2023	2022	2021
Share price performance	Share price appreciation (%)	↓	-38	22	104
Dividends for shareholders	Dividend per share (Rs)	↑	3.5	2.8	2.5
Dividends for shareholders	Dividend cover (times)	↑	2.2	2.6	2.2
Business solvency	Capital adequacy (%)	↑	367	287	395
Growth prospects	GWP growth (%)	↓	14	15	28
Investment return	Return on equity (%)	↓	23.5	25	20.5
Earning potential	Earning per share (Rs)	↑	7.6	7.2	5.6
STRATEGIC DIRECTION					
The company maintains a robust solvency position and has consistently reported a Return on Equity (ROE) above 20%, demonstrating strong operating performance. This underscores the value we have created for shareholders. For detailed insights, please refer to page 43, which covers explanations for any variances reported above.					

● Annually / Quarterly ● As necessary ● Regularly

MANAGING DIVERSE STAKEHOLDER INTERESTS

Analysis of Stakeholder (Network size, density and diversity)	Key Concerns and Our Response	Method of Engagement
 Customer 830,708 Individual Clients 1,765 Corporate Clients 846 SME Clients	Timely Settlement of Claims - Claims process optimization (Page 22) Accessibility of the services - Our initiatives for product distribution (page 117) Satisfaction (Quality of service) - Building customer loyalty (Page 119) Products cater to evolving needs - Product Development process (Page 115) Grievance handling process - Fair customer complaint handling (Page 118)	- LifeUp App to perform transactions digitally - Media campaigns/ Advertisements - Use of social media such as WhatsApp, Facebook - Contact through call centre - Corporate website

Customer value creation - Key performance indicators

Value Unlock	Value Driver	Yoy Change	2023	2022	2021
Claims Settlement	One day claim settlement (%)	↓	75	95	94
Accessibility	Location of operations (No.)	↑	118	103	101
Satisfaction	Net promoter score		42	-	-
Satisfaction	No of complaints for 1000 claims	↑	1.2	0.85	1.9
Products	No of new products	↑	01	-	4

STRATEGIC DIRECTION

In meeting customer expectations, we have succeeded in creating overall value, while also recognizing areas that require further improvement. Our strategic focus on relationships with customers and prospects is discussed under Social & Relationship Capital on Page 82.

Analysis of Stakeholder (Network size, density and diversity)	Key Concerns and Our Response	Method of Engagement
 Community Society within which we operate	Employment Opportunity - We recruit staff locally Company's contribution to help under-developed communities in Sri Lanka - Introduction of micro insurance product in Sri Lanka to cater underserve community	- Community projects - Call centre conversations - Interact through branch network - Social media and corporate website

Community value creation - Key performance indicators

Value Unlock	Value Driver	Yoy Change	2023	2022	2021
Employment opportunity	No. of new staff recruits	↑	316	290	261

STRATEGIC DIRECTION

Strategic focus of relationship with community and future prospects discussed in detail under Social and Relationship Capital on Page 112.

● Annually / Quarterly ● As necessary ● Regularly



Analysis of Stakeholder (Network size, density and diversity)	Key Concerns and Our Response	Method of Engagement
 Employees  985 Employees 37% Under age 30 68% Male 32% Female	1. Fair pay and other benefits - Attractive benefits (Page 103) 2. Learning & Competency Development - Making future ready workforce (page 106) 3. Reward & Recognition - Rewarding people for better performance (Page 107) 4. Diversity and Equal Opportunity - Our commitment to gender parity (Page 108) 5. Organizational Culture - Building friendly culture (Page 109)	- HR portal for all HR related matters - Town hall meeting to for open discussion of employee concerns - Softlogic Life employee Facebook group/ WhatsApp, Viber - Regular e-mail updates - Employee meetings

Employee value creation - Key performance indicators

Value Unlock	Value Driver	Yoy Change	2023	2022	2021
Pay and benefits	Remuneration per employee	↑	1.1	0.9	0.9
Learning & development	Training hours per employee	↓	1.3	12.0	11.3
Rewards & Recognitions	No of promotions	↑	201	190	62
Diversity	Female participation	↑	32	29	29
Culture	Employee turnover	↑	31	27	19

STRATEGIC DIRECTION

In the management of human capital, various external factors have contributed to negative variances in the above Key Performance Indicators (KPIs). For a comprehensive understanding of the reasons behind these variances and our strategic focus on relationships with employees and future prospects, please refer to the Human Capital section on page 98.

Analysis of Stakeholder (Network size, density and diversity)	Key Concerns and Our Response	Method of Engagement
 Government and Regulators  IBSL, IRD, CSE, CBSL	1. Compliance with applicable laws and regulations - No non compliances 2. Good corporate governance and business ethics - Strong corporate governance practices (page 152)	- Quarterly submissions - Annual submissions - Meeting / discussion with Government and Regulators - On-site review by IRCSL

Government and Regulators - Key performance indicators

Value Unlock	Value Driver	Yoy Change	2023	2022	2021
Compliances	Capital adequacy ratio (%)	↑	367	287	395
Compliance	Determination ratio (%)	↑	140	126	114
Compliance	No of non compliances	↑	nil	nil	nil

STRATEGIC DIRECTION

Strategic focus of relationship with regulators and future prospects discussed in detail under Social and Relationship Capital on Page 112.

MANAGING DIVERSE STAKEHOLDER INTERESTS

Analysis of Stakeholder (Network size, density and diversity)	Key Concerns and Our Response	Method of Engagement																														
 Field Staff ☆☆☆☆ 2,864 Field Staff 74% Male 26% Female 263 MDRT Qualifiers	1. Competitive income - Attractive benefits (Page 122) 2. Career progression - Making future ready workforce (page 122) 3. Reward & Recognition - Rewarding people for better performance (Page 122)	● E-advisor platform to introduce new policies digitally ● Regular e-mail updates ● Training session (physical / online) ● Sales review meeting																														
Field staff value creation - Key performance indicators <table><tr><th>Value Unlock</th><th>Value Driver</th><th>Yoy Change</th><th>2023</th><th>2022</th><th>2021</th></tr><tr><td>Pay and benefits</td><td>Commission and incentive per field staff -Annual (Rs Mn)</td><td>⬆</td><td>1.7</td><td>1.5</td><td>1.1</td></tr><tr><td>Pay and benefits</td><td>Commission and incentive paid</td><td>⬆</td><td>5,486</td><td>4,956</td><td>4,050</td></tr><tr><td>Career Progression</td><td>No of promotions</td><td>⬆</td><td>74</td><td>190</td><td>62</td></tr><tr><td>Rewards and recognition</td><td>Annual sales awards</td><td>⬆</td><td>Conducted</td><td>Conducted</td><td>Conducted</td></tr></table>			Value Unlock	Value Driver	Yoy Change	2023	2022	2021	Pay and benefits	Commission and incentive per field staff -Annual (Rs Mn)	⬆	1.7	1.5	1.1	Pay and benefits	Commission and incentive paid	⬆	5,486	4,956	4,050	Career Progression	No of promotions	⬆	74	190	62	Rewards and recognition	Annual sales awards	⬆	Conducted	Conducted	Conducted
Value Unlock	Value Driver	Yoy Change	2023	2022	2021																											
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Rewards and recognition	Annual sales awards	⬆	Conducted	Conducted	Conducted																											
STRATEGIC DIRECTION The strategic focus of our relationship with sales staff and future prospects is extensively discussed under the Social and Relationship Capital section on page 122.																																

Analysis of Stakeholder (Network size, density and diversity)	Key Concerns and Our Response	Method of Engagement			
Re-Insurers  06 Re-insurers	1. Underwrite appropriate risk - Regular enhancement of underwriting capabilities using new technology 2. Timely premium payment - We have maintained strong communication with re-insurance partners and settle dues.	● Online meeting ● E-mail communication ● Physical meeting			
Re- insurers value creation - Key performance indicators					
Value Unlock	Value Driver	Yoy Change	2023	2022	2021
Underwrite appropriate risk	RI outgo % to GWP		9.5	11.6	9.3
Compliance	RI claims % gross claims		2.2	3.7	2.8
STRATEGIC DIRECTION					
Strategic focus of relationship with reinsurers and future prospects discussed in detail under Social and Relationship Capital on Page 123.					

● Annually / Quarterly ● As necessary ● Regularly

Analysis of Stakeholder (Network size, density and diversity)	Key Concerns and Our Response	Method of Engagement			
 Environment  Natural resources we use within our business process	1. Reducing adverse impact on environment - We take measures to reduce environmental impact within our business process	● Community projects ● Call centre conversations ● Interact through branch network ● Social media and corporate website			
Environment value creation - Key performance indicators					
Value Unlock	Value Driver	Yoy Change	2023	2022	2021
Reducing adverse impact	Paper recycled (Kg)		5,253	362	1,290
STRATEGIC DIRECTION					
Strategic focus of relationship with environment and future prospects discussed in detail under Natural Capital on Page 142.					

Analysis of Stakeholder (Network size, density and diversity)	Key Concerns and Our Response	Method of Engagement			
 Suppliers  277 Suppliers	1. Timely settlements - Company has settled payments on time	Business meeting			
Supplier value creation - Key performance indicators					
Value Unlock	Value Driver	Yoy Change	2023	2022	2021
Timely Settlements	Payments to suppliers % GWP		12.8%	11.3%	14.0%
STRATEGIC DIRECTION					
Strategic focus of relationship with suppliers and future prospects discussed in detail under Social and Relationship Capital on Page 121.					

MATERIALITY IN FOCUS, OUR STRATEGIC IMPERATIVES

Our commitment to addressing significant concerns with a **Bolder** strategic vision

 **GRI**

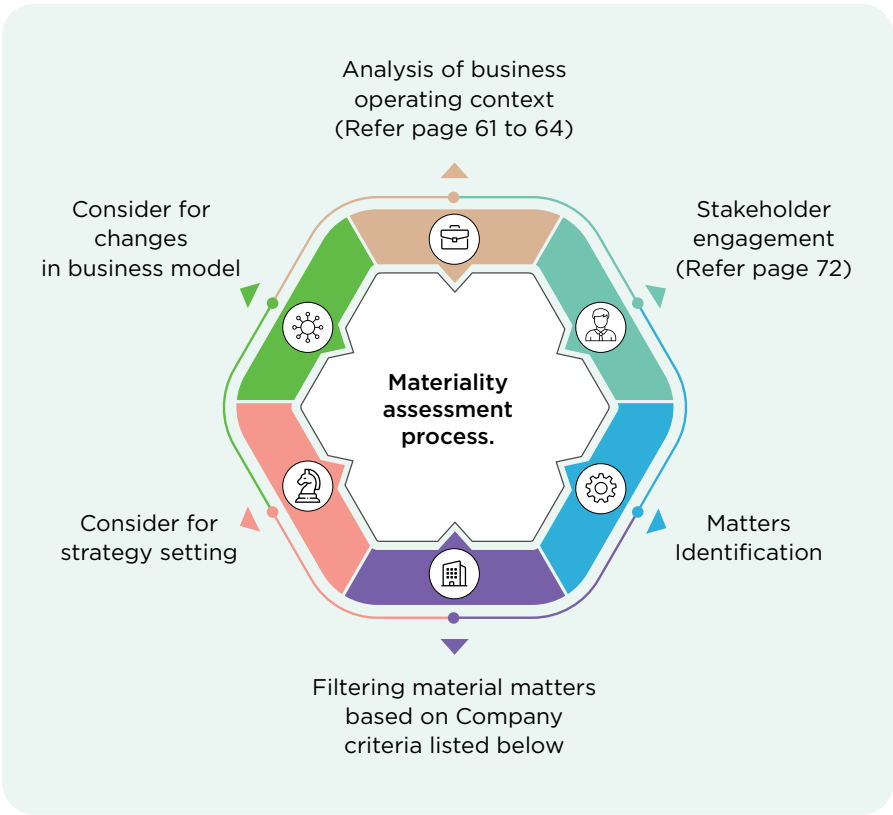
3-1

3-2

<IR>

4H

SLI conducts an annual assessment of material matters that may impact the value we generate over time and our capacity to fulfil our purpose. We adhere to a structured process outlined below to identify matters of significance to us. The results of this procedure inform the content of our integrated report.



to stakeholder prioritization and their impact on our value creation.

Secondly, we assess the results of our analysis of the operating environment, both internal and external. These could represent risks or opportunities that might have significantly influenced our journey of value creation.

THE BOARD CONTRIBUTION

The executive management team, including Managing Directors, identifies issues that affect our business and provides regular reports to the Board. The Board then approves strategic directions based on evaluations of these matters, prioritizing those that are most significant within the given context.

PRIORITISING MATERIAL MATTERS

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

CHANGING MATERIALITY

The operating environment of the Company in 2023 crowded impact from the economic collapse. Accordingly, the importance of material matters was shifted compared to previous year.

We recognize a matter as material if :

- It has a significant impact on our strategic direction
- It has a significant impact on our value creation process
- It is recognised as a significant risk as per the Company's risk management framework
- It is a concern of the stakeholder based on the priority of the stakeholder

TWO WAY METHOD TO IDENTIFY MATERIAL MATTERS

Initially, we detect issues stemming from our stakeholder engagement process. These issues are evaluated for strategic consideration according

FUTURE FOCUS

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



DELIVER SUSTAINABLE RETURN

MM 1

WHY IT IS MATERIAL:

The Company faces significant challenges in generating sustainable financial results amidst volatile market conditions. Factors such as high inflation and shrinking disposable income contribute to heightened uncertainty in achieving consistent outcomes.

2023 EXPERIENCE :

Challenging environment persist throughout the year. Refer operational review on page 43 to 59

FUTURE EXPECTATION :

Expected intensive pressure due to competitor action and economic conditions.

(Refer financial capital on page 92)

GRI :
201-1

STRATEGIC ALIGNMENT :

Phenomenal Sales



UNSDG :



CAPITAL WILL BE IMPACTED :



TALENT RETENTION AND NEW TALENT ACQUISITION

MM 2

WHY IT IS MATERIAL:

The life insurance business in Sri Lanka heavily relies on human interaction. Thus, maintaining high-quality staff, including field staff, is crucial for our business success. We are witnessing a trend of increasing migration among professionals and others, directly impacting the retention of quality human capital within the company.

2023 EXPERIENCE :

Experienced highest level of migration in the history Refer human capital on page 48 to 111.

FUTURE EXPECTATION :

Expect to continue same trend in 2024.

(Refer human capital on page 98)

GRI :
401-1/ 401-2/ 401-3/ 404-1/ 404-2/
404-3

STRATEGIC ALIGNMENT :

Phenomenal Sales
Most caring life insurer



UNSDG :



CAPITAL WILL BE IMPACTED :



SALES STAFF INCOME, RECOGNITION AND CAREER GROWTH

MM 3

WHY IT IS MATERIAL:

The sales staff are at the forefront, driving revenue for the company. Our growth hinges on their efforts. In return, the company ensures their income levels, provides appropriate recognition, and supports career advancement.

2023 EXPERIENCE :

Income level partially impacted due to low new business production. Refer business partners section on page 121.

FUTURE EXPECTATION :

Expect to continue same trend in 2024.

(Refer human capital on page 98)

GRI :
404-1/ 404-2/404-3

STRATEGIC ALIGNMENT :

Phenomenal Sales



UNSDG :



CAPITAL WILL BE IMPACTED :



MATERIALITY IN FOCUS, OUR STRATEGIC IMPERATIVES

EMPLOYEE COMPENSATION, CAREER GROWTH AND JOB SECURITY

MM 4

WHY IT IS MATERIAL:

The economic conditions in Sri Lanka, characterized by high inflation, have had an impact on our employees. They anticipate compensation adjustments to keep pace with inflation and express significant concerns regarding job security given the current economic outlook.

2023 EXPERIENCE :

Additional increment was given in end of 2022. (Refer human capital section on page 98)

FUTURE EXPECTATION :

We anticipate that these pressures will normalize over time. (Refer human capital on page 98)

GRI :

401-2/ 404-1/ 404-2

STRATEGIC ALIGNMENT :

Lean and Fast



UNSDG :



CAPITAL WILL BE IMPACTED :



PROVIDING SUPERIOR CUSTOMER SERVICE

MM 5

WHY IT IS MATERIAL:

Customer service plays a pivotal role as the primary differentiator in the life insurance business, as customers frequently engage with us for reasons such as claims, benefit enhancements, and more. Consequently, ensuring exceptional customer service remains a top priority on our agenda.

2023 EXPERIENCE :

We had highest net promoter score in the industry (Refer intellectual capital section on page 130)

FUTURE EXPECTATION :

We continue to focus on developing this area. (Refer Customer section on page 113)

GRI :

416-1/ 416-2/ 417-1/ 417-2 / 418-1

STRATEGIC ALIGNMENT :

Most caring life insurer
Smart IT digitalization



CAPITAL WILL BE IMPACTED :



HIGH MEDICAL INFLATION AND TREND OF EPIDEMIC

MM 6

WHY IT IS MATERIAL:

Medical inflation was notably higher during 2023, while individuals compelled to purchase medication due to shortages in hospitals. There were many epidemics persistent for most of the months during the year. This directly contributed to increased claims outflows.

2023 EXPERIENCE :

We experienced higher claim outgo (Refer operational review on page 43)

FUTURE EXPECTATION :

Trend will continue to foreseeable future. (Refer MD's statement on page 40)

GRI :

201-1

STRATEGIC ALIGNMENT :

Most caring life insurer
King of Data



UNSDG :



CAPITAL WILL BE IMPACTED :

ADOPTING NEW TECHNOLOGY

MM 7

WHY IT IS MATERIAL:

As a company with an innovation-driven culture, embracing new technology is essential for achieving excellence in our performance.

UNSDG :



2023 EXPERIENCE :

SLI implemented many new developments within the business (Refer intellectual capital on page 130)

FUTURE EXPECTATION :

Keep focusing on new development as this will be a key differentiator for SLI (Refer Customer section on page 113)

STRATEGIC ALIGNMENT :

Most caring life insurer
Smart IT digitalization



CAPITAL WILL BE IMPACTED :



CYBERSECURITY

MM 8

WHY IT IS MATERIAL:

Our strategic move to digitalization, innovation and used of AI naturally bring high risk of cyber threats. Accordingly we cyber security is key concern of our business process

UNSDG :



2023 EXPERIENCE :

There were no significant cyber threat is reported (Refer intellectual capital on page 130)

FUTURE EXPECTATION :

Keep updating our internal security measures in terms of cyber threats

STRATEGIC ALIGNMENT :

Most caring life insurer
Smart IT digitalization



CAPITAL WILL BE IMPACTED :



EXCELLENCE GOVERNANCE FRAMEWORK AND REGULATORY ENGAGEMENTS

MM 9

WHY IT IS MATERIAL:

Corporate governance and risk management are critical activities in the life insurance industry, given our responsibility for managing customers' risks and finances through long-term contracts. Failure to adhere to these best practices can lead to a loss of customer trust and failure to compete effectively in the industry.

2023 EXPERIENCE :

Maintain good governance (Refer page 24 for awards received in recognition of CG practices)

FUTURE EXPECTATION :

Further improve governance practices

GRI :

2-9/ 2-10/ 2-11/ 2-12/ 2-13/ 2-14

STRATEGIC ALIGNMENT :

Governance



UNSDG :



CAPITAL WILL BE IMPACTED :



IMPLEMENTATION OF SLFRS 17

MM 10

WHY IT IS MATERIAL:

SLFRS 17 has a significant impact on how we measure and report our performance. Aligning our business processes with SLFRS 17 requires additional effort from all key stakeholders.

GRI : 2-9/ 2-10/ 2-11/ 2-12/ 2-13/ 2-14

2023 EXPERIENCE :

We are working on implementation plan (Refer IFRS 17 update on page 398)

FUTURE EXPECTATION :

Comply requirements on due dates as per the standards

STRATEGIC ALIGNMENT :

Risk Management



CAPITAL WILL BE IMPACTED :



STRATEGY FORMULATION AND RESOURCE DEPLOYMENT

Enhancing our strategic planning process to ensure **Bigger** impact and **Better** resource utilization



GRI

2-22

We strategise and allocate resources to attain our overarching vision and mission by setting strategic objectives within a broader context. Although our strategic objectives remain consistent, we evaluate our operational landscape yearly and adjust short to medium-term strategies and key performance indicators (KPIs) as needed. The Board of Directors annually reviews and approves the process before implementation.

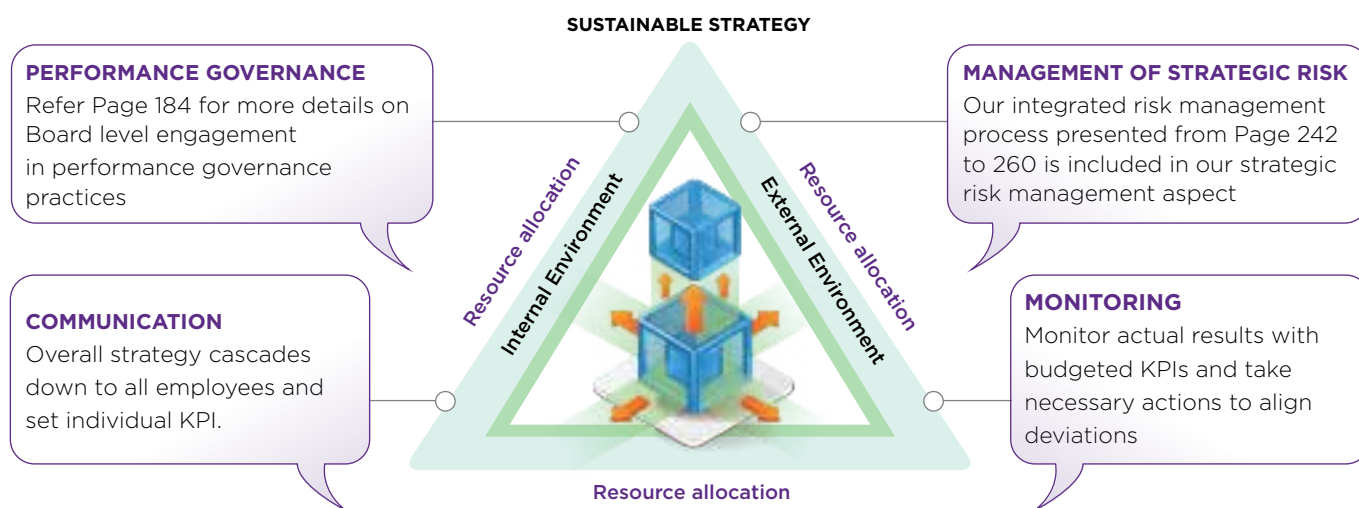
The year 2023 was another challenging year we absorb many impacts from economic crisis. We didn't change strategic pillars but adjusted KPIs to reflect our expectation of future performance.

RESOURCE ALLOCATION

Required resources to execute the identified strategies below were carefully evaluated, allocated and approved by the Board of Directors for the period 2023 to 2025 during the annual budget preparation cycle.

STRATEGY SETTING PROCESS

Below figure summaries our strategy setting process.



Basis for our Strategic Pillars

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

SUSTAINABILITY OF STRATEGY

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



MOST CARING LIFE INSURER



1. OUR DEFINITION

The success of the life insurance business hinges on its ability to swiftly draw in new customers (generating new business) and effectively maintain existing ones through renewals. Exceptional customer service plays a pivotal role in both attracting and retaining customers.

2. OUR THINKING

What make our customer delighted ?

- Hassle free process to obtain a policy
- Availability of preferred payment option
- Receiving claims fast
- Hassle free discharge in the event of hospitalization
- Get maturity benefit as promised
- Doing alteration to policy is easy

3. INTERNAL KPIS TO ACHIEVE OUR OBJECTIVES

KPI		2026	2025	2024	2023	2022	2021
Digital proposal submission	%	100	100	100	100	100	100
One-day proposal acceptance	%	80	79	78	77	75	76
Auto underwriting of policy	%	72	71	70	69	68	68
One-day claim settlement	%	+80	+80	+80	75	95	94
Hospital discharge within one hour	%	+94	+94	+94	94	97	87
Acknowledge customer complains	%	100	100	100	100	100	100

4. SHORT TERM TARGET

- Digital adoptions for customer touchpoints
- Speedy claim settlement for legitimate claims
- New products
- Focus on digital distribution channels

5. MEDIUM TO LONG TERM TARGET

We aim to synchronize customer care initiatives with evolving customer behaviours and adapt our business model to swiftly seize emerging opportunities. Our objective is to elevate our customer care strategies to encompass the entire customer life cycle through comprehensive customer journey mapping. Moreover, we aspire to set the standard for the insurance industry in Sri Lanka and worldwide by integrating customer care deeply into the Company's value creation process.

6. RESOURCE ALLOCATION

- Capital expenses budgeted for expansion of branch network and digital adoption.
- Training for staff



STRATEGY FORMULATION AND RESOURCE DEPLOYMENT



PHENOMENAL SALES



1. OUR DEFINITION

SLI grew above industry growth consistently during past few years. It also moved its industry position from 5 to 2 within just 4 years. In order to continue the same journey in the future SLI needs to have phenomenal sales.

2. OUR THINKING

What are the options for growth ?

- Growth in GWP contribution by each channel
- Annualised new business premium growth
- Customer retention
- Focus on market segments

3. INTERNAL KPIS TO ACHIEVE OUR OBJECTIVES

KPI		2026	2025	2024	2023	2022	2021
GWP contribution by Agency channel	%	63	63	64	67	67	65
GWP contribution by non-Agency channel	%	37	37	36	33	33	35
GWP growth	%	20	20	20	14	15	28
Annualized New Business (ANBP) growth	%	20	20	25	2	16	31
ANBP per agent	Rs Mn	2.6	2.5	2.4	2.1	2.1	1.6
Persistence							
1 Year	%	85	85	84	83	84	85
2 Year	%	64	63	62	61	66	67
3 Year	%	57	56	55	54	58	58

4. SHORT TERM TARGET

- Productivity improvement of sales force
- Increase average premium per policy
- Increase sales advisors
- Expand corporate clients base
- Introduce new products
- Expand micro channel customers base through

5. MEDIUM TO LONG TERM TARGET

We have identified numerous expansion prospects in the Asian market and are actively seeking opportunities to enter those markets. Additionally, some of our products have reached maturity, necessitating their replacement with new offerings tailored to emerging market segments. Furthermore, we have initiated several efforts to enhance renewal premiums, anticipating a profitable trajectory for the Company in the medium to long term.

6. RESOURCE ALLOCATION

- Financial resources required for expansions is allocated through budget 2024 to 2026
- New sales agents to be recruited in 2023





SMART IT DIGITALISATION



1. OUR DEFINITION

The company's digital journey defines its competitive advantage. Furthermore, we view it as a future-ready mechanism, recognizing that our future customers will emerge from a digitally-driven world. Therefore, we believe that digitalization is a key component of sustainability for our business.

2. OUR THINKING

How our operating environment will change ?

Digital adoption among new generations is pervasive, with technology deeply integrated into their daily lives. From social media platforms to mobile apps, younger individuals embrace digital tools effortlessly, often using them for communication, entertainment, and learning.

3. INTERNAL KPIS TO ACHIEVE OUR OBJECTIVES

KPI		2024 - 2026	2023	2022	2021
Growth in One day claim settlement	%	90	75	95	94
Growth in Auto underwritten	%	+70	69	68	68

4. SHORT TERM TARGET

- Further strengthen underwriting platform by incorporating digital tools
- Further strengthen claim processing platform by integrating new channels for claim intimation

5. MEDIUM TO LONG TERM TARGET

We intend to leverage digitalization to eliminate non-value adding functions within the business, enhancing both process and financial efficiency. Our company is fully committed to a digital transformation journey, where every aspect of our organization is shaped by digitalization. By aligning with the swift global digital transformation, we anticipate creating significant value for the company through market development and penetration strategies, while also enabling lean and agile operations and resource optimization.

6. RESOURCE ALLOCATION

A team of IT professionals available to drive the digital journey. Financial resources have been allocated accordingly during corporate planning cycle 2024 - 2026.



KING OF DATA



1. OUR DEFINITION

Data analytics stands poised as the upcoming competitive advantage in the global life insurance industry, with numerous countries already leveraging its power. As SLI, we've made a daring choice to pioneer this journey, positioning ourselves as the first mover within the Sri Lankan context.

2. OUR THINKING

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

3. INTERNAL KPIS TO ACHIEVE OUR OBJECTIVES

Three years ago, we implemented data analytics and completed several highly successful projects that significantly influenced our business operations. These initiatives encompassed the introduction of RPA (Robotic Process Automation) to automate underwriting, claim processing, bank reconciliation, among others. Presently, our approach involves managing these projects individually, and we are yet to specify Key Performance Indicators (KPIs) that measure the business value created by these endeavours.

4. SHORT TERM TARGET

- Strengthen underwriting process by integrating data analytics enabling better risk assessment.
- Hospital discharge will further improve through bill prediction using integrating Artificial Intelligence technology

5. MEDIUM TO LONG TERM TARGET

In the future, data analytics will emerge as the primary driver of our business, enabling us to offer more customized products and services tailored to meet the precise needs of our customers. Data will serve as the foundation upon which we sustainably manage our business operations.

6. RESOURCE ALLOCATION

A team of IT professionals including data scientists are available to manage the function. Financial resources have been allocated accordingly during corporate planning cycle 2024 - 2026.

STRATEGY FORMULATION AND RESOURCE DEPLOYMENT



LEAN AND FAST



1. OUR DEFINITION

Recognizing the swift pace of global change, we acknowledge the imperative for our processes to match this speed. Moreover, as we implement our strategy, we operate within constraints of limited resources. Hence, the enduring importance of lean management remains paramount.

2. OUR THINKING

Key areas of the business can be influence through lean management
How it relates to and support to other strategic

3. INTERNAL KPIS TO ACHIEVE OUR OBJECTIVES

We have already introduced lean management to many of the key business areas where the relevant KPIs are linked to same reported under “most caring life insurer”. However, in addition to that we specifically monitor expense efficiency as this eventually should support cost saving

KPI		2026	2025	2024	2023	2022	2021
Expense ratio	%	19.6	20.6	21.6	22.6	21.7	18.6
GWP per employee	%	30.0	26.8	26.2	26.7	23.1	20.5

4. SHORT TERM TARGET

Automating processes based on the priority to achieve Company strategy

5. MEDIUM TO LONG TERM TARGET

We will be monitoring productivity improvement of the staff. More focus will be given to staff development. Lean and fast will be embedded in all our operational aspects to reach our strategic goals.

6. RESOURCE ALLOCATION

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



GOVERNANCE



1. OUR DEFINITION

Given the inherently long-term nature of our customer contracts, maintaining robust governance is of utmost importance in safeguarding our customers' wealth. Consequently, the management always deems it essential to uphold the highest standards of governance within the organization .

2. OUR THINKING

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

3. INTERNAL KPIS TO ACHIEVE OUR OBJECTIVES

KPI		2026	2025	2024	2023	2022	2021
Comply with mandatory provision of Corporate governance	%	✓	✓	✓	✓	✓	✓
Comply with voluntary provision of Corporate governance	%	✓	✓	✓	✓	✓	✓

4. SHORT TERM TARGET

Ensure strong corporate governance practices within the Company by fulfilling all regulatory requirements. (Refer Page 152 to 241 for detailed corporate governance strategy and related information).

5. MEDIUM TO LONG TERM TARGET

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

6. RESOURCE ALLOCATION

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



RISK MANAGEMENT



1. OUR DEFINITION

The environment in which we operate is undergoing rapid change, presenting numerous risks to the execution of our strategy. Continuously, new risks are being added to our list, contributing to the evolving landscape of challenges we face.

2. OUR THINKING

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

3. INTERNAL KPIS TO ACHIEVE OUR OBJECTIVES

KPI		2026	2025	2024	2023	2022	2021
Updated risk heat map and discussion in the risk committee of the Company.	%	✓	✓	✓	✓	✓	✓

4. SHORT TERM TARGET

Maintaining proactive risk management approach

5. MEDIUM TO LONG TERM TARGET

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

6. RESOURCE ALLOCATION

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



More focus on Short term



More focus on medium to long term



Equally important in all the time

PERFORMANCE GOVERNANCE

Monitoring performance is a critical aspect of successful strategy execution. We translate our strategy into both financial goals and non-financial objectives to effectively measure performance. Regular evaluations are conducted to assess performance against these metrics. The board of directors oversees the company's performance based on established criteria, supported by robust internal controls. Further details on the operation of performance governance can be found on page 185 of this report.

MANAGEMENT OF STRATEGIC RISK

The comprehensive risk management framework is essential to navigate organisation to its vision. We give priority to risk management aspects while we setting and executing the strategy. Accordingly we have organization wide integrated risk management framework which cover all key aspects of the business including strategy setting and execution. This has been elaborated under integrated risk management framework on page 242 of this report

FINANCIAL OBJECTIVE

In order to improve accountability of the management we have decided on disclosing futuristic financial objectives in the annual report. These objectives are derived through strategy setting process and approved by the board of directors. We have disclosed these objectives on page 88 as applicable covering overall all financial statement level and internal process level.

LONG TERM SUSTAINABILITY

Throughout the year 2023, we have undertaken numerous initiatives, introduced process innovations, and embraced digitalization and innovation within our business processes. These efforts are elaborated upon in detail in the operational review from page 43 to 59. we aim to guarantee the long-term sustainability of our operations.

OUR FUTURE

Cautious action for **Promising** future

ECONOMIC OUTLOOK

Progress has been noted by the government regarding reforms outlined by the International Monetary Fund. This advancement is evidenced by improved foreign currency liquidity, enabling the lifting of many import controls. Although market interest rates have decreased, they persist in double digits. Consequently, the inflation forecast for the current year has been adjusted downwards compared to the previous year. Encouragingly, the growth recorded in the fourth quarter of 2023 across various sectors suggests an anticipated increase in economic activity throughout 2024. This momentum fuels expectations for growth in the upcoming year. The lifting of import controls, coupled with improved foreign currency liquidity, underscores a positive trajectory toward economic stability and expansion. As the government continues to implement reforms in line with international standards, the outlook for sustained economic growth appears promising, fostering optimism for the 2024.

INDUSTRY OUTLOOK

At present, several favourable indicators signal promising growth prospects within the Life Insurance sector. Nonetheless, there are areas of caution to consider, stemming from the escalating poverty line and the heightened occurrence of epidemics, which adversely affect the industry's attractiveness. Moreover, we remain vigilant regarding the potential challenges posed by intense competition, particularly if market expansion remains limited in 2024. These considerations underscore the importance of adopting a prudent and strategic approach within the Life Insurance industry, navigating through potential obstacles while capitalizing on emerging opportunities. It is imperative to adapt to the evolving economic landscape, ensuring resilience and sustainability in the face of uncertainty.

FUTURE OF SOFTLOGIC LIFE

We have completed our corporate planning cycle, which encompasses short- and medium-term strategies spanning from 2024 to 2026. Our strategies have been crafted, considering all pertinent market information available during the budget preparation phase. We have established robust strategies that consider the

needs and expectations of all our stakeholders. Our commitment to incorporating feedback and insights from our stakeholders remains steadfast as we navigate the dynamic business landscape. With a solid foundation and a forward-thinking mindset, we are poised to seize opportunities and overcome challenges in the pursuit of sustained growth and success.

We expect to create value for our shareholders by providing above 20% Return on Equity which we consistently maintained last five years. Our top line targets set in order to achieve this objective.

Employees and sales staff are pivotal to our value creation journey. To foster their motivation and loyalty, we have developed plans to conduct engagement activities. Additionally, we will offer skill development opportunities to prepare them to serve our diverse client base effectively. These initiatives, combined with attractive compensation packages, will enhance the value for our staff.

Our priority lies in creating value for our customers, which serves as the foundation of our value creation cycle. We will explore avenues to enhance customer satisfaction, placing a strong emphasis on leveraging technology. Our industry-leading systems and processes have already been implemented and will be continually updated to align with emerging needs and requirements.

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

Digitalization and innovation will serve as key pillars in all our value creation endeavours. We anticipate enhancing the digital experience within the organization, generating positive

impacts for our customers, employees, sales staff, and other stakeholders. Furthermore, we will leverage this as a competitive advantage to surpass our key competitors.

The future strategies for value creation are detailed under each capital as listed below.

Capital Report	Page No
Financial Capital	92
Human Capital	98
Social and Relationship Capital	112
Intellectual Capital	130
Manufactured Capital	138
Natural Capital	142

Our strategy's sustainability has been validated through tangible business results and a clear track record of success. Our future strategies are also designed sustainably, aligning them with our internal sustainability performance metrics and practices recommended by external authorities such as UNSDG, UN global compact and GRI standards.

ALIGNMENT OF STRATEGIC PILLARS

Our expectation on Short to medium and long term is provided under strategy discussion on page 82.

LEGAL AND REGULATORY COMPLIANCES

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

OUR PERFORMANCE IN 2023 VS TARGET 2024

As we navigate the future, we will remain focused on key performance indicators set out for 2024 and beyond. The table below provides most critical KPIs which we are planning to achieve in 2024 while executing our strategy.

	2024 Target	2023 Actual	2023 Target	Achievement
Return on Equity	>20%	23.5%	>20%	●
GWP Performance (Rs Mn)	31,609	26,341	28,780	●
Annualised New Business Premium (ANBP)	7,500	6,000	7,000	●
Persistency (Year 1) %	84	83	85	●
Market Share %	17.9	17.2	17.2	●

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



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

We have been engaged by the Directors of Softlogic Life Insurance PLC ("the Company") to provide limited assurance in respect of the Integrated Report for the year ended 31 December 2023 (the "Integrated Report"). The criteria used as a basis of reporting is the content elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) as disclosed in this Integrated Report.

BASIS FOR CONCLUSION

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

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

OUR CONCLUSION

Our conclusion has been formed on the basis of, and is subject to, the matters

outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

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

LIMITED ASSURANCE INTEGRATED REPORT

Based on the evidence we obtained from the assurance procedures performed, as described below, we are not aware of any material misstatements that causes us to believe that the Integrated Report, as defined above, for the year ended 31st December 2023, has not in all material respects, been prepared in accordance with the Content Elements of the IIRC's International Integrated <IR> Framework.

BOARD OF DIRECTORS AND MANAGEMENT'S RESPONSIBILITY

The Board of Directors and Management are responsible for:

- Determining that the criteria is appropriate to meet the needs of intended users, being the Company's members and any other intended users.

- Preparing and presenting of the Integrated Report in accordance with the criteria set out in the IIRC's <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations.
- Ensuring the Company's strategy is well presented in the Company's Integrated Report and reflects how the Company creates value as they operate in practice
- Identifying stakeholders and stakeholder requirements;
- Identifying material issues and reflecting those in the Company's Integrated Report; and
- Preparation and fair presentation of the Integrated reporting information;
- Design and implementation of internal controls that the Company determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement, whether due to fraud or error.
- Informing us of any known and/or contentious issues relating to the Integrated Report.
- Preventing and detecting of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities;
- Processes to ensure that the Company personnel involved with the preparation and presentation of the integrated reporting information are properly trained, systems are properly updated and that any changes in

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C. P. Jayatilake FCA
Ms. S. Joseph FCA
G. A. U. Kanunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA

T. J. S. Rajakarier FCA
W. K. D. C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

W. W. J. C. Perera FCA
S. T. D. L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

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

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

reporting is relevant to the Integrated Report information encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations.

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

OUR RESPONSIBILITY

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

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics).

SLSAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the Integrated Report is free from material misstatement.

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

LIMITED ASSURANCE ON THE INTEGRATED REPORT

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

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Integrated Report;
2. Reviewing of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the Company's stakeholders, how the Company creates value, the Company's external environment, strategy, approaches to putting members first, governance and reporting.
3. Reviewing the description of the Company's strategy and how the Company creates value in the Integrated Report and enquiring of management as to whether the description accurately reflects their understanding;
4. Assessing of the suitability and application of the Content Elements of the <IR> Framework in the Integrated Report;
5. Assessing of the alignment between the Company's strategy, the disclosures on how the Company creates value and what matters most to the Company's stakeholders.
6. Reviewing Board minutes to ensure consistency with the content of the Integrated Report.
7. Reading the Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.
8. Obtaining a letter of representation from management dated 04 March 2024 on the content of the Company's Integrated Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Integrated Report.

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

LIMITATIONS OF OUR REVIEW

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report.

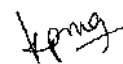
PURPOSE OF OUR REPORT

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Integrated Report is prepared in accordance with the IIRC's International <IR> Framework and for no other purpose or in any other context.

RESTRICTION OF USE OF OUR REPORT

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

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.



Chartered Accountants

Colombo

4th March 2024

CREATING AND HARNESSING OF VALUE OF OUR RESOURCES

Financial Capital **92** | Human Capital **98** | Social and Relationship Capital **112**
Customer **113** | Business Partners **121** | Community **126** | Intellectual Capital **130** | Manufactured Capital **138**
Natural Capital **142** | Independent Assurance Report on Sustainability Report **148**



LARGER.
LEANER.
LIVELIER.

Even as we expand and grow, our streamlined, agile structures empower us to achieve a dynamic, ever-evolving approach towards value creation and progress. Our people support our vision, spurred on by a passion to deliver positive transformation and change across society.



FINANCIAL CAPITAL

Prudent management for Enhanced position

**BIGGER.
BETTER.
BOLDER.**



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Financial capital within the company serves as a cornerstone, essential for operations and growth. It drives investment, innovation, and expansion, steering the company towards its goals. Like a vital stream, financial capital flows through operations, shaping the company's trajectory and potential. Effective management and strategic allocation are crucial, defining the company's fortunes and competitive edge in the market.



Connectivity and Tradeoff

Relevance to strategy



Human capital

- + Remuneration and benefits paid to employees
- + Provide other benefits such as engagement activities and training etc:



Social & relationship capital

- + Timely claims settlement and financial stability to customers
- + Taxation and adherence to rules and regulations for the government and regulators



Financial capital

- + Sustainable profit growth and dividends to shareholders
- Use of financial resources to execute company strategy



Phenomenal Sales

Financial support is vital for the expansion of business while maintaining adequate capital adequacy.



Most Caring Life Insurer

Effective financial capital management facilitates process improvements and innovations to improve customer convenience and service excellence.



Smart IT Digitalization

Adequate financial resource allocation and investment in IT digitization is prerequisite for executing this strategy.

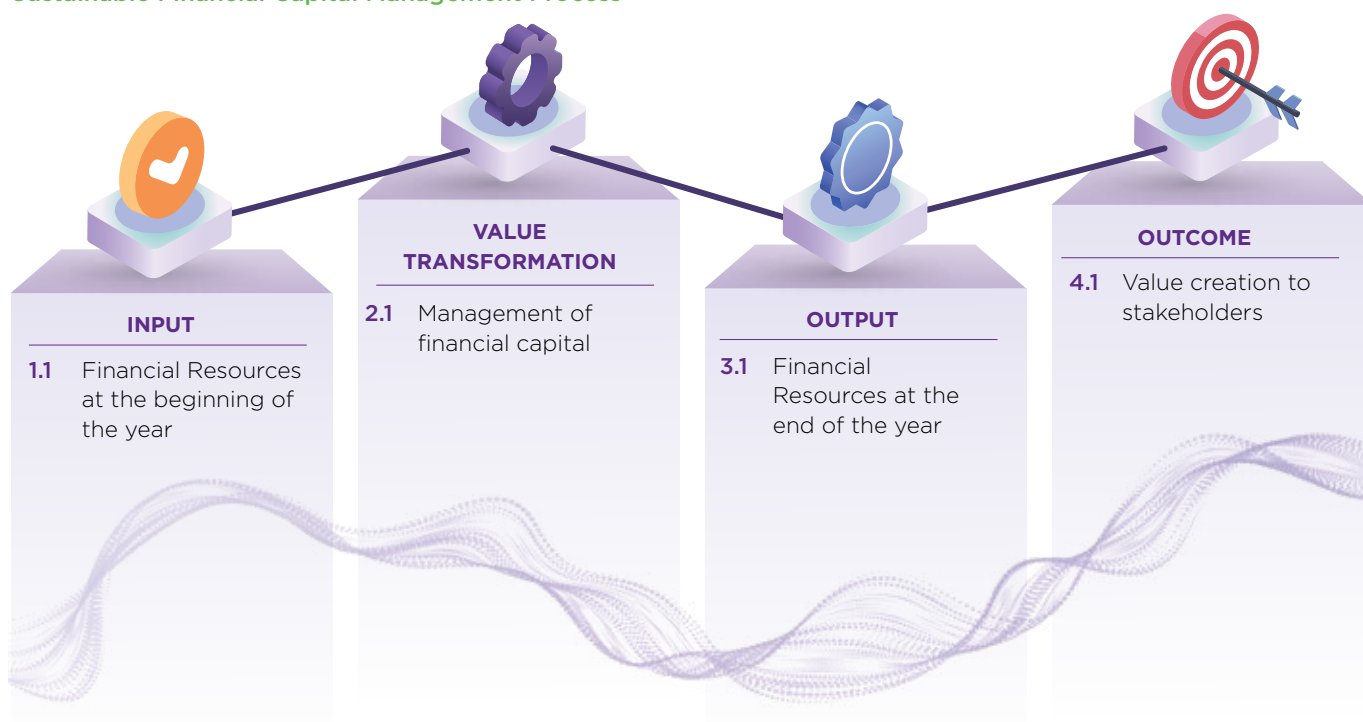


Lean and Fast

Effective expense management and required investments facilitates the lean and fast strategy.

Our financial capital encompasses the monetary assets sourced from investors and augmented through our operational endeavours. These assets are integral to our business model, comprising share capital, retained earnings, various reserves, insurance contract liabilities, financial investments, and other funding streams. In order to provide better understanding on how we manage our financial capital we have used below process which cover all significant areas.

Sustainable Financial Capital Management Process



FINANCIAL CAPITAL

2.1 MANAGEMENT OF FINANCIAL CAPITAL

It was extremely difficult to manage financial resources during the year due to pivotal pressures felt by the organization which mainly occurred due to external environment. New cash flows generated from the operation were impacted due to the challenges we faced in maintaining our growth and managing our operation which are detailed under "Our Risk profile" on page 65. It was crucial to allocate financial resources we had among diverse needs of our stake holders while we being success in our strategy execution.

We closely monitor our cash flows to optimal usage of financial capital. We closely monitor our inflows and outflows on a monthly basis and use budgeting as a controlling mechanism. The performance indicators are tabled at regular management meetings and Board meetings. Future action plans were debated and agreed upon, aligning those to the short /medium term strategy of the Company. Monthly financial reports were prepared in accordance with financial reporting frameworks adopted, as described in the 'Reporting Frameworks' on Page 16 and circulated to the senior management and the Board of Directors.

Financial Performance

Summarised financial performance are provided under "Financial Highlights" while detailed financials are enclosed from page 30 to 31. These provide insights on how we use financial resources to create more value in terms of each stakeholder. Below is the extraction from financial statements where insights are provided for significant areas.

Income statement analysis

Income Statement of the company is provided on page 271 and material items are analysed below.

Item	YoY Change	2023 Rs Mn	2022 Rs Mn	G%	Description
Gross written premiums	↑	26,341	23,083	14	The company recorded Rs 26 Bn GWP with a growth of 14% compared to industry growth of 12%. All three channels contributed to the growth by maintaining growth. Refer page 43 for more details on strategy, risk, KPI and other information
Premiums ceded to reinsurers	↓	(2,491)	(2,679)	(7)	Premium ceded to reinsurers stood at Rs 2.4 Bn compared to Rs 2.6 Bn recorded in last year. Re insurance optimization has lead the reduction of 7%. Further information is provided on page 52.
Total other revenue	↑	7,948	5,120	55	Total other revenue has grown by 55% from Rs 5.1 Bn in 2022 to Rs 7.9 Bn in 2023. The growth is predominantly supported by increase in treasury bond investment income. Treasury bond investment portfolio has grown significantly during the year with soaring yield which resulted to the growth.
Net insurance benefits and claims paid	↑	(12,898)	(8,264)	56	By nature of life insurance business rapidly increasing portfolio impact increase in benefit and claims. However, during the year 2023 we noted increasing trend of health claims due to various diseases spread among the community. More details on claims ratios and related information are provided on page 46.
Change in insurance contracts liabilities	↑	(2,828)	(3,717)	(24)	Results from Life fund valuation determine how much of inflow should be set aside to meet future liabilities and during the year insurance contract liabilities increased by Rs 2.8 Bn. It is a 24% reduction compared to the previous year. The amount is decided based on the product mix as well as surplus generated during the year.

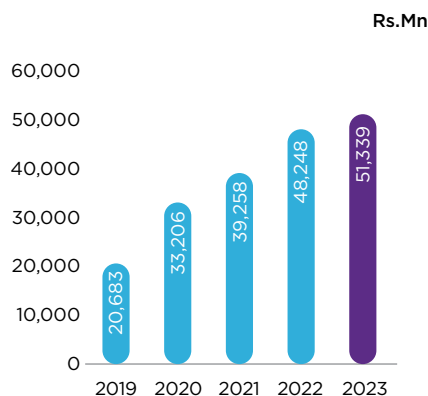
Item	YoY Change	2023 Rs Mn	2022 Rs Mn	G%	Description
Underwriting and net acquisition cost (Net of reinsurance)	↑	(5,486)	(4,956)	11	Underwriting and net acquisition cost represent variable cost we incurred to bring revenue (GWP). It has grown by 11% compared to GWP growth of 14% as changing product mix and additional information on this area with ratio analysis is provided on page 50.
Other operating and administration expenses	↑	(5,111)	(4,357)	17	Operating administration and finance expenses have recorded a 17% increase compared to previous year. More details are provided on page 51.
Impairment charge on financial investments	↓	(1,082)	(2,139)	(49)	We have recorded Rs 1.0 Bn impairment provision against the Funds we invested in international sovereign bond and Sri Lanka Development Bonds as per the accounting standards.
Profit before tax	↓	3,197	4,030	(21)	Profit before tax has decreased by 21% reaching to Rs 3.1 Bn compared to Rs 4 Bn reported in last year
Profit after tax	↑	2,838	2,682	6	Profit after tax for the period stood at Rs 2.8 Bn recording a growth of 6%. More details are provided on page 58.
Total other comprehensive income	↑	935	(1,348)	(169)	OCI recorded a gain of Rs 935 Mn compared to loss of Rs 1,348 Mn recorded in 2022. The main contributing factors are Rs 607 Mn fair value gain recorded from equity instruments classified as FVOCI and fair value gain of Rs 262 Mn from debt instruments recorded as Fair value through Other Comprehensive Income (FVOCI).

FINANCIAL POSITION ANALYSIS

Financial position of the company provide on page 273 and material items of assets and liabilities are analysed below

Analysis of total assets

G13-TOTAL ASSET



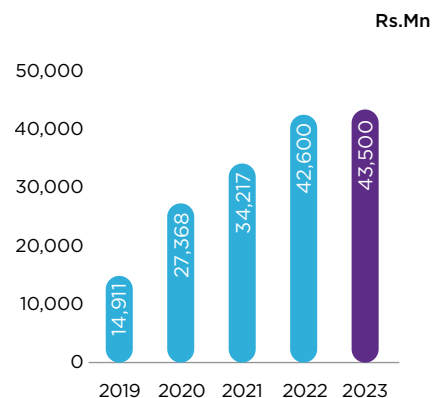
The Year 2023 ended with Rs. 51.3 Bn, recording a 6% growth compared to Rs. 48.2 Bn in 2022 in total assets which signifies a two-fold increase over the past five years. The growth was supported by the Company's prudent financial management practices.

Composition of Assets

Financial investment account for 85% of total assets and balance 15% includes Property plant and equipment, lease assets, Re-insurance and Premium receivables, cash and cash equivalents etc.

Analysis of financial investment

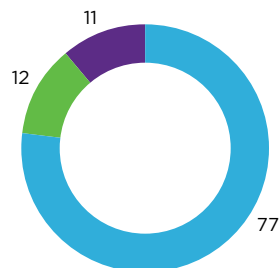
G14-FINANCIAL INVESTMENT



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

FINANCIAL CAPITAL

G15-COMPOSITION OF FINANCIAL INVESTMENT



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

Financial investments are reported in the financial statements under three broad categories as per the guidelines of SLFRS 9. Detailed analysis is provided on financial investment on Page 343. Table below represent the composition of investments under each category

Description	2023	2022	G%	Mix 2023	Mix 2022
Investment in government securities	27,342	26,750	2%	63%	63%
Debentures	7,347	8,154	-10%	17%	19%
Unit trust	3,514	2,578	36%	8%	6%
Commercial papers	1,713	2,369	-28%	4%	6%
Equity securities	2,087	1,437	45%	5%	3%
Securitised Papers	577	790	-27%	1%	2%
Fixed deposits	919	522	76%	2%	1%
Total	43,500	42,600	2%	100%	100%

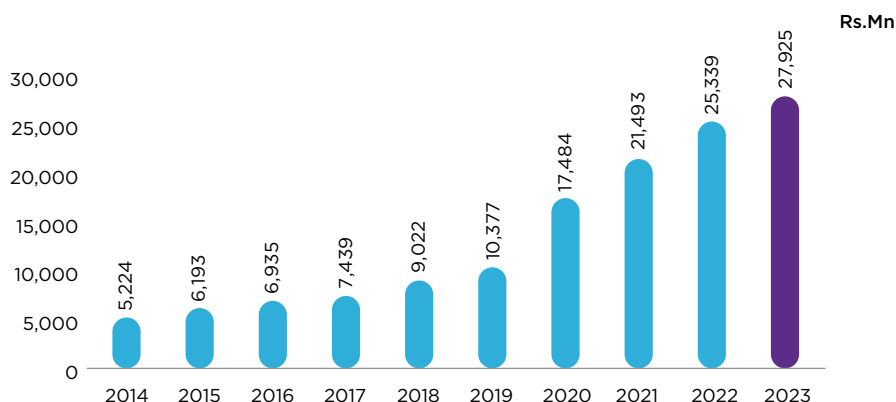
Investment portfolio has marginally grown by 2% while mix almost in-line with the previous year. Even though high interest rates prevailed during the year 2023 majority of government securities were short term tenure. Other investment opportunities with better investment grade were limited during the year. Equity securities has grown by 45% mainly due to fair value gain recorded.

Analysis of Liabilities

Total liability stood at Rs 38 Bn by end of 2023 compared to Rs 37.3 Bn recorded in 2022 a growth of 2%. Out of total liabilities 73% represent insurance contract liabilities and 13% loan and borrowings.

Insurance contract liability

G16-INSURANCE CONTRACT LIABILITY



The Life Insurance contract liabilities refers to the reserves built to meet the future claims and maturities of Life Insurance policyholders. Life Insurance contract liabilities of the Company stood at Rs. 27.9 Bn in 2023, with an increase of 10% compared to 2022.

Actuarial Valuation of Insurance Contract liability

According to the regulatory requirement, insurance contract liabilities are required to be valued by the actuary. The report on the valuation of the Life Fund was conducted by the appointed independent Consultant Actuary Mr. M. Kunj Behari Maheshwari from Towers Watson India Private Limited, a Willis Towers Watson. Details of the

Table 19: Insurance Contract Liabilities

Rs Mn	2023	2022	G%
Insurance contract liabilities	26,145	23,412	12
Surplus Created due to, Change in Valuation method from NPV to GPV - Participating Fund	1,057	1,057	-
Claims Payables	724	870	(17)
Total	27,926	25,339	10

actuarial report appears on Page 264 to this annual report.

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

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

Liability Adequacy Test (LAT) Valuation

LAT was conducted for the Life Insurance Reserves as required by SLFRS 4 – Insurance Contracts, to identify whether the recorded reserves are adequate to meet future liabilities. Actuary, concluded that there is no requirement to provide additional reserves as the reserve available is sufficient to meet future policyholders' liabilities.

IMPACT OF CHANGES IN SRI LANKA ACCOUNTING STANDARDS

The Company intends to adopt the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements, if applicable, when they become effective. Details are provided on page 289 of this report.

WAY FORWARD

Short Term Target	Medium Term View
GWP growth – >20 %	GWP growth – >20%
PBT growth – >20%	ROE – >20%
Expense ratio – 18%	Capital Adequacy Ratio – >160% (Regulatory requirement 120%)
ROE – >20%	Maintain adequate liquidity level with prudent risk management
Capital Adequacy Ratio – >160%	Manage financial capital to support the growth strategy

Sustainable Performance

The Company has implemented many initiatives in line with our strategic objective of delivering sustainable profitable growth in the medium to long-term. These actions are discussed in Operational Review on page 43 and strategies are provided on page 82.

Corporate Governance

The Company's strong corporate governance framework, philosophy and practices ensure we manage our financial capital in a transparent manner with the ultimate objective of entity value creation. The management is confident that our future strategy which will be filtered through the governance body of the Company generate outstanding performance in future. Our Corporate Governance practices have been provided on Page 152 of this report.

Risk Management

The Company's robust risk management framework laid out on Page 42 of this report will protect our financial capital from being diminished due to internal and external events that could disturb the value creation process of the Company. We will further improve our risk management framework to capture all significant risks around us. Our risk management framework is illustrated on page 242.

Business continuity plan

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

HORIZONTAL AND VERTICAL ANALYSIS

Horizontal and vertical analysis on the statement of financial position and income statement over five years is presented on page 389.

STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

This is one of the key activities as far as future financial capital value generation is concerned. The management carefully screens the environment it operates in and sets business strategy that brings value addition in every aspect of the operation. Our Environment Analysis is provided on Page 61 and Strategy and Resource Allocation process is set out on Page 82 of this report.

ENGAGEMENT WITH STAKEHOLDERS

In our future value creation activities, we regularly engage with all our stakeholders who are the determining factor of the Company's ability for future value creation. Our existing and future engagement with stakeholders is provided on Page 72.

SIMPLIFIED INSURANCE FINANCIALS

Insurance Accounting is different from the accounting for a manufacturing or trading organisation, due to the uniqueness of the business and terminology associated with the transactions. We have provided detailed explanation of our financials for better understanding on page 384.



HUMAN CAPITAL

The **Biggest** Asset within our organization

**BIGGER.
BETTER.
BOLDER.**



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Through the integration of human capital reporting, we are elevating our accountability and providing stakeholders with a clearer, more transparent view of our business's vitality. This commitment to accuracy not only fosters transparency but also positions us for a competitive edge. By unleashing the full potential of our workforce, the case for adopting this approach resonates emphatically.



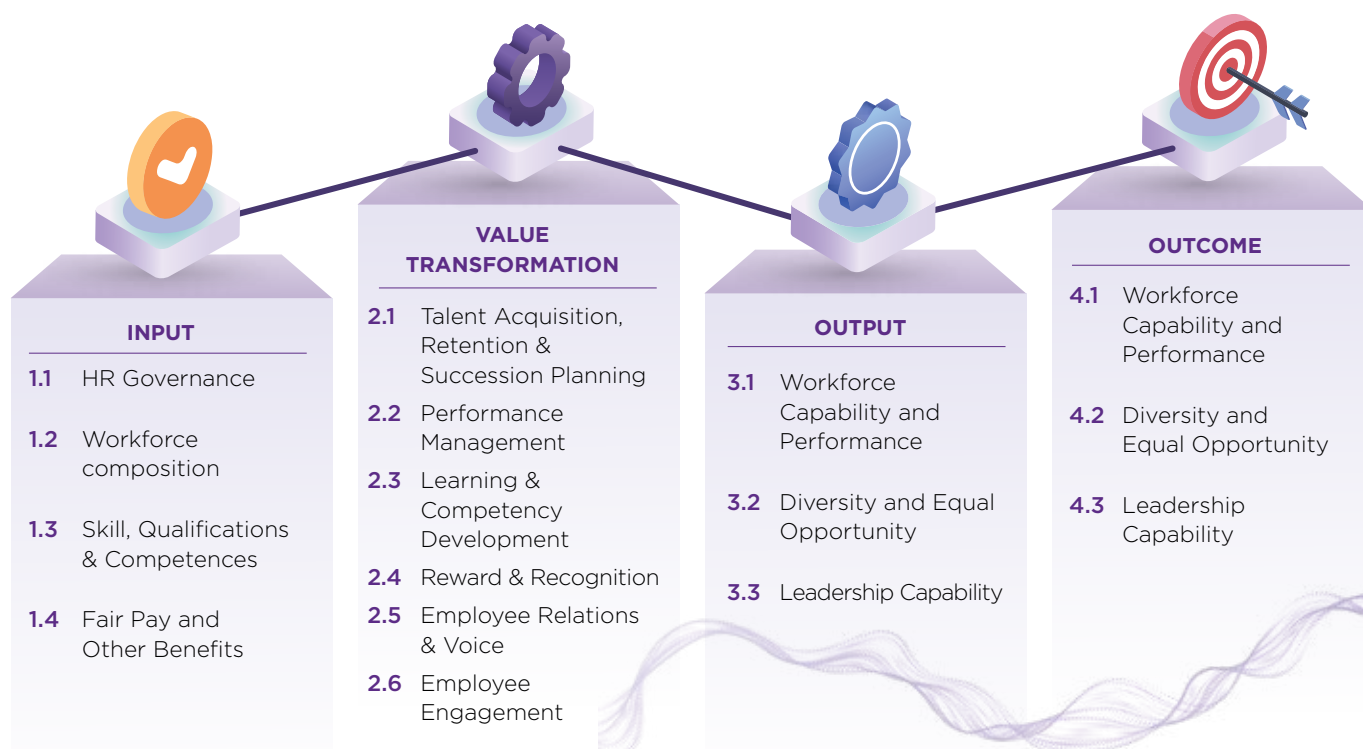
Connectivity and Tradeoff

Relevance to strategy



Our workforce serves as the driving force behind the organisation’s success. The remarkable achievements of the past decade are a direct result of the bold initiatives and extraordinary dedication of our employees. As an organisation we are committed to make their tomorrow better. Our workforce consist of employees, Sales Staff and supervised workers. In order to provide deeper understanding of our employees’ contributions to the company’s value creation journey and our approach to workforce management, we have used the following structured reporting practices. These practices comprehensively capture all facets pertinent to human capital, ensuring a holistic understanding.

Sustainable Human Capital Management Process



HUMAN CAPITAL

	GRI	2-22	205-2	UNGC	1	2	10

HR GOVERNANCE

A comprehensive Human Resources policy framework, reinforced by strong processes and procedures, governs SLI’s HR practices, ensuring a dynamic work environment for all employees. Our HR strategies are designed at the highest level to uphold international standards in Labour Management practices. The ultimate responsibility for our “People strategy” rests with the Board. The Human Resources Department (HRD) is tasked with executing the people strategy and provides regular reports on its activities to both the Managing Director and the Board.

Key HR policies and practices enacted within the organisation are listed below

Zero tolerance on corruption

As a responsible organisation We strongly believe that bribery and corruption is unethical, unacceptable and inconsistent with our Values and our Code of Ethics. We regularly educate our employees through corporate communications and further guidelines are provided on Staff Hand Book and Whistle Blowing policy.



Respecting Human Rights, Labour Rights and Non-discrimination

We are committed to implementing internationally agreed principles on human rights as described in our Human Rights Policy. The SLI promotes fair representation, equal opportunity and a safe workplace, amongst others.

Currently there is no labour union at SLI.

Child Labour & Forced and Compulsory Labour

We have clear policies and processes in place to ensure that we do not employ any under age, forced labour or are not associated with third parties identified as having significant risk for incident of child or forced labour

Ensuring a Safe and Healthy Life Style

Our health and safety plans follow to ensure that SLI provide a healthy and safe working environment for its most important resource which is People. We are responsible for the health, safety, and security of all our employees and customers.

We have installed following safety options in our work places



No incidents due to workplace related emergencies reported during the year 2023

Listening to Employee Grievances

The grievance policy ensures employees are heard and given a fair resolution to their grievances. We encourage all employees to directly reach out to the members of the Grievances Committee and the Company takes the responsibility to handle those concerns according to the Grievance Matrix. Further, employees are encouraged to use the established whistleblower mechanism.

No grievances were reported during the year.



GRI

2-7

2-8

2-23

405-1

UNGC

6

Human Resource Policies available at Softlogic Life

- Recruitment & Selection Policy
- Remuneration Policy
- Performance Management Policy
- Learning & Development policy
- Education Policy
- Employee Grievance Handling Policy
- Disciplinary Policy
- Salary Advance Policy
- Remuneration Policy
- Absence management policy
- Occupational Training and Internships
- Study leave policy
- Staff re-hiring policy
- Social media policy
- Identity card policy
- Cessation of Employment Policy



Throughout the year, our organisation has maintained full compliance with employee-related laws and regulations stipulated in Sri Lanka. Notably, no instances of non-compliance have been reported, and consequently, no fines have been imposed for any such breaches.

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

1 INPUT

We acknowledge our current workforce as the input for the value-generating process, and it is analysed in detail below.

1.1 Workforce Composition

The unique profile of our human capital is illustrated below

Table 20 – Workforce by Type of Employment

Employment Type	2023			2022		
	Total	Male %	Female %	Total	Male %	Female %
Employees	985	68%	32%	999	71%	29%
Field Staff	2,864	74%	26%	2,867	75%	25%
Supervised workers	163	9%	91%	125	3%	97%
Total Workforce	4,012	70%	30%	3,991	72%	28%

Table 21 – Employee By Employment Contract

Employment Contract	2023			2022		
	Total	Male %	Female %	Total	Male %	Female %
Permanent Employment	663	62%	38%	707	66%	34%
Probation Employment	163	69%	31%	115	70%	30%
Contract Employment	159	96%	4%	177	93%	7%
Total Workforce	985	68%	32%	999	71%	29%

HUMAN CAPITAL



GRI

2-7

405-1

Table 22 – Employees by Region

Employment Contract	2023			2022		
	Total	Male %	Female %	Total	Male %	Female %
Central	88	74%	26%	60	75%	25%
Eastern	35	60%	40%	42	71%	29%
North Central	31	81%	19%	24	83%	17%
North Western	79	81%	19%	67	84%	16%
Northern	45	71%	29%	41	76%	24%
Sabaragamuwa	45	71%	29%	33	73%	27%
Southern	91	71%	29%	82	74%	26%
Uva	34	74%	26%	23	70%	30%
Western	537	64%	36%	627	69%	31%
Total Employees	985	68%	32%	999	71%	29%

Table 23 – Employees Based on Age

Age Category	2023			2022		
	Total	Male %	Female %	Total	Male %	Female %
Below 30	369	49%	51%	323	50%	50%
Between 31-50	552	78%	22%	606	80%	20%
Above 50	64	97%	3%	70	96%	4%
Total Employees	985	68%	32%	999	71%	29%

Table 24 – Permanent Employees by Employment Category

Employment Category	2023			2022		
	Total	Male %	Female %	Total	Male %	Female %
AGM and above	39	92%	8%	35	94%	6%
AM and above	338	83%	17%	333	83%	17%
Executive	294	51%	49%	406	58%	42%
Non-Executive	314	66%	34%	225	75%	25%
Total Employees	985	68%	32%	999	71%	29%

Table 25 – Composition of Governance Body

Age Category	2023			2022		
	Total	Male %	Female %	Total	Male %	Female %
Between 41-50	1	100%	0%	2	50%	50%
Between 51-60	5	80%	20%	4	100%	0%
Between 61-70	2	100%	0%	2	100%	0%
Total Employees	8	88%	13%	8	88%	13%



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1.3 Skill, Qualifications & Competences

The life insurance industry is highly specialised, demanding diverse expertise across all aspects of the business. Softlogic Life's distinctive business model raises the standards even higher in terms of the knowledge and expertise maintained within the organisation. Our HR practices, particularly in recruitment and knowledge management, are tailored to meet this demand and ensure that the organisation consistently possesses the necessary competencies for sustained growth. We consistently attract and retain the best talent in the industry, implementing internal measures to evaluate employees at each designation level. This strategic approach contributes to our organisational strength and industry leadership.

1.2 Fair Pay and Other Benefits

At SLI, we firmly believe in the importance of pay transparency as a foundation for fostering a sense of equity and fairness within our workforce. This commitment not only distinguishes our organisation but also plays a crucial role in attracting and retaining top talent. To ensure that our compensation remains competitive, the company conducts regular market surveys, utilising the findings to align our pay scales and other benefits. This strategic approach is a key element of our talent management strategy, reflecting our dedication to cultivating a performance-driven culture. The remuneration structures are designed on the principles of fairness, considering factors such as the cost of living, industry benchmarks, internal pay equity, business results, and individual/team performance. In addition to regulated benefits, we offer various other category-specific and role-based benefits. Upholding our equal

opportunity policy, we do not discriminate in employee benefits, including remuneration, based on diversity factors such as gender, age, or race.

MONETARY BENEFITS

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

NON MONETARY BENEFITS

1. Health and safety
2. Job Security and Enrichment
3. Flexibility
4. Training opportunities
5. Work/Life Balance
6. Employee Empowerment

Key Performance Indicator (KPI)

1.1Mn

Gross Remuneration per employee

125Mn

EPF Contribution

67Mn

Defined Benefit Plan Contribution

31Mn

ETF Contribution

2 VALUE TRANSFORMATION

We have introduced a range of strategic initiatives that address all aspects of human capital development, aiming to optimise the value generated.

2.1 Talent Acquisition, Retention & Succession Planning

Talent Acquisition

Recruitment, retention, and succession planning are integral components of our talent management strategy. Our commitment to acquiring top-tier talent begins with a recruitment process that seeks individuals who not only possess the requisite skills but also align with our organisational values. Our recruitment process illustrated below.

Recruitment Process

Market Analysis

Profile Mapping

Sourcing Strategies

Talent Matching

Relationship Building

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Analysis of new recruitment during the year 2023

Table 26 - New Recruits by Age Category

Age Category	2023			
	Total	Male %	Female %	Age Mix
Below 30	166	54%	46%	53%
Between 31-40	83	82%	18%	26%
Between 41-50	59	88%	12%	19%
Above 50	8	100%	0%	3%
Total Employees	316	69%	31%	100%
Total Employees	985	68%	32%	999

At our organization, we prioritize the integration of young talent into our cultural fabric, aiming to cultivate future leaders. In 2023, an impressive 79% of our newly hired individuals were under the age of 40. This statistic underscores our commitment to fostering a dynamic environment that values youthful perspectives and encourages professional growth, ensuring a robust pipeline of capable leaders poised to drive our collective success into the future.

Table 27 - New Recruits by Province

Province	2023				2022			
	Total	Male %	Female %		Total	Male %	Female %	
Central	32	75%	25%	10%	9	56%	44%	3%
Eastern	29	79%	21%	9%	23	87%	13%	8%
North Central	12	100%	0%	4%	7	86%	14%	2%
North Western	14	79%	21%	4%	22	82%	18%	8%
Northern	25	76%	24%	8%	15	60%	40%	5%
Sabaragamuwa	15	73%	27%	5%	3	100%	0%	1%
Southern	31	68%	32%	10%	19	74%	26%	7%
Uva	17	82%	18%	5%	4	75%	25%	1%
Western	141	58%	42%	45%	188	63%	37%	65%
Total Employees	316	69%	31%	100%	290	68%	32%	100%

Throughout the fiscal year, our emphasis on the western province decreased notably, dropping from 65% to 45% compared to the previous year. This strategic shift primarily stems from our intensified business expansions concentrated on the growing markets of the northern and central provinces. By redirecting our focus and investments towards these regions, we aim to capitalize on emerging opportunities, broaden our market presence, and strategically position ourselves for sustained growth and market leadership.

We've established quality per hire as a foundational Key Performance Indicator (KPI) to assess the effectiveness of our recruitment procedures. This metric allows us to gauge the calibre of talent we bring into the organization, ensuring alignment with our standards of excellence and long-term strategic objectives

28.4%
quality per hire

Talent Retention

Our employee value proposition is key to retain the best talent within the organisation. It showcases the value, the company offers to employees in return for the value they bring to the organisation. This is supported by friendly and flexible work environment, transparency and equal opportunity, wellness, engagement activities and competitive remuneration policies. Also there were no involuntary employee dismissal reported during the year 2023.

Table 28- Service Period Analysis

Service Period	2023	
	Total	%
More than 15 years	33	3%
10 to 15 years	100	10%
5 to 10 years	269	27%
Below 5 years	583	60%
Total Employees	985	100%

Within our organisation, 40% of our total workforce has dedicated over five years to our collective mission. We consider this a harmonious balance, recognising the significance of welcoming fresh perspectives and insights into our fold. Nevertheless, we are committed to nurturing and retaining our seasoned employees who have contributed significantly to our growth and success over the years.

69%

Employee retention
2023

73%

Employee retention
2022

Throughout the year, we encountered a notable increase in resignations, leading to a decline in our employee retention ratio from 73% last year to 69%. Primarily, this trend was influenced by the prevailing circumstances within the country, prompting individuals to seek alternative opportunities elsewhere. Consequently, as new prospects emerged in the market, individuals began departing from our organisation

Internships

Our internship program allows matriculants and graduates to build a career in the financial services industry. In 2023, we offered 73 internships, and we permanently hired 10 outstanding interns to join our workforce. This approach ensures that we retain exceptional candidates and nurture the expansion of our talent pool.



10 interns

were added to
permanent cadre

Succession Planning

Our succession planning efforts are geared towards identifying and developing internal talent, ensuring a seamless transition of leadership and critical roles. This proactive approach to talent management not only fortifies our organisational resilience but also positions us for sustained growth and innovation.

During the year one executive management position (critical business positions) was vacant and it was immediately replaced with second tier management position showcasing strong succession plan the company has implemented.

2.2 Performance Management

We believe in the strength of our performance management system to drive our organisation's success. Each year, we kick off a detailed process for setting Key Performance Indicators (KPIs) that involves all permanent employees. This empowers them to give their best throughout the year. We conduct regular one-on-one meetings, mid-year check-ins, and end-of-year evaluations to create a transparent environment for our employees. During the end-of-year evaluation, supervisors and employees have a

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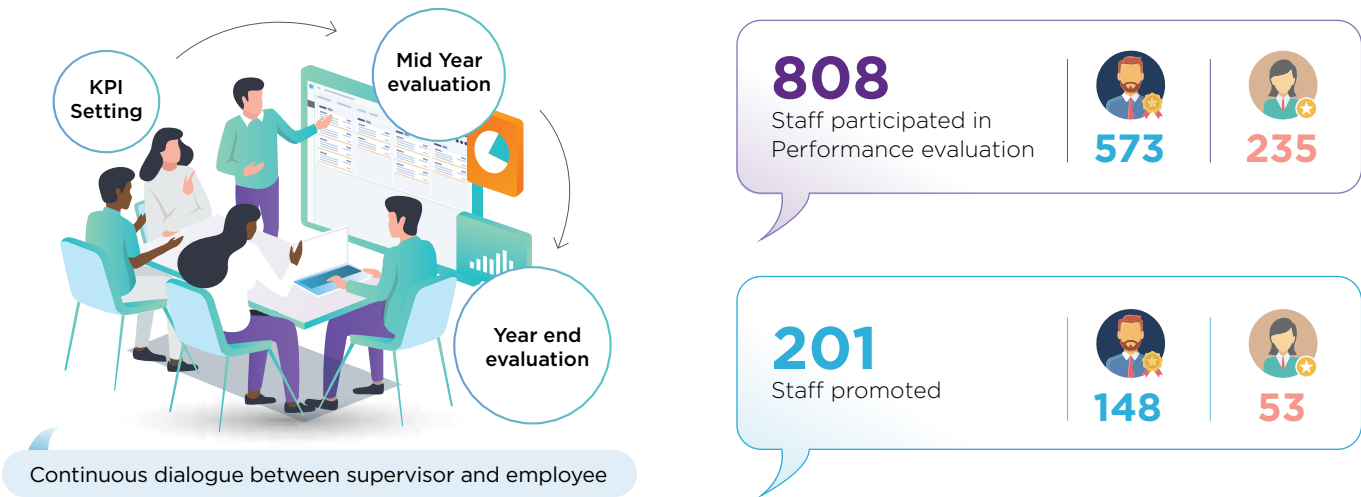
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collaborative discussion, leading to a jointly agreed-upon performance rating. This approach not only boosts morale but also offers the necessary support and guidance for employees to achieve their performance goals. Additionally, we assess the capabilities of our workforce annually through Assessment Centres, focusing on Assistant Managers and below. This thorough evaluation helps us identify and bridge any skill gaps, ensuring our workforce is well-prepared for the future.

Performance evaluation process

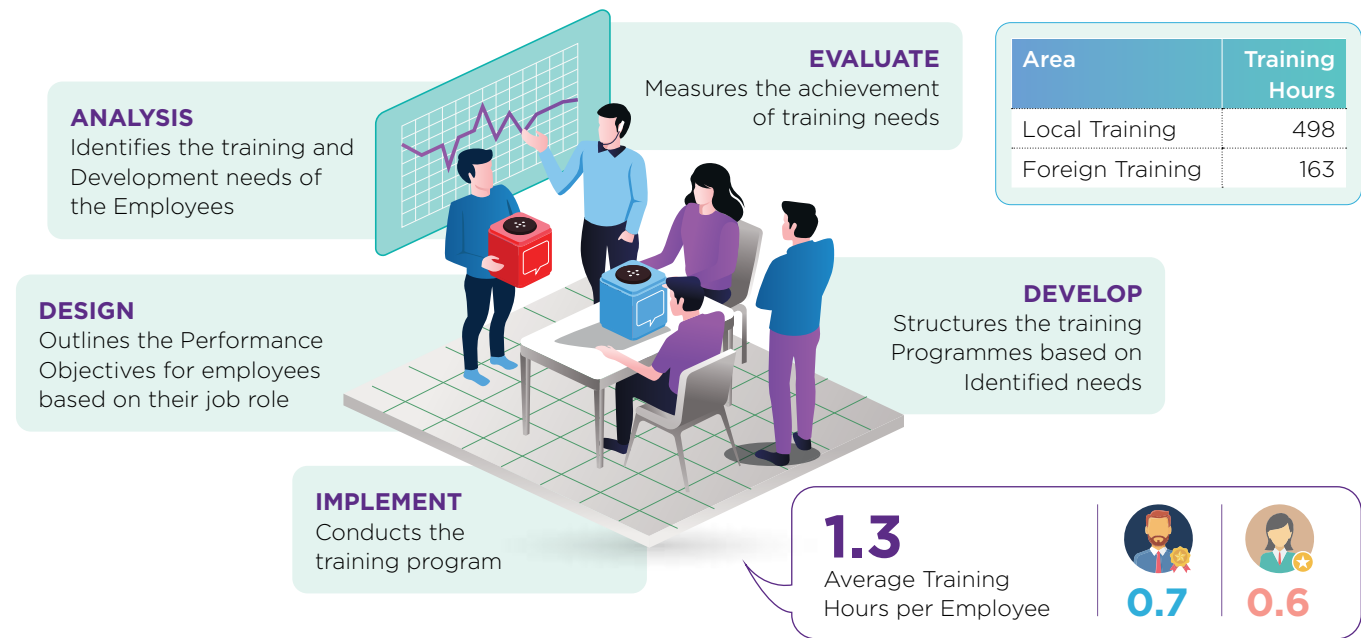


2.3 Learning & Competency Development

Softlogic Life is committed to a forward-thinking learning and development strategy that places a primary emphasis on cultivating a digitally enabled workforce to drive innovation within the company. Our approach involves the implementation of up-skilling and re-skilling programs, with a focus on leadership development. These initiatives will be strategically rolled out through a well-structured learning and development calendar, addressing the short, medium, and long-term needs of our workforce.

Training and Development Process

Throughout the year, our training programs encompassed the following areas



2.4 Rewards and Recognition

Our efforts to recognise and value our employees go beyond the usual ways of compensating them. We have a rewards system in place that reflects our core values and strategic goals. It's not just about acknowledging individual achievements but also appreciating teamwork that contributes to our company's success. Creating a culture of appreciation is important to us – we want to motivate and inspire our team, giving them a sense of pride and fulfilment in their work. Whether it's through performance bonuses, special events for employees, or recognition ceremonies, we aim to highlight the significance of each person's role in our collective success. Prioritising rewards and recognition not only boosts employee morale but also strengthens the overall unity and resilience of our workforce, setting our organisation on a path for continuous growth and excellence

Staff Recognition

We had annual sales convention during the year and recognised sales staff who perform exceptionally well during the year.



2.5 Employee Relation and Voice

At Softlogic Life, we are committed to creating a Work Place where every employee has the opportunity to provide feedback, offer suggestions, and voice any concerns or grievances. Our grievance policy is designed to

ensure that employees are not only heard but also receive fair resolutions to their concerns.

We utilise diverse approaches to engage with employees and listen to their perspectives. These include hosting annual town hall meetings, holding regular management meeting, and conducting department/branch meetings allowing them to raise their concerns and have faster solution.

It's important to highlight that in the past year, no grievances were reported. This underscores our continuous efforts to uphold a workplace culture that prioritises open communication, fairness, and the well-being of our employees.



Townhall meeting 2023

2.6 Employee Engagement

To make sure our employees have a good balance between work and personal life and to help them connect better, the company supports and organises various events and activities. In the past year, we arranged many programs to make work more enjoyable and encourage friendly relationships among our employees. These activities are planned to create a happy and inclusive workplace where everyone feels connected and part of the team. Some significant events of the calendar includes Year end celebration and Beach party, Karaoke competition etc.



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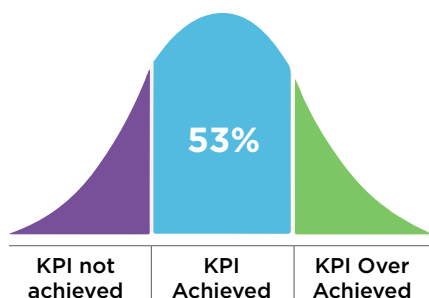
3. OUTPUT

The strategies we have implemented over the past few years in managing our human capital have resulted in numerous positive outcomes for our organisation. These outcomes have contributed to making Softlogic Life a better workplace in Sri Lanka.

3.1 Workforce Capability and Performance

Because of our training, development programs, and strategic workforce planning, we've built a workforce with a strong combination of skills, knowledge, and competencies. A noteworthy accomplishment is that 84.40% of our employees have successfully met their Key Performance Indicators (KPIs), showcasing the effectiveness of our efforts in aligning individual performance with organisational goals. This achievement underscores the positive impact of our commitment to employee development and the strategic management of our workforce.

The bell curve below illustrates how our employees performed their roles during the year 2023.



3.2 Diversity and Equal Opportunity

Our robust HR policies and procedures stand as a pillar, ensuring diversity and equal opportunities within the organisation. We successfully maintain a diverse

workforce, as outlined in the employee composition section, considering factors such as age, gender, type of employment, and region of employment. Our policies are designed to prevent discrimination based on race, religion, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation, or opinion. Throughout the year, there were no reported incidents related to the aforementioned areas, affirming our commitment to fostering a fair and inclusive work environment.

Female representation at designation category level

Designation Category	Female representation	
	2023	2022
AGM and above	6	2
AM and above	53	55
Executives	145	172
Non-Executive	107	57
Total	311	286

Our commitment towards Gender Parity

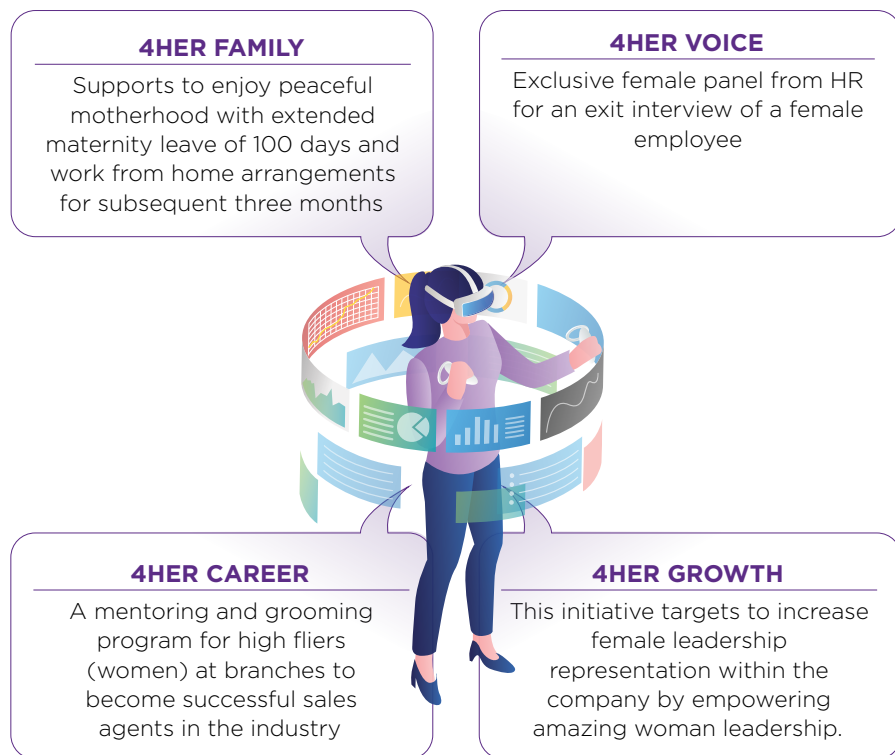
SLI remains focused on attracting, engaging, developing, and creating opportunities for women to excel in all aspects of our business through our policies. We are steadfast in our commitment to enhance the representation of women in leadership roles, striving to ensure diverse perspectives are reflected at senior levels within the organisation. Following are some of the initiatives we have taken.

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

	2023	2022
Total No. of employee entitled to parental leave	312	286
Employees who took parental leave	13	20
Employees who returned to work after parental leave ended	7	18
Employees who returned to work after parental leave ended and who were still employed 12 months	7	12
Employee who took parental leave but leave period not ended as of 31st December	6	8
Return to work rate of employees who took parental leave	100%	100%
Retention rate of employees that took parental leave	80%	86%

4Her Programme

4Her programme has initiated with the intention of empowering women to gain for herself and better contribute to work place, family and to the society at large. It has led to create opportunities within the company for women and created safe and highly supportive work environment.



The company has initiated many initiatives over the past years. We promote equal opportunity at our work place. Our non-discrimination policy ensures every employee has equal opportunity to their growth, here their voice and get benefited. In 2023, several uplifting initiatives were implemented to inspire female staff members to advance in their careers.



3.3. Leadership Capability

Our HR practices are aligned to develop future-ready leaders at every level. This ensures that all employees are prepared to take on the challenges of their next level. This also supports our succession plan and helps us maintain a smooth workflow within the organisation.

Leadership Trust

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

4. OUTCOME

Effective management of human capital yields numerous positive outcomes for the organisation, which are discussed in detail below.

4.1 Organisational Agility & Resilience

We have faced numerous challenges over the last few years, starting with the Easter attack in 2019, followed by the COVID-19 pandemic in 2020 and 2021, and a full-blown economic crisis from 2022 to 2023. Despite these obstacles, SLI managed all the crises well and achieved many significant milestones during these years. One of them is becoming the second-largest insurer, surpassing many industry giants. This accomplishment is a testament to the organisation's agility and resilience, which is further elaborated on pages 43 to 59.

4.2 Organisational Culture

Our Human Resources work has led to a significant accomplishment: the development of a unique

HUMAN CAPITAL

organisational culture that empowers our dedicated workforce to handle challenges with resilience and efficiency. Our team contributes to a dynamic and thriving work environment through open communication, adaptability, and a strong sense of purpose. The commitment of our leadership to fostering a positive culture has resulted in an engaged, innovative team aligned with our mission and vision. As we continue investing in our people, we recognise the vital role a healthy organisational culture plays in attracting top talent, enhancing employee satisfaction, and ensuring the ongoing success of our company.



4.3. Productivity

We regularly measure the productivity of our employees. This practice enables us to understand whether the implemented strategies are generating the expected results. Any deviation signals the need for changes in company action. Below are some of the key parameters that are assessed.

26.7Mn
GWP per employee

2.9Mn
Profit Per Employee

4.4 Organisational Performance

SLI has achieved extraordinary performance over the last 10 years, which is the outcome of the effort, knowledge, and dedication of our workforce. Our performance is discussed in detail on pages 43 to 59.

RISK AND CHALLENGES

During the year management of SLI faced many challenges in managing our Human Capital. The impact and action taken are listed below.



Risk	Impact	Action Taken
Talent Retention	The migration of professionals accelerated during 2023, resulting in many vacancies opening up in the market. SLI experienced significant employee attrition during the same period	- Strengthen employee engagement - Reviews of the income levels for each grade and salary adjustments have been conducted. - Regular informal conversations within working groups are held to identify employees' concerns.
Optimizing employee cost inflation	Employee cost represent substantial portion of total expense base. Optimizing the cost was key concern during the year.	- Focus on productivity improvement - Automation of recurring activities

Looking Forward

Short Term Target	Medium to Long Term Target
Strengthening succession planning to cater emerging demand	Building a magnetic employment brand, and be the employer in choice in Sri Lanka
Ongoing focus on equal pay for work of equal value as well as gender pay equality	

The human capital strategy aligns with the company's core business plan. In today's fast-paced business world, adaptability is vital for employees. We aim to enhance agility by teaching new skills, improving leadership and technical know-how, fostering innovation, and advocating for gender equality. These efforts are geared towards making the workforce more flexible and resilient in facing future challenges. By investing in our employees' development and creating an inclusive environment, we ensure that they are equipped to navigate and thrive in an ever-evolving business landscape.

Focus on gender parity

Ensuring gender balance is an ongoing priority, with the company dedicated to improving it at every organisational level, including its highest governing body. When recruiting or filling roles, the company strategically evaluates gender balance across short, medium, and long-term horizons, aligning with job needs and market skill availability. However, achieving gender parity at the board level remains a long-term goal, possibly facilitated by voluntary or mandatory retirement of existing board members. By fostering an inclusive environment and promoting diverse representation, the company aims to cultivate a culture of equality and equity, empowering individuals of all genders to contribute meaningfully and drive collective success across the organisation

Learning and talent development

The primary focus of the learning and development strategy will be on cultivating a digitally proficient workforce to spearhead innovation within the company. Up-skilling and re-skilling initiatives, alongside leadership development programmes, will be implemented through a structured learning and development calendar, addressing short, medium, and long-term objectives.

Cultural transformation and Innovation

As the needs of the Y and Z generations change, we foresee an impending shift in organisational culture. However, our primary focus will persist in nurturing an innovation-centric environment within the company. This entails continually championing innovation by adapting to the diverse requirements of our employees. We are committed to fostering a culture where creativity thrives, enabling our teams to explore new ideas, embrace change, and drive forward-thinking initiatives that propel our organisation toward sustained growth and relevance in an ever-evolving landscape.

Succession planning

In order to bolster succession planning, the company endeavours to expand talent pools to encompass a significant portion of the workforce. The objective is to gradually incorporate all essential functions into succession planning initiatives. This strategic move aims to guarantee

smooth continuity in operations, particularly during periods of swift transitions in leadership roles or critical functions. By widening the talent pools, the company ensures a robust pipeline of capable individuals ready to step into key roles when needed. Through comprehensive succession planning efforts, the organisation not only mitigates risks associated with leadership vacancies but also fosters a culture of preparedness and adaptability, empowering employees at all levels to assume greater responsibilities and contribute effectively to the company's long-term success and sustainability.



SOCIAL AND RELATIONSHIP CAPITAL

Strong relationship for collective growth

**BIGGER.
BETTER.
BOLDER.**



[https://softlogiclife.lk/
annual-reports/](https://softlogiclife.lk/annual-reports/)



The company has solidified its institutional trust by establishing a robust internal structure, governance, and risk management framework. Acting as the initial point of contact, field staff members cultivate individual trust with customers through outstanding customer service. This trust is further boosted by strategic business partners, each playing distinct roles in the organisation's value creation process. The stakeholder engagement report, available on page 72, provides detailed insights into the size, diversity, methods, and frequency of engagement with stakeholders.



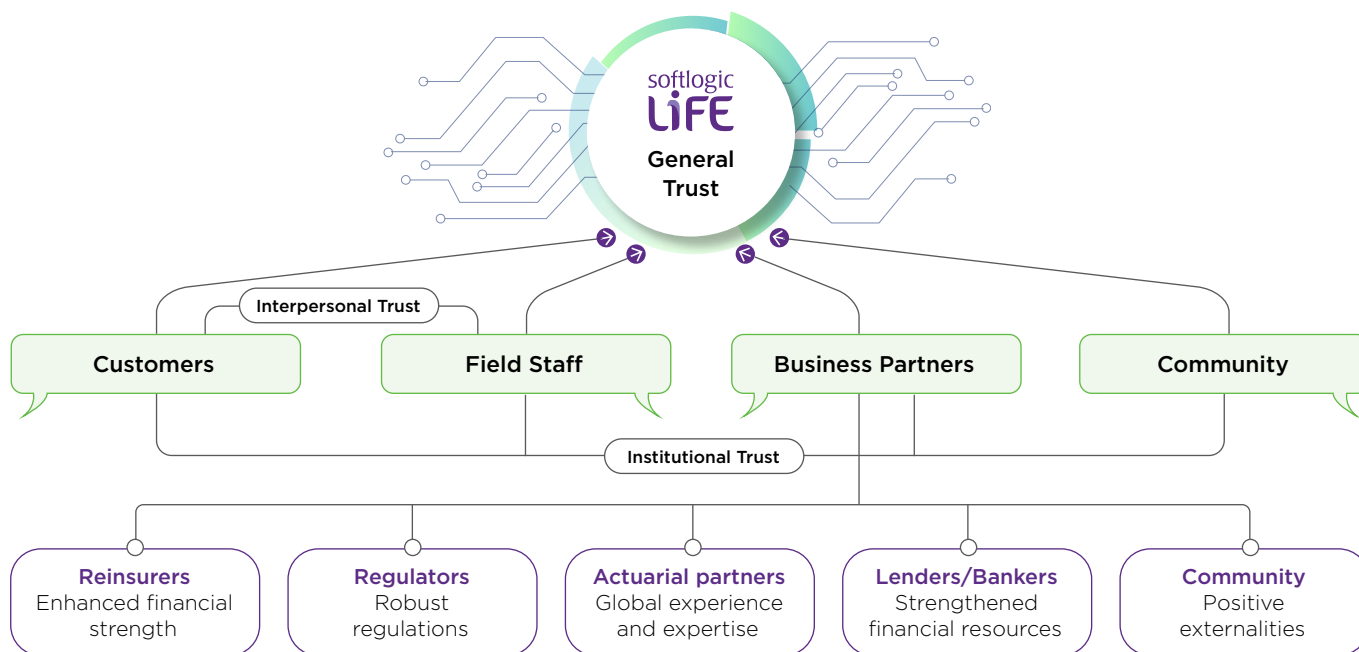
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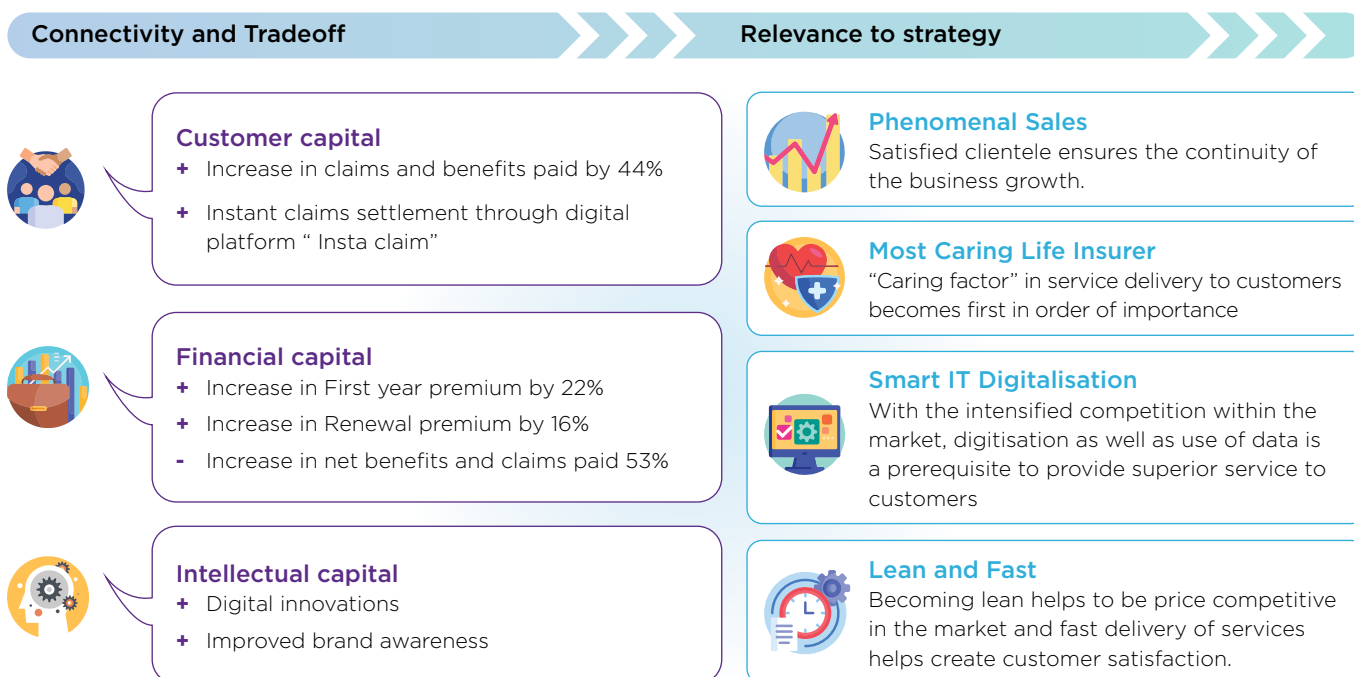
As a life insurer, our connections with customers, business partners, and the community form an vital part of our value creation process. We view these connections as the external social capital of SLI, embodying our achieve Bigger dreams. These relationships not only enable us to operate but also enhance our market reach and foster business growth. The robustness of our social ties stems from our expansive network, the trust we have cultivated, and the shared values and norms we uphold together.

Figure :- Our key stakeholders represent social and relationship capital



CUSTOMER

Innovating Customer Engagement for **Better** Service Standards

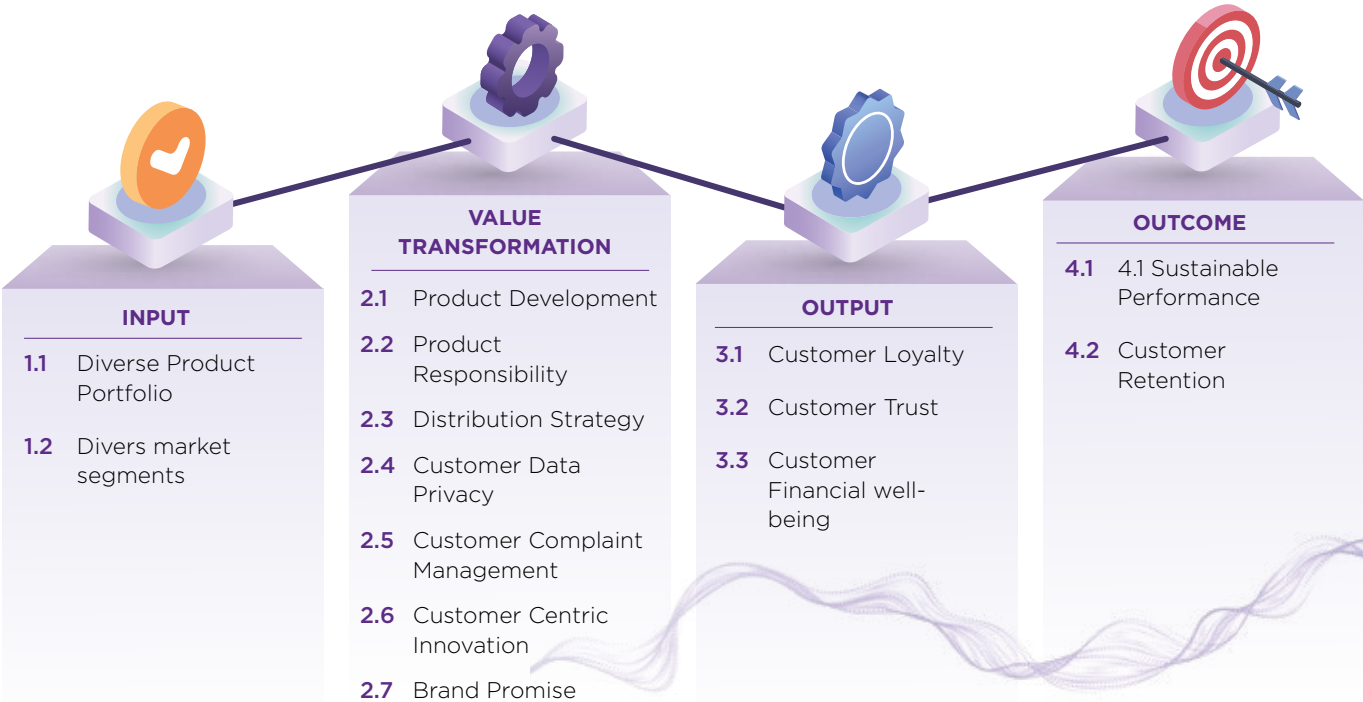


SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER

We prioritize a customer-centric model in our business, recognizing the vital role of relational capital in our operations. Through our business activities and long-term strategy, we actively seek opportunities to enhance our impact positively. Our customer capital encompasses both individual and corporate clients, enabling us to build stronger relationships and provide exceptional service. To offer a thorough comprehension of our commitment to customer value creation and our approach to customer management, we have used the following structured reporting methods. These practices accurately encompass all aspects related to customer, fostering a comprehensive understanding.

Sustainable Customer Management Process



1.INPUT

We consider our diverse product portfolio and market segments as integral components of the value creation process.

1.1 Diverse Product Portfolio

We are a comprehensive life insurance provider in Sri Lanka, addressing the life insurance requirements of both individuals and corporate clients. We are committed to ongoing enhancements of our product range to align with the evolving needs and desires of our customers. In the past year, the company implemented strategies to promote them despite challenging economic conditions.

Our Product Portfolio



Product Portfolio

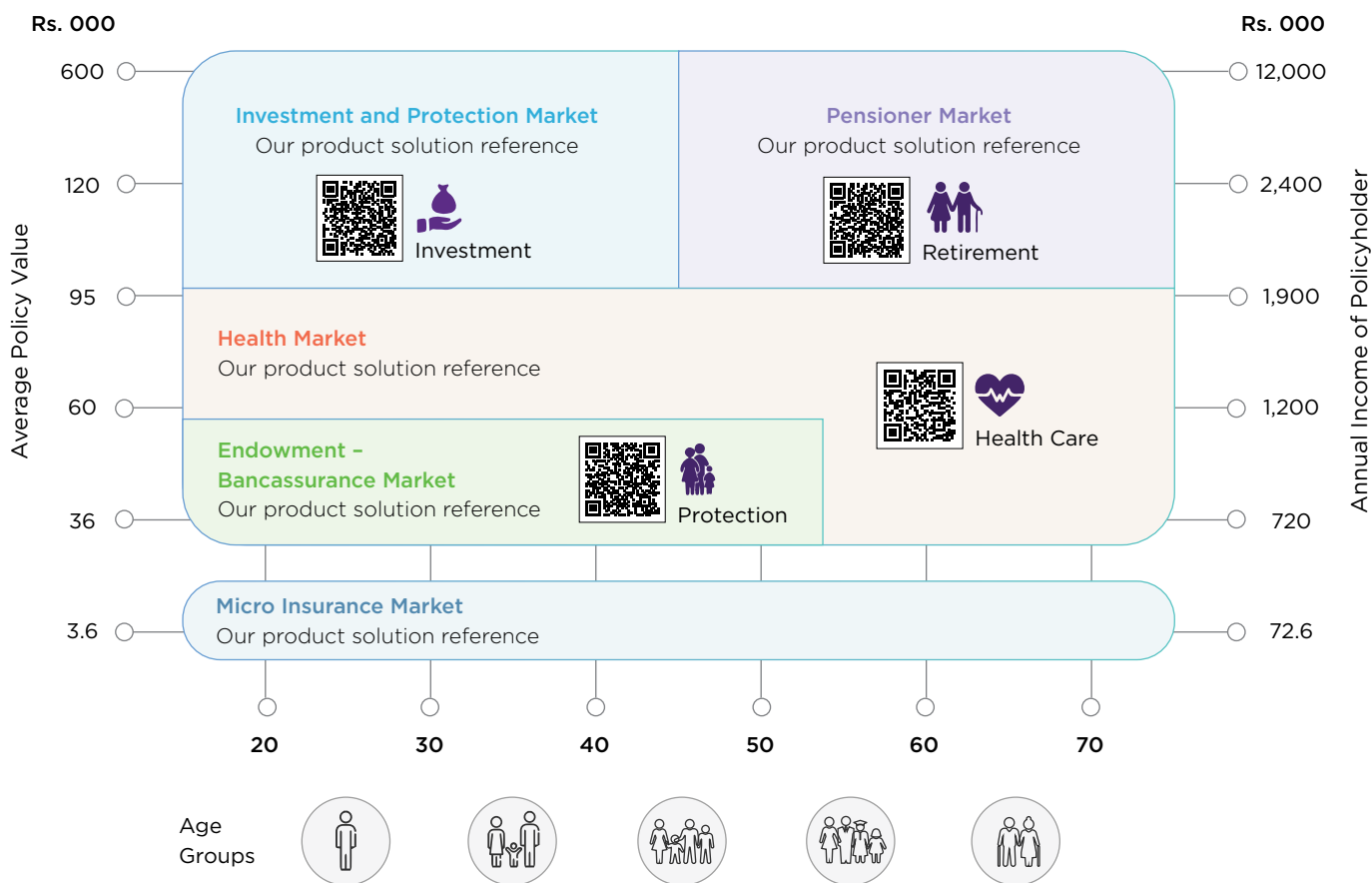
The company's core product portfolio comprises the offerings mention in above figure. Additionally, rider covers are customised to align with customer requirements and are paired with the base products.

Pricing of Products

The company employs prudent underwriting practices, which incorporate mortality and interest rates relevant to the products. Pricing decisions are influenced by various factors such as individuals' health conditions, age, and behavioural aspects like smoking and vaping.

1.2 Divers market segments

We have segmented markets according to the age and income levels of our target customers to enhance our ability to meet the diverse needs and desires of our customer base. We take pride in serving all customer segments across the social spectrum, underscoring our social relevance within the business landscape.



Furthermore, we segment our market based on individual and corporate customers. We offer a wide variety of products tailored to meet the needs of corporate clients in Sri Lanka.

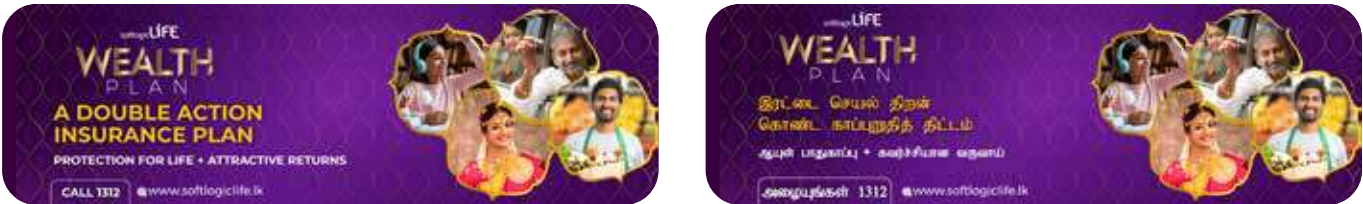


SOCIAL AND RELATIONSHIP CAPITAL
CUSTOMER

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NEW PRODUCTS

Following our thorough product development process, we’ve recognized the need for a specialized investment-focused product to better serve our customers. Consequently, we have integrated a unit-linked product into our portfolio, enhancing its breadth. This product offers both investment opportunities and protection benefits, empowering customers to choose their preferred investment options.

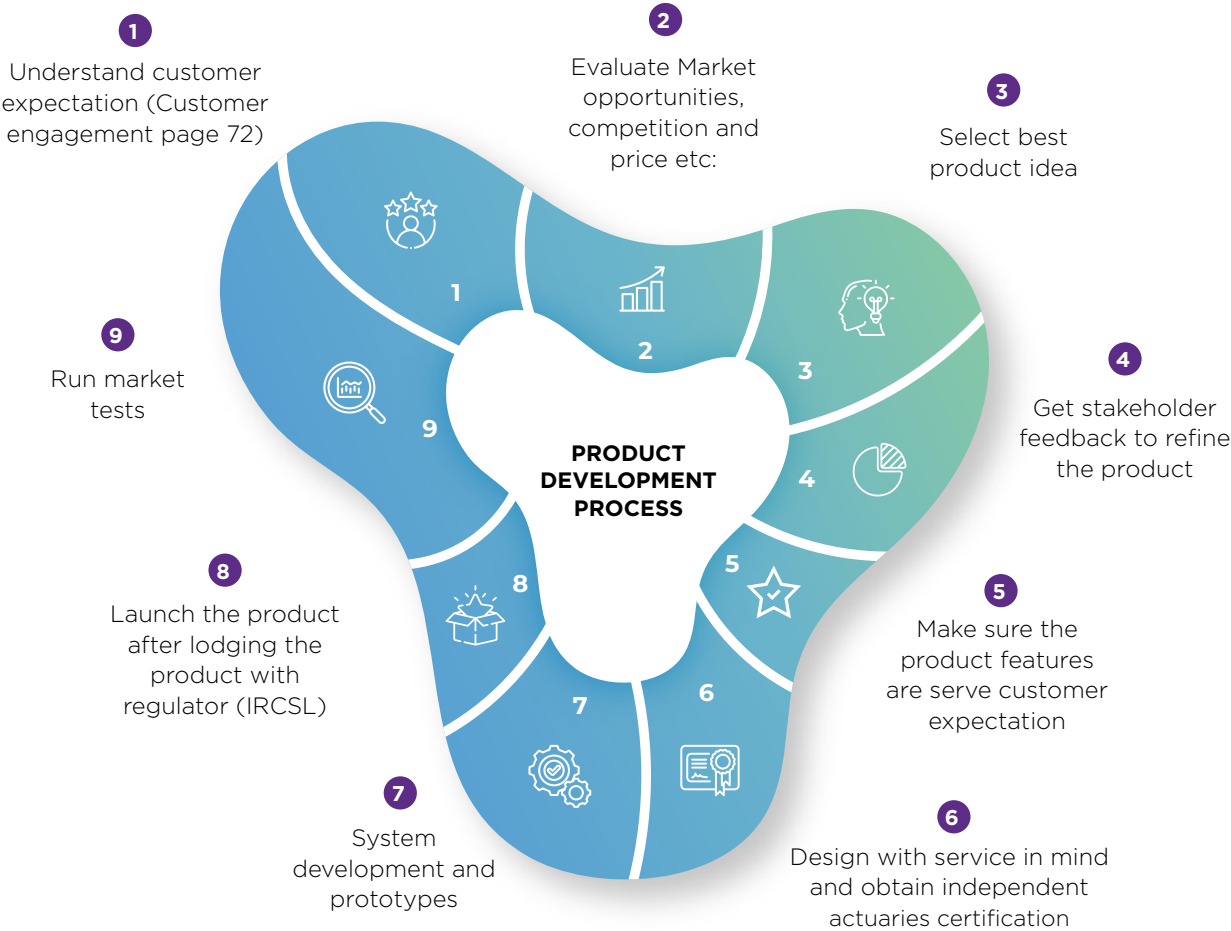


2. VALUE TRANSFORMATION

In our definition, customer value transformation comprises several key stages. The initial stages prioritize brand awareness, engagement, and conversion, while subsequent stages concentrate on transitioning the customer into a repeat buyer and a brand advocate or promoter. After analysing our customers’ behaviours and understanding their expectations, we have strategically devised the key activities described below.

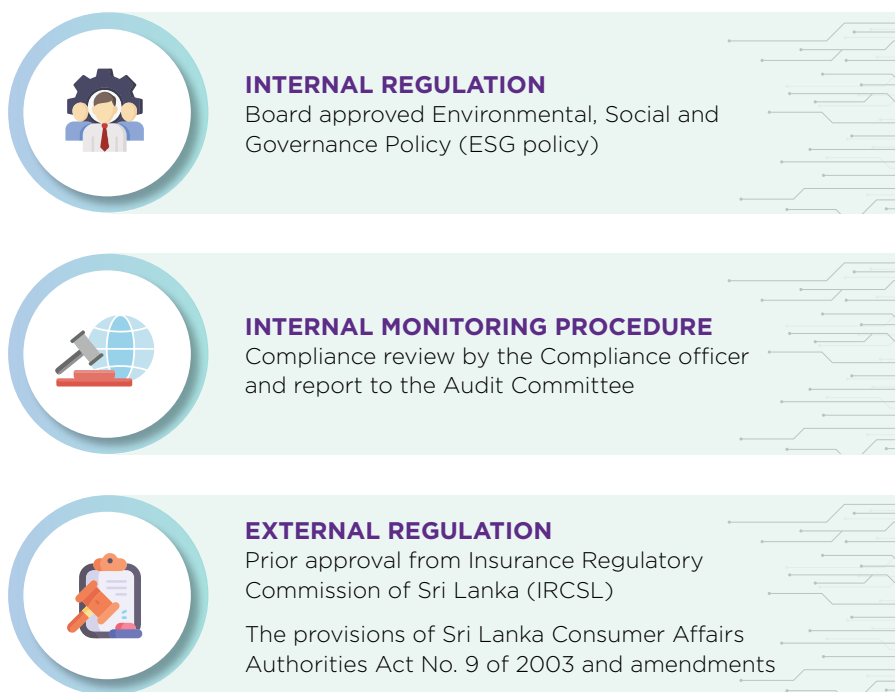
2.1 Product Development

To deliver a distinctive product to our customers, we have organized our product development process around customer perspectives, such as fair pricing, competitive benefits, and transparency, along with market opportunities. This structure is illustrated in the diagram below.



2.3 Product Responsibility

At Softlogic Life, we actively advocate for responsible customer relationships, prioritizing clear and transparent communication. Our product designs adhere to a robust framework governed by both internal policies and external regulations, as detailed below



Informing customers on products

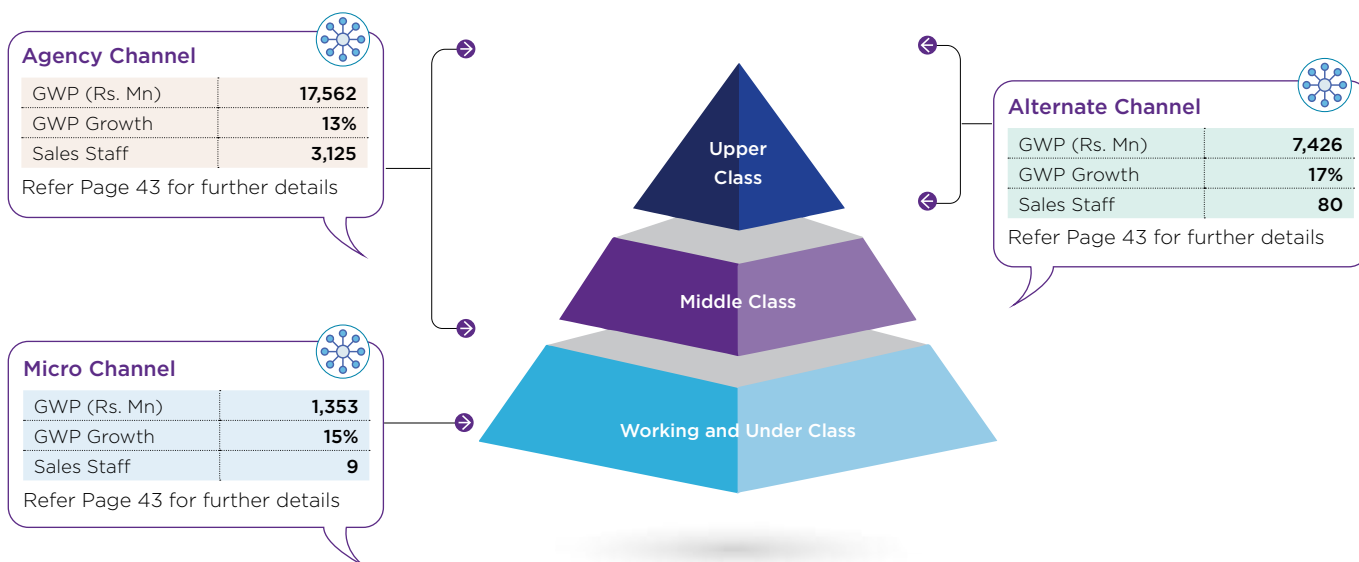
All our sales officers are well trained to explain the product details to the customers at the point of sale including all inclusions and exclusions to the policy terms and conditions. Sales officers are equipped with product brochures and digital tools to educate the product features better. Further,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

2.3 Distribution Strategy

We value the unique characteristics of each target market and customer segment, aligning our distribution channels to cater to these specific characteristics. Our market outreach encompasses three distinct distribution channels: the Agency channel, Micro channel, and Alternate channel

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

Figure: Our distribution channels and its strength.



SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER



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Wider Branch Network

We ensure comprehensive coverage across the island through our branch network to enhance our customer service capabilities.

Province	No of branches
Central Province	12
Eastern Province	5
North Central Province	4
North Western Province	12
Northern Province	8
Sabaragamuwa Province	6
Southern Province	18
Uva Province	5
Western Province	46
	116

2.4 Customer Data Privacy

As custodians of extensive sensitive customer information, we recognize our responsibility to safeguard this data with the highest security. SLI has implemented numerous initiatives to ensure the secure and responsible handling of our customers' valuable information

1. Availability of Comprehensive data privacy policy
2. Regular IT threat assessments (NIL - 2021)
3. Annual Budget allocation on Cyber security measures
4. Mandatory training on data privacy
5. Regular awareness communication to employees
6. Annual internal audit is performed on above measures and communicate to Audit committee

With our emphasis on innovation and digitalization, we acknowledge the increasing risk of cyber threats. In response, we have implemented measures to mitigate these risks. Importantly, we have not received any complaints regarding breaches of data privacy, such as leaks, theft, or loss of customer data, from customers, regulatory bodies, or any other stakeholders within or outside the company.



Please scan this QR code to learn how to file a complaint, understand our

process, and access contact details for the highest-level management individual you should contact if you are not satisfied with the resolution of your complaint

2.5 Customer Complaint Management

At Softlogic Life, we consider customer complaints management to be a crucial element of both customer service and business success. To ensure the quick and fair resolution of complaints, we have established a dedicated customer complaint committee. Addressing customer complaints is integral to delivering on our brand promise. Customers can lodge complaints through various channels, including online/social media, over the phone, or in person. The company commits to acknowledging such complaints within a day.

Customer complaint Management Process

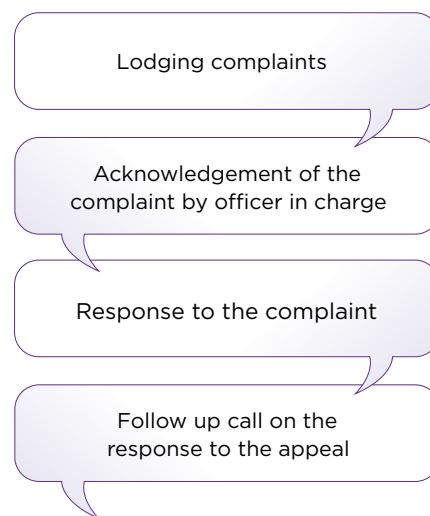


Table 29:- Customer Complaints Analysis 2023

Description	Measure
Total complaints received	411
Total Complaints resolution	397
Complaints Resolutions within company	100%

95%

Customer Complaint Resolved

1.2%

Customer complaints per 1,000 claims

2.6 Customer Centric Innovation

We continuously innovate our processes and systems to enhance the customer experience at every touchpoint. Our innovations elevate the standards of the Sri Lankan life insurance market to meet global benchmarks. Several notable outcomes are highlighted on page 22.

2.7 Brand Promise

Our brand promise is centred on enhancing the quality of life for all Sri Lankans by offering a world-class life insurance solution that embodies the true essence of “you go live life to the fullest. We will take care of the rest.” We consistently uphold this brand promise in all our endeavours, which has contributed to the continuous growth of the company’s brand value over time. Further details about our brand can be found in the Intellectual Capital section on page 130.

3. OUTPUT

We gauge our efforts in customer value transformation by assessing the enhancement of customer loyalty, trust, and financial well-being. The measurement of these outcomes serves as an indicator of the effectiveness of our internal processes and procedures.

3.1 Customer Loyalty

Customer loyalty stands as an invaluable asset for any company. We are delighted to announce that we maintain the highest level of



customer loyalty compared to our industry peers. We measure customer loyalty using the Net Promoter Score (NPS), which indicates how likely our customers are to recommend Softlogic Life as their life insurer.

+42

Net Promoter Score

3.2 Customer Trust

We create customer trust by delivering what we promise at the time of selling our policy. Accordingly we pay our customer genuine claims without delay. We also has taken steps to pay policy maturity proceeds exactly on maturity date so that trust is further strengthened. At SLI we maintain numerous KPIs to measure our efficiency in claims processing as provided below. Our world class innovations on claims processing is provided on page 48.

75%

One Day Claim Processing

3.3 Customer Financial well-being

We recognize the pivotal role we play in enhancing our customers’ financial well-being. As a life insurance



company, our mission goes beyond providing a safety net; it extends to positively impacting the economic conditions of our policyholders. Through thoughtful policy structures and transparent terms, wide range of distribution network, offering a sense of financial security and peace of mind. Our dedication to affordable premiums and flexible coverage options is geared towards lightening the financial burden, ensuring that life insurance remains accessible to a broad spectrum of individuals.

13.4Bn

Claims Paid

4. OUTCOMES

Softlogic Life Insurance’s sustainable success story over the past decades is a pivotal outcome of our journey in creating customer value. The detailed description of our sustainable performance and customer retention, outlined below, showcases the positive outcomes we have generated over the years.

4.1 Sustainable Performance

The financial results from the past decades illustrate our consistent growth trajectory. Over the last five years, we have surpassed many industry giants in terms of

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER

market share. Today, we proudly hold the very strong position of being the second-largest insurer in Sri Lanka. Refer page 382 for 10 year financial information.

4.2 Customer Retention

We maintain the highest level of customer retention as a result of our continuous efforts to better serve our customers.

83%
Customer Persistency

RISK AND CHALLENGES

During the year management of SLI faced many challenges in managing our Customer engagement. The impact and action taken are listed below



Risk	Impact	Action Taken
High Inflation and Tax	Our customers disposable income level significantly impacted resulting difficulty in continuing insurance policy.	- We allowed premium reductions byway of excluding selective benefits of the policies - Policy revival is allowed continue policies without any alteration - Premium payment mode changes allowed customers to pay premium based on their income expectation
High Medical Inflation	Extraordinary medical cost inflation is experience during the year impacting high claim outgo.	- Repricing of new business to cater inflation - Measures taken to strengthen the controls to identify non genuine claims

We remain committed to delivering the best to our customers, empowering them to live their lives to the fullest through innovation and digitization. Customer convenience will always be our top priority, and we will serve our customers with care in alignment with our brand promise.

Individuals and corporations are encountering challenges in financial management due to high inflation and taxes, which could adversely affect our business in sustaining growth momentum. To address this, we will concentrate on customer segments with affordability and strive to optimize the benefits they receive. Regarding corporate clients, we maintain a positive outlook as the Sri Lankan economy is currently operating at a certain level and is anticipated to experience growth compared to previous years.

The Company will revamp its skills and capabilities to provide innovative products that address the evolving needs of customers, accompanied by a fair pricing strategy. Customer convenience will be prioritized through the digitization and automation of processes. As a leader in the Sri Lankan insurance industry for innovation and digitization, we recognize a paradigm shift in customer behaviour towards utilizing advanced technology. Accordingly, we will adjust our future strategies to align with these trends.

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

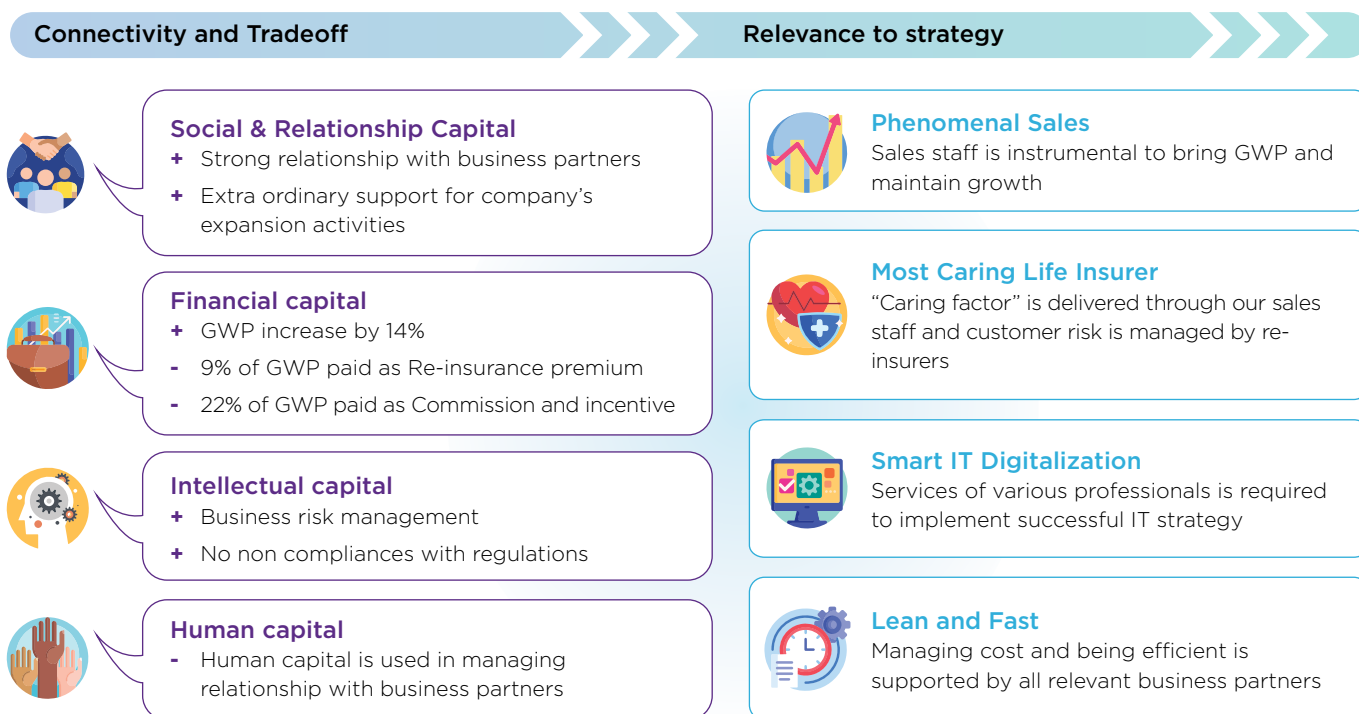
LOOKING FORWARD

Short Term Target	Medium to Long Term Target
Focus on "Customer Care" proposition across selected key customer touch points which provide greater value	Develop digital customer engagement platform
Use digitalization to identify customers better at the first interaction point	Introduce customer lifestyle underwriting techniques

BUSINESS PARTNERS

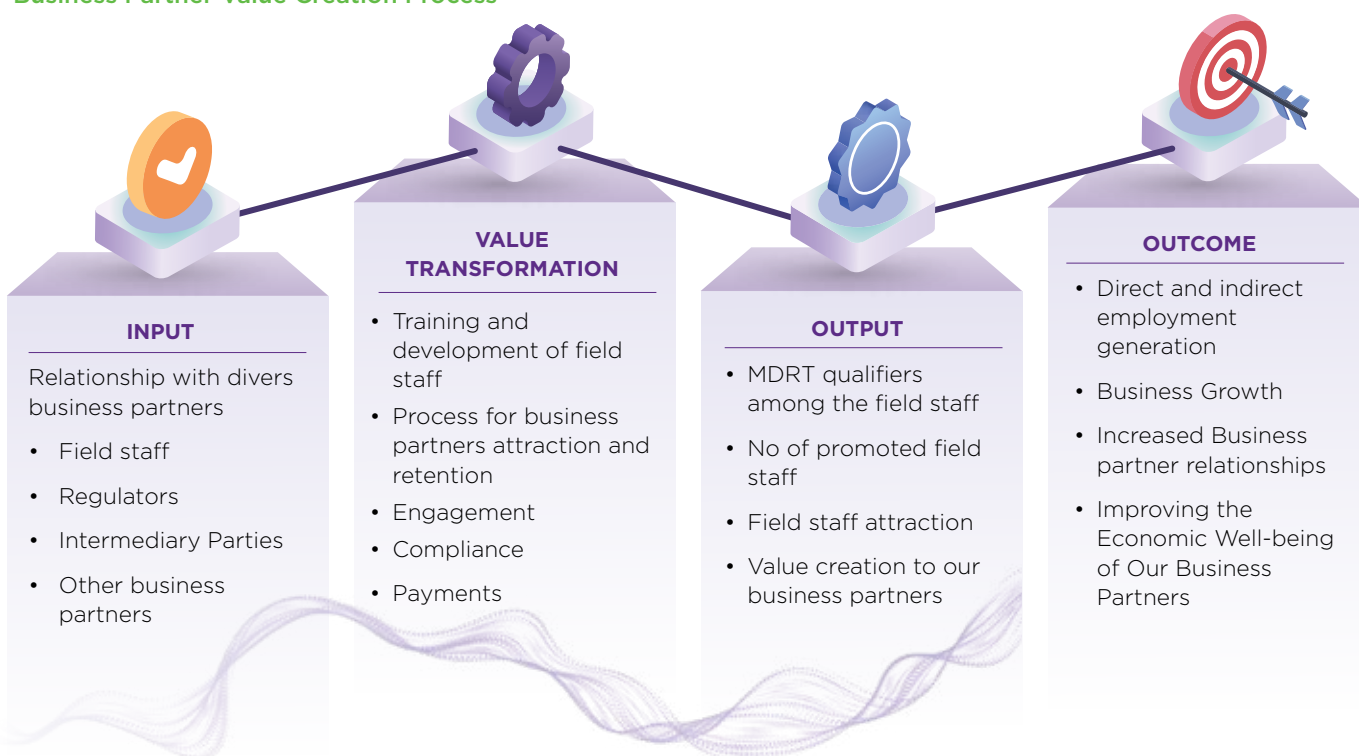
Stronger relationships to achieve shared objectives

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



Below diagram shows how we engage with business partners and create mutual benefits.

Business Partner Value Creation Process



SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNERS

OUR BUSINESS PARTNERS

We firmly believe that establishing strong connections with business partners is integral to our success and plays a critical role in the value creation process. In our efforts to maintain healthy relationships with these partners, we transparently communicate our goals, fostering alignment towards a unified direction. At SLI, effective communication is paramount in our engagement with business partners, enabling a comprehensive understanding of their risks, challenges, and interests. This approach ensures a collaborative effort in aligning strategies with mutual business objectives, thereby enhancing the overall success of our partnerships.

Category	Business Partners
Field staff	Insurance Agents, Advisors and MDRT qualifiers
Intermediary parties	Reinsurers
	Actuarial Partners
	Bancassurance partners
	Lenders, Banks, asset management firms and other Financial Institutions
	IT software and hardware providers
	Softlogic Group
Regulators and other association members	Industry specific regulators (Ex: IRC SL)
	Government institutions (Inland Revenue Department, CSE, Central Bank etc.)
	Auditors
	Association Memberships providers
Other Business Partners	Consultancy providers (Ex: Tax advisors)
	Utility providers (Electricity, water, security, and sanitary facility providers)
	Media
	Security services, Courier services, Other suppliers, rating agencies and Competitors
	Competitors

OUR FIELD STAFF

SLI has an outstanding team of sales people who play a key role in our business progress. Despite facing challenges, our sales team stays highly involved and motivated through well-thought-out plans. This approach yielded unmatched results, with SLI achieving growth rates surpassing those of the industry over the past decade.

3,214

Sales Staff

↓ 1%

2,287

New Recruitments

↑ 93%

117

Sales Staff Promotions

↓ 61%

High attrition among the sales staff is natural to life insurance industry. The main reason is success rate of new recruits from outside the industry is low

MDRT Qualifiers

Qualifying category	2023	2022
TOT Qualifiers	8	7
COT Qualifiers	9	16
MDRT Qualifiers	246	240
Total Qualifiers	263	263



BEST LIFE INSURANCE AGENT IN ASIA

We uphold the highest standards for our sales staff to better serve our customers and ensure they receive accurate advice when purchasing life insurance policies. As a testament to the success of our efforts, our very own Mr. Sajeewa Pushpitha has been recognized as the best life insurance agent in Asia.



Scan above QR is to see success stories of our Field Staff

TRAINING AND DEVELOPMENT FOR FIELD STAFF

We recognize that the success of the company is significantly influenced by the calibre of our sales staff. Serving as the primary point of contact for customers, field staff officers play a crucial role in forming the initial impression of the company. Consequently, we are dedicated to enhancing their capabilities, refining their personalities, and honing the necessary soft skills for effective field interactions. To achieve this objective, we have established a fully equipped training centre devoted to empowering our sales staff. Our team of industry-leading trainers consistently supports our sales staff in their journey toward achieving their aspirations on a day-to-day basis.

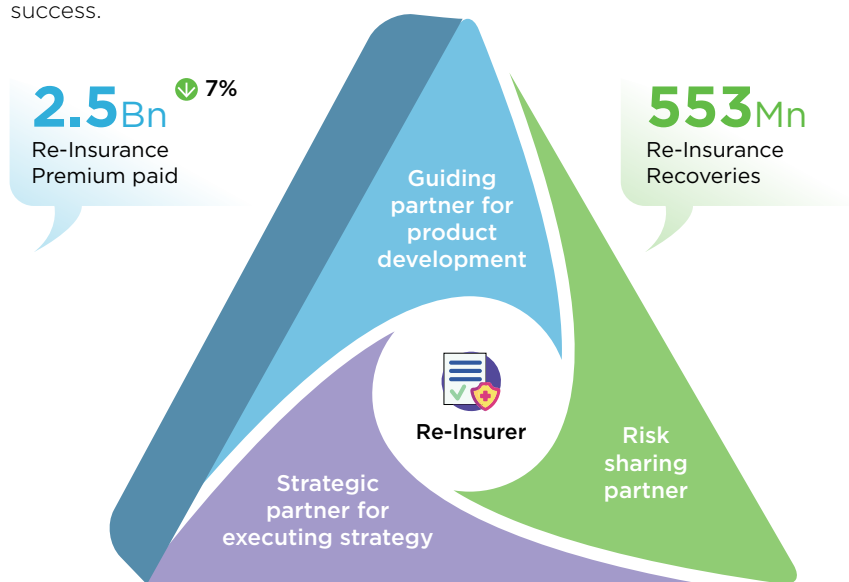
RE-INSURANCE PARTNERS

Reinsurers play a pivotal role as strategic partners in the value creation process for Softlogic Life Insurance PLC. As a life insurer, the company utilizes reinsurance as a crucial risk management tool to effectively spread risk and manage capital. This involves transferring a portion of risks to reinsurance partners, who not only provide guidance but also contribute new

product ideas based on their extensive global experience and expertise. The collaboration with reinsurers has proven instrumental in shaping innovative product designs within the company.

The establishment of appropriate reinsurance arrangements has allowed Softlogic Life Insurance to expand within acceptable risk tolerance limits and achieve the set profitability goals, aligning with the overall business strategy. Over time, the company has successfully built trust with reinsurers, fostering effective engagement and collaboration.

When selecting reinsurers, the company considers crucial factors such as track records, credit ratings, and financial strength. Softlogic Life Insurance maintains a reinsurance panel comprising six of the world's best reinsurers, each with a proven track record, ensuring a robust and reliable partnership for sustained success.



Our Reinsurance Panel

Reinsurer	Logo	Credit Rating		Profile (As at 31.12.2022)
		(A.M. Best)	(FITCH)	
Munich Re		A+	AA	143 Years of risk expertise Total assets - Euro 106,889 Mn
SCOR		A+	A+	52 Years of risk expertise Total assets - Euro 55.3 Bn
TOA		A	-	83 Years of risk expertise Total assets - Yen 905.75Bn
Canopus		A	AA-	20 years of risk expertise Total assets - \$ 6,745Mn
AXA PPP Healthcare Ltd		A+	-	38 Years of risk expertise Total assets - Euro 1.7 Bn
Lloyd's Syndicate 3622 AFB		A	-	37 Years of risk expertise Total assets - Euro 204.2 Mn

SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNERS



GRI

2-28

Actuarial Partners	Bancassurance partners
The company collaborates with internationally renowned actuarial partners, Messrs. Willis Towers Watson India Private Limited, a subsidiary of the global advisory firm Willis Towers Watson. This strategic engagement involves providing insights into product development, pricing, and conducting liability valuations. By leveraging their global experience and expertise, these partners contribute significantly to the value creation process of SLI.	The company actively collaborates with multiple banks to conduct insurance business and establish bancassurance connections. Bancassurance partnerships play a direct role in generating leads and ultimately driving business growth. The company is steadfast in its commitment to maintaining healthy relationships with all bancassurance partners, recognizing the significance of these collaborations in fostering mutual success.
Softlogic Group	Lenders
Softlogic Group is a highly diversified entity in Sri Lanka, and the inherent synergy within the group serves as a strength for SLI in its value creation process. The advantages of economies of scale through bulk purchasing and access to health care partners bring competitive edge.	In the year 2020, we have entered in to a subordinated debt instrument with Finfund and Norfund amounting to USD 15Mn to strengthen the tire II Capital of the company.

REGULATORS

The Insurance Regulatory Commission of Sri Lanka (IRCSL) serves as the governing body overseeing the insurance industry in the country. It plays a crucial role in monitoring the performance and activities of insurance companies, issuing guidelines and directions as needed. The company diligently adheres to all rules and regulations set forth by the IRCSL, ensuring timely submission of monthly, quarterly, annual, and ad-hoc reports. Actively engaging with the regulator, the company participates in all forums conducted by the IRCSL.

In addition to compliance with IRCSL, the company also aligns with and adheres to the rules and regulations issued by other regulatory bodies, including the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka, and the Inland Revenue Department wherever applicable. Compliance with the directives of these regulatory bodies

enhances the governance and risk management environment within the organization, contributing to the creation of value in the short, medium, and long term.

ASSOCIATION MEMBERSHIPS

We are proud to be affiliated with the following prestigious associations

1. The National Chamber of Commerce Sri Lanka
2. Institute of Chartered Accountants of Sri Lanka
3. Insurance Regulatory Commission of Sri Lanka (IRCSL)
4. Insurance Association of Sri Lanka (IASL)
5. Sri Lanka Insurance Institute (SLII)
6. Colombo Stock Exchange (CSE)
7. Central Bank of Sri Lanka (CBSL)
8. Life Insurance Marketing and Research Association
9. Association of Insurance and Reinsurers of developing Countries (AIRDC)

10. Employee federation of Ceylon LIMRA

11. Employee federation of Ceylon (EFC)

These memberships reflect our commitment to excellence, industry standards, and collaboration within our professional community. Being part of these esteemed associations allows us to stay at the forefront of industry trends, exchange valuable insights, and contribute to the advancement of our field.

Competitors

As of the reporting date, there are 14 life insurers and 02 composite insurers operating in Sri Lanka. The industry is characterized by heightened competition among players, accentuated by a lower level of product differentiation and overall market penetration. Despite this competitive landscape, we perceive our competitors as facilitators in our value creation process. Recognizing that new industry benchmarks set by competitors contribute to driving the entire industry forward, we view competition as a catalyst for growth and improvement.

Ethical competition

The company engages in ethical competition by consistently enhancing core competencies rather than attempting to control external factors.

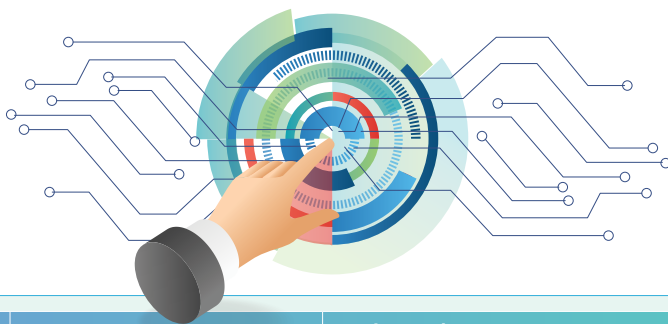
Ethical marketing

We are dedicated to upholding transparency and ensuring the privacy of customer data. Our commitment includes providing prompt responses to customer concerns and refraining from making false or exaggerated statements.

Utility providers, consultants, media, and other service providers such as security and carriers are integral components of our extensive network of business partners. We maintain robust and healthy relationships with these entities within the value creation process.

RISK AND CHALLENGES

During the year management of SLI faced many challenges in managing our Business Partner engagement. The impact and action taken are listed below



Risk	Impact	Action Taken
High Inflation and Tax	It was hard to sell new policies during the year. Accordingly many agents who newly entered in to life insurance market was failed to generate adequate new business to meet company standards	• Additional focus on field staff who not performed during the year and provided training • Extended contract period allowing people who had the grip of the business
Uncertainty in business landscape	Maintaining mutual beneficial relationship with bancassurance partners were difficult due to drop in DTAP business as well as new lead generation was quite low.	• Staff strength was strategically divert to bring other business as well without losing the service quality (Due to low volume) • Increased personal level engagement by sales staff due to financial incentives were not material due to low volume

Field staff

Our primary objective is to enhance the capabilities of its field staff through structured training and development initiatives, thereby equipping them with the necessary skills to tackle future challenges. Specialized training will be provided to enable the field staff to effectively navigate the insurance technology landscape, aligning with organizational goals. Future training programs will prioritize producing a high number of MDRT winners, highlighting

the sales force's excellence. Career advancement opportunities will be available within the company for proficient individuals, who will also be incentivised to maintain competitiveness in the evolving market landscape.

Reinsurers

We remain committed to nurturing strong partnerships with our reinsurers to enhance their contribution to the company's value creation. Leveraging their global experience and expertise, we aim to drive innovative product development initiatives. Moreover, we will prioritize establishing relationships with reputable reinsurers to bolster effective risk management practices within the company. These partnerships are anticipated to foster mutually beneficial outcomes for both parties, creating a win-win scenario.

Intermediary parties, other suppliers and regulators

In our commitment to uninterrupted value creation, we will persist in fostering robust relationships with all our business partners, recognizing their critical roles in our value creation process. We acknowledge the importance of adapting to external changes, and as such, we will accommodate evolving needs where applicable. Upholding ethical standards remains paramount, encompassing adherence to both internal regulations and external laws. We will vigilantly monitor competitor behaviour and act with transparency and integrity.

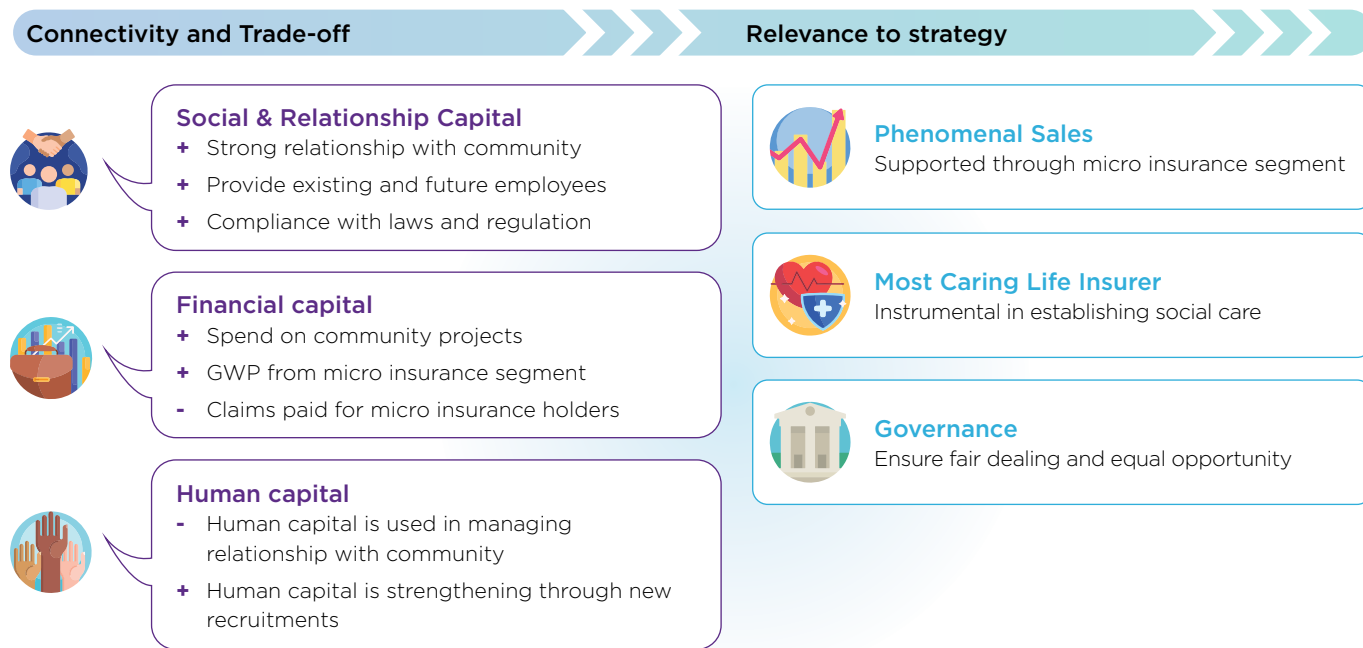
LOOKING FORWARD

Short Term Target	Medium to Long Term Target
Maintaining the long term business relationship with business partners	The Company will be managing all our business partners towards the Company's growth, safeguarding their growth potential that ultimately drives to harmonize business partnership.
Field staff - Increase MDRT members by 20%	
Reinsurers - Optimize the reinsurance arrangements	
Competitors - Proactive in competitive strategy for their action	
Regulators - Compliance with all legal and regulatory requirements	
Suppliers - Ensure continuous source of supply to smooth functioning of the business and pay dues on time.	

COMMUNITY

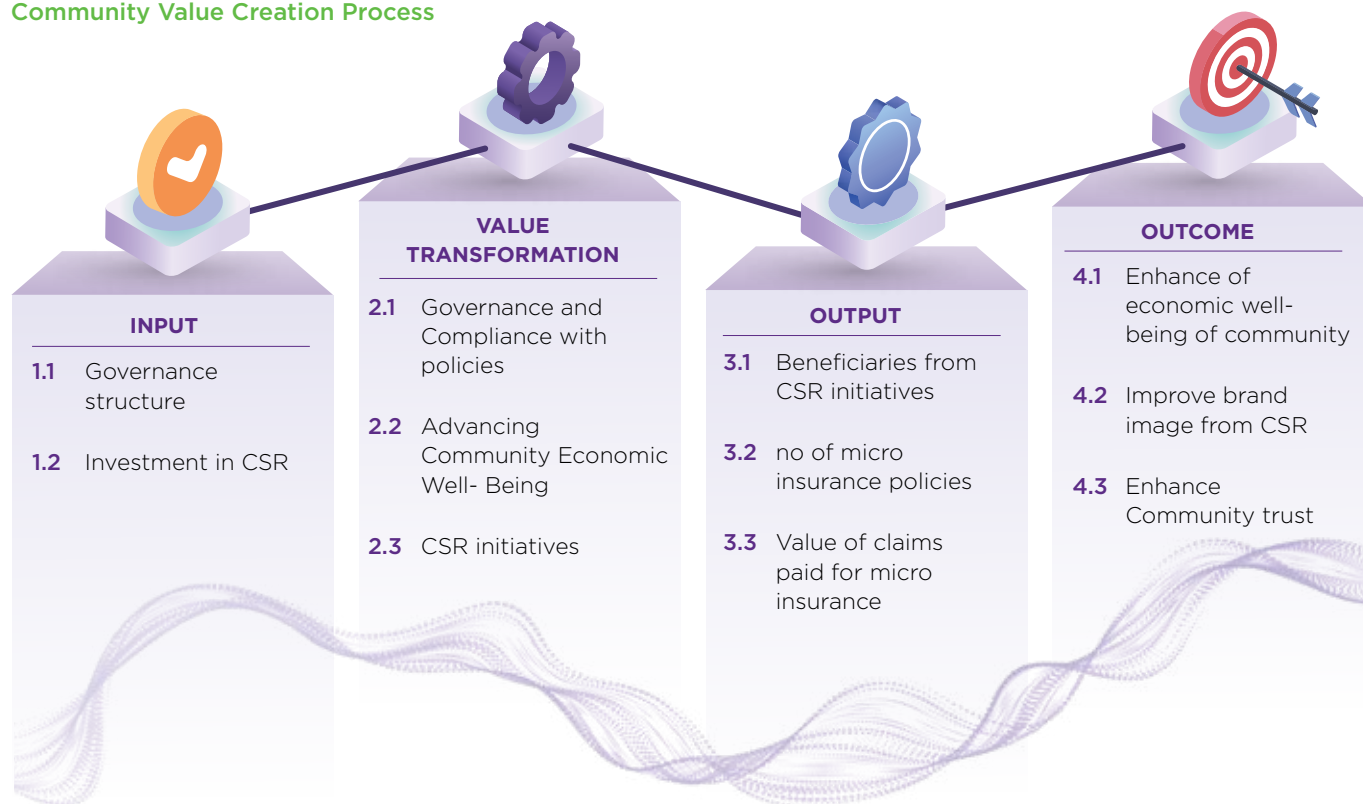
Fostering **Stronger** network through our actions

As a responsible corporate entity, we maintain a strong bond with the communities where we operate. We view the entire society at large as integral to our value creation process, recognizing that our activities have an impact on their lives, and in turn, we are impacted by their activities.



Below diagram shows how we engage with business partners and create mutual benefits.

Community Value Creation Process



**GRI**

2-23

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205-3

UNGC

1

2

5

10

The explanation provided below combines the value transformation activity with its output and outcome to facilitate a better understanding of the company's value creation process.

2.1 Governance and Compliance with policies

We are committed to adhering to all applicable rules and regulations, as well as embracing robust governance practices, to cultivate a favourable social atmosphere within the community.

OUR ESG POLICY

This policy seeks to foster an understanding of the company's approach to handling Environmental, Social, and Governance (ESG) Risks. The company will incorporate the evaluation of these risks into its Corporate Strategy, leveraging its existing Risk Management Framework and processes. The ESG Framework is seamlessly integrated and ingrained within the overall Risk Management Framework, operating on the foundation of key stakeholder pillars.



The primary objective of this policy is to formalize Softlogic Life Insurance PLC's dedication to responsible and deliberate management, ensuring the integration of ESG considerations throughout its processes. This commitment aims to mitigate risks and enhance value creation. The policy comprehensively addresses ESG risk assessment, reporting, awareness and training, and the articulation of the risk appetite statement.

As a socially responsible organization, we are committed to refraining from providing insurance or investing in any activities associated with forced labour or child labour, gambling, casinos, and equivalent enterprises, pornography or prostitution, racist and anti-democratic media, weapons and ammunitions, as well as the relocation of Indigenous Peoples from traditional or culturally significant land if it results in negative societal impact.

Below summarize incidents reported during the year:

Type	Category	No. of cases Received	No. of cases settled	Proved as Fraud
Customer Complaints	Misappropriations	32	31	4
	Misconducts / Misleading	46	42	1
Total		78	73	5
Internal Investigations	General Inquiries	40	40	14

Dedication to Combating Corruption

In addition to our community investments, as a responsible business, we are dedicated to a zero-tolerance approach towards corruption. We strictly adhere to compliance measures, non-discrimination principles, business ethics, and our Environmental and Social Risk Policy. Furthermore, we uphold all other rules and regulatory governance in Sri Lanka as part of our commitment to responsible and ethical business practices.

Measures Against Corruption

The anti-corruption policy of the company clearly extends to all employees and directors, mandating their adherence. Internal anti-corruption activities are managed by our Internal Audit unit, while external anti-corruption activities and compliance are overseen by our Compliance Officer. In addition, the Human Resource team conducts thorough reviews and discussions on internal discrimination and corruption issues, and implements a mandatory training program for all employees to ensure they stay well-informed on anti-corruption measures.

Anti-Corruption Incidents – Business Partners

The anti-corruption policy explicitly extends to agents and advisors, who, although not employees, are authorized to act on behalf of Softlogic Life. In the year under review, there were no incidents leading to the termination or non-renewal of contracts with business partners due to violations related to corruption. Furthermore, there were no public legal cases regarding corruption brought against the organization or its employees during this period.

Regular Monitoring of Anti-Corruption Program

The internal audit department and the compliance officer consistently monitor the anti-corruption program, assessing its suitability, adequacy, and effectiveness. They strive to continuously enhance the program whenever necessary to ensure its ongoing improvement.

Child Labour

SLI strictly adheres to a policy of not employing individuals below 18 years of age and refrains from any involvement in child labour or related activities. This commitment is underscored by our environmental and social policy, which prohibits business transactions associated with child labour. To ascertain compliance,

SOCIAL AND RELATIONSHIP CAPITAL COMMUNITY



GRI

408-1

a comprehensive questionnaire has been integrated into all our insurance agreements, ensuring that we neither endorse nor participate in any form of child labour-related activities. Regular reporting on the status of child labour occurs at each Risk Committee meeting, allowing for discussions on any emerging matters in this regard on an annual basis.

Compliance Oversight

In terms of regulatory compliance, our dedicated compliance officer actively oversees all statutory payments and other regulatory requirements, providing monthly reports to the Board members. Throughout the year, there were no notable instances of significant fines related to compliance matters, attesting to the vigilant monitoring and adherence to regulatory standards.

Non-Discrimination Policy Compliance

Given the presence of a formal non-discrimination policy within the company, there were no reported incidents of discrimination throughout the year.

Ethical and Socially Responsible Marketing

Softlogic Life is committed to an ethical and socially responsible marketing strategy that earns the respect and trust of customers while providing long-term benefits. By aligning our self-interest with social responsibility, we believe our approach fosters a positive impact on all stakeholders, including employees, the community, customers, shareholders, business partners, and regulators. At Softlogic Life, we carefully cultivate the following practices to instil a strong social conscience in our business operations. Notably, there were no instances of non-compliance with regulations, voluntary codes, or other guidelines, and no financial losses incurred as a result of legal proceedings related to marketing communications throughout the year.

Ethics in Advertising

Advertising serves as a vital communication link between buyers and sellers, gaining increased significance with the globalization and expansion of market access in modern society. Recognizing its influence, we prioritize the ethical dimension of our advertisements as crucial for preserving cultural norms, fostering value creation for all stakeholders, and incorporating social and environmental considerations in our product promotions. All our advertising endeavours are conducted with legality, decency, honesty, and truthfulness, emphasizing a due sense of social responsibility. They strictly adhere to the principles of fair competition as generally accepted in business. Our commitment is evident in avoiding the use of advertisements to deceive the trust of consumers or undermine public confidence.

Responsibility, Accountability, Transparency, and Fairness

We uphold a commitment to responsibility, accountability, transparency, and fairness in all aspects of our products and services, maintaining honesty and equity in our interactions with stakeholders. Our product forum meticulously evaluates each product before its public introduction. The launch of a new product is accompanied by a press conference chaired by the product forum to ensure transparency and accountability. We staunchly oppose advertising that induces customers through fear tactics, opting instead to invest in educating and acquainting potential customers with the ways insurance can positively impact their lives.

Respecting Customer Rights and Privacy

We are committed to safeguarding customer rights, encompassing the right to redress, the right to information, and the right to privacy. Detailed information on these aspects is elaborated under the 'Customer segment' in this Social and Relationship Capital report.

Claim on Lawsuit

Refer page 375 on details explanation on claims on lawsuit.

Prevention of negative impact from operations

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

2.2 Advancing Community Economic Well-Being

Our dedication to community economic prosperity is integral to our company's operations. Selling products through micro channels is a key part of our business process, with the aim of improving the quality of life for Sri Lankans. We provide relevant, innovative, and affordable life insurance solutions, along with livelihood opportunities, directly impacting the community. This approach ensures that even the lowest-income earners can afford life insurance, contributing to an upliftment in their living standards. Our commitment to offering accessible and beneficial products aligns with our goal of fostering economic well-being within the community.

502,590 ↓ 4%

No of Micro Insurance Policies sold

We experience low new policy intake by customers due to unfavourable economic conditions prevailed during the year 2023.

117Mn

Claims paid for micro insurance policy holders

We have provided financial assistance totalling Rs. 117 Mn to our customers, extending a helping hand to support them during times of financial hardship.



Our micro product portfolio has significantly impacted the insurance landscape, primarily enhancing the quality of life for Sri Lankans in genuine need of life insurance protection. We are proud of our substantial contribution and honoured to be recognized as the Best Micro Insurer (Sri Lanka) at the 4th Emerging Asia Insurance Awards in 2023.

2.3 CSR initiatives

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



CHRISTMAS TREE

Softlogic Life brought back its unique vegetable Christmas tree for 2nd consecutive time in 2023 December with a twist. When 2022 Christmas tree was made up of the plants grown by Softlogic Life itself, this time, the brand invited people over Sri Lanka to donate a plant grown by themselves. As a result, this Christmas Tree adds to the history by being Sri Lanka's first ever crowd-sourced vegetable plant Christmas Tree.

Impact

2000+ thriving plants that were used to make the Christmas tree were given away to the general public and schools to start their own home gardening journey even in a small way.



DENGUE PREVENTION CAMPAIGN Let's Stop Dengeez Campaign

This campaign was launched with the purpose of educating and motivating people to act against dengue spread, as the dengue was on a rise during last year. Unlike other dengue awareness campaigns where the message was all to do with "Don'ts", Softlogic Life used reverse psychology in this campaign. We introduced a music band called "The Dengeez" which represented dengue mosquitoes. While this band spoke about spreading their fan bases, conducting concerts all over Sri Lanka, Softlogic Life as a brand came forward and invited people to join to stop this band. The music video of band creatively showcases the places the dengue mosquitoes breed.

Purpose

Educating society about Dengue and prevention mechanism

Impact

Social media campaign, Partner with "Shree FM" for wider coverage. The total of 36 locations were covered during this activation

LOOKING FORWARD

Short Term Target

- Maintain the investments in the CSR activities
- Structures CSR and environmental protection activities linked with governance framework

Medium to Long Term Target

- Increase the positive impact to society through CSR initiatives

As a responsible organization, we are dedicated to advancing our CSR initiatives, with a particular focus on environmental conservation and the economic empowerment of rural communities. Our commitment involves expanding our business operations into rural areas across the country to foster sustainable development. Through these efforts, we aim to contribute to the overall well-being of our nation.



Scan this QR code to see our social media campaign

https://www.youtube.com/watch?v=Fv_rD8-o8pc



Scan this QR code to see our social media campaign

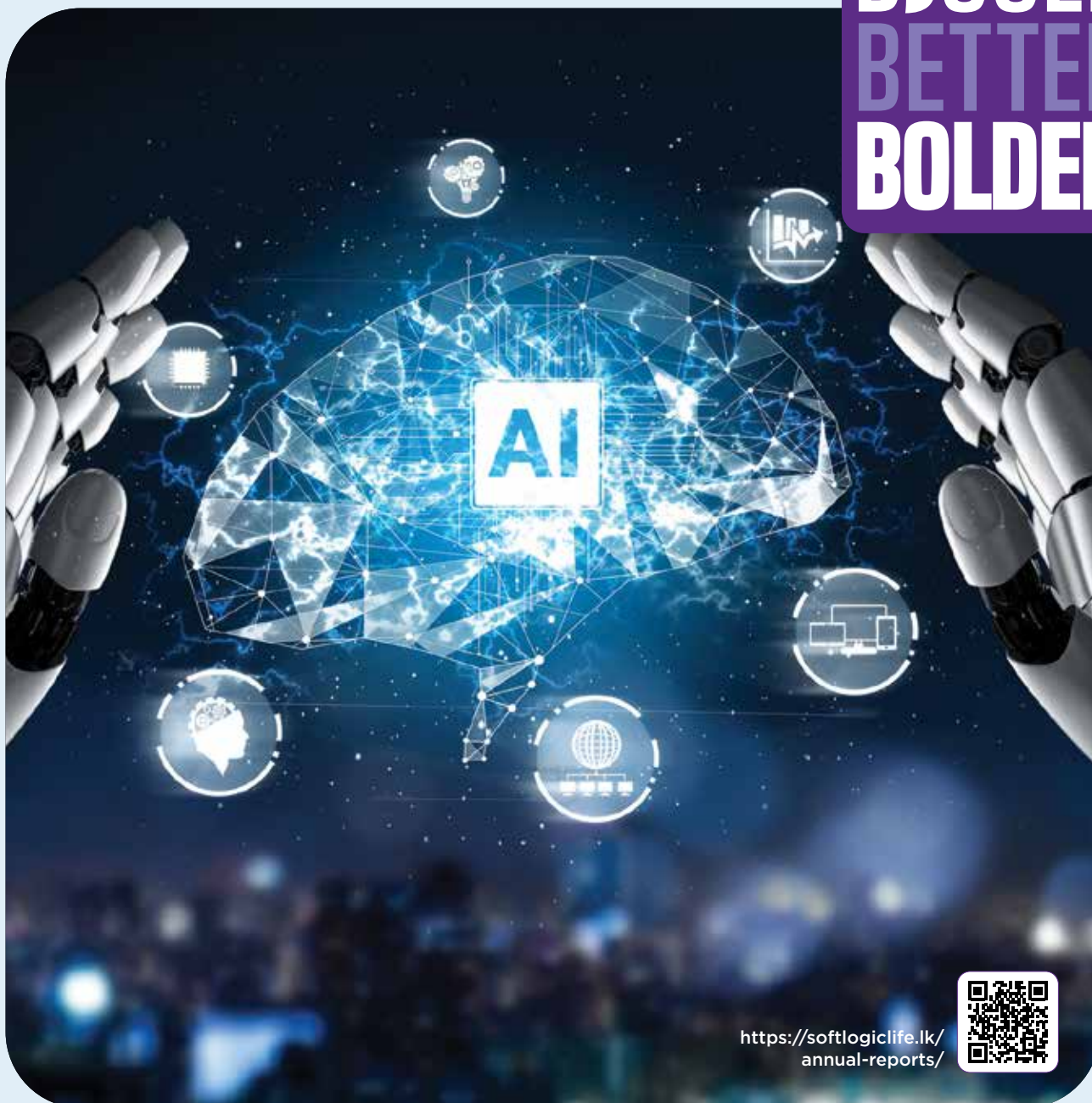
<https://www.youtube.com/watch?v=pZITGY6Ug4I&t=12s>



INTELLECTUAL CAPITAL

Biggest intangible which create competitive edge

**BIGGER.
BETTER.
BOLDER.**



[https://softlogiclife.lk/
annual-reports/](https://softlogiclife.lk/annual-reports/)

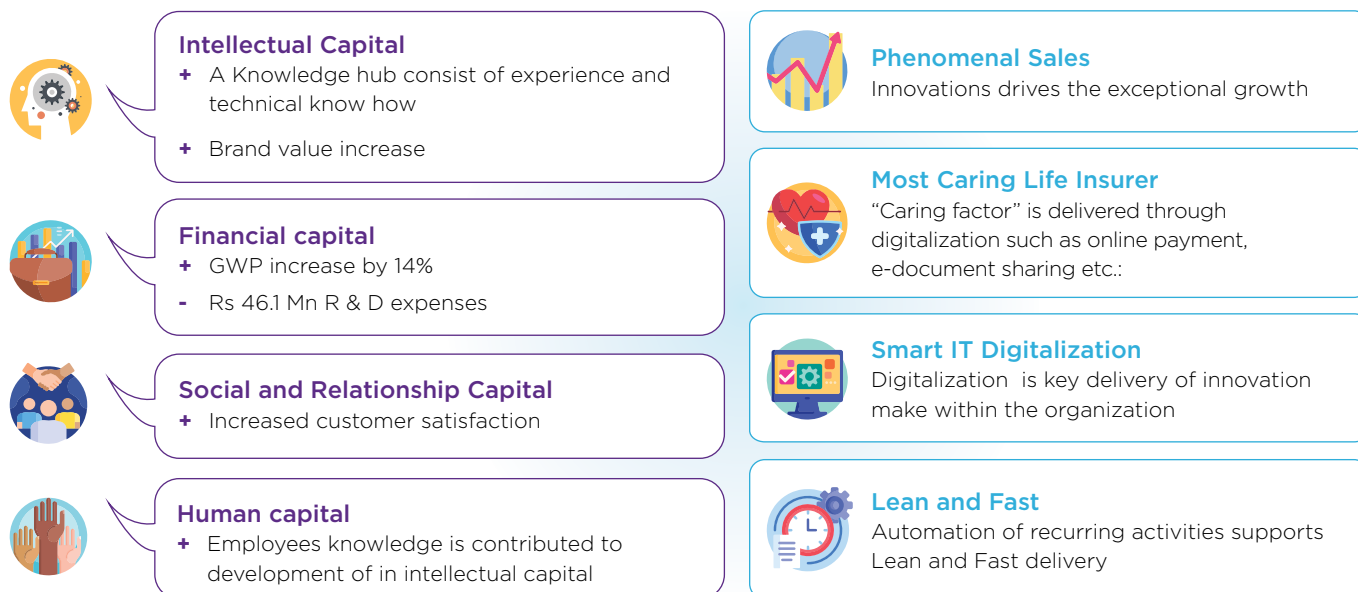


As a life insurer functioning within a highly competitive market, our capacity to comprehend evolving consumer preferences and maintain our competitive standing hinges on intangible factors. These factors include our brand value, research and development capabilities, innovation capacity, tacit knowledge, operational processes, and strategic partnerships. Together, these elements constitute our Intellectual Capital, which is instrumental in enhancing our competitive advantage.



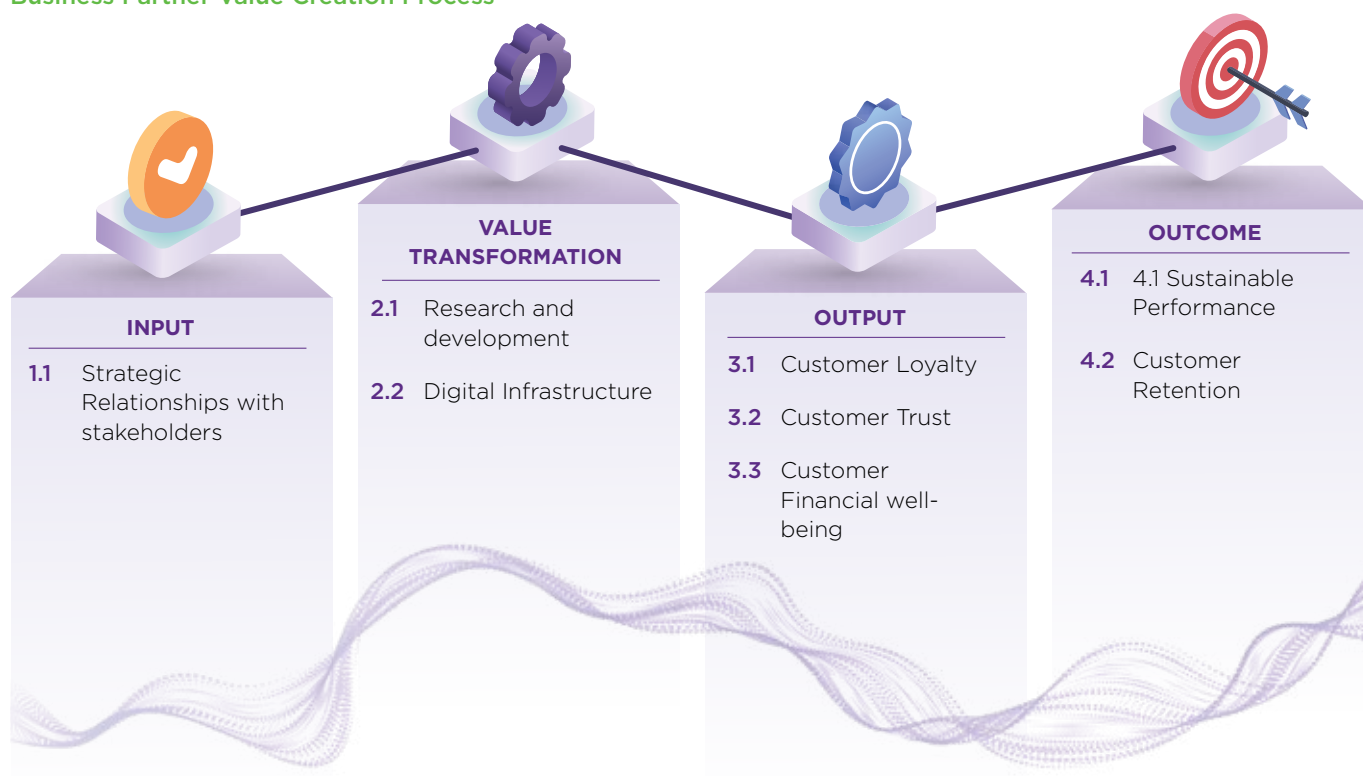
Connectivity and Tradeoff

Relevance to strategy



As a life insurance company operating in a fiercely competitive market, our ability to understand shifting consumer preferences and sustain our competitive edge relies on intangible elements. These encompass our brand equity, research and development prowess, innovation capabilities, tacit knowledge, operational procedures, and strategic alliances. Collectively, these components form our Intellectual Capital, crucial for augmenting our competitive advantage. Below diagram shows how intellectual capital add value to our organization

Business Partner Value Creation Process



INTELLECTUAL CAPITAL

At SLI, our emphasis lies in cultivating the skills and expertise of our employees, enhancing staff retention rates, continuously investing in IT infrastructure and technological innovations, engaging in brand-building initiatives, and leveraging our relationships to create sustainable value in managing our Intellectual Capital.

1.1 Strategic Relationships with stakeholders

The foundation of our intellectual capital value creation begins with our relationships with existing employees, customers, investors, business partners, and the community. The collective knowledge we accumulate through engagement with each stakeholder is crucial for fostering more positive interactions in the future. The collaborative efforts of these stakeholders in our value creation journey are detailed within the individual capitals, while our interactions with them are further explained in the "Stakeholder Engagement" section, found on page 72.

2.1 Research and Development

At Softlogic Life, we firmly believe that research and development (R&D) are fundamental elements of our operational strategy. Our

commitment to R&D is rooted in our desire to continually enhance, refine, and innovate across all aspects of our business, including our products, services, technologies, and operational processes. We recognize that in today's rapidly evolving marketplace, staying ahead requires a proactive approach to acquiring knowledge and leveraging emerging trends and technologies.

The significance of our dedication to R&D cannot be overstated, as it has been a primary catalyst for the remarkable growth experienced by Softlogic Life. By investing in R&D initiatives, we have been able to identify opportunities for improvement, develop innovative solutions, and adapt to changing customer needs and market dynamics effectively.

To spearhead our innovation efforts, we have established the role of Chief Innovation Officer (CIO) within Softlogic Life. The CIO is tasked with driving forward-thinking initiatives and fostering a culture of innovation across the organization. Leading a team of dedicated professionals, the CIO is committed to staying abreast of new trends, emerging technologies, and best practices, particularly in the field of artificial intelligence (AI).

Our team of passionate innovators is deeply invested in exploring the potential applications of AI and other cutting-edge technologies to enhance our products and services further. Through ongoing research, experimentation, and collaboration, we aim to unlock new opportunities for growth, differentiation, and value creation for our customers and stakeholders.

At Softlogic Life, our commitment to R&D and innovation is not just a strategic imperative; it is a core value that guides our actions and shapes our future direction. By continuously pushing the boundaries of what is possible, we aspire to be at the forefront of innovation in the insurance industry, delivering unparalleled value and driving sustainable growth for years to come.



Scan above QR code to read this thoughts on transforming insurance industry by creating data driven culture

Strategic relationships that promote the development of intellectual capital within the organization



2.2 Digital Infrastructure

Our digital innovation forms the foundation of an organisation's information technology and operations. It seamlessly integrates both physical and virtual technologies, establishing a unified and interconnected framework. This framework supports the effective functioning of various IT and operational processes within the organization. The governance framework is detailed on page 105.

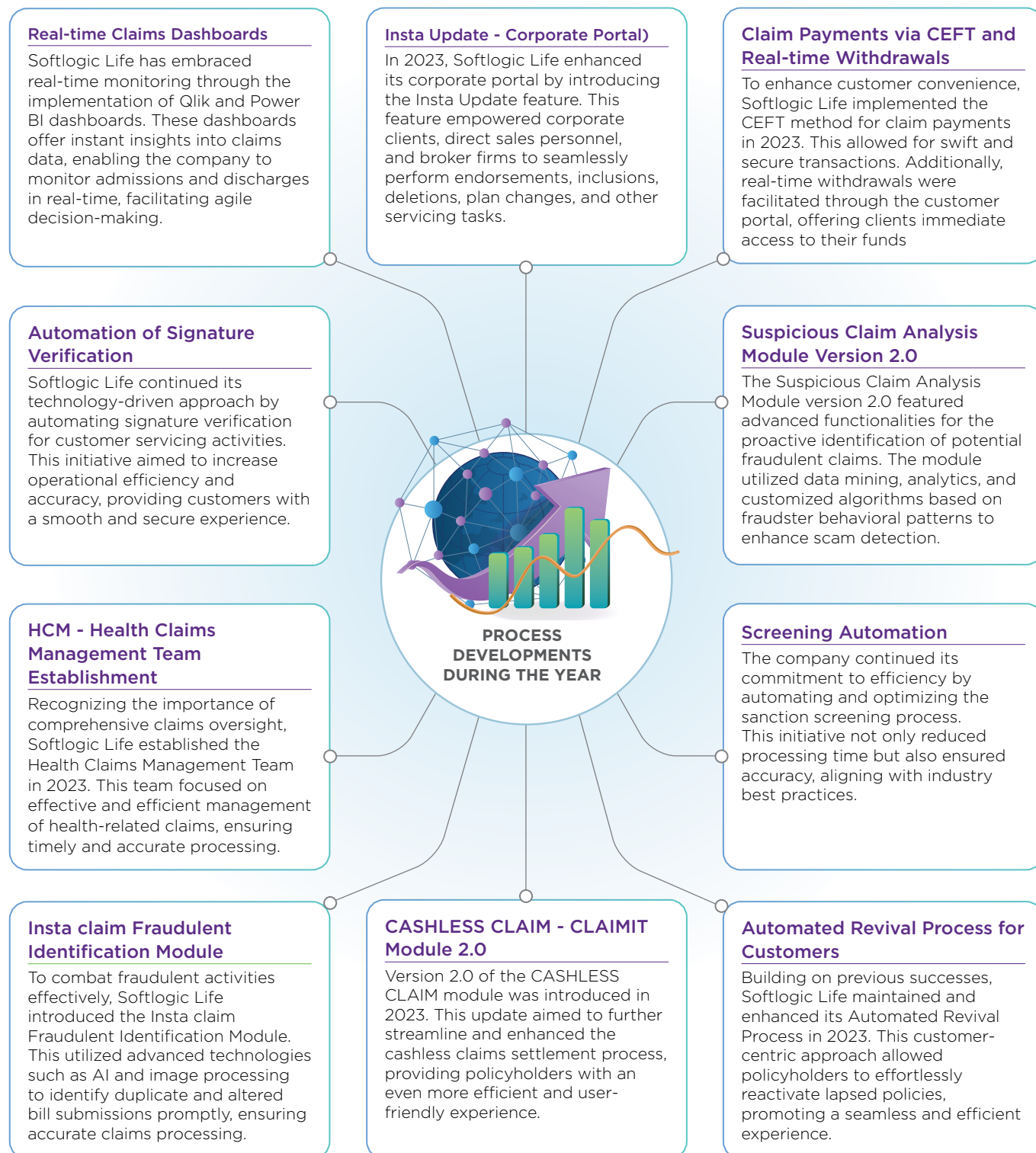
Our Information Technology innovation team, comprised of experts in the IT sector, is dedicated to continuously exploring and implementing the latest advancements. Through a focus on data science, artificial intelligence, robotic process automation, and ongoing research and development, our team works diligently to upgrade systems daily. This strategic approach not only ensures the integration of cutting-edge technologies but also plays a crucial role in optimizing our business model for enhanced efficiency and performance.



INTELLECTUAL CAPITAL

3.1 Process Development

We continue to improve our selves despite the things happening in our surrounding. While facing many headwinds during 2023 we managed to introduce following process improvements in addition to the initiatives we have mentioned in page 22.



SRI LANKA'S FIRST EVER AI BASED MARKETING CAMPAIGN

Our innovation extends beyond our core business activities to encompass all our support services, aiming to enhance overall productivity. A prime example is our recent marketing campaign, developed using the Deep Fake option of Artificial Intelligence. This novel concept garnered significant attention across various media platforms, highlighting the innovative culture ingrained within our organization.



Scan this QR code to see our social media campaign

<https://www.youtube.com/watch?v=RaP9jtzQBGE>



4.1 Brand

Designed to improve the well-being of every Sri Lankan, our brand is dedicated to achieving this goal with a proactive approach rather than a reactive one. Upholding our commitment to enhance the quality of life for all Sri Lankans, we consistently strive to be present during their times of need by providing solutions rooted in innovation, quality products, and excellent customer service.

OUR BRAND PROMISE

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

Not many people in Sri Lanka have life insurance because they often feel like nothing bad will happen to them. They believe they'll have a good life, and only bad things will happen to other people. So, Softlogic Life did something different. Instead of trying to scare people into thinking bad things will happen, we changed how we talk about life insurance. We told people to enjoy their lives, and if something bad does happen, we'll be there to help. It's a new way of thinking about life insurance, focusing on living life fully and being there for support when needed.



BRAND POSITIONING

Promote proactive health management/healthy lifestyle by based on three elements; Wellness, Fitness and Nutrition for insurance that works and benefits you now and while you live.

BRAND COMMUNICATION

We communicate our brand through;

- Mass Media
- Social Media
- Digital channel
- Outdoor Visibility

Compliance and Ethics

Ethical marketing

Ethical marketing is a fundamental practice for the company. Prior to the launch of any marketing communication, the marketing and communications team consistently evaluates proposals against ethical marketing criteria. The ultimate responsibility will be held on Chief Marketing Officer.

INTELLECTUAL CAPITAL

Compliance/Penalties or fines

No financial losses were incurred due to legal proceedings related to the marketing and communication of insurance product information to both new and returning customers.

Awards and Accolades

Our brand was recognized at many leading award ceremonies for various aspects of brand performance, as outlined below.



RISK AND CHALLENGES

During the year management of SLI faced many challenges in managing our Human Capital. The impact and action taken are listed below.



Risk	Impact	Action Taken
Cyber security	The heightened pace of digitalization, coupled with an innovative drive, has introduced new vulnerabilities, raising the risk of potential cyber attacks	- We have implemented robust management and technical controls to ensure effective oversight and safeguarding measures - Regularly review and update the IT security system for ongoing effectiveness
Intense competition at the brand level	Challenge to maintain growth momentum	- Conduct impactful brand management activities - Significant allocation of resources for brand building initiatives

LOOKING FORWARD

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

We will continue to drive efforts towards nurturing our intellectual capital through increasing brand awareness, streamlining processes, and fostering a culture of knowledge sharing across the organization. Innovative digitization will be a key medium to long-term priority and is expected to support the achievement of Smart IT Digitization, Kings of data, Phenomenal sales, and Lean and fast initiatives. Digital infrastructure will be pursued through IT advances to launch new products and system automations across our business, while also focusing on the development of Intellectual Capital. We have identified digitalization as a key pillar on which our future success depends on. We will increase the usage of emerging digital trends such as Big Data, Artificial Intelligence, Machine learning, etc.

Future business landscape with technology

In the rapidly evolving landscape of the life insurance market, digitalization, artificial intelligence (AI), and big data adoptions are revolutionizing traditional practices and reshaping the industry's future. Digitalization has transformed how insurers engage with customers, streamline processes, and deliver personalized services. With the proliferation of digital platforms and mobile apps, policyholders can now access information, manage policies, and file claims conveniently, enhancing overall customer experience.

AI is driving significant advancements in underwriting, risk assessment, and customer service. Machine learning algorithms analyse vast datasets to identify patterns, predict trends, and mitigate risks more accurately and efficiently. Chatbots and virtual assistants powered by AI are also revolutionizing customer interactions, providing instant support and personalized recommendations round-the-clock.

Meanwhile, the utilization of big data enables insurers to gain deeper insights into customer behaviour, preferences, and demographics. By leveraging predictive analytics and data-driven modelling, insurers can tailor products, pricing, and marketing strategies to better meet the evolving needs of their target market segments.

Overall, the integration of digitalization, AI, and big data analytics into the life insurance market promises improved operational efficiency, enhanced risk management, and greater customer satisfaction. However, as insurers navigate this digital transformation, they must also prioritize data privacy, cybersecurity, and regulatory compliance to build trust and ensure

the long-term success of their digital initiatives.

SLI response

At Softlogic Life, we align our strategies to capitalize on these transformative changes. We actively adapt to the rapid evolution within our operational context, implementing strategic decisions that confer a competitive advantage in the market. Undoubtedly, SLI leads Sri Lanka's digitalization and innovation drive in the life insurance sector. Our innovation team, comprised of IT professionals and data scientists, tirelessly integrates new technologies into our core business activities, with successful implementations detailed in this report.

Expanding our horizons, Softlogic Life pioneers collaboration with the Department of Computer Science and Engineering at the University of Moratuwa through the "Softlogic Life Tec Wizard" project. A memorandum of Understanding (MoU) solidifies this partnership, empowering Sri Lankan youth for digital transformation. This strategic initiative not only positions Softlogic Life to attract top talent but also contributes to the technological advancement of Sri Lanka's insurance industry. We believe this collaboration will generate substantial value for our company while positively impacting society.





MANUFACTURED CAPITAL

Essential assets that support value creation

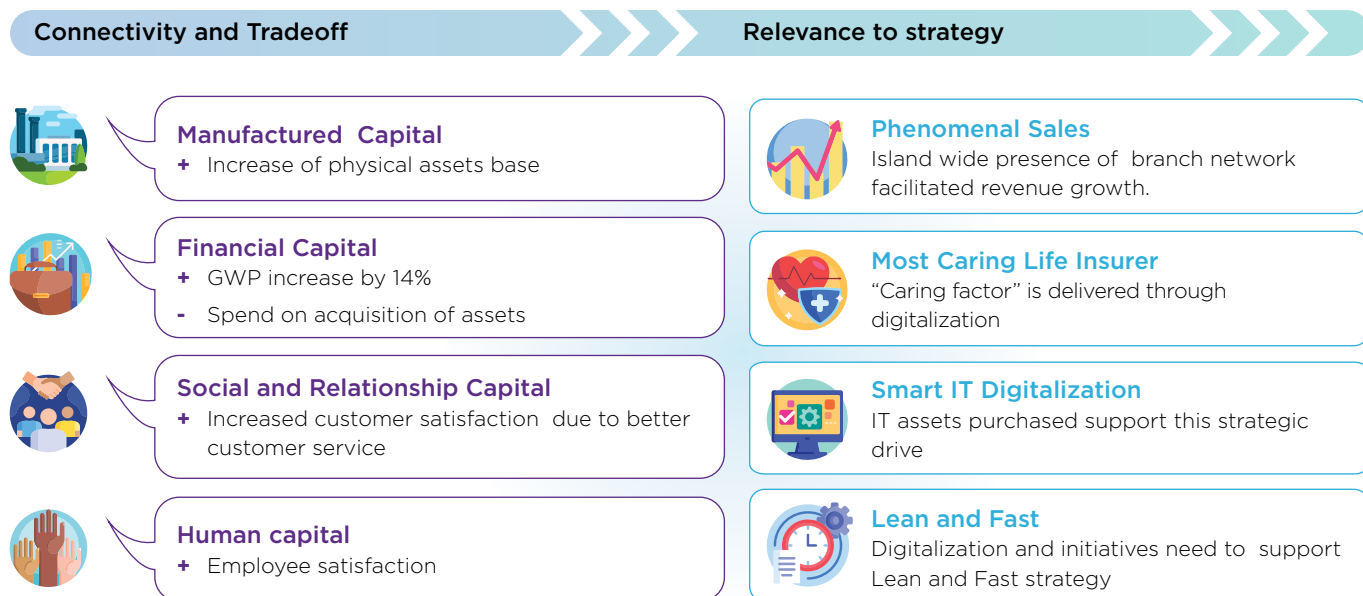
**BIGGER.
BETTER.
BOLDER.**



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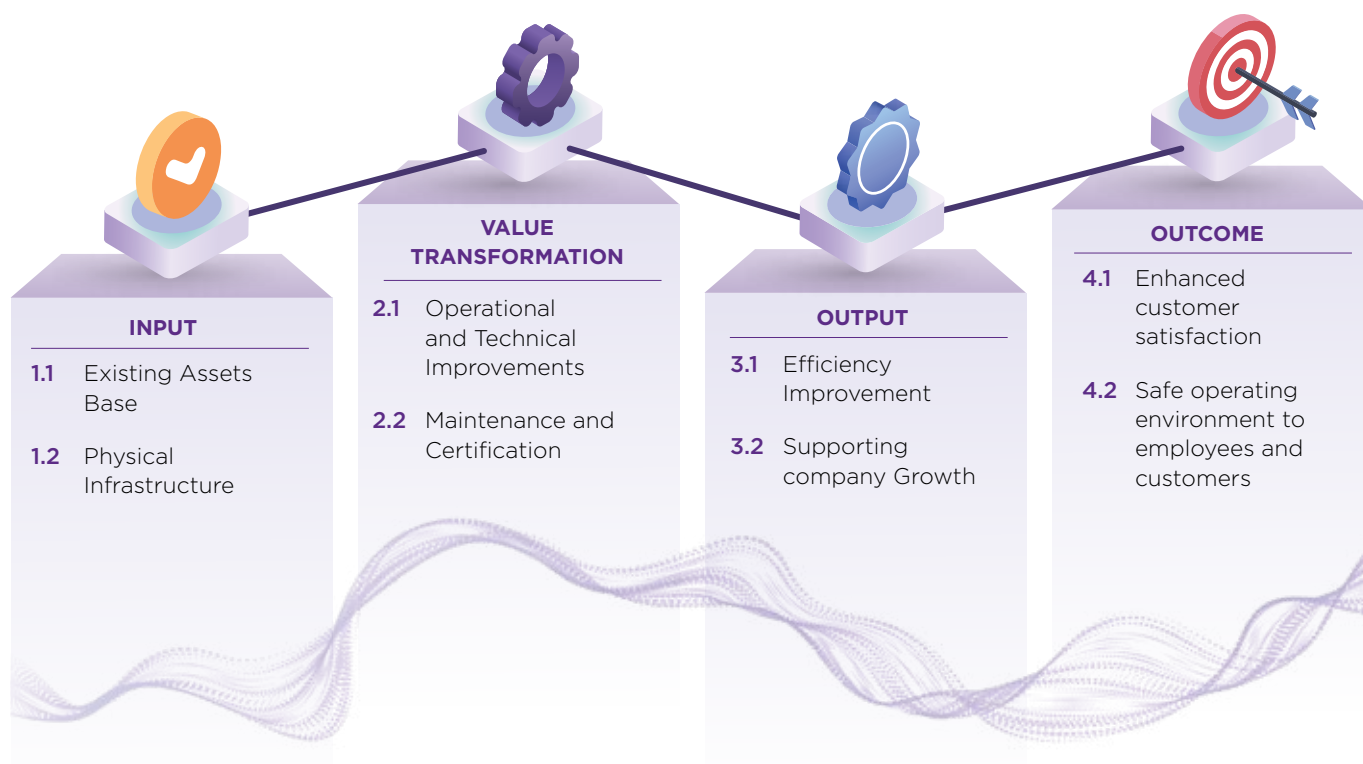


Our Manufactured Capital consists of our physical and digital infrastructure which facilitate our customer reach and enable the smooth functioning of operations and provide employee friendly spaces. Our transformation to a client centric, digitally-enabled organization is heavily dependent on the quality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



Our Manufactured Capital encompasses both our physical and digital infrastructure, essential for expanding our customer base, ensuring operational efficiency, and fostering employee-friendly environments. The success of our shift towards a client-centric, digitally-driven organization hinges greatly on the quality and sufficiency of our Manufactured Capital. Below diagram shows how intellectual capital add value to our organization

Manufactured Capital Value Creation Process



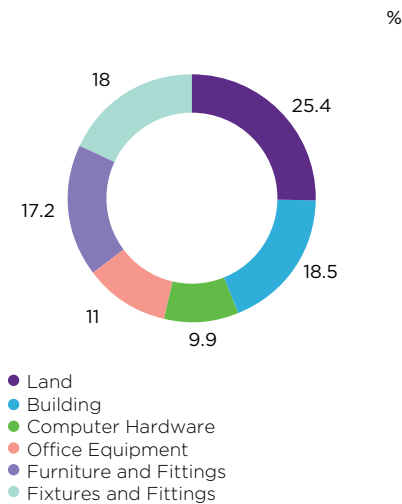
MANUFACTURED CAPITAL

We manage our physical asset base in an efficient manner to achieve extraordinary results. Our digitalization and automation plans, as discussed in the strategy section, also support the efficient use of the company's asset base.

1.1 Existing Assets Base

Composition of out fixed assets base is provided below.

G17-FIXED ASSET MIX -2023



1.2 Physical Infrastructure (Branch Network)

We have an advantage of leveraging on extensive island-wide branch reach of 116 own branches and we are well positioned to further penetrate untapped segments of the market. Goals of maintaining such a large branch network are increase in our customer base and customer accessibility, improve the brand visibility and enable more employment opportunities to localities. During the year we added 13 branches to our network. Majority of these branches are operating in outside the western province proving employment to surrounded people.

New branches

Province	
Northern province	03
Eastern province	02
Southern province	02
Sabaragamuwa province	01
Western province	03
Central province	02

Usage of Public Infrastructure

SLI utilizes public facilities provided by the government, including roads, water, and waste management. In reciprocation, we contribute to the community by ensuring timely payment of taxes and actively participating in community development projects (About the community development projects described under social and relationship capital).

2.1 Operational and Technical Improvements

Our technology plays a pivotal role in boosting effectiveness and enables us to transition towards implementing automation, digitalization, and streamlining processes such as tele-underwriting and digital proposals.

As a testament to our dedication in developing digital infrastructure, we are proud to announce that our efforts have been recognized with the "Best Use of IT and Technology" award at the South Asian Business Excellence Awards in 2023.

The majority of these branches operate outside the western province, providing employment opportunities to the surrounding population.



2.2 Maintenance and Certification

We ensure that we extract the utmost value from our manufactured capital through regular maintenance, upgrades, and necessary certifications. SLI currently holds the following certifications.

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

RISK AND CHALLENGES

During the year management of SLI faced many challenges in managing our Manufactured Capital. The impact and action taken are listed below.



Risk	Impact	Action Taken
Cyber security	The heightened pace of digitalization, coupled with an innovative drive, has introduced new vulnerabilities, raising the risk of potential cyber attacks	• We have implemented robust management and technical controls to ensure effective oversight and safeguarding measures • Regularly review and update the IT security system for ongoing effectiveness
Increase in physical infrastructure acquisition and maintenance cost	With the rising inflation physical infrastructure acquisition as well as maintenance including rent have increased. Further, with the increase of operating expenses, the resources are limited to invest for capital expenditure	• Prioritise the resource utilization based on the strategic priority and urgency. • Maintain vendor register to increase company bargaining power

Short Term Target	Medium to Long Term Target
Continuing our commitment to technological advancement, we are poised to further invest in and enhance our technical infrastructure In pursuit of expanding our market presence and enhancing customer outreach, we are strategically planning to broaden our branch network island-wide. This expansion initiative is designed to bring our products and services closer to customers across the entire region, ensuring accessibility and convenience. By establishing a comprehensive branch network, we aim to not only increase our market share but also strengthen our connection with the community.	Our aspiration is to excel as leaders in the life insurance sector by championing the use of Information Technology (IT) and digital infrastructure. We are committed to pushing the boundaries of innovation and efficiency, utilizing cutting-edge technologies to elevate customer experiences, streamline operations, and transform the industry landscape. Through continuous investment in advanced IT systems, cybersecurity, data analytics, and digital platforms, our goal is not only to meet industry standards but to set new benchmarks. We aim to redefine industry norms and position ourselves as pioneers in leveraging technology for the betterment of our stakeholders, solidifying our role as leaders in the digital transformation of the life insurance sector.



NATURAL CAPITAL
We protect it for Better tomorrow

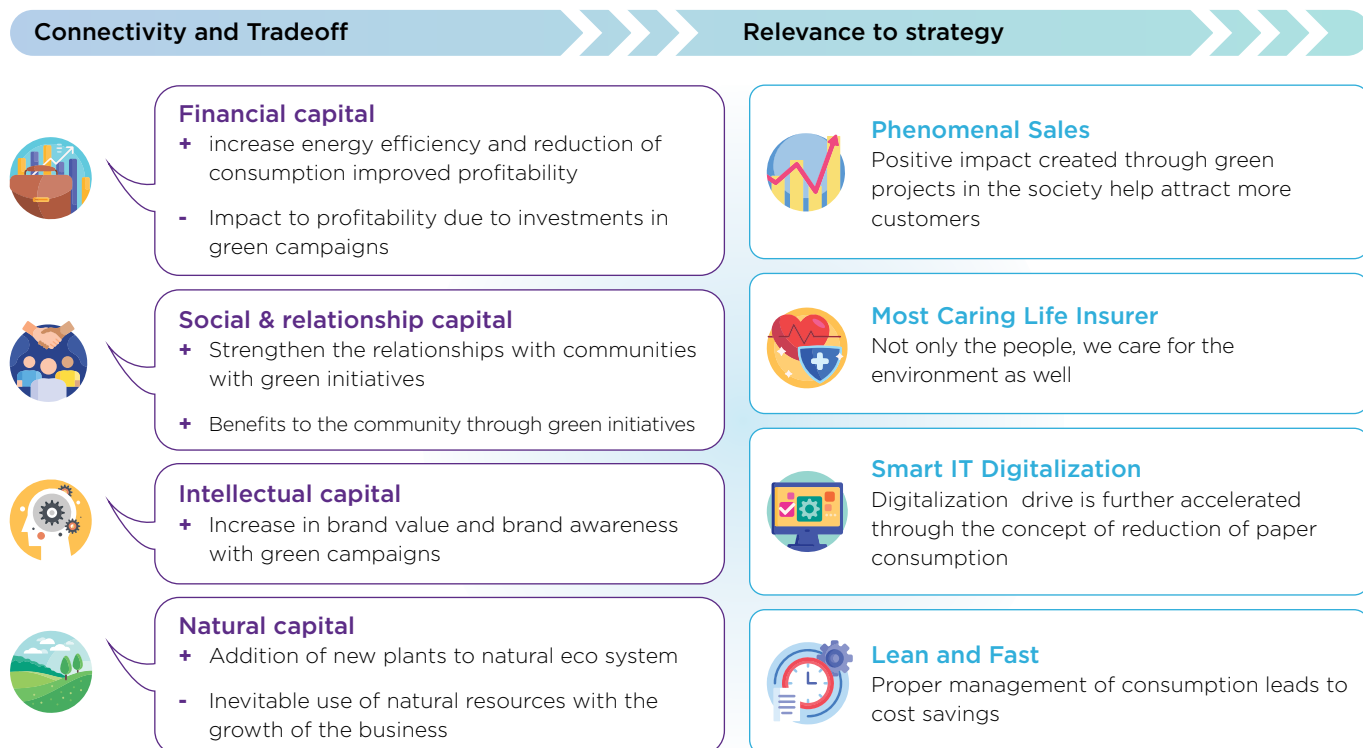
**BIGGER.
BETTER.
BOLDER.**



[https://softlogiclife.lk/
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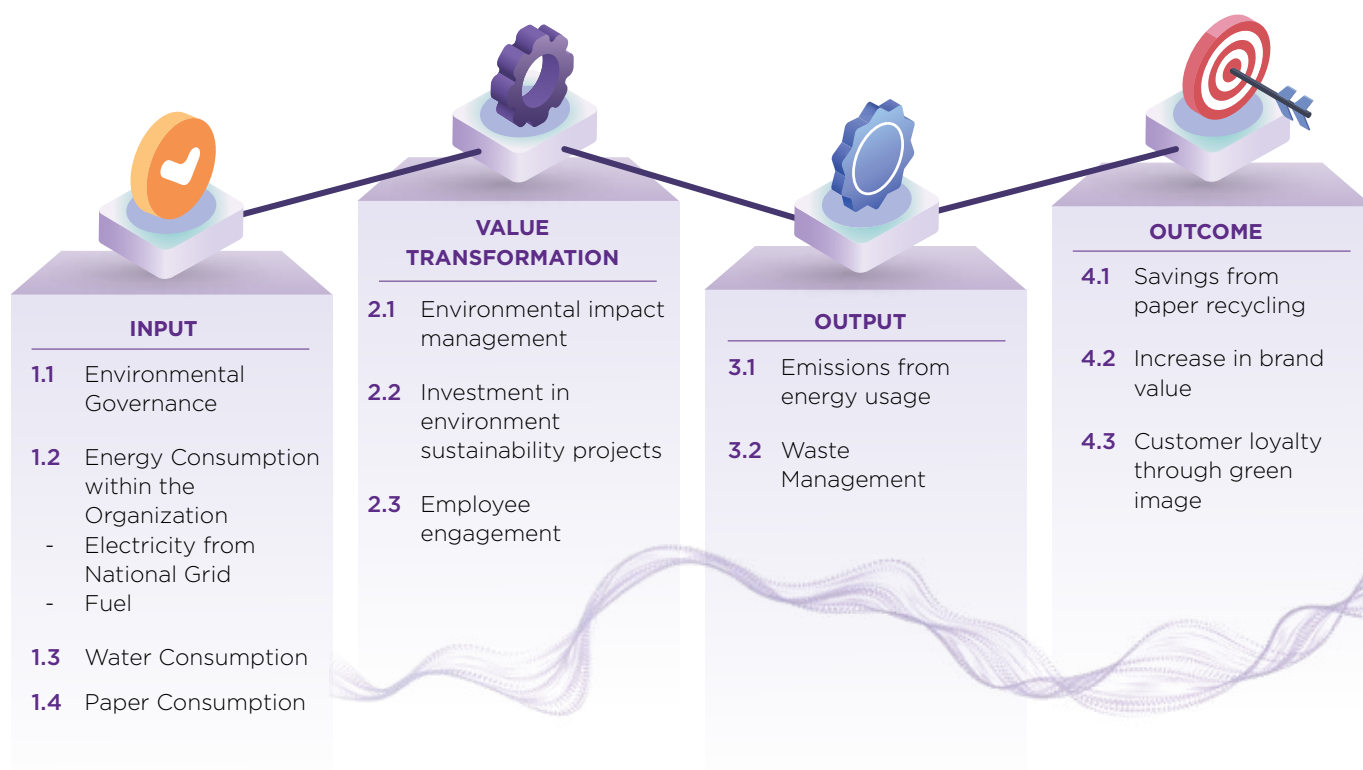


As a life insurance company operating in the service industry, our environmental footprint is primarily determined by our use of resources such as energy, paper, water, and the emission of pollutants. We are mindful of the environmental impact of our business operations and actively take measures to minimize it.



In order to provide deeper understanding of our environment and contributions to the company's value creation journey and our approach to manage it, we have used the following structured reporting practices. These practices comprehensively capture all facets pertinent to natural capital, ensuring a holistic understanding

Sustainable Customer Management Process



NATURAL CAPITAL



GRI

2-27

302-1

302-3

303-1

303-3

303-5

UNGC

7

8

Being a life insurance company in the service sector, our environmental footprint is mainly tied to using resources like energy, paper, and water, as well as emitting emissions. However, we're dedicated to playing our part in helping the country reach the Sustainable Development Goals (SDGs). Our focus is particularly on cutting emissions and using natural resources responsibly.

1.1 Environmental Governance

Our Environmental, Social and Governance policy aims to develop an understanding of Softlogic Life Insurance PLC's approach to managing Environmental, Social and Governance Risk.

We integrate the assessment of Environmental, Social and Governance Risks into our Corporate Strategy from ESG policy with aiming at mitigating the environmental impacts of our business activities. In our ESG policy we have cleared areas through the exclusion list, we will not insure or invest in any activity, production of, trade in, or distribution which create environmental impacts.

1.2 Energy Consumption within the Organization

We primarily depend on two key energy sources: electricity obtained from the national grid and fuel used for various transportation needs, such as employee travel, training, and marketing activities.

We monitor our energy consumption within the organization using indicators like electricity intensity, which is the electricity consumption per employee, and another indicator, electricity intensity, measured as electricity consumption per GWP rupees 1 million. In comparison to the previous year (2022), our energy consumption has risen. This increase can be attributed to more employees working at the office in 2023, as

opposed to working from home, which was the case in 2022. We have identified this shift in working arrangements as the primary reason for the uptick in energy consumption during the year.

	2023	2022
Electricity		
Electricity (KJ Mn)	7,028	5,700
Energy intensity - electricity consumption per employee (kJ Mn)	7.14	5.71
Energy intensity - electricity consumption per GWP Rs 1 Mn (kJ Mn)	0.27	0.25

Our key initiatives to reduce energy consumption

- Installation of timer switches on the Air-Conditioners (A/Cs) at our own office, ensuring they are operational only during working hours
- We have adopted online staff training sessions to minimize fuel expenditure and costs associated with commuting.
- Encouraged employees to use electricity in a responsible manner in their day to day activities.
- The implementation of master key switches across all floors of the own Office has significantly contributed to achieving greater energy efficiency

1.3 Water Consumption

We have maintained our commitment to long-term water conservation efforts, with an emphasis on responsible consumption. To achieve this goal, we have installed sensor taps and conducted awareness campaigns to promote water conservation practices, all aimed at enhancing our overall water management strategies

	2023	2022
Ground Water Consumption	Not measured	Not measured
Pipe Borne Water Consumption (m3)	14,447	11,896
Mineral Water for Drinking Purposes (m3)	266	251
Total Water Withdrawal (m3)	14,713	12,147

1.4 Paper Consumption

The SLI is committed to reducing paper consumption across its value chain as part of our environmental impact management framework. With the aim of the reduction of paper consumption, the company has digitalized many internal processes.

The initiatives we developed aimed at reducing paper consumption throughout our value chain are as the below.

EMPLOYEES

- Digitization of internal processes
- E-learning
- Remote work
- Reusing stationery and fixed assets

CUSTOMERS

- 100% digital sales platform
- LifeUp App



VENDORS AND SUPPLIERS

- Online supplier registration platform
- Authorized recyclers (Neptune Paper Collection) are contracted to provide a total recycling solution

Paper Usage(kg)

2023	2022
14,449	11,150

Paper Recycled (kg)

2023	2022
5253	362

Paper recycled (%)

2023	2022
36	3

SAVINGS FROM PAPER RECYCLING

89 fully grown **Trees**

9,219 litres of **Oil**

21,012 kwh of **Electricity**

166,940 litres of **Water**

16 cubic meter of **Land fill**

Reduce Green House Gas Emission by 5,253 kgs of Carbon Equivalent.

While our paper consumption has increased compared to the previous year, we have made significant strides in expanding our paper recycling efforts during this period.

2.1 Environmental impact management

As a responsible organization, we are dedicated to managing the environmental impacts generated by our business activities. Our strategic initiatives for environmental impact management within the organization are centred on resource conservation, community engagement, minimizing supply chain impact, and effective waste prevention and management.

Addressing resource conservation in our internal office environment, details are outlined for each section of resource consumption under the natural capital section.

2.2 Investment in environment sustainability projects

Our brand-building endeavours align closely with green initiatives aimed at promoting environmental sustainability. One noteworthy initiative involves creating a Christmas Tree using vegetable plants, which is elaborately detailed on page 129. Additionally, you can scan the QR code below to explore other green initiatives we have undertaken.



Scan this QR code to see our green initiatives

NATURAL CAPITAL



GRI 302-2 305-1 305-2 305-4

2.3 Employee engagement

"Live Green Love Green" is a home-gardening concept launched by Softlogic Life with the aim of encouraging all of Sri Lanka to start even small gardens at home, promoting proactive measures in anticipation of potential food crises. While initially conceived as a community project, it directly contributes to enriching the natural ecosystem by adding plants.

3.1 Emissions from energy usage

Carbon footprint

We are committed to playing our part in contributing towards the reductions of the country's greenhouse gas emissions in line with the Sustainable Development Goals. We tracked our carbon footprint based on the GHG Protocol published by the World Resource Institute and World Business Council for Sustainable Development.

All locations practice waste segregation and contracted third parties ensure safe disposal of waste.

Our ESG policy described how we managed our external environment impacts which can arise with our business activities.

The Company is fully compliant with all environmental regulations/guidelines and there were no instances of fines or penalties imposed during the year.

Green House Gas Emissions and Intensity		
Scope	Description	Emissions (tCO ₂ -e/Year)
Scope 1: Direct GHG Emissions	Emission from AC Machines	81.20
	Company owned vehicles	14.65
	Fire Extinguisher	0.05
	Employee commuting (paid)	97.25
Total - Scope 1		193.15
Scope 2: Indirect GHG Emissions	Grid Connected Electricity	834.62
Total - Scope 2		834.62
Scope 3: Other Indirect GHG Emissions	Employee commuting (not paid)	880.64
	Business Air Travels	6.70
	Hired Vehicles (Local business travels)	6.27
	Waste transportation	1.06
	Municipal Water	2.15
	T&D loss	79.74
Total - Scope 3		976.56
Carbon footprint (Scope 1+2+3)		2,004.35
Carbon footprint intensity - Emissions per employee		2.03

Short Term Target

Increase awareness among the internal stakeholders

Governance body involvement will be enacted with implementation of requirements under IFRS S1 and S2

Medium to Long Term View

Actively engage in safeguarding Mother Nature by implementing environmental protection strategies, including efforts to reduce the company's carbon footprint

We will continue to drive sustained reductions in our energy and carbon intensity as set out in our ESG Policy. Our long-term objective is to achieve carbon neutrality across all our operations and in doing so, we drive concerted efforts to enhance energy efficiency and mitigate the greenhouse gas emissions. The Company will also continue to support strategic green campaigns in order to create meaningful change in the environment we operate in.

3.2 Waste Management

We are committed to responsibly decreasing both the quantity and intensity of waste generated from our operations. We have adopted the 4R concept to manage our waste generation in a sustainable manner. Waste generated from our operation consist mainly of paper waste and food waste.

Refuse

→ The digitization of document storage and archiving processes has led to the establishment of a paperless environment

Reduce

→ Monitor and control paper consumption

Reuse

→ Reuse of paper as much as possible

Recycle

→ All paper waste is recycled through Neptune Recyclers

NATURAL CAPITAL



GREENHOUSE GAS VERIFICATION OPINION

Sri Lanka Climate Fund (Pvt) Ltd
Ministry of Environment

Organization Level GHG statement developed by

Softlogic Life Insurance PLC

Level 16, One Galle Face Tower, Colombo 02, Sri Lanka

complying with the requirements of ISO 14064-1:2018 has been verified in accordance with the specification of ISO 14064-3:2019 with reasonable level of assurance*

Opinion No	: SLCF/CFP/0210
Date of Issue	: 29.02.2024
Period of Assessment	: 01.01.2023 – 31.12.2023
Selected Boundary	: Operationally controlled business operations of Softlogic Life Insurance PLC (including Head Office and 117 Branches Island wide operationally controlled properties)
Direct GHG Emissions	: 194 tonnes of CO ₂ equivalent
Indirect GHG Emissions	: 1,812 tonnes of CO ₂ equivalent
Total GHG Emissions	: 2,006 tonnes of CO₂ equivalent



Hashmi

Chief Executive Officer
Sri Lanka Climate Fund (Pvt) Ltd

Period of Validity: 29.02.2024 – 31.03.2025

Exclusions: GHG emissions related to stationaries transportation from a central hub to the branches, the use of a shared generator at the head office, and transport associated with sales employees.

*Materiality threshold is below 5%

INDEPENDENT ASSURANCE REPORT TO SOFTLOGIC LIFE INSURANCE PLC



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We have been engaged by the Directors of Softlogic Life PLC (“the Company”) to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 December 2023. The Sustainability Indicators are included in the Softlogic Life Insurance PLC Integrated Annual Report for the year ended 31 December 2023 (the “Report”).

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

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	30-31

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

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Sustainability Performance Indicators	21
Information provided on following	
Financial Capital	92-97
Human Capital	98-111
Social & Relationship Capital	112-129
Intellectual Capital	130-137
Manufactured Capital	138-141
Natural Capital	142-146

OUR CONCLUSIONS

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

REASONABLE ASSURANCE SUSTAINABILITY INDICATORS

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2023, in all material respects, has been prepared and presented by the management

of Softlogic Life Insurance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

LIMITED ASSURANCE SUSTAINABILITY INDICATORS

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2023, have not in all material respects, been prepared and presented by the management of Softlogic Life Insurance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

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

These responsibilities include establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

OUR RESPONSIBILITY

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics).

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

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

REASONABLE ASSURANCE OVER REASONABLE ASSURANCE SUSTAINABILITY INDICATORS

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal controls over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company

in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

LIMITED ASSURANCE ON THE ASSURED SUSTAINABILITY INDICATORS

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

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;

ASSURANCE REPORT



- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

PURPOSE OF OUR REPORT

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the

Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

RESTRICTION OF USE OF OUR REPORT

This report has been prepared for the Directors of Softlogic Life Insurance PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Softlogic Life Insurance PLC Integrated Annual Report for the year ended 31 December 2023 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Softlogic Life Insurance PLC, or for any other purpose than that for which it was prepared.

CHARTERED ACCOUNTANTS

Colombo
4th March 2024

STEWARDSHIP

Chairman's Statement **152** | Our Approach to Governance **153** | Value Creation From Better Governance **154**
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WISER.
WARMER.
WORTHIER.

The prudent strategies and farsighted vision we employ serve as the cornerstone of our success, and enable us to stand by our people, while serving and caring for our stakeholders' needs. Our steadfast, unwavering nature enable us to remain worthy of their loyalty and trust.

CHAIRMAN'S STATEMENT



Governance at Softlogic Life is shaped by the continuous commitment and the drive for attaining the highest standards in Corporate Governance. The developments in the regulatory, industry and the internal environment are continuously monitored to stay up-to-date while maintaining a prudent governance approach, positioning the Board, Management and the employees of the Company to operate with accountability, ensuring long-term sustainability of the Company. Our framework on Corporate Governance is not limited to mere compliance, but is more reflective of a comprehensive and dynamic approach.

A TESTAMENT TO EFFECTIVE GOVERNANCE & TRANSPARENCY

The accolades we received in 2023 further cement the trust the Company gained by maintaining high Corporate Governance standards as well as reaching new heights in Corporate Governance reporting.

At the esteemed 58th Annual Report Awards (TAGS Awards) organised by CA Sri Lanka, Softlogic Life received four awards, including the Silver Award for overall excellence in Corporate Reporting for the third consecutive year, the Gold Award for the Insurance sector, as well as the Bronze Award for Corporate Governance Disclosure.

Softlogic Life was also crowned at the CMA Integrated Reporting awards with 4 awards including the gold award for overall excellence in Integrated Reporting and Best

Integrated Report award for the Insurance sector.

The Company also obtained external assurance on Integrated Reporting and sustainability indicators which covers reflecting our commitment to enhancing transparency. This assurance report is provided on pages 89-90 and 268-270 respectively.

OUR PHILOSOPHY

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

TONE FROM THE TOP

The Board maintained an independent and diverse composition during the year which is critical for impartial and efficient decision-making process.

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

LEADING AMID ECONOMIC CRISIS

The impact of the economic crisis in Sri Lanka has affected all businesses as well as individuals. This situation has created a very volatile and uncertain business environment that adversely affected many sectors including Financial Services. However, the Company and the leadership was able to navigate the Company through this challenging time and maintained growth and quality of service throughout the year enriching the lives of all policyholders.

GOVERNANCE STRUCTURE, ETHICS AND INTEGRITY

Our 2023 governance report, spanning pages 152-241, outlines how the Company is creating value from its governance framework. It covers aspects such as the Governance outlook, leadership provisions for

a robust governance structure, the Company's ethics and integrity practices, Board reports, and compliance with both compulsory and voluntary governance codes.

WAY FORWARD

The Company continuously analyses the developments in the macro environment and takes a pro-active stance on maintaining good governance to facilitate the Company's sustainable journey.

Furthermore, the Board has been keeping up with changes in accounting standards for Insurance Contracts - SLFRS 17, IFRS S1 and S2 standards, as well as the new governance rules in listing rules by CSE. The current progression and expected future plans of the governance framework are provided on page 156-157.

OUR PROMISE

We promise our stakeholders that we will continuously develop and maintain our focus on improving the effectiveness of our governance practices, complying with latest regulatory and statutory developments.

DECLARATION

The Company has complied with all the Statutory and Regulatory requirements. The details of the compliance environment at Softlogic Life is provided on page 158, under Statement of Compliance. The Company has gone a step ahead to comply with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka, which is a voluntary governance benchmark.

In addition, I wish to state that to the best of my knowledge and available information, I am not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by the Directors on the Board.

Sgd.
Ashok Pathirage
Chairman

04th March 2024

OUR APPROACH TO GOVERNANCE

<IR> 4B

OUR APPROACH TO GOVERNANCE

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

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

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

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

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

The management of Softlogic Life ensures that adherence to the governance framework is prioritised at all times.

STRUCTURE OF ANNUAL CORPORATE GOVERNANCE REPORT

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1. VALUE CREATION FROM BETTER GOVERNANCE

Better Governance Execution

Bolder Governance Actions Initiated by Softlogic Life



Direction by Board of Directors



Board Sub-Committees and Management Committees



Internal policies, procedures and guidelines



Integrated reporting and GRI guidelines



Mandatory External Governance Benchmark



Voluntary External Governance Benchmark



Code of Conduct



Internal control framework and External assurance framework



Only Company to declare quarterly surplus

2023 Update
Declared in all 4 quarters



External Assurance on Integrated Report

2023 Update
Obtained for 4th Consecutive Year



Calculation of Embedded Value (EV) and Appraisal Value (AV)

2023 Update
Performed for 2023



Surplus Analysis for shareholder value creation

2023 Update
2023 ROE - 23.5%



Expense study appropriate expense allocation

2023 Update
Updated for 2022 Assumptions



Asset Share Analysis - Declare an accurate bonus

2023 Update
Declared a bonus of Rs. 518Mn



Ring-Fencing of Investment Assets

2023 Update
2023 Financial Investment - Rs. 43.5 Bn



Fund Level Accounting in Oracle

2023 Update
Increased to 6 operating funds

Bigger Value Creation

2023 STRATEGIC PILLARS APPROVED BY BOARD



Most Caring Life Insurer

Most Caring Life Insurer

- Ethical sales practices
- Transparent claims handling
- Employee well-being programs
- Compliance with customer protection regulations



Phenomenal Sales

Phenomenal Sales

- Performance evaluation metrics for sales
- Sales training and development programs
- Incentive structure governance
- Market expansion strategies



Smart IT Digitalisation

Smart IT Digitalisation

- Digital strategy alignment
- Data security and privacy governance
- IT infrastructure resilience review
- Technology risk management



King of Data

King of Data

- Data governance framework
- Data privacy compliance
- Cyber security governance
- Data innovation approval process



Lean and Fast

Lean and Fast

- Process efficiency review
- Resource allocation agility
- Performance monitoring
- Cross-functional collaboration governance

GOVERNANCE CONTRIBUTION ON SIX CAPITAL



Financial Capital



Human Capital



Social And Relationship Capital



Intellectual Capital



Manufactured Capital



Natural Capital

Key Governance Measures to Value Creation of Capitals

- Financial performance optimisation governance
- Governance on strategic partnership
- Talent acquisition and development and employee engagement governance
- Innovation culture promotion
- Transparent stakeholder governance
- Environmental management system governance
- Capital expenditure policy review

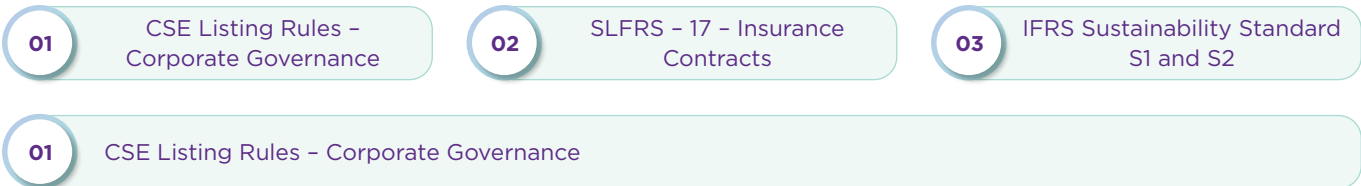
Strengthening Strategic Pillars Via Governance Practices

Value Creation Output (Refer Page No. 94 To 147)

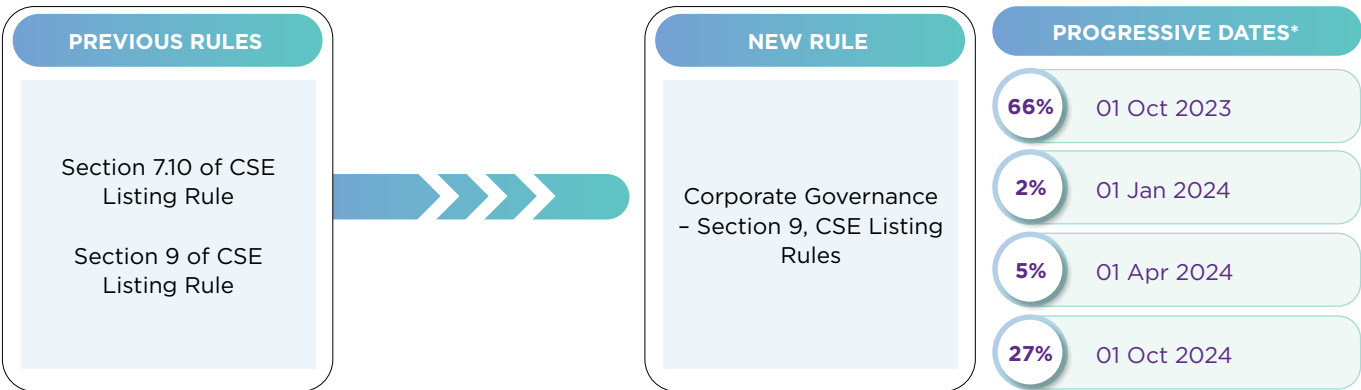
2. BOLDER MOVES IN FUTURE-PROOF GOVERNANCE

CORPORATE GOVERNANCE WITHIN THE FRAMEWORK OF THE LISTING RULES OF THE CSE

At Softlogic Life, we are dedicated to enhancing our governance framework and planning ahead for the future. This year, our focus has been on three key governance areas: CSE listing rules, SLFRS 17, and IFRS S1 & S2. We have provided changes on each framework, highlighting key improvements made and the current status and future readiness of implementation. These efforts reflect our commitment to ensuring robust governance practices and compliance with regulatory standards.



Establishment of the new Corporate Governance framework by CSE

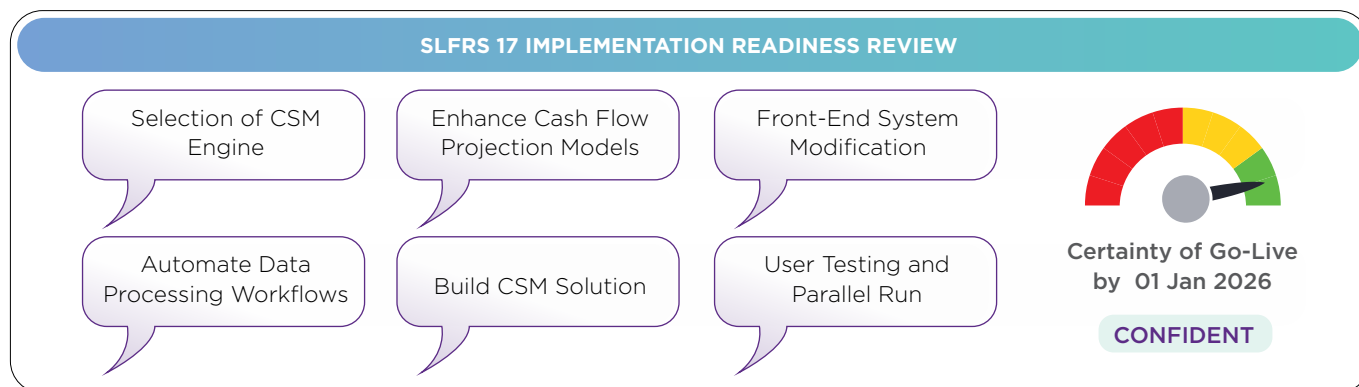


*The framework's different sections have unique implementation dates, and the percentage signifies the proportion of rules out of the total number that need implementation by the specified date.

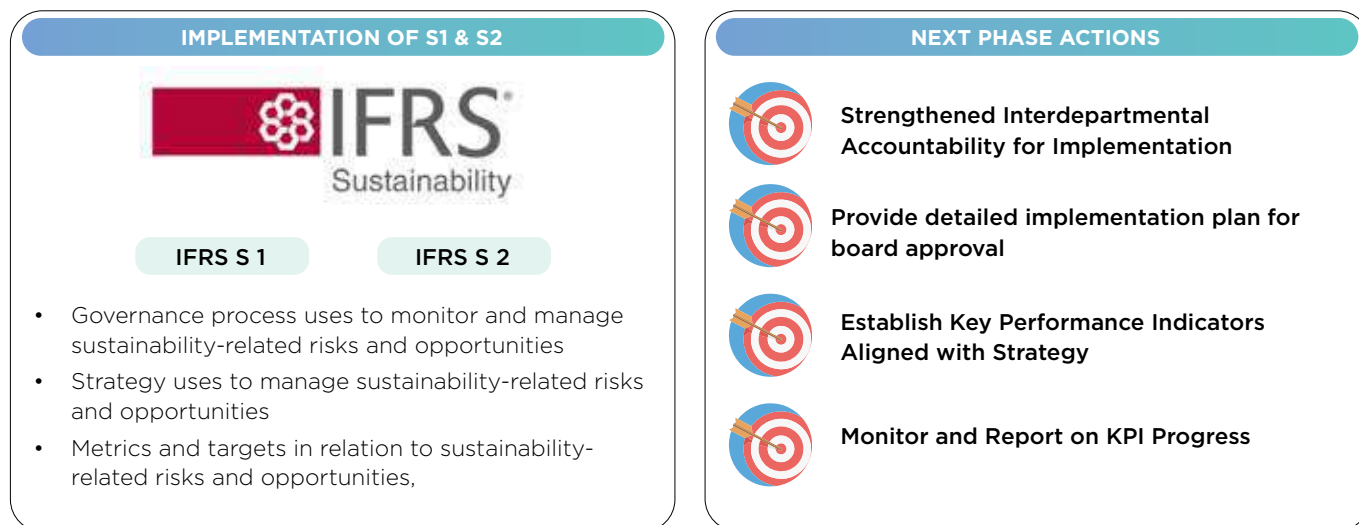
Key Enhancement Areas of New Corporate Governance Framework by CSE



02 SLFRS – 17 – Insurance Contracts



03 IFRS Sustainability Standard S1 and S2



3. BETTER GOVERNANCE: STATEMENT OF COMPLIANCE

The 2023 integrated annual report includes the audited Financial Statements for the year ended 31st December 2023, which are provided on pages 271-376 while the Independent Auditors' Report is provided on pages 268-270.

This Report is prepared in accordance with the Integrated Reporting <IR> framework (www.theiirc.org) published by the International Integrated Reporting Council's (IIRC) and GRI Standards published by the Global Reporting Initiative. The Company has obtained an Assurance Report on both <IR> reporting and the Sustainability Indicators of GRI Reporting as provided on pages 89-90 and 148-150 respectively.

The Board wishes to confirm that the Company has been compliant

during the year under review with the relevant sections of the Companies Act No.07 of 2007 and has satisfied all its statutory payment obligations to the Government and other regulatory bodies.

The Company complied with the Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto and the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka. In addition, we have achieved the status of 'Fully Compliant' with the applicable sections of the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange (CSE).

The Annual Report of the Board of Directors as at 31st December 2023 is presented on pages 196-204.

The Directors' statement of Internal Control is disclosed on pages 209-210. The Chairman's declaration of compliance with the Code of Business Conduct and Ethics for Directors and compliance with related regulations is given on page 182.

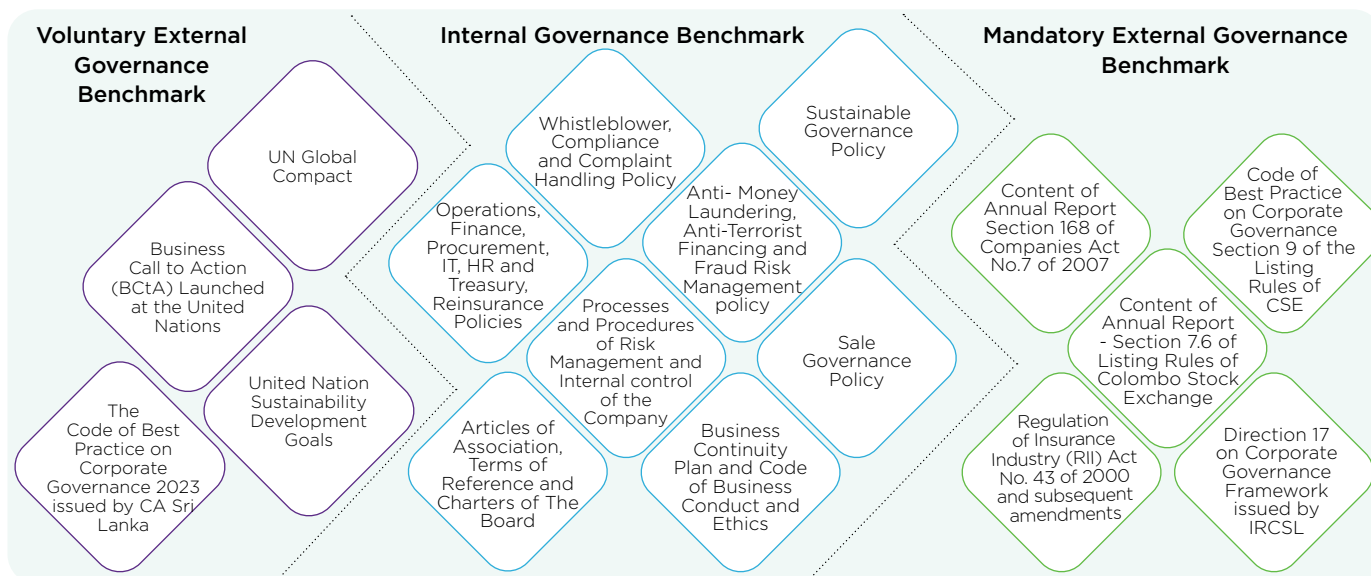
The level of compliance in preparing the Financial Statements has been declared by the Board of Directors on pages 205-206 in the Statement of Directors' Responsibility for Financial Reporting.

The declaration of independence given by all Directors, in compliance with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka is given on page 172.



Governance Benchmarks of the Company

The Company operates within its internal governance benchmarks while complying with both mandatory and voluntary external governance requirements which are illustrated below.



4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE

Operating in a quick paced environment, Softlogic Life is aware of the necessity to maintain flexibility in order to seize business opportunities and respond to threats. Making timely, well-informed decisions is essential for implementing change and maintaining competitive edge.

The Softlogic Life organisational structure aims to promote effective governance by enabling decisions to be made at the appropriate business level by the people best placed to take them. At Softlogic Life, authority is assigned and responsibility is developed through the clear definition of roles and responsibilities in mandates and job descriptions.

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

4.1 GOVERNANCE FRAMEWORK

The Company has well-defined governance structures embedded across the Company, supporting our ability to create and preserve value, while guarding against value erosion.

Our approach to corporate governance enables integrated thinking and decision-making that balances the achievement of our strategic priorities over time and reconciles the interests of the Company, stakeholders and society in creating and protecting sustainable shared value and guarding against value erosion in the short, medium and long term.

Company's purpose, values and ethics are the basis on which we institutionalise an ethical culture

across the entity and in the delivery of our strategy. Code of ethics provides the practical guidance on how to behave, outlines acceptable conduct and empowers them to make faster, more confident decisions within clearly defined parameters.

The Board and Committee effectiveness assessments and executive management performance evaluations measure conduct against the Company's values and Code of Ethics.

Our Board is responsible for the ethical and effective leadership of the Company and Chairman and the Board of Directors set the ethical tone for the Company. Board of Directors provides the strategic direction of the Company while Managing Director and the corporate management holds executive power delegated to them by authority of the Board of Directors to execute the strategy.

The governance framework of Softlogic Life Insurance PLC is provided on page 160.

4.2 BOARD COMPOSITION

The Board of Softlogic Life Insurance PLC has a combination of independent and non-independent Directors with a diverse as well as complementary skill set, experience and vision that enable them to discharge their individual and collective responsibilities to:

- Maintain good governance and compliance
- Provide a strong leadership to the Company
- Maintain Accountability to the shareholders

The Board's Primary responsibility is to provide entrepreneurial and cogent leadership within a system of responsible and effective controls that allows risk to be evaluated and managed.

Key Management Personnel (KMP) have the authority make decisions within the established framework and have access to resources to implement their decisions.

Power Balance of the Board

A majority of the Board (7 out of 8) is comprised of Non-Executive Directors. This ensures that their views and opinions have significant influence.

Further, 1/3 of the Board are Independent Non-Executive Directors, whose judgment is not influenced by the Company and its elements. Further details on the role of Independent Non-Executive Directors are stated on page 170.

Separation of the roles of Chairman and Managing Director

The Board has taken further steps to balance the decision making power and authority as well as accountability of the roles of the Chairman and Managing Director by having a separate Chairman and a Managing Director, thus ensuring that no one Board member has unfettered power on the Board. The roles of Chairman and Managing Director are provided in detail on page 170.

Financial Acumen of the Board

The Board is comprised of multiple Board members who have solid financial acumen spanning the areas of Audit, Financial Reporting and Corporate Finance as well as Investment Banking.

Director's statement regarding responsibility on Financial Reporting is provided on pages 205-206.

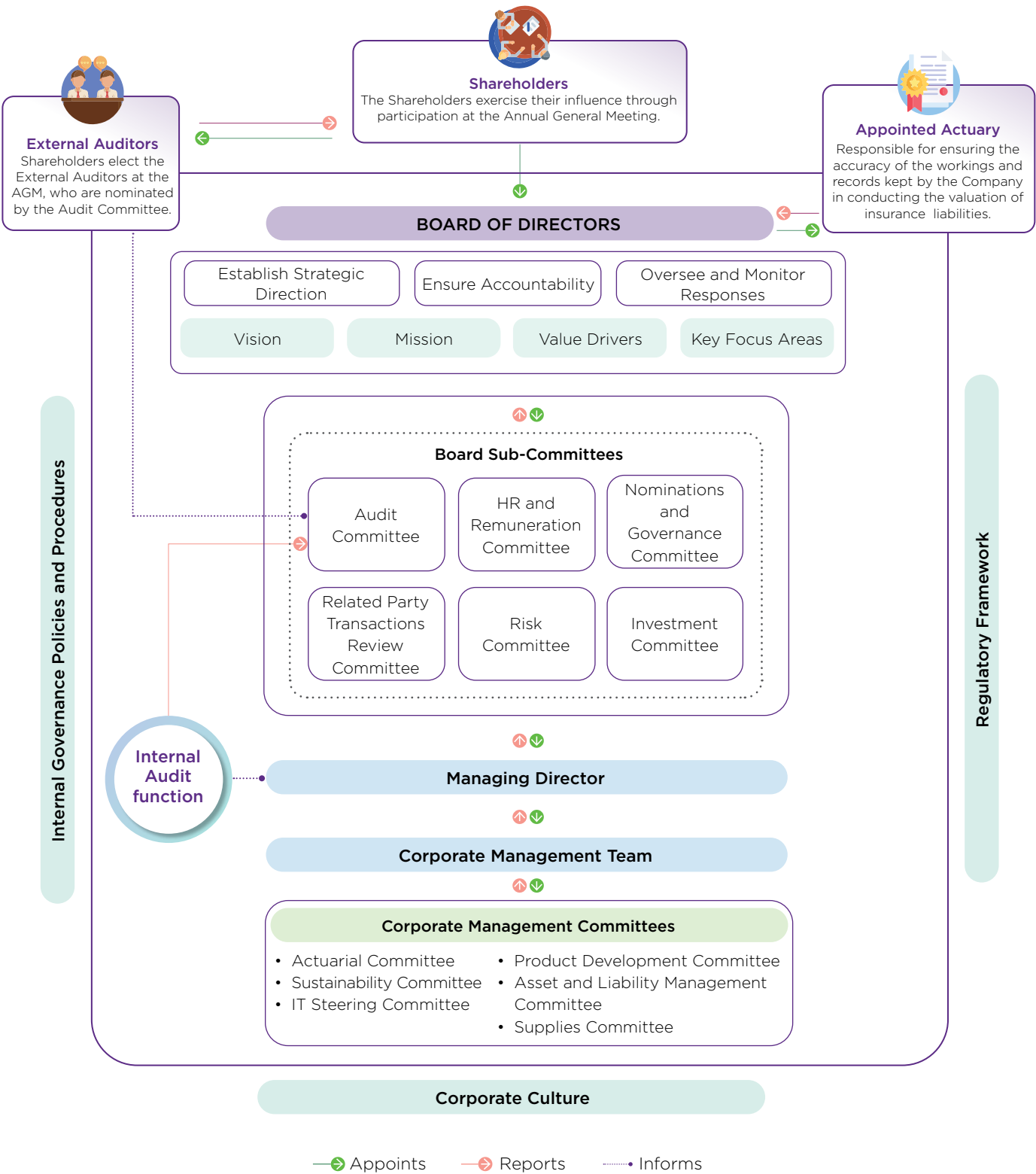
Seeking Independent Professional Advice

The Board has also been allowed to seek and utilise expert opinions from external parties where required, while the Company will reimburse the professional service fee.

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE

GRI 2-9

Figure: Governance Framework of Softlogic Life



Board of Directors



Mr. Ashok Pathirage
Chairman



Mr. Iftikar Ahamed
Managing Director



Mr. Haresh Kaimal
Director



Ms. Fernanda Lima
Director



Mr. V. Govindasamy
Director



Mr. Raimund Snyders
Director



Mr. Sanjaya Mohottala
Director



Mr. Lalith Withana
Director

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE

Mr. Ashok Pathirage Chairman

Skills and Experience

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

Other Current Appointments

Softlogic Holdings PLC, Softlogic Capital PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC where he serves as Chairman/Managing Director are listed companies in the Colombo Stock Exchange. He is the Chairman of NDB Capital Holdings Ltd. Mr. Pathirage serves as the Chairman of Sri Lankan Airlines Limited, an airline where the Government of Sri Lanka is the principal shareholder and is also the Chairman of Sri Lankan Catering Limited.

Previous Appointments

He also served as the Deputy Chairman of National Development Bank PLC until completion of his full tenure in terms of the regulatory guidelines.

Mr. Iftikar Ahamed Managing Director

Skills and Experience

Mr. Iftikar Ahamed holds over three decades of experience in a wide range of positions within the financial

services industry and has extensive banking experience both in Sri Lanka and overseas. He holds a MBA from the University of Wales, UK.

Other Current Appointments

Mr. Ahamed was appointed as Managing Director of Softlogic Life Insurance PLC in January 2014. He is a Director of Softlogic Stockbrokers (Pvt) Limited, Softlogic Corporate Services (Pvt) Limited, Softlogic Asset Management (Pvt) Limited and Softlogic Australia Pty Limited.

Previous Appointments

Mr. Ahamed has previously held senior management positions as Deputy Chief Executive Officer at Nations Trust Bank PLC, and Senior Associate Director at Deutsche Bank AG.

Mr. Haresh Kaimal Director

Skills and Experience

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

Other Current Appointments

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

Ms. Fernanda Lima Director

Skills and Experience

Ms. Fernanda Lima has over 20 years of experience in financial services and private equity investing in emerging markets. She has hands-on experience in growing inclusive financial institutions across Asia and has held a number of Board and senior roles in Investee companies. She holds a Master of Science in

Environment and Development from the London School of Economics and a Master in Business Administration from the University of London and Imperial College. She was a British Chevening Scholar and speaks fluent Portuguese and Spanish.

Other Current Appointments

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

Previous Appointments

Earlier, Ms. Lima was Vice President for AIG Global Investment Group in London and with venture capital firm AFLA/CVC in Sao Paulo, Brazil having started her career with Brazil-based Unibanco/ITAU, largest financial conglomerate in the southern hemisphere.

Mr. V. Govindasamy Director

Skills and Experience

Mr. V. Govindasamy holds a Bachelor of Science in Electrical Engineering and MBA from the University of Hartford, USA. He is a Fellow Member of the Institute of Certified Professional Managers of Sri Lanka. His international experience coupled with his innate managerial capability and innovative qualities enabled him to transform the plantation business, achieving perceptible improvement in quality, production standards and penetration into new markets.

Other Current Appointments

Mr. V. Govindasamy is the Deputy Chairman of Sunshine Holdings PLC and pioneered the Group's

diversification into newer but key economic sectors such as Consumer Business, Healthcare, Plantations and Dairy. He currently serves as a Member of the Governing Board of the Central Bank of Sri Lanka and previously held the position of the Chairman at the Ceylon Chamber of Commerce (CCC)

Mr. Raimund Snyders **Director**

Skills and Experience

Mr. Raimund Snyders holds a Bachelor of Commerce, Bachelor of Laws from Stellenbosch University, as well as Executive Leadership qualifications from the Graduate School of Business, University of Cape Town, and Harvard Business School. He is one of the most seasoned insurance leaders in the industry. His experience in the insurance industry is both vast and deep. Over his career, Raimund has led organic and inorganic expansion, sales, marketing, product development, distribution, bancassurance, investment and wealth management – with responsibilities across retail, institutional and enterprise functions cultivated over 27 years of career with Old Mutual.

Other Current Appointments

Currently, Mr. Snyders sits on the Board of Directors of miLife Insurance Limited and AllCO Limited, both Africa-based insurers.

Previous Appointments

Mr. Snyders served as the CEO of Mutual and Federal, the 185-year-old insurer in the Old Mutual Group, and he led a turnaround of the Company as part of the Old Mutual Group's strategy to establish itself as a leading financial services group across the African continent. Under his leadership, Mutual and Federal was rebranded to become Old Mutual Insure. Prior to this, Mr. Snyders served in executive leadership positions in the Old Mutual Group,

leading large multidisciplinary teams in areas of business such as distribution, bancassurance, investments and wealth management key positions included: COO and Head of Distribution for Old Mutual's African operations; Executive General Manager, Old Mutual Life Assurance Co (South Africa); CEO, Old Mutual Life Assurance Co (Namibia); and Managing Director, Old Mutual Investment Services.

Mr. Sanjaya Mohottala **Director**

Skills and Experience

Mr. Sanjaya Mohottala is a Managing Director and Partner at Boston Consulting Group. He has extensive experience in strategy, mergers & acquisitions and investments, restructuring, operational improvement, sales and marketing, digitisation and advanced analytics. Mr. Mohottala has led multiple merger discussions and post-merger integration efforts. He has also worked on largescale global transformation efforts. He received his MBA from the UCLA Anderson School of Management (Fulbright Scholar, USA), holds a BSc (Hons) from the University of Moratuwa, Management Accountant - CIMA, Diploma in Marketing - CIM.

Previous Appointments

Mr. Mohottala was the former BOI Chairman, was a board member at the Export Development Board, Sri Lankan Airlines and the International Chamber of Commerce-Sri Lanka.

Mr. Lalith Withana **Director**

Skills and Experience

Mr. Lalith Withana holds a Master of Business Administration (MBA) Degree from the University of Sri Jayewardenepura, Colombo and a Bachelor of Arts (BA) Hons. Degree from the University of Manchester Metropolitan, UK. He is a Fellow Member of both Chartered Institute of Management Accountants (FCMA),

UK, and the Institute of Chartered Accountants of Sri Lanka (FCA). He is also a Project Management Professional of the Project Management Institute (PMI), USA.

Other Current Appointments

Mr. Withana is currently serving as the Founder and the Managing Director of Agility Consulting Services (Pvt) Ltd, and as a Director of Serendipity Leisure (Pvt) Ltd. and HNB Finance PLC. He serves currently as a Vice President of the Project Management Institute (PMI), local chapter and as an executive committee member of the National Olympics Committee.

Previous Appointments

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

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE

Corporate Management Team



Iftikar Ahamed
Managing Director



Indu Attygala
Deputy Chief Executive
Officer



Thilanka Kiriporuwa
Chief Corporate Services
Officer



Amal Dharmapriya
Chief Information Officer



Suranga Waduge
Chief Actuarial Officer



Nuwan Withanage
Chief Financial Officer



Pranama Perera
Chief Technical Officer



Piyumal Wickramasinghe
Chief Distribution Officer -
Alternate Channel



Indika Bamunusinghe
Chief Human Resources
Officer



Ruwantha Arukwatta
Chief Audit And Compliance
Officer



Saranga Wijayarathne
Chief Digital Innovation
Officer



Rushika Bemunuge
Chief Risk Officer

Iftikar Ahamed
Managing Director

Please refer Profiles of the Board of Directors on page 162.

Indu Attygala
Deputy Chief Executive Officer

MBA University of Northampton, UK

30 years of experience in Insurance.

Thilanka Kiriporuwa
Chief Corporate Services Officer

Master's in Business Studies (UOC), CIM (UK), LLB Hons (UK) Diploma in Human Resources and a Diploma in Information Technology.

22+ years' experience in Human Resources, Customer Service, Logistics, Administration, Facilities Management, Retail, General Operations and Micro Insurance.

Amal Dharmapriya
Chief Information Officer

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

24 years of experience in the IT industry, specialised in delivering FinTech, Insurtech, BPA and DX & CX solutions.

He serves as Chairman of Information Technology Committee of the Insurance Association of Sri Lanka (IASL) and was recognised as one of Top 200 CIOs of the World in 2023 by Global CIO Forum.

Suranga Waduge
Chief Actuarial Officer

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

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

Nuwan Withanage
Chief Financial Officer

Master of Business Administration (MBA) Post Graduate Institute of Management, (University of Sri Jayewardenepura), a Fellow Member (FCA) of the Institute of Chartered Accountants of Sri Lanka, Associate Member of Association of Chartered Certified Accountants (ACCA) - United Kingdom, Bachelor of Business Management Finance Special, (University of Kelaniya), Member of Certified Management Accountants of Sri Lanka (ACMA).

He serves as member of Open University of Sri Lanka. He also served as member of Governing council (elect) of Institute of Chartered Accountants of Sri Lanka and Chairman of the Finance and Technical Committee (CFO Forum) of the Insurance Association of Sri Lanka for 5 years.

He currently serves in many public Committees such as Chairman of the Professional Accounting in Business Committee (PAIB), member of Standard Interpretation committee, member of SLFRS 17 Implementation task force at the Institute of Chartered Accountant of Sri Lanka and serves as member of the Sustainability Reporting and Assurance committee of South Asian Federation of Accountants (SAFA).

He counts for 19 years of experience in fields of Insurance, Finance, Strategy, Investor Relations, overseas expansion, Audit and General Management.

Pranama Perera
Chief Technical Officer

ACII Chartered Insurer, MBA Manipal University India

27 years of experience in Insurance.

Piyumal Wickramasinghe
Chief Distribution Officer - Alternate Channel

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

19 years of experience in Insurance.

Indika Bamunusinghe
Chief Human Resources Officer

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

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

He serves as Chairman HR Committee of the Insurance Association of Sri Lanka

Ruwantha Arukwatta
Chief Audit and Compliance Officer

ACA

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

Saranga Wijayarathne
Chief Digital Innovation Officer
MBCS, PgISM University of Colombo.

20 years of experience in Information Technology specialised in Artificial Intelligence and Data Science.

Rushika Bemunuge
Chief Risk Officer

Master's in financial economics, University of Colombo, BSc. Economics, London School of Economics.

16 years of experience in Risk Management with specialist focus on Market Risk Management in Banking and Insurance.

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE

Sales Management Team



Sandamal Hettiarachchi
Senior General Manager -
Agency Transformation



Roshan Peiris
General Manager – National
Distribution



Upul Jayasekara
General Manager



Nishantha Bandara
General Manager



Priyashantha Siriwardena
General Manager



Susil Atapattu
General Manager



Nishan Chaminda
General Manager



Hiran Gunawardena
General Manager - Business
Development



Luxman Peiris
Deputy General Manager



Nihal Perera
Assistant General Manager



Viranga Gunathilaka
Assistant General Manager



Chaminda Weerakkody
Assistant General Manager



Chaminda Dissanayake
Sales Manager

Sandamal Hettiarachchi
Senior General Manager - Agency Transformation

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

36 years of experience in the Insurance industry and 5 years in Aeronautical Field.

Roshan Peiris
General Manager – National Distribution

Certified Professional Marketer(AMF). Chartered Insurance Agency Manager (LIMRA-USA).

Fellow Life Underwriters Training Council (LIMRA-USA).

Certified Moderator (LIMRA-USA).

29 years in insurance Industry.

Upul Jayasekara
General Manager

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

24 years of experience in the Insurance industry.

Nishantha Bandara
General Manager

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

34 years in the Insurance industry.

Priyashantha Siriwardena
General Manager

MBA from Buckinghamshire New University of UK, Chartered Insurance Agency Manager Degree from CIAM - LIMRA, Post Graduate Diploma in Service Marketing from Netherlands - Business School of Maastricht, Diploma in Marketing – Sri Lanka Institute of Marketing, Diploma in Business Management – Institute of Management Specialist (UK).

32 years of experience in the Insurance industry.

Susil Atapattu
General Manager

Doctor of Humanities (American National Business University), Bachelor of Business Administration - BBA (Central American Business University), Master Management Consultant - MMC (American Academy of Project Management), Master of Business Administration - MBA - Azteca University - Chalco, Mexico, AMTC USA.

30 years of experience in the Life Insurance industry.

Nishan Chaminda
General Manager

Certified AMTC – USA, LUCTF.UK. SIM. Singapore Completed AMTC Management Training Course Life Insurance Conduct by International (USA).

29 years in Insurance industry.

Hiran Gunawardena
General Manager - Business Development

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

11 years of experience in Defence services and 27 years in the Insurance industry.

Luxman Peiris
Deputy General Manager

LUTC & AMTC

23 years in the Insurance industry.

Nihal Perera
Assistant General Manager

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

36 years in the Insurance industry.

Viranga Gunathilaka
Assistant General Manager

BA University of Ruhuna.

29 years of experience in the Insurance industry.

Chaminda Weerakkody
Assistant General Manager

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

27 years of experience in the Financial Services Industry comprising 6 years in Investment/ Merchant Banking & Finance, 21 years in Insurance.

Chaminda Dissanayake
Sales Manager

Master of Business Administration - Cardiff Metropolitan University (UK), Participated in the insurance Training Program of Indian National Insurance Academy in Pune.

22 years of experience in the Insurance industry.

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE

Figure: Board Composition


Mr. Ashok Pathirage

Chairman

Age: 59

(Appointed 9 July 2011)


Mr. Iftikar Ahamed

Managing Director

Age: 61

(Appointed 9 July 2011)


Mr. Haresh Kaimal

Director

Age: 58

(Appointed 7 March 2018)


Ms. Fernanda Lima

Director

Age: 51

(Appointed 21 December 2018)

Sub-Committee Membership
H I N
Skills and Experience:

Experience in managing over 50 companies in Retail, Healthcare, Services, Telecommunications, Financial Services, IT, Leisure, Aviation and Automotive Industry.

R I
Skills and Experience:

More than 30 years of experience in Financial Services and Banking industries in Sri Lanka as well as overseas.

R I
Skills and Experience:

His experience spans over 30 years in ICT sector in Management of IT and Operations.

Skills and Experience:

Her experience includes Financial Services and investment in emerging markets for over 20 years.

A

Audit Committee

R

Risk Committee

H

Human Resource and Remuneration Committee

Power Balance
8 Members


1

Executive Director



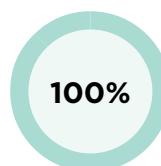
4

Non-Executive Directors



3

Independent Non-Executive Director


Board Meeting Attendance
Gender


Male



Female

7

1

Skills and Experiences / No. of Directors


Insurance

4



Accounting and Finance

6



Risk Management

5



Economics

2



Banking

6



Corporate and Commercial Law

2



GRI

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Mr. V. Govindasamy

Director
Age: 59
(Appointed 16 January 2020)

A H I T N

Skills and Experience:

He has experience in management in the sectors of Plantations, FMCG, Renewable Energy.



Mr. Raimund Snyders

Director
Age: 59
(Appointed 2 May 2020)

A R I T

Skills and Experience:

He has management experience of over 28 years in Financial Services, Wealth and Investment Management.



Mr. Sanjaya Mohottala

Director
Age: 47
(Appointed 01 July 2021)

I

Skills and Experience:

He has experience in Corporate Finance, Automation, Digitisation, Sales and Marketing.



Mr. Lalith Withana

Director
Age: 62
(Appointed 01 July 2021)

A H T N R

Skills and Experience:

He has management experience of over 25 years in Banking, Manufacturing & Trading sectors.

I Investment Committee T Related Party Transactions Review Committee N Nominations and Governance Committee

Age



Below 55

2



Above 55

6

Tenure



Below 8 Years

6



Above 8 Years

2

Nationality



Local

6



Foreign

2



Information Technology

2



International Experience

2



General Management

8



Executive Leadership

1



Sales and Marketing

2



Project Management

1

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE



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4.3 POWERS, ROLES AND RESPONSIBILITIES OF THE BOARD

The Board has been entrusted with substantial authority by the Company, empowering them to proficiently steer the organisation in alignment with their designated roles, duties, and obligations as outlined in the Articles of Association and the Companies Act No. 7 of 2007. They are granted significant yet measured levels of authority to carry out their assigned responsibilities effectively.

All the Board members have access to the Company Secretary and hold the power to assign or remove the Company Secretary. The Company has obtained a suitable Insurance cover for the Board, Directors and the Key Management Personnel (KMP). Refer pages 205-206 for the Statement of Directors' Responsibility for Financial Reporting.

Roles of the Board

THE ROLE OF CHAIRMAN

The Chairman of the Board: Mr. Ashok Pathirage

- Provides decisive and impartial leadership to guide the Board effectively.
- Facilitates the effective discharge of the duties pertaining to the Board.
- Maintains order and ensures seamless operation within the Board.
- Presides over Directors' and Shareholders' Meetings to ensure Director participation and proper execution of Board proceedings.
- Initiate self-assessment of the Board to further improve the effectiveness of the Board.
- Promotes and carries out responsibilities in the best interest of good governance.

THE ROLE OF MANAGING DIRECTOR

The Managing Director: Mr. Iftikar Ahamed

- Takes leadership in the execution of the Strategy outlined by the Board of Directors.
- Oversees day-to-day operations of the Executive Management.
- Reviews and oversees the implementation of key initiatives to meet the objectives of the Company.
- Leads the Executive Management in achieving the corporate objectives set by the Board and included in the corporate plan of the Company.

THE ROLE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

- Serve as a beacon of independence and impartiality within the Board.
- Offer impartial viewpoints in situations potentially influenced by conflicts of interest.
- Contribute valuable insights to shape Company strategy, drawing from diverse experience and expertise.
- Challenge and constructively support the management in evaluating their performance.
- Enhance corporate credibility through extensive leadership experience across diverse organisations.
- Improve governance standards by becoming members of Board Sub-Committees.

THE ROLE OF COMPANY SECRETARY

The Company Secretary: Softlogic Corporate Services (Pvt) Ltd (Former: P. R. Secretarial Services (Pvt) Ltd)

- Assists the Board by maintaining a proper flow of information.
- Ensures that the meetings are conducted in accordance with the Articles of Association, the Board Charter and relevant legislations.
- Formulates meeting agendas with the Chairman, MD and other Directors.
- Coordinates with the management on Board papers, memoranda or presentations for the meetings.
- Ensures that all proceedings of the meetings are duly recorded in the Minutes.
- Maintains statutory registers and files statutory returns.
- Promptly communicates with regulators & shareholders facilitating a healthy relationship with the Company.
- Facilitates access to legal advice in consultation with the Board, where necessary.



Responsibilities of the Board

In order to achieve the strategic objectives of the Company and to properly utilise the input from the Board. The focus areas of the members are set out below:

Focus Area		2023 Update	
Strategic Decision	Setting Strategic Targets	Refer pages 82-87 for the Strategic Targets.	 Most Caring Life Insurer  Smart IT Digitalisation  King of Data  Phenomenal Sales  Lean and Fast
	Deciding the risk appetite & risk governance review of the Company	The Company Risk Management Policy was discussed and reviewed by the Board. Details given on pages 215-216.	
	Effective use and discharge the duties of Board Sub-Committees	Refer page 176 for Board Sub-Committee Meetings held and duties discharged in 2023.	
	Integrating sustainable business developments into Company strategy and promoting integrated reporting	Refer pages 174-175 for CSR and sustainability initiatives reviewed by the Board.	
Execution And Operating Governance	Guiding and providing input to the Corporate Management to execute their strategic duties	Guidance was given to the strategies implemented by the Corporate Management based on the Corporate Plan 2023-2025.	
	Succession Planning for MD and Key Management Personnel (KMP)	Refer pages 223-224 for Succession Planning executed by the Nominations and Governance Committee.	
	Reviewing Company's values, standards and encouraging compliance with regulations	Refer page 197 for Company's values and standards that were discussed by the Board.	
	Appointing of MD and evaluation of their strategy of the Corporate Management.	Refer page 180 for details of the MD and KMP's performance evaluation by the Board during 2023.	
	Evaluating of Annual Budget, Major Capital Expenditure, financial delegation, appointment of auditors and other Board reserved duties	The Board reviewed various major capital expenditure and budgets through various resolutions passed in 2023.	
	Considering all stakeholder interests in decision making	Refer pages 72-77 for the Board's analysis of impact on various stakeholders of the Company.	
Continuous Monitoring	Monitoring execution of the Strategic Plan and risks faced by the Company	The Board evaluated and monitored the execution of the Strategic Plan and risks faced via Board Risk Committee.	
	Monitoring periodic financial performance report publishing of the Company	Financial Performance, KPI and budget achievements were reviewed at Board meetings during the year 2023.	
	Assessing the effectiveness of the Board via Self-evaluation	Refer page 172 for the self-evaluations carried out by the Board in 2023.	
Reporting And Compliance	Complying with laws, governing body (IRCSL) regulations and ethical standards	A compliance and legal review was monitored and discussed through Board Meetings. Refer Audit committee report for more details on pages 211-214.	
	Reporting to shareholders on their stewardship	The Corporate Governance section on pages 152-241 provides a detailed approach to the stewardship activities.	
	Ensuring the integrity of financial information, internal controls, risk management and Business Continuity as well as code of conduct	The Board reviewed the integrity of financial information, effectiveness of control and risk management environment. Refer details of respective areas on pages 211-214.	
	Reviewing & approving interim and annual financial statements for publication.	Declarations of the Annual Report and Financial Statements can be found on page 212.	

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE



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4.4 BOARD COMPETENCY EVALUATION

The Board conducts regular assessments to ensure alignment with the responsibilities outlined in the Board Charter. This assessment process involves a Self-Assessment conducted by the Board of Directors. The Nominations and Governance Committee is tasked with evaluating the self-appraisals of Directors and subsequently presents its recommendations to the Board.

BOARD EVALUATION PROCESS

STEP 1: Self-Evaluations carried out by each Board member.

STEP 2: Evaluations are compiled and presented to the Nominations and Governance Committee by the Company Secretary.

STEP 3: The Nominations and Governance Committee analyses the compiled information.

STEP 4: Nominations and Governance Committee recommends to the Board, the initiatives and actions required to enhance Board effectiveness

Evaluation of the Managing Director

The performance of the Managing Director is appraised by the Board at the end of the year. The Board, with the consultation of the Managing Director, determines the annual targets given to the Managing Director at the beginning of the year. These annual targets are comprised of both financial and non-financial targets that are in line with the short, medium and long-term objectives of the corporate strategy.

Evaluation of Board Sub-Committees

The Company continued the process of evaluating Board Sub-Committees to ensure they function effectively and efficiently while discharging all

their responsibilities as outlined in the Charters. Board Sub-Committee evaluations for year 2023 are available on pages 211- 224.

4.5 BOARD REMUNERATION

The Company has established a robust remuneration procedure which enables the Company to attract and retain valuable insight and input of the Directors, in realising corporate strategic goals. The Company has established a formal and transparent procedure for the remuneration for individual Directors.

The Human Resource and Remuneration Board Sub-Committee was set up to make recommendations to the Board within agreed terms of reference, on the remuneration of Executive Directors and Non-Executive Directors.

The committee consults the Chairman and MD regarding setting remuneration and seeks professional advice as and when deemed necessary with respect to setting the Executive Directors' remuneration.

The committee is chaired by an Independent Non-Executive Director and comprises a majority (2/3) of Independent Directors. This composition retains the independent decision-making power of the committee. More details about the committee are available on pages 217-218.

The remuneration of the members of the Remuneration Committee is determined by the other members of the Board, thereby eliminating any potential for conflict of interest. These processes ensure that no Director is involved in deciding his/her own remuneration.

Level and structure of remuneration

The HR and Remuneration Committee ensure that the remuneration paid is sufficient to attract and retain

high calibre professionals to the Board. They also seek the assistance of professionals in structuring the remuneration and benchmarking with the market on a regular basis.

The remuneration paid to Board members is commensurate with their skills, experience, knowledge and involvement in Board activities. The Company has defined, Directors (including Executive and Non- Executive Directors) as Key Management Personnel of the Company.

Remuneration and benefits of the KMPs are however determined in accordance with the remuneration policies of the Company.

Disclosure of remuneration

The breakdown of remuneration paid to Directors is disclosed among the other disclosures regarding remuneration on page 373 in the Annual Report. For further details regarding the Remuneration Policy and other key aspects relating to the remuneration of the Directors, please refer to the Human Resources and Remuneration Committee Report on pages 217-218.

4.6 MAINTAINING THE INDEPENDENCE OF THE BOARD

Submission of Independence Declaration

The formal declaration of independence which is made annually has been submitted by all Directors in 2023.

The Board evaluates these annual declarations along with the other information at its disposal to ensure compliance with the criteria for determining independence in line with the requirements of the applicable regulations and the Code of Best Practice on Corporate Governance issued in 2023.

Assessment of independence

Directors have been given the duty of self-assessment, to examine any compromises of independence for potential/actual conflict of interest arising from interest in material matters of personal or professional relationships which may impair unbiased judgment.

Availability of Information on Board independence

The shareholders have been given the power to request and inspect details of companies where Board members hold Board positions or hold Board Committee positions, which are maintained as records and available with the Company secretary for inspection by shareholders on request.

Criteria in determining the Independence of the Board of Directors:

- Has not been employed by the Company during the period of two years immediately preceding appointment as Director.
- Currently has no material business relationship with the Company directly or indirectly, nor had any during the period of two years.
- Does not have any close family member/s who is a Director or CEO or Key Management Personnel in the Company.
- Does not have a significant shareholding in the Company nor associated directly with a significant shareholder of the Company.
- Has not been served on the Board of the Company continuously for a period exceeding nine years from the date of the first appointment.
- Self or close family member is not a Director or employee of another Company or a trustee which is materially connected to the Company in terms of shareholding or business relationship.
- Not a Director of another Company in which majority of the other Directors are employed / Directors or have any significant shareholding.
- Does not have any material business relationship or significant shareholding in another Company in which majority of the other Directors are employed / Directors or have any significant shareholding.
- Does not exceed 70 years of age*.

Independence of Directors as at 31st December 2023

Name of the Director	Employment by the Company	Material Business Relationship	Close family member is a KMP	Significant Shareholding	Consecutive service of nine or more years	Business Relationship	Director of another Company	Shareholder in another Company	70 Years of Age*
	1	2	3	4	5	6	7	8	9
Mr. Ashok Pathirage	✓	✓	✓	x	x	x	x	x	✓
Mr. Ifthikar Ahamed	x	✓	✓	✓	x	x	x	✓	✓
Mr. Haresh Kaimal	✓	✓	✓	✓	✓	✓	x	x	✓
Mrs. Fernanda Lima	✓	✓	✓	✓	✓	✓	x	✓	✓
Mr. V. Govindasamy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Raimund Snyders	✓	✓	✓	✓	✓	✓	x	✓	✓
Mr. Sanjaya Mohottala	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Lalith Withana	✓	✓	✓	✓	✓	✓	✓	✓	✓

* According to the recent amendment to rule 7.10 and section 9 of the listing rules of the Colombo stock exchange the independence of directors has been strengthened by considering age and will take effect from October 1, 2024. Although this change is set for the future, the company has already implemented this evaluation criterion beforehand.

Review and Dealing with Conflict

The Board of Directors have been given the responsibility of reviewing each case of conflict of interest and to determine the independence of character and judgement of each Director concerned.

Furthermore, the Company has taken steps to implement a Three-way approach to deter Directors independence from Conflicts of Interest. To avoid potential conflicts or bias, Directors adhere to a process where review takes place prior to appointment, once appointed, and during Board meetings.

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE

Three-way Approach to Eliminate Conflict of Interest

3 step Approach to eliminate conflict of interest is mentioned below:

NEW DIRECTOR APPOINTMENTS:

Prior to appointing a new Director, their various conflicting interests are reviewed by the Board.

EXISTING DIRECTORS:

Directors must notify the Chairman of any changes in their position or any changes in other interests which may compromise their independence and subsequently be reviewed by the Board.

DIRECTORS WHO HAVE AN INTEREST IN A MATTER UNDER DISCUSSION:

Directors must notify the Chairman of any changes in their position or any changes in other interests which may compromise their independence and subsequently be reviewed by the Board.

- Managing the risks and opportunities derived from issues relating to sustainability.
- Report and disclose sustainability related matters.

Integrating Sustainability to Company Strategy and Execution

The Board had established that the recognition and management of Sustainability and CSR issues are top priority for the Company. By setting the tone at the Board level, Sustainability and related topics are regularly discussed in the Management Committee, which is comprised of Managing Director and Corporate Management personnel of each department.

Establish Long Term Stability via Sustainability as a Precautionary Approach

Operational policies and procedures are developed by taking a long-term view and the Company expects less volatility in the long run as a result of such action.

As a responsible corporate citizen, the Company is obliged to take anticipatory action to prevent harm of any kind, emphasising our responsibility to society.

The Company follows a principle of "Open, Informed, and Democratic" and "must include affected parties" for all the decisions taken by the Company underlining the importance of a precautionary approach in sustainability governance.

Fair Opportunities to All Stakeholders to Provide Feedback

In keeping with the standards of a democratically operated and transparent organisation, the Board established many mechanisms for the Company's stakeholders to submit ideas or provide feedback to the Board of Directors. Refer page 194 for details.

Implementation of IFRS S1 & S2

Company has taken the initial steps to implement the IFRS S1 & S2 introduced by International Sustainability Standard Board (ISSB). Refer the page no 69.

Reporting and Disclosure of Sustainability Related Matters

Sustainability reporting is the disclosure and reporting of sustainability-related information in a way that is comparable with financial reporting and moving the focus from the bottom line to improving the environment and the society.

The Board has taken steps to reinforce sustainability reporting standards of the Company by:

- Obtaining external assurance report from Messrs. KPMG for sustainability reporting.
- Following the Gender Parity reporting standards issued by the Institute of Chartered Accountants of Sri Lanka.
- Following the guidance on ESG reporting issued by Colombo Stock Exchange (CSE).

Softlogic Life uses the Global Reporting Initiatives (GRI) standards for our sustainability reporting. Refer pages 148-150 for the GRI content index which provides page references for this report, fulfilling the disclosures required by GRI standards.

Implemented Corporate Sustainability By United Nation

The Company aligns the business with the Sustainable Development Goals (SDGs) set by United Nations Sustainability Goals (UNSDG). Refer details disclosed on pages 392-394. The process of assessing the materiality of transactions, integrating the GRI and UNSDG sustainability principles is shown on pages 392-394. And the UN Global Compact has also introduced the 10 principles regarding corporate sustainability. Refer the page no 392-394.

Reporting on Environmental Sustainability

The Company is aware of its direct and indirect impact on the environment and constantly strives to minimise its carbon footprint. We have also launched several new initiatives to improve our levels of eco-friendliness. Further details on these matters are available under Natural Capital, on pages 143-147.

4.7 BOARD INVOLVEMENT IN SUSTAINABILITY MANAGEMENT AND REPORTING

The Board believes sustainability management is an important precautionary approach to economic, social and environmental risk management. They have recognised the impact of financial and non-financial issues related to sustainability and the importance of managing these issues in our quest to create long-term value to the Company, shareholders and the community.

The Board has therefore taken the below strategies, in order to fully encompass the impact of sustainability on the organisation.

- Integrating sustainability into the strategy and execution.

Reporting on Social Sustainability

The Company also considers the impact and responsibility it has on the stakeholders in the society as detailed below:

Area of Impact	Response of the Company and Reporting Provided
Impact on the Community	
Our Impact on the Community and Community Engagement	The Company is dedicated to improve conditions and create a positive impact for the community. For more details, refer pages 113-129 under Social and Relationship Capital.
Sustainable Development of the Company	The Company has established a strategic objective of delivering sustainable growth. For more details, refer pages 93-97.
How we support Fair Competition	We continue to compete ethically in terms of Products, Sales and Customer Service while monitoring competitor actions that affect our sustainability. For more details, refer pages 113-129.
Impact on Customers	
Building Relationships and Engagement with our Customers	The Company strives to deliver an exceptional customer service experience and build a long-term sustainable relationship. More details are available on pages 113-129 under Social and Relationship Capital.
Maintaining a Responsible Product Portfolio	The Company develops its products based on the interests of its customers. More details are available on pages 113-129.
Impact on Employees	
Equal Opportunity at Softlogic Life Career Development & Training Provided	The Company cares about its employees' concerns and responds to their needs. More details are available on pages 99-111 under Human Capital.
Impact on Suppliers and Service Providers	
Working with Suppliers & Service Providers who care about Sustainability	We make sure our suppliers and service providers maintain the standards we expect, which include issues of sustainability. More details are available on pages 113-129 under Social and Relationship Capital.

Managing the Risks and Opportunities Relating to Sustainability

Environmental and Social Risk Policy

The Company has established an Environmental and Social Risk Policy, which enables the assessment of Environmental and Social risks that impact the sustainability of the Company.

Managing Risks and Turning them into Opportunities to Improve Sustainability

Managing Risks and transforming them into Opportunities to improve Sustainability is provided in the below table.

Risk to Company Sustainability	How We Manage the Risk	Opportunity Created to Improve Sustainability
Carbon Footprint and Impact on the Environment and Natural Resources.	Changed the way the Company operated, in order to improve Eco Efficiency. Refer pages 143-147 under Natural Capital for details.	Increased eco-friendliness and decreased the Company's carbon footprint, leading to sustainable shareholder goodwill and interest in Company equity.
Negative market conditions that threaten the balance of shareholder interests and Social Responsibility.	Proper management of resources between CSR and Business Strategies to improve profitability. Refer pages 113- 129 under Social and Relationship Capital.	Increased involvement as a corporate citizen will create more sustainable positive public relations and reputation which will in turn increase the value of the brand.
Managing Employee Work-Life balance while contributing to Community and Social improvement activities.	Creating a dedicated Sustainability committee and Corporate Culture encouraging CSR. Refer pages 113-129 under Social and Relationship Capital.	As employees increasingly involve themselves in improving communities, their motivation and satisfaction will create a sustainable relationship, leading to a loyal and dedicated employee base.

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE



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4.8 BOARD SUB-COMMITTEES

The Company maintains six Board Sub-Committees consisting delegated functions, responsibilities and powers of the Board. The Sub-Committee Chairman is accountable for effective functioning and report to the Board.

Figure: Board Sub-Committee Details

AUDIT COMMITTEE

Members	Number of Meetings
Mr. Lalith Withana	5/5
Mr. V. Govindasamy	5/5
Mr. Raimund Snyders	5/5

Committee Objectives

Provide assistance to the Board in overseeing the Governance, Financial Reporting, Internal Audit, External Audit, Accounting Policies and Internal Control aspects of the Company.

Committee Attributes

• 100% Attendance

• 67% Independent Directors

• Refer pages 211-214 for details

RISK COMMITTEE*

Members	Number of Meetings
Mr. Raimund Snyders	7/7
Ms. Fernanda Lima	6/7
Mr. Lalith Withana*	1/1
Mr. Iftikar Ahamed*	6/6

Committee Objectives

Design and implementation of an effective Risk Management Framework, Risk measurement, monitoring and management, Compliance with regulatory and internal prudential requirements.

Committee Attributes

• 95% Attendance

• 100% Non-Executive Directors**

• Refer pages 215-216 for details

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Members	Number of Meetings
Mr. V. Govindasamy	2/2
Mr. Lalith Withana	2/2
Mr. Ashok Pathirage	2/2

Committee Objectives

Organisation values and code of conduct, Compliance with labour laws, Organisational Structure, HR policies on recruitment, remuneration, benefits and talent management of the Company's employees.

Committee Attributes

• 100% Attendance

• 67% Independent Directors

• Refer pages 217-218 for details

INVESTMENT COMMITTEE

Members	Number of Meetings
Mr. Ashok Pathirage	4/4
Mr. Sanjaya Mohottala	4/4
Mr. V. Govindasamy	3/4
Ms. Fernanda Lima	3/4
Mr. Raimund Snyders	4/4
Mr. Iftikar Ahamed	4/4

Committee Objectives

Design an appropriate investment strategy, monitor investment performance and ensure compliance with investment regulations.

Committee Attributes

• 92% Attendance

• 83% Non-Executive Directors

• Refer pages 219-220 for details

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Members	Number of Meetings
Mr. Lalith Withana	4/4
Mr. V. Govindasamy	4/4
Mr. Raimund Snyders	4/4

Committee Objectives

Ensure that all related party transactions of the Company and its Group are consistent with the regulatory provisions laid out under LKAS 24, the Corporate Governance Directions and Listing Rules issued by the Colombo Stock Exchange.

Committee Attributes

• 100% Attendance

• 67% Independent Directors

• Refer pages 221-222 for details

NOMINATIONS AND GOVERNANCE COMMITTEE

Members	Number of Meetings
Mr. V. Govindasamy	1/1
Mr. Lalith Withana	1/1
Mr. Ashok Pathirage	1/1

Committee Objectives

Selection and appointment of Directors and KMPs as well as maintaining gender diversity, identifying expertise gaps and succession planning.

Committee Attributes

• 100% Attendance

• 67% Independent Directors

• Refer pages 223-224 for details

*Mr. Lalith Withana was appointed as Member of the Risk Committee with effect from 15th August 2023 and Mr. Iftikar Ahamed attended as a member of the Committee until October 2023, after which he attended meetings by Invitation.

**The composition of the Sub-Committee shown above reflects its latest configuration.

Functioning of Sub-Committees

Through the Sub-Committees, the Board is able to deal effectively with complex or specialised issues with strong governance. These issues are researched thoroughly and analysed by the Sub-Committees.

This frees up more time at Board meetings for regular business and enable better communicate between committee members and staff as well as community members on specific topics.

Each Sub-Committee has its own terms of reference and activities included in Sub-Committee reports from pages 211-224.

The Board Secretary acts as the Secretary to each of the Sub-Committees.

4.9 BOARD MEETINGS

The Board of Directors convenes at the Board Meetings where they may bring their diverse knowledge and experience to bear on various topics under discussion.

The Board is informed about all Board Meetings at the beginning of each year and every Director is given the opportunity to include matters of concern in the agenda.

Information Supply to the Board

Information provided to the Board is of required quality and substance that will enable them to adequately execute their duties.

Information for the Board is uploaded into a mobile application, on a monthly basis, through which Directors are able to view the Board packs and Board papers provided by the management, request additional information and provide their comments and feedback.

All Directors have independent access to the Company Secretary and the discretion to obtain external advice.

The Board Meeting Preparation Process

The Company maintains an efficient and effective process in preparing the Board members for the Board meetings of the Company. In certain situations, where additional Board meetings are required for the discussion of specific issues or topics for urgent matters, these papers are submitted at short notice as an exception to the ordinary Board meeting process.

Figure: Board Meeting Preparation Process

1. The Chairman prepares the agenda for the meeting in consultation with the Managing Director, Directors and Company Secretary.

2. The Notice of Meeting, Agenda and Board Papers are circulated among the Board members, seven days in advance by the Company Secretary.

3. Board members utilise the period of the advance notice to review the information, request additional information, study the agenda and prepare for the Board meeting.

Meeting Agenda Circulation

Board meetings and all Sub-Committee meetings receive their agendas one week prior to the meeting date with the exception of the Board Risk Sub-Committee meeting, for which, agendas are given two weeks in advance.

Activities during the Board Meeting

The Board takes on issues under consideration and has access to Key Management Personnel during the

Board meeting, who are called in by the Board for matters relating to their respective areas.

The Directors are also able to join virtually via telephone or video conference calls.

- **The Chairman** facilitates constructive communicate between all Directors at Board meetings while maintaining a balance of power between Executive and Non-Executive Directors. He also ensures effective participation and contribution from all the Directors within their respective capabilities.
- **The Sub-Committee Chairman** provide updates on the matters discussed at the Sub-Committee meetings.
- **The Managing Director** gives a complete and comprehensive update on the operations and financial performance of the Company as well as on industry trends and developments, as required.
- **The Company Secretary** attends the Board meetings, ensures that the applicable rules and regulations are complied with and records the Board meeting Minutes.

Activities after the Board Meeting

The Board follows up and demands information on issues that were brought up at the Board minutes. The information is shared through the Company Secretary by the KMPs of the relevant areas as well as the Directors will be familiarised in any areas of the business operation if the requirement arises.

Any absentee for a meeting would be briefed on the meeting proceeds via circulation of the Board meetings which is done two weeks after the Board meeting took place, by the Company Secretary.

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE

Board Attendance During 2023

The Board met four (4) times during the year. The Board is aware of its Directors' other commitments and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities at Softlogic Life effectively.

Table: Director Participation in Board Meeting and Sub-Committee Meetings ("Attended/Eligible" basis)

	Board Meetings	Audit Committee	Risk Committee*	HR and Remuneration Committee	Related Party Transactions Committee	Investment Committee	Nominations and Governance Committee
Independent Non-Executive Directors							
Mr. Sanjaya Mohottala	4/4					4/4	
Mr. Lalith Withana	4/4	5/5	1/1	2/2	4/4		1/1
Mr. V. Govindasamy	4/4	5/5		2/2	4/4	3/4	1/1
Non-Executive Directors							
Mr. Ashok Pathirage	4/4			2/2		4/4	1/1
Mr. Haresh Kaimal	4/4						
Mrs. Fernanda Lima	4/4		6/7			3/4	
Mr. Raimund Snyders	4/4	5/5	7/7		4/4	4/4	
Executive Directors							
Mr. Ifthikar Ahamed	4/4		6/6			4/4	
Total Meeting Attendance	100%	100%	95%	100%	100%	92%	100%
*Mr. Lalith Withana was appointed as Member of the Risk Committee with effect from 15th August 2023 and Mr. Ifthikar Ahamed attended as a member of the Committee until October 2023, after which he attended meetings by Invitation.							

Key Activities of the Board During 2023

Key activities carried out by the Board during 2023 has been discussed on page 171.

4.10 PROFESSIONAL DEVELOPMENT OF THE BOARD

The Board regularly reviews the requirement of continuous development to expand their knowledge and expertise. The Directors have access to:

- Seek independent professional advice at the Company's expense, if considered appropriate and necessary at any time.
- Company Secretaries, Corporate and Sales Management, External and Internal Auditors, experts and other external professional service providers.
- Information such as financial plans, including budgets and forecasts and periodic performance reports as necessary.

- Updates on regulations, best practices as relevant to the business and other matters which warrant Board attention.
- Regular presentations carried out by the Corporate Management and external experts on the business environment of the Company.

Latest Professional Development Events Held

The Board was presented a demonstration of a selection of insurance products with different characteristics and their impact after the implementation of SLFRS 17. Further, the Board was presented with the design implementation process and the actions to be executed for successful implementation.

Empowering the Board through Continuous Learning

At our Company, we believe in learning and growing together. The

Management regularly updates the Board on significant shifts in the economic landscape, and governmental actions with potential impacts on our operations. We actively engage the Board in brainstorming sessions, sharing fresh business prospects and innovative approaches to risk management.

Furthermore, as regulatory environments evolve, management provides updates on any new rules or directives. These efforts help our Board members stay sharp and ready to lead effectively. It's all part of our commitment to provide continuous Learning opportunities to the Board.

4.11 APPOINTMENT, RE-ELECTION AND RESIGNATION OF DIRECTORS

Appointment

New Board appointments are carried out in a formal and transparent process and are governed by the Articles of Association and the Company Policy.

STEP 1: Current Status

The Nominations and Governance Committee annually evaluates the combined experience, expertise and diversity of the current Board, in order to identify if additional attributes are required for the Board.

STEP 2: Requirement

A new appointment of a Director may be decided based on the requirement to acquire skills, expertise and experience required/ not adequately currently represented for the Strategic Vision of the Company as well as to enhance the Board performance and overall effectiveness.

STEP 3: Evaluation

The Nominations and Governance Committee evaluates suitable candidates and checks their existing directorships and other commitments to make sure that sufficient time is available to discharge their duties at Softlogic Life Insurance PLC.

STEP 4: Recommendation

The Nominations and Governance Committee make its recommendations through the nominations of the selected candidates to the Board of Directors, via a transparent and formal procedure.

STEP 5: Selection

The final selection will be a transparent, formal appointment of the new Director which is subject to the approval of the Board and shareholders as well as the regulatory body (IRCSL).

STEP 6: Announcement

The appointment of the new Director to the Board will be communicated to the Colombo Stock Exchange (CSE) and the shareholders via press release which will include a brief resume of the newly-appointed Director, shareholding of the Company by the new Director and the Status of Independence of the new Director.

Reasoning Behind New Board Appointments:

- Skills, expertise and experience necessary to meet the strategic vision of the business.
- Means to enhance Board performance.
- Skills, expertise and experience not adequately represented at the Board.
- Process necessary to ensure the selection of a candidate who possesses the required qualities.

Resignation

If a Director is terminating their directorship prior to the completion of the appointed term, they should submit a written communication to the Board confirming the resignation and giving the reason for the resignation.

Summary of Board Appointments, Retirements and Resignations During 2023

No Board appointments, retirements and resignations were reported during 2023.

Re-election of Directors

The re-election of Directors is governed by the Articles of Association and performed at the Annual General Meeting (AGM) of the Company.

The longest serving Non-Executive Director will offer himself/herself for re-election by the Shareholders, where period of service will be considered from the last re-election or appointment. This proposed re-election will also be subject to Board approval.

Newly-appointed Directors will resign at the first AGM, following their appointment and be available for re-election by shareholders in the same AGM.

For details of the Directors coming up for re-election at the AGM to be held on 28th March 2024, please refer the Notice of the Meeting on page 406.

Board Induction

There is a comprehensive induction programme available for all newly-appointed Directors, which is facilitated by the Company Secretary.

STEP 1

The newly-appointed Directors were introduced to Softlogic Life's business and Senior Management team.

STEP 2

The new Directors were apprised of the Company values, culture and the Code of Conduct.

STEP 3

Introduction to the regulatory directions of the IRCSL and the governance framework including the Articles of Association, Charters, Policies and procedures were communicated to the new Directors.

STEP 4

The responsibilities the Directors should be undertaken in the prevailing legislative environment were also informed.

STEP 5

Familiarity in the operations of the Company including the Company strategy, risk appetite and internal controls were provided to the Directors.

Apart from the induction programme the newly-appointed Director will be participating at Company Strategy meetings where the Management will present information about critical areas of the Company, enhancing the familiarity of the Company to the new Director making it more comfortable to share their insights.

4. BOLDER LEADERSHIP FOR BETTER GOVERNANCE

4.12 CORPORATE MANAGEMENT

Corporate Management team of Softlogic Life Insurance holds executive power delegated to them by authority of the Board of Directors and shareholders. This group of individuals operates at the higher level of the organisation and have day-to-day responsibility for managing other individuals and responsibility for maintaining key business functions.

The organisational structure is available on page 34.

The profiles of Corporate Management team are available on pages 164-165.

Performance Evaluation of the Managing Director and Corporate Management team

The Managing Director’s performance evaluation is available on page 172.

Performance evaluations for the rest of the Corporate Management team are carried out by the Managing Director. Performance objectives are given at the beginning of the year, based on achieving the objectives set by the Board for the year.

All performance evaluations of the Corporate Management team are based on the achievement of given objectives while taking into account the operating and economic environment of the country.

Setting Annual Targets for the Managing Director

The Board, in consultation with the Managing Director sets reasonable financial and non-financial targets in line with the short-term, medium-term and long-term objectives of the Company, which are to be achieved by the Managing Director during the year.

These corporate objectives are included in the Corporate Plan for the year, which is reviewed and approved

by the Board. The main focus areas of the Corporate Plan for the year were:

- Market Share
- Gross Written Premium
- Underwriting results
- Profitability
- Premium persistency
- Dividend payout
- Remuneration of employees
- Sustainability

Code of Conduct for Corporate Management

The Corporate Management is also required to comply with the Code of Conduct of the Company which is described in detail on page 182.

Remuneration of the Corporate Management Team

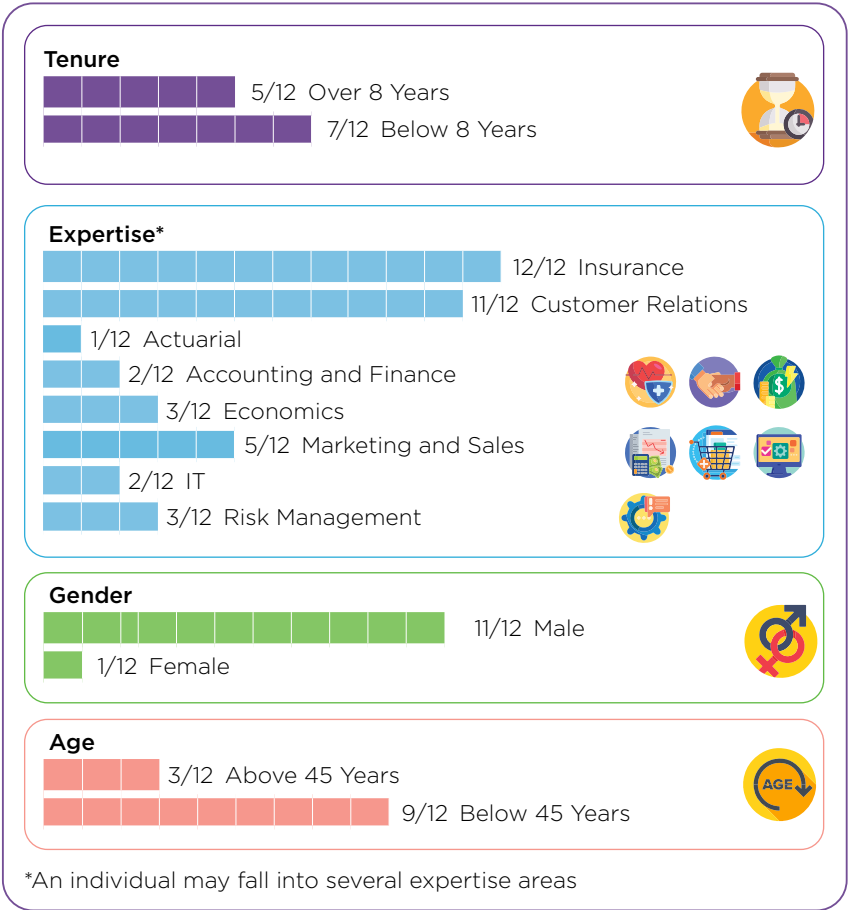
The structure of remuneration is designed to be competitive, in order to retain talent in its team members and within the Company.

The remuneration package also includes a variable component based on the achievement of performance objectives during the year.

Corporate Management Team Composition

Diversity plays a key role in keeping the Company moving steadily forward on its journey of growth. Softlogic Life’s Corporate Management team reflects such diversity in many aspects, ranging from industry expertise, age, tenure and gender, as shown in the figure below.

Figure: Corporate Management Composition



**Corporate Management Committees**

In pursuit of its strategic objectives, the Company has formed various Management Committees to maintain and enhance performance and governance under the leadership of the Managing Director. A summary of the key objectives, members and frequency of these meetings is shown below.

ACTUARIAL COMMITTEE**Members**

Managing Director
Consultant Actuary
Chief Technical Officer
Chief Actuarial Officer
Chief Financial Officer

Committee Objectives

Continuously monitor performance of the life fund, product portfolio, and valuation of life fund, expense allocation and regulatory requirements.

Meeting Frequency: Monthly

Meetings Held/Planned: 12/12

PRODUCT DEVELOPMENT COMMITTEE**Members**

Deputy Chief Executive Officer
Chief Distribution Officer - Alternate Channel
Chief Actuarial Officer
Chief Technical Officer
Chief Financial Officer
Chief Corporate Services Officer

Committee Objectives

Focus on revamping SLI's existing products in order to compete with prominent products in the industry. Suggestions for new product development are analysed, acting as a medium to convey information from sales.

Meeting Frequency: Quarterly

Meetings Held/Planned: 4/4

SUSTAINABILITY COMMITTEE**Members**

Managing Director
Deputy Chief Executive Officer
Chief Financial Officer
Chief Corporate Services Officer

Committee Objectives

Communicate our responsibilities with regards to the policies and practices that relate to the sustainable and holistic growth of the Company, to our stakeholders.

Meeting Frequency: Monthly

Meetings Held/Planned: 12/12

ASSET AND LIABILITY MANAGEMENT COMMITTEE**Members**

Managing Director
Chief Financial Officer
Chief Actuarial Officer
Chief Technical Officer
Chief Risk Officer
Head of Investment (Group)

Committee Objectives

To align the Company's Investment Strategy with its Business and Financial Objectives. It also defines the methodologies to assess, monitor and mitigate; Interest Rate Risk, Reinvestment Risk, Maturity, Mismatch Risk, Cash flow Risk and Liquidity Risk.

Meeting Frequency: Monthly

Meetings Held/Planned: 12/12

IT STEERING COMMITTEE**Members**

Managing Director
Deputy Chief Executive Officer
Chief Financial Officer
Chief Distribution Officer - Alternate Channel
Chief Information Officer

Committee Objectives

Continuously monitor the progress and productivity of IT and MIS of the Company and designing IT policies with a view to making recommendations to the Board on IT capital expenditure.

Meeting Frequency: Monthly

Meetings Held/Planned: 12/12

SUPPLIERS COMMITTEE**Members**

Deputy Chief Executive Officer
Chief Financial Officer
Chief Corporate Services Officer

Committee Objectives

Selecting the right supplier after considering the quality, price and delivery date.

Meeting Frequency: Bi-Annually

Meetings Held/Planned: 2/2

5. BIGGER COMMITMENT TO ETHICS AND INTEGRITY PRACTICES



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5.1 PROMOTING AN ETHICAL ORGANISATIONAL CULTURE

Code of Conduct for Directors and Employees

The Board of Directors, the Corporate Management team, and all employees are obligated to unwaveringly adhere to the Code of Conduct and Ethics in all circumstances, including:

- While engaged in official duties, whether at the office, external events, or public settings, representing the Company.
- During personal business activities, recognising that individual actions can have an impact on the Company's reputation.

The Code of Conduct encompasses policies pertaining to gifts, entertainment, facilitation, payments, proprietary and confidential information.

The Chairman of the Board officially declares the Board's compliance with the Code of Conduct on page 152.



Avoidance of Conflict of Interest

Conflicts may arise when personal interests interfere, or seem to interfere, with the interests of the Company.

Directors are strictly forbidden from seizing opportunities, whether for themselves, their own companies, or other entities to which they have fiduciary obligations, that emerge due to their position as Directors in the Company, unless such opportunities are transparently disclosed by the Directors involved.

Compliance with Laws and Regulations

Directors and Key Management Personnel are anticipated to execute their duties in accordance with all relevant laws, rules, and regulations governing the Company, while upholding the highest standards of business ethics.

Misuse of Corporate Opportunities and Information

Directors and Key Management Personnel are expected to refrain from using opportunities discovered through use of corporate property, information or property, for personal gain or to compete with the Company directly or indirectly at any given time.

Encouraging and Reporting any Illegal or Unethical Behaviour

Directors and Key Management Personnel are expected to promote ethical behaviour and create a culture of compliance with all applicable laws, rules and regulations.

Fair Dealing

The Board should deal fairly with all stakeholders such as customers, employees, suppliers, shareholders, etc. and should not take unfair advantage through unfair dealing practices.

Confidentiality

Directors and Key Management Personnel are obligated to uphold the confidentiality of non-public proprietary information entrusted to them by the Company, its customers, or other business associates. Disclosure of such information is permissible only when authorised or legally mandated. This commitment extends to all forms of communication, be it oral, written, or electronic.

Protection and Proper use of the Company Assets

All Directors and Key Management Personnel must protect the Company's assets and ensure their efficient use.

Protect the Customer and Add Value to the Customer

The Company has adopted various policies such as sales and operational policies, reinsurance administration policies, fraud risk management policies and complaint handling policies focusing on sales, underwriting, claims, servicing and reinsurance in order to ensure customer protection and fair treatment.

The Company has followed the internal policies appropriately and has complied with the applicable provisions relating to customer protection under the Regulation of Insurance Industry Act No. 43 of 2000 and the rules, regulations, determinations and directions issued by the Insurance Regulatory Commission of Sri Lanka.

In compliance with the recently enacted Personal Data Protection Act No. 9 of 2022 by the Sri Lankan Government, the Company has established and formulated an appropriate policy to align with the provisions of the new Act.

As a result, the Company aims to enhance customer trust by ensuring that their personal data is safeguarded and protected.



Privacy Notice Policy (Personal Data Protection Act, No. 9 of 2022)

Privacy Notice Policy is established as per the recently enacted Personal Data Protection Act No 9 of 2022. The purpose of this policy is to inform you about our practices relating to the collection, use, maintenance, disclosure and other processing and storage of personal data that may be provided through access to or use of this website(site) or that may otherwise be collected by us.

5.2 SEEKING ADVICE AND REPORTING ON UNETHICAL AND UNLAWFUL BEHAVIOUR

Whistleblower Policy

PURPOSE OF THE POLICY

The aim of the policy is to enable both internal & external stakeholders of Softlogic Life to feel confident and comfortable to voice their concerns or raise questions whilst providing reassurance that they will be protected from possible reprisals or victimisation.

The Company ensured that appropriate means are available for stakeholders of the Company to blow the whistle discreetly and confidentially.

METHODS OF COMMUNICATION

Any stakeholder can voice their concerns/ complaints via letters and email or the dedicated Whistleblower 24x7 hotline available in voice call, SMS, WhatsApp and Viber. The whistleblower could bring up their concerns to below designated officers:

Independent Resources:

- The Chairman of the Board Audit Committee
- Group Director - Human Capital & Taxation.

Officers of Softlogic Life Insurance PLC:

- Managing Director
- Deputy CEO
- Chief Corporate Services Officer
- Chief Human Resources Officer
- Chief Risk Officer
- Chief Audit and Compliance Officer

INVESTIGATION PROCESS

An independent investigation is carried out/coordinated by the Chief Audit and Compliance Officer with the assistance of Department Heads where necessary.

The Final report on such an investigation will be submitted to the Audit Committee Chairman or the Corporate Management Team as appropriate, to decide the action which needs to be taken. If an investigation leads to conclude that an improper or unethical act has been committed, the Management Committee takes disciplinary or corrective action in line with the disciplinary policy of the Company.

Review and Enhance Updates to the Whistleblower Policy

Policy awareness email flyers sent to employees weekly.

Whistleblower Policy awareness wallpapers appears in weekly.

Whistleblower Policy awareness SMS sent to Advisors, PCU Officers & Employees monthly basis



In accordance with the procedure, the Whistleblower Policy undergoes an annual review by the Audit Committee to address and enhance any relevant matters. Based on issues identified by the Audit Committee, the committee will incorporate the Whistleblower hotline information on the Company's website.

5. BIGGER COMMITMENT TO ETHICS AND INTEGRITY PRACTICES

Company's Commitment & Policies Implemented to Combat Corruption and Bribery

The Company is dedicated to preventing corruption and bribery by establishing a framework through comprehensive policies and guidelines.

Fraud Risk Management Policy

This policy clarifies that the Company holds a zero tolerance on any fraudulent activity (Corruption, Bribery or Theft) and confirms the management actions.

Manual of Financial Authority (MOFA)

The scope and extent of responsibility and accountability relating to maintaining satisfactory financial controls and procedures.

Anti-Money Laundering and Counter Terrorist Financing Policy

This Policy is designed primarily to set out the regulatory requirements that must be adhered to combat money laundering and terrorist financing.

Anti-Money Laundering and Counter Terrorist Financing Policy

Softlogic Life is committed to ensuring that it takes action to prevent its business from been used as conduits for money laundering and terrorist financing activities. By this Policy, Softlogic Life sets out a framework in terms of a Policy and Guidelines as regards Anti-Money Laundering and Counter Terrorist Financing ("AML/CTF") under its regulatory obligations to combat money laundering and terrorist financing.

The AML/CTF policy is binding for all and any Softlogic Life entity.

The Softlogic Life requires mandatory compliance with all Anti-Money Laundering and Counter Terrorist Financing ("AML/CTF") laws and regulations.

Reviews on Audit Committee and Actions Taken

- AML/CFT Awareness Program
- Sanctions Lists/Freezing Orders and Screening Activities
- Products and Delivery Channels - New/Modifications
- Regulatory Developments
- Global or Country Specific AML/CTF Framework
- Finance Intelligence Unit/ Department of Registration of Persons Inquiries

5.3 MAINTAINING INTEGRITY OF EMPLOYEES AND SALES FORCE

Fair Treatment to All Employees

The Company has established clear policies encompassing various aspects, including the recruitment process, training and development, transparent communication, reporting structure, performance evaluation, equitable opportunities for career advancement, talent management, and succession planning.

- Code of Conduct
- Remuneration Policy
- Recruitment & Selection Policy
- Learning & Development Policy
- Employee Grievance Handling Policy
- Disciplinary Policy
- Absence Management Policy
- Study Leave Policy

Creating a Performance-Driven Culture in the Company to Improve Transparency and Integrity

Performance plays a pivotal role in the evaluation of remuneration and career progression for all employees within the Company, spanning from the sales force to Key Management Personnel (KMP) and Executive Directors.

The authority to establish compensation and benefits for members of the Board of Directors and KMPs, contingent on target achievement, is vested in the Human Resource and Remuneration Committee.

The approval of variable bonuses also falls under the purview of the Human Resource and Remuneration Committee. Consequently, a culture of performance governance is ingrained at the Board level within the Company.

Recruitment & Selection Policy

The Recruitment and Selection Policy aims to establish guidelines for the identification and selection of the most suitable candidates to fill vacant positions. Each department is responsible for assessing and planning their manpower needs for the upcoming year, seeking approval from the Board of Directors through the Corporate plans.

OBJECTIVE SETTING PROCESS

1. Corporate plan approved by the Board
2. Corporate objective set by the Management
3. Goal setting by employees
4. Mid-year and year end evaluation

Attracting a Skilled Workforce and Ensuring Fair Compensation

The Company has upheld essential policies, namely the Remuneration Policy and Recruitment & Selection Policy, to ensure a fair remuneration process and proper recruitment and selection procedures.

The organisation's remuneration structures adhere to the principle of fairness, considering factors such as the cost of living, comparative remuneration in the industry, internal remuneration benchmarks, business results, and individual and team performance. This approach aims to foster a performance-driven culture within the Company.

The determination of all employee salaries and benefits is entrusted to the Human Resource and Remuneration Committee to ensure fairness. This comprehensive approach includes both fixed and variable components, as well as additional benefits.

CODE OF CONDUCT AND ETHICS

Fixed Components

Employee Share Schemes

Variable Components

Retirement Benefits

Other Employee Benefits

Performance-driven Culture Among the Sales Force

Softlogic Life's sales force is governed by performance driven incentive structures and career development. There are established guidelines for recruiting quality sales advisors, training and knowledge management, sales driven compensation and for investigation procedures and complaint handling.

Sales incentives are entirely based on structured incentive schemes designed to achieve agreed corporate objectives at the beginning of each year. This mechanism helps us to retain a quality sales force, while adding value to the Company.

Our sales force operates entirely on a virtual platform to conduct sales operations. They receive virtual training and development programs to ensure professional behaviour, knowledge, and outstanding client service.

5.4 MAINTAINING INTEGRITY & TRANSPARENCY OF POLICYHOLDER FUNDS

Balancing Value Creation and Risk Management

The Company's Investment Governance and Risk Governance practices are pivotal in maintaining a delicate balance between value creation and risk management.

Insurance benefits for long-term policyholders are backed by the Company's investment portfolio. There is a strict division of responsibilities in managing this portfolio, with clear distinctions between the Treasury and Risk Management functions. This ensures adherence to policies and compliance requirements, preventing any improper use of Policyholder funds.

- Internal Treasury Middle Office Investment Policy

- Regulatory guidelines and compliance requirements published by IRCSL.

Precise Bonus Allocation to Policyholders

The Company has implemented guidelines for allocating bonuses to participating policyholders, accompanied by robust protocols to ensure that policyholders receive the maximum benefit from their policies.

Proper Expense Allocation Using Expense Allocation Framework

This process guarantees the equitable allocation of benefits to various insurance funds for policyholders in the long run. Concurrently, the transparency in calculating insurance contract liabilities has been enhanced through this procedure.

Valuation of Insurance Contract Liabilities

Softlogic Life conducts quarterly actuarial valuations to ascertain the total reserves needed for future benefit payments to policyholders. Certification from the appointed Actuary is obtained for each of the four quarterly assessments.

Quarter	Certified Date
Q1	30-04-2023
Q2	30-07-2023
Q3	06-11-2023
Q4	30-01-2024

Managing the Long-term Solvency Position of the Company

Softlogic Life has implemented a Capital Projection Framework to forecast the long-term Capital Adequacy Ratio (CAR) using scenario-based and stress testing methodologies, enabling more informed decision-making. The model is validated by the appointed Actuary from Willis Towers Watson India Private Limited.

5. BIGGER COMMITMENT TO ETHICS AND INTEGRITY PRACTICES

Asset and Liability Management Framework

The purpose of this framework is to effectively manage overall risk tolerance, risk-return requirements, solvency position, and liquidity needs. As a result, it achieves a harmonious balance between shareholder profitability and enhancing the long-term solvency standing of the Company.

5.5 EVALUATION OF EFFECTIVENESS OF CONTROL ENVIRONMENT

The Board utilises two forms of assurance: Internal Assurance provided by Internal Audit and External Assurance provided by External Audit. These entities evaluate the effective implementation of policies and procedures by the Company's management.

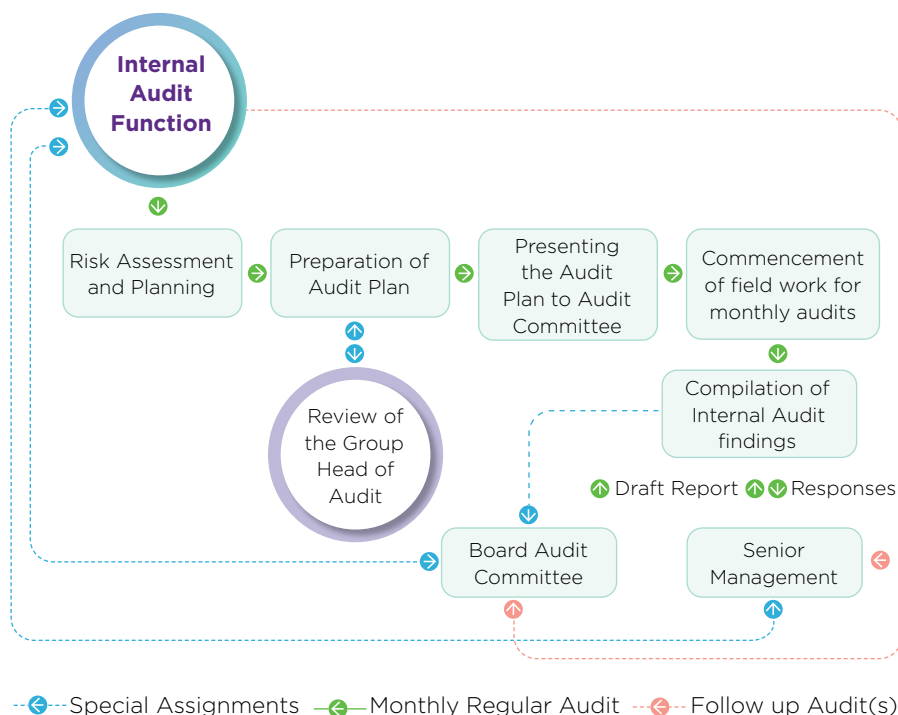
Additionally, the Audit Committee is responsible for supervising the Company's risk management and internal control processes to ensure their efficacy.

Internal Assurance (Internal Audit)

The Internal Audit Function of Softlogic Life Insurance PLC operates with several objectives;

- Review of the accounting and internal control systems
- Examination of financial and operating information
- Review of the economy, efficiency and effectiveness
- Review of compliance
- Review of the safeguarding of assets
- Review of the implementation of corporate objectives
- Special investigations

Figure: Internal Audit Process

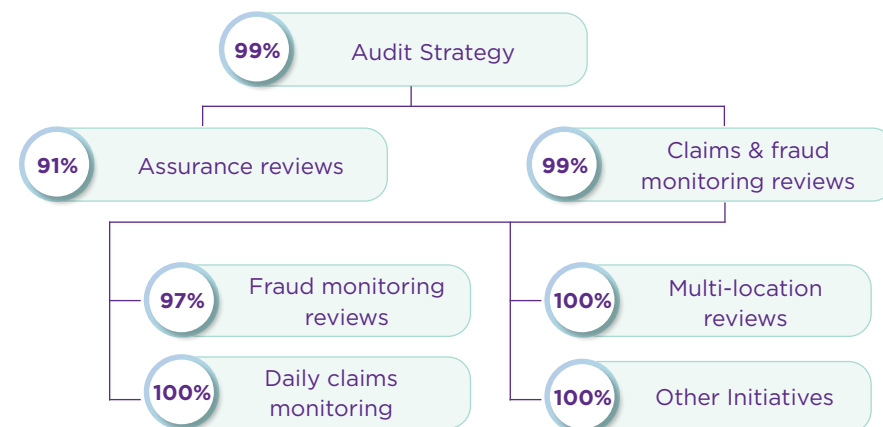


The Internal Audit Strategy

The Internal Audit Function prepares a risk-based Internal Audit Strategy defining the planned approach of the internal audit function determined based on the risks embedded in each process that contributes towards the strategic objectives of the Company. The strategy primarily focuses on the following.

- Audit & Assurance reviews.
- Review of areas susceptible for fraud.
- Multi-location reviews.
- Other initiatives to strengthen the internal controls environment.

Internal Audit Highlights & Completeness in 2023



Reporting Structure

The Internal Audit Function operates independently, overseen by the Audit Committee. Employees within the Internal Audit Function directly report to the Chief Audit and Compliance Officer, maintaining autonomy from reporting lines to front-line units or Senior Management.

This Internal Audit Function delivers to the Audit Committee independent and objective assurance regarding the Appropriateness, Effectiveness, and Sustainability of the Company's internal control system for risk mitigation. Positioned as the third line of defense, it conducts independent reviews of activities based on a risk-based audit plan and methodology approved by the Audit Committee.

Through risk-based internal auditing, the function assures the Audit Committee that the processes for risk management are both designed and implemented effectively

Internal Audit Operating Methodology

The Internal Audit Function of Softlogic Life operates as two primary units namely the "Audit and Assurance Unit" and "Fraud and Forensic Unit".

AUDIT & ASSURANCE UNIT

Carries out planned reviews with the objectives of:

- Assessing the appropriateness and effectiveness of the internal control environment of the Company.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

FRAUD AND FORENSIC UNIT

- Focuses on spot/surprise reviews in order to assist the management to detect and deter potential frauds and misappropriations.
- Most of the reviews that are carried out are based on Computer Aided Auditing Techniques (CAAT). This team is unique because it is equipped with specialist software and a dedicated IT audit expert.
- Apart from this, the Internal Audit function also carries out several value-added services, such as internal controls advisory, branch reviews and driving Whistle Blowing and fraud awareness.

External Assurance (External Audit)

Appointment of Auditors and their Responsibilities

The Company's External Audit function is carried out by Messrs. KPMG, Chartered Accountants. The Audit Committee recommends the appointment of the External Auditors and their remuneration to the Board of Directors, subject to shareholder approval.

The External Auditors are responsible for reporting to the Board Audit Committee on whether the Financial Statements prepared by the Management are fairly presented in conformity with SLFRS and LKAS and also prescribe any corrective measures that need to be taken by the Company, based on the audit findings.

The Board re-appointed Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and authorised

the Directors to determine their remuneration at the 2023 AGM.

Independence of the Auditors

At the reporting date, no threats compromising independence have been identified, and appropriate measures have been implemented or suggested to mitigate these threats to an acceptable level. The engagement team and others in the firm, as appropriate the firm and, when applicable, Messrs. KPMG, Chartered Accountants have complied with relevant ethical requirements regarding independence.

All auditing practitioners are obligated to adhere to ethical requirements, ensuring compliance with relevant ethical codes and the implementation of necessary safeguards to mitigate threats effectively.

Evaluation of the Independence of External Auditors

The Board Audit Committee also carries out an annual evaluation of the independence and objectivity of the External Auditors. The Audit Committee sets the principles for recommending the use of the External Auditors for non-audit services.

Quarterly External Audit Assurance Performed by the Company

The Company has declared the surplus for every quarter in 2023 and as a part of the surplus declaration process the Company obtained the relevant figure certification from the external auditor Messrs. KPMG and published the financial statements in CSE.

The Company wishes to bring greater transparency to its Financial Reporting process by doing quarterly audits and expects a positive impact on best governance practices in the long run.

5. BIGGER COMMITMENT TO ETHICS AND INTEGRITY PRACTICES

Regulatory and Statutory Governance

Softlogic Life engages the services of an in-house Compliance Officer in relation to regulatory and statutory governance.

Reporting Structure

The Compliance Officer has a direct line of reporting to the Managing Director and a dotted line reporting to the Group Head of Compliance. This process also fulfils the requirements of the Financial Transaction Reporting Act No. 6 of 2006.

Compliance Certification

A quarterly certification is done by the Principal Officer, Chief Financial Officer, Chief Technical Officer and Compliance Officer to the Insurance Regulatory Commission of Sri Lanka ("IRCSL") in accordance with the determinations issued by "IRCSL".

COMPLIANCE CERTIFICATION 'A' CERTIFIES COMPLIANCE WITH:

- Act No.43 of 2000, rules, regulations, determinations, directions issues by "IRCSL"
- All orders made by the Ministry of Finance and Planning under the regulation of Insurance Industry Act No. 43 of 2000, including terms and conditions pertaining to reinsurance placements issued by IRCSL in terms of Section 31(1).
- Conditions pertaining to co-insurance issued by IRCSL
- All applicable circulars issued by IRCSL.

COMPLIANCE CERTIFICATION 'B' CERTIFIES COMPLIANCE WITH:

- All provisions in the Financial Transactions Reporting Act No. 6 of 2006.
- Rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act No. 6 of 2006.
- Guidelines on Anti Money Laundering Program for Insurers issued by IRCSL.

Summary of Compliance Requirements and Compliance Status of the Company

Category	Compliance Requirement	2022 Highlight	2023 Highlight	Status
Investment Governance	Investment in Government Securities should be a minimum of 30% of the Long-Term Insurance Fund.	67% invested in government securities	96% invested in government securities	Complied ✓
	Regulatory Determination ratio should be a minimum of 100%	126% in 2022	140% in 2023	Complied ✓
Meeting Policyholder Obligations	Maintain a Capital Adequacy Ratio ("CAR") of a minimum of 120%	287% in 2022	367% in 2023	Complied ✓
	Life Insurance liabilities should be validated by an independent external actuary in accordance with the Regulation of Insurance Industry Act	The Actuary's Report is available on page 250 in Annual Report 2022.	The Actuary's Report is available on page 264.	Complied ✓
Risk Assessment	The Risk Assessment Report should be submitted on or before 30th April each year to the Insurance Regulatory Commission of Sri Lanka	Submitted before 30th April 2022.	Submitted before 30th April 2023.	Complied ✓
Reinsurance Agreement	Insurance companies must enter into reinsurance arrangements with companies which at a minimum have a rating of BBB	All placements are rated above BBB.	All placements are rated above BBB.	Complied ✓

Category	Compliance Requirement	2022 Highlight	2023 Highlight	Status
Rules on Treatment of One-off Surplus	**"Restricted Regulatory Reserve" must be matched with the specified class of assets (at market value) equal to the said reserved amount on a continuing basis.	Restricted Regulatory Reserve of Rs. 798 Mn and Corresponding Assets are Rs. 839 Mn.	Restricted Regulatory Reserve of Rs. 798 Mn and Corresponding Assets are Rs. 1,251 Mn.	Complied ✓

*"One-off Surplus" is created due to changes in the regulatory solvency regime from Net Premium Valuation to a Risk-Based Gross Premium Valuation regime. The transferred One-off Surplus is recorded as the "Restricted Regulatory Reserve" in the Balance Sheet and must be maintained without making any distribution unless approved by IRCSL.

Amendment to Rule 7.10 and Section 9 of the Listing Rules of the Colombo Stock Exchange

Corporate Governance rules applicable for listed entities which are enumerated in current Rule 7.10 and Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) have been revised by CSE and the revised Corporate Governance requirements including the Rules governing the Related Party Transactions have been consolidated and incorporated as Section 9 of the CSE Listing Rules.

Softlogic Life Insurance PLC has taken the appropriate measures to comply with the new listing rules issued by CSE. Detail breakup references in the page no 225.

Process for New Regulations and Monitoring of Compliance at Softlogic Life

Softlogic Life's compliance mechanism comprises two primary processes. Firstly, it involves analysing new statutory and regulatory requirements to evaluate their impact on the company. Secondly, it entails monitoring and ensuring the timely achievement of statutory and regulatory deadlines. These two processes synergize to enable Softlogic Life to effectively manage its compliance obligations, stay informed about regulatory changes, and mitigate compliance risks. Through thorough analysis of new regulations and adherence to deadlines, the company safeguards its reputation, protects stakeholders' interests, and operates within legal parameters.

PROCESS FOR NEW REGULATION

- Compliance Officer obtains information on new regulations
- Assesses the impact analysis from new regulations
- Informs relevant department head and Managing Director
- Provides update on all the new regulations to the Audit Committee on a quarterly basis

Implementation of New Sustainability Disclosure Standards. (IFRS S1 & S2)

General Requirement for Disclosure of Sustainability-Related Financial Information

The objective of IFRS S1 is to compel entities to disclose sustainability-related risks and opportunities essential for primary users of financial reports, aiding in resource allocation decisions crucial for an entity's cash flows. This standard requires comprehensive disclosure of such risks and opportunities, ensuring usefulness to primary users.

Additionally, entities must adhere to governance disclosures outlined in the standard, providing transparency regarding the governance processes, controls, and procedures employed to monitor and manage sustainability-

PROCESS FOR MONITORING THE COMPLIANCE STATUS

- Compliance Officer maintains the regulatory requirements and respective deadlines.
- Informs relevant departments on the regulatory requirement in advance.
- Coordinate with the relevant department heads and ensures the deadlines are met.
- Provides an update on a monthly basis to the Managing Director.

related risks and opportunities at both governance and management levels.

Climate-Related Disclosures

IFRS S2 Climate-related Disclosures Mandates entities to disclose climate-related risks and opportunities crucial for primary users of financial reports, facilitating informed resource allocation decisions. It encompasses physical and transition risks, along with opportunities, while excluding those unlikely to impact the entity's prospects.

The standard necessitates governance disclosures, outlining responsibilities, skills assessment, decision-making integration, and target setting, ensuring effective oversight and management of climate risks.

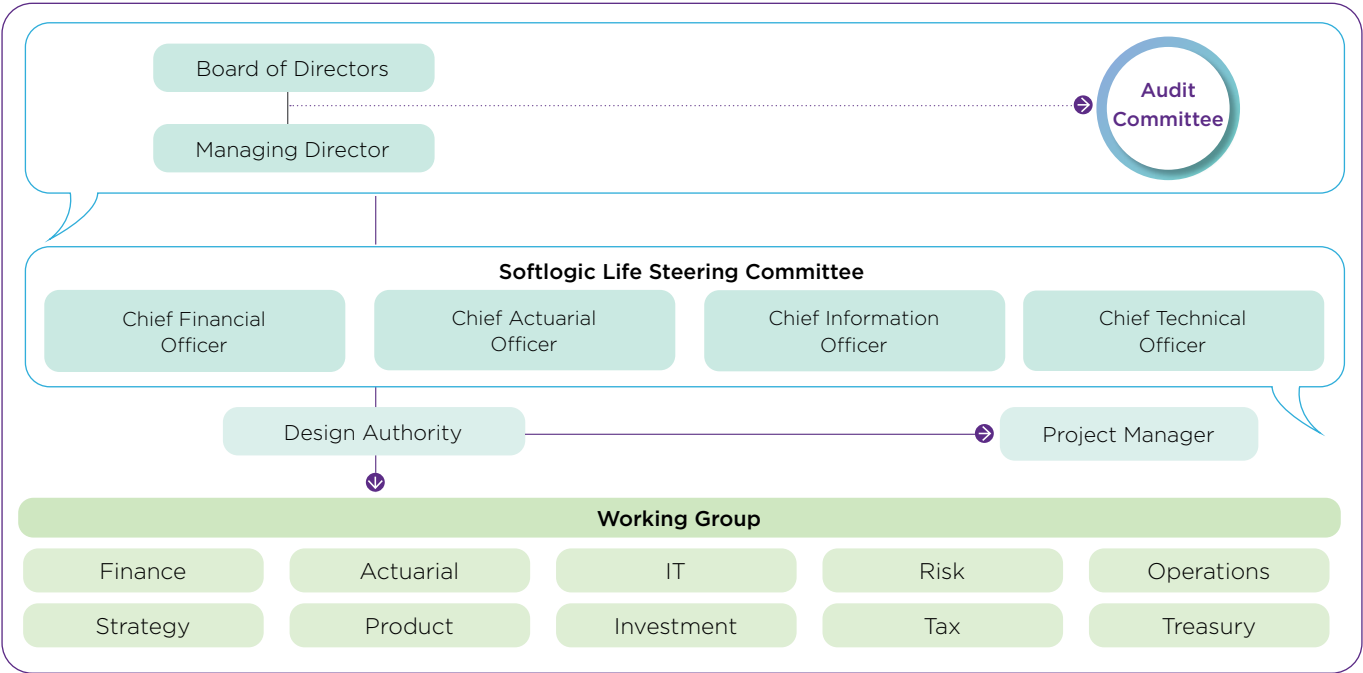
5. BIGGER COMMITMENT TO ETHICS AND INTEGRITY PRACTICES

5.6 IMPLEMENTATION OF SLFRS 17

Introduction

SLFRS 17 set to replace the interim SLFRS 4, which was published by the International Accounting Standard Board and important accounting standard for the whole insurance industry across the globe. The Company believes an appropriate governance approach from the outset of the implementation process of SLFRS 17 will assure the long-term success of the project while adding value to the governance framework of the Company. Steering Committee role in relating to the management of risk associated with SLFRS 17 implementation.

Figure: Governance Structure of SLFRS 17 Implementation



Evaluating Data, System and People Readiness for SLFRS 17 Compliance

Starting from January 1st, 2026, SLFRS 17 will become effective, and our Company is actively taking steps to prepare for its implementation. As part of our preparations, we have assessed three key aspects crucial for the implementation: Data, Systems, and Processes. Below, we outline the challenges we have encountered, the remedial governance measures we are taking, and the health check status of our project.

CHALLENGES

- Data quality granularity and aggregation
- Data processing timeliness
- System integration complexity
- CSM Engine Accuracy
- Expertise and Knowledge Gap
- Cross functional Collaboration

REMEDIAL GOVERNANCE MEASURES

- Automate Data Processing Workflows
- Strategic System transformation
- Enhanced Data Integration Solution
- Assess CSM Engine quality
- Hire External Consultant
- Promote Cross functional Collaboration

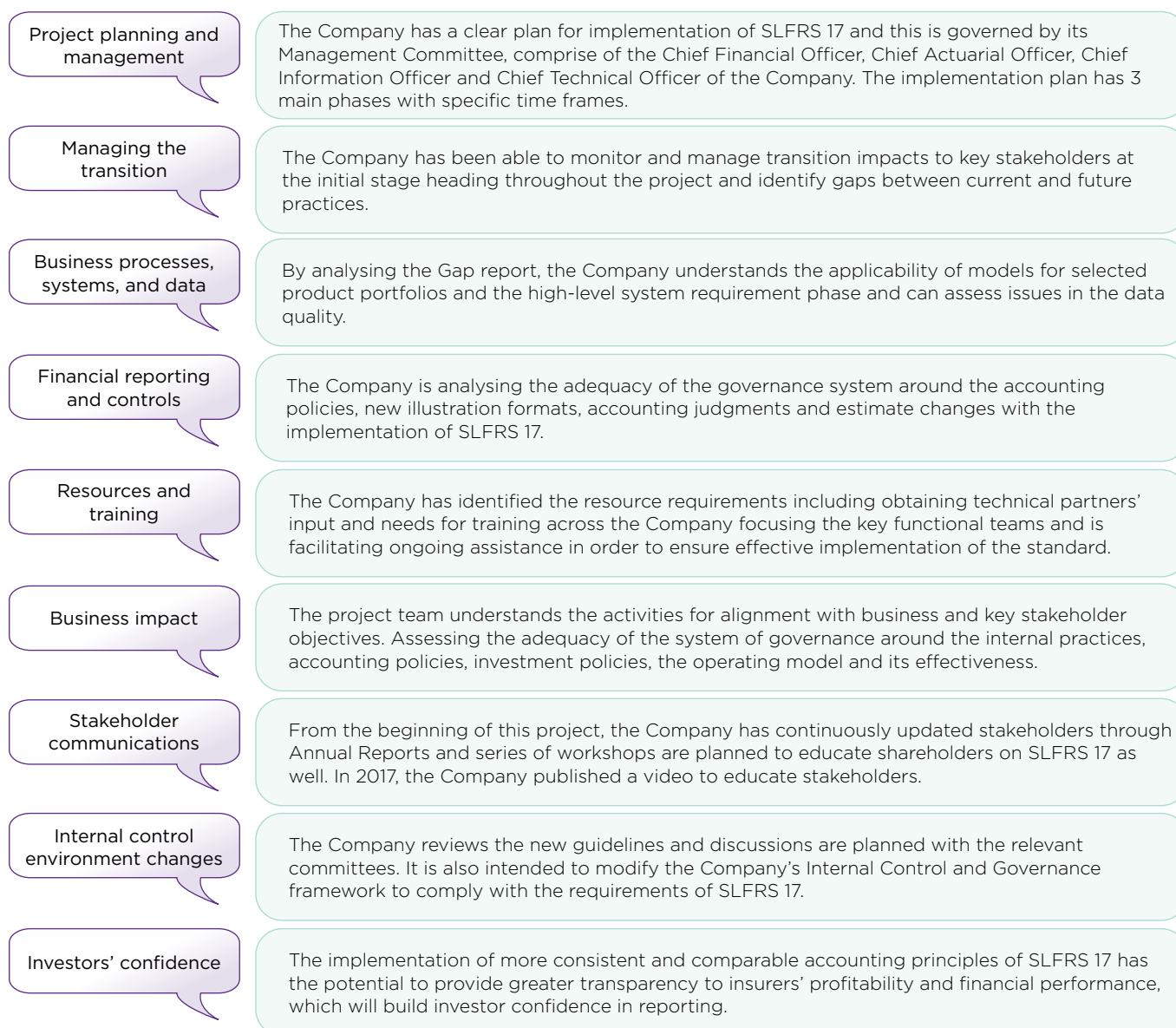
The Health Check Meter indicates over 80% assessment - implementation target deemed satisfactory

Update on Implementation and Project Plan

Figure: SLFRS 17 Implementation Project Plan



Figure: Key Governance Considerations in the Implementation of SLFRS 17



5. BIGGER COMMITMENT TO ETHICS AND INTEGRITY PRACTICES

5.7 IT AND CYBER SECURITY RISK MANAGEMENT

The Company IT Governing practices incorporate the interests and inputs of a wide range of stakeholders while bearing in mind the impact on external parties connected to the Company systems and devices.

OBJECTIVES

Operational Focus

Improve Company operations via IT integration, management and development

Risk Management Focus

To manage all cyber security threats and risks faced

BOARD INVOLVEMENT IN IT GOVERNANCE

The Board has delegated IT Governance related matters to the Board Risk Committee.

Mainly, there will be division into two categories comprising Strategic Focus and Operational Focus. In addition to that, the board will delegate based on the following criteria;

1. Risk Management
2. Performance Monitoring
3. Resource Allocation
4. Compliance
5. Cybersecurity Oversight

Involvement of the Board and KMPs

All IT Policies are reviewed and signed off by the IT Steering Committee and Audit Committee depending on the relevance to each committee.

- The Chief Information Officer (CIO) leads the IT Steering Committee which is a dedicated Management Committee, focused on improving and managing IT interests of the Company.

- The IT Steering Committee is delegated with the authority to ensure the proper implementation of the IT Governance Framework.
- Further, the CIO reports to the Risk Committee with regular updates on IT related issues and material IT projects including governance-related matters.
- The Risk Committee in turn ensures that the risk monitoring and assurance procedures have the capacity to adequately address the risks.

Impact on Group IT

Group IT Risk department is independently involved in evaluating applicable security threats and possible mitigating strategies periodically.

Regulatory Requirements on IT Risk

Legal and Internal Audit departments communicate the regulatory requirements that should be adopted to the IT department, which ensures that the system controls are embedded appropriately.

Developing a dashboard to monitor the implementation of IT development policies in alignment with the company's business strategies is crucial for ensuring that IT initiatives contribute effectively to organizational goals.

Development of IT Policies

All the IT Policies, Standards, Procedures and Guidelines are developed as per the ISO 27001:2013 Standard.

Annually, improving information security policies, procedures and guidelines considering the standard, regulatory requirements, and dynamic threat landscape.

Prudent Expenditure

All IT expenditure falls within the approved budget and in line with the strategic objectives of the business.

IT Asset Management Policy -

The annual IT asset requirement needs to be approved by the Managing Director and the CAPEX will be assigned based on the same.

Data Analytics

The Governance framework also encourages the use of data for improved analysis and forecasting activities, which will contribute to the automation and digitalisation of operations.

System Development and Modification

All in-house system developments and modifications are made according to well-defined change management procedures. "Softlogic Life Insurance PLC Software Development Policy" contains the procedures to be followed during software development, software change management, software testing and live deployment.

Certain security measures have been taken to improve DevSecOps and have introduced a release-based security testing process.

Cyber Security Risk Management Focus

Life Insurance companies generally deal with vast amounts of confidential data belonging to policyholders such as their health-related information and financial information.

Risk Management focus of IT Governance is therefore ensuring the security of the sensitive data of policyholders as well as security of information systems and the digital devices of the organisation.

Communication and Awareness

All the Softlogic Life IT Security policies, standards, procedures and guidelines are published on the

Company intranet and users have been requested to read and comply with them.

Regular emails are circulated to the employee base creating awareness of cyber security threats. Following policies are implemented to governed communication methods.

- E-mail Usage Policy
- Internet Usage Policy

In the event a cyber security risk emerges, the IT security division:

- Takes necessary preventive actions to send a special communication across the Company-wide employee base to enhance awareness.
- Informs the precautionary actions that are needed to be followed by each individual to safeguard the integrity of data and the continuity of operations.
- Parallel to that, necessary IT security mitigation actions are exercised by the IT Security unit in coordination with the IT technical teams.

Independent Periodic Review of Security

- The Company annually gets security assessments from 3 third-party independent consultancy firms. Based on the consultancy reports provided by these 3 firms, the IT department along with their technical and security units takes remedial actions.
- A post-implementation review is also carried out by these firms which is presented to the Management regarding the progress of the remedial actions taken.
- A strategic partnership is established with a leading cyber security vendor to ensure the implementation of industry best

practices, fostering customer trust, compliance with regulations, and safeguarding sensitive information.

- Over the past two years, we have successfully enhanced our Vulnerability Management Program. We were able to bring our vulnerability rate down and have made security an essential part of the development process.

Company implemented the following policies for Security and Compliance;

- Approved Applications Policy
- Clear Desk & Clear Screen Policy
- Computing Devices Usage Policy
- Data-Access Policy
- Information Classification Policy
- IT Security Incident Management Policy
- Password Policy
- Social Networking Policy
- Workstation Security Policy

Operational Governance of IT

To maintain the operational governance of IT, Company implemented following policies to govern the operational IT Structure.

- Access Control Policy
- Backup and Restoration Procedure
- IT Helpdesk Policy
- Network Management Policy
- Patch Management Policy
- Software Development Policy
- IT Risk Framework
- Third Party Services Policy

Data Backup and Disaster Recovery (DR)

- Periodic data backup facility.
- Data Centre Policy: Real-time data replication at SLT-IDC for DR.

- Testing the business continuity plan regularly to ensure the organisation can maintain operations in the event of a security incident, while also strictly maintaining the Recovery Time Objective (RTO) and Recovery Point Objective (RPO) to minimise operational disruption and data loss.
- During the last year, we undertook a few initiatives to improve the security of our digital assets,
- Initiating the implementation of SD-WAN solution for enhancing branch level information security and visibility while improving the performance and user experience.
- Improve information security policies, procedures and guidelines considering the standard, regulatory requirements and dynamic threat landscape.
- Continuous assessment of security risks related to the Company's information assets and processes to ensure technology-related residual risks are maintained at acceptable levels
- Ensure adequate information security awareness is given to staff members to follow security best practices.

We are adapting to the ever-changing threat landscape by developing a new security strategy that not only aligns with our evolving business but also places a heightened focus on digitisation and cloud security.

This approach involves a continuous cycle of improvement in data privacy and security, ensuring our measures are robust and responsive. By redefining responsibilities and outlining a clear strategy and roadmap, we aim to enhance our governance and ensure our security infrastructure evolves in tandem with our business needs.

5. BIGGER COMMITMENT TO ETHICS AND INTEGRITY PRACTICES

5.8 STAKEHOLDER ENGAGEMENT
Relations with Shareholders

The Board and the Senior Management acknowledge their responsibility to represent the interests of all shareholders and to maximise shareholder value of the Company. Shareholders expect the Board and Senior Management to:

- Create sustainable return on their investment
- Adequate and timely communication
- Comply with statutory and regulatory requirements concerning shareholders
- Manage risk, facilitate transparency, maintain fairness and protect the rights of shareholders.

Details on how the Company addresses shareholder expectations can be found on pages 72-77.

Communication with Shareholders

The Company has implemented multiple methods of communication to maintain an effective relationship with the shareholders of the Company.



Process Established to Make the Board Aware of Major Issues and Concerns of Shareholders

The Company Secretary brings any significant concerns raised by shareholders to the attention of the Board.

Shareholders are encouraged to maintain direct communication with the Board of Directors by contacting the Company Secretary, Softlogic Corporate Services (Pvt) Ltd, through the following channels:

 +94 11 5575027
+94 11 5575123

 corporateservices@softlogic.lk

 Softlogic Corporate Services (Pvt) Ltd,
No 14, De Fonseka Place,
Colombo 05

In Terms of Section 08 of the listing rules, Softlogic Corporate Services (Pvt) Ltd, No 14, De Fonseka Place, Colombo 05 has been appointed as the Company Secretaries of the Company with effect from 01st January 2024 in place of P R Secretaries Services (Private) Limited and communicate to the shareholders on 02nd February 2024 by publishing on CSE website.

Access to Company Financial Reports

Annual and Quarterly reports are available on the Company website as well as the CSE website.

Institutional Shareholders

The Company endeavours to foster consistent and organised communication with institutional investors, brokers, and financial analysts. This effort aims to enhance their comprehension of

our operations, strategy, and plans, thereby facilitating their increased engagement. By encouraging them to voice any concerns that may impact their perception of the Company's value, we strive to promote transparency and constructive dialogue.

The Board and Management rigorously adhere to statutory and ethical guidelines concerning the confidentiality of price-sensitive information, fulfilling their responsibility to maintain its secrecy.

Individual Shareholders

Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions. Furthermore, Individual shareholders are encouraged to participate in the AGM and exercise their voting rights.

Annual General Meeting (AGM)

The AGM provides a forum for all shareholders to directly communicate with the Board of the Company and participate in the decision-making process reserved for the shareholders.

This typically includes proposals to adopt the Annual Report and Accounts, appointment of Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act No. 07 of 2007.

The Chairman makes sure that the Chairmen of Board Sub-Committees such as the Audit, Nominations and Governance, HR & Remuneration Committee as well as the Senior Independent Director be present at the AGM, to respond to any inquiries made by the shareholders.

Shareholder Notice

Notice of AGM is circulated to all shareholders 15 working days ahead in compliance with the Companies Act, along with instructions on the voting procedure, including the process for voting via a proxy.

Voting Process at the AGM

Separate resolutions are proposed for each substantially separate issue. Shareholders can vote, “for”, “against” or withhold the vote. Votes withheld are not counted as votes for the calculation.

Voting via Proxy

Each resolution will carry a proxy appointment form, which the shareholder can utilise for voting decisions. The Company makes arrangements to ensure that each valid proxy vote is collected, counted and recorded.

Shareholder Feedback

The Company has provided the shareholders an “Investor Feedback Form” which provides the opportunity for shareholders to comments on their Company. Refer “Annexure x” for the feedback form.

24th AGM held in 2023

The Company held a virtual AGM due to pandemic situation on the 31st March 2023 at Level 16, One Galle Face Tower, Colombo 02.

Matters discussed at the AGM included:

1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st December 2022 and the Report of the Auditors thereon

2. To re-elect Mr. V. Govindasamy who retires by rotation in terms of Articles 98 (a) of the Articles of Association of the Company as a Director of the Company.
3. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.

Vote results for the resolutions at the AGM held on 31st March 2023
The voting results of the AGM were published on the CSE website by the Company Secretary on the same day. All resolutions in the agenda as detailed above were unanimously passed.

Shareholder Communications during 2023

March 2023

- Dividend Announcement for the Financial Year 2022
- AGM Notice & Disclosures

Engagement with Other Stakeholders

The Company addresses the concerns and interests of all stakeholders impacted by the organisation through the governance framework.

Highlights of Stakeholder Engagement



ANNUAL REPORT OF THE BOARD OF DIRECTORS

1. PREFACE

The Directors have pleasure in presenting to the shareholders the Integrated Annual Report of Softlogic Life Insurance PLC ("the Company") together with the Audited Financial Statements for the year ended 31st December 2023 and the Independent Auditors' Report on those Financial Statements conforming to all relevant statutory requirements.

The Board has established strategic imperatives through its annual strategic planning exercise and continued to execute the required strategies to mitigate risks and exploit opportunities. The Board of Directors reviewed the Company's business plan and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

1.1 Regulatory Framework

This Report, where applicable is presented in accordance with the Guiding Principles and Content elements as stipulated by the <IR> Framework issued by the International Integrated Reporting Council (IIRC) and GRI Standards published by the Global Reporting

Initiative, reflecting our commitment to transparent and objective reporting towards shareholders and other key stakeholders.

This Report provides the information and disclosures as required by the Companies Act No. 07 of 2007, Insurance Industry Act No. 43 of 2000 and amendments thereto, Directions issued by Insurance Regulatory Commission of Sri Lanka, Listing Rules issued by the Colombo Stock Exchange (CSE), the Recommended Best Practices and other relevant regulations.

The Company is a Licensed Insurance Company registered under the Insurance Industry Act No. 43 of 2000 (IIR) incorporated on 21st April 1999 under the Companies Act No 17 of 1982 and was re-registered under the Registration No. PQ 31, according to the requirements of the Companies Act No. 07 of 2007 on 6th July December 2007. The registered office of the Company is situated at Level 16, One Galle Face Tower, Colombo 2, Sri Lanka. The ordinary shares of the Company are quoted on the Diri Savi Board of the CSE since November 2000. The ultimate parent of the

Company is Softlogic Holdings PLC, While Softlogic Capital PLC [Parent Company] holds 51.72% as at 31st December 2023.

1.2 Board Responsibility on the Annual Report

The Board of Directors of the Company are responsible for preparation of the Financial Statements of the Company, which reflect a true and fair view of the financial position and performance of the Company. The appropriate number of copies of the Annual Report have been submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

This Report has been structured to effectively communicate the Company's efforts to create value to all its stakeholders through the business model on pages 26-27 and identified trends and developments that are likely to impact the value creation process of the business.

These trends and developments are categorised into risks and opportunities to the Company.

The extent of compliance with the requirements of Section 168 of the Companies Act No. 7 of 2007 and amendments thereto and other relevant statutes is disclosed in the below table.

Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Level of Compliance by the Company
i) The nature of the business of the Company together with any change thereof during the accounting period	Section 168 (1) (a)	Refer Pages 20-25
ii) Signed Financial Statements of the Company for the accounting period completed in accordance with Section 152.	Section 168 (1) (a)	Refer Pages 271-376
iii) Auditors' Report on the Financial Statements of the Company.	Section 168 (1) (c)	Refer Pages 268-270
iv) Accounting policies of the Company and any change therein.	Section 168 (1) (d)	Refer Pages 276-376
v) Particulars of the entries made in the Interests Register of the Company during the accounting period.	Section 168 (1) (e)	Refer Page 208
vi) Remuneration and other benefits paid to Directors of the Company during the accounting period	Section 168 (1) (f)	Refer Page 373
vii) Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Refer Page 328

Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Level of Compliance by the Company
viii) Information on Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Refer Pages 161-163 and 168-169
ix) Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Section 168 (1) (i)	Refer Page 328
x) Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Refer Page 187
xi) Acknowledgement of the contents of this Report/Signatures on behalf of the Board	Section 168 (1) (k)	Refer Page 196-204

2. REVIEW OF BUSINESS

2.1 Vision, Mission and Corporate Conduct

The Company's Vision and Mission Statements are exhibited on page 8 of the Annual Report. The business activities of the Company are conducted maintaining the highest level of ethical standards in achieving its Vision and Mission, which reflects our commitment to high standards of business conduct and ethics.

2.2 Principal Activity

The principal business activity of the Company is Life Insurance business which has remained unchanged during the financial year as per the requirement of Section 168 (1) (a) of the Companies Act No. 7 of 2007.

2.3 Review of Operations of the Company

The Company's sense of innovation has brought in a lot of momentum into its business, further driving brand loyalty amongst customers and stakeholders who feel pride in associating with the Company. More details provided in Chairman's Statements page 36-39, Management Discussion and Analysis pages 35-150 and Notes to the Financial Statements pages 276-376. Operating segments pages 377-380.

3. FUTURE OUTLOOK

The Company is more optimistic about the economy's future outlook and the industry's future prospects, as 2024 is a year in which a recovery in GDP growth is anticipated in Sri

Lankan economy compared to the last year. The Government's goal is to achieve a GDP growth of 2.9% in 2024 and 3.2% in 2025. During the most challenging period in Sri Lankan history in year 2023, the Company's GWP grew by 14% and the Company is confident to continue this momentum through the year 2024.

4. DIRECTORS OF THE COMPANY

4.1 Information on Directors as at 31st December 2023

The Board of Directors of the Company as at 31st December 2023 consisted of eight Directors (8 in 2022) with wide financial and commercial knowledge and experience as detailed in the 'Board of Directors Profiles' on pages 161-163.

The names of the Directors of the Company who held the office during the year and as at the end of 2023, as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

Name of the Director	Executive/Non - Executive	Independent/Non-Independent
Mr. Ashok Pathirage - Chairman	Non - Executive	Non - Independent
Mr. Iftikar Ahamed - Managing Director	Executive	Non - Independent
Mr. Haresh Kaimal - Director	Non - Executive	Non - Independent
Ms. Fernanda Lima - Director	Non - Executive	Non - Independent
Mr. V. Govindasamy - Director	Non - Executive	Independent
Mr. Raimund Snyders - Director	Non - Executive	Non - Independent
Mr. Sanjaya Mohottala	Non - Executive	Independent
Mr. Lalith Withana	Non - Executive	Independent

ANNUAL REPORT OF THE BOARD OF DIRECTORS

4.2 Board meetings and Board Sub-Committee Meetings

The Director's participation in Board meetings and Sub-Committee meetings are given on page number 178.

Board Sub-Committees	Committee Report Reference
Audit Committee	Pages 211 - 214
Risk Committee	Pages 215 - 216
Human Resources and Remuneration Committee	Pages 217 - 218
Investment Committee	Pages 219 - 220
Related Party Transactions Review Committee	Pages 221 - 222
Nominations and Governance Committee	Pages 223 - 224

4.3 New Board Appointments during 2023

There were no new appointments to the Board during 2023.

4.4 Retirement and Re-election

The Directors to retire by rotation at an AGM shall be those who, have served the longest in office, since their last election or appointment as a Director to the Board of Directors of the Company in terms of articles 98 of the Articles of Association of the Company.

Accordingly, Mr. V Govindasamy was re-elected at the 24th AGM held on 31st March 2023. Refer Notice of Meeting on page 406 for proposed Director re-election for 2024.

4.5 Review of Performance of Board

The performance of the Board is evaluated through a formalised process and details are discussed on page 172.

4.6 Directors' Shareholding including Managing Director

The individual ordinary voting and non-voting shareholdings of persons who were Directors of the Company at any time during the financial year are as follows:

Directors' Shareholding during the year

Name of the Director	2023	2022
Mr. Ashok Pathirage - Chairman	Nil	Nil
Mr. Iftikar Ahamed - Managing Director	Nil	Nil
Mr. Haresh Kaimal - Director	Nil	Nil
Ms. Fernanda Lima - Director	Nil	Nil
Mr. V. Govindasamy - Director	Nil	Nil
Mr. Raimund Snyders - Director	Nil	Nil
Mr. Sanjaya Mohottala - Director	Nil	Nil
Mr. Lalith Withana - Director	Nil	Nil

4.7 Directors' interest register

In terms of the Companies Act No 07 of 2007 an Interest Register was maintained during the accounting period under review. All the Directors of the Company have disclosed their interest in other companies to the Board and those interests are recorded in the Directors interest register confirming to the provisions of the Companies Act No 7 of 2007.

4.8 Directors' interest in contracts or proposed contracts

The direct and indirect Director's interests in contracts or proposed contracts with the Company, have been disclosed on page 372-374 as per the requirement. The Directors have also disclosed transactions, if any, that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard - LKAS 24 on "Related Party Disclosures". Please refer Note 45 to the Financial Statements on

pages 372-374 for those transactions disclosed by the Directors. These interests have been declared quarterly at Board Meetings.

Directors have no direct or indirect interest in any other contract or proposed contract with the Company other than those disclosed in the Director's interest in contracts with the Company.

4.9 Directors' Remuneration, fees and Post-Employment Benefits

The amount of the Directors' fees and Remuneration paid during the year is Rs. 86.5 million. Refer Note 45.6.1 in page number 373. Further details are provided on pages 217-218 of the Human Resource and Remuneration Committee report as per the requirement of Section 168 (1) (f) of the Companies Act No. 07 of 2007. The Executive Director's remuneration is decided by the Board

with the recommendation of the Human Resource and Remuneration Committee, in consideration of the individual and Company performance.

4.10 Loans to Directors

Directors are not entitled to obtain any kind of loans from the Company.

4.11 Directors' Insurance

The Company has paid an insurance premium in respect of an insurance policy for the benefit of the Directors of the Company as defined in the insurance policy during the financial year. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

4.12 Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments including all taxes, duties and levies payable by the Company due to the Government, other regulatory institutions and related to the employees have been made on time or where relevant provided for.

4.13 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company in conformity with the requirements of relevant Sri Lanka Financial Reporting Framework and Sri Lanka Accounting Standards (Mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007 which

reflect a true and fair view of the financial position and performance of the Company. The "Statement of Directors' Responsibility" appearing on pages 205-206.

5. FINANCIAL PERFORMANCE

5.1 Financial Performance Analysis - 2023

The Profit Before Tax of the Company amounted to Rs. 3,197 million. (Rs. 4,030 million in 2022) and this is an decrease of 21%. Further, the Profit After Tax of the Company amounted to Rs. 2,838 million in 2023 (Rs. 2,683 million in 2022) and this was an increase of 6% in 2023. Information on the movement of reserves is given in the Statement of Changes in Equity on page 274 and Notes 37-38 to the Financial Statements on pages 356-357.

A Synopsis of the Company's Performance is Presented Below

For the year ended 31st December	Note Reference	Page Reference	2023 Rs.'000	2022 Rs.'000
Financial Results				
Gross Written Premium	8	320	26,341,321	23,083,425
Profit Before Taxation (PBT)	21	328	3,197,171	4,030,384
Income Tax Expenses	22	328	(358,768)	(1,347,508)
Profit After Tax (PAT)			2,838,403	2,682,876
Un-appropriated Profit Brought Forward			12,112,675	10,453,584
Profits Available for Appropriation			14,951,078	13,136,460
Appropriations				
Actuarial gains / (losses) on defined benefit plans	40.4	366	(20,844)	26,215
Dividend Paid	24.3	331	(1,312,500)	(1,050,000)
Un-appropriated Profit Carried Forward			13,617,734	12,112,675
Reserves as at 31st December				
Stated Capital	35	355	1,062,500	1,062,500
Revaluation Reserve	37	356	173,517	129,733
Fair Value Reserve / Available-for-Sale Reserve	37	356	(2,318,409)	(3,229,988)
Regulatory Reserve	36	356	798,004	798,004
Retained Earnings	38	357	13,617,734	12,112,675
Total			13,333,346	10,872,924

ANNUAL REPORT OF THE BOARD OF DIRECTORS

5.2 Reserves

The reserves consist of Fair Value Reserve, Revaluation Reserve, Restricted Regulatory Reserve and Retained Reserves. The details and movements of reserves are disclosed in Notes 36 to 38 to the Financial Statements on pages 356-357 and in the Statement of Changes in Equity on page 274 to the Financial Statements.

5.3 Taxation

Income taxes are computed based on rates enacted or substantively enacted as at the Reporting Date. The income tax rates applicable to the Company's operations for the year under review was 30%. The Company recognised deferred tax asset extent to which future taxable profits will be available to utilise the available tax losses in foreseeable future. Refer Note 22 on pages 328-330.

5.4 Financial Investments

Financial investments mainly comprise the Company's investment portfolios, which have been segregated into different categories as required by Sri Lanka Accounting Standards (SLFRS/LKAS). The amount of financial investments held by the Company as at 31st December 2023 amounted to Rs. 43,500 million (2022 - Rs. 42,600 million). A detailed description of the financial investments is enclosed in Note 29 to the Financial Statements on pages 343-352.

5.5 Capital Commitments

Details of capital commitments as at 31st December 2023 are provided in Note 46 on page 375.

5.6 Donations

There were no donations made by the Company during the year.

5.7 Property, Plant and Equipment Capital Expenditure and Ownership of Assets

Information on Property, Plant, Equipment and Intangible assets of the Company are given in Notes 26

and 25 to the Financial Statements on pages 333-338 and 332-333 respectively.

Valuation of Land and Building

All land and buildings owned by the Company were revalued. Specific information on extent, location, valuations of the land and buildings held by the Company are given in Notes 26.17 to the Financial Statements on page 337.

5.8 Market Value of Properties

The revaluation exercise on the freehold land and buildings of the Company has been carried out as at 31st December 2023. The revaluation process was carried out by a professionally qualified independent valuer and the Board of Directors of the Company is of the opinion that the revalued amounts are not in excess of the current market values of such properties.

Qualifications of Valuer

The revaluation process of land and buildings of the Company was carried out by Messrs. Anuradha Senevirathne, who is a Chartered Valuation Surveyor of the Royal Institute of Chartered Surveyors, United Kingdom and a Fellow Member of the Institute of Valuers of Sri Lanka.

5.9 Intangible Assets

The carrying value of intangible assets as at the Reporting Date amounted to Rs. 2.4 million (2022 - Rs. 2.6 million). Movement of intangible assets from the balance as at 01st January 2023 to the balance as at 31st December 2023, additions and disposals made, together with the amortisation charge for the year, are set out in Note 25.1 to the Financial Statements on page 332.

6. INVESTOR RELATIONS

6.1 Stated Capital

The Stated Capital of the Company as at 31st December 2023 was Rs. 1,062,500,000 comprising 375,000,000 fully paid ordinary

shares. The details are provided in Note 35 to the Financial Statements on page 355. There was no change in the Stated Capital during the year.

6.2 Issue of Shares

During the year, Company has not issued any shares to raise new capital.

6.3 Tier 2 Capital

The Tier 2 subordinate debt capital of the Company as at 31st December 2023 was Rs. 5,015 Mn. The details are provided in Note 41 to the Financial statements on the pages 367-368.

This subordinate debt capital has been obtained to strengthen the Company's capital structure.

6.4 Dividends

The Company declared an interim dividend of Rs. 3.75/- per share for the year under review out of the profits of the Company. The Directors have certified that they are satisfied that the Company will, immediately after the said distribution is made, satisfy the solvency test in accordance with the Section 57 of the Companies Act and subsequent to such declaration, the Directors have obtained the Auditors certificate of solvency thereon.

6.5 Share Information Distribution Schedule of Shareholdings

Information on the distribution of shareholding and the respective percentages are given in the Section on 'Investor Relations' on pages 385-391.

Information on Earnings, Dividend, Net Assets and Market Value

Information relating to earnings, dividend, net assets and market value per share is given on page 386.

Information on the trading of the shares and movement in the number of shares represented by the Stated Capital of the Company is given in the Section on 'Investor Relations' on pages 385-391.

Substantial Shareholdings

Names of the top twenty shareholders for voting shares, percentages of their respective holdings and percentage holding of the public, etc. are given in the Section on 'Investor Relations' on pages 387-388.

Public Shareholding

The percentage of the shares held by public is provided on page 388.

6.6 Information on Ratios, Market Prices of Shares and Credit Rating

Information that requires disclosures as per Rule 7.6 (xi) of the Listing Rule of the CSE are given in the Section on 'Investor Relations' on page 386.

6.7 Equitable Treatment to Shareholders

The Company has ensured at all times that all shareholders are treated equitably.

7. CAPITAL ADEQUACY RATIO ("CAR") AND MINIMUM CAPITAL REQUIREMENTS

The Company has maintained a "CAR" of 367% as of 31 December 2023.

Insurance Regulatory Commission of Sri Lanka (IRCSL) by its Gazette dated 07th May 2013 has increased the Minimum Capital requirement for all Insurance companies to Rs. 500 million with effect from 11th February 2015. The Company has issued and fully paid stated capital of Rs. 1,062.5 million (2021 - Rs. 1,062.5 million) and therefore fulfilled this statutory requirement.

8. TOTAL AVAILABLE CAPITAL (TAC)

In addition to the above, insurance companies are required to maintain minimum of Rs. 500 million as Total Available Capital (TAC) as per solvency margin (Risk Based Capital) rules 2015 with effect from 01st January 2016. The Company

maintains Rs. 37,107 million as at 31st December 2023 which is well above the minimum requirement. Details of the TAC is given on page 362 and in Note 39.15 to the Financial Statements.

9. COMPLIANCE WITH RULES AND REGULATIONS

The Company has complied with the regulations issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and IRD and other regulations applicable to the Company and have submitted all the returns and the details to the relevant parties by the due dates. In addition, the Company complies with the Financial Transaction Reporting Act No. 06 of 2006 and the Convention on the Suppression of Terrorist Financing Act No. 25 of 2005, by sending a monthly report to the Financial Intelligence Unit (FIU) of Central Bank of Sri Lanka (CBSL). Compliance Reports also have been submitted to the Audit Committee on a quarterly basis confirming the same.

10. FOCUS ON NEW REGULATIONS

SLFRS 17 will be effective w.e.f. 1st January 2026 which requires significant changes in our existing operations, IT systems, etc. Most importantly, this will change the way we measure our performance in a logical manner. However, the Company has evaluated the risk of changing SLFRS 4 to SLFRS 17 and has taken key initiatives. Refer Implementation of SLFRS 17 on Page 157.

The recent revisions to Corporate Governance rules by the Colombo Stock Exchange (CSE) have been carefully assessed. The Company has proactively taken measures to ensure full compliance with these updated listing regulations. Refer detailed disclosures on compliance status of CSE listing rules on page 156.

The International Sustainability Standard Board (ISSB) has introduced IFRS S1 and S2 sustainability reporting standards, focusing on sustainability and climate-related risks and opportunities. The Company has foreseen that implementing these reporting standards will strengthen business sustainability and empower the organisation to navigate complex business environments more effectively. Refer Creating Resilient Business Model to Sustainability on Page 69.

11. INTERNAL CONTROLS AND RISK MANAGEMENT

The Company has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Company. The Directors continuously review this process through the Board Risk Committee. Specific steps taken by the Company in managing risks are detailed in the Section on pages 215-216, in the 'Risk Committee Report' and in Note 6 to the Financial Statements on pages 291-315.

12. LIABILITIES AND PROVISIONS

The Board of Directors has arranged external actuaries to value the Life Fund and the Gratuity Liability. The basis adopted for provisioning is disclosed in Note 39 and 40 on pages 357-364 and 364-367 respect to the Financial Statements.

13. OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company's lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations.

14. CORPORATE GOVERNANCE

- The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

- The Company complied with all applicable laws and regulations in conducting its business and has not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance in each quarter to the Board Risk Committee.
- All endeavours have been made to ensure that shareholders in each category have been treated equitably in accordance with the original Terms of Issue. Refer Stakeholder Engagement on page 194-195.
- The business is a Going Concern with supporting assumptions or qualifications as necessary, and that the Board of Directors has reviewed the Company's Corporate/Business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the Going Concern assumption.
- The Board of Directors has conducted a review of internal controls covering financial, operational and compliance controls, risk management and has obtained a reasonable assurance of their effectiveness and proper adherence. Refer Director's Statement on Internal Controls on Page 209-210.
- The Company has complied with the Listing Rules issued by CSE and Direction 17 issued by the Insurance Regulatory Commission of Sri Lanka. Refer page 225-232 for measures taken and compliance status.
- The measures taken and the extent to which the Company has complied with the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka are given on pages 233-241.

15. CODE OF CONDUCT AND ETHICS

The Company has adopted a Code of Business Conduct and Ethics for all its employees and has mandated that it should be followed without any exception. The Company has also adopted a Code of Conduct and Ethics for Directors. There were no violations reported of the code during the year. The Directors and the Key Management Personnel had declared compliance with the relevant Code of Conduct and Ethics. Refer page 182 for Code of Conduct for Directors and Employees.

16. BRIBERY AND CORRUPTION

The Company has introduced a framework, setting out policies and guidelines to prevent corruption and bribery. Refer page 184 for Company's commitment & policies implemented to combat corruption and bribery.

16.1 Whistle Blowing

A Whistleblower Policy is operative within the Company and has been communicated to all members of the staff. In addition to the above, the Company has conducted training sessions to educate staff with regard to whistle blowing. This enables any member of the Company to raise issues with the management and the Board, in order to identify possible risks faced by the Company at an early stage. Refer page 183 for Whistleblower Policy.

17. RELATED PARTY TRANSACTIONS

No related party transactions exceeded the limits of 10% of equity or 5% of total assets requiring immediate disclosure to CSE and a separate disclosure in the Annual Report. Directors have disclosed the transactions with Related Parties in terms of Sri Lanka Accounting Standard (LKAS 24), Related Party Disclosures in Note 45 on pages 372-374 which is adopted in the preparation of these Financial Statements.

18. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements, other than disclosed in Note 47 on page 375.

19. GOING CONCERN

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

20. EXTERNAL AUDITOR

20.1 Appointment of Auditor

The present Auditors, Messrs. KPMG were appointed as Auditors of the Company at the Annual General Meeting held on 31st March 2023 to carry out the audit of the Company for the year ended 31st December 2023. The retiring Auditors, Messrs. KPMG have signified their willingness to continue to function as the Auditor to the Company. A resolution to reappoint KPMG as Auditors and granting authority to the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting to be held on 28th March 2024.

20.2 Auditors' Remuneration

Expenses incurred in respect of Audit Fees and Fees for other services rendered during the accounting period are given in Note 21 to the Financial Statements on page 328.

20.3 Auditors' Independence

Independence confirmation has been provided by Messrs. KPMG as required by the Section 163 (3) of the Companies Act No 07 of 2007, in connection with the audit for the year ended 31st December 2023 confirming that KPMG is not aware of any relationship with or interest in the Company audited by KPMG that

in their judgement, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct issued by CA Sri Lanka. The Directors are satisfied as the BAC has assessed each service, having regard to auditor independence requirements of applicable laws, rules and regulations, and concluded in respect of each non-audit service or type of non-audit service that the provision of that service or type of service would not impair the independence of Messrs. KPMG.

20.4 Independent Auditors' Report

Independent Auditors' report is provided on pages 268-270.

21. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The CSR initiatives of the Company are detailed under 'Management Discussion and Analysis' under Social and Relationship Capital in the Annual Report on page 129.

22. SUSTAINABILITY

The Company is an early champion of adopting sustainability practices and sustainability reporting. The Company has considered the sustainability aspects when formulating its business strategies and details of which are presented on pages 93-147.

23. ENVIRONMENTAL PROTECTION

The Company, to the best of their knowledge, has not engaged in any activity, which was detrimental to the environment. Specific measures taken to protect the environment are given on pages 143-147.

24. HUMAN RESOURCES

A brief description of the Company's HR Policy and the Remuneration Methodology is given in the Remuneration Committee Report on pages 217-218.

24.1 Employment Policy

The Company policy is to respect the merits of the individuals and provide career opportunities, irrespective

of gender, race or religion. The Company's strength of manpower as at 31st December 2023 was 985. (2022 - 999). Medical and Life insurance, under Group cover is available for all employees of the Company, irrespective of their period of service. The Company encourages sports and recreational activities by supporting the Sports Club.

24.2 Employee share ownership/option plans

The Company does not have any employee share ownership/option plans.

25. TECHNOLOGY

As encapsulated in the Corporate Strategy, our business processes are underpinned by technology. All of our processes involve information technology and we use technology to deliver superior products and services to our customers. Correspondingly, the nature of the business is more heavily intertwined with technology than ever before.

26. OPERATIONAL EXCELLENCE

To increase efficiency and reduce operating cost the Company has ongoing initiatives to drive policy and process standardisation and to optimise the use of existing technology platforms.

27. EXTERNAL ASSURANCE ON NON-FINANCIAL INFORMATION

The Company has obtained an external assurance on both the "Integrated Report" and "GRI Sustainability Indicators" more details of which are provided on page 89-90 and 148-150 respectively.

28. ANNUAL GENERAL MEETING

The Virtual Twenty Fifth (25th) Annual General Meeting of the Company will be held on Thursday, 28th March 2024 at 10.00 a.m. via an online platform at Level 16, One Galle Face Tower (Shangri-La Office Tower), Colombo 02. The notice of Annual General Meeting is given on page 406.

29. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by the Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of this Annual Report.

Sgd.
Softlogic Corporate Services (Pvt) Ltd
Company Secretary

On behalf of the Board;

Sgd.
Ashok Pathirage
Chairman

Sgd.
Iftikar Ahamed
Managing Director

Colombo, Sri Lanka
04th March 2024

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Summary of Statement of compliance with the Companies Act No. 07 of 2007, Listing Rules and Recommended Best Practices, other than specified on Pages 196-197.

Disclosure	Governing Rule	Page References
Principal Activity (Section 12 (4))	RII and L.R.7.6 (ii)	197
Financial Investments	(Section 25 (1) - RII)	200
Capital Expenditure and Ownership of Assets	(Section 30 - RII)	200
Total Available Capital (TAC)	(Section 26(1) - RII)	201
Loans to Directors	(Section 29(1) - RII)	199
Directors' Responsibility for Financial Reporting	(Section 150 and 151 - C.A)	199
Auditors' Independence	(Section 163(3) - C.A)	202
Annual General Meeting	(Section 133 & 135 (a) - C.A)	203
Directors' Insurance	(Section 218 - C.A)	199
Board Responsibility on the Annual Report	(Section 166(1) - C.A)	196
Valuation of Land and Building	(L.R.7.6 (viii))	200
Market Value of Properties	(L.R.7.6 (xii))	200
Stated Capital	(L.R.7.6 (ix))	200
Issue of Shares	(L.R.7.6 (xiii))	200
Distribution Schedule of Shareholdings	(L.R.7.6 (x))	200
Substantial Shareholdings	(L.R.7.6 (iii))	201
Information on Ratios, Market Prices of Shares and Credit Rating	(L.R.7.6(xi))	201
New Board Appointments During 2023	(L.R. 8)	198
Retirement and Re-Election	(L.R. 8 and Direction -17 B (a), B (b) by IRCSL)	198
Directors' Shareholding including Managing Director	(L.R.7.6 (v))	198
Information on Directors as at 31st December 2023	(L.R.7.6 (i))	197
Internal Controls and Risk Management	(L.R.7.6(vi))	201
Related Party Transactions	(L.R 9.3.2 (L.R.7.6(xvi))	202
Employee Share Ownership/Option Plans	(L.R.7.6(xiv))	203
Compliance with Rules and Regulations	(Section 6(a),(b) & Section 7 of FTTRA No. 06 of 2006 Circular No. 03/13)	201
Vision, Mission and Corporate Conduct	RBP	197
Review of Operations of the Company	RBP	197
Future Outlook	RBP	197
Board Meetings and Board Sub-Committee Meetings	RBP	198
Statutory Payments	RBP	199
Equitable Treatment to Shareholders	RBP	201
Focus on New Regulations	RBP	201
Outstanding Litigation	RBP	201
Corporate Governance	(RBP L.R.7.6 (xv))	201
Events After the Reporting Period	RBP	202
Going Concern	RBP	202
Appointment of Auditor	RBP	202
Auditors' Remuneration	RBP	202
Corporate Social Responsibility (CSR)	RBP	203
Sustainability	RBP	203
Environmental Protection	RBP	203
Employment Policy	RBP	203
Technology	RBP	203
Operational Excellence	RBP	203

RII - Insurance Industry Act No. 43 of 2000

L.R - Listing Rules Issued by CSE

C.A - Companies Act No. 07 of 2007

RBP - Recommended Best Practices

CBSL - Central Bank of Sri Lanka

IRCSL - Insurance Regulatory Commission of Sri Lanka

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

This statement outlines the Directors' responsibilities in relation to Softlogic Life Insurance PLC's Financial Statements. The responsibilities of the External Auditors in relation to the Financial Statements are outlined on pages 268-270 of the 'Auditors' Report.

In accordance with Sections 150 (1) and 151 of the Companies Act No. 07 of 2007, the Company's Board of Directors is responsible for ensuring that the Company keeps proper books of account of all transactions and prepares Financial Statements that give a true and fair view of the Company's financial position as at the end of each financial year and of the Company's financial performance for each financial year and presents them to a general meeting.

The Financial Statements comprise of the Statement of Financial Position as at 31st December 2023, the Statement of Income Statement and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the Company give a true and fair view of the:

- Financial position of the Company as at 31st December 2023; and
- The financial performance of the Company for the financial year ended.

COMPLIANCE REPORT

The Board of Directors also wishes to confirm that:

- a. Appropriate Accounting Policies have been selected and applied in preparing the Financial Statements are provided on pages 276-376 based on the latest financial reporting framework on a consistent basis, while reasonable

and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained.

- b. The Financial Statements for the year 2023, are prepared and presented in this Annual Report in agreement with the underlying books of account and are in conformity with the requirements of the following:

- Sri Lanka Accounting Standards.
- Companies Act No. 07 of 2007 and amendments thereto.
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.
- Insurance Industry Act No. 43 of 2000 and amendments thereto.
- Statement of Recommended Practice (SoRP).
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

- c. These Financial Statements comply with the prescribed format issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) for the preparation of Annual Financial Statements of Insurance Companies.

- d. The Directors of the Company have taken appropriate steps to ensure that the Company maintains proper books of account and review the financial reporting system directly by them at their regular meetings and also through the Audit Committee. The Report of the said Committee is given on pages 211-214.

- e. The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the Audit Committee.
- f. Proper accounting records which correctly record and explain the Company's transactions have been maintained as required by the Section 148 (1) of the Companies Act to determine at any point of time the Company's financial position, with reasonable accuracy, enabling preparation of the Financial Statements, in accordance with the Companies Act to facilitate proper audit of the Financial Statements.
- g. The Board of Directors accept responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.
- h. They have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records. The "Directors' Statement on Internal Control" is given on pages 209-210 of this Annual Report.
- i. As required by Section 56 (2) of the Companies Act No. 07 of 2007, they have authorised distribution of the dividends paid and proposed upon being satisfied that the Company satisfies the solvency test after such distributions are made in accordance with Section 57 of the Companies Act No. 07 of 2007

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

and have obtained in respect of dividends paid and proposed, and also for which approval is now sought, necessary certificates of solvency from the External Auditors.

- j. As required by Sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, the Company has prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who has expressed a desire to receive a hard copy or a soft copy (online HTML version) is available on the CSE website "www.cse.lk" and Company's official website "www.softlogiclife.lk" within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the CSE.
- k. All shareholders in each category have been treated equitably in accordance with the original terms of issue.
- l. The Company has met all the requirements under the Section 07 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable.
- m. After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code on Corporate Governance' issued by the CA Sri Lanka, the Board of Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements.
- n. The Financial Statements of the Company have been certified by the Company's Chief Financial Officer, the officer responsible for their preparation, as required by the Sections 150 (1) (b) of the Companies Act No. 07 of 2007 and also have been signed by two Directors of the Company on page 273 as required by the Sections 150 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements.
- o. The Company's External Auditors, Messrs. KPMG who were appointed in terms of the Section 158 of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and Minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on pages 268-270.
- p. The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or, where relevant, provided for.

Accordingly, the Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board;

Sgd.
Ashok Pathirage
Chairman

Sgd.
Iftikar Ahamed
Managing Director

Colombo, Sri Lanka
04th March 2024

MANAGING DIRECTOR'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Softlogic Life Insurance PLC (the Company) as at 31st December 2023 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Insurance Industry Act No. 43 of 2000 and amendments thereto
- Statement of Recommended Practice (SoRP)
- Listing Rules of the Colombo Stock Exchange (CSE) and
- Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the specified formats prescribed in the SoRP. The Company presents the financial results to its shareholders on a quarterly basis.

The significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied unless otherwise stated in the Notes accompanying the Financial Statements. Application of Significant Accounting Policies and Estimates that involve a high degree of judgement and complexity were discussed with the Audit Committee and Company's External Auditors. Comparative information has been restated to comply with the current presentation, where applicable.

We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects; the financial condition, results of the operations and the cash flows of the Company during the year under review.

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures within the Company. We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the entity are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the entity for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge.

We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and fraud that involves management or other employees. The Company's Internal Audit Function also conducts periodic reviews to ensure that the Internal Controls and Procedures are consistently followed.

The Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants and their Report is given on pages 268-270. The Audit Committee pre-approves the audit and non-audit services provided by Messrs. KPMG, in order to ensure that the provision of such services does not impair KPMG's independence and objectivity.

The Board Audit Committee (BAC), inter alia, reviewed all the Internal and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and procedures and also reviewed the quality of the Significant Accounting Policies and their adherence to Statutory and Regulatory Requirements. The details of which are given in the 'Board Audit Committee Report' appearing on pages 211-214.

The continuous inspection and audit functions, engagement of firms of Chartered Accountants and effective functioning of the BAC, ensure that the Internal Controls and Procedures are followed consistently. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the BAC to discuss any matter of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

It is also declared and confirmed that the entity has complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required. We confirm that to the best of our knowledge:

- The Company has complied with all applicable laws and regulations and guidelines and there is no material litigation against the Company other than those disclosed in Note 48 on pages 375-376 of the Financial Statements.
- All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at 31st December 2023 have been paid, or where relevant provided for.
- The Company has complied with all the legal and regulatory provisions of the Regulation of Insurance Industry Act.

Sgd.
Iftikar Ahamed
Managing Director

Sgd.
Nuwan Withanage
Chief Financial Officer

Colombo, Sri Lanka
04th March 2024

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

In compliance with the disclosure requirements of Section 168 (e) of the Companies Act No 07 of 2007, Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed as follows, where the Chairman or a Director of the Company is the Chairman or a Director of such entities. Furthermore, to adhere to Rule 9.10.4(e) of the CSE Listing Rules, these entities are categorised as listed, unlisted or foreign, and the Director's role as Executive or Non-Executive is also disclosed. All Directors of the Company have disclosed their interest in other companies to the Board and such interest are recorded in the Directors interest register confirming to Section 192 (1) and 192 (2) of the Companies Act No 07 of 2007.

Summary of Directorships in other Companies

Director Name	Listed	Unlisted	Foreign	Total
Ashok Pathirage	4	14		18
Iftikar Ahamed	1	3		4
Haresh Kaimal	3	16		19
V. Govindasamy	3	11		14
Sanjaya Mohottala		2	1	3
Lalith Withana	1	2		3
Fernanda Lima			13	13
Raimund Snyders			6	6

Directorships in Listed Companies

No.	Position	Company	Capacity
Ashok Pathirage			
1	C/MD	Softlogic Holdings PLC	ED
2	C/MD	Asiri Surgical Hospital PLC	ED
3	C	ODEL PLC	ED
4	C	Softlogic Capital PLC	NED
Iftikar Ahamed			
1	MD	Softlogic Capital PLC (Resigned w.e.f. 31.01.2024)	ED
Haresh Kaimal			
1	D	Softlogic Holdings PLC	ED
2	D	Odel PLC	NED
3	D	Softlogic Finance PLC	NED
V. Govindasamy			
1	D	Watawala Plantations PLC	ED
2	DC	Sunshine Holdings PLC	ED
3	D	TAL Lanka Hotels PLC	NED
Lalith Withana			
1	D	HNB Finance PLC	NED

Directorships in Foreign Companies

No.	Position	Company
Fernanda Lima		
1	D	Tumalon Katak Salahkar Pte.Ltd.(Singapore)
2	D	LeapFrog III Holdings (Asia) Pte. Ltd
3	D	Amethyst Inclusion Pte. Ltd.
4	D	LeapFrog III FS Africa No.1 Pte. Ltd.
5	D	Inclusive Digital Health Pte. Ltd.
6	D	Obsidian Inclusion Pte. Ltd.
7	D	Emerald Inclusion Pte. Ltd.
8	D	Peridot Inclusion Pte. Ltd.
9	D	Topaz Inclusion Pte. Ltd.
10	D	EC Mobility I Pte. Ltd.
11	D	Alstroemeria Investments Pte. Ltd.
12	D	Leucadendron Investments Pte. Ltd.
13	D	Bolttech Holdings Limited
Sanjaya Mohottala		
1	D	Alani Bangladesh Pvt Ltd (Bangladesh)

Directorships in Foreign Companies

No.	Position	Company
Raimund Snyders		
1	D	AIICO PLC
2	D	Nigerian Insurance Group
3	D	miLife Insurance
4	D	Ghanaian Insurance Company
5	D	Cenfri (Non profit South African Company)
6	D	Broadway East Investments (South Africa)

Directorships in Unlisted Companies

No.	Position	Company
Ashok Pathirage		
1	C/MD	Central Hospital Ltd.
2	C/MD	Ceysand Resorts Ltd.
3	C/MD	Softlogic Retail (Pvt) Ltd.
4	C	Sri Lankan Catering Ltd.
5	C	Sri Lankan Airlines Ltd.
6	C	Softlogic Supermarkets (Pvt) Ltd.
7	C	Softlogic Properties (Pvt) Ltd.
8	C	Softlogic City Hotels (Pvt) Ltd.
9	C	NDB Capital Holdings Ltd.
10	D	Footwear Retailer Ltd.
11	D	Odel Properties One (Pvt) Ltd.
12	D	Asiri A O I Cancer Centre (Pvt) Ltd.
13	D	Softlogic Retail Holdings (Pvt) Ltd.
14	D	Asiri Port City Hospital (Pvt) Ltd.
Iftikar Ahamed		
1	D	Softlogic Stockbrokers (Pvt) Ltd.
2	D	Softlogic Corporate Services (Pvt) Ltd.
3	D	Softlogic Asset Management (Pvt) Ltd.
Haresh Kaimal		
1	D	Softlogic Australia (Pty) Ltd.
2	D	Softlogic International (Pvt) Ltd.
3	D	Softlogic Information Technologies (Pvt) Ltd.
4	D	Softlogic Computers (Pvt) Ltd.
5	D	Softlogic BPO Services (Pvt) Ltd.
6	D	Softlogic Mobile Distribution (Pvt) Ltd.
7	D	Softlogic Retail Holdings (Pvt) Ltd.
8	D	Softlogic Restaurants (Pvt) Ltd.
9	D	Silk Route Foods (Pvt) Ltd.
10	D	Softlogic City Hotels (Pvt) Ltd.
11	D	Softlogic Supermarkets (Pvt) Ltd.
12	D	Softlogic Corporate Services (Pvt) Ltd.
13	D	Softlogic Brands (Pvt) Ltd.
14	D	Odel Properties One (Pvt) Ltd.
15	D	Saber Travel Network Lanka (Pvt) Ltd.
16	D	Cotton Collection (Pvt) Ltd.
V. Govindasamy		
1	C	TATA Communications Lanka Ltd.
2	C	Sunshine Wilmar (Pvt) Ltd.
3	D	Sunshine Consumer Lanka Ltd.
4	D	Healthguard Pharmacy Ltd.
5	D	Watawala Dairy Ltd.
6	D	Sunshine Healthcare Lanka Ltd.
7	D	Ceylon Property Development Ltd.
8	D	Lanka Island Resorts Ltd.
9	D	Sunshine Tea (Pvt) Ltd.
10	D	Sunshine Foundation for Good
11	D	1990 Suwa Seriya Foundation
Sanjaya Mohottala		
1	D	Alani Holdings Pvt Ltd
2	D	1976 Corp Pvt Ltd
Lalith Withana		
1	D	Agilitv Consulting Services (Pvt) Ltd.
2	D	Serendipity Leisure (Pvt) Ltd.

C - Chairman,
DC - Deputy Chairman,
ED - Executive Director,
MD - Managing Director,
D - Director,
NED - Non-Executive Director

Related party disclosures as per the LKRS 24 on "Related Party Disclosures" are given in Note 45 to the Financial Statements on page 372-374.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

INTRODUCTION

The following statement fulfils the requirement to publish the Directors' statement on internal controls as per the Code of Best Practices on Corporate Governance issued by the CA Sri Lanka.

RESPONSIBILITY

The Board of Directors ("Board") is accountable for ensuring the adequacy and effectiveness of internal controls in order to protect shareholders' investments and Company assets. The Board has established an enterprise risk management approach to identify the most significant risks to the business and management's mitigation efforts.

However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the policies and business objectives of the Company. In light of this, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has created an ongoing process for detecting, evaluating, and managing the Company's major risk, which includes upgrading the Company's internal control system as the business environment and regulatory rules evolve. The Board, through its Audit Committee and Risk Management Committee, with the cooperation of the Internal Auditors, involves setting this process for the year and reviews it on a regular basis.

- Regular IT system audits are conducted by contracted external experts to ensure the integrity of financial information, data security and adequate access controls are in place with regard to processing of data. Further, contemplating robust security

measures and risk management, the Company has appointed an independent IT security officer who liaises with the internal audit, external audit and other external experts contracted by the Company. In addition to the above, the External Auditors review critical components of the IT environment as part of the statutory audit.

- The recommendations made by the External Auditors in connection with the internal control system in previous years were reviewed during the year and appropriate steps were taken to implement them.
- Further improvements in line with industry and/or non-industry best practices are also implemented on an on-going basis.
- The Board Risk Management Committee assists the Board in overseeing the risk management framework of the Company. The management has prepared a Risk Register identifying all key risks faced by the Company and there is an ongoing, bottom-up process in place for identifying, evaluating and managing the risks faced by the Company. New risks, mitigating actions and changes of risk status of earlier identified risks are highlighted separately and the implementation of the proposed new controls is followed up by the risk and internal audit department. The report of the Risk Committee is provided on pages 215-216 of the Annual Report.

The management assists the Board in implementing policies and procedures relating to risk and control by identifying and assessing the risks faced by the Company, as well as in the design, operation and monitoring of suitable internal controls to mitigate these risks.

The Board is of the view that the system of internal controls in place

is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with the relevant accounting principles and regulatory requirements.

Key features of the process adopted in applying and reviewing the design and effectiveness of the Internal Control System on Financial Reporting and the key processes established to review the adequacy and integrity of the system of internal controls related to financial reporting include the following:

- Board Sub-Committees are established by the Board to assist in ensuring,
 - The effectiveness of the Company's daily operations.
 - The Company's operations are in accordance with the business direction/strategies.
 - The Company's operations are in line with the annual corporate budget, and approved policies.
- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core areas of business. These committees include the Assets and Liability Management Committee, the Internal Investment Committee, the Information Technology Steering Committee, the Internal Risk Management Committee, the Actuarial Committee and the Product Development Committee.
- In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls connected with the significant accounts and disclosures of the Financial Statements of the Company.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

These in turn were observed and checked by the Internal Audit department for suitability of design and effectiveness on an ongoing basis. Since adoption of new Sri Lanka Accounting Standards (SLFRSs and LKASs), progressive improvements in processes to comply with the new requirements of recognition, measurement, classification and disclosures are being made.

CONFIRMATION

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka

Accounting Standards, requirements of the Company's Act No. 7 of 2007, Regulations of Insurance Industry Act No. 43 of 2000 and the listing rules of the Colombo Stock Exchange.

- The Internal Audit Department of the Company checks for compliance with policies and procedures and the effectiveness of the internal control system on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all departments and branches, in accordance with the annual audit plan approved by the Audit Committee. The frequency of audits of branches is determined by the level of risk assessed, to provide an independent and objective report.
- The annual audit plan is reviewed and approved by the Audit Committee.

- Findings of the internal audit are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, regulatory authorities, External Auditors and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit function with particular emphasis on the scope of audits, independence, resources and quality of the same. Minutes of the Audit Committee meetings are tabled at the meetings of the Board of Directors of the Company on a periodic basis. Details of the activities undertaken by the Audit Committee of the Company are set out in the 'Audit Committee Report' which appears on pages 211-214.

On behalf of the Board;

Sgd.
Ashok Pathirage
Chairman

Sgd.
Iftikar Ahamed
Managing Director

Sgd.
Lalith Withana
Chairman – Audit Committee

Colombo, Sri Lanka
04th March 2024

AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Audit Committee (“the BAC”) comprise of three (03) Non-Executive Directors, out of which, majority (02) of whom are independent. The attendance and Directorship status are given in the below table.

Name	Directorship Status	Membership Status	Appointment Date	Attendance
Mr. Lalith Withana	Independent Non-Executive Director	Chairman	22 Jul 2021	4/4
Mr. Raimund Snyders	Non-Executive Director	Member	15 Feb 2021	4/4
Mr. V. Govindasamy	Independent Non-Executive Director	Member	22 Jul 2021	4/4

Regular Attendees by invitation

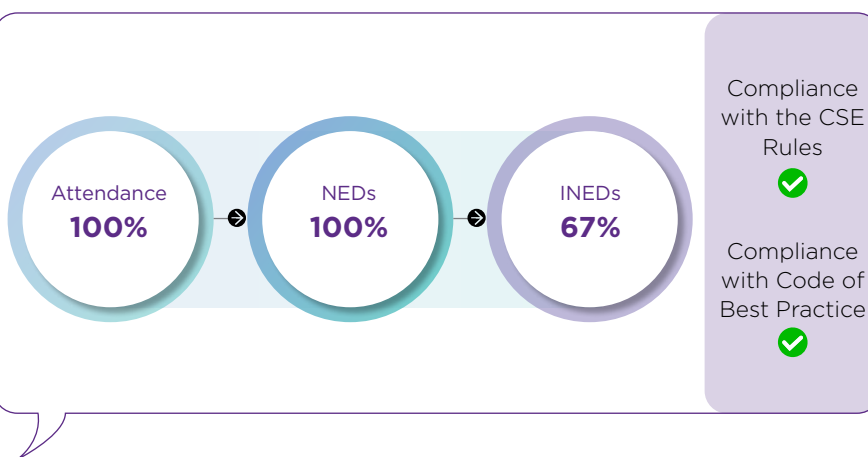
Managing Director
Deputy Chief Executive Officer
Chief Financial Officer
Chief Audit and Compliance Officer
Group Head of Internal Audit & Risk
Head of Finance

Coordination Secretary

Chief Audit and Compliance Officer

Secretary to the Committee

Softlogic Corporate Services
(Pvt) Ltd



EXPERTISE OF THE COMMITTEE

The Chairman of the committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of UK.

He is a Management Consultant with over 25 years of experience in organisation development, business transformation, finance, human resources, manufacturing, supply chain, market development, public sector and project management.

The Committee members also bring a wide range of expertise and knowledge to the Audit Committee, which enables the effective conduct of operations.

Further information on the Committee members' experience, qualifications and expertise are provided in the brief profiles included on pages 161 -163 of the Annual Report.

CHARTER OF THE COMMITTEE

The Charter of the BAC approved by the Board, clearly defines the Terms and Reference of the committee and is annually reviewed to ensure that new developments relating to the committee's functions are addressed.

The Charter of the Committee was last reviewed and approved by the Board on 6th November 2023.

The Committee has the cooperation of the management and complete access to information and may invite any Director or executive officer to attend its meetings.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Committee recognises the need to keep its knowledge up-to-date and members have attended internal and external presentations and seminars on important themes.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The composition, role and the functions of the Board Committee are further regulated by the rules on Corporate Governance under the “Listing of the Colombo Stock Exchange”, “Code of Best Practice on Corporate Governance”, issued by The Institute of Chartered Accountants of Sri Lanka and the Regulation of Insurance Industry Act, No.43 of 2000. Refer page 158 for statement of Compliance.

OBJECTIVES

The Committee is empowered by the Board of Directors to:

- Ensure that the financial reporting system is well managed and effective to provide accurate and timely financial information to the Board of Directors, regulators and shareholders.

AUDIT COMMITTEE REPORT

- Review the appropriateness of the accounting policies and ensure adherence to statutory and regulatory compliance requirements and applicable accounting standards.
- Examine the appropriateness, efficacy, and efficiency of risk management, internal controls, and governance systems established to prevent, mitigate, or transfer present and evolving risks.
- Ensure that the conduct of the business follows the applicable laws and regulations of the country and falls within the policies and procedures of the Company.
- Ascertain that the Company adopts and follows strong corporate governance standards, Confirming the highest ethical standards and best industry practices in the best interests of all stakeholders.
- Monitoring all areas of internal and external audits in order to provide findings and recommendations to management.
- Prior to submission to the Board, review the Company's Interim Financial Statements and Annual Financial Statements to ensure the integrity of the financial statements prepared for disclosure.
- Ensure that the impacts of new accounting standards are discussed and disclosed in the Financial Statements.
- Monitoring and reviewing the activities and performance of the internal, external and outsourced auditor/s, including monitoring their independence and objectivity.

ACTIVITIES IN 2023

1. Meetings:

The Audit Committee conducted four (4) meetings during the year. The attendance by the Committee

members at each of these meetings is given in the page 178. Representatives of the Company's External Auditor, Messrs. KPMG also participated at those 4 meetings by invitation. The Committee also invited Senior Management of the Company to participate in the meetings from time to time as required.

2. Financial Reporting

The Audit Committee has reviewed and discussed the Company's Quarterly and Annual Financial Statements prior to publication with Management and the External Auditors, including the extent of compliance with the Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgemental matters. The Committee also discussed with the External Auditors and management the matters communicated by the External Auditors in their reports to the Committee on the audit for the year.

The Committee reviewed the following areas, in consultation with the External Auditors and the management where necessary:

- Reviewed the Interim Financial Statements of all four (04) quarters and the Annual Financial Statements for the year 2023 prior to publication including the acceptability of the accounting principles, Listing Rules, Companies Act No. 7 of 2007, Regulation of Insurance Industry Act, SORP and the reasonableness of significant estimates and judgements.
- Reviewed the impact of new Accounting standards and significant accounting and reporting issues.

3. Progress in Implementation of SLFRS 17

During the year, the Committee continuously monitored progress of the implementation of the SLFRS

17 Insurance Contracts which will become effective in the preparation of Financial Statements from 1st January 2026.

The Committee went through the presentation made by KPMG, which covered in terms of the current status of the SLFRS 17: Insurance Contracts implementation and system vendor quotations and evaluation of the same which included technical evaluation, justification for shortlisting of vendors and financial evaluation.

4. Review of Impairment on Financial Investments

The Committee reviewed the policy manual of principles and methodologies including Expected Credit Losses (ECL) computations under "SLFRS 9 – Financial instruments" adopted by the management during the year. Further, the Committee reassessed the impairment relating to Debenture investments, Unit Trust Investments, Sovereign bonds and Sri Lanka development bonds and considered the requirement to make necessary provisions for the expected loss impairment.

5. Cyber Security Review

Softlogic Life has implemented numerous technical solutions and operational enhancements in response to the cyber security threats.

The Committee reviewed the progress of cyber security reviews.

6. Compliance Update

The Committee reviewed the report on the Compliance status on quarterly basis.

7. Internal Audit, Risks and Control

The Committee monitors the effectiveness of the internal audit function and is responsible for ensuring the effectiveness of the internal control systems of the Company.

During the year, the Committee reviewed the internal audit plan and recommended changes, and the progress were monitored on regular basis.

Internal auditing involves all functions of the Head Office as well as all branch activities and includes an evaluation of the adequacy, effectiveness and efficiency of internal controls, as well as the actions taken to minimise operational and business risks. In addition, internal auditing monitors and reports on compliance with statutory regulations and the Company's accounting and operational policies.

The internal audit representatives are present at the Audit Committee meetings when discussions are conducted with regard to their respective audit reports.

The Committee was assured that the Internal Audit function is independent and that its audit functions are performed with impartiality, competency and with professional care.

The Committee annually evaluates the independence and resources of the Internal Audit function. The Internal Audit Strategy which comprises of progress, key audit findings, results of the implementation of audit recommendations and other key initiatives of the Internal Audit function is assessed every quarter.

High risk audit findings are discussed in detail at each Committee meeting with the associated recommendations and the responses from the management. During the period, 32 internal audit assurance reports were summarised and 630 reviews of areas susceptible to fraud were completed.

The Committee's approval was obtained to outsource Review of "Payroll & HR policies/procedures" of the Company.

Operational deficiencies risk together with recommendations were discussed at the Audit Committee.

8. External Audit

The Audit Committee assists the Board in assessing independence, evaluating the performance of the External Auditors and making recommendations for engagement of Auditors.

The External Auditors were provided with an opportunity of meeting Non-Executive Directors of the committee separately without the Executive Director and the Corporate Management being present. This is to ensure the independence of the auditors to discuss their opinion on any matter.

The following activities were carried out by the Audit Committee during 2023;

- Discussed the audit plan, scope and the methodology proposed for adoption in conducting the audit with the Auditors prior to commencement of the annual audit.
- The External Auditors were given adequate access to the Audit Committee as well as to all relevant information required discussed matters relating to the scope of the audit and auditors' independence.
- Reviewed the follow up action points taken by the Management in improving the financial reporting based on the 2022 Management Letter by the External Auditor Messrs. KPMG.
- Reviewed the External Auditors' Management Letter and the Management's responses thereto before it was submitted to the Board and Insurance Regulatory Commission of Sri Lanka.
- Discussed all relevant matters arising from the interim and final audits, and any other matters that the Auditor wished to discuss,

including matters that needed to be discussed in the absence of Key Management Personnel. The Committee members evaluated the Scope, Deliverables, Resources and Quality Assurance Initiatives of the External Auditor, Messrs. KPMG for the year.

INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITORS

The Audit Committee executed an annual assessment of the External Auditor's independence and objectivity, including the audit process' efficacy. Auditors having no relationship (other than that of Auditors) with the Company, as far as the Audit Committee is aware.

In addition, as required by the Companies Act No. 07 of 2007 and Best Practice on Corporate Governance 2023 issued by CA Sri Lanka the Committee has received a declaration from Messrs. KPMG confirming that they do not have any relationship with the Company, which may have a bearing on their independence.

According to the Company policy, the lead Audit Partner is rotated for every five years.

PROVISION OF NON-AUDIT SERVICES

The Committee reviewed the non-audit services provided by the auditors to ensure that the provision of these services does not impair the External Auditor's independence and objectivity.

The Committee set out the following guidelines for the engagement of the Auditor to provide non-audit services.

- Skills and experience in providing non-audit services.
- The nature of non-audit services, the related fee levels individually and in aggregate, relative to the audit fee.

AUDIT COMMITTEE REPORT

The Board Audit Committee considered these guidelines for the engagement of the Auditor to provide non-audit services during the year. Further, the Committee was of the view that such services were not within the category of services identified as prohibited under the Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

RE-APPOINTMENT OF THE EXTERNAL AUDITORS

The Board Audit Committee is in charge of recommending to the Board the appointment, reappointment, or removal of the External Auditor in accordance with professional standards and legislative requirements.

The Audit Committee has recommended that Messrs. KPMG, Chartered Accountants be reappointed as Auditors for the financial year ending December 31, 2024, subject to shareholder approval at the Annual General Meeting.

Furthermore, the Committee has presented a recommendation to the Board on the remuneration of the Auditors.

COMPLIANCE WITH RULES AND REGULATIONS

The Committee examines the systems and procedures that are in place to ensure compliance with applicable regulatory requirements via the Compliance Report prepared by the Compliance Officer. The Compliance Officer's report details the extent of Compliance with the Regulation of Insurance Industry Act No. 43 of 2000 and amendments thereto, the Directions of the Insurance Regulatory Commission of Sri Lanka and any other regulatory and statutory requirements applicable to the Company.

SRI LANKA ACCOUNTING STANDARDS

The Committee reviewed the revised policy decisions relating to the adoption of the new and revised Sri Lanka Accounting Standards applicable to the Company and made recommendations to the Board of Directors. The committee would continue to monitor compliance with the relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

RISK MANAGEMENT

The Risk Management Committee provides information pertaining to the risk management function with the purpose of keeping the Audit Committee abreast of the latest developments and in order to carry out its statutory, regulatory and other responsibilities. A detailed report of the Risk Management Committee is given on pages 215-216.

CORPORATE GOVERNANCE

The Company is fully compliant with the applicable rules on corporate governance under the listing rules of the Colombo Stock Exchange (CSE). In addition, the Company is compliant with the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

ETHICS, GOOD GOVERNANCE AND WHISTLE BLOWING

The Committee continuously emphasises the importance of staff members' ethical values. In this regard, a Code of Ethics and a Whistle Blower's Charter was established and implemented with the aim of informing and encouraging all employees to use whistle-blowing as a means of reporting wrongdoing or other irregularities. Corporate governance at the highest level was ensured, as was adherence to the Company's Code of Ethics.

All appropriate procedures were in place to conduct independent investigations into incidents reported through whistle blowing

or identified through other means. The Whistleblower Policy guarantees strict confidentiality of the whistle blowers' identity.

COMMITTEE EVALUATION AND PROFESSIONAL DEVELOPMENT

An independent evaluation of the Committee's effectiveness was carried out by the other members of the Board during the year. After considering the overall conduct of the Committee and its contribution to the overall performance of the Company, the Committee was rated as highly effective.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview.

CONCLUSION

The Audit Committee concludes that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively, and that they give reasonable assurance that the Company's assets are protected and that the financial statements are accurate. Throughout the year, the Company's External Auditors have been effective and independent.

In addition, the Committee observes that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, codes of ethics and standards of conduct have been followed. The Committee is also satisfied that the application of appropriate accounting policies provides reasonable assurance that the Financial Statements of the Company are true and fair.

Sgd.

Mr. Lalith Withana
Chairman - Audit Committee

Colombo, Sri Lanka
04th March 2024

RISK COMMITTEE REPORT

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Risk Committee (“the Committee”) consists of Three Non-Executive Directors, out of which one is independent. The attendance and Directorship status are given in the below table.

Name	Directorship Status	Membership Status	Attendance
Mr. Raimund Snyders	Non-Executive Director	Chairman	7/7
Mrs. Fernanda Lima	Non-Executive Director	Member	6/7
Mr. Lalith Withana*	Independent Non-Executive Director	Member	1/1
Mr. Ifthikar Ahamed*	Managing Director	Member	6/6

*Mr. Lalith Withana was appointed as Member of the Risk Committee with effect from 15th August 2023 and Mr. Ifthikar Ahamed attended as a member of the Committee until October 2023, after which he attended meetings by Invitation, in compliance with the Code of Best Practice on Corporate Governance 2023, issued by CA Sri Lanka.

Regular Attendees by invitation

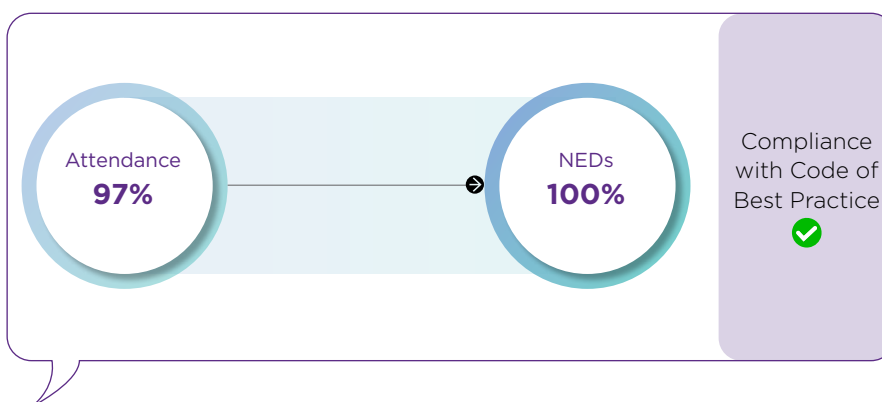
Managing Director
Deputy CEO
Head of Group Risk and Audit
Chief Financial Officer
Chief Distribution Officer
Chief Technical Officer
Chief Information Officer
Chief Actuarial Officer
Chief Corporate Services Officer
Chief Audit and Compliance Officer
Chief Risk Officer
Vice President - Treasury
Manager-IT Risk and Security

Coordination Secretary

Chief Risk Officer

Secretary to the Committee

Softlogic Corporate Services (Pvt) Ltd



The profiles of the Committee members are given on pages 161-163.

This Committee has supervisory functions over the Company's Risk Management Framework, Mitigative actions and any other risk related matters determined by the Board of Directors.

AUTHORITY

The Risk Committee is a Sub-Committee of the Board of Directors and has been empowered to have direct access to, and receive regular reports from, Senior Management, and be provided with any information it deems as risk related and appropriate. The Committee also has the authority to engage independent professional advisors on matters within its purview.

OBJECTIVES

- Oversee the organisation's risk management framework. This involves monitoring and evaluating the effectiveness of risk management processes, policies, and procedures.
- Establishes and maintains the organisation's risk governance structure. This includes defining the roles and responsibilities of key individuals and departments involved in risk management.
- Assist in defining and approving the organisation's risk appetite and tolerance levels.
- Oversee management process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms;

CHARTER OF THE COMMITTEE

The Board Risk Committee (“the Committee”) is a Sub-Committee of the Board and is appointed by the Board of Directors and reports formally to the same on its proceedings whenever there are major decisions taken, whilst making recommendations to the Board as it deems appropriate.

RISK COMMITTEE REPORT

- Reviews and assesses the major risks facing the organisation. This involves identifying, analysing, and prioritising risks to determine their potential impact on the organisation's objectives.
- Review changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile.
- Identify and analyse material ESG and Climate risks that could impact the company's financial performance, reputation, and long-term sustainability and evaluate potential opportunities arising from positive ESG practices.
- Provide input on the development and implementation of ESG policies and strategies, ensuring they align with the Company's overall risk management framework.
- Monitor developments and emerging best practices on the identification of ESG and Climate related risk and opportunities and provide insights on the mitigation of the same.
- Review reinsurance treaties annually and advise the Board on their sustainability or otherwise.
- Review and approval of all policies under purview of Risk Governance Framework.
- Continuously monitored the impacts via claims risks and required analysis on frequency and severity of claims by Line of Business, Type of Illness and other important factors to understand the required mitigation strategies as well as impacts as a result of assumption changes on the liability valuations.
- Constantly monitored updates on possible factors of the FCY Debt Restructuring and the impact on the Company's NOP.
- Reviewed potential impact of an ongoing persistency risk as a result of harsh macro-economic conditions and advised on tighter mitigations actions to curtail the same.
- Specialty focus on Staff Turnover which resulted in mitigation being directed at both Sales and Non Sales Staff.
- Constantly monitored updates on IT Risks and potential impacts of the same on Business Continuity which resulted in focused mitigation actions.
- Provided guidance on the project implemented to ensure compliance with the Data Protection Bill.
- Provided guidance and feedback to evaluated risks via an approach of "Environmental, Social and Governance".
- Additionally, the Committee reviewed and approved all policies under the purview of the Risk Governance Structure through 2023.

ACTIVITIES IN 2023

- Reviewed the adequacy and effectiveness of the Company's existing risk management controls.
- Reviewed and approved the Company's risk appetite and respective parameters for the FY 2023.
- Reviewed all impacts and possible mitigation actions with regards to Economic and Political Risks faced through the year with specialty focus on the same.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Committee recognises the need to maintain its knowledge up to date, and members have attended internal and external presentations and seminars on important themes through the year.

THE YEAR AHEAD

The Committee will continue to review the risk identification, mitigation and monitoring mechanisms along with risks already identified risks and their impacts to ensure the Company is within its defined risk appetite. Further, it will also continuously look at ways of improving the Company's Risk Framework Benchmarking International Best Practice Standards.

Sgd.

Raimund Snyders

Chairman - Risk Committee

Colombo, Sri Lanka

04th March 2024

HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Human Resource and Remuneration Committee (“the Committee”) consists of three Non-Executive Directors, a majority of whom are independent. The profiles of the Board Human Resources and Remuneration Committee are given on pages 161-163. The attendance and Directorship status are given in the below table.

Name	Directorship Status	Membership Status	Appointment Date	Attendance
Mr. V. Govindasamy	Independent Non-Executive Director	Chairman	01 Jul 2021	2/2
Mr. Ashok Pathirage	Non-Executive Director	Member	09 Jul 2011	2/2
Mr. Lalith Withana	Independent Non-Executive Director	Member	01 Jul 2021	2/2

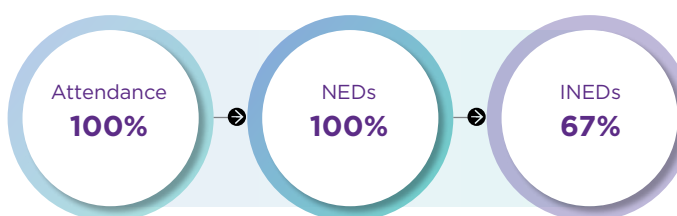
Regular Attendees by invitation

Managing Director*
Chief Human Resources Officer

* The Managing Director took part in all deliberations except when his own interest, performance and compensation were discussed.

Secretary to the Committee

Softlogic Corporate Services (Pvt) Ltd



Compliance with the CSE Rules



Compliance with Code of Best Practice



CHARTER OF THE COMMITTEE

The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors, any matter that may influence the Human Resource Management of the entity and shall particularly incorporate.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE SUB-COMMITTEE

The Board established the Remuneration Committee in accordance with Rule 7.10.5 of the Colombo Stock Exchange's Listing Rules, and its composition and powers are in accordance with the Listing Rules.

THE KEY OBJECTIVES, RESPONSIBILITIES, AND DUTIES OF THE COMMITTEE

Determining the remuneration of the Chairman, Deputy Chairman, Managing Director and other members of the Board of Directors of the Company, while ensuring that no

Director is involved in setting his or her own compensation.

- Determining the compensation and benefits of the KMP and establishing performance parameters in setting their individual goals and targets.
- Formulating guidelines, policies and parameters for the remuneration structures for all
- Executive Staff of the entity and overseeing the implementation thereof.
- Reviewing information related to executive pay from time to time, to ensure same it is on par with the market/industry rates or as per the strategy of the Company.
- Evaluating the performance of the Managing Director and KMP against the pre-agreed targets and goals.
- Making recommendations to the Board of Directors from

time to time, of the additional/new expertise required by the Company.

- Assessing and recommending promotions of KMP to the Board of Directors, addressing succession planning and issues connected to the organisational structure.
- Approving annual increments, bonuses and changes in prerequisites and incentives.
- Making sure that employee remuneration packages of employees are linked to individual performance, responsibility, expertise and contribution to team and overall Company objectives.

ACTIVITIES IN 2023

- Approving performance Bonus payable for 2022 determined by the Committee according to the Variable Pay Plan (VPP) for Executive staff.

HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

- Approved the annual increments to the Executive staff based on their performance during 2022.
- Approved the performance bonus scheme applicable for 2023.
- The Committee reviewed the performance of the Corporate Management members (KMPs) including that of the Managing Director and Deputy Chief Executive Officer for the financial year ended 2022.
- Evaluation of the organisational structure and succession planning for critical functions in the organisation.
- Approving the continuation of interim allowance for 2023 considering the economic situation.

POLICY

The Remuneration Policy of the Company aims to attract, motivate and retain Executive Directors, KMP and other employees with appropriate professional, managerial and operational expertise necessary to achieve the Company's objectives.

It is the Committee's aim to ensure that the total remuneration package is competitive not just in the industry but to attract talent from other industries as well.

REMUNERATION PACKAGE OF DIRECTORS

a) Remuneration of Directors

No remuneration is paid to Non-Executive Directors other than the Directors' fees paid based on their participation at Board meetings and other Sub-Committee meetings.

b) Retirement Benefits

Non-Executive Directors are not entitled to retirement benefits.

c) Share Option Plans for Directors

The Company does not have a share option plan for Directors.

d) Personal Loans for Directors

No Director is entitled to Company loans.

Total fees and remuneration paid to all Directors including the Managing Director and the Chairman are disclosed in Note 45.6.1 on page 373 in this report.

REMUNERATION PACKAGE OF MANAGING DIRECTOR

The Remuneration Committee Policy is to place the basic salaries broadly around the market median with other variable components which reflect the Company's business strategies and the challenges it faces.

The Managing Director's remuneration is decided by the Board annually on the recommendation of the Remuneration Committee based on the achievement of Company objectives and individual performance. The Managing Director is entitled to retirement benefits but not Company loans. The Company also does not have a share option plan for the Managing Director.

REMUNERATION PACKAGE OF EMPLOYEES

The remuneration packages of employees consist of a fixed component, a variable component and other benefits as noted below:

a) Fixed Components

Basic salary and fixed allowances are the fixed component in the package which is based on the scope and complexity of the role and this is reviewed annually. Annual performance appraisals are conducted, and increments and promotions are granted based on results of such appraisals. Overall competence and performance are key factors that determine an individual's base pay.

b) Variable Components

The main component of our variable pay is the annual bonus to employees at all levels based on individual performance as evaluated at the annual performance appraisals and the performance of the Company. In addition, the distribution management team is entitled to a production and

quality incentive scheme based on achievement of business targets under predetermined criteria.

c) Other Employee Benefits

Benefits provided to employees include examination loans and various insurance benefits.

d) Retirement Benefits

There are no retirement benefits to employees other than gratuity.

e) Employee Share Schemes

There are also no Employee Share Schemes for employees.

COMMITTEE EVALUATION

The Committee completed the evaluation process with self-assessment in 2023, which was conducted by the Chairman and Committee members and was deemed to be satisfactory.

PROFESSIONAL ADVICE

The Committee has the authority to engage independent professional advisors on matters within its purview.

THE YEAR AHEAD

The Committee will continue to review the Remuneration Policy and Remuneration structures for its KMP and its other employees and make recommendations on the above mentioned in order to ensure the Company is in a position to attract, motivate and retain the best of human resources.

Sgd.

V. Govindasamy

Chairman – Human Resource and Remuneration Committee

Colombo, Sri Lanka
04th March 2024

INVESTMENT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Investment Committee (“the Committee”) consists of Managing Director and five Non-Executive Directors, The attendance and Directorship status are given in the below table.

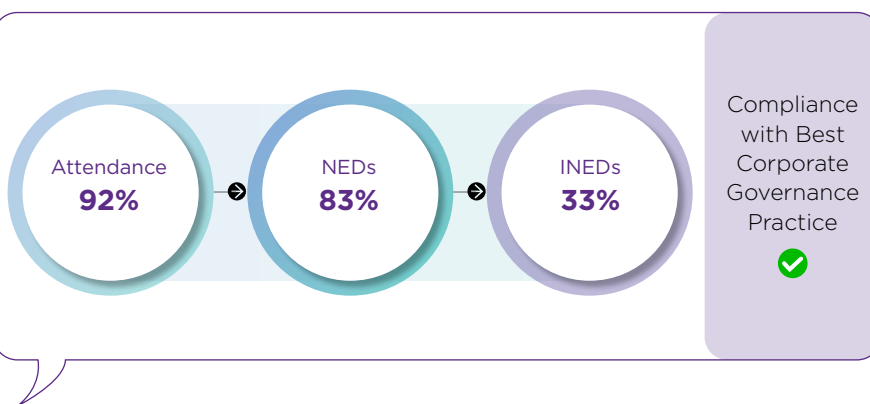
Name	Directorship Status	Membership Status	Attendance
Mr. Ashok Pathirage	Non-Executive Director	Chairman	4/4
Mr. Ifthikar Ahamed	Managing Director	Member	4/4
Mrs. Fernanda Lima	Non-Executive Director	Member	3/4
Mr. V. Govindasamy	Independent Non-Executive Director	Member	3/4
Mr. Raimund Snyders	Non-Executive Director	Member	4/4
Mr. Sanjaya Mohottala	Independent Non-Executive Director	Member	4/4

Regular Attendees by invitation

Chief Financial Officer
CEO-Softlogic Asset Management (Pvt) Ltd
Chief Risk Officer
Vice President - Treasury

Secretary to the Committee

Softlogic Corporate Services (Pvt) Ltd



EXPERTISE OF THE COMMITTEE

The Committee possesses in depth expertise and knowledge of Investments, Finance and Risk Management as well as being industry experts which is vital in performing its functions. Refer pages 161-163 for profiles.

CHARTER OF THE COMMITTEE

The Investment Committee (“the Committee”) will assist the Board of Directors in fulfilling their oversight responsibility for the Investments of the Company. The Investment Committee is responsible for formulating the overall investment policies of the Company, subject to approval by the Board of Directors as deemed necessary and for establishing investment guidelines in furtherance of those policies.

ROLES AND RESPONSIBILITY OF THE COMMITTEE

The Committee’s responsibilities comprise recommending an investment policy to the Board for approval, ensuring that investments are made in accordance with the policy, and monitoring performance on a quarterly basis.

METHODOLOGY ADOPTED BY THE COMMITTEE

The Committee meets quarterly basis and reviews progress of strategic and significant investment decision of the Company, market development and economic outlook of the markets it operates in and new investment strategies.

The Committee reviews the written reports from the appointed Treasury/ Fund management team. Based on these reports, from time to time Committee would issue instructions to Treasury/Fund management team and the executive management of the Company on investment related activities.

PROFESSIONAL ADVICE

The Investment Committee will decide if and when expert external advice is necessary and seek such advice when required.

INVESTMENT COMMITTEE REPORT

ACTIVITIES IN 2023

- The Committee reviewed data on the economic outlook covering Inflation, Interest Rates, Equity markets, Exchange Rates etc.
- The Committee reviewed the Investment Portfolio, Performance of Fixed Income Securities, Performance of Equity Securities, Fund Wise Performance and Strategic Aspects.
- The Committee conducted an evaluation and assessment of the risks associated with the Company's investment portfolio in light of the implications arising from Debt Restructuring
- The Committee evaluated and approved the requests made by the Fund Management Team on special Investments as well as investments beyond the internal risk limits. Further the Committee approved the Softlogic Life Investment Policy Review 2023.

COMMITTEE EVALUATION

The Committee completed the evaluation process with self assessment in 2023, which was conducted by the Chairman and Committee members and was deemed to be satisfactory.

THE YEAR AHEAD

The Committee would continue to make decisions and recommendations which meet the risk, ALM and other applicable parameters for investments and ensure acceptable implementation of risk/reward strategies to achieve budgeted returns for the year. The Committee focus during the year will be on product and fund-wise asset and liability management while maximising the yields on the investments.

Sgd.

Ashok Pathirage

Chairman – Investment Committee

Colombo, Sri Lanka
04th March 2024

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Related Party Transactions Review Committee (“the Committee”) consists of three Non-Executive Directors, a majority of whom are independent. The profiles of the Related Party Transactions Review Committee are given on pages 161-163.

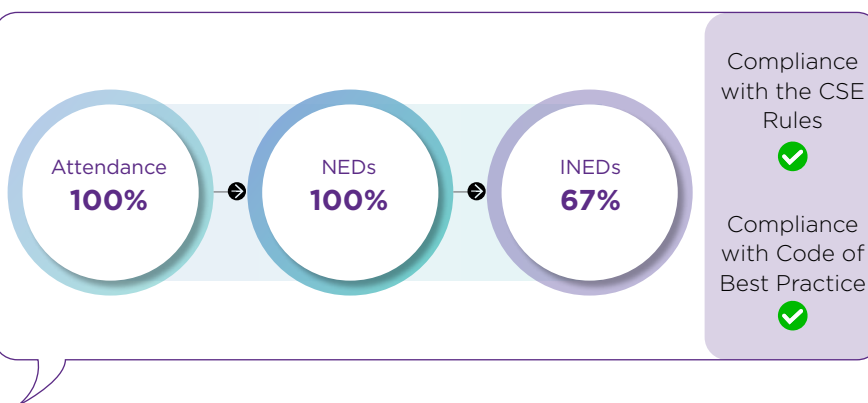
Name	Directorship Status	Membership Status	Appointment Date	Attendance
Mr. Lalith Withana	Independent Non-Executive Director	Chairman	22 Jul 2021	4/4
Mr. Raimund Snyders	Non-Executive Director	Member	22 Jul 2021	4/4
Mr. V. Govindasamy	Independent Non-Executive Director	Member	22 Jul 2021	4/4

Regular Attendees by invitation

Managing Director
Chief Audit and Compliance Officer
Chief Financial Officer

Secretary to the Committee

Softlogic Corporate Services
(Pvt) Ltd



CHARTER OF THE COMMITTEE

The Related Party Transactions (RPT) Review Committee was established by the Board of Directors to assist the Board in reviewing all related party transactions carried out by the Company in terms of the CSE Listing rules which required mandatory compliance with effect from 1st January 2016.

The Committee is responsible for independent reviewing of transactions between the Company and its Related Parties, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction, save and except transactions exempted under the CSE Rules.

Annual review of the Related Party Transactions Review Committee comprises of minimum 3 Directors, out of which 2 are Independent, under CSE listing rule 9.14.2 (1)

THE OBJECTIVES, RESPONSIBILITIES, AND DUTIES OF THE COMMITTEE

- Reviewing all transactions between the Company and its Related Parties, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Assessing whether the transactions are in the best interests of the Company and its shareholders as a whole.
- Evaluating whether the transactions fall within the ambit of a normal business relationship and determining whether transactions that are to be entered into by the Company require the approval of the Board or Shareholders.

- Advising the Board in making immediate market disclosures on applicable RPT as required by Section 9.14.7 of the Listing Rules of the CSE.
- Advising the Board in making appropriate disclosures on RPT in the Annual Report as required by Section 9.14.8 of the Listing Rules of the CSE.

METHODOLOGY OF THE COMMITTEE

In accordance with the guiding principles, self-declarations are obtained from each Director and Key Management Personnel (KMP) of the Company for the purpose of identifying parties related to the Directors and KMP. Hence the Company adopts a disclosure-based approach in identifying the related parties.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Based on the information furnished in these declarations, the Company has set up a process which enables the Company to generate data on related party transactions throughout the Company's network.

The Committee is supported in its task of reviewing Related Party Transactions by the Management's confirmation reports on Related Party Transactions that took place during each quarter.

These reports primarily confirm to the Committee if a Related Party Transaction occurred based on at arm's length basis or not and the reasons for conducting such transactions with a related party.

If a member has a material personal interest in a matter being considered or a RPT involves directly or indirectly one of the members of this Committee, the conflicted member informs the Committee immediately and excludes himself at the meeting and such member is not present while the matter is being considered at the meeting and abstains from voting on the matter.

ACTIVITIES IN 2023

The Committee met four (04) times during the financial year ended 31st December 2023, and the proceedings of the Committee meetings have been regularly reported to the Board of Directors during the financial year.

There were no non-recurrent or recurrent RPT that exceeded the respective thresholds mentioned in the Listing Rules of the CSE.

The annual review of the RPT policy was carried out during the year 2023, and same has been submitted for the Board approval.

Reviewed all Related Party Transactions for four quarters and confirmed that such transactions occurred at arm's length price.

Reviewed and approved the management's confirmation reports on Related Party Transactions for all four quarters.

RELATED PARTY TRANSACTIONS /DISCLOSURES DURING THE YEAR

The value of non-recurrent RPTs during the year was below the threshold for immediate disclosure in terms of Rule 9.14.6 of the Listing Rules or disclosure in the Annual Report as per Rule 9.14.7 (a) of the Listing Rules.

The aggregate value of recurrent Related Party Transactions entered into during the year was below the threshold for disclosure in the Annual Report as per Rule 9.14.7 (b) of the Listing Rules.

The aggregate value of all RPTs during the year is disclosed in Note 45 to the Financial Statements in terms of LKAS 24 - Related Party Disclosures.

PROFESSIONAL ADVICE

The Committee has assessed and/or ensured that they have access to internal and external resources and may seek the advice of the External Auditors of the Company, counsellor such other independent advisers, consultants or specialists as to any matter pertaining to the powers or responsibilities of the Committee with respect to any Related Party Transactions and obtain such advice as and when necessary.

GUIDING PRINCIPLES OF THE COMMITTEE

The RPT Review Committee in ensuring that all transactions with related parties of the Company are treated on par with other shareholders and constituents of the Company, issues guidelines to the Senior Management setting the necessary processes to identify, approve, disclose and monitor all

transactions with related parties and the threshold limits and agreed upon terms and conditions with respect to RPT.

DECLARATION

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to related party transactions is given on page 202 of the Annual Report.

THE YEAR AHEAD

The Committee will continue to review RPT in order to ensure the Company is in compliance with its stipulated framework governing Related Party Transactions.

Sgd.

Lalith Withana

Chairman - Related Party Transactions Review Committee

Colombo, Sri Lanka
04th March 2024

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

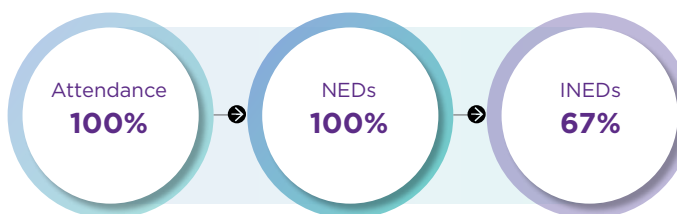
COMPOSITION AND ATTENDANCE OF THE COMMITTEE

The Board Nominations and Governance Committee ("the Committee") consists of three Non-Executive Directors, a majority of whom are independent. The profiles of the Nominations and Governance Committee are given on pages 161-163. The attendance and Directorship status are given in the below table.

Name	Directorship Status	Membership Status	Appointment Date	Attendance
Mr. V. Govindasamy	Independent Non-Executive Director	Chairman	01 Jul 2021	1/1
Mr. Ashok Pathirage	Non-Executive Director	Member	09 Jul 2011	1/1
Mr. Lalith Withana	Independent Non-Executive Director	Member	01 Jul 2021	1/1

Regular Attendees by invitation
Managing Director

Secretary to the Committee
Softlogic Corporate Services
(Pvt) Ltd



Compliance
with Code of
Best Practice



CHARTER OF THE COMMITTEE

The Board Nominations Committee was established by the Board of Directors to ensure the Board's oversight and control over the selection of Directors, Chief Executive Officer (MD), and Key Management Personnel of the Company.

THE TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference state the purpose of the Committee, its composition, authority, scope and scheduling of meetings.

The Nominations and Governance Committee was established to consider and make recommendations to the Board of the suitability of a Director's appointment and/or re-election as a Director to the Board.

The recommendation of the Committee on new appointments will cover areas such as qualifications, competencies, independence, relationships which have potential to give rise to conflict of interest.

ACTIVITIES IN 2023

The Committee had recommended the re-election of Mr. V. Govindasamy, who was due to retire by rotation as a Director of the Company in terms of Article 98 (a) of the Articles of Association of the Company, at the 24th Annual General Meeting held on 31st March 2023, based on their performance and the contribution made by them towards the overall discharge of the Board's responsibilities.

The Committee obtained declarations from all the Directors through a prescribed format confirming their status of independence and status of conflict of interest.

OBJECTIVES, RESPONSIBILITIES AND DUTIES

- To ensure that the Directors are fit and proper persons to hold office.
- To review and recommend any appointment of new Directors to the Board of Directors of the Company.
- To provide advice and/or recommendations to the Board or the Chairman on new appointments to the Board

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

- To consider and recommend the re-election of the Director/s eligible for re-election by considering their performance and the contribution made by them towards the overall discharge of their responsibilities on the Board and Board appointed committees.
- To set criteria such as qualifications, competencies, experience, independence, conflict of interest and other key attributes required for eligibility for appointment or promotion to the post of key management positions.
- Review the structure, composition and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes
- A member of the Nominations Committee shall opt out of decisions relating to his own appointment.
- To consider and recommend from time to time the succession planning arrangement for retiring Directors and Key Management Personnel.
- To make recommendations on any other matter/s referred to the Committee by the Board of Directors.

METHODOLOGY OF THE COMMITTEE

The Committee meets as and when necessary in order to assess the suitability of individuals for appointment as Directors and Key Management Personnel as well as to conduct such other affairs which the Charter of the Committee mandates the Committee to carry out.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

THE YEAR AHEAD

The Nominations and Governance Committee will lead the process for Board appointments and make recommendations to the Board and will assist the Board of Directors in fulfilling its corporate governance responsibilities regarding all matters related to the appointment and termination of the Directors, their performance evaluation, training, etc.

Sgd.

V. Govindasamy

Chairman – Nominations and Governance Committee

Colombo, Sri Lanka
04th March 2024

LISTING RULES ISSUED BY COLOMBO STOCK EXCHANGE [CSE] ON CORPORATE GOVERNANCE

Until 1st October 2023, the company complied with the Corporate Governance regulations specified in rule 7.10 of the Listing Rules. However, as of 1st October 2024, the company has transitioned to the updated regulations detailed in Section 9.

Principle	Compliance and Implementation	Page No.	Effective Date	Status
9	Corporate Governance			
9.1	Applicability of Corporate Governance Rules			
	The Company has complied with CSE Listing Rule 9 by verifying its adherence to Corporate Governance Rules. Refer Annual report Board of Directors	196	1st October 2023	Complied ✔
9.2	Policies			
9.2.1	The Company has implemented the policies below, which have been disclosed on the Company website along with information regarding their existence and implementation details. a) Policy on the matters relating to the Board of Directors b) Policy on Board Committees c) Policy on Corporate Governance, Nominations and Re-election d) Policy on Remuneration 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 f) Policy on Risk Management and Internal Controls g) Policy on Relations with Shareholders and Investors h) Policy on Environmental, Social and Governance Sustainability i) Policy on Control and Management of Company Assets and Shareholder Investments j) Policy on Corporate Disclosers k) Policy on Whistleblowing l) Policy on Anti-Bribery and Corruption		1st October 2024	Early Adopted ✔
9.2.2	The Company has fully complied with the Internal Code of Business Conduct and ethics Refer Ethics and Integrity Practices	182-195		
9.2.3-9.2.4	The policies have been disclosed on the company website, and no changes have been made to them throughout the year. All policies are accessible to shareholders upon a written request. Refer Bolder Moves in Future-Proof Governance	156-157		
9.3	Board Committees			
9.3.1-9.3.2	The Company maintains 6 Board Sub-Committees including 4 mandatory committees required by CSE listing rules. a) Nominations and Governance Committee b) Remuneration Committee c) Audit Committee d) Related Party Transactions Review Committee The composition, responsibilities, and disclosures required in respect of the above-Board committees have been disclosed. Refer respective committee reports as mentioned above 9.3.1	223-224 217-218 211-214 221-222	1st October 2023	Complied ✔

LISTING RULES ISSUED BY COLOMBO STOCK EXCHANGE [CSE] ON CORPORATE GOVERNANCE

Principle	Compliance and Implementation	Page No.	Effective Date	Status
9.3.3	The Chairperson of the Board of Directors is not the Chairperson of any Board Committees referred to in Rule 9.3.1 above.	225	1st October 2024	Early Adopted 
9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders.			
9.4.1	The Company maintains information required by 9.4.1 and the required information has been provided to the Exchange and/or the SEC upon request. Refer Stakeholder Engagement	194-195	1st October 2023	Complied 
9.4.2	The company has established a policy to effectively communicate with shareholders and investors, which is outlined in both the annual report and on the website. Additionally, a designated contact person is provided for communication purposes. The policy ensures that all Directors are informed of any significant concerns or issues raised by shareholders. Furthermore, these concerns are transparently addressed in the annual report and on the website. The details of 24th virtual AGM held is disclosed in Stakeholder Engagement	195		
	Refer Notice of Meeting for details of 25th AGM	406		
9.5	Policy on matters relating to the Board of Directors			
9.5.1	The Company has adopted policies, along with information regarding the Board composition, the roles of the Chairperson and CEO, as well as other requirements as per Rule No 9.5.1 Refer Governance Structure and Leadership	170-174	1st October 2024	Early Adopted 
9.5.2	The Company has adopted the Policy on matters relating to the Board of Directors. Refer Governance Structure and Leadership	170-174		
9.6	Chairperson and CEO			
9.6.1 – 9.6.4	The roles of Chairperson and CEO/MD are occupied by distinct individuals; hence the Company has not designated a Senior Independent Director (SID)	170	1st October 2023	Complied 
9.7	Fitness of Directors and CEOs			
9.7.1 – 9.7.2	Every member of the Director Board is a fit and proper person to act as Director CEO/MD as specified in the ‘Fit and Proper Assessment Criteria’ set out in Rule 9.7.3	172	1st October 2023	Complied 
9.7.3 – 9.7.5	The Rule 9.7.3 - 9.7.5 will be effective from 1st April 2024. Therefore, the annual declaration will be disclosed in the 2024 Annual Report.		1st April 2024	Early Adopted 

Principle	Compliance and Implementation	Page No.	Effective Date	Status
9.8	Board Composition			
9.8.1-9.8.2	The Board consists of 8 (Eight) Directors and 3 (Three) are independent. Hence 1/3 of the total number of Directors are independent, as required.	168-169	1st October 2024	Early Adopted ✓
9.8.3-9.8.4	The criteria for determining independence have been disclosed. Refer the Independence of Director as at 31st December 2023	173	1st October 2023	Complied ✓
9.8.5	Directors have annually submitted the formal declaration of independence. The Board has reviewed these annual declarations and other available information to verify adherence to the criteria for assessing independence.	172		
9.9	Alternate Director			
	The Company was not required to appoint an Alternate Director during the period.		1st Jan 2024	Early Adopted ✓
9.10	Disclosures relating to Directors			
9.10.1	The maximum no of Directorships is in line with the policy on matters relating to the Board of Directors as per Rule No 9.5.1	226	1st October 2023	Complied ✓
9.10.2	There were no new appointments to the Board during 2023.	198		
9.10.3	There were no changes to the composition of the Board Committees referred to in Rule 9.3	176		
9.10.4	All the information required to rule no. 9.10.4 has been disclosed.	172		
9.11	Nominations and Governance Committee			
9.11.1-9.11.3	The Company possesses a Nominations and Governance Committee and maintains a formal procedure for the appointment of new Directors and re-election of Directors to the Board. The Committee operates under a set of written terms of reference that clearly outline its scope, authority, duties. Refer to Nominations and Governance Committee report	223-224	1st October 2024	Early Adopted ✓
9.11.4	Composition of the Committee: The Nominations and Governance Committee comprises Two [2] Independent Non-Executive Directors and One [1] Non-Executive Director. An Independent Director serves as the Chairperson. The committee composition has been disclosed. Refer to Nominations and Governance Committee report	223-224		
9.11.5	Functions of the Committee: The Committee fulfils 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. Refer to Nominations and Governance Committee report	223-224		

LISTING RULES ISSUED BY COLOMBO STOCK EXCHANGE [CSE] ON CORPORATE GOVERNANCE

Principle	Compliance and Implementation	Page No.	Effective Date	Status
9.11.6	Disclosures: During the year, the Company has demonstrated compliance with the necessary disclosure requirements, as follows. a) The names of Chairperson, Committee members and Directors; b) Committee appointment date; c) Nominating Director policy existence; d) Directors' periodic re-election requirement; e) Board diversity disclosure; f) Effective Director appointment policy demonstration; g) Re-elected Directors' details; h) Board and CEO performance evaluations; i) Independent Directors' major entity issues awareness; j) New Directors' induction on governance; k) Annual updates on governance for Directors; l) Directors' independence confirmation; m) Listing Rules compliance statement, non-compliance explanation, and remedial actions. This rule is applicable with effective from 1st October 2024. All the relevant details available has been disclosed in the Committee Report.	223-224	1st October 2024	Early Adopted 
9.12	Remuneration Committee			
9.12.1 – 9.12.5	The Company possesses a Remuneration Committee and maintains a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her remuneration. The Committee operates under a set of written terms of reference that clearly outline its scope, authority, duties, and requirements for meeting quorum. Refer Remuneration Committee Report	217-218	1st October 2023	Complied 
9.12.6	Composition of the Committee: The company operates with a separate Remuneration Committee. The Remuneration Committee comprises Two [2] Independent Non-Executive Directors and One [1] Non-Executive Director. An Independent Director serves as the Chairperson. Refer Remuneration Committee Report	217-218		
9.12.7	Functions of the Committee: The committee, recommends and assesses the relevance of the remuneration payable to the Executive Directors of the Company.	217-218		

Principle	Compliance and Implementation	Page No.	Effective Date	Status
9.12.8	Disclosures: During the year, the Company has demonstrated compliance with the necessary disclosure requirements, as follows. a) Chairperson and members of the Remuneration Committee and their Directorships. b) Statement on remuneration policy. c) Aggregate remuneration of Executive and Non-Executive Directors. For (a) and (b) refer Committee Report For (c) refer Financial Statement disclosure	217-218 373	1st October 2023	Complied ✓
9.13	Audit Committee			
9.13.1	The Company has establish a separate Board sub committee for Risk Management as Risk Committee. The Risk Committee report has been provided.	211-214	1st October 2023	Complied ✓
9.13.2	The Committee operates under a set of written terms of reference that clearly outline its scope, authority, duties.	211-214		
9.13.3	Composition of the Committee: The Audit Committee comprises of Two [2] Independent Non-Executive Directors and One [1] Non-Executive Director. During the year the Committee met four [4] times with the participation of the Managing Director, CFO, and Chief Audit and Compliance Officer by invitation. An Independent Director serves as the Chairperson. Refer Audit Committee Report.	211-214		
9.13.4	Functions of the Committee: The committee oversees 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.	211-214		
9.13.5	Disclosures: 1) Refer Audit Committee Report. 2) Disclosure requirement: a) Chairperson and Audit Committee members' details, b) Risk management status for Listed Entity and Group. c) CEO and CFO assurance statement. d) Compliance opinion on financial reporting requirements. e) Confirmation of Audit Charter existence. f) Summary of internal audit method. g) Details of functions discharged for the financial year. h) Confirmation of external auditors' independence. i) Auditor independence determination and engagement details.	211-214		

LISTING RULES ISSUED BY COLOMBO STOCK EXCHANGE [CSE] ON CORPORATE GOVERNANCE

Principle	Compliance and Implementation	Page No.	Effective Date	Status
9.14	Related Party Transactions Review Committee			
9.14.1	The Company possesses a Related Party Transactions Review Committee and conforms to the requirements set out in Rule 9.14 of these Rules The Committee operates under a set of written terms of reference that clearly outline its scope, authority, duties.	221-222	1st October 2023	Complied ✓
9.14.2	Composition of the Committee: The Committee comprises of Two [2] Independent Non-Executive Directors and One [1] Non-Executive Director. The Managing Director and Chief Financial Officer regularly attend meetings by invitation. An Independent Director serves as the Chairperson.	221-222		
9.14.3	Functions of the Committee: The Company has 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. 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. Refer the Related Party Transaction Review Committee Report	221-222		
9.14.4	General requirements: The Committee convenes 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. Refer the Related Party Transaction Review Committee Report	221-222		
9.14.5 – 9.14.6	The Related Party Transactions Review Committee, reviews 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. The Company has not entered with any related party transaction which is required to get the shareholder's approval.	221-222		

Principle	Compliance and Implementation	Page No.	Effective Date	Status
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 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.	221-222	1st October 2023	Complied ✓
9.14.8	Disclosures in the Annual Report: 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.	372		
9.14.9	Acquisition and Disposal of Assets from/to related parties: No acquisitions or disposals occurred during the year.	372		
9.14.10	Exempted Related Party Transactions: The Company has noted the definition given under exempted related party transactions when determine the related party transactions of the Company.	372		
9.16	Additional disclosures			
	i) The Board of Directors has disclosed all material interests in Entity contracts and refrained from voting on such matters. Please refer annual report of the Board of Directors	202	1st October 2023	Complied ✓
	ii) The Board has reviewed internal controls and obtained reasonable assurance of effectiveness. Any inability to declare is explained. Please refer annual report of the Board of Directors	201		
	iii) The Board stays informed about applicable laws, rules, and regulations. Refer Annual report of Board of Directors	201		
	iv) The Board discloses instances of non-compliance and material fines in Entity-operated jurisdictions. Refer Annual Report of Board of Directors	201		

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

The Insurance Regulatory Commission of Sri Lanka has issued Direction 17 on Corporate Governance for insurance companies under the Regulation of Insurance Industry Act No.43 of 2000 (updated 3rd Feb 2022). The Company has already complied with the directive as shown in the table below.

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
A.	Adherence of the Code of Best Practice on Corporate Governance 2023		
	Refer the Code of Best Practice on Corporate Governance.	233-241	Complied ✓
B.1	A minimum of two Directors of the Board must be citizens and residents of Sri Lanka		
	The Board comprises of [Eight] 8 Directors, and [Six] 6 of them are citizens and residents of Sri Lanka. Refer the Composition of the Board.	168-169	Complied ✓
B.2	Total service period of a Non-Executive Director [NED] shall not exceed nine [9] years		
	There are no Non-Executive Directors who exceed nine years of total service period. Mr. Ashok Pathirage [Chairman] is considered a Major Corporate Shareholding Director of the Company with more than a 50% shareholding and this rule shall not be applicable to him. Refer the Composition of the Board.	168-169	Complied ✓
B.3	Age of a person who serves as a Director of the Company, shall not exceed 75 years		
	The Directors who serve on the Board are not older than 75 years. Refer The Composition of the Board.	168-169	Complied ✓
B.4	Adherence to the Section 9 of the Listing Rules of the CSE		
	Refer "Listing Rules Issued by the Colombo Stock Exchange [CSE] on Corporate Governance and Related Party Transactions".	225-231	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. Refer Directors' Interest in Contracts with the Company.	208	Complied ✓
B.6	Disclosed compliance status as required in Section 9 of the Listing Rules of the CSE		
	Refer "Listing Rules Issued by the Colombo Stock Exchange [CSE] on Corporate Governance and Related Party Transactions".	225-231	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. Refer the Statement of Compliance.	158	Complied ✓
B.8	In the case of a Director older than 70 years continuing in service		
	None of the Directors on the Board are older than 70 years and if any Director wishes to serve beyond the age of 70, the Company should provide a certification and written confirmation through the Company Secretary to the IRCSL, which has been duly approved by passing a resolution at the general meeting and/or not prohibited by the Articles of Association of the Company. Refer the Composition of the Board.	168-169	Complied ✓

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA



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2-13

The Company has voluntarily adopted the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka. We have disclosed the status of compliance and how the Company complied with each requirement of the code, in this section.

Table: Code of Best Practice on Corporate Governance

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
A	DIRECTORS		
A.1	The Board		
	The Board of Directors provides leadership and strategic direction to the Company, within the parameters of a prudent and effective governance framework as the representatives of the shareholders.	170	Complied ✓
A.1.1	Board Meetings		
	The Board met Four (4) times during the year to discuss matters related to different areas such as strategy, compliance, performance, risk management and resource allocation. Refer Board Meetings and Attendance.	178	Complied ✓
A.1.2	Roles & Responsibilities		
	The Board of Directors have multiple roles which are in line with the requirements of the Code, in order to achieve the targeted performance and to bring their valuable input to the decision-making process of the Company.		
	Ensure formulation and implementation of a sound business strategy: 2023 - 2025 a three-year plan has been approved by the Board.		
	Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy: The Managing Director & Senior Corporate Management team which include 12 members of professionally qualified individuals with sufficient knowledge, skills and experience are giving utmost direction to implement strategies in order to achieve ultimate objectives.		
	Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy: Talent management approach of the Company was enhanced with additional processes to refine the approach and create greater momentum in the building of succession talent pools.	170	Complied ✓
	Approving budgets and major capital expenditure: The Budget and the Corporate Plan for the year 2023 was evaluated and approved.		
	Determining the matters expressly reserved to the Board and those delegated to the management including limits of authority and financial delegation: While the Board decides on the matters expressly reserved to the Board such as setting the strategy and risk appetite, it also overlooks the delegated operational functions. Determining matters delegated to the Management such as the Manual of Financial Authority (MoFA), which is revised by the Board on an annual basis, also falls within the purview of the Board.		

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
A.1.2	Roles & Responsibilities (Contd.)		
	Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management: The Company has established a sound internal audit process, risk management process and ensures that IT Controls are properly established. The Company aligning the ICT roadmap with the Company's business strategy and monitoring implementation progress via the ICT dashboard. Ensuring all stakeholder interests are considered in corporate decisions: The Board considers the views/impact on all stakeholders when making decisions. Recognising sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting "integrated reporting": The Corporate Strategy is designed for 3 years and performance is discussed regularly at Board Meetings. The Company adopts "Integrated Reporting" in its Annual Reports. Refer Key Activities in the Board during the year 2023.	170	Complied ✓
	Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations: The Board of Directors is responsible for the preparation of financial statements whilst the Audit Committee ensures compliance with the financial regulations of the financial statements. Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks: The Board has met Four (4) times during the year to evaluate overall performance and financial performance. Throughout the year the Board and its Sub-Committee has continuously reviewed and monitored the progress of the business. Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company: The Company issues and uploads quarterly and annual financial statements together with the relevant disclosures, on the CSE and Company websites. Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned: The Board is capable of providing the right direction; the Board comprises of members who have expertise in different areas.		
A.1.3	Act in accordance with the laws of the Country		
	The Board has confirmed that the Company has been compliant with the provisions set by the Companies Act No. 07 of 2007, Regulation of Insurance Industry (RII) Act No. 43 of 2000, Direction 17 on Corporate Governance by the Insurance Regulatory Commission of Sri Lanka ("IRCSL"), and the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka. Refer to Statement of Compliance	158	Complied ✓

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
A.1.4	Access to advice and services of the Company Secretary		
	Softlogic Corporate Services (Pvt) Ltd ensures that Board procedures are compliant and in accordance with the relevant applicable rules and regulations. The Company has paid an insurance premium in respect of an insurance policy for the benefit of the Directors of the Company. Refer the Role of Company Secretary.	170	Complied ✓
A.1.5	Independence judgment		
	The Board consists of diverse high-calibre professionals, capable of exercising independent judgment in the effective discharge of their duties and responsibilities on matters of strategy, compliance, performance and resource allocation.	170	Complied ✓
A.1.6	Dedicate adequate time and effort to matters of the Company		
	The Board of Directors are committed to discharging their duties as Directors of the Company and ensuring that adequate time and attention is given in the Board meetings to make an effective contribution in the decision-making process. Refer "The Board Meetings and Attendance" Refer "Roles & Responsibilities of the Board"	178 170	Complied ✓
A.1.7	Procedures relating to Directors' Matters in the best interests of the Company		
	Procedures are in accordance with the specific provisions set out by the Articles of Association of the Company and the Code for best practice on Corporate Governance.	205	Complied ✓
A.1.8	Board induction and training		
	The Company Secretary facilitates a comprehensive induction program for newly-appointed Directors while the Board regularly reviews the requirement for continuous development and knowledge-enhancement for existing Directors. Refer Board induction and training.	179	Complied ✓
A.2	Position of Chairman and CEO/MD vested by separate persons		
	The position of the Chairman and MD have been separated in line with the code and their roles and responsibilities are clearly defined in order to maintain balance of power and authority. The Chairman of the Company is Mr. Ashok Pathirage and the MD of the Company is Mr. Iftikar Ahamed.	170	Complied ✓
A.3	Chairman's Role in preserving Good Corporate Governance:		
	The Chairman provides leadership to the Board and facilitates the effective discharge of duties in the best interests of the Board; maintains smooth functioning of the Board, presides at the Directors' and Shareholders' meetings to ensure Director participation and proper execution of Board proceedings and promotes and carries out his responsibilities in the best interests of good governance. Refer the Chairman's Message on Corporate Governance. Refer the Chairman's role in the Conduct of Board Meetings.	152 170	Complied ✓
A.4	Financial Acumen and Knowledge		
	All the Directors have extensive experience and financial acumen, although their experience lies in different industries.	168	Complied ✓

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
A.5	The Board Balance		
	The Board consists of Seven [7] Non-Executive Directors (NED). Three [3] of them are independent. The independent declaration was submitted by each Director about their independence, based on certain criteria as set out in this code and the CSE Listing Rules 9.8.5. The Chairman holds meetings with the NEDs as and when necessary, and any matter which cannot be resolved unanimously is recorded in the Board Minutes by the Secretary of the Company during the year. All matters discussed at the Board meetings have the consent of each Director. Refer the Section on Directors Independence. As the Chairman and Managing Director/CEO represent distinct individuals, the Company has not designated a Senior Independent Director. Refer the Composition of the Board.	172-173 168-169	Complied ✓
A.6	Supply of Information		
	The Management provides appropriate and timely information to the Directors not less than seven [7] days prior to the meetings. Meeting Minutes are circulated within 14 days from the meeting date. A complete and comprehensive update on the Operational and Financial performance of the Company was submitted to the Senior Management of the Company including the Managing Director [MD].	177	Complied ✓
A.7	Appointment to the Board		
	The Nominations and Governance Committee annually assesses the experience, expertise and diversity of the current Board and recommends suitable candidates to the Board through a formal and transparent process which is governed by the Articles of Association and which complies with Company policy. There were no new appointments to the Board during the year. Refer Nominations and Governance Committee Report. The Committee is tasked with establishing succession plans for the CEO and Key Management Personnel, as well as assessing the training needs of potential successors. Refer Nominations and Governance Committee Report Refer Human Resource and Remuneration Committee Report	223-224 217-218	Complied ✓
A.8	Re-election and Resignation of Directors		
	The re-election of Directors is governed by the Articles of Association and is performed at the AGM. The offices of Chairman and MD are not subject to retirement by rotation. No Director terminated his office prior to the completion of his term. Refer the Composition of the Board	198	Complied ✓
A.9	Appraisal of Board Performance		
	The Board and Committees conduct their performance evaluation annually to review the participation, contribution and engagement of each Director in discharging their duties and responsibilities satisfactorily. Outcomes identified during the process were submitted to the Nominations and Governance Committee to make further improvements in Board effectiveness. Refer the section on “Board Competency Evaluation”.	172	Complied ✓

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
A.10	Disclose Information in Respect of Directors as Specified in the Code		
	Profiles including qualifications, expertise, and appointments.	162-163	Complied ✓
	Material business interests of Directors.	208	
	Whether Executive, Non-Executive and/or Independent Director.	197	
	Total number of Board seats held by each Director in other companies.	208	
	Number/percentage of Board meetings of the Company attended during the year.	178	
	Members of Committees and attendance at Board meetings and committee meetings.	178	
A.11	Appraisal of the Chief Executive Officer [CEO]/MD		
	The performance of the MD is evaluated annually based on the agreed objectives set by the Board in consultation with MD.	172	Complied ✓
	Refer the section on Performance Evaluation of the MD.		
B	DIRECTORS' REMUNERATION		
B.1	Remuneration Procedure		
	The Human Resource and Remuneration Committee [consisting of two [2] Independent Non-Executive Directors and One [1] Non-Executive Directors is responsible for establishing the remuneration framework for Directors of the Company and for recommending and assisting the Board with regards to the remuneration policy for Executive and Corporate Management. No remuneration is paid to the NEDs other than fees paid for the attendance of each Director at Board and Board Sub-Committee meetings.	172 217-218	Complied ✓
	Refer Board remuneration.		
	Refer the Human Resource and Remuneration Committee Report.		
B.2	The level and make-up of remuneration		
	The Board is mindful of the fact that the remuneration of Executive Director and KMPs should reflect market expectations as compared to other companies, in order to attract and retain high calibre personnel for the long-term success of the Company. The Remuneration Committee possesses extensive knowledge with regards to setting the best levels of remuneration in the Company, taking into consideration the performance and risk factors associated with the job. The remuneration levels of the NEDs are also based around their time commitment and the responsibilities of their role. No Director has been granted share options as part of his remuneration. Other issues such as the approach taken in cases of early termination, where the initial contract does not explicitly provide for compensation, commitment and involvement in designing a scheme of performance-related remuneration and best practices applied throughout the process, are discussed in the Human Resource and Remuneration Committee report.	217-218	Complied ✓
	The committee reviews the CEO's and senior management performance yearly, pay for the benefits and performance-based incentives based on goals.		
	Refer the Human Resource and Remuneration Committee report.		
B.3	Disclosure of Remuneration Policy		
	Refer the Human Resource and Remuneration Committee report.	217-218	Complied ✓
	Remuneration paid to Board of Directors – Refer Note 45.6.1 to Financial Statements.	373	
	There were 13 key management personnel who directly report to the CEO/MD during the year and the aggregate remuneration was Rs. 223.6Mn.		

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
C	RELATIONS WITH SHAREHOLDERS		
C.1	Constructive use of the Annual General Meeting [AGM] and conduct of General Meetings		
	The Notice of the AGM and instructions for voting procedures, including the process for voting via a proxy, are circulated to all shareholders within a minimum of 15 days prior to the AGM. Separate resolutions are proposed for each substantially separate issue, including the adoption of the Financial Statements. The Chairmen of Sub-Committees was encouraged to participate and make themselves available at the AGM to respond to queries made by the shareholders. The Secretary of the Company is responsible for recording and counting all valid votes properly. Refer the section on Company's Notice of Meeting and Annexure. Refer the Form of Proxy.	406 Annexure 1	Complied ✓
C.2	Communication with Shareholders		
	The Company has implemented multiple channels of communication with its shareholders. The Secretary of the Company acts as a median/contactable body with regard to responding to queries raised by shareholders and brings the attention of the Board to significant issues. Important announcements are published through multiple channels to disseminate accurate information in a timely manner, in order to maintain an effective relationship with the shareholders. Refer the Communication with Shareholders.	194	Complied ✓
C.3	Disclosure of major and material transactions		
	Complying with Section 185 of the Companies Act No.07 of 2007 all major transactions to be approved by shareholders through a special resolution. During the year there were no any major and material transactions which affected the Company's net asset base and all related party transactions as defined in the LKAS 24 are disclosed in the Annual Report. Refer the Communication on Significant Material Transactions.	221-222	Complied ✓
D	ACCOUNTABILITY AND AUDIT		
D.1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects		
	The Board has made every effort and taken responsibility for ensuring that the Annual Report, including the Financial Statements, presents a fair and balanced view of the Company's financial position, performance and prospects, combining narrative and visual elements to facilitate readability and comprehension. All statutory requirements have been complied with in the Annual Report and the Company's governance practices have been disclosed. The following disclosures as required by the code are included in the Annual Report;		Complied ✓
	Management Discussion and Analysis.	19-150	
	Annual Report of the Board of Directors.	196-204	
	Statement of Directors' Responsibility.	205-206	
	Directors' Statement on Internal Controls.	209-210	
	Managing Director's/CEO and Chief Financial Officer's Responsibility Statement.	207	
	The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Auditors Report.	268-270	
	Note 45 to Financial Statements-Related Party Disclosures.	372	

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
	Periodically report the progress of remedial action being taken in the event the Company's net assets fall below 50% of the value of the shareholders funds.	Not Applicable	Complied ✓
	ESG/sustainability risk and opportunities, business model, and outlook	26/65	
D.2	Risk management and internal control to safeguard shareholders' investments and Company assets.		
	The Board of Directors is responsible for maintaining effective and sound internal controls to safeguard the shareholders' investments and Company assets. The Board has structured an enterprise risk management process to identify the principle risks which impact the business and take mitigating actions while forecasting and analysing the future performance, solvency and liquidity of the Company. The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company. The Audit committee in consultation with the in-house Internal Audit Department, periodically reviews the effectiveness of internal controls over financial reporting. Refer Risk Governance and Management.	242-260	Complied ✓
	Refer the Audit Committee Report.	211-214	
	Refer Internal Assurance [Internal Audit].	186-187	
D.3	Audit Committee		
	The Audit Committee consists of 2 [Two] Independent Non-Executive Directors and 1 [one] Non-independent Non-Executive Director. The Audit Committee assists the Board in executing its oversight responsibility for the integrity of the financial statements of the Company. The Audit Committee also ensures internal control and risk management systems of the Company and its compliance with legal and regulatory requirements and assesses the external auditors' performance, qualifications and independence.		Complied ✓
	Refer the Audit Committee Report.	211-214	
	Refer Internal Assurance.	186-187	
D. 4	Risk Committee		
	The Risk Committee consists of 2 [Two] Non-Executive Directors and 1 [one] Non-Independent Non-Executive Director.		
	The Chief Risk Officer serves as the coordination secretary and oversees matters concerning the committee, while the secretary to the committee is responsible for documenting meeting minutes. The committee convened on Seven occasions during the year.		
	The Risk Committee has established terms of reference delineating its authority and duties. These include defining the risk management framework, reviewing outcomes and mitigation actions, overseeing insurance and information security, monitoring ESG risks, and ensuring a robust disaster recovery plan. It will provide regular reports to the Board and conduct annual reviews of the risk management framework, processes, and practices.		Complied ✓
	Refer the Risk Committee report.	215-216	

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
D.5	Related Party Transactions Review Committee		
	The Committee consists of 2 [Two] Independent Non-Executive Directors and 1 [One] Non-independent Non-Executive Director. The core objective of the Related Party Transactions Review Committee is to ensure that the interests of shareholders are taken into consideration when entering into related party transactions and that the Company is compliant with the rules. The Company carried out transactions in the ordinary course of business on an arm's length basis with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24. The quarterly submission of declarations pertaining to the director of related parties and related party transactions is being actively pursued. Additionally, the Company is independently identifying declarations and investigating entities classified as related parties according to the standard. Refer the Related Party Transactions Committee report. Refer Note 45 on Financial Statements.	221-222 372	Complied ✓
D.6	Adoption of Code of Business Conduct and Ethics for Directors and all other employees		
	All Directors, KMPs and employees are bounded by the Code of Business Conduct and Ethics in order to act ethically and with integrity in the best interest of the Company. Establishing an accurate reporting framework, fair and transparent procurement practice interpret the effectiveness of internal controls and accuracy of Financial Statements. The Company ensured that they avoid conflict of interest, discrimination, harassment, bribery and corruption while maintaining compliance with all applicable laws and regulations. The Company has placed a process to identify and report material and price sensitive information in accordance with relevant regulations. All Directors, KMPs and employees are required to disclose details of any share purchase or shareholding positions in the Annual Report. Refer the Code of Conduct and Ethics for Directors. Refer the Chairman's Statement on Corporate Governance. Refer Directors Shareholding. The Company has established a process to handle complaints from whistle-blowers, including employees, customers, and suppliers, regarding violations of the company's code of business conduct and ethics. New employees are trained on these guidelines during on-boarding, and all employees confirm compliance annually.	182 152 198 183	Complied ✓
D.7	Corporate Governance Disclosures		
	Softlogic Life follows an Integrated Corporate Governance framework which ensures that the Company maintains the best interests of all stakeholders and keeps to the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance 2023, Section 9 published by CSE and relevant provision of Companies Act. Refer the Annual Corporate Governance Report .	152-241	Complied ✓

Principle	Implication by the Softlogic Life Insurance PLC	Reference	Status
E	INSTITUTIONAL INVESTORS		
	Shareholders have been identified as key players in our prioritisation matrix. The Company makes every effort to maintain a constant dialogue with institutional investors in order to improve their understanding of Company operations, strategies and performance. Individual investors are encouraged to get adequate analysis or seek advice on investing/divesting decisions. Also, they are summoned to exercise their voting rights at the AGM. Refer Investor Relations.	385-388	Complied 
F	OTHER INVESTORS		
	The information disseminated by the Company is adequate for individual shareholders to undertake an analysis of the Company and/or seek independent investment advice regarding the prospects of the Company. Notice of AGM is circulated to all shareholders along with instructions on the voting procedure and including the process for voting via a proxy. Refer the Annual Financial Statements. Refer the Form of Proxy.	271-376 Annexure 1	Complied 
G	INTERNET OF THINGS AND CYBER SECURITY		
	The Board ensures that the required level of expertise is available, and that management and technical controls are established for the connectivity of any device configured by the IT department. A separate IT Security system implemented within the Company is reviewed periodically to assure the effectiveness of system controls and compliance with regulatory requirements. All IT risks are discussed and engaged with appropriate actions by the Risk Committee. Regulatory requirements where system controls can be incorporated to the system are communicated to the IT department by the Risk, Legal and Audit departments so that they can be embedded in the system. Refer IT Governance. Refer the Risk Committee Report.	192 215-216	Complied 
H	SUSTAINABILITY: ESG RISK AND OPPORTUNITIES		
	The Board of Directors regularly assesses the Company's internal strength and weakness along with environmental and social factors to identify the extensive impact of risk and opportunities on the performance of the Company. Risk strategy and risk management objectives rely on the Company's Risk Governance structure, which manages risks in all aspects of ESG. Refer the Management Discussion and Analysis. Refer the Risk Governance structure. Refer Integrated Risk Management.	19-150 245 242-260	Complied 
I	SPECIAL CONSIDERATIONS FOR LISTED ENTITIES		
	The Company upholds governance policies and oversees the implementation details as per the section 9.2.1 in CSE Listing rules. Refer the company website Refer Listing Rules Issued by CSE	225	Early Adopted 

INTEGRATED RISK MANAGEMENT

INTRODUCTION

Risk Management is considered a key function at Softlogic Life Insurance PLC and is used as a mechanism to protect the value of its business and ensure achievement of its strategic plans and day to day business activities by enabling the business to make informed decisions based on the defined risk appetite and manage expected returns.

Softlogic Life's Risk Management process that one sees today is a 100% "Home Grown" process-built bottom up. It has been built by laying a solid foundation that has been specialised further by adding unique layers to address the requirement and strategy of the Company and evolved over the years integrating itself into the Company's strategies and culture. The Risk Culture embraced by the organisation results in its workforce being equipped with an agile mindset, which allows for smoother transitions under disruptive scenarios.

Softlogic Life was no exception to the trials and turbulence experienced both globally and locally in the period 2019 through 2022, which resulted in spillover effects of poor macro-economic conditions in 2023, challenging business growth. As in the past, Softlogic Life's Risk Management Framework and Risk Principles resulted in the Company being "risk ready" and enabling the business to be aware of potential risks faced on a continuous basis.

The superior financial and operational results reflected in this annual report, and the countless awards received by Softlogic Life stand testimony to the resilience of the Company that enabled to overcome the uncertainty, complexity, ambiguity and the vulnerability that represented the overall business and economic environment through 2023.

INTEGRATED RISK MANAGEMENT REPORT STRUCTURE

1.	Better Risk Management Approach by Softlogic Life	242
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8	Better Insight into Materialisation Status of Forecasted Key Risks for 2023	260
9	Bolder Predictions: Key Risk Anticipated in 2023 and Beyond	260

1. BETTER RISK MANAGEMENT APPROACH BY SOFTLOGIC LIFE

Softlogic Life Insurance PLC believes in five core risk principles and adopts an Integrated Enterprise Risk Management (ERM) framework based on the ISO 31000:2018 International Standard. This Framework is backed by a firm Governance Structure. This together with the Company's risk management principles allows the Company, to proactively identify particular events or circumstances relevant to the organisation's objectives (risks and opportunities), and assess them in terms of likelihood and magnitude of impact, thereby determining a response strategy, and monitoring its progress, so that it may protect and create value for the Company's stakeholders, including owners, employees, customers, regulators, and society.

The strong integrated ERM framework adopted by Softlogic Life Insurance PLC are crucial for safeguarding the company's long-term sustainability and ensuring value creation for stakeholders. This integrated approach not only aids in minimising adverse impacts but also facilitates the exploitation of strategic advantages, thereby fostering sustainable growth.

2. BOLDER RISK MANAGEMENT PRINCIPLES AND OBJECTIVES

The risk management framework of our company is constructed upon fundamental principles and objectives. These serve as the bedrock, providing a solid structure for identifying, assessing, and mitigating risks. Continual refinement and enhancement of this framework occur within the parameters of these principles and objectives. This process ensures that our risk management practices remain effective and aligned with our organisational goals, thereby safeguarding the company's interests and promoting resilience in the face of uncertainties.

The risk management principles and objectives of Softlogic Life are disclosed in the accompanying figure on this page.

Figure: Risk management principles and objectives

Risk Management Principles



Risk Management Objectives



INTEGRATED RISK MANAGEMENT

3. BIGGER FRAMEWORK FOR BETTER RISK MANAGEMENT

3.1 Risk Governance Structure

A robust and highly effective risk management system, characterised by prudent decision-making and stringent governance standards, hinges significantly on its architectural framework. Within Softlogic Life, the risk governance structure encompasses the Board of Directors, Board Sub-Committees, Internal Committees, Ultimate Risk Owners, and the Risk Management Unit.

This interconnected framework ensures prudent decision-making, stringent risk governance and comprehensive risk management throughout Softlogic Life.

This governance framework delegates authority from the Board of Directors to the Board Sub-Committees and beyond, ensuring comprehensive accountability for risk management throughout the organisational hierarchy. This approach aims to effectively mitigate risks and sustainably create value for all stakeholders.

The seamless interaction among these individual functions and entities within the broader system is paramount to the efficiency of the risk management framework. By facilitating open communication channels and promoting cross-functional teamwork, Softlogic Life can swiftly identify emerging risks, assess their potential impact, and implement timely mitigation strategies.

Moreover, this integrated approach enables the organisation to leverage diverse expertise and perspectives in risk management decision-making processes, leading to more informed and effective outcomes.

The major elements of this framework are described below:

A. BOARD OF DIRECTORS

With a wealth of diverse expertise, the Board bears a primary responsibility for overseeing performance management, internal controls, and risk management within the Company. This entails defining the Company's overall risk tolerance in alignment with its strategic objectives.

Nevertheless, the Board has entrusted the oversight of risk management to the Board Risk Committee. The expertise and experience of the Board of Directors are detailed on pages 168 to 169.

B. BOARD RISK COMMITTEE

The Risk Management Committee (the "Committee") of Softlogic Life Insurance PLC assist the Board in fulfilling its responsibility with regards to the Company's risk strategy, risk management framework and procedures and its risk appetite.

This Committee is equipped with supervisory functions over the risk management, the risk profile, and the enterprise wide risk management framework, of the Company and any other risk related matters determined by the Board of Directors.

Oversight and advise by a dedicated Board Risk Committee on risk management allows for;

- the Board of Directors to deal more effectively with complex or specialised issues with strong governance.
- Better dialogue between committee members and Senior Management on specific topics.
- Deep dive into risk related issues presented to the committee for expert opinion.

C. INTERNAL RISK COMMITTEES

At the management level, the Company has established internal committees such as the Internal Risk Committee and the Asset and Liability Management Committee. These committees play a crucial role in operationalising and implementing the decisions made at the Board Sub-Committee and Board of Directors levels.

These committees, which have different agendas, objectives, and responsibilities, meet frequently in order to assess the level of risk under varying aspects of the Company and decide on prudent actions required to mitigate the risks.

D. RISK MANAGEMENT UNIT

The Risk Management Unit operates independently within the second line of defense, monitoring the required compliance by the first line of defense through varying policies and risk limits. Reporting on these risk limits is carried out based on a hierarchy system as and when required.

The effective discharge of responsibilities by the unit ensures that the Senior Management, the Board Risk Committee, and the Board of Directors are consistently kept apprised of the Company's overall risk profile.

This proactive approach to communication enables informed strategic decision-making and facilitates the creation of long term sustainable value, aligning the organisation's actions with its long-term objectives, risk mitigations actions and risk appetite.

Figure: Risk Management Framework

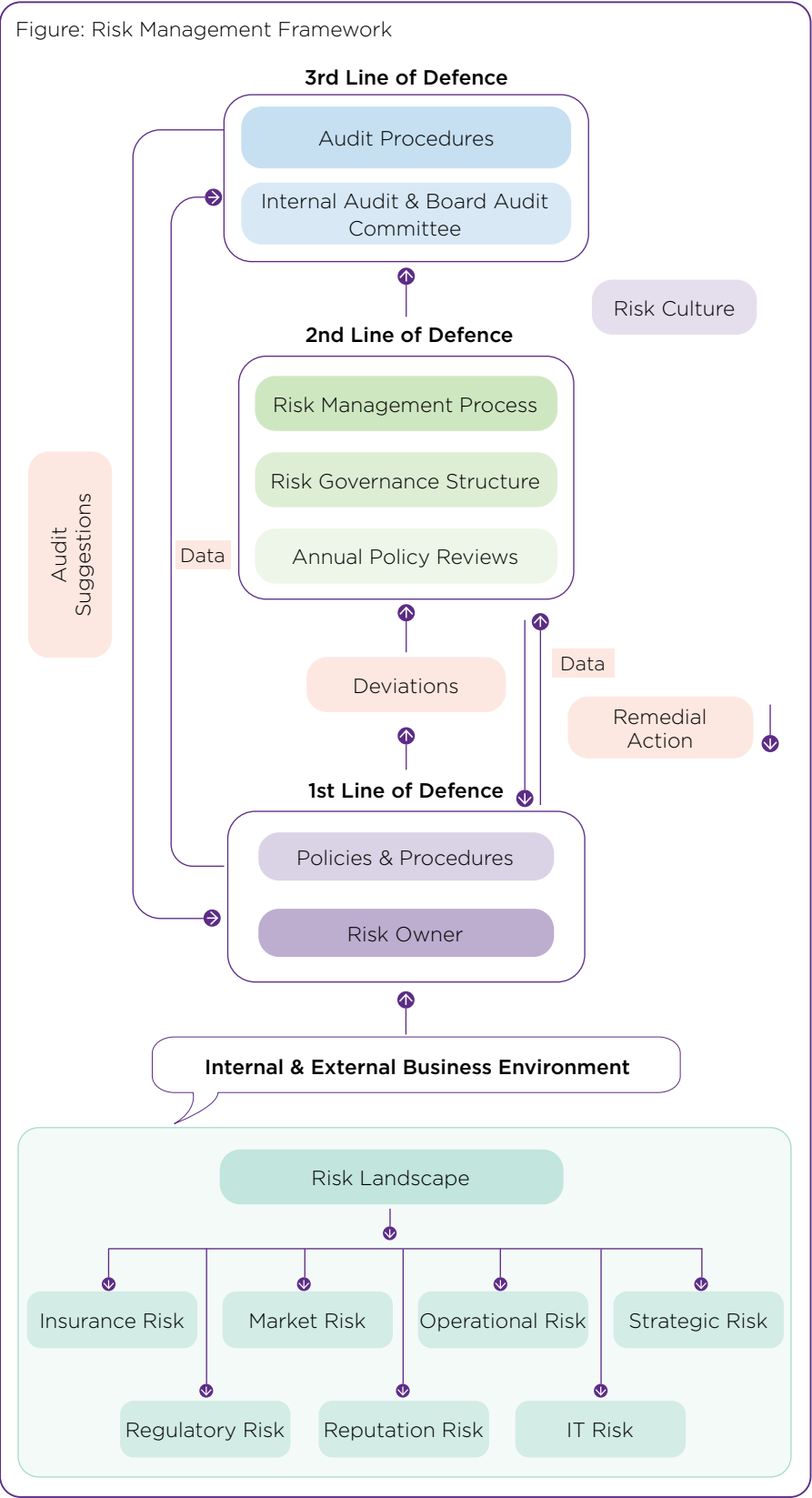


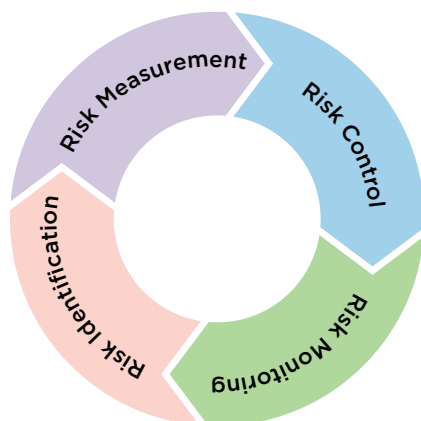
Figure: Risk Governance Structure



INTEGRATED RISK MANAGEMENT

3.2 Risk Management Process

The Company has a comprehensive process to ensure the risk management objectives. The following diagram reflect the 04 main pillars of the risk management process of the Company.



a) Risk Identification

Identification of risks may occur in one or more ways listed below;

- Direct Observations
- Incident Analysis
- Scenario Analysis
- Structured What – If Analysis

Risks can be identified by individual risk owners or the Risk Unit. The risks identified can be specific to a particular department or be applicable to the Company as a whole and also allows the Risk Unit to identify the area/s that need attention so as to mitigate any future losses and/ or maximise the opportunities present. These risks can be scored and analysed to achieve optimal decision making. The identified risks are reviewed by the Internal Risk Committee after which, they are submitted to the Board Risk Committee for review.

b) Risk Measurement/ Scoring

Severity of Risk Impact:

All identified risks are rated according to its likelihood of occurrence and the potential impact on the Business as defined in a pre-defined risk Matrix for the Company. The potential impact of a risk is evaluated based on the severity of the impact on business continuity, profit, and the loss of business portfolio. As such the levels of severity have also been defined as Marginal, Significant, Critical and Catastrophic.

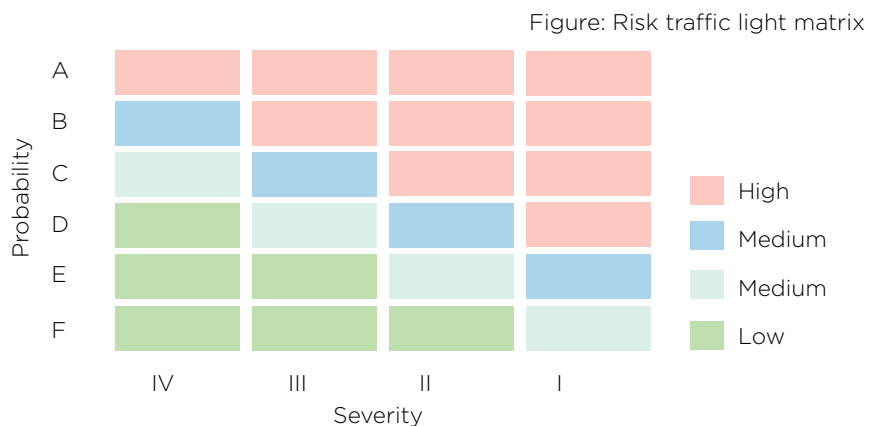
Probability of Occurrence:

The likelihood of the occurrence of the risk is examined based on the historical experience and probabilities of occurrence under current market and economic conditions. The matrix defines the probability of occurrence as the likelihood of an event occurring in a particular time period. As such we have defined six probabilities from very high (frequency is less than 1 week) to almost impossible (frequency is once in 100 years)

	Risk that affect business continuity			
	IV - Marginal	III - Significant	II - Critical	I - Catastrophic
Life Operations	x < 1 Hour	1 Hour < x < 5 Hours	5 Hours < x < 1 Day	x > 1 Day
Call Centre	x < 5 Minutes	> 5 Minutes < 15 Minutes	> 15 Minutes < 30 Minutes	> 30 Minutes
Other Critical Systems	As defined in the BCP and IT DR Plan			

	Risk that affect business continuity			
	IV - Marginal	III - Significant	II - Critical	I - Catastrophic
Profit	x < Rs. 50 Mn	Rs. 50 Mn < x < Rs. 100 Mn	Rs. 100 Mn < x < Rs. 500 Mn	x > Rs. 500 Mn
Total Equity	x < Rs. 500 Mn	Rs. 500 Mn < x < Rs. 750 Mn	Rs. 750 Mn < x < Rs. 1,500 Mn	x > Rs. 1,500 Mn
Loss of Market Share	x < 0.5%	0.5% < x < 1.5%	1.5% < x < 2.5%	x > 2.5%
Stakeholder Faith impacted	x < Rs. 2,500 Mn	Rs. 2,500 Mn < x < Rs. 4,500 Mn	Rs. 4,500 Mn < x < Rs. 5,700 Mn	x > Rs. 5,700 Mn

These risks once rated according to the above are plotted on the traffic light matrix below.

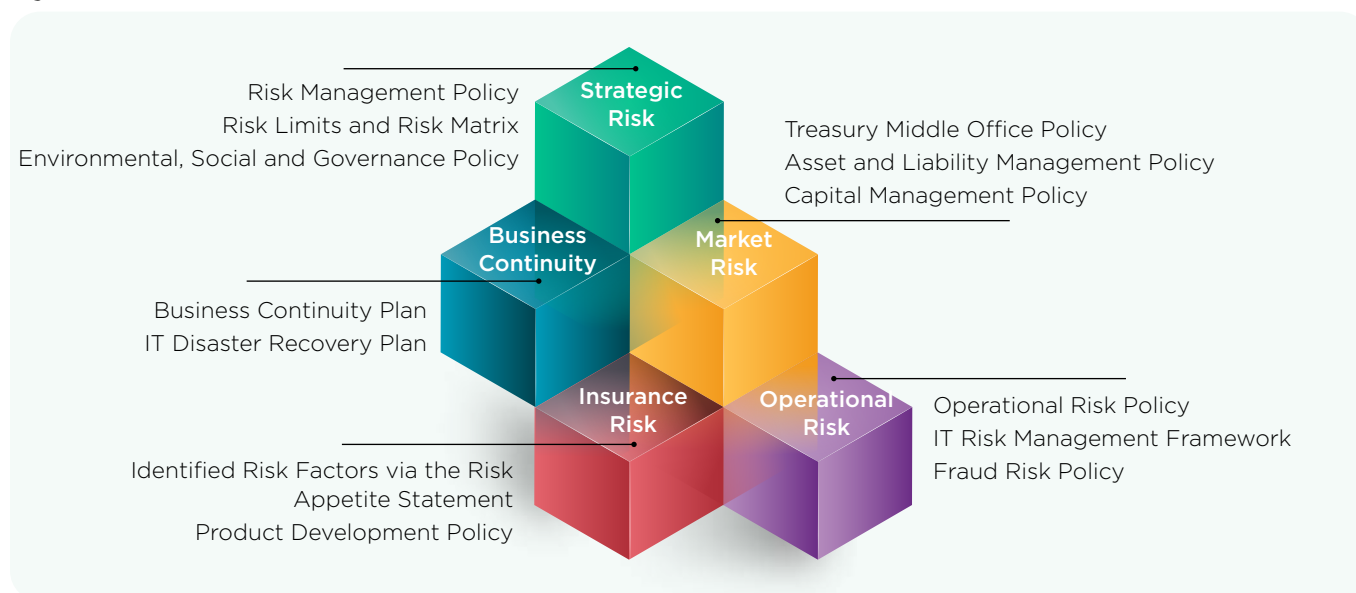


Risk Control

The ownership of the identified risks lies with the heads of relevant functions and the responsible personnel are required to provide the action plans on how the high rated risks will be improved and the timeliness to achieve these targets.

Control is brought about by the establishment of risks guidelines through the following policies under each risk pillar

Figure: Risk Control



Risk Monitoring and Reporting

The risk register comprises of all identified risks that if materialise, would have a material impact on the company. It also comprises of a detailed action plan on how these risks will be analysed, mitigated and eliminated. The register is reviewed and updated on a quarterly basis and presented to the Board risk committee.

Risk reporting escalation is structured into three tiers: marginal, significant, and critical. Each tier corresponds to distinct scenarios necessitating varying levels of escalation and corresponding treatment mechanisms.

	Marginal	Significant	Critical
Escalation of Risk	The risk that affects business continuity is marginal and therefore not required to be escalated. By applying materiality thresholds, the Risk Management Unit can effectively prioritise resources.	When a risk emerges that significantly impacts business continuity, it triggers a structured process of communication within the organisation and escalates to the risk owner, risk unit and senior management.	When a risk surfaces that poses a critical threat to business continuity, promptly inform key stakeholders of risk owner, risk unit, senior management, internal risk committee and Board risk committee.
Risk Management Approach	After a review of operations, it is deemed acceptable and requires continued tracking and documentation of an action plan.	Implement controls immediately to mitigate risks so that risk is controlled and safeguards the organisation's long-term success.	Immediate risk treatment actions are required since the impact is significant and reported and discussed by the Board of Directors.
Reporting	Internal Risk Committee and Board Risk Committee	Internal Risk Committee and Board Risk Committee	Internal Risk Committee and Board Risk Committee

INTEGRATED RISK MANAGEMENT

4. BOLDER SYNERGIES: ALIGN RISK MANAGEMENT STRATEGY WITH STRATEGIC PILLARS

Given the importance of Risk Management, the Company considers risk management to be a focal point in its strategic planning and a method of protecting the value of the business and business activities by enabling the business to make informed decisions based on the defined risk appetite and manage expected returns. As such, the link between the Company's Strategy and Risk Management is as described below.



Most Caring Life Insure

Setting clear appetites for service standards to ensure exceptional customer care under diverse scenarios. By proactively defining and adhering to these standards, the organisation demonstrates its dedication to fostering trust, loyalty, and long-term relationships with its customers.



Smart IT Digitalisation

Identifying critical systems and establishing recovery time objectives while conducting regular disaster recovery simulations to ensure preparedness, safeguarding against potential disruptions and facilitating seamless continuity in the digitalisation journey.



King of Data

Implementing a comprehensive IT risk framework to uphold data protection and conducting focused awareness sessions for end-users. Additionally, focused awareness sessions for end-users enhance understanding and adherence to protocols.



Phenomenal Sales

Setting precise risk limits for sales agent quality and productivity to sustain high sales performance. This ensures sustained high sales performance while mitigating potential risks associated with fluctuations in agent performance.



Lean and Fast

Implementing stringent appetites for expense management and underwriting margins to optimise efficiency. By optimising efficiency through disciplined cost control and margin management, the organisation can swiftly adapt to market dynamics.

Please refer Page No. 82 to 87

5. BIGGER ASSESSMENT OF SOFTLOGIC LIFE'S RISK ENVIRONMENT

In our evaluation of Softlogic Life's Risk Environment, we consider two primary categories: idiosyncratic and systematic risks. Idiosyncratic risks pertain to factors within our control, such as operational procedures or strategic decisions, while systematic risks are influenced by external forces like regulatory shifts or economic fluctuations.

By comprehensively assessing both types of risks, we enhance our ability to manage them effectively. This involves implementing measures to mitigate idiosyncratic risks where feasible and developing strategies to navigate and adapt to systematic risks. Our aim is to strengthen our resilience against unforeseen challenges, safeguarding the interests of our stakeholders and ensuring the long-term sustainability of our business operations.

IDIOSYNCRATIC ENVIRONMENT

Anything within Softlogic Life that can influence the way in which risk will be managed

Each risk poses unique challenges that require tailored mitigation strategies to safeguard against potential disruptions and capitalise on opportunities, ensuring the organisation's resilience and long-term viability in this dynamic landscape. This includes risks of Strategic Risk, Insurance Risk, Market Risk, Operational Risk.

SYSTEMATIC ENVIRONMENT

External environment in which Softlogic Life seeks to achieve its objectives.

These factors present challenges that require diligent monitoring and strategic planning to mitigate potential impacts on the company's objectives. This includes Economic risk, political risk, Regulatory Risk, Technological Risk, Competitor Risk. By proactively addressing these factors., Company will sustain the amidst dynamic market conditions.

6. BETTER MANAGEMENT OF RISK APPETITE AND TOLERANCE

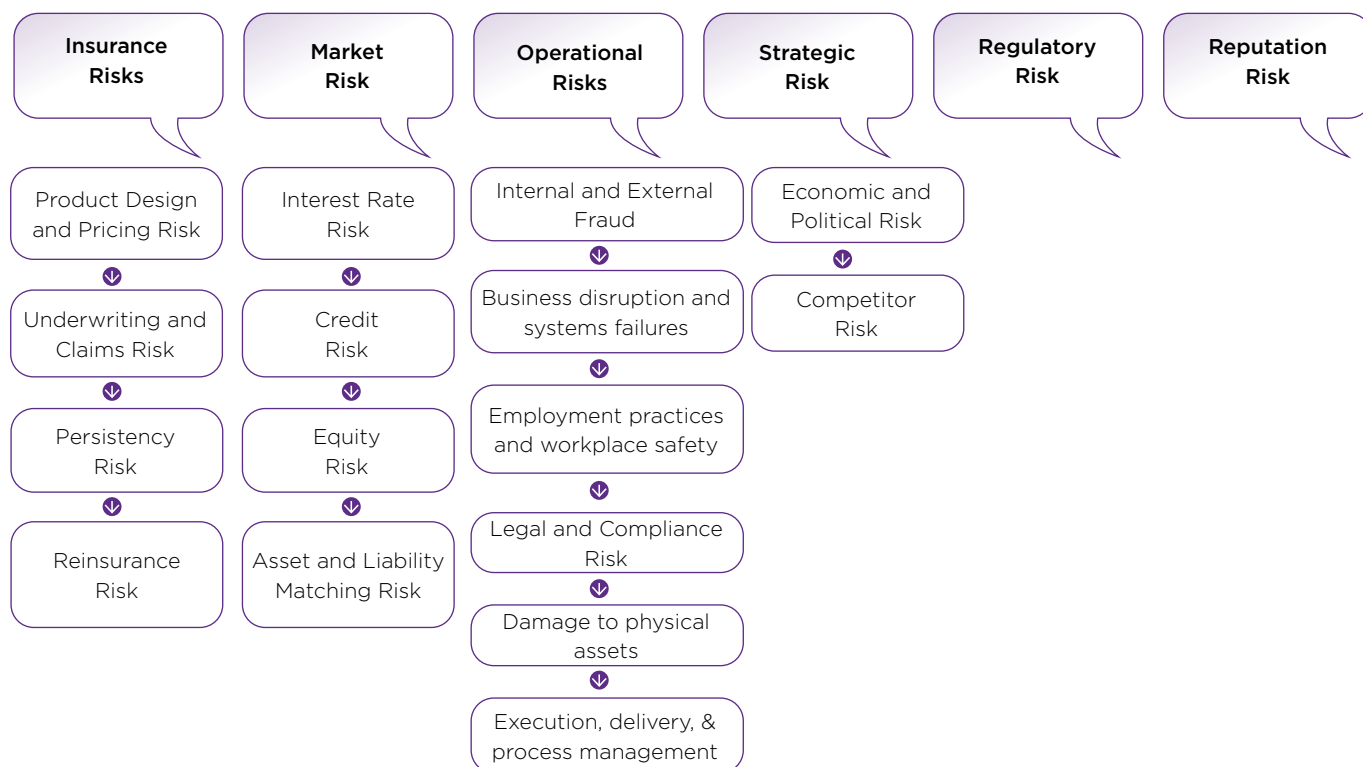
The Company's risk appetite and tolerance levels are discussed and set by the Internal Risk Committee and approved by the Board Risk Committee. The Board Risk Committee reviews these levels annually whilst, the Internal Risk Management Committee is responsible for the continuous monitoring and reporting of these limits as well as any business responses in times where these limits may be significantly challenged.

The limits are set considering global best practices, regulatory requirements, industry benchmarks and internal benchmarks based on the Company's strategic business objectives and is reviewed annually.

Risk Indicator		2023	2022
1.	Growth Compared to Industry	1.63 x	1.15 x
2.	Return on Equity	23.5%	25.0%
3.	Capital Adequacy Ratio	367%	287%
4.	Determination	140%	126%
5.	Compliance with Statutory Requirements	On Time Submission	On Time Submission
6.	Average value per new policy	Rs. 176,872	Rs. 169,090
7.	Claims Servicing Standards	75%	90%
8.	Expense Ratio	22.6%	21.7%

Risk Indicator		2023	2022
9.	UW Profit Margin	21.0%	30.6%
10.	Persistency-1st Year	83%	84%
11.	Persistency-2nd Year	61%	66%
12.	Persistency-3rd Year	54%	58%
13.	Operational Risk	0.015%	0.012%
14.	System Downtime (incidents)	1	-
15.	Staff Turnover	21%	18%
16.	Government Securities (as a % of Life Fund)	96%	67%
17.	Investment Yield	13%	17%

7. BIGGER ASSESSMENT OF THE COMPANY'S RISK LANDSCAPE



INTEGRATED RISK MANAGEMENT

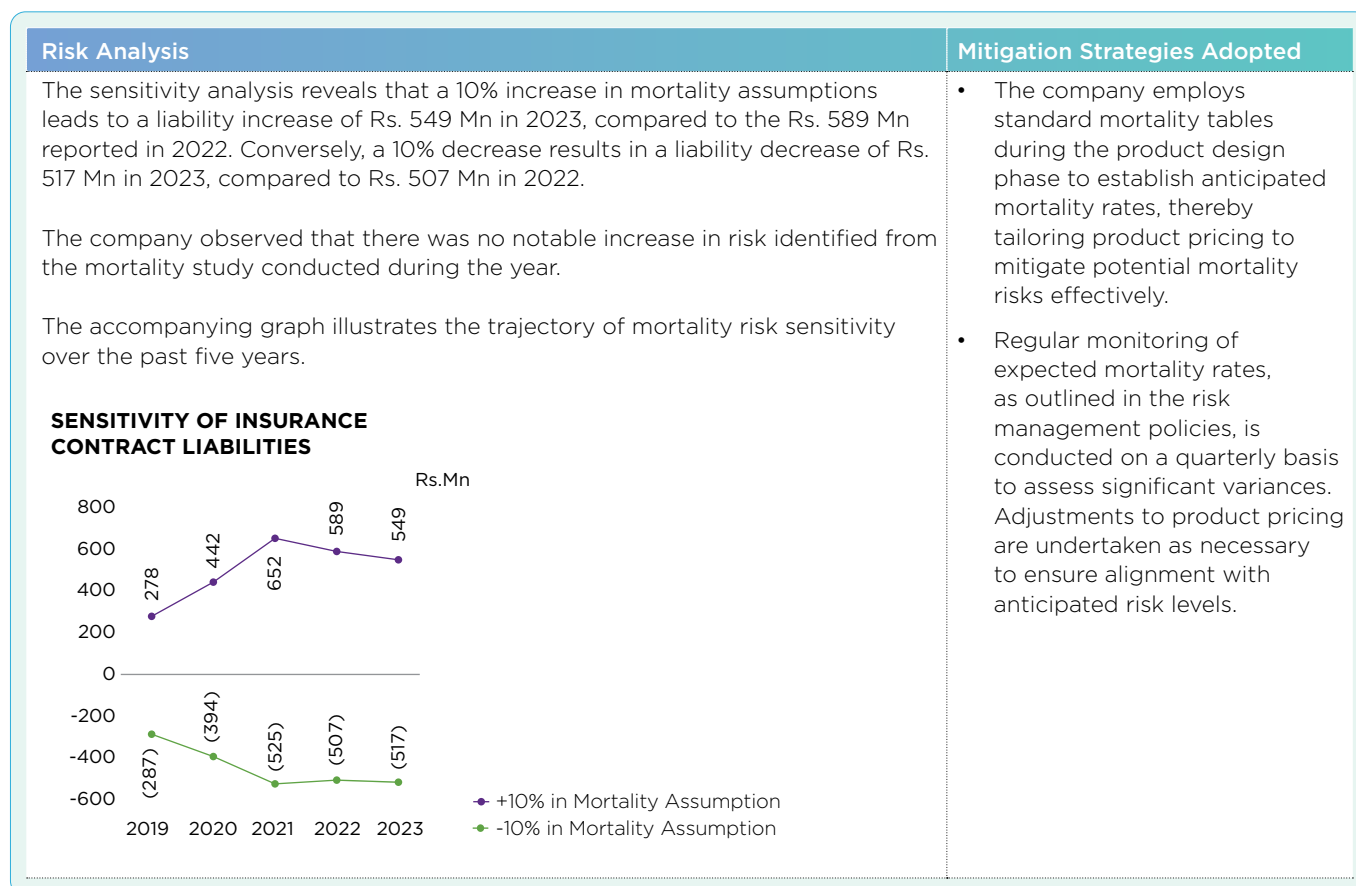
7.1 Risk Analysis of Softlogic Life Insurance PLC

The company engages in thorough risk analysis, quantification, and sensitivity testing to comprehensively assess its risk profile. Continuous monitoring of the business impact stemming from each risk is conducted alongside regular reviews of sensitivity thresholds. The analysis of the risk landscape will be outlined in the following manner, based on its materiality.

a. Analysis of Insurance Risk

i. Mortality Risk

The risk of incurring losses due to the actual death experience rates of policyholders surpassing the anticipated probabilities during the product design phase is a critical consideration. When the actual mortality rates exceed the pricing assumptions, the company faces an increase in death claims.

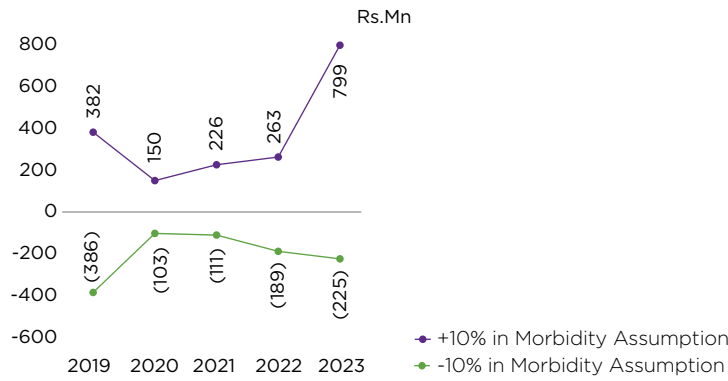


● Low Risk ● Medium Risk ● High Risk

ii. Morbidity Risk

The risk of financial losses resulting from unexpected variations in actual health outcomes compared to the anticipated experience during the product design phase is a critical consideration. This risk profile is subject to change based on the evolving product portfolio sold over the years.

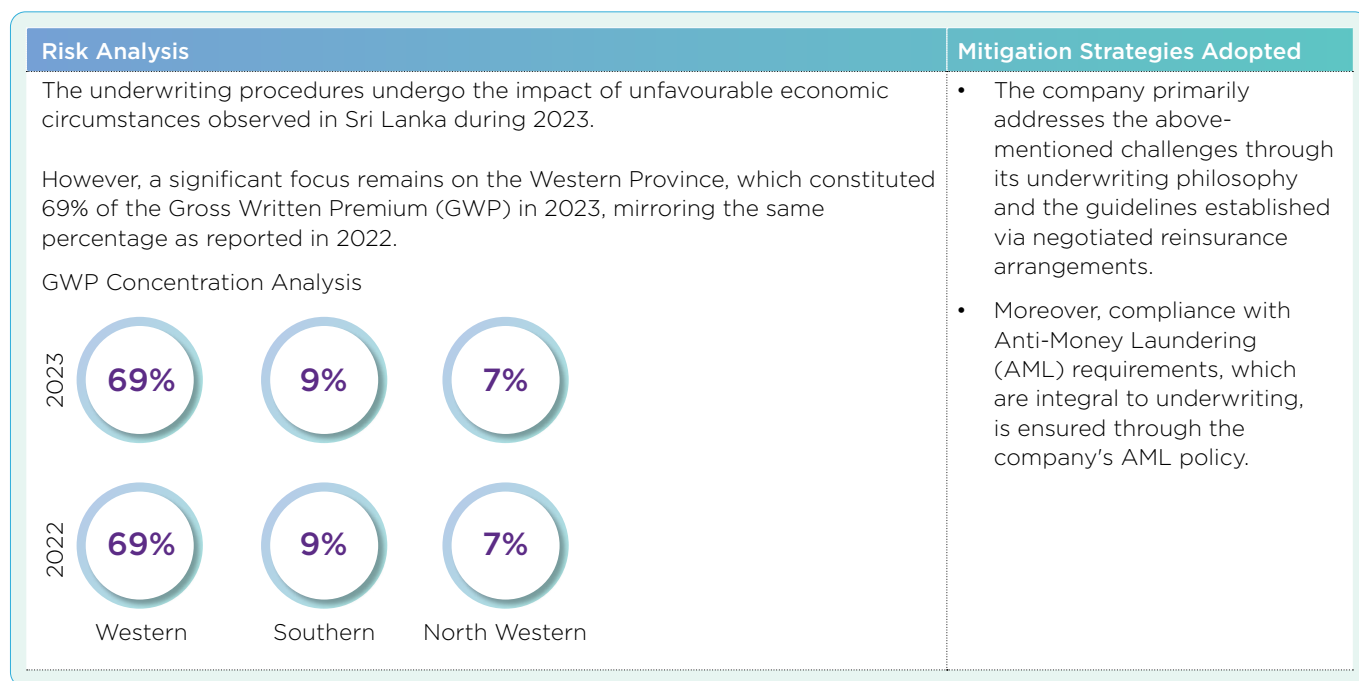


Risk Analysis	Mitigation Strategies Adopted
The sensitivity analysis conducted reveals that a 10% increase in morbidity assumptions leads to a liability increase of Rs. 799 million in 2023, compared to the Rs. 263 million reported in 2022. Conversely, a deviation of -10% results in a liability decrease of Rs. 225 million in 2023, compared to Rs. 189 million in 2022. The company experienced heightened claim outflows primarily attributed to an epidemic that impacted a significant portion of the year. In response, pricing adjustments have been introduced for new business. The accompanying graph illustrates the trajectory of morbidity risk sensitivity over the past five years. SENSITIVITY OF INSURANCE CONTRACT LIABILITIES  Rs.Mn ● +10% in Morbidity Assumption ● -10% in Morbidity Assumption	- The company employs standard mortality tables during the product design phase to establish anticipated mortality rates, thereby tailoring product pricing to mitigate potential mortality risks effectively. - Regular monitoring of expected mortality rates, as outlined in the risk management policies, is conducted on a quarterly basis to assess significant variances. Adjustments to product pricing are undertaken as necessary to ensure alignment with anticipated risk levels.

INTEGRATED RISK MANAGEMENT

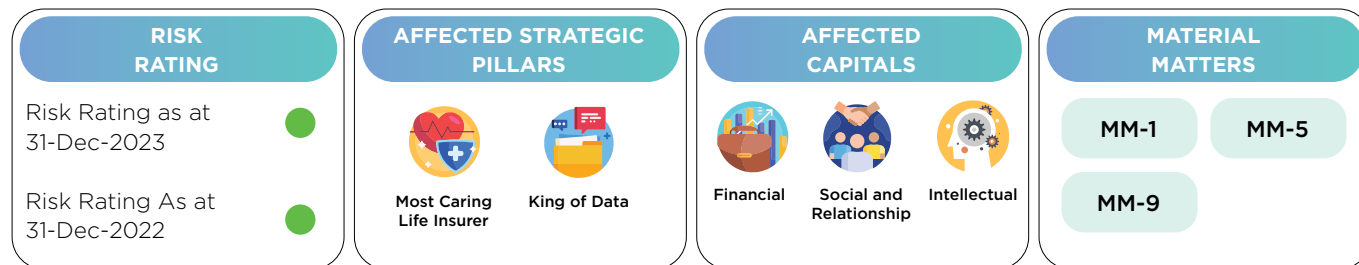
iii. Underwriting Risk

Inaccurate evaluations of risk during the underwriting process pose significant risks for insurance companies, wherein the company assumes the transferred risks from policyholder behaviour.

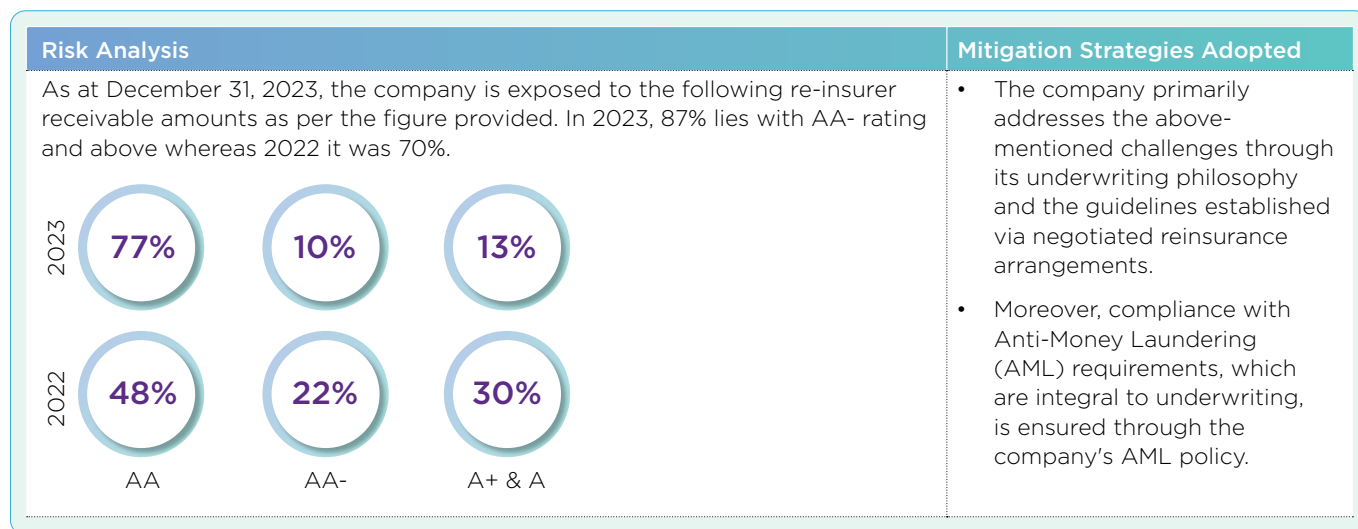


iv. Reinsurance Risk

The company has established reinsurance agreements with multiple reinsurers. The assessment of reinsurance risk relies on evaluating the likelihood of the reinsurer defaulting on payments for claims and The primary indicator considered in this matter is the credit rating of the reinsurer.



● Low Risk ● Medium Risk ● High Risk



b. Analysis of Market Risk

i. Interest Rate Risk

Interest rate risk is a key consideration for the company's financial instruments, particularly concerning investments in debt securities. The risk involves the potential for unfavourable fluctuations in fair values or future cash flows due to variations in market interest rates, alongside impacts on liability values caused by interest rate adjustments.



Risk Analysis					Mitigation Strategies Adopted
The Company is exposed to the following interest rate risk as at 31 December 2023.					The Treasury Middle Office (TMO) maintains its ongoing responsibility to detect, assess, and oversee all Investment and Market Specific Risks associated with the company's asset portfolio on a daily basis.
In LKR Mn	2023				
	Variable Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total	
Financial Assets	6,762	34,651	2,087	43,500	
Financial Liabilities	(5,392)	-	-	(5,392)	
Exposure to Interest Rate Risk	1,370	34,651	2,087	38,108	

● Low Risk ● Medium Risk ● High Risk

INTEGRATED RISK MANAGEMENT

Risk Analysis					Mitigation Strategies Adopted
In LKR Mn	2022				- The Treasury Middle Office has set market risk thresholds aligned with the company's overall risk tolerance across multiple parameters. They conduct daily surveillance to ensure compliance with these established limits. - The company strictly adheres to established guidelines and mandates approvals from both the Risk Committee and the Board of Directors if the limits/guidelines outlined in the TMO Policy are surpassed.
	Variable Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total	
Financial Assets	8,393	32,770	1,437	42,600	
Financial Liabilities	(5,952)	-	-	(5,952)	
Exposure to Interest Rate Risk	2,441	32,770	1,437	36,648	

ii. Credit Risk

Credit risk represents the potential financial loss faced by Softlogic Life if a counterparty fails to settle outstanding balances. By the end of December 31, 2023, the company's exposure to credit risk amounted to Rs. 45.8 billion, an increase from Rs. 44.6 billion reported as of December 31, 2022.

RISK RATING	AFFECTED STRATEGIC PILLARS	AFFECTED CAPITALS	MATERIAL MATTERS
Risk Rating as at 31-Dec-2023 ● Risk Rating As at 31-Dec-2022 ●	 King of Data  Lean and Fast	 Financial  Social and Relationship	MM-1 MM-9

Risk Analysis			Mitigation Strategies Adopted			
The company's exposure to credit risk originates from the following classifications of financial assets.			- Formulate credit policies in partnership with business units, that address collateral mandates, credit appraisals, risk grading, reporting, in addition to ensuring compliance with documentary, legal, regulatory, and statutory requisites. - The Treasury Middle Office has set market risk thresholds aligned with the Company's overall risk appetite across multiple parameters, conducting daily surveillance to ensure compliance with all established limits.			
In LKR Mn	2023 Exposure				2022 Exposure	
	Amount	%			Amount	%
Financial Investment	41,413	91%			41,163	92%
Premium Receivable	2,449	5%			1,763	4%
Cash at Bank	1,092	2%			729	2%
Reinsurance Receivable	465	1%			568	1%
Loans to Life Policyholder	331	1%			265	1%
Receivable and Other Assets	72	0%			71	0%
Total	45,823	100%			44,559	100%

● Low Risk ● Medium Risk ● High Risk

Risk Analysis	Mitigation Strategies Adopted			
The following table presents data detailing the credit risk exposure of the Company's financial investments, categorised based on their respective credit ratings assigned by local agencies. The Company did not exceed any credit exposure limits during the reporting period.	- Establishing the authorisation structure to approve and renew credit facilities, intermediaries, and reinsurers, aligning with credit policies. Business units are assigned authorisation limits accordingly. - Implementing measures to restrict concentrations of exposure to counterparties, industries, and issuers, while also managing risk within defined credit rating bands and market liquidity parameters.			
Risk Rating			2023 LKR Mn	2022 LKR Mn
Government Guaranteed			27,342	26,750
Debt instruments having credit ratings				
AAA			381	-
AA+ to AA-			820	2,064
A+ to A-			4,326	7,514
BBB+ to BBB-			4,007	1,030
Below BBB-			1,023	1,227
Unit trust				
AAA to A-			2,785	1,790
BBB+ to BBB-			729	788
Total			41,413	41,163

iii. Liquidity Risk

The Company evaluates liquidity risk, focusing on the possibility of inadequate liquid resources to meet its obligations in a timely manner. This assessment takes place regularly within the Assets and Liability Management Committee (ALCO), where efforts are made to maintain a diversified funding base to mitigate such risks effectively.

RISK RATING	AFFECTED STRATEGIC PILLARS	AFFECTED CAPITALS	MATERIAL MATTERS
Risk Rating as at 31-Dec-2023 ● Risk Rating As at 31-Dec-2022 ●	   Most Caring Life Insurer King of Data Lean and Fast	  Financial Social and Relationship	MM-1 MM-9

Risk Analysis	Mitigation Strategies Adopted
The table below depicts a maturity analysis, providing insights into the liquidity risk exposure of the Company as of 31 December 2023.	Periodic review undertaken by the Company's asset and liability management committee.

INTEGRATED RISK MANAGEMENT

Risk Analysis						Mitigation Strategies Adopted
The table below depicts a maturity analysis, providing insights into the liquidity risk exposure of the Company as of 31 December 2023.						• Maintaining a diversified range of highly liquid assets in the portfolio, ensuring a quick conversion into cash to mitigate unexpected short-term disruptions to cash flows. • Ensuring compliance with specified limits on maturity gaps in accordance with approved risk thresholds and maintaining investment compositions as outlined in the investment policy.
Description	No Maturity	Less than 1 year	1-3 years	More than 3 years	Total	
As of 31 December 2023						
Total Financial Assets	2,881	12,408	8,733	22,796	46,818	
Total Financial Liabilities	-	4,347	7,444	12,024	23,815	
Excess Assets / (Liabilities)	2,881	8,061	1,289	10,772	23,003	
As of 31 December 2022						
Total Financial Assets	2,219	14,754	8,405	19,890	45,268	
Total Financial Liabilities	-	5,513	1,775	9,274	16,562	
Excess Assets / (Liabilities)	2,219	9,241	6,630	10,616	28,706	

iv. Equity Risk

The risk of potential losses stemming from fluctuations in the price of equity holdings is a significant consideration. In equity markets, risk measurement often relies on calculating the standard deviation of a security's price across various periods. The Company implements its investment strategy by investing in equity, mitigating equity price risk through diversification and imposing constraints on individual and aggregate equity portfolio investments.

RISK RATING	AFFECTED STRATEGIC PILLARS	AFFECTED CAPITALS	MATERIAL MATTERS
Risk Rating as at 31-Dec-2023 ● Risk Rating As at 31-Dec-2022 ●	 Most Caring Life Insurer  King of Data  Lean and Fast	 Financial  Social and Relationship	MM-1 MM-9

Risk Analysis			Mitigation Strategies Adopted	
The Company reported a market value of Rs. 1.76 billion for its equity investments as of December 31, 2023, an increase from Rs. 1.44 billion in 2021. The subsequent section provides insight into the portfolio diversification of equity investments (sector analysis) for the Company.			• The Treasury Middle Office (TMO) diligently assesses, quantifies, and oversees all Investment and Market Specific Risks associated with the Company's Asset portfolio on a daily basis. • Ensuring alignment with the Company's overall risk appetite, the Treasury Middle Office has instituted market risk boundaries across various metrics, conducting daily monitoring to validate adherence to these prescribed limits.	
In LKR Mn	2023 Exposure		2022 Exposure	
	Amount	%	Amount	%
Banks	1,300	74%	875	61%
Diversified financials	92	5%	177	12%
Healthcare equipment and services	368	21%	385	27%
	1,760	100%	1,437	100%

v. Foreign Exchange Risk

Foreign exchange risk affects the Company's Fin Re transaction and Tier II Capital transactions. To mitigate this risk, the Company had invested in USD assets, including International Sovereign Bonds (ISB) and Sri Lanka Development Bonds (SLDB). However, amidst the ongoing debt restructuring process in Sri Lanka, the government has already exchanged SLDB for LKR Bonds and is expected to implement a haircut on ISB as part of the restructuring program. The following analysis provides foreign exchange risk analysis.

RISK RATING	AFFECTED STRATEGIC PILLARS	AFFECTED CAPITALS	MATERIAL MATTERS
Risk Rating as at 31-Dec-2023 ● Risk Rating As at 31-Dec-2022 ●	 Most Caring Life Insurer  King of Data	 Financial	MM-1 MM-9

Risk Analysis			Mitigation Strategies Adopted	
The Company's foreign currency exposure as of December 31, 2023, is as follows.			- Routine assessments of the timing of foreign currency cash inflows and outflows are conducted regularly, accompanied by proactive decision-making regarding reinvestments based on forecasted rates and scenarios as needed. - Assess the possibility of settling USD liabilities ahead of schedule as a strategy to mitigate prolonged exposure to foreign currency risks.	
Description	2023	2022	2023	2022
	USD Mn.	LKR Mn.	USD Mn.	LKR Mn.
Assets	13.9	4,497	37.6	13,731
Liabilities	16.5	5,339	18.6	6,794
Net Exposure	(2.6)	(842)	19.0	6,937

● Low Risk ● Medium Risk ● High Risk

INTEGRATED RISK MANAGEMENT

7.2 Mitigating Strategies for key risks faced by the Company

Risk Factor	Mitigation Strategies Adopted	Affected Strategy	Affected Capital	Material Matters	Risk Rating	
					2023	2022
Strategic Risk						
Economic and Political Risk	- The risk unit conducts economic analyses, economic forecasts identifies industry trends on quarterly basis. - These insights are presented to the Board Risk and Investment Committees for strategic decision-making support.			MM-1		
				MM-4		
Competitor Risk	- Continuously benchmark performance against peers and leverage market intelligence to track competitor activity. - These insights are shared with the product committee, assisting to maintain a competitive product portfolio informed by gathered intelligence.			MM-2		
				MM-7		
Regulatory Risk						
Minimum Capital Adequacy Ratio	- The Capital Management Policy is designed to maintain sufficient capital resources, utilising internal models and monthly CAR calculations to ensure regulatory compliance. - Concurrently, the risk and compliance units remain vigilant, to adapt strategies accordingly and ensure ongoing compliance with capital adequacy requirements.			MM-9		
				MM-1		
Increased Regulatory / Compliance Requirements	- The risk and compliance units remain vigilant in monitoring potential regulatory changes, proactively adapting strategies to ensure alignment with evolving requirements. - Compliance Unit facilitates communication of regulatory updates to relevant business units, and report compliance status quarterly to the Audit Committee.			MM-9		
				MM-1		
Reputation Risk						
Reputation Risk	- Clear operational risk policy to measure reputation risks effectively. - Closely monitor our social media page and address customer complaints through our customer relationship management unit. - All customer complaints are managed according to guidelines from the IRCSL			MM-1		
				MM-2		

● Low Risk ● Medium Risk ● High Risk

Risk Factor	Mitigation Strategies Adopted	Affected Strategy	Affected Capital	Material Matters	Risk Rating	
					2023	2022
Operational risk						
Business Continuity	- Availability of a formal business continuity plan detailing critical services and systems, along with their recovery time objectives. - Teams undergo annual knowledge sharing and testing to meet recovery time objectives in case of a disaster.			MM-1 MM-5		
Business Continuity of Critical Systems	- Availability of independent Disaster Recovery Site for our servers. - Regular Disaster Recovery Simulation exercises are conducted for critical systems.			MM-7 MM-8		
Occupational Health and Safety	- Distributed awareness flyers to all staff about fire procedures throughout the year - Success rates of all fire drills conducted were above 75% - Identified key staff and created succession plans for all departments.			MM-4		
Staff Turnover	- Hired branch staff with customer service experience and advanced skills. - Used Town Hall Sessions to address staff issues and offer solutions.			MM-3 MM-4		
Internal Controls	- Internal controls are regularly reviewed based on an annual plan approved by the Audit Committee - Units such as Claims Monitoring and Fraud Detection are established to strengthen preventive measures - Adoption rates for suggestions and recommendations are consistently high, approximately 95%-100%.	 	 	MM-9		
ESG Risks	- ESG Policy at Softlogic Life was reviewed and seamlessly integrated ESG risk reporting into the Risk Management Process. - Risk Limit Statement was categorised into E, S, and G risks, and an ESG impact statement was developed to assess yearly impacts on E, S, and G pillars.			MM-1		

Low Risk Medium Risk High Risk

INTEGRATED RISK MANAGEMENT

8. BETTER INSIGHT INTO MATERIALISATION STATUS OF FORECASTED KEY RISKS FOR 2023

The Company has disclosed predicted risks in its 2022 annual report for the year 2023. In this section we have assessed their materialisation throughout 2023. Materialisation status has been categorised into three options as follows:

-  Actual risk rating is higher than the predicted risk
-  Actual risk rating is lower than the predicted risk
-  Actual risk rating is Similar to the predicted risk

Predicted Risk	Risk Forecast Disclosed in 2022 Annual Report	Materialisation Occurred During 2023	Risk Direction
Prevalent Covid -19 Risk	●	●	—
Food Scarcity	●	●	—
Foreign Exchange Risk	●	●	—
Supply Chain Disruptions	●	●	—
Inflation	●	●	—
Lower Disposable Income of end Consumer	●	●	—
Volatile Energy Prices	●	●	↑
Increasing Interest Rates	●	●	↑
Climate Risks	●	●	↓

9. BOLDER PREDICTIONS: KEY RISK ANTICIPATED IN 2024 AND BEYOND

Given the ongoing shifts in Sri Lanka's economic and political landscape, and efforts underway to boost the economy, the Risk unit foresees several notable challenges ahead in 2024. As a result, we're actively ramping up our proactive measures to effectively address and mitigate these challenges.

The following outlines the forecasted risk ratings for 2024.

Predicted Risk Factors For 2024	Forecasted Risk Rating
Political Risks	●
Consolidation of Financial Services Industry	●
Reputation Risk	●
Competitor Risks	●
Morbidity Claims Risk (Communicable)	●
Morbidity Claims Risk (Non-Communicable)	●
Regulatory Requirements around Data	●
Cyber Risks	●
People Risk / Talent Shortage	●
Risks of Unregulated AI	●
Climate Risks	●

● Low Risk ● Medium Risk ● High Risk

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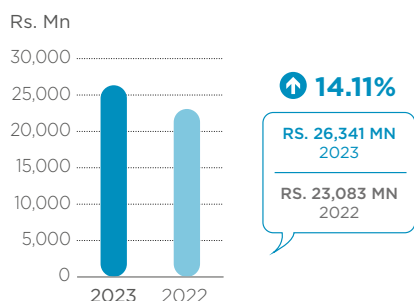


richer.
ROBUSTER.
READIER

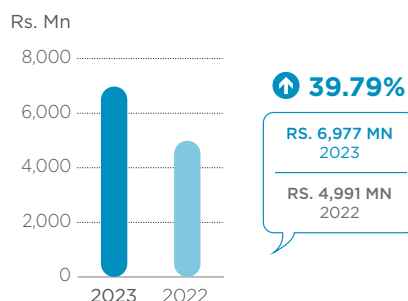
Armed with the ability to multiply and enhance value, we seek to provide our stakeholders with an unmatched proposition of holistic growth, while strengthening and preparing them to face a future of uncertainty and change.

FINANCIAL HIGHLIGHTS

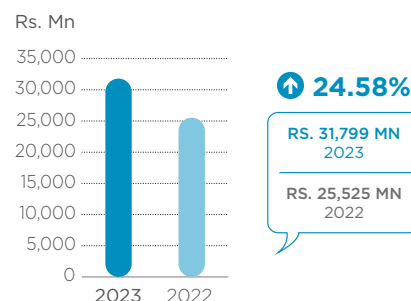
GROSS WRITTEN PREMIUM



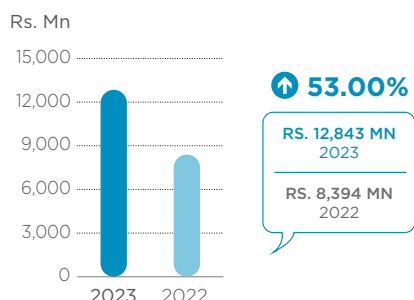
FINANCE INCOME



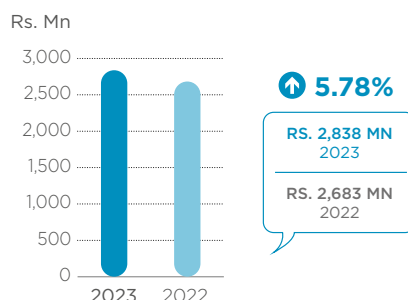
TOTAL NET REVENUE



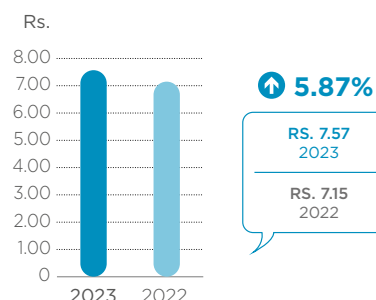
NET INSURANCE BENEFITS & CLAIMS



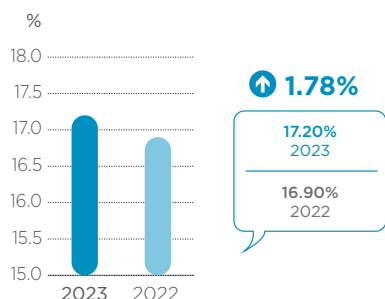
PROFIT AFTER TAXATION



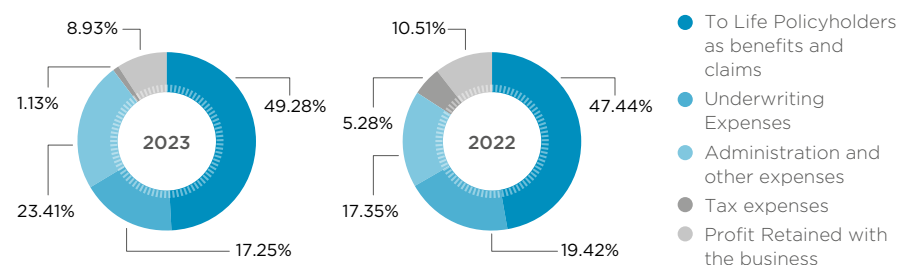
EARNING PER SHARE



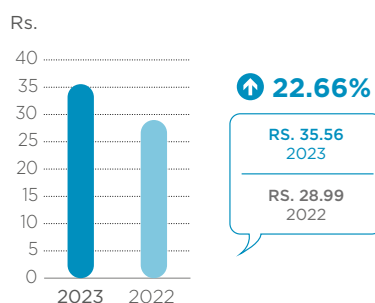
MARKET SHARE



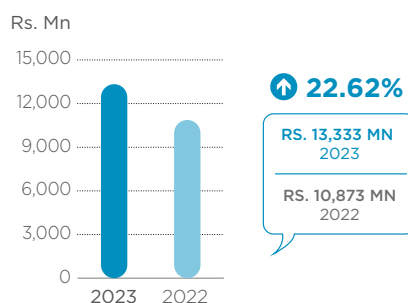
UTILIZATION OF NET REVENUE INCOME



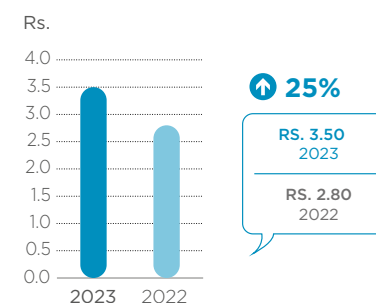
NET ASSET PER SHARE



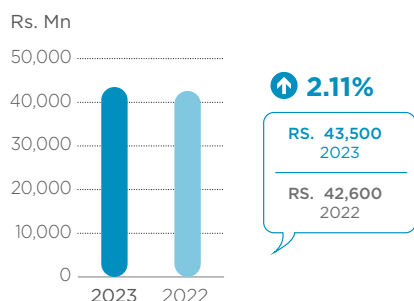
TOTAL EQUITY



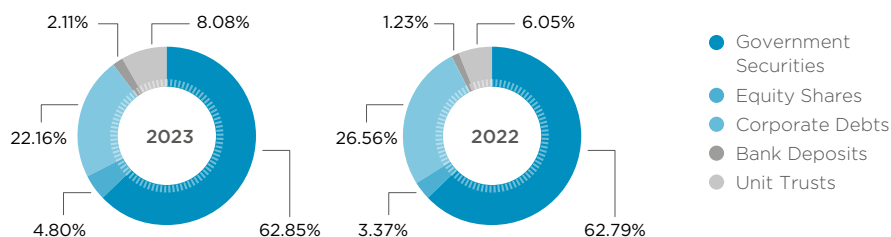
DIVIDEND PER SHARE



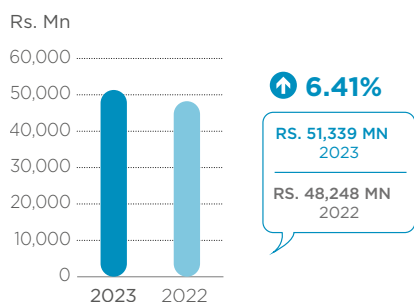
FINANCIAL INVESTMENTS



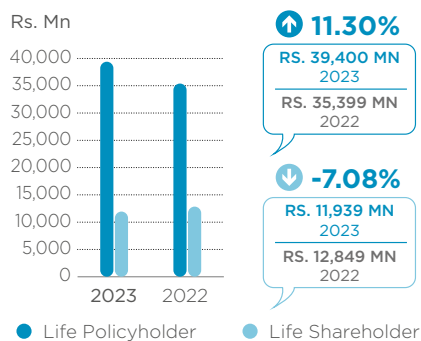
FINANCIAL INVESTMENTS - ASSET CLASS WISE



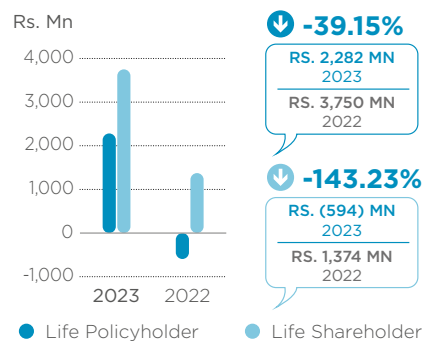
TOTAL ASSETS



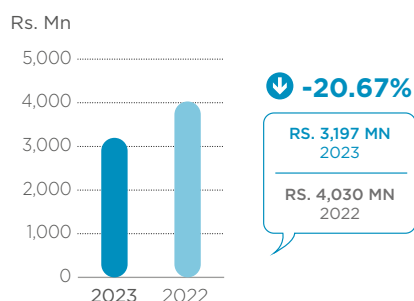
SEGMENT TOTAL ASSETS



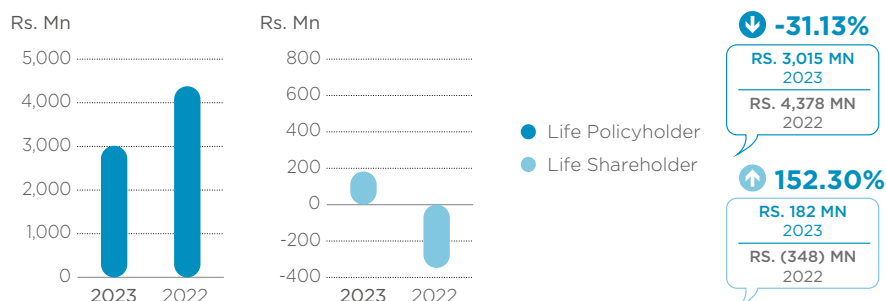
SEGMENT OPERATING CASH FLOWS



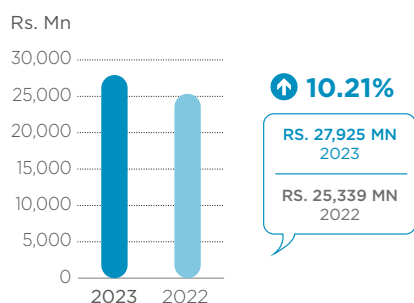
PROFIT BEFORE TAXATION



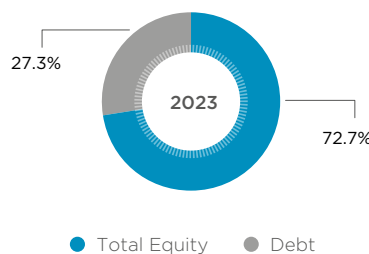
SEGMENT PROFIT BEFORE TAXATION



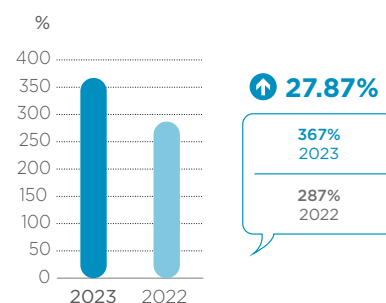
INSURANCE CONTRACT LIABILITIES



CAPITAL STRUCTURE



CAPITAL ADEQUACY RATIO (CAR)



ACTUARY'S REPORT

4th March 2024

The Board of Directors of Softlogic Life Insurance Plc
Level 16, One Galle Face Tower,
Colombo 02, Sri Lanka



Certificate of the Actuary for the Actuarial valuation of the Long term Business

I, Kunj Behari Maheshwari, being the Actuary for the life insurance business, to the best of my knowledge certify the following:

- (a) that proper records have been kept by Softlogic Life Insurance Plc in conducting the valuation of liabilities for the purpose of Section 48 of the Regulation of Insurance Industry Act No. 43 of 2000, and the Solvency Margin (Risk Based Capital) Rules, 2015;
- (b) that I have taken all reasonable steps to ensure the accuracy and completeness of the records mentioned in item (a) above;
- (c) that I have complied with the provisions of the said act in item (a) above;
- (d) that I have complied with provisions of the Solvency Margin (Risk Based Capital) Rules, 2015 and guidance notes / guidelines prescribed by the IRCSL there under in the determination of the net amount of liabilities as at 31 December 2023;
- (e) that the Surplus amount distributed / approved to transfer from the non-participating fund to shareholder fund for the period 1 January 2023 to 31 December 2023 amounted to LKR 3,015 million; and
- (f) that the Surplus amount distributed to life insurance policyholders who share in the profits (with respect to reversionary bonus declared) as provided in the Regulation of Insurance Industry Act, No 43 of 2000, amounted to LKR 518 million as at 31 December 2023.

Name and address of actuary with phone number and e-mail:

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India,
WTW
7th Floor, Unit 07-001, 2 2, Emaar Capital Towers

Mehrauli-Gurgaon Rd, Sector 26, Sikanderpur Ghosi,
Gurugram, 122002, India
Telephone: +91 124 432 2800
Email: kunj.maheshwari@willistowerswatson.com

Signature:

Place:

Gurugram, India

Date:

4th March 2024

Willis Towers Watson India Private Limited

Registered Office:
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Gurgaon Rd, Sector 26, Sikanderpur Ghosi
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W: www.wtwco.com
CIN – U67190HR1996PTC051336

REPORT ON THE LIABILITY ADEQUACY TEST (LAT)

4th March 2024

The Board of Directors of Softlogic Life Insurance Plc
Level 16, One Galle Face Tower,
Colombo 02,
Sri Lanka



Liability Adequacy Test

- 1.1. The Sri Lanka Accounting Standard 'SLFRS 4, Insurance Contracts' prescribes that an insurer shall assess at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash-flows under its insurance contracts. Willis Towers Watson has undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of Softlogic Life Insurance Plc as contemplated by SLFRS 4.
- 1.2. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability. For this purpose, the principles laid out within the risk-based capital framework as prescribed by the IRCSL, whereby liabilities are valued using a discounted cash-flow approach covering the full lifetime of all the cash in- and out-flows required to settle the obligations related to existing in-force insurance contracts are used as a starting point to assess the actuarial liability published by Softlogic Life in its financial statements. Adjustments made to and differences between the regulatory liability under the risk-based capital framework and the accounting liability under SLFRS basis have been suitably considered in providing this certification.
- 1.3. The projections are based on in-force policies and riders as at 31 December 2023.
- 1.4. Based on the checks undertaken, I certify:
 - that the valuation of actuarial liability is based on internationally accepted actuarial methods and adheres to the requirements under SLFRS 4;
 - that the assumptions used for such valuation are reasonable estimates based on available experience studies and after allowing for prescribed risk margins for adverse deviation; and
 - that the long term insurance provisions maintained within the life fund of Softlogic Life Insurance Plc as per the audited accounts of the Company for the year ended 31 December 2023 is in excess of the liabilities computed in the above mentioned manner.

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India,
WTW

Signature:

Place:

Date:

Gurgaon, India

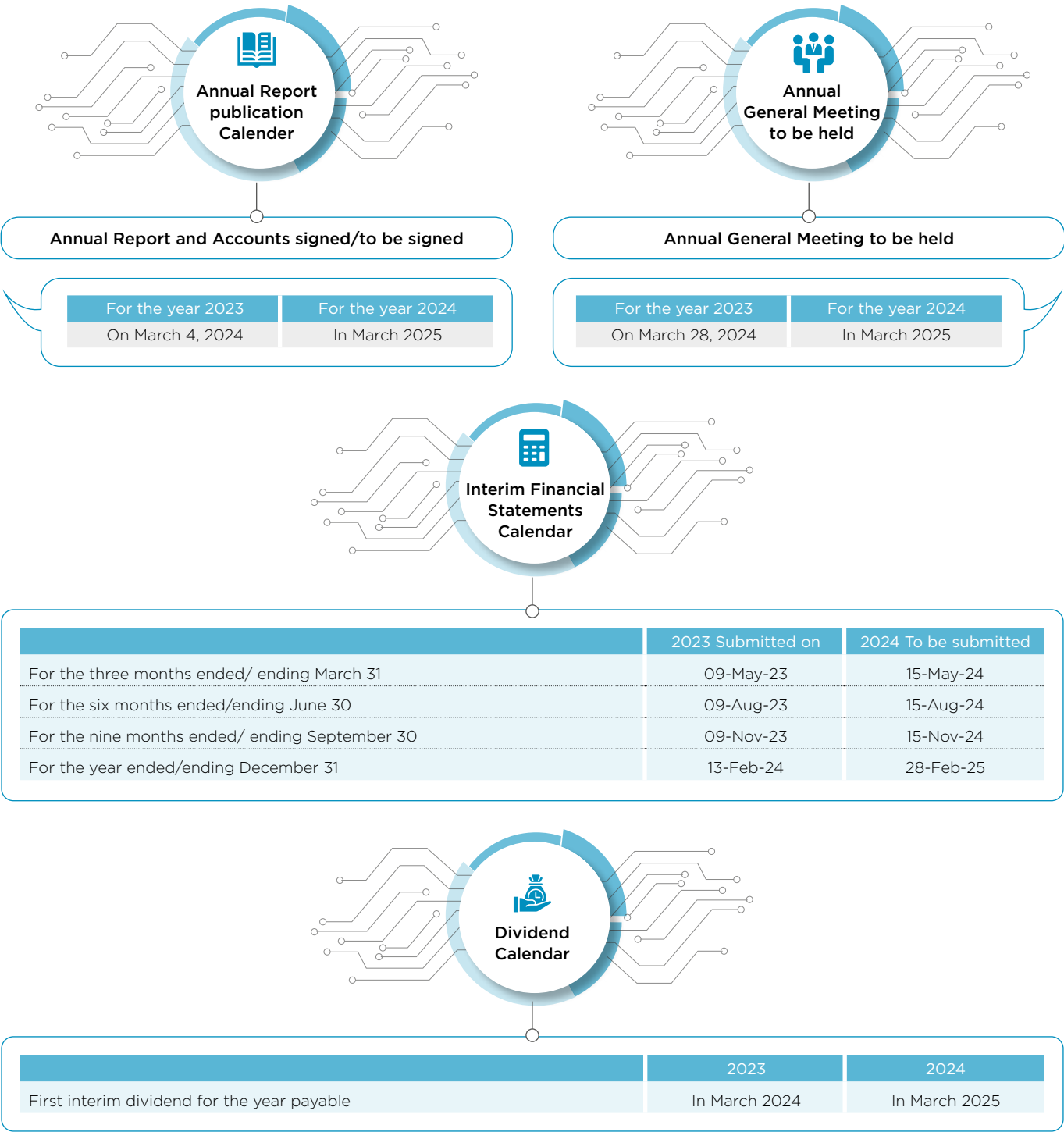
4th March 2024

Willis Towers Watson India Private Limited

Registered Office:
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CIN – U67190HR1996PTC051336

FINANCIAL CALENDAR



Follow the link for Trilingual Executive Statements and Financial Statements

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INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF SOFTLOGIC LIFE INSURANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Softlogic Life Insurance PLC ("the Company"), which comprise the statement of financial position as at December 31, 2023, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information as set out on Pages 276 to 376.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Insurance Contract Liabilities

Refer to Note 3.2.1 (page 279) and Note 39 (page 357) to these financial statements.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics 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 our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk Description	Our Response
The Company has recognised insurance contract liabilities amounting to Rs. 27.925 billion as at 31st December 2023. The Company's insurance contract liabilities represent 73.5 per cent of the Company's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. Economic assumptions, including discount rate, inflation, and operating assumptions including mortality, morbidity, future claims administration expenses, fund yield and persistency are key inputs used to estimate the long-term liabilities.	Our procedures among others included; - Assessing the competence, capabilities, and objectivity of management's expert and company's staff involved in the policy holders liability valuation process. - Assessing the controls adopted (including IT related controls) by the company in providing accurate and complete information to the independent appointed actuary for the purpose of the policy holders' liability valuation. - Reconciling the movement in policyholder liabilities during the year with the movements in the financial results reported in separate funds. - Testing management controls over the accuracy of data used in the life fund valuation and reconciling the data used to the underlying systems.

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Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

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

Risk Description	Our Response
These liabilities are measured on a market consistent basis with appropriate assumptions by the appointed actuary. This has been compounded by the uncertainty arising from the prevailing economic environment and the impact of these could have on various actuarial assumptions. Further, valuation of insurance contract liabilities depends on the accuracy of data used in calculating insurance liabilities or forming judgments over key assumptions, would have material impact on the valuation of insurance contract liabilities. Accordingly, due to the value of the liability balance relative to the total liabilities and subjectivity of the significant judgments involved and estimate uncertainty associated with the valuation, we considered Insurance contract liabilities as a Key Audit Matter.	• Reviewing the accuracy of methods and assumptions used in the valuation models by the Management appointed actuary, to determine the life fund balance. • Using KPMG specialists to Assess and challenge the key methods/ models and assumptions, used in driving the value of the insurance liabilities by, • Comparing the assumptions used by the management to expectations based on, current trends, market observable data and our own industry knowledge, • Evaluating the level of prudence applied and compared this to prior periods, • Applying their industry knowledge to benchmark the Company's reserving methodologies assumptions, and estimates of losses. • Assessing the adequacy of the disclosures pertaining to insurance contract liabilities in the financial statements.

Impairment for Financial Investments

Refer to Note 7.5 (page 318) and Note 29.2.3 (page 346) to these financial statements.

Risk Description	Our Response
The impairment of financial assets measured at amortised cost – International Sovereign Bonds is where the application of level 2 valuation techniques are used, involve the exercise of judgment and the use of assumptions and estimates with a level of subjectivity. Impairment testing of these financial assets measured at amortised cost is considered to be a key audit matter due to the complexities involved in determining the inputs and assumptions based on market information relating to these instruments and level of judgement applied by us and significance of the impact on income.	Our audit procedures among others included. • Challenging the underlying assumptions used and the methodology adopted by the company to compute the impairment by working with our Financial Risk Management Specialists. • Assessing the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives • Testing accuracy and consistency with company's accounting policies and assessing the reasonableness of related disclosures in the annual report.

IT Systems and controls

Risk Description	Our Response
Many financial reporting controls of the Company depend on the correct functioning of operational and financial IT systems. For example interfaces between policy administration and financial reporting systems, or automated controls that prevent or detect inaccurate or incomplete transfers of financial information etc. If these systems or controls fail, a significant risk of error in reported financial information can arise from the failure to transfer data appropriately between systems and/or inappropriate changes being made to financial data or systems. Due to the dependency and complexity of the IT systems this is identified as a Key Audit Matter.	Our audit procedures among others included. We used our own IT audit specialists to assist us in performing procedures in this area which include: • Assessing the governance and high-level controls in place across the IT environment, including the approach to policy design, review, awareness, and IT Risk management practices • Testing general IT controls involving restrictions on system access, permissions and responsibilities of the authorised users, process for approving changes to the systems etc. • Testing controls over specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements. • Testing compensating controls, such as reconciliations between systems and other information sources and performed additional substantive testing such as using extended sample sizes and performing data analysis routines over the full population of transactions.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

INDEPENDENT AUDITOR'S REPORT



Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, to clearly indicate the true and fair view of the financial position of the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1798.

Chartered Accountants
Colombo, Sri Lanka
4th March 2024

INCOME STATEMENT

For the year ended 31 December	Note	Page	2023 Rs. '000	2022 Rs. '000	Change %
Gross written premiums	8	320	26,341,321	23,083,425	14
Premiums ceded to reinsurers	9	320	(2,490,889)	(2,678,803)	(7)
Net written premiums	10	321	23,850,432	20,404,622	17
Other revenue					
Finance income	11	321	6,977,443	4,991,145	40
Net realised gains	12	322	227,391	169,908	34
Net fair value gains / (losses)	13	323	733,445	(51,101)	1,535
Other operating income	14	323	9,885	10,239	(3)
Total other revenue			7,948,164	5,120,191	55
Total net revenue			31,798,596	25,524,813	25
Net benefits, claims and expenses					
Net insurance benefits and claims paid	15	323	(12,898,161)	(8,264,286)	56
Net change in insurance claims outstanding	16	324	54,823	(129,299)	(142)
Change in insurance contracts liabilities	17	325	(2,828,082)	(3,717,074)	(24)
Underwriting and net acquisition cost (Net of reinsurance)	18	326	(5,486,208)	(4,955,888)	11
Other operating and administration expenses	19	326	(5,111,111)	(4,356,879)	17
Impairment charge on financial investments	20.1	327	(1,081,777)	(2,138,790)	(49)
Finance (cost) / gains	20.2	327	(1,250,909)	2,067,787	(160)
Total benefits, claims and expenses			(28,601,425)	(21,494,429)	33
Profit before tax	21	328	3,197,171	4,030,384	(21)
Income tax expenses	22	328	(358,768)	(1,347,508)	(73)
Profit for the year			2,838,403	2,682,876	6
Profit attributable to:					
Owners of the Company			2,838,403	2,682,876	
Non controlling interest			-	-	
			2,838,403	2,682,876	6
Earnings per share					
Basic earnings per share (Rs.)	23.1	330	7.57	7.15	6
Diluted earnings per share (Rs.)	23.2	331	7.57	7.15	6

The accounting policies and notes appearing on pages 276 to 376 form an integral part of these Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Note	Page	2023 Rs. '000	2022 Rs. '000	Change %
Profit for the year			2,838,403	2,682,876	6
Other comprehensive income					
Items that will not be reclassified to income statement					
Equity investments at FVOCI - net change in fair value	37.1	356	606,708	(561,451)	
Equity investments at FVOCI - net change in fair value - Life fund	37.1	356	43,133	(275,695)	
Re-measurement gains / (losses) on defined benefit liabilities	40.6	366	(20,844)	26,215	
Gains on revaluation of land and building	37.2	356	43,783	-	
Related tax / deferred tax			-	-	
			672,780	(810,931)	(183)
Items that are or may be reclassified subsequently to income statement					
Debt investments at FVOCI - net change in fair value	37.1	356	42,641	(51,689)	
Debt investments at FVOCI - net change in fair value - Life fund	37.1	356	218,387	(486,579)	
Debt investments at FVOCI - reclassified to income statement	37.1	356	711	817	
Related tax / deferred tax			-	-	
			261,739	(537,451)	(149)
Total other comprehensive income for the year, net of tax			934,519	(1,348,382)	(169)
Total comprehensive income for the year, net of tax			3,772,922	1,334,494	183
Total comprehensive income attributable to:					
Owners of the Company			3,772,922	1,334,494	
Non - controlling interests			-	-	
			3,772,922	1,334,494	183

The accounting policies and notes appearing on pages 276 to 376 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2023 Rs. '000	2022 Rs. '000
Assets				
Intangible assets	25	332	2,364	2,566
Property, plant and equipment	26	333	707,427	579,357
Right of use assets	27	338	611,661	556,915
Deferred tax assets	28	340	838,938	-
Financial investments	29	343	43,500,215	42,599,855
Loans to life policyholders	30	352	331,301	265,060
Reinsurance receivables	31	353	465,211	568,379
Premium receivables	32	354	2,449,089	1,763,388
Receivables and other assets	33	354	1,333,537	1,172,879
Cash and cash equivalents	34	355	1,099,679	739,944
Total assets			51,339,422	48,248,343
Equity and liabilities				
Equity				
Stated capital	35	355	1,062,500	1,062,500
Restricted regulatory reserve	36	356	798,004	798,004
Other reserves	37	356	(2,144,892)	(3,100,255)
Retained earnings	38	357	13,617,734	12,112,675
Total equity			13,333,346	10,872,924
Liabilities				
Insurance contract liabilities	39	357	27,925,474	25,338,502
Employee benefit liabilities	40	364	276,302	208,959
Loans and borrowings	41	367	5,014,997	5,643,918
Reinsurance payables	42	368	718,855	2,246,237
Income tax liabilities	43.9	370	927,170	801,030
Other liabilities	43	368	2,766,588	2,828,455
Bank overdraft	34	355	376,690	308,318
Total liabilities			38,006,076	37,375,419
Total equity and liabilities			51,339,422	48,248,343
Net asset per share (Rs.)			35.56	28.99
Net asset per share (Rs.) - excluding one-off surplus			33.43	26.87

The accounting policies and notes appearing on pages 276 to 376 form an integral part of these Financial Statements.

Certification

These Financial Statements are in compliance with the requirements of the Companies Act No 07 of 2007.

Sgd.

Nuwan Withanage

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.

Sgd.

Ashok Pathirage

Chairman

Colombo

4th March 2024

Sgd.

Iftikar Ahamed

Managing Director

STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital Rs. '000	Restricted regulatory reserve Rs. '000	Other reserves		Retained earnings Rs. '000	Total Rs. '000
				Fair value reserve Rs. '000	Revaluation reserve Rs. '000		
Balance as at 1 January 2022		1,062,500	798,004	(1,855,391)	129,733	10,453,584	10,588,430
Profit for the year						2,682,876	2,682,876
Other comprehensive income for the year							
Equity investments at FVOCI - net change in fair value	37.1	-	-	(561,451)	-	-	(561,451)
Equity investments at FVOCI - net change in fair value - Life fund	37.1	-	-	(275,695)	-	-	(275,695)
Re-measurement gains / (losses) on defined benefit liabilities	40.6	-	-	-	-	26,215	26,215
Gains on revaluation of land and building		-	-	-	-	-	-
Debt investments at FVOCI - net change in fair value	37.1	-	-	(51,689)	-	-	(51,689)
Debt investments at FVOCI - net change in fair value - Life fund	37.1	-	-	(486,579)	-	-	(486,579)
Debt investments at FVOCI - reclassified to income statement	37.1	-	-	817	-	-	817
Total other comprehensive income, net of tax		-	-	(1,374,597)	-	26,215	(1,348,382)
Total comprehensive income for the year		-	-	(1,374,597)	-	2,709,091	1,334,494
Transaction with owners of the Company							
Contributions and distributions							
Interim dividend - 2021	24.3	-	-	-	-	(1,050,000)	(1,050,000)
Total transactions with owners of the Company		-	-	-	-	(1,050,000)	(1,050,000)
Balance as at 31 December 2022		1,062,500	798,004	(3,229,988)	129,733	12,112,675	10,872,924
Profit for the year		-	-	-	-	2,838,403	2,838,403
Other comprehensive income for the year							
Equity investments at FVOCI - net change in fair value	37.1	-	-	606,708	-	-	606,708
Equity investments at FVOCI - net change in fair value - Life fund	37.1	-	-	43,133	-	-	43,133
Re-measurement gains / (losses) on defined benefit liabilities	40.6	-	-	-	-	(20,844)	(20,844)
Gains on revaluation of land and building	26.1	-	-	-	43,783	-	43,783
Debt investments at FVOCI - net change in fair value	37.1	-	-	42,641	-	-	42,641
Debt investments at FVOCI - net change in fair value - Life fund	37.1	-	-	218,387	-	-	218,387
Debt investments at FVOCI - reclassified to income statement	37.1	-	-	711	-	-	711
Total other comprehensive income, net of tax		-	-	911,580	43,783	(20,844)	934,519
Total comprehensive income for the year		-	-	911,580	43,783	2,817,559	3,772,922
Transaction with owners of the Company							
Contributions and distributions							
Interim dividend - 2022	24.3	-	-	-	-	(1,312,500)	(1,312,500)
Total transactions with owners of the Company		-	-	-	-	(1,312,500)	(1,312,500)
Balance as at 31 December 2023		1,062,500	798,004	(2,318,408)	173,516	13,617,734	13,333,346

The accounting policies and notes appearing on pages 276 to 376 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2023 Rs. '000	2022 Rs. '000
Cash flows from operating activities				
Profit before taxation			3,197,171	4,030,384
Adjustments for :				
Depreciation of property, plant and equipment	26.1	335	133,393	133,058
Amortisation of intangible assets	25.1	332	722	590
Amortisation of right of use asset	27.1	339	305,520	289,667
Interest expenses on lease liabilities and borrowings	43.4/41	369/367	727,743	552,775
Provision for employee benefit liabilities	40.4	366	67,029	50,714
Gain on sale of property, plant and equipment	14	323	(141)	(135)
Net realised gains	12	322	(227,391)	(169,908)
Net fair value (gain) / loss	13	323	(733,445)	51,101
Net unrealised loss / (gain) on foreign currency transactions	20.2	327	402,348	(2,721,540)
Net amortisation of financial investments	29.5	352	(1,931,198)	(2,463,163)
Provision for impairment losses on financial investments	20.1	327	1,081,777	2,138,820
			3,023,528	1,892,363
Change in operating assets				
Increase in loans to life policyholders			(66,241)	(40,862)
Decrease / (Increase) in reinsurance receivables			103,168	(336,792)
Increase in premium receivables			(685,701)	(779,731)
Increase in receivables and other assets			(257,296)	(93,712)
			(906,070)	(1,251,097)
Change in operating liabilities				
Increase in insurance contract liabilities			2,742,320	3,170,581
(Decrease) / Increase in reinsurance payables			(1,371,949)	663,617
(Decrease) / Increase in other liabilities			(78,348)	1,107,509
			1,292,023	4,941,707
Net cash generated from operations			3,409,480	5,582,972
Gratuity paid	40.4	366	(20,530)	(8,169)
Income tax Paid			(1,101,542)	-
Interest paid	41.1	367	(599,383)	(450,446)
Net cash flows from operating activities			1,688,026	5,124,358
Cash flows from investing activities				
Acquisition of investment securities	29.5	352	(41,704,138)	(44,374,186)
Proceeds from sale of investment securities			42,293,266	40,811,604
Acquisition of property, plant and equipment	26.1	335	(217,679)	(94,882)
Net Acquisition of Right of Use Asset			(79,116)	(39,152)
Proceeds from the sale of property and equipment			141	347
Acquisition of intangible assets	25.1	332	(520)	(1,800)
Net cash flows used in investing activities			291,954	(3,698,069)
Cash flows from financing activities				
Dividend paid to equity holders	24.3	331	(1,312,500)	(1,050,000)
Principal Payment of lease liabilities	43.4	369	(376,117)	(351,033)
Net cash flows used in financing activities			(1,688,617)	(1,401,033)
Net increase in cash and cash equivalents			291,363	25,256
Net cash and cash equivalents as at 1 January			431,626	406,370
Net cash and cash equivalents as at 31 December			722,989	431,626
Analysis of cash and cash equivalents				
Cash in hand and at bank	34.1	355	1,099,679	739,944
Bank overdrafts	34.1	355	(376,690)	(308,318)
Total cash and cash equivalents as at 31 December	34.1	355	722,989	431,626

The accounting policies and notes appearing on pages 276 to 376 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity

Softlogic Life Insurance PLC ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka. The Company is regulated under the Insurance Industry Act No. 43 of 2000 and amendments thereto. The Company was re-registered under the Companies Act No. 07 of 2007 and the registered office is situated at Level 16, One Galle Face Tower, Colombo - 02. The ordinary shares of the Company have a primary listing on the CSE.

1.2 Parent entity and ultimate parent entity

The parent entity of the Company is Softlogic Capital PLC. In the opinion of the Board of Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka. The Financial Statements of parent and ultimate parent of the entity are available for public use.

1.3 Principal activities and nature of operations of the Company

The principal business activity of the Company is providing Life Insurance solutions for both individual and corporate customers. Life Insurance is a protection against financial losses that would result from an insured event adversely affecting the insured. In such situations, the nominated beneficiary receives the proceeds and is thereby safeguarded from financial impacts of the insured event. The benefit paid by a life insurer is consideration for premium payments made by the insured. There were no significant changes in the nature of the principal activities during the financial year under review.

1.4 Number of employees

The staff strength of the Company as at 31 December 2023 is 985 (2022 was 999).

1.5 Financial statements

The Financial Statements for the year ended 31 December 2023 comprise only "the Company" referring to Softlogic Life Insurance PLC.

Corporate information is given in page 405 of this Annual Report.

2. BASIS OF ACCOUNTING

2.1 Statement of compliance

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry (RII) Act, No 43 of 2000 and amendments thereto, rules and regulations of the Insurance Regulatory Commission of Sri Lanka, Statement of Recommended Practice (SoRP) and Financial Reporting Guidelines issued by CA Sri Lanka and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

These SLFRSs and LKASs are available at the website of CA Sri Lanka www.casrilanka.com

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Company has not adopted any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of these Financial Statements.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledge their responsibility for Financial Statements as set out in the 'Annual Report of the Board of Directors', 'Statement of Directors' Responsibility' for the financial reporting and the certification on the Statement of Financial Position on pages 196, 205 and 273 respectively.

These Financial Statements include following components:

Income Statement and Statement of Profit or Loss and Other Comprehensive Income	Providing the information on the financial performance of the Company for the year under review (Refer pages 271 and 272).
Statement of Financial Position	Providing the information on the financial position of the Company as at the year-end (Refer page 273).
Statement of Changes in Equity	Depicting all changes in shareholders' equity during the year under review of the Company (Refer page 274).
Statement of Cash Flows	Providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilise those cash flows (Refer page 275).
Notes to the Financial Statements comprising material accounting policies and other explanatory information (Refer pages 276 to 376).	

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31 December 2023 (including comparatives for 2022), were approved and authorised for issue by the Board of Directors on 04 March 2024.

2.4 Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items stated in the Statement of Financial Position.

Category	Items	Basis of measurement	Note	Page reference
Assets	Financial instruments measured at fair value through profit or loss including derivative financial instruments	At fair value	29.4	350
	Financial instruments measured at fair value through other comprehensive income	At fair value	29.3	348
	Land and building	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	26.17	337
Liabilities	Employee benefit liabilities	Actuarially valued and recognised at present value of the defined benefit obligation	40	364
	Insurance contract liabilities	Appointed Actuary determined values based on the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and SLFRSs and LKASs	39	357

2.5 Going concern basis of accounting

In determining the basis of preparing the Financial Statements for the year ended 31 December 2023, management has considered all available information, the consequences of current macro-economic conditions of the country, climate related risks, other events and conditions. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern due to the improving operating environment, developments to product strategies and actions taken to mitigate the impact of economic crisis.

Further, in determining the going concern, the management performed multiple stress tested scenarios; considering cost management practices, ability to continue operations under current economic crisis, cash reserves, ability to secure additional funding to finance the adverse effects to the cash flows, ability to secure required human resources, expected revenue streams, credit and collection management practices and expense management and curtailment practices including ability to defer non-essential capital expenditure.

Accordingly, the Management has assessed its ability to continue as a going concern and is satisfied that it has adequate resources to continue in the business for the foreseeable future. Further, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company are continued to be prepared on a going concern basis.

2.6 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Accordingly, these Financial Statements including supplementary information are presented in Sri Lankan Rupees (LKR), the Company's functional and presentation currency.

There was no change in the Company's presentation and functional currency during the year under review.

2.7 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern as explained by Statement of Recommended practice (SoRP) issued by the Insurance Regulatory Commission of Sri Lanka.

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 1 Presentation of Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

2.9 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclosed in the accounting policies of the Company.

2.10 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 including recent amendments thereto i.e. Disclosure Initiative (effective from 01 January 2016) and Disclosure of Accounting Policies (effective from 01 January 2023). The company has also voluntarily followed the best practices laid down in the IFRS Practice Statement 2 on Making Materiality Judgements.

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.

2.11 Supplementary Statements - Statement of Financial Position – Life Fund

Supplementary Statement of Financial Position of Life Insurance Fund together with notes are disclosed in pages 378 to 380 as per the requirement of the SoRP for Insurance Contracts.

2.12 Financial period

The Financial Statements are prepared for the twelve months period ended and as at 31 December 2023.

2.13 Comparative information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. USE OF MATERIAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs, the Management has made judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of

assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The most significant areas of estimation uncertainty and critical judgements, in applying accounting policies that have material effect on the amounts recognised in the Financial Statements of the Company are as follows:

3.1 Material accounting judgements

Information about judgments made in applying accounting policies that have material effects on the amounts recognised in these Financial Statements is included in the following notes.

Critical judgements	Note	Page
Classification of financial assets	3.1.1	278
Lease terms - extension options	3.1.3	279
Classification of insurance, reinsurance, and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	39.2	358
Impairment assessment including establishing criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition	4.2.12.3	286
Impact of economic crisis to the Financial Statements	6.7	311

Accounting Judgements

3.1.1 Classification of financial assets

Critical accounting policies of the Company provides scope for financial assets to be classified and subsequently measured into different categories:

- Amortised Cost (AC)
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit or Loss (FVTPL), based on the following criteria;
 - » The entity's business model for managing the financial assets as set out in Note 4.2.3.1 on page 282.
 - » The contractual cash flow characteristics of the financial assets as set out in Note 4.2.3.2 on page 283.

Refer Notes 29.2, 29.3 and 29.4 on pages 344 to 351 for more information on classification of financial assets.

3.1.2 Impairment assessment of financial investments

The measurement of impairment losses across the categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. Accordingly, the Company reviews its financial investments at each reporting date to assess whether an impairment loss should be provided in the Income Statement. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made. A collective impairment provision is established for:

- Groups of homogeneous receivables that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired.

3.1.3 Lease terms - extension options

The Company assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The extension options held are exercisable only by the Company and not by the lessors.

The Management has assessed the potential extension options for each lease agreement and decided that possibility of extending of the same lease agreement is remote due to the operating structure of the Company.

3.2 Accounting assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustments for the year ended 31 December 2023 are included in the following notes.

Critical accounting assumptions and estimation uncertainties	Note	Page
Insurance contract liabilities and key actuarial assumptions	39.9 and 3.2.1	360 and 279
Fair value of financial instruments with significant unobservable inputs	3.2.2	280
Impairment measurement of financial assets: determination of inputs into the Expected Credit Loss (ECL) measurement model, including key assumptions and incorporation of forward-looking information	3.2.3	280

Critical accounting assumptions and estimation uncertainties	Note	Page
Fair value of land and buildings	3.2.4	280
Useful life-time of property, plant and equipment	3.2.5	280
Measurement of defined benefit obligation: key actuarial assumptions	3.2.6 and 40.3	280 and 365
Recognition of deferred tax asset	3.2.7	280
Estimating the incremental borrowing rate for lease liabilities	3.2.8	281
Provisions and contingencies	3.2.9	281
Modifications to the discount rate used for valuation of insurance contract liabilities	39.10	361
Impairment of non-financial assets	4.4	288
Going concern basis	2.5	277
Liability Adequacy Test (LAT)	39.16	362

Assumptions and estimation uncertainties

3.2.1 Valuation of insurance contract liabilities

The liability for life insurance contracts with Discretionary Participating Features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best estimate of future cash flows.

The main assumptions used in relation to mortality, morbidity, longevity, investment returns, expenses, and discount rates are further detailed in Notes 39.9 to 39.10 on pages 360 to 361.

For those contracts that ensure risk related to longevity and prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to lifestyle, which could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectation about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience. Discount rates are based on current market rates by considering timing and liquidity nature of the insurance liabilities.

The valuation of the long-term insurance contract liabilities as at 31 December 2023 was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited based on the assumptions set out in Note 39.9 to the Financial Statements on page 360.

NOTES TO THE FINANCIAL STATEMENTS

All life insurance contracts are subject to the Liability Adequacy Test (LAT) as required by SLFRS 4 - Insurance Contracts. The LAT was carried out by Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited. For further details please refer to the Note 39.16 to the Financial Statements on page 362.

Carrying amount of Insurance contract liabilities, assumptions and estimates used to determine Insurance contract liabilities are disclosed in Note 39 on pages 357 to 364.

Refer Table 3 on page 292 for sensitivity analysis.

3.2.2 Fair value of financial instruments with significant unobservable inputs

The determination of fair values of financial assets and financial liabilities recorded in the Statement of Financial Position, for which there is no observable market price are determined using a variety of valuation techniques that include use of mathematical models. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 7 on page 313.

3.2.3 Impairment measurement of financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

The Company's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models include:

- The Company's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so, allowances for financial assets measured on a Life Time Expected Credit Loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions (including policy rates, inflation, growth in gross domestic product, sovereign rating, effect from uncertain volatile macro-economic conditions, etc.).

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

Refer Notes 4.2.13 and 29.2.3 on pages 286 and 346 for further details.

3.2.4 Fair value of land and buildings

The Company measures land and buildings at revalued amounts with changes in fair value being recognised in equity through Other Comprehensive Income (OCI). Valuations are performed in every alternate year to ensure that the fair value of a revalued asset does not differ materially from the carrying amount. The Company engages independent professional valuer Mr. Anuradha Senevirathne, Chartered Valuation Surveyor to assess fair value of land and buildings in terms of SLFRS 13 on Fair Value Measurement. Based on the valuation techniques and inputs used, land and building were classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the land and building, and sensitivity analysis are provided in Note 26.18 on pages 337.

3.2.5 Useful life-time of the property, plant and equipment

The Company reviews the residual values, useful lives, and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Refer Note 26 on page 334 for more details.

3.2.6 Measurement of defined benefit obligation

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The Company engages independent professional actuary Mr. M. Poopalanathan, AIA of Messrs. Actuarial & Management Consultants (Pvt) Ltd to measure defined benefit obligation.

Refer Note 40.3 on pages 365 for the assumptions used to determine the defined benefit obligations.

Sensitivity analysis to key assumptions is disclosed in Note 40.9 on page 367.

3.2.7 Deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences and brought forward tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Refer Note 28 on page 340 for estimates and assumptions used by the company in assessing recoverability of deferred tax assets.

3.2.8 Estimating the incremental borrowing rate

As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific adjustments.

3.2.9 Provisions and contingencies

Whenever the Company receives legal claims in the normal course of business, the Management exercises judgments as to the likelihood of any claim succeeding along with defending actions through legislative process. If it is not probable that a material liability will arise in the judgement of the management, no provision has been made in the financial statements, but a disclosure has been made.

Refer Note 48 on page 375 for provisions and contingencies.

4. MATERIAL ACCOUNTING POLICIES

Change in Accounting Policies

The material accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, unless otherwise indicated.

In addition, the company adopted the disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice statements) from 01 January 2023. The amendments require the disclosure of "material" rather than "significant" accounting policies. These amendments did not result in any changes to the accounting policies themselves.

Set out below is an index of the material accounting policies.

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4.1 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the date of each transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency as at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate as at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences are generally recognised in the Income Statement.

4.2 Financial assets – Initial recognition, classification and subsequent measurement

4.2.1 Date of recognition

The Company initially recognises all financial assets (including assets designated at fair value through profit or loss) on the trade date on which the Company becomes a party to the contractual provisions of the instrument.

4.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. Refer Note 29 for further details on classification of financial instruments.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Income Statement.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

4.2.2.1 “Day 1” profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in income statement when the inputs become observable, or when the instrument is derecognised.

4.2.3 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Company classifies all its financial assets based on the business model for managing the assets and the assets’ contractual terms measured at either;

- Amortised Cost (AC) - (Refer Note 29.2 on page 344 for the detail accounting policy)
- Fair Value through Other Comprehensive Income (FVOCI) - (Refer Note 29.3 on page 348 for the detail accounting policy)
- Fair Value through Profit or Loss (FVTPL) - (Refer Note 29.4 on page 350 for the detail accounting policy)

The subsequent measurement of financial assets depends on the classification of each category of the financial asset. Refer Note 29.2, 29.3 and 29.4 on pages 344 to 350.

4.2.3.1 Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument - by - instrument basis because this best reflects the way in which the business is managed and information is provided to management.

The information considered includes:

- stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;
- risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- frequency, volume and timing of sales in prior periods, reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company’s stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company’s original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

4.2.3.2 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purpose of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period.

In contrast, contractual terms that introduce a more than the minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.
- prepayment and extension terms

Refer Notes 29.2, 29.3 and 29.4 on pages 344 to 350 for details on different types of financial assets recognised on the Statement of Financial Position.

4.2.4 The Company's existing non-derivative financial assets and their classifications

Financial asset	Category		
	FVTPL	AC	FVOCI
International sovereign bonds	-	✓	-
Treasury bonds*	✓	✓	✓
Treasury bills	-	✓	-
Debentures**	-	✓	-
Perpetual debentures	✓	-	-
Commercial papers	-	✓	-
Securitised papers	-	✓	-
Term deposits	-	✓	-
Repo	-	✓	-
Unit trusts	✓	-	-
Quoted shares	-	-	✓
Unquoted shares	-	-	✓
Loans to life policyholders	-	✓	-
Staff and advisor receivables	-	✓	-
Cash and cash equivalents	-	✓	-
Reinsurance receivables	-	✓	-
Premium receivables	-	✓	-
Other receivables	-	✓	-

*Treasury bonds – On 15 August 2023, under the Domestic Debt Optimisation Programme (DDO) for Sri Lanka Development Bonds (SLDB), five series of Treasury Bonds at SLFR + 1% was offered which have been recognised under FVOCI category. Accordingly, the SLDBs has been derecognised from the financial statements as disclosed in Note 29.2.3 on page 346.

**Debentures - The Company classifies quoted debentures under amortised cost category since there is no active market for these instruments even though such instruments are listed.

4.2.5 Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal, or termination of a business line.

4.2.5.1 Timing of reclassification of financial assets

Consequent to a change in the business model, the Company reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

NOTES TO THE FINANCIAL STATEMENTS

4.2.5.2 Measurement of reclassification of financial assets

Reclassification from	Reclassification to amortised cost	Reclassification to FVOCI	Reclassification to FVTPL
Fair Value through Profit or Loss (FVTPL)	The fair value on reclassification date becomes the new carrying amount. The Effective Interest Rate (EIR) is calculated based on the new gross carrying amount.	The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognised in OCI.	N/A
Fair Value through Other Comprehensive Income (FVOCI)	The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost. EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.	N/A	The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.
Amortised Cost (AC)	N/A	The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.	The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

4.2.6 Derecognition of financial assets

The Company derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in the income statement.

However, cumulative gain / loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in the Income Statement on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Company retains all or substantially all risks and rewards of ownership of such assets.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

4.2.7 Modification of financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the income statement.

4.2.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.2.11 Category wise financial assets

The following table presents the financial assets by categories in accordance with SLFRS 9.

As at 31 December	Note	2023				
		Carrying value				Total fair value
		FVTPL	Amortised cost	FVOCI	Total carrying value	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial investments	29.1	4,626,674	33,698,659	5,174,882	43,500,215	47,868,595
Loans to life policyholders	30	-	331,301	-	331,301	331,301
Reinsurance receivables	31	-	465,211	-	465,211	465,211
Premium receivables	32	-	2,449,089	-	2,449,089	2,449,089
Receivables and other assets	33	-	72,115	-	72,115	72,115
Cash and cash equivalents	34	-	1,099,679	-	1,099,679	1,099,679
Total financial assets		4,626,674	38,116,054	5,174,882	47,917,610	52,285,990

As at 31 December	Note	2022				
		Carrying value				Total fair value
		FVTPL	Amortised cost	FVOCI	Total carrying value	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial investments	29.1	3,451,509	37,065,567	2,082,779	42,599,855	38,480,501
Loans to life policyholders	30	-	265,060	-	265,060	265,060
Reinsurance receivables	31	-	568,379	-	568,379	568,379
Premium receivables	32	-	1,763,388	-	1,763,388	1,763,388
Receivables and other assets	33	-	70,934	-	70,934	70,934
Cash and cash equivalents	34	-	739,944	-	739,944	739,944
Total financial assets		3,451,509	40,473,272	2,082,779	46,007,560	41,888,206

NOTES TO THE FINANCIAL STATEMENTS

4.2.12 Identification and measurement of impairment of financial assets

4.2.12.1 Overview of the ECL principles

The Company records an allowance for expected credit losses for debt and other financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income.

SLFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition.

STAGE 1

A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

STAGE 2

If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for life time (LTECL).

STAGE 3

If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for life time (LTECL), with probability of default at 100%.

Details of the ECL calculation are given in Note 29.2.3 on page 346.

4.2.12.2 Purchased or originated credit impaired (POCI) financial assets

Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses (LTECL). (Refer table - 17 on page 303 for credit impaired financial assets.)

4.2.12.3 Significant increase in credit risk (SICR)

Key judgements and assumptions adopted by the Company in addressing the requirements of SLFRS 9

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and expert credit assessment and including forward looking information.

The Company individually reviews, financial assets above a predefined threshold at each reporting date to identify whether

the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include:

- when reasonable and supportable forecasts of future economic conditions directly affect the performance of the instruments.
- when there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of the instruments.

Exposures which have one or more of the above indicators are treated as SICR and assessed accordingly in the ECL computations. The Company regularly monitors the effectiveness of the criteria used to identify the SICR to confirm that the criteria is capable of identifying SICR before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the Company determines SICR based on the generally accepted investment / non-investment grade definitions published by international rating agencies. Debt instruments are moved to stage2, if their credit risk increases to the extent that they are no longer considered in investment grade.

4.2.12.4 Definition of default and credit impaired assets

The Company classifies the financial investments under Stage 3, when the external credit rating assigned to the particular investment is “default”.

4.2.12.5 Movement between the stages

Financial assets can be transferred between the different categories depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2, if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments. Financial instruments are transferred out of stage 3, when they no longer exhibit any evidence of credit impairment as described above.

4.2.13 Impairment charges

4.2.13.1 Impairment charges as per SLFRS 9

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial investments at amortised cost;
- Debt instruments at fair value through other comprehensive income;
- Other financial assets measured at amortised cost.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions, and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should consider the time value of money.

4.2.13.2 Impairment charges on financial investments

Impairment charges on financial investments include ECL on debt instruments at FVOCI and financial assets at amortised cost.

The Company does not have historical loss experience on debt instruments at amortised cost and debt instruments at FVOCI. Thus, the Company considers PDs published by the external sources. (i.e. Bloomberg and S & P).

LGD for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%. However, LGD for foreign currency denominated securities [Sri Lanka Development Bonds (SLDBs) and International Sovereign Bonds (ISBs)] issued by the Government of Sri Lanka is considered as 20% till 14 August 2023 for SLDBs and for ISBs as 64%. For all other financial investments, LGD is considered as 45% due to lack of detail inputs; similar to the guideline issued by the Central Bank of Sri Lanka (CBSL) for the banking sector.

EAD of a debt instrument is its gross carrying amount.

4.2.13.3 Forward-looking information

The Company incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Quantitative economic factors are based on economic data and forecasts published by the CBSL and other reliable sources.

Quantitative drivers of credit risk	GDP growth Exchange rate
Qualitative drivers of credit risk	PDs published by the external sources Regulatory impact Government policies

4.2.13.4 The calculation of ECLs

The Company measures loss allowance at an amount equal to LTECL, except for following, which are measured as 12 months ECL:

- Debt instruments on which credit risk has not increased significantly since the initial recognition;
- Debt instruments that are determined to have low credit risk at the reporting date.

The Company considers a debt instrument to have a low credit risk, when they have an “investment grade” credit risk rating.

4.2.13.5 Financial assets that are not credit impaired at the reporting date

The Company calculates 12-months ECL allowance based on the expectation of a default occurring in the 12-months following the reporting date. These expected 12-month default probabilities are applied to exposure at default (EAD) and multiplied by the economic factor adjustment, expected LGD and discounted by an approximation to the original EIR. When financial assets have shown a SICR since origination, the Company records an allowance for LTECLs based on PDs estimated over the lifetime of the instrument.

4.2.13.6 Financial assets that are credit-impaired at the reporting date

Impairment allowance on credit-impaired financial assets assessed on individual basis is computed as the difference between the asset's gross carrying amount and the present value of estimated future cash flows. The expected future cash flows are based on the estimates made by the Company as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. The Company regularly reviews the assumptions for projecting future cash flows.

4.2.13.7 Write-off of financial assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.2.13.8 Impairment of reinsurance receivables

Reinsurance assets are reviewed for impairment based on the expected loss model at each reporting date. The impairment loss, if any is recorded in the Income Statement.

4.2.13.9 Impairment of Premium Receivables

Impairment losses on premium receivables are the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognised in the Income Statement.

4.3 Financial liabilities – Initial recognition, classification and subsequent measurement

4.3.1 Initial recognition and measurement

Financial liabilities are initially recognised, when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs, except in the case of financial liabilities at fair value through profit or loss as per SLFRS 9.

4.3.2 Classification

The Company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at FVTPL, and within this category as Held for trading; or designated at FVTPL;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their respective classification.

NOTES TO THE FINANCIAL STATEMENTS

4.3.3 Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest expense, are recognised in the Income Statement.

The Company does not have financial liabilities classified at FVTPL as at the reporting date.

4.3.4 Subsequent measurement - Financial liabilities measured at amortised cost

All other financial liabilities are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Gain or loss on derecognition, interest expense and foreign exchange gains and losses are recognised in the Income Statement.

4.3.5 Reclassification of financial liabilities

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

4.3.6 Derecognition of financial liabilities

The Company derecognises a financial liability, when its contractual obligations are discharged, cancelled or expired.

4.3.7 Modification of financial liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with the modified terms is recognised in the Income Statement.

4.3.8 The following table presents financial liabilities by categories in accordance with SLFRS 9.

As at 31 December	Note	2023	
		Amortised cost	
		Carrying value Rs. '000	Fair value Rs. '000
Loans and borrowings	41.1	5,014,997	5,014,997
Reinsurance payable	42	718,855	718,855
Bank overdraft	34.1	376,690	376,690
Other liabilities	43	1,912,162	1,912,162
Total financial liabilities		8,022,704	8,022,704

As at 31 December	Note	2022	
		Amortised cost	
		Carrying value Rs. '000	Fair value Rs. '000
Loans and borrowings	41.1	5,643,918	5,643,918
Reinsurance payable	42	2,246,237	2,246,237
Bank overdraft	34.1	308,318	308,318
Other liabilities	43	1,892,678	1,892,678
Total financial liabilities		10,091,151	10,091,151

In the judgement of the management, the carrying value of financial liabilities approximates the fair value as described in Note 7.5 on page 318.

4.4 Impairment of non - financial assets

At each reporting date, the Company reviews the carrying amounts of its non- financial assets (other than biological assets, investment property, inventories, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For Impairment testing, assets are grouped together into the smallest group of assets that generates cash inflow from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGU). Goodwill arising from a business combination is allocated to the CGUs or companies of CGUs, that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets or CGU.

An impairment loss is recognised, if the carrying amount of an assets or CGU exceeds its recoverable amount. Impairment losses are recognised in the Income Statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reserved only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.5 Statement of cash flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents comprise of short term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Interest received and dividend received is classified as operating cash flows, while dividends paid are classified as financing cash flows for the purpose of presenting the Statement of Cash Flows. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 34.1 on page 355.

The Statement of Cash Flows is given on page 275.

5. NEW STANDARDS AND AMENDMENTS

5.1 New standards and amendments: applicable on or after 1 January 2023

The following new and amended standards apply for the first time to financial reporting periods commencing on or after 1 January 2023 and have not resulted in a material impact on the Company's financial statements.

5.1.1 Definition of Accounting Estimates (Amendments to LKAS 8)

The amendment to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies shall distinguish changes in accounting policies from changes in accounting estimates. The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Further, it emphasises that a change in accounting estimate that results from new information or new developments is not the correction of an error and the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

5.1.2 Disclosure of Accounting Policies (Amendments to LKAS 1)

The key amendments to LKAS 1 Presentation of Financial Statements include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- defining what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explaining how to identify when accounting policy information is material;
- clarifying that immaterial accounting policy information does not need to be disclosed and if disclosed, shall not obscure material accounting information;
- further clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

5.1.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments to LKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. Accordingly, the amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences (e.g. leases).

5.2 New standards and amendments: applicable on or after 1 January 2024

The Company intends to adopt the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements, if applicable, when they become effective.

5.2.1 SLFRS 17 Insurance Contracts

SLFRS 17 is effective for annual periods beginning on or after 01 January 2026. Early adoption is permitted along with the adoption of SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers and the Company has early adopted SLFRS 9 effective from the year 2019 and intends to reassess the business model along with the adaptation of SLFRS 17. SLFRS 17 supersedes SLFRS 4 Insurance contracts (which permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities) with new measurement model for all insurance contracts. SLFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day – one gain arising on initial recognition. Losses are recognised directly to the income statement. For the measurement purposes, contracts are grouped together into contracts of similar risk profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under SLFRS 17 is represented by the recognition of the service provided to policyholders in the period (release of CSM), realise from non-economic risk (realise of risk adjustment) and investment profit. The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders), the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non - economic assumptions.

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of service to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date need to be determined.

NOTES TO THE FINANCIAL STATEMENTS

SLFRS 17 requires, the CSM to be calculated as if the standards had applied retrospectively. If this is not practical, an entity is required to choose either a modified retrospective approach or determine the CSM by reference to the fair value of the liabilities at transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profit on in - force business in future reporting periods.

SLFRS 17 is expected to have a substantial change in the presentation of the financial statements and disclosures, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of profit recognition.

The Company has an implementation program underway to implement SLFRS 17. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate date and implementing actuarial and finance system changes. The Company is in Phase 2 of its implementation programme in line with the new effective date for the standard.

Accordingly, the Company has completed a substantial progress in phase 2 in line with the new effective date of the standard and shortlisted the system vendor on the implementation as well.

The following amendments to existing standards are not expected to have a material impact on the financial statements of the Company.

5.2.2 Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to LKAS 1)

The amendments clarify that the classification of liabilities as current or non-current shall be based on rights that are in existence at the end of the reporting period. Such classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Accordingly, when an entity classifies a liability arising from a loan arrangement as non-current and that liability is subject to the covenants which an entity is required to comply with within twelve months of the reporting date, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including:

- the carrying amount of the liability;
- information about the covenants;
- facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The amendments apply to annual reporting periods beginning on or after 1 January 2024.

5.2.3 Lease Liability in a Sale and Leaseback – Amendments to SLFRS 16

This narrow-scope amendments to the requirements for sale and leaseback transactions in SLFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

The amendments apply to annual reporting periods beginning on or after 1 January 2024.

5.2.4 Supplier finance arrangements – Amendments to LKAS 7 and SLFRS 7

The objective of the new disclosures is to provide information about Supplier finance arrangements (SFAs) that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include:

- Terms and conditions of SFAs;
- Carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented;
- Carrying amount of the financial liabilities for which suppliers have already received payment from the finance providers;
- Range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements;
- Non-cash changes in the carrying amounts of financial liabilities;
- Access to SFA facilities and concentration of liquidity risk with finance providers.

The amendments apply to annual reporting periods beginning on or after 1 January 2024 along with certain transitional reliefs.

5.2.6 Lack of exchangeability (Amendments to LKAS 21)

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable;
- the spot exchange rate used;
- the estimation process; and
- risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025 with earlier application is permitted. This is yet to be adopted by CA Sri Lanka.

6. RISK AND CAPITAL MANAGEMENT

Overview

Insurance contracts expose the Company to underwriting risk, product design risk, reinsurance risk and claim risk. In addition, the Company is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the Company's activities. Managing these risks are critical for the sustainability of the Company and plays a pivotal role in all activities of the Company. Risk Management function strives to identify potential risks in advance, analyse them and take precautionary steps to mitigate the impact of risk whilst optimising risk-adjusted returns within the risk appetite of the Company.

Disclosure requirement under SLFRS 4 - Insurance contracts and SLFRS 7 - Financial instruments

As required by SLFRS 4 and SLFRS 7, this note presents qualitative and quantitative information about the Company's exposure to each of the Insurance risks, Financial risks, Operational risk and the Company's objectives, policies and processes for measuring and managing such risks.

Risk management objectives, policies and process

Refer integrated risk management report on page 291 to 313 of this report to obtain a complete overview of the risk landscape that Softlogic Life Insurance PLC is exposed to and its objectives, policies, process and methodologies adopted for managing those risks.

Table - 1 Contents of risk management disclosures

Critical judgements	Note	Page
Risk management framework	6.1	291
Risk landscape of Softlogic Life Insurance PLC	6.2	292
Life insurance business risk	6.3	292
Underwriting risk	6.3.1	293
Product design risk	6.3.2	293
Reinsurance risk	6.3.3	295
Claim risk	6.3.4	295
Determination of the life insurance contract liabilities	6.4	295
Financial risk management	6.5	296
Investments concentration risk	6.5.1	296
Credit risk	6.5.2	297
Liquidity risk	6.5.3	304
Market risk	6.5.4	307
Operational risks	6.6	310
Risk associated with change in new accounting standard (SLFRS 17) and risk mitigation actions	6.6.1	311
Impact on economic crisis to the Financial Statements	6.7	311
Capital management	6.8	312

6.1 Risk management framework

The primary objective of the Company's risk and financial management framework is to protect its shareholders from events that could hinder the sustainable achievement of financial objectives, including the failure to exploit opportunities.

The overall responsibility and oversight of the Risk Management Framework of the Company is vested with the Board of Directors (BOD). The Risk Management Committee, a subcommittee set up by the Board, in turn is entrusted with the development of the Company's Risk Management Policies and monitoring of due compliance of same through the Risk Management Committee. The committee reports regularly to the Board of Directors on its activities.

The Risk Management policies spell out the risk appetite of the Company and have incorporated risk exposure limits and controls to monitor adherence to the limits in force. These policies and systems are reviewed regularly to reflect the changing market conditions and the products and services offered.

The Company's Risk Management Team, comprising members of the senior management who oversee the risk management activities of the Company. The activities cover areas such as the evaluation of business processes, design and implementation of the risk strategy and risk policies, review and update of the risk profile, delegation of authority, monitoring of risk mitigation activities, etc.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Company. The Company strives to inculcate a risk management culture through continuous training, work ethics and standards.

Regulatory framework

The Insurance Regulatory Commission of Sri Lanka (IRCSL) is primarily interested in protecting the rights of policyholders and monitor them closely in line with the Regulation of Insurance Industry Act No.43 of 2000 and amendments thereto to ensure that the Company is satisfactorily managing its affairs for the benefits of policyholders.

At the same time, IRCSL is monitoring whether the Company complies with rules with respect to the solvency position and determination requirements to meet risk arising from unforeseeable events.

Compliance with regulatory framework

Refer Note 6.8.2 - 6.8.5 on pages 312 - 313 for the compliance status of the Company under RBC Rules.

NOTES TO THE FINANCIAL STATEMENTS

6.2 Risk landscape of Softlogic Life Insurance PLC

Overview of the risks faced by the Company

The risk landscape of the Company is provided below:



6.3 Life insurance business risk

Insurance risk is the likelihood that an insured event will occur, requiring the insurer to pay a claim. This risk is transferred to the Company through the underwriting process. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behaviour, and fluctuations in new business volumes.

6.3.a Risk response

Life insurance business risk exposure is mitigated by:

- Careful selection and implementation of underwriting strategy guidelines;
- External reinsurance;
- Robust reserving processes;
- Diversification of insurance contracts across the geographical areas.

Refer page 292 to 296 for more details on risk management procedures adopted by the Company to manage insurance risk.

6.3.b Concentration of insurance risk

Concentration risk is defined as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk on insurance contract liabilities may arise with respect to business written within a geographical or a type of policies issued by the company.

Observing best estimate assumptions on cash flows related to benefits of insurance contracts gives some indication of the size of the exposure to risks and the extent of risk concentration.

Concentration of risk within the life business is based on reserves for life insurance as explained in below table.

Refer Note 6.3.1 on page 293 for concentration of underwriting risk.

Table - 2 Mix of the insurance contract liabilities

As at 31 December	2023		2022	
	Insurance contract liabilities Rs. '000	%	Insurance contract liabilities Rs. '000	%
Maximum exposure,	27,925,474		25,338,502	
Participating fund	11,998,752	43.0	10,326,417	40.8
Non-participating fund	11,584,362	41.5	11,967,663	47.2
Universal life fund	4,342,360	15.5	3,044,422	12.0
Total	27,925,474	100	25,338,502	100

6.3.c Risk response to life insurance concentration risk

The Company has adopted following strategies to manage concentration of life insurance risk.

- Product development (Refer page 28 for more details)
- Market segmentation (Refer page 117 for more details)
- Ensure compliance (solvency margin RBC) requirements imposed by the regulator (IRCSL) (Refer Table-32 on page 312 for more details)
- Continuously monitor maturity analysis of assets and liabilities in order to meet future cash flows requirements.

Refer Note 6.5.1 on page 296 for Investment concentration risk analysis.

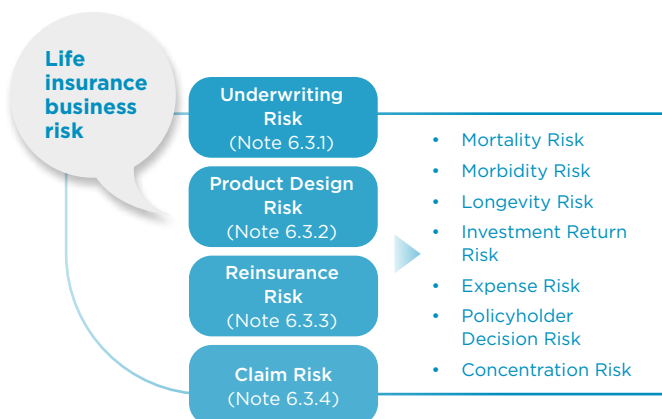
6.3.d Sensitivity to the assumptions in change of the life insurance contract liabilities

The following analysis is performed for reasonably possible movements in key assumptions with all other variables held constant, showing the impact on insurance contract liabilities. The method used for deriving sensitivity information and significant assumptions made has not been changed from the previous period.

Table - 3 Sensitivities to insurance contract liabilities

As at 31 December	Change in assumptions	2023 Impact on liabilities Rs. '000	2022 Impact on liabilities Rs. '000
Mortality	+10%	549,367	589,290
	-10%	(517,254)	(507,040)
Morbidity	+10%	799,491	263,457
	-10%	(225,859)	(188,671)
Discount rate	+50 basis points	(1,450,438)	(1,354,307)
	-50 basis points	1,592,964	1,488,271
Expenses	+10%	878,934	859,944
	-10%	(869,822)	(852,667)

The main risks exposed in the life Insurance business are summarised in the following diagram;



6.3.1 Underwriting risk

Underwriting risk arising from an inaccurate assessment of the risk entailed in underwriting the policy. As a result, the policy may cost the Insurers much more than it as earned in premiums.

6.3.1.a Concentrations of underwriting risk

The following table sets out the gross written premium of the Company by province of issue.

Table - 4 GWP by province

For the Year ended 31 December	2023 Rs. '000	2022 Rs. '000
Western Province	18,178,764	15,859,908
Southern Province	2,321,042	2,002,806
North Western Province	1,860,322	1,579,837
Central Province	1,381,213	1,109,296
Sabaragamuwa Province	936,121	890,489
Northern Province	516,667	479,867
North Central Province	484,255	418,311
Uva Province	443,456	400,732
Eastern Province	219,481	342,179
Total	26,341,321	23,083,425

6.3.1.b Risk response / Mitigation strategy

- Continuous training for underwriting staff
- Adherence to the social and environmental policy at the time of underwriting
- Establishing a clearly defined pricing policy
- Establishing limits for underwriting authority
- Motivation of underwriting staff on insurance academic studies by providing scholarships to staff.
- Use of systematic underwriting limits
- Comply with the money laundering policies

6.3.1.c Management of underwriting risk

The Board of directors sets the Company's strategy for accepting and managing underwriting risk. Specific underwriting objectives (e.g. aggregation limits, reinsurance protection thresholds and line of business diversification parameters) are prepared and reviewed by Chief Technical Officer (CTO). The Board continuously reviews its underwriting strategy in the light of evolving market pricing and loss conditions and as opportunities present by themselves.

Prices charged for the cost of insurance risk are set through a process of financial analysis, including comparisons of the Company's experience with industry experience and benchmarking of prices against other product providers in the same markets. Individual contracts are examined and reviewed by underwriting staff with the aim of ensuring that the premiums charged and the annuitisation rates applied reflect evidence of the current health condition and family medical history of the applicants.

Mortality, morbidity and longevity risks are mitigated by the use of reinsurance. The Company allows senior management to select reinsurers from a list of reinsurers approved by the Company. The aggregation of risk ceded to individual reinsurers is monitored at Company level.

6.3.2 Product design risk

Life insurance product design is largely depending on futuristic hypothetical assumptions. Accordingly there is a risk of introducing unprofitable product to the market due to inappropriate use of assumptions or judgments.

The fundamental assumptions used in the product development are explained in the Table 5.

NOTES TO THE FINANCIAL STATEMENTS

6.3.2 Product design risk (Contd.)

Table - 5 Assumptions used in the product development

Risk	Description	Assumptions used / risk response
Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected.	Use of standard table A 67/70 mortality rates with adjustments to reflect the Company's mortality experience.
Morbidity risk	Risk of loss arising due to policyholders' accident/ sickness experience condition being different from expected.	Assumptions are based on the Company's own experience.
Longevity risk	Risk that annuitants (a person who receives and annuity payment) live longer than expected.	The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks.
Investment return risk	Risk of loss arising from actual returns being different from expected.	Investment decisions are being made to comply with RBC framework and Determination rules issued by IRCSL.
Expense risk	Risk of loss arising from the actual expense experience being different from expected.	The best estimate expense assumptions have been set based on the expense investigation carried out as at 31 December 2023 based on the expenses incurred during 2023.
Policyholder discontinuance risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected.	Lapses and surrender rates are projected according to the Company's past experience. Introduction of convenient premium payment methods and option to active lapsed policies less medical requirements.
Concentration risk	Risk of losses due to maintaining inadequate product portfolio/ mix.	The risk exposure is mitigated by diversification across a large portfolio of insurance contracts in to different classes. Developing a proper product mix in line with the Company strategy.

6.3.2.a Key risks arising from contracts issued

The Company issues Participating, Non Participating and Universal Life insurance contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Company.

Table - 6 Overall risk mitigation approach in the life insurance Business

Product	Key Risk	Risk Mitigation
Traditional participating	Market risk: Investment return on underlying items falling below guaranteed minimum rates	Management discretion to determine amount and timing of policyholder bonuses (within limits)
Non participating	Market risk: Insufficient fees to cover cost of guarantees and expenses	Derivative hedging programme Surrender penalties
Universal life	Interest rate risk: Differences in duration and yield of assets and liabilities	Matching of asset and liability cash flows
	Investment credit risk	Investing in investment grade assets

Concentration of the participating, non participating and universal life funds position is given in Note 6.3.b (Table 2) on page 292.

6.3.3 Reinsurance risk

Notwithstanding the advantages that reinsurance provides to insurers, it can expose them, at varying degrees, to various risks inherent in its use. A new or continuing reinsurance contract could give rise to one or more of the following risks:

- Legal risk may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced;
- Liquidity risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.
- Counterparty risk may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism, to honour its obligations towards the ceding insurer.

6.3.3.a Risk response to reinsurance risk

- Reviewing the Company's reinsurance strategy and arrangements on an annual basis. The strategy is presented to and approved by the Board Risk Committee Annually.
- Conducting detail studies on the adequacy of reinsurance arrangements for catastrophic events.
- Ensuring that reinsurance transactions are conducted with parties which meet IRCSL rating requirements.
- Ensuring minimum concentration amongst reinsurance parties.
- Review of reinsurance credit worthiness regularly.

The Company's premium ceded to reinsurers is approximately 9% - 12% of the gross written premium.

Table - 7 Reinsurance exposure

For the year ended 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Gross written premiums	26,341,321		23,083,425	
Reinsurance	(2,490,889)	9	(2,678,803)	12
Net written premiums	23,850,432		20,404,622	

The Company has recovered approximately 4% - 9% of gross claims paid from reinsurers during the period under review.

Table - 8 Reinsurance recoveries

For the year ended 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Gross claims paid	13,490,583		9,114,292	
Claims recovered from reinsurers	(592,422)	4	(850,006)	9
Net claims paid	12,898,161		8,264,286	

Refer Note 6.5.2.3 on page 303 for analysis of credit risk relating to reinsurance receivables.

6.3.3.b Management of reinsurance receivables

Counterparty limits which are set annually are subject to regular reviews. Management assesses the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets. Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables.

Refer Table 19 on page 304 for rating analysis of reinsurance receivables.

6.3.4 Claim risk

The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

6.3.4.a Risk response to claims risk

- Obtaining adequate reinsurance cover.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- CTO closely monitors claim reserves.

6.4 Determination of the Life Insurance Contract Liabilities

Gross premium valuation (GPV) methodology, has been used for calculating the insurance contract liabilities as at 31 December 2023. Gross and net of reinsurance liabilities have been calculated as required in the RBC regulations. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

Judgments and assumptions are required in determining the insurance contract liabilities. Assumptions are evaluated on a continuous basis to ensure realistic and reasonable valuation of insurance contract liabilities.

6.4.a Risk response

The valuation model is reviewed by Messrs. Towers Watson India Private Limited and they have provided assurance on the following aspects:

- The Prophet models capture all material product features;
- The calculations in the model are performed in accordance with the intended methodology; and
- All relevant calculations performed in the model are materially accurate, robust and fit-for-purpose.

6.4.b Key assumptions and sensitivity analysis

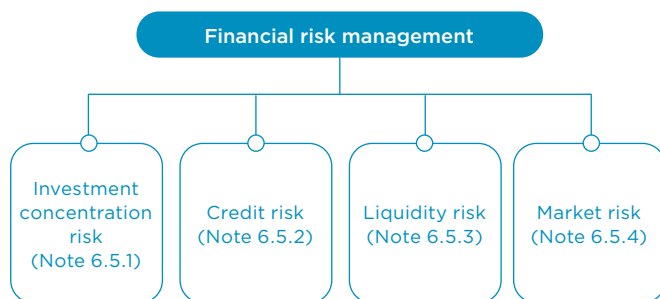
Refer Notes 39.9 and 6.3.d on page 360 and 292 for key assumptions used in determining the insurance contract liabilities and sensitivity analysis.

NOTES TO THE FINANCIAL STATEMENTS

6.5 Financial risk management

Overview

The Financial Risk refers to multiple types of risk associated with financing. The Company is exposed to following financial risks.



6.5.1 Investment concentration risk

Investment concentration risk is arising due to concentration of a single counterparty, sector, one geographic area or one type of security. It also may be defined as less diversification of investment portfolio.

6.5.1.a Risk response

- Clearly defined single party limits are continuously monitored and periodically reviewed.
- Assets allocation limits are regularly reviewed by the Risk Officer.
- The Company ensures that an acceptable level of risk diversification is maintained on an ongoing basis.

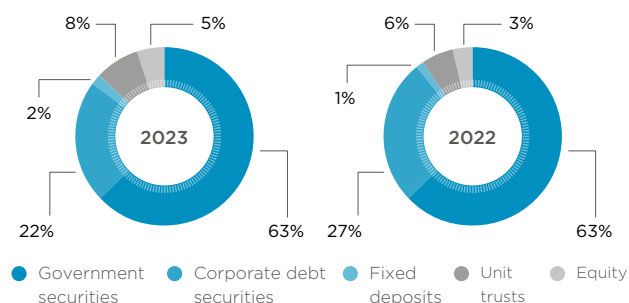
Maximum exposure to investment concentration risk and diversification of investment portfolio is summarised in the below table.

Table - 9 Investment exposure

As at 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Maximum exposure to investment concentration risk	43,500,215		42,599,855	
Government securities				
Treasury bonds	21,814,545		13,716,722	
Treasury bills	553,716		1,099,884	
Sri Lanka development bonds	-		6,221,129	
International sovereign bonds	3,928,615		4,830,774	
Repo	1,045,088		880,918	
Derivative financial asset	-		68	
	27,341,964	63	26,749,495	63

As at 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Corporate debt securities				
Banks	4,549,181		5,003,663	
Capital goods	781,857		792,568	
Diversified financials	3,753,646		4,960,048	
Food beverage and tobacco	18,742		22,208	
Insurance	100,368		100,344	
Telecommunication	409,055		408,965	
Consumer durables and apparel	25,094		25,086	
	9,637,943	22	11,312,882	27
Fixed deposits				
Licensed commercial banks	919,403		522,007	
	919,403	2	522,007	1
Unit trusts				
Debt securities	3,513,990		2,578,400	
	3,513,990	8	2,578,400	6
Investment in equity				
Banks	1,626,414		875,404	
Diversified financials	92,560		177,275	
Healthcare equipment and services	367,939		384,392	
	2,086,913	5	1,437,071	3
Total exposure	43,500,215	100	42,599,855	100

INVESTMENT EXPOSURE



6.5.2 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet their contractual obligations.

The Company is exposed to credit risk from its operating activities and from its investment activities, including debt securities with banks and financial institutions, foreign exchange transactions and other financial instruments.

6.5.2.a Maximum exposure to credit risk

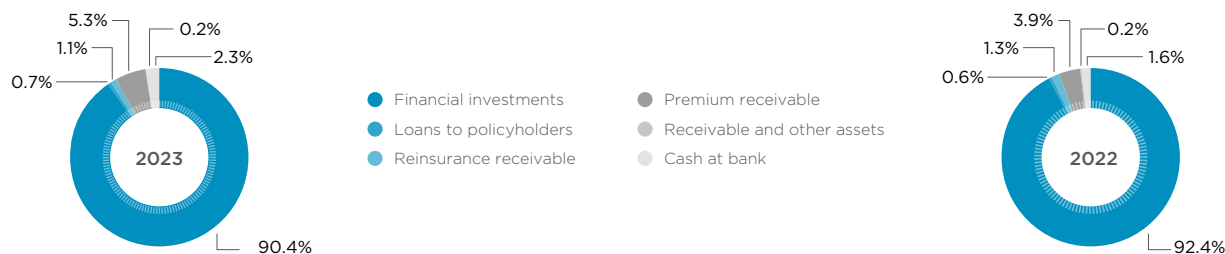
The Company is exposed to credit risk derived through the following categories of financial assets:

Table - 10 Credit risk exposure

As at 31 December	Note	2023		2022	
		Rs. '000	%	Rs. '000	%
Financial investments*	6.5.2.1	41,413,302	90.4	41,162,784	92.4
Loans to life policyholders	6.5.2.2	331,301	0.7	265,060	0.6
Reinsurance receivables	6.5.2.3	465,211	1.1	568,379	1.3
Premium receivables	6.5.2.4	2,449,089	5.3	1,763,388	3.9
Receivables and other assets	6.5.2.5	72,155	0.2	70,934	0.2
Cash at bank	6.5.2.6	1,091,701	2.3	728,731	1.6
Maximum exposure to credit risk		45,822,759	100.0	44,559,276	100.0

*This does not include equity investments.

TOTAL EXPOSURE TO CREDIT RISK



6.5.2.b Management of credit risk

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities, intermediaries and reinsurers in line with credit policies. Authorisation limits are allocated to business units.
- Limiting concentrations of exposure to counterparties, industries, issuer credit rating limitations and market liquidity.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.
- Continually reviewing and assessing credit risk.

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.c Concentration of credit risk

The Company monitors concentrations of credit risk by industry / sector wise. The Company ensures that an acceptable level of risk diversification is maintained on an ongoing basis and the limits are reviewed by the Risk Officer.

The following tables demonstrate the sector wise maximum exposure to credit risk in respect of each item of financial assets in the Statement of Financial Position as at 31 December 2023 and 31 December 2022.

Table - 11 Diversification

As at 31 December	2023					2022				
	Diversified areas					Diversified areas				
	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000
Amortised cost										
Treasury bonds	18,408,368	18,408,368	-	-	-	12,980,040	12,980,040	-	-	-
Treasury bills	553,716	553,716	-	-	-	1,099,884	1,099,884	-	-	-
Sri Lanka development bonds	-	-	-	-	-	6,221,129	6,221,129	-	-	-
International sovereign bonds	3,928,615	3,928,615	-	-	-	4,830,774	4,830,774	-	-	-
Debentures	6,552,746	-	5,618,024	934,722	-	7,371,812	-	6,433,906	937,906	-
Commercial papers	1,713,352	-	1,312,958	-	400,394	2,368,757	-	1,957,491	-	411,266
Securitised Papers	577,371	-	577,371	-	-	790,246	-	790,246	-	-
Fixed deposits	919,403	-	919,403	-	-	522,007	-	522,007	-	-
Repo	1,045,088	1,045,088	-	-	-	880,918	880,918	-	-	-
Loans to life policyholders	331,301	-	-	-	331,301	265,060	-	-	-	265,060
Reinsurance receivables	465,211	-	-	-	465,211	568,379	-	-	-	568,379
Premium receivables	2,449,089	-	-	-	2,449,089	1,763,388	-	-	-	1,763,388
Receivable and other assets	72,155	-	-	-	72,155	70,934	-	-	-	70,934
Cash at bank	1,091,701	-	1,091,701	-	-	728,731	-	728,731	-	-
Total Amortised cost	38,108,116	23,935,787	9,519,457	934,722	3,718,150	40,462,059	26,012,745	10,432,381	937,906	3,079,027
Fair value through OCI										
Treasury bonds	3,087,969	3,087,969	-	-	-	645,708	645,708	-	-	-
Total FVOCI	3,087,969	3,087,969	-	-	-	645,708	645,708	-	-	-
Fair value through P&L										
Treasury bonds	318,208	318,208	-	-	-	90,974	90,974	-	-	-
Unlisted perpetual debenture	794,476	-	794,476	-	-	782,067	-	782,067	-	-
Derivative financial asset	-	-	-	-	-	68	68	-	-	-
Unit Trusts	3,513,990	-	3,513,990	-	-	2,578,400	-	2,578,400	-	-
Total FVTPL	4,626,674	318,208	4,308,466	-	-	3,451,509	91,042	3,360,467	-	-
Total financial assets exposure to credit risk	45,822,759	27,341,964	13,827,923	934,722	3,718,150	44,559,276	26,749,495	13,792,848	937,906	3,079,027

6.5.2.1 Credit risk on financial investments

The Company is also exposed to credit risk through its financial investments. The credit worthiness of the financial instruments are assessed using the credit ratings assigned to each security and fixed deposits. This rating provides the Company the indication of the financial stability of the investment.

Table - 12 Credit quality analysis of financial investments

As at 31 December	2023				2022			
	Amortised cost Rs. '000	FVOCI Rs. '000	FVTPL Rs. '000	Total Rs. '000	Amortised cost Rs. '000	FVOCI* Rs. '000	FVTPL Rs. '000	Total Rs. '000
Maximum exposure to credit risk,	33,698,659	3,087,969	4,626,674	41,413,302	37,065,567	645,708	3,451,509	41,162,784
Government securities	23,935,787	3,087,969	318,208	27,341,964	26,012,745	645,708	91,042	26,749,495
Debt instruments having credit ratings								
AAA	381,463	-	-	381,463	-	-	-	-
AA+ to AA-	25,094	-	794,476	819,570	1,281,394	-	782,067	2,063,461
A+ to A-	4,326,275	-	-	4,326,275	7,514,389	-	-	7,514,389
BBB+ to BBB-	4,007,074	-	-	4,007,074	1,030,136	-	-	1,030,136
Below BBB-	1,022,966	-	-	1,022,966	1,226,903	-	-	1,226,903
Unit trust**								
AAA	-	-	1,536,858	1,536,858	-	-	771,460	771,460
AA+ to AA-	-	-	-	-	-	-	278,414	278,414
A+ to A-	-	-	1,248,198	1,248,198	-	-	740,510	740,510
BBB+ to BBB-	-	-	380,822	380,822	-	-	320,850	320,850
Below BBB-	-	-	348,112	348,112	-	-	467,166	467,166
Total	33,698,659	3,087,969	4,626,674	41,413,302	37,065,567	645,708	3,451,509	41,162,784

*This does not include equity investments.

**Credit ratings of unit trust investments are based on the ratings on underline instruments of the respective unit funds.

As at 31 December 2023, corporate debt instruments comprise 25% (2022-28%) of the total investments, out of which 52% (2022 - 81%) were rated "A" or better.

The above has been derived as per the Company's risk management policy of using the carrying values in the Statement of Financial Position. There were no off - balance sheet exposures as at the date. This does not include the exposure that would arise in the future as a result of changes in values.

6.5.2.1.a Collateral held for Repo investments

Repo investments which fall under government securities is backed by treasury bills and bonds which are provided as collateral. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. A haircut of 10% is maintained at all times. As at the reporting date, the Company hold Rs. 1,303 million (2022 - Rs. 1,089 million) worth of treasury bills and treasury bonds as collateral to support repo investments amounting to Rs. 1,045 million (2022 - Rs. 881 million).

The Company has not sold securities received as collaterals for the period ended 31 December 2023. (2022 - Nil).

6.5.2.1.b Risk response to credit risk on financial investments

- The Company's investment policy prohibits non-graded investments, unless specifically authorised.
- Regularly review credit worthiness of counterparties and take necessary actions if required.
- Clearly defined single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.
- Appropriate actions are implemented when the investments are expected to be high credit risk.

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.1.c Maximum exposure to credit risk by risk rating (as per SLFRS 9)

The following table sets out information about the credit quality of financial investments measured at amortised cost, measured at FVOCI and measured at FVTPL.

Table - 13 Credit risk by risk rating

As at 31 December 2023	Risk status			ECL				
		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	12 months ECL	Life time ECL - Not credit impaired	Life time ECL - credit impaired	Total	Total net carrying amount
		Rs. '000	Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost								
Government securities								
Treasury bonds	Risk Free	18,408,368	-	-	-	-	-	18,408,368
Treasury Bills	Risk Free	553,716	-	-	-	-	-	553,716
Sri Lanka development bonds	Low Risk	-	-	-	-	-	-	-
International sovereign bonds	High Risk	-	7,142,936	-	(3,214,321)	-	(3,214,321)	3,928,615
Repo	Risk Free	1,045,088	-	-	-	-	-	1,045,088
		20,007,172	7,142,936	-	(3,214,321)	-	(3,214,321)	23,935,787
Debentures								
AAA to AA-	Low Risk	-	406,560	(3)	-	-	(3)	406,557
A+ to A-	Low Risk	-	5,653,481	(1,066)	-	-	(1,066)	5,652,415
BBB+ to BBB-	Low Risk	-	475,332	(301)	-	-	(301)	475,031
Below BBB-	High Risk	-	19,004	-	(261)	-	(261)	18,743
		-	6,554,377	(1,370)	(261)	-	(1,631)	6,552,746
Commercial paper								
A+ to A-	Low Risk	-	1,312,964	(6)	-	-	(6)	1,312,958
Below BBB-	Low Risk	-	400,394	-	-	-	-	400,394
		-	1,713,358	(6)	-	-	(6)	1,713,352
Securitised paper								
A+ to A-	Low Risk	-	577,427	(56)	-	-	(56)	577,371
		-	577,427	(56)	-	-	(56)	577,371
Deposits								
A+ to A	Low Risk	-	919,524	(121)	-	-	(121)	919,403
		-	919,524	(121)	-	-	(121)	919,403
		20,007,172	16,907,622	(1,553)	(3,214,582)	-	(3,216,135)	33,698,660
Fair value through other comprehensive income								
Treasury bonds	Risk Free	3,087,969	-	-	-	-	-	3,087,969
		3,087,969	-	-	-	-	-	3,087,969
Fair value through profit or loss								
Treasury bonds	Risk Free	318,208	-	-	-	-	-	318,208
Unlisted perpetual debentures	Low Risk	794,476	-	-	-	-	-	794,476
Derivative financial asset	Low Risk	-	-	-	-	-	-	-
Unit trusts	Low Risk	3,513,990	-	-	-	-	-	3,513,990
		4,626,674	-	-	-	-	-	4,626,674
Maximum exposure to credit risk		27,721,815	16,907,622	(1,553)	(3,214,582)	-	(3,216,135)	41,413,302

As at 31 December 2022	Risk status			ECL			Total	Total net carrying amount
		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	12 months ECL	Life time ECL - Not credit impaired	Life time ECL - credit impaired		
				Stage 1	Stage 2	Stage 3		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost								
Government securities								
Treasury bonds	Risk Free	12,980,040	-	-	-	-	-	12,980,040
Treasury Bills	Risk Free	1,099,884	-	-	-	-	-	1,099,884
Sri Lanka development bonds	Low Risk	-	6,361,004	(139,875)	-	-	(139,875)	6,221,129
International sovereign bonds	High Risk	-	6,900,614	-	(2,069,840)	-	(2,069,840)	4,830,774
Reverse repo	Risk Free	880,918	-	-	-	-	-	880,918
		14,960,842	13,261,618	(139,875)	(2,069,840)	-	(2,209,715)	26,012,745
Debentures								
AAA to AA-	Low Risk	-	2,521,534	(1,060)	-	-	(1,060)	2,520,474
A+ to A-	Low Risk	-	4,731,904	(3,119)	-	-	(3,119)	4,728,785
BBB+ to BBB-	Low Risk	-	100,477	(132)	-	-	(132)	100,345
Below BBB-	High Risk	-	28,506	-	(6,298)	-	(6,298)	22,208
			7,382,421	(4,311)	(6,298)	-	(10,609)	7,371,812
Commercial paper								
A+ to A-	Low Risk	-	1,957,542	(51)	-	-	(51)	1,957,491
BBB+ to BBB-	Low Risk	-	411,266	-	-	-	-	411,266
		-	2,368,808	(51)	-	-	(51)	2,368,757
Securitised paper								
A+ to A-	Low Risk	-	790,729	(483)	-	-	(483)	790,246
			790,729	(483)	-	-	(483)	790,246
Deposits								
AA+ to AA-	Low Risk	-	522,029	(22)	-	-	(22)	522,007
		-	522,029	(22)	-	-	(22)	522,007
		14,960,842	24,325,605	(144,742)	(2,076,138)	-	(2,220,880)	37,065,567
Fair value through other comprehensive income								
Treasury bonds	Risk Free	645,708	-	-	-	-	-	645,708
		645,708	-	-	-	-	-	645,708
Fair value through profit or loss								
Treasury bonds	Risk Free	90,974	-	-	-	-	-	90,974
Unlisted perpetual debentures	Low Risk	782,067	-	-	-	-	-	782,067
Derivative financial asset	Low Risk	68	-	-	-	-	-	68
Unit trusts	Low Risk	2,578,400	-	-	-	-	-	2,578,400
		3,451,509	-	-	-	-	-	3,451,509
Maximum exposure to credit risk		19,058,059	24,325,605	(144,742)	(2,076,138)	-	(2,220,880)	41,162,784

Issuer credit rating of the investment is considered as the risk rating for the purpose of ECL computation. International Sovereign Bonds were categorised as high risk due to the current status of defaulting and for SLDB, refer Note 29.2.3 on page 346.

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.1.d Reconciliation from the opening balance to the closing balance of the gross carrying amounts by class of financial instruments.

The Company has not considered financial investments classified as FVOCI, since this class consists of risk-free government securities and investment in equity securities. Therefore, following note presents the reconciliation of financial investment at amortised cost.

Table - 14 Movement of financial investments at amortised cost subject to expected credit loss (ECL)

As at 31 December	2023				2022			
	Stage 1 Rs. '000	Stage 2* Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial investments at amortised cost								
Balance at 1 January	32,212,585	4,852,982	-	37,065,567	25,565,564	34,772	-	25,600,336
Transfer to stage 1	-	-	-	-	(3,175,861)	-	-	(3,175,861)
Transfer to stage 2	-	-	-	-	-	3,175,861	-	3,175,861
Transfer to stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	143,189	(1,138,444)	-	(995,255)	(103,847)	(2,034,973)	-	(2,138,820)
New assets originated or purchased	37,026,901	-	-	37,026,901	41,246,751	-	-	41,246,751
Financial assets derecognised	(40,088,318)	(9,623)	-	(40,097,941)	(35,838,131)	(9,623)	-	(35,847,754)
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates	(397,877)	(803,814)	-	(1,201,691)	2,994,843	2,756,448	-	5,751,291
Amortisation Adjustment	854,821	1,046,257	-	1,901,078	1,523,266	930,497	-	2,453,763
Balance as at 31 December	29,751,301	3,947,358	-	33,698,659	32,212,585	4,852,982	-	37,065,567

*The Government of Sri Lanka announced its plans to restructure ISBs in April 2022. Accordingly this resulted a Significant Increase in Credit Risk indicator and the ISBs were classified under Stage 2.

Subsequent to announcement of restructure of ISBs, the Government of Sri Lanka commenced the negotiations with the lenders and Banking bondholders of Sri Lanka formed a Consortium, where the Company is also part of the Banking bondholders Consortium. Advisors of the banking consortium continuously communicate with advisors for the Government of Sri Lanka for the Bond restructuring programme. We also observed that the macro economic environment has improved during 2023, compared to the year 2022. These instruments are continued to remain in stage 2 as of 31 December 2023.

6.5.2.1.e Reconciliation from the opening balance to the closing balance of the loss allowance by class of financial instruments

The Company has not exposed to credit risk on financial investments classified at FVOCI since this class consists of risk-free government securities and investment in equity securities. Therefore, no impairment provision has been recognised in the Financial Statements in respect of financial investments at FVOCI.

Table - 15 ECL movement

As at 31 December	2023				2022			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial investments at amortised cost								
Balance at 1 January	144,742	2,076,138	-	2,220,880	78,824	3,236	-	82,060
Transfer to stage 1	-	-	-	-	(37,928)	-	-	(37,928)
Transfer to stage 2	-	-	-	-	-	37,928	-	37,928
Transfer to stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(1,711)	1,138,444	-	1,136,733	103,775	2,035,442	-	2,139,217
New assets originated or purchased	132	-	-	132	77	-	-	77
Financial assets derecognised	(141,610)	-	-	(141,610)	(6)	(468)	-	(474)
Balance as at 31 December	1,553	3,214,582	-	3,216,135	144,742	2,076,138	-	2,220,880

Overview of the ECL principles and key inputs were disclosed in Note 4.2.13 on page 286.

No loan commitments or financial guarantee contracts exist as at the reporting date (2022 - Nil).

6.5.2.1.f Sensitivity of ECL to future economic conditions

The Company has estimated the impairment provision on financial investments as at 31 December 2023, subject to various assumptions. The following table demonstrates the sensitivity of the impairment provision of the Company as at 31 December 2023 and 2022 to a feasible change in the following variables assuming all other variables remain constant.

Table - 16 Sensitivity of ECL

As at 31 December	2023		2022	
	Effect on SoFP	Effect on PBT	Effect on SoFP	Effect on PBT
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Change in PD :				
10% increase	(272,480)	(272,480)	(100,719)	(100,719)
10% decrease	321,632	321,632	137,944	137,944
Change in macro economic variables:				
10% increase	70,263	70,263	41,402	41,402
10% decrease	(70,263)	(70,263)	(39,908)	(39,908)

6.5.2.1.g Credit-impaired financial assets

There is no credit impaired financial assets as at 31 December 2023 (2022 - Nil)

6.5.2.2 Credit risk relating to loans to life policyholders

Credit risk arises due to non settlement of loans obtained by policyholders.

The credit risk exposure arising from loans granted to life policyholders are as follows.

Table - 17 Credit risk exposure

As at 31 December	2023 Rs. '000	2022 Rs. '000
Maximum exposure to credit risk	331,301	265,060
Total	331,301	265,060
Impaired	Nil	Nil

6.5.2.2.a Risk response to credit risk on loans to life policyholders

Loan granted amount is limited to surrender value of the insurance policy. As at the reporting date, the value of policy loans outstanding amounts to Rs. 331 million (2022 - Rs. 265 million) and its related surrender value is Rs. 500 million (2022 - 402 million).

The Company regularly monitors and limits credit exposures by individual counterparty and related counterparties by the aggregated exposure across the various types of credit risk for that counterparty.

The Risk Officer regularly reports the largest exposures by rating category to the Risk Committee of the Board.

6.5.2.3 Credit risk on reinsurance receivables

This is the risk of financial loss to the Company, if a reinsurer fails to meet its contractual obligations towards the Company.

Table - 18 Age analysis of reinsurance receivable

As at 31 December	2023			
	On paid claims	On claims outstanding	Total	
	Rs. '000	Rs. '000	Rs. '000	%
Up to 180 days	330,555	104,572	435,127	94
Over 180 days	30,084	-	30,084	6
Maximum exposure to credit risk	360,639	104,572	465,211	100
Past due but not impaired	Nil		Nil	

As at 31 December	2022			
	On paid claims	On claims outstanding	Total	
	Rs. '000	Rs. '000	Rs. '000	%
Up to 180 days	424,336	143,691	568,027	99
Over 180 days	352	-	352	1
Maximum exposure to credit risk	424,688	143,691	568,379	100
Past due but not impaired	Nil		Nil	

6.5.2.3.a Risk response to credit risk on reinsurance receivables

Management assesses the credit worthiness of reinsurers to update the reinsurance strategy on an annual basis and ascertains the suitable allowance for impairment of reinsurance assets.

Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables resulting no impairment loss at the year end (2022 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.3.a Risk response to credit risk on reinsurance receivables (Contd.)

Table - 19 Rating analysis of credit risk on reinsurance receivables

As at 31 December	Rating agency	2023					2022			
		Rating	On paid claims	On claims outstanding	Total		On paid claims	On claims outstanding	Total	
			Rs. '000	Rs. '000	Rs. '000		%	Rs. '000	Rs. '000	
Munich Re	Fitch	AA	267,342	89,059	356,401	77	148,881	123,512	272,393	48
SCOR Re	Fitch	A+	26,364	14,550	40,914	9	6,713	10,117	16,830	3
TOA Re	S&P	A	18,667	-	18,667	4	129,371	3,212	132,583	23
Assicurazioni Generali S.P.A.	Fitch	A+	-	-	-	-	19,665	-	19,665	4
AXA PPP Healthcare Limited	S&P	AA-	48,266	963	49,229	10	120,058	6,850	126,908	22
Total			360,639	104,572	465,211	100	424,688	143,691	568,379	100

6.5.2.4 Credit risk relating to premium receivables

In life insurance, credit risk on premium receivables is minimal, since premium is collected before the policy is issued. However, the Company is exposed to credit risk on premium receivables from intermediary institutions. Please refer Note 32 in page 354 for more information.

6.5.2.4.a Risk response to credit risk relating to premium receivables

- Regular follow ups for outstanding receivables balance.
- Entering into agreements with intermediary institutions committing them to settle dues within a specified time period.

6.5.2.5 Credit risk relating to receivables and other assets

Financial losses could arise due to non settlement of amounts due from counter parties.

6.5.2.5.a Risk response to credit risk relating to receivables and other assets

Regularly review credit worthiness of counterparties and take necessary actions if required.

6.5.2.6 Credit risk relating to cash at bank

6.5.2.6.a Risk response to credit risk relating to cash at bank

The Company maintains a strict policy to maintain cash deposits at counter parties with sound ratings and future outlooks, the company also maintains exposure limits to ensure that the Company has a diverse range of counter parties to ensure low concentration risk.

Following table presents rating strength of the financial institutions of which the Company has held cash and cash equivalents.

Table - 20 Rating strength of counterparties on cash at bank

As at 31 December	2023		2022	
Rating	Amount Rs. '000	%	Amount Rs. '000	%
AAA to AA-	4,875	0	673,104	92
A+ to A-	1,002,187	92	32,861	5
BBB+ to BBB-	84,639	8	22,766	3
Maximum exposure to credit risk	1,091,701	100	728,731	100

6.5.3 Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due. The Company could also experience a maturity mismatch with respect to unexpected large claims and expected reinsurance recoveries from insurers.

The Company's objective when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

6.5.3.a Management of liquidity risk

- Regular review by the Company's asset and liability management committee.
- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position.
- Monitoring of duration on fixed income portfolios by the Treasury Team.
- Regular reviews of cash flow projections.
- Adhering to defined limits on maturity gaps as per approved risk limits and adhering to compositions of investments as per the investment policy.
- Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments in the event claims exceed a certain amount.
- Availability of stand by overdraft facility to be used in the event of an emergency.

Table - 21 Maturity analysis of financial assets and liabilities

Remaining Contractual period to maturity of the assets and liabilities of the Company as at date of Statement of Financial Position is detailed below.

As at 31 December	Contractual Discounted Cash Flows									
	2023					2022				
	No maturity Rs. '000	Less than 1 year Rs. '000	1- 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000	No maturity Rs. '000	Less than 1 year Rs. '000	1- 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000
Maximum exposure to liquidity risk	-	4,347,123	7,443,911	12,023,680	23,814,714	-	5,513,192	1,774,557	9,273,758	16,561,507
Financial assets										
Amortised cost	-	5,907,461	8,172,772	19,618,426	33,698,659	-	9,773,047	8,404,642	18,887,878	37,065,567
Fair value through other comprehensive income	2,086,913	-	433,912	2,654,057	5,174,882	1,437,071	-	-	645,708	2,082,779
Fair value through profit or loss	794,476	3,513,990	126,104	192,104	4,626,674	782,068	2,578,467	-	90,974	3,451,509
Loans to life policyholders	-	-	-	331,301	331,301	-	-	-	265,060	265,060
Reinsurance receivables	-	465,211	-	-	465,211	-	568,379	-	-	568,379
Premium receivables	-	2,449,089	-	-	2,449,089	-	1,763,388	-	-	1,763,388
Other financial assets	-	72,155	-	-	72,155	-	70,934	-	-	70,934
Total financial assets	2,881,389	12,407,906	8,732,788	22,795,888	46,817,971	2,219,139	14,754,215	8,404,642	19,889,620	45,267,616
Financial liabilities										
Insurance contract liabilities - Maturities	-	855,192	2,374,545	11,955,754	15,185,491	-	606,229	1,522,575	3,751,513	5,880,317
Reinsurance payable	-	718,855	-	-	718,855	-	2,246,237	-	-	2,246,237
Loans and borrowing	-	155,338	4,859,659	-	5,014,997	-	153,807	-	5,490,111	5,643,918
Lease liabilities	-	328,886	209,707	67,926	606,519	-	305,923	251,982	32,134	590,039
Other financial liabilities	-	1,912,162	-	-	1,912,162	-	1,892,678	-	-	1,892,678
Bank overdraft	-	376,690	-	-	376,690	-	308,318	-	-	308,318
Total financial liabilities	-	4,347,123	7,443,911	12,023,680	23,814,714	-	5,513,192	1,774,557	9,273,758	16,561,507
Excess assets/(liabilities)	2,881,389	8,060,783	1,288,877	10,772,208	23,003,257	2,219,139	9,241,023	6,630,085	10,615,862	28,706,109

NOTES TO THE FINANCIAL STATEMENTS

Table - 21 Maturity analysis of financial assets and liabilities (Contd.)

Following table illustrates the expected undiscounted cash flows for financial assets and liabilities of the Company as at reporting date.

As at 31 December	Contractual Undiscounted Cash Flows									
	2023					2022				
	No maturity Rs. '000	Less than 1 year Rs. '000	1- 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000	No maturity Rs. '000	Less than 1 year Rs. '000	1- 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000
Maximum exposure to liquidity risk	-	4,429,768	8,199,366	72,328,091	84,957,225	-	5,841,227	2,564,433	89,281,781	97,687,441
Financial assets										
Amortised cost	-	10,442,621	18,960,590	31,764,761	61,167,972	-	12,208,638	17,677,351	25,936,320	55,822,309
Fair value through other comprehensive income	2,086,913	375,596	1,138,498	6,522,835	10,123,842	2,874,143	136,250	272,500	4,152,476	7,435,369
Fair value through profit or loss	4,213,990	41,400	180,850	388,600	4,824,840	3,278,400	20,568	41,000	384,500	3,724,468
Loans to life policyholders	-	-	-	331,301	331,301	-	-	-	265,060	265,060
Reinsurance receivables	-	465,211	-	-	465,211	-	568,379	-	-	568,379
Premium receivables	-	2,449,089	-	-	2,449,089	-	1,763,388	-	-	1,763,388
Other financial assets	-	72,155	-	-	72,155	-	70,934	-	-	70,934
Total financial assets	6,300,903	13,846,072	20,279,938	39,007,497	79,434,410	6,152,543	14,768,157	17,990,851	30,738,356	69,649,907
Financial liabilities										
Insurance contract liabilities - Maturities	-	909,321	3,062,193	72,168,128	76,139,642	-	905,048	2,252,563	83,287,976	86,445,587
Reinsurance payable	-	718,855	-	-	718,855	-	2,246,237	-	-	2,246,237
Loans and borrowing	-	155,338	4,859,659	-	5,014,997	-	153,807	-	5,490,111	5,643,918
Lease liabilities	-	357,402	277,514	159,963	794,879	-	335,139	311,870	503,694	1,150,703
Other financial liabilities	-	1,912,162	-	-	1,912,162	-	1,892,678	-	-	1,892,678
Bank overdraft	-	376,690	-	-	376,690	-	308,318	-	-	308,318
Total financial liabilities	-	4,429,768	8,199,366	72,328,091	84,957,225	-	5,841,227	2,564,433	89,281,781	97,687,441
Excess assets/(liabilities)	6,300,903	9,416,304	12,080,572	(33,320,594)	(5,522,815)	6,152,543	8,926,930	15,426,418	(58,543,425)	(28,037,534)

6.5.3.b Financial assets available to support future funding

The table below summarises the availability of the Company's financial assets to support future funding:

Table - 22 Assets available as collateral

As at 31 December	2023			2022		
	Pledged as collateral Rs. '000	Available as collateral Rs. '000	Total Rs. '000	Pledged as collateral Rs. '000	Available as collateral Rs. '000	Total Rs. '000
Financial investments at,						
Amortised cost	-	33,698,659	33,698,659	-	37,065,569	37,065,569
Fair value through other comprehensive income	-	5,174,882	5,174,882	-	2,082,779	2,082,779
Fair value through profit or loss	-	4,626,674	4,626,674	-	3,451,509	3,451,509
Loans to life policyholders	-	331,301	331,301	-	265,060	265,060
Reinsurance receivables	-	465,211	465,211	-	568,379	568,379
Premium receivables	-	2,449,089	2,449,089	-	1,763,388	1,763,388
Receivables and other assets	-	72,155	72,155	-	70,934	70,934
Cash at bank	-	1,091,701	1,091,701	-	728,731	728,731
Total	-	47,909,672	47,909,672	-	45,996,349	45,996,349

6.5.3.c Unutilised bank overdraft facilities

Unutilised bank overdraft facilities as at 31 December 2023 amounted to Rs. 200 million (2022 - Rs. 150 million).

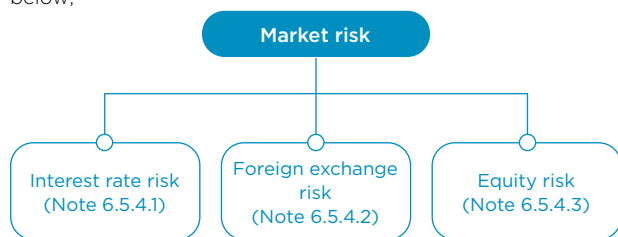
6.5.3.d Offsetting of financial assets and financial liabilities

The Company does not offset any financial assets and financial liabilities in its statement of financial position.

6.5.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk. Market risk comprises three types of risks are given below;



Market risk principally arises on the Company's equity investments, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies, although these exposures are largely offset by similar exposures arising from insurance and reinsurance contracts.

Table - 23 Exposure to market risk

For the year ended 31 December	Table	2023 Rs. '000	2022 Rs. '000
Financial assets exposure to;			
Interest rate risk	24	43,500,215	42,599,855
Foreign exchange risk	26	4,496,605	13,730,644
Equity risk	28	1,759,999	1,437,071
Financial liabilities exposure to;			
Interest rate risk	24	(5,391,687)	(5,952,236)
Foreign exchange risk	26	(5,338,974)	(6,794,068)

6.5.4.a Management of market risk

The Board of Directors sets the Company's strategy for managing market risk and delegates responsibility for overseeing the implementation of this strategy to the Company's asset and liability committee (ALCO).

The following policies and procedures are in place within the Company to mitigate the Company's exposure to market risk.

- The ALM framework seeks to match assets liability cash flows while achieving the optimum long-term investment return on its financial investments for an acceptable level of risk.
- Setting limits both for each type of risk in aggregate across the Company and for individual portfolios.
- Monitoring market risk on a day-to-day basis by Treasury Middle Officer.

6.5.4.b Sensitivity analysis

Assumptions and methods

- All other variables are remain constant at the time of preparing sensitivity analysis.
- Sensitivity of the Statement of Financial Position item mainly relates to debt and equity instruments.
- Sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks.
- The analysis is based on the carrying value of the financial assets and financial liabilities as at the reporting date.

The Company has used same method and assumptions in preparing sensitivity analysis for both current and comparative period.

Sensitive analysis are provided in Note 6.5.4.1.b (Table - 25), 6.5.4.2.b (Table - 27) and 6.5.4.3.b (Table - 30).

6.5.4.1 Interest rate risk

Interest rate risk on financial instruments arises primarily from the Company's investments in debt securities. These investments are exposed to the risk of adverse changes in fair values or future cash flows because of a change in market interest rates.

Floating rate instruments typically expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

6.5.4.1.a Risk response to the interest rate risk

The Company manages interest rate risk by closely matching, where possible, the durations of insurance contracts with fixed and guaranteed terms and the supporting financial assets. The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions. Additionally, estimates of cash flows and the impact of interest rate fluctuations are modelled and reviewed in every quarter.

- A regular track of macroeconomic indicators is kept by the Risk unit as well as the Treasury Department. These indicators together with their forecasts are reported to the Internal Risk Committee, the Board Risk Committee and the Investment Committee.
- Regular meetings and monitoring of risks by the ALCO.
- Adhering to limits set on interest rate risk through the risk policy.
- The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions.

NOTES TO THE FINANCIAL STATEMENTS

6.5.4.1.a Risk response to the interest rate risk (Contd.)

The following table summarises the exposure to the interest rate risk.

Table - 24 Exposure to interest rate risk

As at 31 December	2023				2022			
	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non interest bearing Rs. '000	Total Rs. '000	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non interest bearing Rs. '000	Total Rs. '000
Financial assets at,								
Amortised cost	466,020	33,232,639	-	33,698,659	5,032,548	32,033,019	-	37,065,567
Fair value through other comprehensive income	1,987,887	1,100,082	2,086,913	5,174,882	-	645,708	1,437,071	2,082,779
Fair value through profit or loss	4,308,466	318,208	-	4,626,674	3,360,535	90,974	-	3,451,509
	6,762,373	34,650,929	2,086,913	43,500,215	8,393,083	32,769,701	1,437,071	42,599,855
Financial liabilities								
Loans and borrowing	(5,014,997)	-	-	(5,014,997)	(5,643,918)	-	-	(5,643,918)
Bank overdraft	(376,690)	-	-	(376,690)	(308,318)	-	-	(308,318)
	(5,391,687)	-	-	(5,391,687)	(5,952,236)	-	-	(5,952,236)
Maximum exposure to interest rate risk	1,370,686	34,650,929	2,086,913	38,108,528	2,440,847	32,769,701	1,437,071	36,647,619

6.5.4.1.b Sensitivity analysis

The following table illustrates the estimated impact on profitability and equity by the fluctuation of interest rates assuming that all other variables remain constant on the following financial assets. Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.

Table - 25 Sensitivity

As at 31 December	2023				2022			
	Fixed-rate		Variable-rate		Fixed-rate		Variable-rate	
	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000
Increase in 100 basis points								
Financial assets/liabilities at,								
Financial assets at Amortised cost	-	-	4,208	4,208	-	-	41,334	41,334
Financial assets at Fair value through other comprehensive income	-	(61,726)	20,894	(43,499)	-	(24,466)	-	-
Financial assets at Fair value through profit of loss	(9,611)	(9,611)	94,300	94,300	(3,406)	(3,406)	56,822	56,822
Financial liabilities at amortised cost	-	-	(11,484)	(11,484)	-	-	(13,102)	(13,102)
	(9,611)	(71,337)	107,918	43,525	(3,406)	(27,872)	85,054	85,054
Decrease in 100 basis points								
Financial assets/liabilities at,								
Financial assets at Amortised cost	-	-	(4,208)	(4,208)	-	-	(41,334)	(41,334)
Financial assets at Fair value through other comprehensive income	-	68,430	(20,894)	47,219	-	26,468	-	-
Financial assets at Fair value through profit of loss	10,470	10,470	(94,300)	(94,300)	3,663	3,663	(56,822)	(56,822)
Financial liabilities at amortised cost	-	-	11,512	11,512	-	-	13,134	13,134
	10,470	78,900	(107,890)	(39,777)	3,663	30,131	(85,022)	(85,022)

6.5.4.2 Foreign exchange risk

The risk of an investment's value changing due to changes in currency exchange rates. Foreign exchange risk primarily arises when transactions with reinsurers and investments in securities denominated in foreign currencies are taking place.

6.5.4.2.a Mitigation strategies

- The Treasury officer analyses the market conditions of foreign exchange and analyse the utilisation of cash flows.
- Regularly reviews the timing of foreign currency cash inflows and outflows to ensure optimal management of currency exposure in minimising the impact of exchange rate fluctuations on the company's financial position.
- Explores the possibility of using forward contracts, providing a hedge against potential adverse movements in exchange rates.

Table - 26 Exposure to foreign exchange risk

As at 31 December	2023		2022	
	Amount in USD '000	Amount in LKR Rs. '000	Amount in USD '000	Amount in LKR Rs. '000
USD Assets	13,879	4,496,605	37,515	13,730,644
USD Liabilities	(16,479)	(5,338,974)	(18,563)	(6,794,068)
Maximum exposure to foreign exchange risk	(2,600)	(842,369)	18,952	6,936,576

The following exchange rates have been applied by the company.:

As at 31 December	2023		2022	
	Closing Rate	Average Rate	Closing Rate	Average Rate
USD	323.98	326.71	366.01	366.36

6.5.4.2.b Sensitivity to foreign exchange risk

The following table shows the estimated impact on profitability and equity by fluctuation of exchange rates assuming that all the other variables remain constant.

Table - 27 Sensitivity

As at 31 December	2023		2022	
	Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000
5% - Increase in exchange rate USD				
Financial investments	224,827	224,827	686,532	686,532
Financial liabilities	(266,941)	(266,941)	(339,703)	(339,703)
	(42,114)	(42,114)	346,829	346,829
5% - Decrease in exchange rate USD				
Financial investments	(224,827)	(224,827)	(686,532)	(686,532)
Financial liabilities	266,941	266,941	339,703	339,703
	42,114	42,114	(346,829)	(346,829)

6.5.4.3 Equity risk

The company's exposure to equity risk stems from its investments in equity securities and collective investment schemes that primarily allocate funds to equities. Equity risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices of equities.

6.5.4.3.a Risk response

The Company manages the equity risk through diversification and placing limits on individual and total equity portfolio investments to mitigate potential losses, and optimise risk-adjusted returns in line with the overall business objectives and risk appetite. The Company's equity risk management policies include;

- Adherence to the investment policy which includes stringent guidelines on risk exposures.
- Investment decisions are based on in depth macroeconomic and industry analysis as well as research reports on company performance.
- Any purchases in excess of Investment guideline issued by IRCSL require prior approval from the investment committee.
- Reports on the equity portfolio are submitted to the Company's senior management on a regular basis.

Table - 28 Listed equity investments

As at 31 December	2023		2022	
	Amount Rs. '000	%	Amount Rs. '000	%
Policyholder fund	732,334	38	689,200	48
Shareholder fund	1,027,665	62	747,871	52
Maximum exposure to equity risk (Table - 29)	1,759,999	100	1,437,071	100

NOTES TO THE FINANCIAL STATEMENTS

Table - 29 Portfolio diversification of listed equity investments (Sector analysis)

As at 31 December	2023		2022	
	Amount Rs. '000	%	Amount Rs. '000	%
Banks	1,299,500	74	875,404	61
Diversified financials	92,560	5	177,275	12
Healthcare equipment and services	367,939	21	384,392	27
Total	1,759,999	100	1,437,071	100

6.5.4.3.b Sensitivity analysis of equity risk

The following table shows the estimated impact on profitability and equity by fluctuation of stock market prices at the reporting date, assuming that all the other variables remain constant.

Table - 30 Sensitivity

For the year ended 31 December	Type of classification	2023		2022	
		Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000
10% decline in stock prices	FVOCI	-	(176,000)	-	(117,134)
10% Increase in stock prices	FVOCI	-	176,000	-	117,134
10% decline in stock prices	FVTPL	-	-	-	-
10% Increase in stock prices	FVTPL	-	-	-	-

6.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as the risks of mis-selling of products, modelling errors and non-compliance with legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective in managing operational risk is to balance the avoidance of financial losses and damage to the Company's reputation with overall cost-effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility of operational risk to the Risk Committee, the committee is responsible for the development and implementation of controls to address the operational risk.

6.6.a Management of operational risk

- Segregation of duties, including independent authorisation of transactions;
- Reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial actions.
- Development of contingency plans.
- Training and professional development.
- Risk mitigation, including insurance where this is cost-effective.
- Compliance with the Company standards is supported by a programme of periodic reviews undertaken by internal audit.
- The results of internal audit reviews are discussed, with the audit committee and management.

6.6.1 Risks associated with change in new accounting standard (SLFRS 17) and risk mitigation actions

It is clear that operational risk associated with SLFRS 17 implementation will extend beyond the process, people and technology. Therefore it has significant influence on the organisation's risk management framework and its role. The steering committee is responsible of setting strategies and objectives of SLFRS - 17 implementation of the company and setting up proper governance structure and manage cultural changes smoothly. The steering committee has identified and assessed risks associated with SLFRS - 17 implementation and relevant mitigation actions as prescribed in the below table.



Follow the link for SLFRS 17 - Effect on Company's Financial Statements

Table - 31 Risk Associated with SLFRS 17 and risk mitigating actions

Risk Type	Management Focus	Risk Source	Risk Description	Risk Mitigation Action
Operational Risk	Change Management	Data	Data Management	- Develop a secured data room and limited access to authorised persons - Enter into non-disclosure agreement where necessary
		System	Risk of new IT system	- Establish criteria for evaluate vendors - Deployment of appropriate expertise to sign off the BRD (Business Requirements Document) - Perform UAT (User Acceptance Testing) before deployment
		Process	Changes in actuarial & accounting process	- Analyse options available under the standard and assess the impact on actuarial and accounting practices - Identify system modifications and take necessary actions to redesign the existing data fields as necessary.
		People	Lack of Capabilities	- Formulate the project team representing necessary expertise - Obtain consultancy service from experts. - Conduct extensive workshops to focus groups to enhance capabilities.
		Project Management	Uncertain time-lines	Develop a Gantt chart with relevant timelines and continuously monitor the progress.
Financial Risk	Financial Management	Financial Stability	Increased Balance Sheet volatility	- Formulate a clear capital management framework. - Select the best transition approach. - Re-evaluate financial asset classifications at the point of transition.
		Financial Performance	Risk of lower profits	- Modify product features of onerous contracts to improve profitability. - Apply transition approaches that maximise the company value. - Conduct proper asset-liability management.
Strategic Risk	Strategic Management	Investor Confidence	Increased of Investor scrutiny and pressure	- Develop BRD incorporating corporate key priorities - Educate investors about key financial metrics impacted by SLFRS 17 implementation.
		Performance Management	Change of prevailing KPIs	- Communicate proactively about new KPIs and their impact - Identify and develop new KPIs aligned with organisational objectives.
Regulatory Risk	Stakeholder Management	Regulator	Increase influence and governance	- Identify changes for the regulatory reporting framework - Approach relevant authorities for required clearance - Redesign data fields in system to support changes in Risk-Based Capital
		Competitors	Comparison of financial statements	- Maintain consistency of policies used for SLFRS 17 implementation. - Advocate for common industry-level consistent metrics for insurers.

6.7 Impact of economic crisis to the financial statements

Amidst ongoing challenges stemming from the COVID - 19 pandemic, geopolitical tensions, and domestic policy issues, the Sri Lankan economy showed signs of stabilisation in 2023. The government implemented stringent measures and sought assistance from international financial institutions for the economic recovery.

Along with the extended fund disbursements from International Monetary Fund (IMF) disbursements and other stabilisation measures including Domestic Debt Optimisation (DDO); Sri Lankan rupee appreciated by 12%, inflation recorded at 4% in December 2023, import restrictions were eased, and interest rates declined. Along with the DDO, discussions have progressed to a noticeable level on restructuring of the foreign currency denominated bonds between the Sri Lankan Government and the IMF.

NOTES TO THE FINANCIAL STATEMENTS

6.7 Impact of economic crisis to the financial statements (Contd.)

Additionally, in September 2023, Fitch upgraded Sri Lanka's long-term issuer default rating from RD to CCC- as discussed in Note 29.2.3 on page 346 to the Financial Statements. The Central Bank of Sri Lanka adjusted its key interest rates downwards to 9% and 10% in November 2023 as well with the intention of enhancing credit circulation of the country.

Considering the ongoing challenges and the current economic and political stabilisation efforts, management has decided to adjust product offerings and pricing strategies to mitigate risks and adapt to changing market conditions. Based on company's strategic plans, it is not expected to have a material impact on the Company's operations in the foreseeable future.

There are no significant events that have occurred since the reporting date which would require any adjustments to, or disclosure in, the financial statements of the Company except for the above.

6.8 Capital management

6.8.1 Objectives, policies and processes for capital management

The Company's policy / objective is to maintain a strong capital base:

- to safeguard the ability to continue as a going concern, so that the company can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain investor, creditor and market confidence and to sustain the future development of the business;
- to maintain required and optimal capital levels of the Company to reduce the cost of capital and comply with regulatory requirements;
- to support new business growth of the Company.

The Company management committee uses regulatory capital ratios to monitor the Company's capital base.

6.8.2 Regulatory capital - Risk Based Capital (RBC) Framework

As a regulator of the industry, Insurance Regulatory Commission of Sri Lanka has implemented a Risk Based Capital (RBC) Framework to monitor insurance companies in the country.

This framework, based on emerging international standards and good practices in developed countries, is risk-focused. It reflects the relevant risks that the insurance companies face. The minimum capital prescribed under the framework, which includes a consistent approach to the valuation of assets and liabilities, will serve as an effective buffer to absorb losses. With greater transparency, it will facilitate comparisons across insurance companies. It will also provide clearer information on the financial strength of the Company.

The valuation regime makes a fundamental shift away from the current philosophy, which is built upon estimations of asset and liability values with undisclosed margins and approximations, to

one that emphasises greater transparency and provides a more accurate picture of the insurer's financial position. This is achieved by using more realistic valuation methodology and bases. More assumptions will need to be made in the valuation process.

6.8.3 Risks involved in order to comply with new RBC Framework

- How to invest into capacity building of internal skill sets.
- Changing business strategy to align with the new regulatory environment
- Increase in the compliance cost

6.8.4 Risk response to capital management

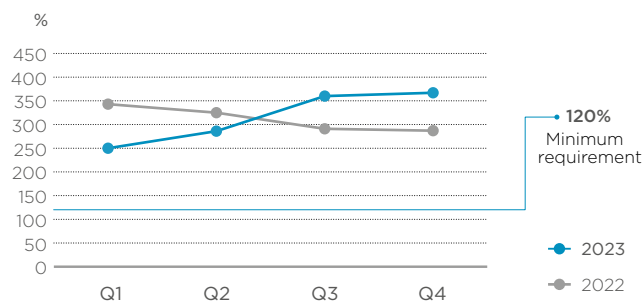
- Continuous training provided to the staff of the Company
- Compliance with recommended action plans are supported by periodic reviews undertaken by the Head of Actuarial of the Company.
- Further, in preparation for the adoption of the RBC Framework, the Company already uses the appointed actuary's service.
- Closely follow up RBC guideline issued by IRCSL.

Summary of Company's compliances to the Risk Based Capital (RBC) framework is provided in the following table.

Table - 32 Solvency position

As at 31 December	2023 Rs. '000	2022 Rs. '000
Total Available Capital (TAC)	37,106,543	32,302,206
Risk Based Capital requirement (RCR)	10,113,424	11,262,228
Risk-based Capital Adequacy Ratio (CAR)	367%	287%
Minimum Risk-based Capital Adequacy Ratio requirement (CAR)	120%	120%
Minimum Capital Requirement (MCR)	500,000	500,000
Capital Adequacy Satisfied?	Yes	Yes

QUARTERLY CAPITAL ADEQUACY RATIO (CAR)



Capital adequacy ratio (CAR) has improved during 2023 mainly due to the increase in value of admissible assets as a result of reduced market interest rates during the year.

6.8.5 Sensitivity analysis of Capital Adequacy Ratio (CAR)

The following table shows the estimated impact on CAR ratio due to various predicted scenario testing

Table - 33 Sensitivity analysis of the CAR

Variable	Change in assumptions	Estimated CAR Ratio (Regulatory)
Expenses	+10%	336%
	-10%	360%
Discount Rate	+0.5%	358%
	-0.5%	336%
First 3 years Termination	Up	345%
First 3 years Termination	Down	342%
Mass Termination	Up	318%
Mass Termination	Down	388%
Mortality	+10%	342%
	-10%	354%
Morbidity	+10%	329%
	-10%	367%

6.8.6 Measurement of gearing of the company

The company's policy is to maintain a strong capital base in order to maintain investor, policyholder and market confidence and also to sustain future business development. Management continuously monitors the return on capital, as well as the level of dividends to the shareholders.

Accordingly, the Company monitors capital on the basis of the following gearing ratio:

Table - 34 Net debt to equity ratio

As at 31 December	2023 Rs. '000	2022 Rs. '000
Cash and cash equivalents	1,099,679	739,944
Liquid Investments	9,421,452	12,351,514
Bank overdrafts	(376,690)	(308,318)
Borrowings (excluding bank overdrafts)	(5,014,997)	(5,643,918)
Lease liabilities	(606,520)	(590,039)
Net debt	4,522,924	6,549,183
Total Equity	13,333,346	10,872,924
Net debt to equity ratio	0.34	0.60

Debt to equity ratio without adjusting for the cash and cash equivalents is presented as the Debt to Equity Ratio under Investor Relations on page 386.

Details of the dividends of the Company are provided in Note 24 on page 331.

7. FAIR VALUE MEASUREMENT

Accounting Policy

Fair value is the amount for which an asset could be exchanged, or a liability is settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or,
- In the absence of the principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 29 : Financial instruments (Page 343 to 352);
- Note 26 : Freehold property measured at fair value (Page 334 to 338).

Valuation models

Fair value hierarchy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

- quoted prices in active markets for similar instruments,
- quoted prices for identical or similar instruments in markets that are considered to be less active, or
- other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENT (CONTD.)

Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs which have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government securities such as treasury bills and treasury bonds. Availability of observable prices and model inputs reduce the need for management judgement and estimation, while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

As disclosed in Note 29.2.3 on page 346, the company has recorded an initial recognition loss in the current year financial statements.

Objective of the valuation

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the assets or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

7.1 Fair value measurement

Following table represents the fair value measurement of the Company according to fair value hierarchy.

Instrument category	Fair value basis	Fair value hierarchy
Government securities		
Treasury bills and bonds	Valued using the market yield	Level 1*
International Sovereign bonds (ISB)	Valued using the market yield	Level 2**
Investment in shares		
Listed shares	Closing market prices	Level 1
Unlisted shares	Adjusted net assets for Illiquidity	Level 3
Investment in units		
Investment in unlisted redeemable units	Published Net Assets Values (NAV)	Level 2
Corporate debt		
Listed debentures	Published Market Prices	Level 2***
Unlisted perpetual debentures	Adjusted interest rate for Illiquidity	Level 3
Land and Building	Market Comparable Method and Investment Method	Level 3

*Treasury bills and bonds denominated in local currency, issued by the Government of Sri Lanka, are classified under Stage 1 based on accounting by banking & finance industry guided by the Banking Act Direction No. 14 of 2021, issued by the Central Bank of Sri Lanka, applying a LGD of zero to these Government securities. Based on the continuous settlement of these securities by the Government and implications of the Domestic Debt Optimisation (which excluded these securities), the Company's overall Expected Credit Loss (ECL) on these instruments is also zero.

**ISBs have been classified under level 2 in the fair value hierarchy, since there is no active secondary market with sufficient frequency for such instrument.

***Listed debentures have been classified under level 2 in the fair value hierarchy since there is no active market for these instruments even though such instruments are listed.

Valuation techniques used in measuring Level 2 and 3 fair value

Same valuation techniques as mentioned in the above table have been used by the Company in measuring Level 2 and 3 fair values for the current and comparative financial period.

Financial assets and liabilities not considered for fair value measurement

It is assumed that the carrying amount of following financial assets and liabilities are reasonable approximation of fair value since they are short - term in nature or are re-priced to current market rates frequently:

Assets	Liabilities
Sri Lanka development bonds (till 14 August 2023)	Loans and borrowings
Fixed deposits	Reinsurance creditors
Commercial papers	Other liabilities (Excluding government levies and accruals)
Securitised papers	Bank overdraft
Repo	
Cash and cash equivalents	
Loans to life policyholders	
Reinsurance receivables	
Premium receivables	

Carrying amounts of the Company's financial assets and financial liabilities

Carrying amounts and classification of the Company's financial assets and financial liabilities are given in Note 4.2.11 on page 285 and Note 4.3.8 on page 288 respectively.

7.2 Valuation framework

The Company has an established control framework for the measurement of fair values. This framework includes a valuation team (Treasury Back Office (TBO) which is independent from Treasury Front Office (TFO)), which reports to the Chief Financial Officer, with overall responsibility for overseeing and independently verifying all significant fair value measurements. Significant valuation issues are reported to the Audit Committee.

Specific controls include:

- Verification of observable pricing.
- Re-performance of model valuations.
- A review and approval process for new models and changes to models.
- Bi-annual calibration and back-testing of models against observed market transactions.
- Analysis and investigation of significant daily valuation movements.
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month.

When third party information (e.g. broker quotes, pricing services or independent property valuations) is used to measure fair value, the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SLFRS.

This includes:

- Verifying that the broker, pricing service or independent property valuer is approved by the Company for use in pricing the relevant type of asset or liability;
- Understanding how the fair value has been arrived at, the extent to which it reflects actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- When prices for similar assets or liabilities are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the asset or liability subject to measurement; and
- If a number of quotes for the same asset or liability have been obtained, then understanding how fair value has been determined using those quotes.

NOTES TO THE FINANCIAL STATEMENTS

7.3 Assets measured at fair value and fair value hierarchy

The following table provides an analysis of assets measured at fair value in the Statement of Financial Position and the level in the fair value hierarchy.

Fair value hierarchy

As at 31 December	Note	Page	2023				2022			
			Level 1	Level 2	Level 3	Total fair value/ carrying value	Level 1	Level 2	Level 3	Total fair value/ carrying value
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-financial assets										
Land and building	26.1	335	-	-	311,000	311,000	-	-	277,674	277,674
Total non-financial assets at fair value			-	-	311,000	311,000	-	-	277,674	277,674
Financial assets										
Financial investments - (FVTPL)										
Treasury bonds	29.4	350	318,208	-	-	318,208	90,974	-	-	90,974
Perpetual debentures	29.4	350	-	-	794,476	794,476	-	-	782,067	782,067
Unit trusts	29.4.1	351	-	3,513,990	-	3,513,990	-	2,578,400	-	2,578,400
Derivative asset			-	-	-	-	68	-	-	68
			318,208	3,513,990	794,476	4,626,674	91,042	2,578,400	782,067	3,451,509
Financial investments - FVOCI										
Treasury bonds	29.3	348	3,087,969	-	-	3,087,969	645,708	-	-	645,708
Equity shares - listed	29.3.1	349	1,759,999	-	-	1,759,999	1,171,337	-	-	1,171,337
Equity shares - unlisted	29.3.1 & 29.3.2	349 & 350	-	-	326,914	326,914	-	-	265,734	265,734
			4,847,968	-	326,914	5,174,882	1,817,045	-	265,734	2,082,779
Total financial assets at fair value			5,166,176	3,513,990	1,121,390	9,801,556	1,908,087	2,578,400	1,047,801	5,534,288
Total assets at fair value			5,166,176	3,513,990	1,432,390	10,112,556	1,908,087	2,578,400	1,325,475	5,811,962

Transfer between levels

There were no transfers made in between the levels in the year 2023 (2022 - Nil).

7.4 Level 3 fair value measurement

Reconciliation of fair value measurements of level 3 financial instruments

The Company carries unquoted equity shares, unquoted perpetual debentures and land and building in Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements except for the land and building is summarised below:

Financial assets at level 3 in the fair value hierarchy

As at 31 December	2023		2022	
	Equity shares at FVOCI (Unlisted) Rs. '000	Unquoted debentures at FVPL Rs. '000	Equity shares at FVOCI (Unlisted) Rs. '000	Unquoted debentures at FVPL Rs. '000
Balance at 1 January	265,734	782,067	270,256	765,303
Purchase / (disposal)	-	-	-	-
Fair value gains / (losses)				
Recognised in the income statement - net fair value gains	-	12,409	-	16,764
Recognised in OCI - In equity investments at FVOCI	61,180	-	(4,522)	-
Net amount reclassified to the income statement	-	-	-	-
Transfers into / out of Level 3	-	-	-	-
Balance as at 31 December	326,914	794,476	265,734	782,067

Land and building at level 3 in the fair value hierarchy

Reconciliation from the opening balance to the ending balance and revaluation reserve pertaining to the Land and Building in Level 3 of the fair value hierarchy is available in Note 26.1 on page 335 and Note 37.2 on page 356 respectively.

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorised in the Level 3 of the fair value hierarchy.

As at 31 December	Fair value		Valuation technique	Range of estimates (weighted average) for significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
	2023 Rs. '000	2022 Rs. '000			
Debt securities					
Perpetual debentures	794,476	782,067	Adjusted interest rate for illiquidity	Credit spread 0.5% to 3%	Estimated fair value would increase/ (decrease), if credit spread would (decrease) / increase
Equity securities					
Unlisted equity securities	326,914	265,734	Adjusted net asset for illiquidity	Illiquidity premium 5% - 10%	Estimated fair value would increase/ (decrease), if illiquidity premium would (decrease) / increase
Land and building	311,000	277,674	Refer Note 26.18 on page 337	Refer Note 26.18 on page 337	Refer Note 26.18 on page 337

NOTES TO THE FINANCIAL STATEMENTS

7.4 Level 3 fair value measurement (Contd.)

Significant unobservable inputs are developed as follows.

Debt securities	Credit spreads are derived from internally developed model and adjustments have been made to reflect the illiquidity condition of the instruments.
Unlisted equity securities	When deciding illiquidity premium the Company has considered the fact that recent acquisition of finance companies had taken place at more than the net asset value of target investee.
Land and Building	Refer Note 26.18 on page 337

Sensitivity analysis of financial assets classified at Level 3

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in fair value of the level 3 financial instruments and significant unobservable inputs.

As at 31 December	Significant unobservable input	2023			2022		
		Impact on income statement	Impact on OCI	Impact on equity	Impact on income statement	Impact on OCI	Impact on equity
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unlisted Equity Securities							
1% Increase in adjustment for illiquidity	Illiquidity premium	-	(3,458)	(3,458)	-	(2,798)	(2,798)
1% Decrease in adjustment for illiquidity	Illiquidity premium	-	3,458	3,458	-	2,798	2,798
Perpetual debentures							
1% Increase in credit spread	Credit spread	(52,090)	-	(52,090)	(24,915)	-	(24,915)
1% Decrease in credit spread	Credit spread	60,483	-	60,483	26,687	-	26,687

Sensitivity analysis of land and building classified at Level 3 is given in Note 26.18 on page 337.

7.5 Financial instruments not measured at fair value and fair value hierarchy

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

Fixed rate financial investments - Government securities

The fair value of fixed rate government securities carried at amortised cost are estimated by using daily market rate published by Central Bank of Sri Lanka.

Variable rate financial investments - Government securities

The fair value of variable rate government securities carried at amortised cost are estimated by using daily market rate published by Central Bank of Sri Lanka

Fixed rate financial investments - Unquoted and quoted debt securities

For quoted debt issued, the fair values are determined based on quoted market prices. For those issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase / (decrease) in the market interest rate would result in lower / (higher) fair value being disclosed.

Assets for which fair value approximates carrying value

For financial assets and liabilities with short-term maturities or with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity period.

The following table sets out the estimated fair values of financial assets and liabilities not measured at fair value and hence reflected at the carrying amounts in Financial Statements and the fair value hierarchy used:

As at 31 December	Note	2023					2022				
		Level 1	Level 2	Level 3	Total fair value	Total carrying value	Level 1	Level 2	Level 3	Total fair value	Total carrying value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets											
Financial investments – Amortised cost											
Treasury bonds	29.2	22,990,696	-	-	22,990,696	18,408,368	9,675,901	-	-	9,675,901	12,980,040
Treasury bills	29.2	555,087	-	-	555,087	553,716	1,104,545	-	-	1,104,545	1,099,884
Sri Lanka development bonds	29.2	-	-	-	-	-	-	-	-	6,361,004	6,221,129
International sovereign bonds*	29.2	-	4,032,845	-	4,032,845	3,928,615	4,086,897	-	-	4,086,897	4,830,774
Debentures**	29.2	-	6,233,015	-	6,233,015	6,552,746	-	7,155,383	-	7,155,383	7,371,812
Fixed deposits	29.2	-	-	-	919,524	919,403	-	-	-	522,028	522,007
Commercial paper	29.2	-	-	-	1,713,358	1,713,352	-	-	-	2,368,808	2,368,757
Securitised Papers	29.2	-	-	-	577,426	577,371	-	-	-	790,729	790,246
Repo	29.2	-	-	-	1,045,088	1,045,088	-	-	-	880,918	880,918
Other financial assets											
Cash and cash equivalents	34	-	-	-	1,099,679	1,099,679	-	-	-	739,944	739,944
Loans to life policyholders	30	-	-	-	331,301	331,301	-	-	-	265,060	265,060
Reinsurance receivables	31	-	-	-	465,211	465,211	-	-	-	568,379	568,379
Premium receivables	32	-	-	-	2,449,089	2,449,089	-	-	-	1,763,388	1,763,388
Receivable and other assets	33	-	-	-	72,155	72,155	-	-	-	70,934	70,934
Total financial assets not at fair value		23,545,783	10,265,860	-	42,484,474	38,116,094	14,867,343	7,155,383	-	36,353,918	40,473,272
Financial liabilities											
Loans and borrowings	41	-	-	-	5,014,997	5,014,997	-	-	-	5,643,918	5,643,918
Reinsurance payables	42	-	-	-	718,855	718,855	-	-	-	2,246,237	2,246,237
Other liabilities	43	-	-	-	1,912,162	1,912,162	-	-	-	1,892,678	1,892,678
Bank overdraft	44	-	-	-	376,690	376,690	-	-	-	308,318	308,318
Total financial liabilities not at fair value		-	-	-	8,022,704	8,022,704	-	-	-	10,091,151	10,091,151

*As disclosed in Note 71 on page 314, ISBs have been classified under level 2 in the fair value hierarchy, since there is no active secondary market with sufficient frequency for such instrument.

**Listed Debentures have been classified under level 2 in the fair value hierarchy since there is no active market for these instruments, even though such instruments are listed.

NOTES TO THE FINANCIAL STATEMENTS

8. GROSS WRITTEN PREMIUMS

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Gross written premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30-day grace period are considered as due for endowment products). 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.

The premium Income for the year by major classes of business is as follows:

For the year ended 31 December	2023			2022		
	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000
Renewal premium	13,181,096	-	13,181,096	11,334,841	-	11,334,841
Single premium	653,208	-	653,208	1,767,030	-	1,767,030
First year premium	6,366,477	-	6,366,477	5,226,525	-	5,226,525
Group life premium	-	6,140,540	6,140,540	-	4,755,029	4,755,029
Total gross written premium	20,200,781	6,140,540	26,341,321	18,328,396	4,755,029	23,083,425

GROSS WRITTEN PREMIUMS



9. PREMIUMS CEDED TO REINSURERS

Premium ceded to reinsurers represents the premium paid by the Company to its reinsurers in order to manage its underwriting risks.

Accounting Policy

Reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurer and accounted on an accrual basis.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Treaty	2,409,009	2,663,583
Facultative	880	15,220
Total premium ceded to reinsurers	2,490,889	2,678,803

10. NET WRITTEN PREMIUMS

This represents the net written premium for the financial year subsequent to the deduction of reinsurance premium from gross written premium.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Gross written premium	26,341,321	23,083,425
Less: Premiums ceded to reinsurers	(2,490,889)	(2,678,803)
Total net written premium	23,850,432	20,404,622

11. FINANCE INCOME

Finance income consists of interest income and dividend income generated by the Company from its various financial assets held throughout the reporting period.

Accounting Policy

Interest income is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate by applying to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). The calculation of interest income of credit-impaired financial assets does not revert to a gross basis, even if the credit risk of the asset improves.

Investment related expenses consist of costs relating to investment such as custodian fee, bank guarantee fee and brokerage fee, etc. These expenses are recognised on an accrual basis.

Effective interest rate (EIR)

The EIR is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liabilities. When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses. For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

The calculation of the EIR includes all transaction costs and fees that are an integral part of EIR. Transaction costs includes incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the EIR of the instrument.

Accounting Policy

Dividend income

Dividends on equity investments are recognised in the Income Statement when the right to receive payment is established which is on the date at which the investment is priced 'ex dividend'. Dividends are presented under net finance income in the Income Statement.

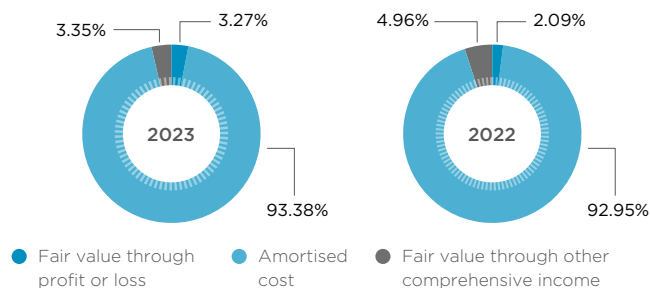
Interest income presented in the Income Statement include:

- Interest income on financial assets measured at FVTPL is calculated using EIR method.
- Interest income on financial assets measured at amortised cost is calculated using EIR method.
- Interest income on financial assets measured at FVOCI is calculated using EIR method.

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Interest income from:			
Financial assets classified at FVTPL	11.1.a	233,623	102,785
Financial assets classified at amortised cost	11.1.c	6,515,689	4,639,596
Financial assets classified at FVOCI	11.1.d	228,131	130,980
		6,977,443	4,873,361
Dividend Income From:			
Equity shares classified at FVTPL	11.1.b	-	1,381
Equity shares classified at FVOCI	11.1.e	-	116,403
		-	117,784
Total finance income		6,977,443	4,991,145

The Company has not derecognised equity instruments measured at fair value through other comprehensive income during the reporting year.

FINANCE INCOME



NOTES TO THE FINANCIAL STATEMENTS

11.1 Analysis of finance income

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
a. Interest income from financial assets classified at FVTPL		
Treasury bonds	39,948	20,793
Perpetual debentures	193,675	81,992
	233,623	102,785
b. Dividend income - Equity shares	-	1,381
Total finance income from financial assets classified at FVTPL	233,623	104,166
c. Interest income from financial assets classified at amortised cost		
Debentures	787,117	870,946
Commercial papers	420,805	451,101
Securitised Paper	72,785	76,760
Term deposits	121,613	93,298
Sri Lanka development bonds	132,874	367,556
International Sovereign bonds	1,046,135	930,377
Repo	310,806	279,612
Loans to life policyholders	52,862	39,442
Treasury bonds	3,438,657	1,282,273
Treasury bills	132,035	248,231
Total finance income from financial assets classified at amortised cost	6,515,689	4,639,596
d. Income from financial assets classified at FVOCI		
Interest income from treasury bonds	228,131	130,980
e. Dividend income - Equity shares	-	116,403
Total finance income from financial assets classified at FVOCI	228,131	247,383
Total finance income	6,977,443	4,991,145

12. NET REALISED GAINS / (LOSSES)

Accounting Policy

Realised gains and losses recorded in the Income Statement on investments include gains and losses on disposal of financial assets except for equity instruments classified at FVOCI.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

On derecognition of an investment other than equity classified as FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the Income Statement.

On derecognition of equity investments classified at FVTOCI, the cumulative gain or loss previously recognised in the OCI is transferred to retained earnings from fair value reserve in the Statement of Changes in Equity.

Analysis of realised gains / (losses)

For the year ended 31 December	2023			2022		
	Realised gains	Realised losses	Net realised gains / (losses)	Realised gains	Realised losses	Net realised gains / (losses)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets classified at FVTPL						
Unit trusts	227,391	-	227,391	354,652	-	354,652
Quoted equity securities	-	-	-	-	(184,744)	(184,744)
Total net realised gains	227,391	-	227,391	354,652	(184,744)	169,908

13. NET FAIR VALUE GAINS / (LOSSES)**Accounting Policy**

Fair value gains and losses recorded in the Income Statement on investments include fair value gains / (losses) on financial assets measured at FVTPL.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Financial investments at FVTPL		
Treasury bonds	101,563	(91,806)
Unit trusts	464,428	39,066
Perpetual debentures	533	1,571
Derivatives	166,921	68
Total net fair value gains	733,445	(51,101)

14. OTHER OPERATING INCOME**Accounting Policy**

Other income is recognised on an accrual basis. Other income comprises fees, disposal gains/losses on property, plant and equipment and miscellaneous income.

Gains or losses on disposal of an item of property, plant and equipment (PPE)

Any gain or loss on disposal of an item of PPE (calculated as the difference between net proceeds from disposal and carrying amount of the item at the time of disposal) is recognised as 'other income' in the Income Statement in the year in which the Company transfers control of the asset to the buyer. When revalued assets are sold, any related amount included in the revaluation reserves are transferred to retained earnings.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Gain on sale of property, plant and equipment	141	135
Miscellaneous income	9,744	10,104
Total other income	9,885	10,239

15. NET INSURANCE BENEFITS AND CLAIMS PAID**Accounting Policy****Gross benefits and claims**

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Maturities and annuity payments are recorded when due. Death claims, accident, hospitalisation and surrenders are recorded on the basis of notifications received.

Reinsurance recoveries

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Claims		
Gross claims paid	10,237,565	8,118,482
Claims recovered from reinsurers	(592,422)	(850,006)
	9,645,143	7,268,476
Benefits		
Gross claims paid	3,253,018	995,810
	3,253,018	995,810
Total net insurance benefits and claims paid	12,898,161	8,264,286

NOTES TO THE FINANCIAL STATEMENTS

15. NET INSURANCE BENEFITS AND CLAIMS PAID (CONTD.)

Analysis of net insurance benefits and claims paid

For the year ended 31 December	2023			2022		
	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000
Claims						
Death, disability and other riders - Endowment	4,678,045	(290,690)	4,387,356	3,494,789	(617,508)	2,877,281
Death and hospitalisation - Group life	3,970,473	(239,299)	3,731,174	2,715,586	(198,157)	2,517,429
Death - Decreasing Term Assurance (DTA)	1,589,046	(62,433)	1,526,613	1,351,925	(34,341)	1,317,584
	10,237,565	(592,422)	9,645,143	7,562,300	(850,006)	6,712,294
Benefits						
Policy maturities / surrenders - Investment products	1,785,941	-	1,785,941	743,329	-	743,329
Policy maturities - Endowment	764,084	-	764,084	377,549	-	377,549
Policy surrenders - Endowment products	702,993	-	702,993	431,114	-	431,114
	3,253,018	-	3,253,018	1,551,992	-	1,551,992
Total net insurance benefits and claims Paid	13,490,583	(592,422)	12,898,161	9,114,292	(850,006)	8,264,286

16. NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

Accounting Policy

Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the income statement.

For the year ended 31 December	2023			2022		
	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000
Claims						
Death, disability and other riders - Endowment	(17,933)	39,216	21,283	121,509	(73,709)	47,800
Death and hospitalisation - Group life	(16,148)	(7,752)	(23,900)	17,446	(8,171)	9,275
Death - Decreasing Term Assurance (DTA)	(59,860)	7,654	(52,206)	74,267	(2,043)	72,224
	(93,941)	39,118	(54,823)	213,222	(83,923)	129,299
Benefits						
Policy maturities - Endowment	-	-	-	-	-	-
	-	-	-	-	-	-
Total net change in insurance claim and benefits outstanding	(93,941)	39,118	(54,823)	213,222	(83,923)	129,299

16.1 Total net insurance claims and benefits expense

For the year ended 31 December	2023			2022		
	Gross claims and benefits	Recovery from reinsurers	Net claims and benefits	Gross claims and benefits	Recovery from reinsurers	Net claims and benefits
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Claims						
Death, disability and others riders - Endowment	4,660,113	(251,474)	4,408,639	3,616,298	(691,217)	2,925,081
Death and hospitalisation - Group life	3,954,325	(247,051)	3,707,274	2,733,032	(206,328)	2,526,704
Death - Decreasing Term Assurance (DTA)	1,529,186	(54,779)	1,474,407	1,426,192	(36,384)	1,389,808
	10,143,624	(553,304)	9,590,320	7,775,522	(933,929)	6,841,593
Benefits						
Policy maturities / surrenders - Investment products	1,785,941	-	1,785,941	743,329	-	743,329
Policy maturities - Endowment	764,084	-	764,084	377,549	-	377,549
Policy surrenders - Endowment products	702,993	-	702,993	431,114	-	431,114
	3,253,018	-	3,253,018	1,551,992	-	1,551,992
Total net insurance claim and benefits expenses	13,396,642	(553,304)	12,843,338	9,327,514	(933,929)	8,393,585

17. CHANGE IN VALUATION OF INSURANCE CONTRACT LIABILITIES

Accounting Policy

In Note 39.8 on page 360 to these Financial Statements explain in detail about methodology of valuation of the insurance contract liabilities. Changes in the valuation of insurance contract liabilities are recognised in the Income Statement under change in contract liabilities.

Actuarial valuation of life insurance fund

The Directors agree to the provision relating to long term insurance contract liability of the Company at the year-end on the recommendations of the Appointed Actuary following his annual investigation of the life insurance business. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the appointed actuary.

For the year ended 31 December	Note	2023			2022		
		Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000
Premiums written	10	26,341,321	(2,490,889)	23,850,432	23,083,425	(2,678,803)	20,404,622
Insurance benefits and claims incurred	16.1	(13,396,642)	553,304	(12,843,338)	(9,327,514)	933,929	(8,393,585)
Underwriting and net acquisition costs (including reinsurance)	18	(5,779,524)	293,316	(5,486,208)	(5,248,856)	292,968	(4,955,888)
Other operating, selling and administrative expenses attributable to policyholders		(5,446,630)	-	(5,446,630)	(2,276,879)	-	(2,276,879)
Investment and other income attributable to policyholders		5,768,826	-	5,768,826	3,316,804	-	3,316,804
Surplus from life insurance fund transferred to Life shareholder's fund	39.13	(3,015,000)	-	(3,015,000)	(4,378,000)	-	(4,378,000)
Change in contract liabilities - Life fund	39.5	4,472,351	(1,644,269)	2,828,082	5,168,980	(1,451,906)	3,717,074

The Appointed Actuary's report is provided on page 264.

A reconciliation of the change in insurance contract liabilities is reflected in Note 39.5 on page 359 to these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

18. UNDERWRITING AND NET ACQUISITION COST (NET OF REINSURANCE)

Accounting Policy

All acquisition costs are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Underwriting and policy acquisition cost	5,779,524	5,248,856
Reinsurance commission including profit commission	(293,316)	(292,968)
Total underwriting and net acquisition cost	5,486,208	4,955,888

19. OTHER OPERATING AND ADMINISTRATION EXPENSES

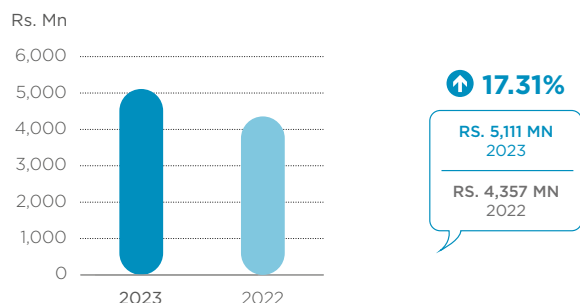
Accounting Policy

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

For the purpose of presentation of the Income Statement, the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Employee benefits expenses			
Short term employee benefits	19.1	2,393,901	2,284,055
Long term employee benefits			
- Defined benefit plan cost	40.5	67,029	50,714
Other long term employee benefits and termination benefits		-	-
Total employee benefits expenses		2,460,930	2,334,769
Administration and establishment expenses		1,959,445	1,596,400
Selling expenses		690,735	425,710
Total other operating and administration expenses		5,111,111	4,356,879

OTHER OPERATING AND ADMINISTRATION EXPENSES



19.1 Short Term Employee Benefits

Accounting Policy

Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Income Statement in the periods when they are incurred.

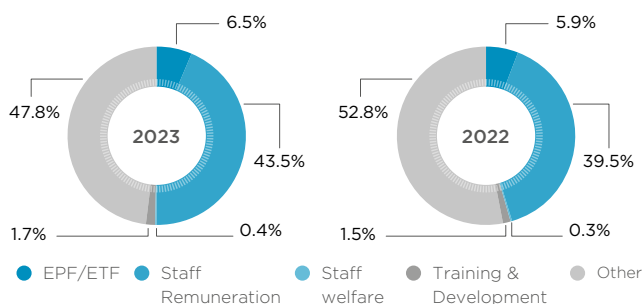
Employee Provident Fund (EPF)

All employees of the Company are members of the Employees' Provident Fund. The Company and employees contribute 12% and 8% respectively of the salary to EPF.

Employees Trust Fund (ETF)

All employees of the Company are members of the Employees Trust Fund. The Company contributes 3% of the salary of each employee to ETF.

SHORT TERM EMPLOYEE BENEFITS EXPENSES



For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Contributions to defined contribution plans			
EPF	40.1	125,011	108,142
ETF	40.1	31,251	27,036
		156,262	135,178
Staff remuneration		1,041,757	901,182
Staff welfare		10,681	7,803
Training and development expenses		40,219	34,534
Other short term employee benefits expenses		1,144,982	1,205,358
Total short term employee benefits expenses		2,393,901	2,284,055

19.2 Write-downs

There were no write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversal of such write-downs.

19.3 Impairment on revalued assets

During the period, there were no impairment losses or reversal on revalued assets (2022 – Nil).

20. IMPAIRMENT (CHARGE)/REVERSAL AND FINANCE (GAINS) / COST

20.1 Impairment (Charge)/Reversal on Financial Instruments

Accounting Policy

Note 4.2.12 and Note 29.2.3 to these financial statements explain the methodology and the measurement of the impairment allowance.

Impairment losses on financial assets recognised in profit and loss were as follows.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Sri Lanka development bonds	139,875	(99,030)
International sovereign bonds	(1,144,481)	(2,031,912)
Other financial assets	9,351	(7,848)
	(995,255)	(2,138,790)
Initial recognition loss on treasury bonds exchanged for SLDBs under DDO	(86,522)	-
Total Impairment losses on financial assets recognised in profit and loss	(1,081,777)	(2,138,790)

20.2 Finance (Gains) / Cost

Accounting Policy

Interest cost is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest-bearing financial liability. The Company's finance cost includes lease interest expense, interest expenses on long-term borrowing and other interest expenses. As at the reporting date, the Company has classified all financial liabilities under the amortised cost category.

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Financial liabilities at amortised cost,			
Interest expenses on lease liabilities	43.4	111,448	96,634
Interest expenses on long term borrowings	41.1	616,295	456,141
Other interest expenses		120,818	100,978
Net exchange (gains) / losses on financial assets and financial liabilities measured at amortised cost		402,348	(2,721,540)
Total finance cost/(gains)		1,250,909	(2,067,787)

NOTES TO THE FINANCIAL STATEMENTS

21. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Director fee and emoluments	45.6.1	86,584	75,888
Auditors remuneration			
Auditor's fees and related expenses		2,925	2,545
Audit related services and related expenses		6,928	5,876
Non audit services and related expenses		-	-
Costs of Employee Benefits			
Defined contribution plan cost - EPF	40.1	125,011	108,142
Defined contribution plan cost - ETF	40.1	31,251	72,095
Defined benefit plan cost	40.4	67,029	50,714
Staff training and development cost		40,219	34,534
Other staff expenses		2,197,420	2,114,343
Provision / (reversal) for impairment of			
Financial instruments	20.1	1,081,777	2,138,790
Loans to life policyholders		-	-
Other			
Legal fees		18,018	16,574
Depreciation of property, plant and equipment	26.1	133,393	133,058
Depreciation of right of use of assets	27.1	305,520	289,667
Amortisation of intangible assets	25.1	722	590
Research and development costs		-	-
(Profit) / loss on sale of property, plant and equipment & intangible assets		141	135
CSR expenses		7,100	3,306
Donations		-	-
Operating lease expenses		-	-

21.1 Director fee and emoluments

Directors' emoluments represent the salaries and fees paid to both Executive and Non-Executive Directors of the Company and is explained in Note 45.6.1 on page 373.

21.2 Utilisation of Income

Graphical presentation for utilisation of income is given in the financial highlights section on page 262.

22. INCOME TAX EXPENSES

Accounting Policy

Income tax expense comprises current tax and deferred tax and is recognised in the Income Statement. Current tax and deferred tax relating to items recognised directly in equity is recognised in equity and for items recognised in OCI that shall be recognised in the OCI.

The Company has determined that the interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset only if certain criteria are met.

The gains and profits from the life insurance business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by the Inland Revenue (Amendment) Act, No. 45 of 2022. Accordingly, gains and profits on which tax payable is the aggregate of the following:

Taxable income source	Applicable tax rate	
	Prior to 1 October 2022	From 1 October 2022
Surplus distributed to shareholders from the life insurance policyholders fund as certified by the actuary	24%	30%
Investment income of the shareholder fund less any expenses incurred in the production of such income	24%	30%
Dividend paid out of profit recorded in shareholder fund	14%	15%
Surplus distributed to a life insurance policyholder who shares the profits of a person engaged in the business of life insurance	24%	30%

Impact on changes in the applicable income tax rate

As per the Inland Revenue (Amendment) Act No 45 of 2022, tax rates have been revised as stated in the above table for during the year of assessment 2022/23. Further, in terms of the Circular issued by the Department of Inland Revenue dated 09 May 2023; the company has pro rated the tax on 6 months - 6 months basis (i.e. First 6 months - under the previous tax rates and the balance 6 months under the new tax rates as stated above).

Accordingly, over provision of income tax for the year 2022 has been adjusted during the year (Note 22.2 on page 329).

For the deferred tax purpose, the tax rate of 30% was applied for the year ended 31 December 2023 as well as for the previous year.

Tax Exposures

In determining the amount of current tax and deferred tax, the Company considers the impact of tax exposure, including whether additional taxes and penalties are due. Finalisation of the tax liability with authorities may change the position already recorded in the Financial Statements and such changes to tax liabilities could impact the tax expense either as an over or under provision in the period in which such a determination is made.

Deferred Tax

Accounting policy and detail analysis relating to deferred tax is disclosed in Note 28 on page 340.

Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

CESS Levy

As per the Section 7 of the Regulation of Insurance Industry Act (No. 43 of 2000), CESS is payable at 0.2% on the Net Written Premium (NWP) and to be remitted to the IRCSL on quarterly basis.

Stamp Duty

In terms of the Stamp Duty (Sp. Provisions) Act No. 12 of 2006 and the amendments thereto, Stamp Duty shall be charged on every specified instrument at specified rates and to be remitted to the Department of Inland Revenue on quarterly basis.

Sales Tax

Revenues, expenses, and assets are recognised net of the amount of sales tax. However;

- Where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, to the taxation authority is included as a part of receivables or payables in the Statement of Financial Position.

22.1 Amounts recognised in the Income Statement

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Current tax expense			
Income tax on current year's profits		1,229,617	689,130
Under / (over) provision in respect of the previous year		(31,911)	-
Deferred tax expenses			
Origination of deferred tax assets	28.3	(838,938)	-
Reversal of deferred tax assets	28.3	-	658,378
Deferred taxation		(838,938)	658,378
Income tax expense recognised in income statement		358,768	1,347,508
Other comprehensive income			
Deferred tax charge / (reversal)			
Relating to origination and reversal of temporary differences		-	-
Income tax expense recognised in other comprehensive income		-	-
Income tax expense recognised in income statement		358,768	1,347,508

22.2 Reconciliation of the accounting profit to income tax expense

For the year ended 31 December	2023		2022	
	%	Rs. '000	%	Rs. '000
Accounting profit before tax		3,197,171		4,030,384
Tax using the Company's domestic tax rate*	30	959,151	24	967,292
Income exempt from tax	(10)	(319,725)	(6)	(246,131)
Other Income	-	-	1	57,333
Aggregate allowable expenses	(1)	(34,567)	(1)	(32,292)
Aggregate disallowed expenses	20	624,758	18	729,991
Under / (over) provision in respect of the previous year	(1)	(31,911)	-	-
Reversal of deferred tax assets	(26)	(838,938)	(17)	(675,164)
Income tax expense recognised in the Income Statement at the average effective income tax rate	11	358,768	20	801,029

*Tax using the Company's domestic tax rate represents effective tax rate applied during the year 2023.

NOTES TO THE FINANCIAL STATEMENTS

22.3 Income tax computation as per IRD Act No 24 of 2017 and amendment to Act, No. 10 of 2021 and Act. No. 45 of 2022

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Surplus distributed to shareholder from the life insurance policyholders fund (Refer page 264 for the Actuary's Report)	3,015,000	4,378,000
Investment income of the shareholder fund less expenses	2,149,474	1,774,899
Surplus distributed to policyholders (Refer page 264 for the Actuary's Report)	517,829	436,000
Income exempt from tax	(1,065,754)	(975,836)
Business income	4,616,549	5,613,063
Deductions under Section 19 of the IRD Act	-	(2,743,241)
Total assessable income	4,616,549	2,869,822
Income tax rate on assessable income @ 24% (prior to 01 October 2022)	-	202,976
Income tax rate on assessable income @ 30% (on or after 01 October 2022)	1,384,965	590,027
Income tax on dividend income @ 15% (prior to 01 October 2022 @ 14%)	-	8,027
Tax liability	1,384,965	801,030

22.3.1 Income exempt from tax

As per the Inland Revenue (Amendment) Act, No. 10 of 2021, and amendment there to, Investment Income from Sri Lanka Government International Sovereign Bond, Sri Lanka Development Bond till 14 August 2023 (refer Note 4.2.4 on page 283 for the DDO) and interest income received from savings and fixed deposits which are denominated in foreign currency have been considered as exempt income.

Dividend income received to the extent that dividend income is attributable to or derived from, another dividend received by the relevant dividend paid company or another resident company. Such dividend income shall be exempted from Income tax under the section 09 of the Inland Revenue Act, no 24 of 2017.

Accordingly, the Company has considered the above investment income of the shareholder fund as exempt income for the purpose of computation of income tax liability for the year ended 31 December 2023.

Dividend income received on which withholding tax has already been deducted shall be a final withholding payment under section 88 of the Inland Revenue Act no 24 of 2017. Hence, it will not be taxed again.

22.3.2 IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

IFRIC 23 interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it has assessed whether

the interpretation had an impact on its financial statements.

The Company is of the view that it is probable that its tax treatments will be accepted by the taxation authorities. Hence, the interpretation did not have an impact on the Financial Statements of the Company. The Company reviewed its income tax treatments and concluded that no additional provisions are required and disclosures relating to contingent liabilities have been made under Note 48.

23. EARNINGS PER SHARE (EPS)

Accounting Policy

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

23.1 Basic earnings per share

For the year ended 31 December	2023	2022
Amount used as the numerator:		
Profit attributable to ordinary shareholders of the Company (Rs. 000)	2,838,403	2,682,876
Number of ordinary shares used as the denominator:		
Weighted average number of ordinary shares as at 31 December ('000)	375,000	375,000
Basic earnings per share - (Rs.)	7.57	7.15

23.2 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earnings per share shown in Note 23.1.

24. DIVIDEND PER SHARE (DPS)

Accounting Policy

Dividend declared by the Board of Directors after the reporting date is not recognised as a liability and is disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard - LKAS 10 on "Events after the reporting period".

Dividend on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's Board of Directors in accordance with the Articles of Association of the Company.

24.1 Dividend declared from recorded profit

For the year ended 31 December	2023	2022
Dividend declared per share (Rs.)	3.75	3.50
Number of ordinary shares ('000)	375,000	375,000
Total dividend declared (Rs. '000)	1,406,250	1,312,500

Interim dividend declared

The Board of Directors has declared a payment of an interim dividend of Rs. 3.75 per share for the financial year 2023 on 01 March 2024 (2022 - Rs. 3.50 per share) complied with Direction No. 1 of 2021 issued by IRCSL on 10 March 2021, amendments made for the same on 30 August 2021 and 20 September 2023. In accordance with LKAS 10 'Events after the reporting period', this interim dividend has not been recognised as a liability as at 31 December 2023.

24.2 Compliance with the Section 56 and 57 of the Companies Act No. 7 of 2007

As required by the Section 56 of the Companies Act, No. 7 of 2007, the Board of Directors of the Company need to satisfy the solvency test in accordance with the Section 57, prior to recommending the dividend. A statement of solvency duly completed and signed by the Directors on 14 February 2024 have been reviewed by Messrs. KPMG.

24.3 Dividend paid during the year

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Gross Interim Dividend for 2022 - Rs. 3.50 (2021 - Rs. 2.80)	1,312,500	1,050,000
Net dividend paid to the ordinary shareholders	1,312,500	1,050,000

24.4 Non-cash assets distributed to owners

During the period ended 31 December 2023, the Company did not distributed non cash assets to its owners (2022 - Nil).

25. INTANGIBLE ASSETS

Accounting Policy

Recognition

An intangible asset is recognised, if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 38 - 'Intangible Assets'.

Basis of measurement - Software

Software acquired by the Company is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset, when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such intangible assets is included in other operating income in the Income Statement when the item is derecognised.

Treatment of 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.
- Its intention to complete and its ability to use or sell the asset.
- The asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

25. INTANGIBLE ASSETS (CONTD.)

Useful economic life, amortisation and impairment

Intangible assets with finite lives

Intangible assets with finite life are amortised over their useful economic life, from the date that it is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life, amortisation method and residual values of an intangible asset with a finite useful life are reviewed at each reporting date and changes in the expected useful life or the expected future economic benefits embodied in the asset are considered to modify the useful lives, method, or residual values as appropriate, and are treated as changes in accounting estimates.

Amortisation expenditure

The amortisation expense on intangible assets with finite lives is recognised in the Income Statement under other operating and administration expenses..

Estimated useful life, residual values and amortisation method of intangible assets with finite lives for the current and comparative periods are as follows:

Intangible assets	Estimated useful life / amortisation period	Residual value	Amortisation method
Computer software	5 Years	Nil	Straight-line basis over the estimated useful life of the software, from the date that it is available for use.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Company does not have intangible assets with indefinite useful life as at the reporting date. (2022 - Nil).

Internally-generated intangible assets and separately acquired intangible assets

As at the reporting date, the Company does not have development costs capitalised as an internally-generated intangible assets and those acquired through business combinations. Following represents separately acquired intangible assets.

25.1 Reconciliation of carrying amounts of intangible assets

As at 31 December	2023 Rs. '000	2022 Rs. '000
Computer software		
Cost		
Balance as at 1 January	94,805	93,005
Acquisition during the year	520	1,800
Balance as at 31 December	95,325	94,805
Accumulated amortisation and impairment losses		
Balance as at 1 January	92,239	91,649
Amortisation for the year	722	590
Balance as at 31 December	92,961	92,239
Carrying value as at 31 December	2,364	2,566

25.2 Other changes to intangible assets

Other than disclosed in Note 25.1, there were no other changes to the intangible assets during the period under review (2022 - Nil).

25.3 Acquisition of intangible assets during the year

During the financial year, the Company paid Rs. 0.5 million (2022 - Rs. 1.8 million) to purchase intangible assets.

25.4 Fully amortised intangible assets in use

Fully amortised intangible assets in use as at reporting date were Rs. 91.4 million. (2022: Rs. 91.4 million).

25.5 Title restriction on intangible assets

There are no restrictions that existed on the title of the intangible assets of the Company as at the reporting date.

25.6 Intangible assets pledged as securities

There were no items pledged as securities for liabilities as at the reporting date (2022 - Nil).

25.7 Assessment of impairment of intangible assets

The Board of Directors has assessed potential impairment loss of intangible assets as at 31 December 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of intangible assets (2022 - Nil).

25.8 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 2023 (2022 - Nil).

25.9 Individually material / significant intangible assets

There are no individual intangible assets that are material to the Financial Statements as at 31 December 2023 (2022 - Nil).

25.10 Amount of contractual commitment for acquisition of intangible assets

There are no contractual commitment for acquisition of intangible assets as at the reporting date..

25.11 Intangible assets acquired by way of government grants

As at reporting date, the Company has not acquired Intangible assets by way of government grants.

25.12 Revaluation of intangible assets

Since cost model has been followed, there is no revaluation adjustment for intangible assets.

26. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Recognition and measurement

The Company applies the requirements of the LKAS 16 'Property, Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, plant and equipment are recognised, if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day - to - day servicing) as explained in below. The cost of self-constructed assets includes the following;

- cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment.

Subsequent measurement - Cost model

The Company applies the cost model to all property, plant and equipment except for freehold land and freehold building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Subsequent measurement - Revaluation model

The Company applies the revaluation model for the entire class of freehold land and freehold building for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Company are revalued by independent professional valuers in every two years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in the revaluation reserve in equity through OCI or is used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstances, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to revaluation reserve in equity through OCI, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of the same are given in Note 26.18 on page 337.

Date of Revaluation

Latest revaluation was carried out by the Company for its all freehold land and freehold building as at 31 December 2023 (Next revaluation date will be due on 31 December 2025).

Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the Income Statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS

26. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Accounting Policy (Contd.)

Repairs and maintenance

Repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Capital work in progress

Capital work - in - progress is stated at cost. These are expenses of a capital nature directly incurred on property, plant and equipment, awaiting capitalisation.

Cost of dismantling

The estimated costs of dismantling, removing, or restoring items of property, plant and equipment is Zero.

Carrying value

The carrying value of an asset or significant component of assets within a class is assessed annually with its fair value and where the fair value is less than the carrying value the asset is written down to its fair value. The consequent adjustment is recognised in the Income Statement.

The residual values of assets that are not insignificant are reassessed annually.

All classes of property, plant, and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 26.1.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income in the Income Statement in the year in which the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

Useful economic life, residual values and depreciation

Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets. Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation. Land is not depreciated.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in other operating and administration expenses in the Income Statement.

Useful economic lives, depreciation rate and residual values

The estimated useful lives of the property, plant and equipment for the current and comparative period are as follows:

Class of asset	Depreciation percentage per annum	Estimated useful life	Residual values
Building	5%	20 years	Nil
Office equipment	20%	05 Years	Nil
Computer equipment	20%	05 Years	Nil
Furniture and fittings	10%	10 Years	Nil
Fixtures and fittings	20%	05 Years	Nil
Motor vehicles	25%	04 Years	Nil

Borrowing costs

As per LKAS 23 on 'Borrowing Costs', the Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period to get ready for its intended use or sale. Other borrowing costs are recognised in the Income Statement in the period in which they occur.

26.1 Reconciliation of gross carrying amount of property, plant and equipment

	Freehold land	Freehold building	Computer hardware	Office equipment	Furniture and fittings	Fixtures and fittings	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost / revaluation								
Balance as at 1 January 2022	160,000	128,132	197,639	265,164	201,270	536,857	94	1,489,156
Additions during the year	-	-	19,935	17,076	20,861	37,010	-	94,882
Disposals during the year	-	-	(393)	-	-	-	-	(393)
Balance as at 31 December 2022	160,000	128,132	217,181	282,240	222,131	573,867	94	1,583,645
Balance as at 1 January 2023	160,000	128,132	217,181	282,240	222,131	573,867	94	1,583,645
Additions during the year			41,595	57,350	46,536	72,198		217,679
Surplus on revaluation	20,000	23,784						43,784
Transferred of accumulated depreciation on revalued assets		(20,916)						(20,916)
Disposals during the year			(88)	(39)				(127)
Balance as at 31 December 2023	180,000	131,000	258,688	339,551	268,667	646,065	94	1,824,065

	Freehold land	Freehold building	Computer hardware	Office equipment	Furniture and fittings	Fixtures and fittings	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accumulated depreciation and impairment losses								
Balance as at 1 January 2022	-	-	147,622	209,535	109,522	404,638	94	871,411
Depreciation for the year	-	10,458	19,733	26,795	17,177	58,895	-	133,058
Disposals during the year	-	-	(181)	-	-	-	-	(181)
Balance as at 31 December 2022	-	10,458	167,174	236,330	126,699	463,533	94	1,004,288
Balance as at 1 January 2023	-	10,458	167,174	236,330	126,699	463,533	94	1,004,288
Depreciation for the year	-	10,458	21,751	25,739	20,382	55,063	-	133,393
Transferred of accumulated depreciation on revalued assets	-	(20,916)	-	-	-	-	-	(20,916)
Impairment loss	-	-	-	-	-	-	-	-
Disposals during the year	-	-	(88)	(39)	-	-	-	(127)
Balance as at 31 December 2023	-	-	188,837	262,030	147,081	518,596	94	1,116,638
Carrying value as at 31 December 2023	180,000	131,000	69,851	77,521	121,586	127,469	-	707,427
Carrying value as at 31 December 2022	160,000	117,674	50,007	45,910	95,432	110,334	-	579,357

NOTES TO THE FINANCIAL STATEMENTS

26.2 Other changes to property, plant and equipment

Other than disclosed in Note 26.1 there was no impact to property, plant and equipment from any other sources, such as, assets classified as held-for-sale, acquisitions through business combinations, increases resulting from impairment losses reversed in OCI or in the Income Statement, and from exchange differences during the period ended 31 December 2023 (2022 - Nil).

26.3 Title restrictions on property, plant and equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

26.4 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 218 million (2022 - Rs. 94.8 million) by means of cash.

26.5 Capitalisation of borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2023 (2022 - Nil).

26.6 Amount of contractual commitment for acquisition of property, plant and equipment

Refer Note 46 for contractual commitment for acquisition of property, plant and equipment as at the reporting date.

26.7 Temporarily Idle property, plant and equipment

There are no temporarily idle property, plant or equipment as at the reporting date. (2022 - Nil).

26.8 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of PPE as at 31 December 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of PPE (2022 - Nil).

26.9 Compensation from third parties for Items of property, plant and equipment

There was no compensation received / receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

26.10 Fair value of property, plant and equipment

The carrying amount of property, plant and equipment disclosed in Note 26.1 approximate their fair value as at the reporting date.

26.11 Property, plant and equipment under construction

As at the reporting date, there was no property, plant and equipment under construction (2022 - Nil).

26.12 Property, plant and equipment pledged as security for liabilities

None of the property, plant and equipment has been pledged as securities for liabilities as at the reporting date (2022 - Nil).

26.13 Property, plant and equipment retired from active use

There were no property plant and equipment which are retired from active use as at the reporting date (2022 - Nil).

26.14 Permanent fall in value of property, plant and equipment

There has been no permanent fall in the value of property, plant and equipment which require an impairment provision recognised in the Financial Statements as at 31 December 2023 (2022 - Nil).

26.15 Fully depreciated property, plant and equipment in use

As at 31 December	2023 Rs. '000	2022 Rs. '000
Computer hardware	132,142	117,433
Office equipment	195,222	162,953
Furniture and fittings	50,549	41,501
Fixtures and fittings	355,296	298,062
Motor vehicle	94	94
Total	733,303	620,043

26.16 Fair value hierarchy

The fair value of the land and building was determined by an external independent property valuer, having appropriate recognised professional qualifications and experience in the category of the property being valued. The valuer involved in the aforesaid valuation possesses the relevant professional and academic qualifications and service records in compliance of the Circular no: 30 (dated 14 March 2013) as amended by the Circular no: 35 (dated 17 October 2014) issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), which specifies the qualifications of valuers to value land and buildings of the insurance companies.

The valuer provides the fair value of the land and building. Based on the valuation techniques used, it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 26.18.

26.17 The details of freehold land and buildings which are stated at valuation are as follows;
(As required by the Rule No. 7.6 (viii) of the “Continuing Listing Requirements” of the Colombo Stock Exchange)

Location	Number of land & buildings	Extent perches (Land)	Square feet (Building)	Method of valuation	Effective date of valuation	Name of the independent professional valuer / location and address	Revalued amount		Net book value before revaluation of		Revaluation gain on	
							Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Land	1	12	N/A	Market comparable method and Investment Method	31 December 2023	Mr. Anuradha Senevirathne Chartered Valuation Surveyor No: 59/3, Urapola, Pilimalawa, Kandy	180,000	131,000	160,000	107,216	20,000	23,783
Building Situated at No. 283, R. A De Mel Mawatha, Colombo - 03	1	N/A	11,824									

26.18 Valuation techniques and significant unobservable inputs used in measuring fair value
(As required by the Rule No. 7.6 (viii) of the “Continuing Listing Requirements” of Colombo Stock Exchange)

The following table shows the valuation techniques used in measuring fair values, the significant unobservable inputs and sensitivity of the fair value measurement to changes in significant unobservable inputs.

Property	Effective date of valuation	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement	Sensitivity of the fair value measurement to inputs
Land (Situated at No. 283, R. A De Mel Mawatha, Colombo - 03)	31 December 2023	Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process outlier transactions, indicative of particular motivated buyers or sellers are too compensated, since the price may not adequately reflect the fair market value.	Market value per perch	Rs. 15 Million (Estimated price per perch)	Positive correlated sensitivity	Estimated fair value would increase/ (decrease) if price per perch would increase/ (decrease)
Building (Situated at No. 283, R. A De Mel Mawatha, Colombo - 03) (Number of Building - 01)	31 December 2023	Investment method This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.	Price per square foot for building	Rs. 125 - 300 (Estimated price per square foot)	Positive correlated sensitivity	Price per square foot would increase/ (decrease) if gross annual rentals would increase / (decrease)

NOTES TO THE FINANCIAL STATEMENTS

26.19 Investment Properties

As at the reporting date, the Company has not invested in investment properties (2022 - Nil)

26.20 Revaluation surplus

As at 31 December	2023		
	Land Rs. '000	Building Rs. '000	Total Rs. '000
Revalued amount	180,000	131,000	311,000
Carrying value (prior to revaluation)	160,000	107,216	267,216
Revaluation surplus for 2023 Recognised in the OCI	20,000	23,783	43,783
Revaluation surplus for 2023 Recognised in Income Statement	-	-	-

According to the Company's policy on revaluation model as described above, for the year ended 31 December 2022 no revaluation was carried out resulting no gain or loss recognised in the financial statements.

26.21 If Land and building were stated at historical cost, the amounts would have been as follows;

As at 31 December	2023		2022	
	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Cost	85,620	121,167	85,620	121,167
Accumulated depreciation	-	(54,525)	-	(49,411)
Carrying value	85,620	66,642	85,620	71,756

26.22 The effect of revaluation of freehold buildings on the Income Statement in the subsequent period is as follows;

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Depreciation charge per annum after revaluation	12,778	7,456
Depreciation charge per annum prior to revaluation	10,458	6,279
Decrease in profit in subsequent period	2,320	1,177

27. RIGHT OF USE ASSETS

Accounting Policy

Recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for the leases of property and equipment, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

ROU assets

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company applies the cost model for subsequent measurement of the ROU asset and accordingly, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lessor transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Depreciation expenses

Depreciation expenses has been charged to income statement under other operating and administration expenses.

Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Incremental borrowing rate ranges between 9.2% to 17.40%.

Accounting Policy (Contd.)

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased as follows.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment. guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Interest expenses on lease liabilities

Interest expense is calculated by using the effective interest rate method and is recognised as finance expenses in the Income Statement.

Presentation of ROU asset and lease liabilities

The Company presents right-of-use assets that do not meet the definition of investment property in separate line as 'Right-of-use assets' and lease liabilities within 'Other Liabilities' in the Statement of Financial Position.

Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

27.1 Right-of-Use assets

Information about leases for which the Company is a lessee is presented below;

Nature of the leasing activities

The Company has lease contracts for the head office, branches and motor vehicles, typically made in between 1 to 5 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Reconciliation of carrying amounts of Right-of-Use assets

As at 31 December	2023			2022		
	Building	Motor Vehicle	Total	Building	Motor Vehicle	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 January	539,477	17,438	556,915	592,229	24,188	616,417
Additions to right-of-use assets	360,266	-	360,266	140,320	-	140,320
Amortisation charge for the year	(298,770)	(6,750)	(305,520)	(282,917)	(6,750)	(289,667)
Derecognition of right-of-use assets	-	-	-	(34,027)	-	(34,027)
Modification	-	-	-	123,872	-	123,872
Balance as at 31 December	600,973	10,688	611,661	539,477	17,438	556,915

NOTES TO THE FINANCIAL STATEMENTS

27.2 Amounts recognised in profit or loss

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Interest expense on lease liabilities	111,448	96,634
Variable lease payments not included in the measurement of lease liabilities	-	-
Amortisation of right-of-use assets	305,520	289,667
Income from sub-leasing right-of-use assets presented in other operating income	-	-
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-
	414,783	386,301

27.3 Amounts recognised in statement of cash flows

Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Company has classified the principal portion of lease payments within financing activities and the interest portion within operating activities. During the period, the Company did not receive cash from leases as the Company is the lessee.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Total cash out flow for leases	376,117	351,033

27.4 Sale-and-Lease back transactions

The Company does not have sale and leased back transactions as at the reporting date. (2022- Nil)

27.5 Sub leases

The Company does not have sub leased properties as at the reporting date. (2022- Nil)

27.6 Lease Terms - Extension Options

Refer Note 3.1.3 on page 279.

27.7 Impairment of ROU assets

As at the reporting date, no impairment loss has been recognised by the Company in respect of impairment of right of use assets, since each business unit is operating under the business continuity plans as per the Company risk management strategy.

27.8 Lease liabilities and related disclosures

The information relating to the movement of lease liabilities, maturity analysis and other related disclosures are provided in Notes 43.4, 43.5 - 43.6 and 43.7 respectively in page 369.

27.9 Lease commitment for short term leases

As at the reporting date, there were no commitment for short term leases

27.10 Restrictions and covenants imposed by the leases.

There were no restrictions or covenants imposed under lease agreements which required to be disclosed in these financial statements.

28. DEFERRED TAXATION

Accounting Policy

Deferred tax is recognised by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is not recognised for;

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profit will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary difference is insufficient to recognised a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reduction are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Accounting Policy (Contd.)**Deferred tax liabilities**

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss:

As explained in Note 22 on page 328, the Company will compute taxes based on:

Surplus distributed to shareholders from the Life insurance policyholders fund as certified by the actuary at a rate of 30%.

Investment income less any expenses incurred in the production of such income at a rate of 30%.

Surplus distributed to a Life Insurance policyholders at a rate of 30%.

Offsetting

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Recognition of deferred tax assets

The Company recognised a deferred tax asset consequent to the changes in the Inland Revenue No. 24 of 2017 described in Note 22. As per the Inland Revenue act No. 24 of 2017 which is effective from 1 April 2018, 100% of taxable income is allowed to be deducted against the tax losses incurred. According to the transitional provisions of the new Act, the brought forward tax loss can be claimed against taxable income for a period of 6 years commencing from the year of assessment 2018/19.

The recognised deferred tax asset on brought forward tax losses was fully utilised against the Income tax liability by the month of September 2022 as stated in Note 28.3.

Deferred tax asset has been recognised during the year in the financial statements on the deductible temporary differences arising only to the extent of the relevant impairment provision in terms of the Inland Revenue Act, No. 24 of 2017 as amended by the Amendment Act, No. 10 of 2021 (2022 - Nil).

The Directors are of the view that there will not be material temporary differences arising which will result in deferred tax liabilities to be recognised as at the reporting date (2022 - nil).

Impact from the change in corporate income tax rate

There were no change in the corporate tax rate during the year.

28.1 Deferred taxation

As at 31 December	2023 Rs. '000	2022 Rs. '000
Deferred tax assets	838,938	-
Deferred tax liabilities	-	-
Net deferred tax asset	838,938	-

28.2 Analysis of recognised deferred tax assets / liabilities in the Statement of Financial Position

As at 31 December	2023		2022	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Deferred tax assets on;				
Carry forward tax losses	-	-	-	-
Other deductible temporary differences	2,796,460	838,938	-	-
	2,796,460	838,938	-	-
Deferred tax liabilities on;				
Taxable temporary differences	-	-	-	-
Net recognised deferred tax assets	2,796,460	838,938	-	-

NOTES TO THE FINANCIAL STATEMENTS

28.3 Movement of deferred tax assets and liabilities

As at 31 December	2023						
	Balance as at 1-Jan	Recognised in income statement	Recognised in OCI	Utilised against tax on bonus declared to participating policyholders	Net balance	Deferred tax assets	Deferred tax liabilities
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax assets on;							
Carry forward tax losses	-	-	-	-	-	-	-
Other deductible temporary differences	-	838,938	-	-	838,938	838,938	-
Deferred tax liabilities on;							
Taxable temporary differences	-	-	-	-	-	-	-
Net recognised deferred tax assets	-	838,938	-	-	838,938	838,938	-

As at 31 December	2022						
	Balance as at 1-Jan	Recognised in income statement	Recognised in OCI	Utilised against tax on bonus declared to participating policyholders	Net balance	Deferred tax assets	Deferred tax liabilities
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax assets on;							
Carry forward tax losses	675,164	(658,378)	-	(16,786)	-	-	-
Other deductible temporary differences	-	-	-	-	-	-	-
Deferred tax liabilities on;							
Taxable temporary differences	-	-	-	-	-	-	-
Net recognised deferred tax assets	675,164	(658,378)	-	(16,786)	-	-	-

28.4 Analysis and movement of tax losses

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Tax losses up to year of assessment 2009/10	1,966,664	1,966,664
Tax losses subject to tax assessments	8,312,766	8,312,766
Tax losses within the time bar periods	868,802	868,802
Available tax losses	11,148,232	11,148,232
Tax losses utilised against taxable income up to previous years	(11,148,232)	(8,335,049)
Tax losses carried forward from previous year	-	2,813,183
Tax losses utilised against par bonus during the year	-	(69,942)
Tax losses utilised against income tax liability during the year (Adjusted to tax rate changes)	-	(2,743,241)
Total carried forward tax losses as at 31 December	-	-

28.5 Expiry date of carried forward tax loss

Expiry date of carried forward tax loss as per the Inland Revenue Act. No. 24 of 2017 is maximum of six years and this period ends on 31 March 2024. However, as of the reporting date no carried forward tax loss is available as it was fully utilised against the income tax liability during the year 2022.

28.6 Unrecognised deferred tax liabilities

As at the reporting date, there is no unrecognised deferred tax liabilities (2022 - Nil).

28.7 Deferred tax and income tax on items directly recognised in equity

During the period ended 31 December 2023, the Company did not recognise any deferred tax and income tax expenses on transactions which are directly recorded in equity (2022 Nil).

28.8 Unrecognised deferred tax assets

As at the reporting date, there is no unrecognised deferred tax assets (2022 - Nil).

28.9 Unrecognised tax losses and unused tax credits

As at the reporting date, there was no unrecognised tax loss as the Company has fully recognised all available tax losses during the year 2022. Further, there were no unused tax credits for the Company to recognise a differed tax asset as at the reporting date.

29. FINANCIAL INVESTMENTS**Accounting Policy**

Refer Notes 4.2 for the Accounting Policies on pages 282 to 287.

Collateral for financial investments

Refer Note 6.5.2.1.a on page 299 for collateral details for Repo investment held at the reporting date.

Refer Note 36.1 on page 356 for composition of investments supporting the Restricted Regulatory Reserve as per the direction issued by the IRCSL dated 20 March 2018.

Fair value of financial instruments

Methodologies and assumption used to determine the fair value of the financial investments are disclosed in Note 7 on pages 313 to 319 of these Financial Statements.

Disclosure of financial risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 6.5 on pages 296 to 310 of these Financial Statements.

Analysis of financial investments based on characteristics

Following notes provide disclosure of the Financial Investments based on the characteristics of each class of the Instrument.

29.1 Comparison of the fair values of the financial investments to their carrying values

As at 31 December	Note	2023		2022	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Amortised Cost (AC)	29.2	33,698,659	38,067,039	37,065,567	32,946,213
Fair Value Through Other Comprehensive Income (FVOCI)	29.3	5,174,882	5,174,882	2,082,779	2,082,779
Fair Value through Profit or Loss (FVTPL)	29.4	4,626,674	4,626,674	3,451,509	3,451,509
Total financial investments		43,500,215	47,868,595	42,599,855	38,480,501

NOTES TO THE FINANCIAL STATEMENTS

29.2 Financial assets measured at amortised cost

Accounting Policy

Recognition

As per SLFRS 9 'Financial Instruments', a financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Initial measurement

Financial Instruments classified as amortised cost are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of such instrument.

Subsequent measurement

After the initial measurement, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment).

Gain or loss on derecognition

Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

Securities purchased under resale agreements (Reverse Repo)

When the Company purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's economic substance as a loan granted by the Company. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/ receivable being recognised as interest income in the Income Statement.

Financial investments - Amortised cost

As at 31 December	Note	2023		2022	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Fixed deposits	29.2.1	919,403	919,524	522,007	522,028
Debentures	29.2.2	6,552,746	6,233,015	7,371,812	7,155,383
Treasury bonds		18,408,368	22,990,696	12,980,040	9,675,901
Treasury bills		553,716	555,087	1,099,884	1,104,545
Sri Lanka development bonds		-	-	6,221,129	6,361,004
International sovereign bonds		3,928,615	4,032,845	4,830,774	4,086,897
Commercial papers		1,713,352	1,713,358	2,368,757	2,368,808
Securitised Papers		577,371	577,426	790,246	790,729
Repo		1,045,088	1,045,088	880,918	880,918
Total		33,698,659	38,067,039	37,065,567	32,946,213

Gross and net carrying amount of above financial investments are given in Note 29.2.3 on page 346.

29.2.1 Fixed deposits

As at 31 December	2023		2022	
	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Licensed commercial banks	919,403	919,524	522,007	522,028
Total	919,403	919,524	522,007	522,028

29.2.2 Debentures

As at 31 December	Issue Rating	Maturity Date	Interest Rate %	No. of Debentures	2023		2022	
					Carrying value	Fair value	Carrying value	Fair value
					Rs. '000	Rs. '000	Rs. '000	Rs. '000
Banks								
Commercial Bank of Ceylon PLC	BBB+	22-Jul-28	12.50	1,267,000	133,677	133,729	133,647	133,729
Commercial Bank of Ceylon PLC	BBB+	11-Dec-29	27.00	88,600	8,982	14,130	8,974	9,182
Commercial Bank of Ceylon PLC	BBB+	19-Dec-28	15.00	216,400	21,727	21,747	-	-
DFCC Bank PLC	BBB	29-Mar-25	13.00	2,000,000	219,390	219,732	219,278	219,732
DFCC Bank PLC	BBB	23-Oct-25	9.00	5,500,000	558,852	559,357	558,576	559,357
DFCC Bank PLC	BBB	9-Nov-23	12.75	500,000	-	-	50,664	50,658
DFCC Bank PLC	A-	28-Mar-29	13.90	1,564,100	172,673	157,328	172,584	172,968
DFCC Bank PLC	BBB	29-Mar-23	12.60	500,000	-	-	54,706	54,646
Hatton National Bank PLC	BBB+	29-Aug-23	8.00	185,256	-	-	17,920	18,668
Hatton National Bank PLC	BBB+	22-Sep-26	12.80	1,077,200	111,310	111,497	111,250	111,460
Hatton National Bank PLC	BBB+	28-Jul-31	9.50	10,357,600	1,076,445	1,077,814	1,076,220	1,077,814
Hatton National Bank PLC	BBB+	1-Nov-23	13.00	370,200	-	-	37,628	40,495
Hatton National Bank PLC	A	14-Dec-24	8.33	500,000	49,991	37,693	49,977	37,694
National Development Bank	BBB	24-Sep-25	9.50	3,000,000	307,282	307,652	307,136	307,652
Nations Trust Bank PLC	BBB	20-Apr-23	13.00	1,500,000	-	-	163,334	163,624
Nations Trust Bank PLC	BBB	23-Dec-26	12.90	1,500,000	150,369	150,424	150,291	150,424
Nations Trust Bank PLC	BBB	9-Jul-26	9.15	2,891,600	301,493	301,846	301,333	301,845
Nations Trust Bank PLC	BBB	23-Dec-24	12.80	1,500,000	150,365	150,421	150,287	150,421
Sampath Bank PLC	BBB+	28-Feb-24	13.90	2,000,000	223,048	223,306	222,964	223,306
Sampath Bank PLC	BBB+	20-Mar-23	12.50	450,000	-	-	46,540	47,530
Seylan Bank PLC	BBB	18-Apr-24	15.00	1,500,000	165,797	154,644	166,571	173,343
Seylan Bank PLC	BBB	29-Mar-25	13.20	1,000,000	103,304	103,432	103,258	103,364
Seylan Bank PLC	BBB	15-Jul-23	13.75	626,000	-	-	66,848	44,675
Seylan Bank PLC	BBB	29-Mar-23	12.85	500,000	-	-	51,607	51,542
					3,754,705	3,724,752	4,221,593	4,204,129

NOTES TO THE FINANCIAL STATEMENTS

29.2.2 Debentures (Contd.)

As at 31 December	Issue Rating	Maturity Date	Interest Rate %	No. of Debentures	2023		2022	
					Carrying value	Fair value	Carrying value	Fair value
					Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capital Goods								
Hayleys PLC	AAA	26-Aug-24	13.00	3,651,100	381,463	438,872	381,303	351,212
					381,463	438,872	381,303	351,212
Diversified Financials								
First Capital Holdings PLC	A	7-Feb-26	10.86	2,188,300	243,886	242,356	242,264	240,122
First Capital Treasuries PLC	A-	30-Jan-25	12.75	500,000	52,665	57,714	52,638	52,690
HNB Finance Limited	BBB-	30-Dec-24	13.20	1,000,000	99,994	100,036	99,961	100,036
LOLC Holdings PLC	A	24-Feb-31	12.00	8,000,000	880,644	580,837	880,182	891,372
LOLC Holdings PLC	A	27-Sep-24	15.00	3,000,000	311,461	287,712	311,285	131,712
People's Leasing & Finance PLC	A+	18-Apr-23	12.80	2,505,200	-	-	272,632	268,087
Singer Finance PLC	BBB+	25-Jun-26	8.96	2,000,000	222,134	218,655	225,302	222,213
Siyapatha Finance PLC	BBB+	8-Aug-24	13.33	500,000	52,535	56,808	52,510	57,023
Siyapatha Finance PLC	BBB+	7-Jul-23	11.25	717,600	-	-	75,539	72,087
					1,863,319	1,544,118	2,212,313	2,035,342
Food Beverage & Tobacco								
Kotagala Plantations PLC	B+	31-Aug-23	7.50	92,750	-	-	8,172	9,508
Kotagala Plantations PLC	B+	31-Aug-24	7.50	92,750	9,428	9,508	7,089	9,508
Kotagala Plantations PLC	B+	31-Aug-25	7.50	92,750	9,314	9,508	6,947	9,508
					18,742	19,016	22,208	28,524
Insurance								
Softlogic Capital PLC	BBB-	19-Dec-24	15.00	1,000,000	100,368	71,574	100,344	101,493
					100,368	71,574	100,344	101,493
Telecommunication								
Sri Lanka Telecom PLC	A	19-Apr-28	12.75	2,250,000	244,705	245,120	244,651	245,120
Sri Lanka Telecom PLC	A	19-Apr-28	12.75	1,603,700	164,350	164,460	164,314	164,460
					409,055	409,580	408,965	409,580
Consumer durables and apparel								
Abans PLC	AA-	19-Dec-24	12.50	250,000	25,094	25,103	25,086	25,103
					25,094	25,103	25,086	25,103
Total					6,552,746	6,233,015	7,371,812	7,155,383

Sector classifications are done based on the classifications published by the Colombo Stock Exchange.

29.2.3 Allowance for Expected Credit Loss (ECL) / Impairment

SLFRS 9 requires impairment provision to be calculated based on Expected Credit Loss (ECL) for all financial assets that are not measured at Fair Value through Profit or Loss. As the default data set is low or near zero for the investment portfolio, company used external ratings for assessment of forward looking Probability of Defaults (PD) to estimate ECL. The 12-month PD estimates were obtained from Fitch/Moody's/S&P's ratings corresponding to the external ratings of the instrument. For the computation of forward looking adjustments, the Company used Vasicek's model (Vasicek's, 2007) to calculate point in time PD. GDP Growth Rate is considered as one of the key macroeconomic input factors for arriving at forward looking point in time PDs.

Even though 'Fitch Ratings' has upgraded Sri Lanka's Long-Term Local-Currency Issuer Default Rating (IDR) to 'CCC-' from 'RD' (Restricted Default) in September 2023; the Long-Term Foreign-Currency Issuer Default Rating (IDR) has been affirmed at 'RD' yet since May 2022 after the default of coupon payments due on ISBs. Accordingly, the coupons due on the ISBs held by the Company was also defaulted. Therefore, PD of 70% was applied for ISBs along with a weighted average LGD of 64% to incorporate provision for expected losses on ISBs as at the year end. As stated in Note 4.2.4 on page 283, SLDB investment has been restructured along with the Domestic Debt Optimisation (DDO) and a five series of LKR denominated Treasury bonds have been issued at SLFR + 1% on 15 August 2023 and till then the Company had used an LGD of 20%. Accordingly, the impairment provision of Rs. 139.9 million has been reversed from the financial statements and a Initial recognition loss amounting to Rs. 86.5 million has been recognised.

Movement in the ECL allowance during the year 2023

As at 31 December	2023							
	Gross carrying amount Rs. '000	ECL						
		As at 1 January 2023 Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000	As at 31 December 2023 Rs. '000	Net carrying amount Rs. '000
Financial investment at amortised cost								
Fixed deposits	919,524	22	99	-	-	99	121	919,403
Debentures	6,554,377	10,609	(2,941)	(6,037)	-	(8,978)	1,631	6,552,746
Treasury bonds	18,408,368	-	-	-	-	-	-	18,408,368
Treasury bills	553,716	-	-	-	-	-	-	553,716
Sri Lanka development bonds	-	139,875	(139,875)	-	-	(139,875)	-	-
International sovereign bonds	7,142,936	2,069,840	-	1,144,481	-	1,144,481	3,214,321	3,928,615
Commercial papers	1,713,358	51	(45)	-	-	(45)	6	1,713,352
Securitized papers	577,427	483	(427)	-	-	(427)	56	577,371
Repo	1,045,088	-	-	-	-	-	-	1,045,088
Total	36,914,794	2,220,880	(143,189)	1,138,444	-	995,255	3,216,135	33,698,659

As at 31 December	2022							
	Gross carrying amount Rs. '000	ECL						
		As at 1 January 2022 Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000	As at 31 December 2022 Rs. '000	Net carrying amount Rs. '000
Financial investment at amortised cost								
Fixed deposits	522,029	4	18	-	-	18	22	522,007
Debentures	7,382,421	3,277	4,270	3,062	-	7,332	10,609	7,371,812
Treasury bonds	12,980,040	-	-	-	-	-	-	12,980,040
Treasury bills	1,099,884	-	-	-	-	-	-	1,099,884
Sri Lanka development bonds	6,361,004	40,845	99,030	-	-	99,030	139,875	6,221,129
International sovereign bonds	6,900,614	37,928	-	2,031,912	-	2,031,912	2,069,840	4,830,774
Commercial papers	2,368,808	2	49	-	-	49	51	2,368,757
Securitized papers	790,729	4	479	-	-	479	483	790,246
Repo	880,918	-	-	-	-	-	-	880,918
Total	39,286,447	82,060	103,846	2,034,974	-	2,138,820	2,220,880	37,065,567

Till the execution of DDO as stated above, the company has continued to recognise the SLDB at stage 1.

For ISBs considered under Stage 2, the Company considered estimation uncertainty around recoverability due to the debt service capacity of the Government of Sri Lanka which is affected by the prevailing macro-economic environment, liquidity and the outcome of the debt restructuring negotiations with the IMF at the Banking Consortium. Based on judgments using the information available at the reporting date, the Company has made a significant provision as disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

29.2.3 Allowance for Expected Credit Loss (ECL) / Impairment (Contd.)

Sensitivity analysis

Effect of significant changes in the gross carrying amount

Following table illustrates the impact to loss allowance due to changes in the gross carrying amounts of financial instruments.

As at 31 December 2023	Increase/ (decrease) in loss allowance			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
5 % increase in gross carrying amount	(78)	(160,729)	-	(160,807)
5 % decrease in gross carrying amount	78	160,729	-	160,807

As at 31 December 2022	Increase/ (decrease) in loss allowance			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
5 % increase in gross carrying amount	(20,687)	(174,102)	-	(194,789)
5 % decrease in gross carrying amount	20,687	174,102	-	194,789

Refer Note 6.5.2.1.f (Table-16) on page 303 for sensitivity of ECL to future economic conditions.

Reconciliations to gross carrying amounts by class of financial instrument and impairment allowances.

Refer Notes 6.5.2.1.d (Table-14) and 6.5.2.1.e (Table-15) on page 302 for reconciliations.

Re-classification of financial Instruments at amortised cost

During the year, the Company did not re-classify any financial instruments from / to this category.

Maturity analysis

The maturity analysis of financial assets measured at amortised cost is given in Note 6.5.3.a (Table-21) on page 305.

29.3 Financial investments - Fair value through other comprehensive income

Accounting Policy

Recognition

FVOCI include debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL;

The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Initial measurement

Financial Instruments classified as FVOCI are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of such instrument.

Subsequent measurement

Debt instruments at FVOCI

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, foreign exchange gains and losses, ECL and reversals are recognised in Income Statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Income Statement.

Equity instruments designated at FVOCI

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Dividends are recognised in Income Statement as investment income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

Gain or loss on derecognition of equity instruments designated at FVOCI

Gains and losses on these equity instruments are never recycled to Income Statement, instead directly transferred to retained earnings from fair value reserve at the time of derecognition.

Financial investments - Fair value through other comprehensive income (FVOCI)

As at 31 December	Note	2023		2022	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Treasury bonds		3,087,969	3,087,969	645,708	645,708
Equity securities	29.3.1	2,086,913	2,086,913	1,437,071	1,437,071
Total		5,174,882	5,174,882	2,082,779	2,082,779

29.3.1 Equity securities

As at 31 December	2023	2022	2023		2022	
	Market price Rs.	Market price Rs.	No. of Shares	Carrying value / Fair value Rs. '000	No. of Shares	Carrying value / Fair value Rs. '000
Unlisted						
Cargills Bank Limited	-	-	26,600,000	326,914	26,600,000	265,734
				326,914		265,734
Listed						
Banks						
National Development Bank PLC	64.90	32.00	20,023,117	1,299,500	19,052,217	609,670
				1,299,500		609,670
Diversified Financials						
Softlogic Finance PLC	5.90	11.30	15,688,030	92,560	15,688,030	177,275
				92,560		177,275
Healthcare Equipments & Services						
Asiri Hospitals PLC	24.60	25.70	14,956,877	367,939	14,956,877	384,392
				367,939		384,392
Total investments in equity securities				2,086,913		1,437,071

During the year 2023, the equity market had a significant positive impact compared to the previous year 2022. The All Share Price Index (ASPI) increased from Rs. 8,489.66 million to Rs. 10,654.16 million in 2023. As a result of this, the company's equity portfolio also experienced a positive impact. The risk assessment related to equity has been discussed under equity risk in Note 6.5.4.3 on page 309.

The above table shows investment in equity securities for which the Company elected to present the changes in the fair value in OCI. The election was made because the investments are expected to be held for the long term strategic purpose.

NOTES TO THE FINANCIAL STATEMENTS

29.3.2 Fair value of unlisted financial instruments

As per SLFRS 9, all the equity instruments including unlisted investments need to be measured at fair value. Accordingly, fair value of Cargills Bank investment was assessed as at the reporting date based on net assets per share adjusted for illiquidity. Total fair value of Cargills Bank investment as at 31 December 2023 is Rs. 327 million (2022 - Rs. 266 million).

Please Refer Note 7.4 on page 317 for valuation method and techniques followed by the Company in determining the fair value of unlisted financial instruments as at reporting date.

29.3.3 Derecognition of equity investments classified at FVOCI

No investments were disposed of during 2023, and there were no transfers of any cumulative gain or loss within equity relating to those instruments.

29.3.4 Reclassification of financial investments at fair value through other comprehensive income

During the financial year, the Company has not re-classified any financial instruments from or to this category.

29.3.5 Maturity analysis

The maturity analysis of financial assets recognised through other comprehensive income is given in Note 6.5.3.a (Table-21) on page 305.

29.4 Financial investments - Fair Value through Profit or Loss (FVTPL)

Accounting Policy

Recognition - Financial assets measured at FVTPL

All financial assets other than those classified at amortised cost or FVOCI are classified at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

Initial measurement

These investments are initially recorded at fair value.

Subsequent measurement

Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses' in the Income Statement.

Interest is accrued and presented in finance income using the Effective Interest Rate (EIR). Dividend income is recorded in the "Finance Income" when the right to the payment has been established.

Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Certain investments are designated as at FVTPL because their performance is actively monitored and they are managed on a fair value basis.

Financial assets designated at fair value through profit or loss are recorded in the SOFP at fair value. Changes in fair value are recorded in net gain or loss on financial assets and liabilities designated at fair value through profit or loss.

The Company has not designated any financial assets upon initial recognition as fair value through profit or loss as at the end of the reporting period.

As at 31 December	Note	2023		2022	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Treasury bonds		318,208	318,208	90,974	90,974
Unlisted perpetual debentures		794,476	794,476	782,067	782,067
Unit trusts	29.41	3,513,990	3,513,990	2,578,400	2,578,400
Derivative asset		-	-	68	68
Total		4,626,674	4,626,674	3,451,509	3,451,509

Maturity analysis

The maturity analysis of financial assets at fair value through profit or loss is given in Note 6.5.3.a (Table-21) on page 305.

Fair value measurement

Methodologies and assumption used to determine the fair value of the financial instruments are disclosed in Note 7 on page 313 to 319 to the Financial Statements.

29.4.1 Unit trusts

As at 31 December	2023	2022	2023		2022	
	Unit price Rs.	Unit price Rs.	No. of units	Fair value / carrying value Rs. '000	No. of units	Fair value / carrying value Rs. '000
Unlisted						
NAMAL - High Yield Fund	-	30.72	-	-	4,249,200	130,519
Capital Alliance - Investment Grade Fund	31.78	25.09	36,975,883	1,175,064	36,975,883	927,562
Capital Alliance - Income Fund		25.70	-	-	29,634,664	761,665
Capital Alliance Fixed Income Opportunities Fund	32.93	26.20	40,270,364	1,326,023	11,100,948	290,798
NDB Wealth Money Fund	31.69	-	17,437,790	552,569	-	-
Softlogic Money Market Fund	152.73	122.72	3,014,051	460,334	3,812,324	467,856
Total investment				3,513,990		2,578,400

NOTES TO THE FINANCIAL STATEMENTS

29.5 Movement of financial investments

	Amortised cost Rs. '000	Fair value through other comprehensive income Rs. '000	Fair value through profit or loss Rs. '000	Total Rs. '000
As at 1 January 2022	25,600,336	3,382,909	5,234,184	34,217,429
Purchases	41,246,751	80,554	3,046,881	44,374,186
Maturities	(26,629,559)	-	-	(26,629,559)
Disposals	(9,218,195)	-	(4,793,942)	(14,012,137)
ECL adjustment as per SLFRS 09	(2,138,820)	-	-	(2,138,820)
Foreign exchange gains / (losses)	5,751,291	-	-	5,751,291
Fair value gains / (losses) recorded in the Income Statement	-	-	(51,101)	(51,101)
Fair value gains / (losses) recorded in the Other Comprehensive Income	-	(1,374,597)	-	(1,374,597)
Amortisation adjustment	2,453,763	(6,087)	15,487	2,463,163
As at 31 December 2022	37,065,567	2,082,779	3,451,509	42,599,855
As at 1 January 2023	37,065,567	2,082,779	3,451,509	42,599,855
Purchases	37,026,900	2,175,876	2,501,362	41,704,138
Maturities	(36,615,397)	-	(601,898)	(37,217,295)
Disposals	(3,482,543)	-	(1,366,037)	(4,848,580)
ECL adjustment as per SLFRS 09	(995,255)	-	-	(995,255)
Initial recognition loss on treasury bonds exchanged for SLDBs under DDO	-	(86,522)	-	(86,522)
Foreign exchange gains / (losses)	(1,201,691)	-	-	(1,201,691)
Fair value gains / (losses) recorded in the Income Statement	-	-	702,787	702,787
Fair value gains / (losses) recorded in the Other Comprehensive Income	-	911,580	-	911,580
Amortisation adjustment	1,901,078	91,169	(61,049)	1,931,198
As at 31 December 2023	33,698,659	5,174,882	4,626,674	43,500,215

30. LOANS TO LIFE POLICYHOLDERS

Accounting Policy

Policyholder loans are granted up to 90% of the surrender value of a life insurance policy at a rate equivalent to market rate. Policyholder loans are initially measured at fair value of loan amount granted and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 01 January	265,060	224,198
Loans granted during the year	146,660	84,688
Repayments during the year	(119,758)	(74,104)
Change in interest receivable	39,339	30,278
Balance as at 31 December	331,301	265,060

30.1 Maturity analysis

Maturity analysis of loans to policyholder is given in Note 6.5.3.a (Table-21) on page 305.

30.2 Collateral details

The surrender value of the policy loans granted to policyholders as at 31 December 2023 amounted to Rs. 500 million. (2022 - Rs. 402 million).

30.3 Financial risk disclosure on loans to life policyholders

If the total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on policy loans. For more information please refer risk management Note 6.5.2.2 on page 303.

30.4 Fair value of loans to life policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

30.5 Concentration risk of loans to life policyholders

There is a lower concentration of credit risk with respect to policyholders as the Company has a large number of dispersed receivables.

30.6 Number of policy loans

Number of policy loans due as at 31 December 2023 was 1,563 (2022 - 1,412).

30.7 Impairment of loans to life policyholder

Policyholder loans are reviewed for impairment at each reporting date. The Board of Directors has assessed potential impairment loss as at 31 December 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of loans to life policyholder.

31. REINSURANCE RECEIVABLES

Accounting Policy

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Reinsurance receivable on outstanding claims	104,572	143,691
Reinsurance receivable on settled claims	360,639	424,688
Total Reinsurance Receivables	465,211	568,379

31.1 Reinsurance receivable on outstanding claims

This includes reinsurance reserves on claims that has not been paid and the reinsurance receivable has not been received.

31.2 Collateral details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

31.3 Impairment of reinsurance receivables

The Board of Directors has assessed potential impairment loss of reinsurance receivables as at 31 December 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of reinsurance receivables.

31.4 Fair value of reinsurance receivable

The carrying value of reinsurance receivables approximate the fair value as at the reporting date.

31.5 The age analysis of the reinsurance receivable on settled claims is as follows

As at 31 December	2023 Rs. '000	2022 Rs. '000
Up to 180 days	330,555	424,336
More than 180 days	30,084	352
Total	360,639	424,688

31.6 Reinsurance receivable over due but not subject to impairment (on paid claims)

As at 31 December 2023, there were no impairment provision on reinsurance receivable over 180 days due (2022 - Nil). These relate to parties where there were no recent history of default.

31.7 Risk management practices

Risk management practices on reinsurance receivables are discussed under Note 6.5.2.3 on page 303.

NOTES TO THE FINANCIAL STATEMENTS

32. PREMIUMS RECEIVABLE

Accounting Policy

Premiums receivable are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premiums receivable are the difference between the carrying amount and the recoverable amount. The impairment losses are recognised in the Income Statement.

The life insurance premiums for policies within 30 days grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analysing the default history. Commission and reinsurance premium relating to that accrued income are also recorded in the same manner.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Individual debtors	375,346	296,501
Institutional debtors	2,152,202	1,508,929
Gross premium receivables (Note 32.1)	2,527,548	1,805,430
Impairment provision (Note 32.2)	(78,459)	(42,042)
Total	2,449,089	1,763,388

32.1 Age analysis of premium receivable

	2023 Rs. '000	2022 Rs. '000
Less than 30 days	2,197,906	1,413,697
30 - 60 days	158,668	113,509
60 - 90 days	107,880	113,977
90 - 365 days	45,977	148,885
Over 365 days	17,117	15,362
Total	2,527,548	1,805,430

32.2 Impairment of premiums receivable

The Board of Directors has assessed potential impairment loss of premium receivables of the Company as at 31 December 2023. Based on the assessment, impairment loss of Rs. 36.4 million was recognised in the financial statements as at 31 December 2023 (2022 - Rs. 10.7 million) in respect of premium receivables.

32.3 Collateral details

The Company does not hold any collateral as security against potential default by policyholders.

32.4 Fair value of premiums receivable

The carrying value disclosed above approximates the fair value at the reporting date.

32.5 Risk management initiatives relating to premiums receivable

Risk management practices on premium receivables are discussed under Note 6.5.2.4 on page 304.

33. RECEIVABLES AND OTHER ASSETS

Accounting Policy

Inventories

Inventories are measured at the lower of cost or net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is estimated market price in the ordinary course of business less any estimated expense to sell.

All other receivables and other assets excluding inventories are recognised at cost less accumulated impairment losses.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Financial assets			
Refundable deposits		70,315	67,333
Receivable from Fairfirst Insurance Ltd		1,800	3,601
Total financial assets		72,115	70,934
Non financial assets			
Inventories		9,141	12,331
Tax recoverable	33.2	16,787	99,814
Advances and prepayments		832,326	841,434
Others		403,168	148,366
Total non financial assets		1,261,422	1,101,945
Total receivables and other assets		1,333,537	1,172,879

33.1 Maturity analysis

Refer Note 6.5.3.a (Table-21) on page 305 for maturity analysis of other financial assets.

33.2 Tax recoverable

As at 31 December	2023 Rs. '000	2022 Rs. '000
Withholding Tax receivable	16,787	99,814
	16,787	99,814

33.3 Fair value of receivables and other assets

Other financial receivables are carried at notional amounts, and are generally settled within one year. The notional and fair value amounts do not vary significantly.

33.4 Loans granted to directors

No loans have been granted to the Directors of the Company.

33.5 Security for liabilities

None of the inventories have been pledged as securities for liabilities as at the reporting date (2022 - Nil).

33.6 Impairment of receivables and other assets

The Board of Directors has assessed potential impairment loss of receivable and other assets as at 31 December 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of receivable and other assets (2022- Nil).

34. CASH AND CASH EQUIVALENTS**Accounting Policy**

Cash and cash equivalents comprise cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Bank overdrafts, if any, which form an integral part of cash management, are included as a component of cash and cash equivalents for the purposes of the Statement of Cash Flows. In the Statement of Financial Position, bank overdrafts are included under liabilities.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Cash in hand	7,978	11,213
Cash at bank	1,091,701	728,731
Total cash and cash equivalents	1,099,679	739,944

34.1 Cash and cash equivalent in the Statement of Cash Flows

As at 31 December	2023 Rs. '000	2022 Rs. '000
Cash in hand and at bank	1,099,679	739,944
Bank overdrafts used for cash management purpose	(376,690)	(308,318)
Cash and cash equivalents in the Statement of Cash Flows	722,989	431,626

34.2 Fair value of cash and cash equivalents

The carrying amounts disclosed above reasonably approximates to fair value at the reporting date.

34.3 Risk management initiatives relating to cash and cash equivalents

Refer Note 6.5.2.6 on page 304 for risk management initiatives relating to cash and cash equivalents.

34.4 Unutilised bank facilities

Refer Note 6.5.3.c on page 307 for Unutilised bank facilities that are available as at the reporting date. There is no restrictions on the use of these facilities.

34.5 Non-cash investing and financing activities

During the year, the Company has entered into new leases of Rs. 360 million (2022 - Rs. 140 million).

35. STATED CAPITAL**Accounting Policy**

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

35.1 Rights of ordinary shareholders

The shares of Softlogic Life Insurance PLC are quoted in the Colombo Stock Exchange Diri Savi Board. All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the Company.

Movement in ordinary voting shares

As at 31 December	No. of Shares	Amount Rs. '000
Fully paid ordinary shares		
As at 1 January 2022	375,000,000	1,062,500
Share issue / Re purchase	-	-
Own shares acquired in the year	-	-
As at 31 December 2022	375,000,000	1,062,500
Share issue / Re purchase	-	-
Own shares acquired in the year	-	-
As at 31 December 2023	375,000,000	1,062,500

Refer share information section in page 387 for more information on the composition of shares in issue as at 31 December 2023.

35.2 Tier II Capital

On 24 August 2020, the Company entered in to Tier II Subordinated debt transaction to provide funding for the future development of the business objectives of the Company. Details on the Tier II capital is given in Note 41 on page 367.

NOTES TO THE FINANCIAL STATEMENTS

36. RESTRICTED REGULATORY RESERVE

Nature and purpose of reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20 March 2018 on "Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the new direction. Based on the guideline, Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Shareholder Fund as at the reporting year ended 31 December 2017. The transfer has been presented as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the direction 16. The distribution of One-off Surplus to shareholders as dividend shall remain restricted until the requirements disclosed in Note 39.20 are met. As required by the said direction, the Company received the approval for this transfer on 29 March 2018.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	798,004	798,004
Transfer of One-off Surplus from policyholder fund	-	-
Balance as at 31 December	798,004	798,004

36.1 Composition of investments supporting the restricted regulatory reserve

As per the Direction 16 following the transfer of one off surplus to shareholders fund, the shareholders fund is required to maintain investment in government debt securities and deposits to fully support the amount of one off surplus at any given time. Accordingly the company has allocated adequate assets to support restricted reserve as at 31 December 2023 as follows.

Asset category	Face value 2023 Rs.	Market value 2023 Rs. '000
ISIN No		
LKB00628A153	100,000,000	120,562
LKB00628A153	110,000,000	132,618
LKB00628A153	100,000,000	120,562
LKB00628A153	100,000,000	120,562
LKB00931E153	100,000,000	121,988
LKB00931E153	100,000,000	121,988
LKB00931E153	120,000,000	146,386
LKB00931E153	100,000,000	121,988
LKB00931E153	100,000,000	121,988
LKB00931E153	100,000,000	121,988
Total market value of the assets		1,250,630
Restricted regulatory reserve		798,004
Excess assets		452,626

37. OTHER RESERVES

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Fair value reserve	37.1	(2,318,408)	(3,229,988)
Revaluation reserve	37.2	173,516	129,733
Total other reserve		(2,144,892)	(3,100,255)

37.1 Fair value reserve

Nature and purpose of fair value reserve

The Company has adopted SLFRS 9 Financial Instruments Accounting Standard with effect from 1 January 2019. Accordingly, the fair value reserve comprises the balance transferred from available for sale reserve as a result of transition to SLFRS 9 from LKAS 39 as at 1 January 2019 and cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	(3,229,988)	(1,855,391)
Net fair value gains / (losses) on remeasuring financial assets at FVOCI;		
Equity instruments	649,841	(837,146)
Debt instruments	261,028	(538,268)
Reclassification from OCI to income statement - Debt instruments	711	817
Reclassification of realised gain from fair value reserve to retained earning - Equity instruments		-
Balance as at 31 December	(2,318,408)	(3,229,988)

37.2 Revaluation reserve

Accounting Policy

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings as at the date of revaluation.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January		129,733	129,733
Gain on revaluation of land and building	26.17	43,783	-
Balance as at 31 December		173,516	129,733

37.2.1 Nature and purpose of revaluation reserve

On revaluation of an asset, any increase in the carrying amount is recognised in revaluation reserve in equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous written down value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to revaluation reserve in equity through OCI, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

38. RETAINED EARNINGS

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	12,112,675	10,453,584
Realised gain on equity instruments directly recognised in equity	-	-
Profit for the year	2,838,403	2,682,876
Defined benefit plan actuarial gain / (losses) on net of tax	(20,844)	26,215
Dividend paid	(1,312,500)	(1,050,000)
Balance as at 31 December	13,617,734	12,112,675

39. INSURANCE CONTRACT LIABILITIES

Accounting Policy

39.1 Recognition and measurement

Life insurance liabilities are recognised when contracts are entered into and premiums charged. These liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 (RBC) with effect from 1 January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

As per RBC rules, w.e.f. 1 January 2016 the value of the life insurance liabilities are determined as follows;

Life insurance liabilities = Best Estimate long term Liability (BEL) + Risk Margin for adverse deviation (RM)

Best estimate liability is measured at the sum of the present value of all future best estimate cash flows calculated as per the RBC principles and the discount rate estimated as per the clarification note issued by CA Sri Lanka on financial reporting.

Measurement is usually done based on the prospective method, by determining the difference between the present values of future benefits and future premiums. The actuarial assumptions used for the calculation includes, in particular, assumptions relating to;

- Mortality rates
- Persistency rates
- Morbidity rates
- Expense and future inflation
- Participating fund yield
- Discount rates

Accounting Policy

Assumptions are estimated on a realistic basis at the end of financial year with provision for adverse deviation to make allowance for the risks of change and random fluctuations. Further, in valuing the policy liabilities, provisions for reinsurance have been allowed in accordance with applicable reinsurance terms as per current reinsurance arrangements.

There are no implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC). However, any negative liabilities that arise have been zeroed at product level when determining the aggregate liability.

Derecognition

The liability is derecognised when the contract is expired, discharged or cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by performing the liability adequacy test.

39.2 Accounting judgements, estimates and assumptions

Product classification

Insurance contracts

SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred. Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists, if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e., have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Company issues and reinsurance contracts that the company holds. Contracts where the Company does not assume an insurance risk is classified as investment contracts.

Investment contracts

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings, credit index or other variables; provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

NOTES TO THE FINANCIAL STATEMENTS

39.2 Accounting judgements, estimates and assumptions (Contd.)

Subsequent classification

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime even if the insurance risk reduces significantly during this period unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary Participating Features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that:

- are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer: and contractually based on:
- The performance of a specified pool of contracts or a specified type of contract,
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
- The profit or loss of the company, fund or other entity that issues the contract

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities as appropriate.

Refer Notes 39.9 and 39.10 for more information on use of judgements, estimates and assumptions relating to insurance contract liabilities.

39.2.1 Insurance contract liabilities

As at 31 December	Notes	2023 Rs. '000	2022 Rs. '000
Life insurance fund		26,145,333	23,412,163
Surplus created due to change in valuation method from NPV to GPV	39.17	1,056,535	1,056,535
Life fund with one-off surplus	39.5	27,201,868	24,468,698
Claims payables / Unclaimed benefits	39.22	723,606	869,804
Total insurance contract liabilities		27,925,474	25,338,502

39.3 Impact of uncertain macro economic conditions

Refer integrated risk management report on pages 242 and 243 for more details on the risk and risk management initiatives on uncertain macro economic conditions

39.4 Details of policy liabilities for the participating and non-participating funds are provided as follows

As at 31 December	2023			2022		
	Participating Rs. '000	Non-participating Rs. '000	Total Rs. '000	Participating Rs. '000	Non-participating Rs. '000	Total Rs. '000
Policy liabilities	10,783,705	15,361,628	26,145,333	9,154,197	14,257,966	23,412,163
One-off surplus	1,056,535	-	1,056,535	1,056,535	-	1,056,535
Total policy liabilities	11,840,240	15,361,628	27,201,868	10,210,732	14,257,966	24,468,698

39.5 Movement in life insurance fund

As at 31 December	Note	2023			2022		
		Insurance contract liabilities (Gross)	Reinsurance	Net	Insurance contract liabilities (Gross)	Reinsurance	Net
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 January		28,879,985	(4,411,287)	24,468,698	23,839,691	(2,959,381)	20,880,310
Premiums received	10	26,341,321	(2,490,889)	23,850,432	23,083,425	(2,678,803)	20,404,622
Liabilities released for payments on death, surrender and other terminations in the year	16.1	(13,396,642)	553,304	(12,843,338)	(9,327,514)	933,929	(8,393,585)
Net finance and other income		5,768,826	-	5,768,826	3,316,804	-	3,316,804
Net acquisition and other expenses		(11,226,154)	293,316	(10,932,838)	(7,525,735)	292,968	(7,232,767)
Surplus distributed to shareholders	39.13	(3,015,000)	-	(3,015,000)	(4,378,000)	-	(4,378,000)
Change in contract liabilities life fund	17	4,472,351	(1,644,269)	2,828,082	5,168,980	(1,451,906)	3,717,074
Tax on policyholder bonus		(94,912)	-	(94,912)	(128,686)	-	(128,686)
Balance as at 31 December		33,257,424	(6,055,556)	27,201,868	28,879,985	(4,411,287)	24,468,698

39.6 Valuation of life insurance fund

Long duration contract liabilities included in the life insurance fund, primarily consist of traditional participating and non-participating life insurance products. The actuarial reserves have been certified by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India Private Limited as at 31 December 2023.

39.7 Financial reinsurance arrangement**Accounting Policy****Recognition of initial commission**

Reinsurance commission income is recognised in the Income Statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. Accordingly, initial commission income generated from life quota share agreement is recognised when it is received or due in full.

Subsequent amortisation

Initially the Company has made one off release from the initial reinsurance commission to absorb in the new business strain arising from newly launched non-participating universal life product. The remaining unallocated surplus arising from initial commission of reinsurance agreement will be released to the Income statement over the period (as best estimate duration) of quota share agreement on equal installments.

39.8 Methodology used in determination of market value of liability

A discounted cash flow approach, equivalent to a gross premium valuation methodology has been used for calculating the liabilities for the existing business as at 31 December 2023. In determining the policy liabilities, provisions for reinsurance have been allowed according to the applicable reinsurance terms as per the current agreements.

Negative policy reserves for long term insurance contracts are acceptable and the value of the liabilities held have been floored to zero at a product level for accounting standards purpose in arriving at the surplus calculation.

No implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

NOTES TO THE FINANCIAL STATEMENTS

39.8 Methodology used in determination of market value of liability (Contd.)

Details of calculation of policy liability and net cash flows are provided in the following table for each class of products:

Details of product category	Basis of determinants of policy liability	Basis of calculating net cash flows
Individual traditional non-participating products	Discounting "Net Cash Flows" using a discount rate	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Surrender benefit Outgo (+) Maturity benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of the above
Individual traditional participating products	Max (guaranteed benefit liability, Total benefit liability)	Same as above
Individual universal life non-participating products	Discounting "Net Cash Flows" using a discount rate	Future Premium Income (-) Death benefit Outgo inclusive of dividend accumulations (+) Rider benefit Outgo (+) Surrender benefit Outgo inclusive of dividend accumulations (+) Maturity benefit Outgo inclusive of dividend accumulations (+) Commission Expense Outgo (+) Policy Expense Outgo (+)
	Max (account value, discounted cash flow liability)	Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of the above
Group traditional non-participating products - group term (life) and per day insurance	Discounting "net cash flows" using a discount rate	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net Cash flow = Sum of the above
Group traditional non-participating products - group hospitalisation cover	Policy liability has been set equal to UPR	Not Applicable

39.9 Key assumptions used in determinations of Best Estimate Liability (BEL)

Details of key assumptions used and basis of arriving the same are summarised in the following table:

Assumption	Basis of estimation
Economic assumption	
Discount rate	Top down approach has been used and discount rate assumptions are disclosed in Note 39.10.
Participating fund yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.
Operating assumptions	
Mortality rate	A67/70 Mortality rates table was used. Calibrated to experience of the products.
Morbidity rates	The morbidity rates have been set based on loss ratios whereby loss ratio is calculated as the ratio of settled and pending claims to earned premiums.
Expenses	Based on the expenses incurred during 2023. For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been done on the basis of inputs from various department heads of each cost centre to determine a reasonable activity-based split of expense. These have been further identified as either being premium or policy-count driven based on the nature of expenses to determine a unit cost loading for use in the valuation.
Bonus rates	Bonus rate scale assumed has been arrived based on bonus declared as at 31 December 2023, based on the Company management's views on policyholder reasonable expectations. This assumes that company is expecting to maintain the current bonus levels into the future and is unchanged from the previous valuation.
Persistency ratio	The discontinuance assumptions have been set with reference to actual experience and vary by policy duration.

Accounting judgements, estimates and assumptions**39.10 Discount rate**

Insurance contract liabilities shall be measured in term of SLFRS 4 by applying current market interest rates where any changes to be recognised in income statement. In arriving at such rates, CA Sri Lanka has issued a guidance note allowing insurers to apply professional judgment in applying the current market interest rates by way of considering timing and liquidity nature of the insurance liability.

Methodology

Noting the potential difficulties in establishing an appropriate 'liquid risk free yield curve' from the observable Sri Lankan market data, a 'top-down approach' is adopted for the determining the appropriate discount rates. Under such approach, the yield curve is constructed to represent yields implicit in a fair value measurement of a reference portfolio of assets whilst attempting to eliminate any factors that are not relevant to the insurance contracts.

Assumption	Basis of estimation
Choice of reference portfolio	The current assets backing the Life Fund are taken as the initial reference portfolio. Assets within the Life Fund are split between participating, universal life and non-participating funds.
Rates of return implicit in a fair value measurement of the reference portfolio	Fair value of existing assets for the purpose of discount rate construction is assessed on a consistent basis as the fair value assessed for these assets in the Statement of Financial Position. Implied returns for existing assets are taken as the yields that would be required that would result in the discounted present value of asset flows to be equal to the reported fair value in the Statement of Financial Position.
Adjustment for credit risk	Fair value of corporate bonds include an allowance for potential credit risk of the issuer. Allowance for risk of default within the corporate bond spreads has been removed from the implied yields as it is not relevant for valuation of the insurance contracts. Total spread is assumed to comprise a spread for default risk and illiquidity - the spread in respect of default risk is estimated by isolating the illiquidity premium.
Assets representing future (re)investments	The initial reference portfolio of existing assets is then extended to include future (re)investments of net positive future cash-flows that would be required to meet any subsequent shortfalls. These (re)investments are assumed to yield a risk-adjusted return determined by having regard to historic mean reversions of the published government bond yields over the short to medium term and to a long term 'ultimate forward rate' over the long term assuming a convergence period of 40 years for the historic average yields in the short/medium term to converge to ultimate forward rate in the long term.
Yield curve	A complete term structure is derived based on the effective overall 'time-weighted rate of return' for the reference portfolio assets.

39.11 Sensitivity analysis

Sensitivity analysis of life insurance fund is provided in Note 6.3.d (Table-3) on page 292.

39.12 Analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance

As at 31 December	2023 Rs. '000	2022 Rs. '000
< 1 year	855,192	606,229
1 to 3 years	2,374,545	1,522,575
> 3 years	11,955,754	3,751,513
Total	15,185,491	5,880,317

39.13 Recommendation of surplus transfer

The valuation of life insurance fund as at 31 December 2023 was made by the appointed actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India Private Limited. Based on the recommendation, the Company transferred surplus from the policyholder fund to the shareholder fund as follows;

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Participating life insurance fund to the shareholder fund	-	-
Non-participating life insurance fund to shareholder fund	3,015,000	4,378,000
Total	3,015,000	4,378,000

Subsequent to the transfer the surplus transfer of Rs. 3,015 million, life fund stands as Rs. 27,202 million as at 31 December 2023 (2022 - Rs. 24,469 million), including the liability in respect of bonuses and dividends declared up to and including for the year 2023 as well as surplus created due to change in valuation method of policy liabilities from NPV to GPV in the participating fund.

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39.14 Taxation on surplus distributed to the life insurance policyholder who shares the profits

According to the Section 67 (2) of the Inland Revenue Act No. 24 of 2017, the surplus distributed to the life insurance policyholder who shares the profits of a person engaged in the business of life insurance in a given year, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of that person from the business and subject to tax at 30% from 01 October 2022 as described in the Note 22 on page 328.

As recommended by the Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI of Messrs. Towers Watson India Private Limited, the Company has declared a bonus of Rs 518 million (2022 - Rs. 436 million). Please refer point (f) of the Actuarial report provided on page 264 for the year 2023 to life insurance policyholders who participating in the profit of life insurance business. Accordingly, the Company has adjusted the tax liability in to the life insurance fund.

39.15 Solvency margin

The Company maintains a Capital Adequacy Ratio (CAR) 367% on regulatory basis and Total Available Capital (TAC) of Rs. 37,107 million as at 31 December 2023, which exceed the minimum requirement of 120% and Rs. 500 million respectively as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

39.16 Liability Adequacy Test (LAT)

Accounting Policy

Measurement

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 "Insurance Contracts". The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses.

In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

Valuation

A liability adequacy test for life insurance contract liability was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Towers Watson India Private Limited as at 31 December 2023. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability.

According to the Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31 December 2023.

No additional provision was required against the LAT as at 31 December 2023.

Details of the LAT report is provided on page 265 to this report.

39.17 Surplus created due to change in valuation method - One-off surplus zeroed at product level

Accounting Policy

Refer Note 39.1 for accounting policy

Basis of measurement

Surplus created due to change in valuation method of policy liabilities from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) is measured based on the difference in the policy liability valuation by the independent Actuary based on NPV and GPV bases valuation as at 31st December 2015 according to the Direction 16 'Identification and treatment of one-off surplus' issued by IRCSL. According to Direction 16, Company has determined the One-off Surplus as the difference between NPV Solvency basis liability and GPV Distribution basis liability for both Participating business and other than Participating business.

	Participating fund	Non-participating fund	Total
	Rs. '000	Rs. '000	Rs. '000
Value of Insurance contract liability based on Independent Actuary - NPV as at 31 December 2015	3,866,780	2,472,575	6,339,355
Less: Value of Insurance contract liability based on Independent Actuary - GPV 31 December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 1 January 2016	1,056,535	798,004	1,854,539

39.18 Transfer of one-off surplus from non participating fund to shareholder fund

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on "Guidelines/Directions for Identification and Treatment of One-off Surplus" and has instructed all life insurance companies to comply with the direction. Based on the guidelines, life insurance companies are directed to transfer One-off surplus attributable to policyholder non-participating fund to shareholder fund as at the reporting year ended 31 December 2017. The transfer has been presented as a separate line item in the Income Statement as "change in contract liability due to transfer of one-off surplus" and as a separate reserve in the Statement of Financial Position as "restricted regulatory reserve" under Equity in accordance with above Direction.

Further, distribution of one-off surplus to shareholders, held as part of the restricted regulatory reserve, is subject to

meeting governance requirements (Refer Note 39.20) stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The one-off surplus in the shareholder fund will remain invested in government debt securities and deposits as disclosed in Note 36.1 as per the Directions of the IRCSL".

The financial ratios have been determined in accordance with Sri Lanka Accounting Standards. Additionally, the Company has voluntarily presented financial ratios without one-off surplus impact.

One-off surplus in respect of participating business is held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the shareholder fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

39.19 Movement of one-off surplus after transfer

	Participating fund Rs. '000	Non-participating fund Rs. '000	Total Rs. '000
Surplus created due to change in valuation method - One-off surplus as at 1 January 2016 (Note 39.17)	1,056,535	798,004	1,854,539
Transfer of One-off Surplus from long term fund to Restricted Regulatory Reserve	-	(798,004)	(798,004)
Remaining One-off Surplus in insurance contract liabilities as at 31 December 2023	1,056,535	-	1,056,535

39.20 Distribution of one-off surplus

The distribution of one-off surplus to shareholders as dividends shall remain restricted until a company develops appropriate policies and procedures for effective management of its business, as listed below:

- Expense allocation policy setting out basis of allocation of expenses between the shareholder fund and the policyholder fund as well as between different lines of business within the policyholder fund, particularly participating and non-participating;
- Dividend declaration policy for universal life business;
- Bonus policy for the participating business, which should include treatment of one-off surplus for the purpose of bonus declaration;
- Asset-liability management policy;
- Policy on internal target capital adequacy ratio;
- Considerations for transfer of funds from policyholder fund to shareholder fund.

These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further IRCSL will reconsider the distribution of one-off surplus when the RBC rules are revised. The IRCSL will permit distribution of one-off surplus subject to yearly distribution caps on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

39.21 Disclosures as required by Direction 16 issued by IRCSL

Disclosure in financial statements	Compliance with the requirement	Note	Page
Equity and statement of changes in equity to include as a new line item called 'Restricted Regulatory Reserve' with value equal to one - off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'.	Complied		274
The transfer of one - off surplus to be treated as a release permitted by the IRCSL during the relevant period and accounted through Income Statement.	N/A for current year		
Income Statement to carry a new line item 'change in contract liability due to transfer of one - off surplus'.	N/A for current year		
Disclosure stating 'distribution of one - off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied	39.20	363
The basis of computation of one - off surplus. Any deviation from the direction in respect of determining the 'minimum one - off surplus'.	Complied	39.17	362
One-off surplus relating to participating and other than participating should be disclosed separately	Complied	39.17	362
Financial ratios, excluding the impact of transfer of one - off surplus may be disclosed separately.	Complied		
Disclosure on composition of investments supporting the restricted regulatory reserve.	Complied	36.1	356

39.22 Direction 18 - Unclaimed benefits of long term insurance business

Unclaimed benefits of long term insurance business are recorded in the life insurance fund. There were no transfer of any unclaimed benefits from the policyholder fund to shareholder fund during the period ended 31 December 2023 (31 December 2022 - Nil).

As at 31 December	2023 Carrying value Rs. '000	2022 Fair value Rs. '000
Unclaimed benefits	387,986	481,927
Other claim payables	335,620	387,877
Total	723,606	869,804

The Company is complied with Direction - 18 "Unclaimed benefits of long term insurance business" issued by Insurance Regulatory Commission of Sri Lanka.

40. EMPLOYEE BENEFIT LIABILITIES

Accounting Policy

Refer Note 19.1 for accounting policy

40.1 Defined contribution plans

Following contributions have been made to Employees Provident Fund and Employee Trust Fund during the year.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Employees' provident fund		
Employer's contribution (12%)	125,011	108,142
Employees' contribution (8%)	83,341	72,095
Employees' trust fund		
Employer's contribution (3%)	31,251	27,036

40.2 Defined benefit plans - Provision for employee benefit liabilities

Accounting Policy

Measurement

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

The calculation is performed annually by a qualified independent actuary using the Projected Unit Credit method.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded and is a final salary defined benefit plan.

Recognition of actuarial gain / (losses), current services cost and interest cost

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in the Statement of Profit or Loss and Other Comprehensive Income and current services cost and interest cost related to defined benefit plans in employee benefit are expensed in the Income Statement.

When the benefits of a plan is changed or when a plan is curtailed, resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Valuation of employee benefit liabilities

An actuarial valuation of the retirement gratuity payable as at 31 December 2023 was carried out by Mr. M. Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The valuation method used by the Actuaries to value the liability is the 'Projected Unit Credit Method (PUC)', the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on 'Employee Benefits'.

The actuarial valuation involves making assumptions. Further, the Company has considered the impact of the economic crisis on the defined benefit obligations. Due to the complexity of the valuation and the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The defined benefit plans typically expose the Company to following risks.

Interest risk	Present value of the defined benefit plan liability is calculated using a discount rate determined by reference to long term interest rate. Accordingly, a decrease in the long-term interest rate will increase the plan liability.
Longevity risk	Present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	Present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

40.3 Actuarial assumptions

Actuarial assumptions	Criteria	2023	2022	Description
Demographic assumptions	Mortality - In service			1967/70 Mortality table issued by the Institute of Actuaries, London.
	Staff turnover	25%	19%	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement.
	Normal retirement age	60	60	The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays.
Financial assumptions	Rate of discount	13.5%	18.5%	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	10%	13%	In respect of active employees.

NOTES TO THE FINANCIAL STATEMENTS

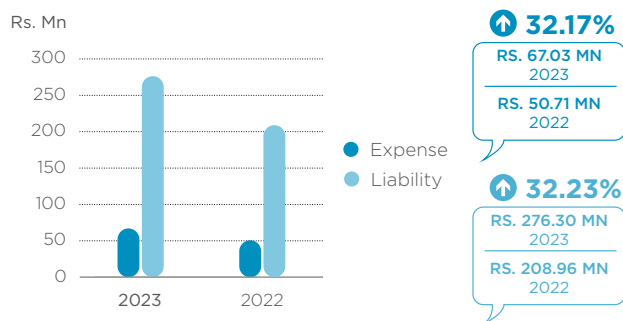
40.4 Movement in the present value of employee benefit liabilities

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Present value of unfunded obligation		276,302	208,959
Defined benefit obligations as at 1 January		208,959	192,629
Expenses recognised in income statement	40.5	67,029	50,714
Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income	40.6	20,844	(26,215)
Other			
Gratuity payments during the year		(20,530)	(8,169)
Defined benefit obligations as at 31 December		276,302	208,959

40.5 Expenses recognised in the income statement

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Interest cost	38,657	20,226
Current service costs	28,372	30,488
Total expenses recognised in income statement	67,029	50,714

EMPLOYEE BENEFIT LIABILITIES / EXPENSES



40.6 Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Actuarial (gain) / loss arising from;		
Change in demographic assumptions	5,844	-
Change in financial assumptions	9,066	(34,499)
Change in experience adjustment	5,934	8,284
Total	20,844	(26,215)

40.7 Expected contributions to defined contribution and defined benefit plans

For the year ended 31 December	2024 Rs. '000
Employees' provident fund	
Employer's contribution (12%)	137,512
Employees' contribution (8%)	91,675
Employees' trust fund	
Employer's contribution (3%)	34,378
Defined benefit plans	54,208

40.8 Maturity analysis of the payments

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Within next 12 months	87,233	58,406
Between 1 to 2 years	95,092	55,338
Between 2 to 5 years	53,683	56,857
Between 5 to 10 years	33,507	28,595
Beyond 10 years	6,787	9,763
Total expected payments	276,302	208,959
Weighted average duration of defined benefit obligation	3.00 years	3.54 years

40.9 Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the discount rate and salary increment rates assuming all other variables held constant in the employment benefit liability measurement.

As at 31 December	2023	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000
Discount rate		
1% increase in discount rate	(7,045)	269,257
1% decrease in discount rate	7,478	283,780
Salary increment rate		
1% increase in salary increment rate	8,984	285,286
1% decrease in salary increment rate	(8,579)	267,723

As at 31 December	2022	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000
Discount rate		
1% increase in discount rate	(6,076)	202,883
1% decrease in discount rate	6,510	215,469
Salary increment rate		
1% increase in salary increment rate	7,752	216,711
1% decrease in salary increment rate	(7,338)	201,621

40.10 Method and assumptions used in preparing the sensitivity analysis

The above sensitivity analysis are based on a change in significant assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The Company has used "Projected Unit Credit method (PUC)" when calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions as at 31 December 2023.

The methods and types of assumptions used in preparing the sensitivity analysis has not changed compared to the prior period.

40.11 Employee benefits for key management personnel

Employee benefits of key management personnel is disclosed in Note 45.6.1 on page 373.

41. LOANS AND BORROWINGS

Accounting Policy

Refer Note 4.3 on page 287 for accounting policy.

41.1 Loan movement

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 01 January	5,643,918	3,064,994
Cash movement		
Loans obtained / capital repayments	-	-
Interest payments	(599,383)	(450,446)
Non cash movement		
Interest expenses	616,295	456,141
Exchange rate adjustments	(645,833)	2,573,229
Balance as at 31 December (Note 41.1.a)	5,014,997	5,643,918
41.1.a Current and Non Current Portions		
Repayable within one year	155,338	153,807
Repayable after one year	4,859,659	5,490,111
Total	5,014,997	5,643,918

Lease liabilities included in the statement of financial position as at 31 December.

41.2 Nature and purpose the transaction

The Company entered into a long-term financing agreement with the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and the Norwegian Investment Fund for Developing Countries for USD 15 million Tier II subordinated debt transaction to provide funding to future development of business objectives of the Company. The facility was signed on 24 August 2020.

41.3 Defaults and breaches

The Company did not have any defaults of principal or interest or other breaches with respect to its loans and borrowings during the years ended 31 December 2023 (2022 - Nil).

41.4 Security and repayment terms

Nominal Interest rate	6 month LIBOR plus margin
Repayment terms	The loan shall be repaid in full on the maturity date
Carrying value of collaterals	None of assets have been pledged as securities for these liabilities
Interest payable frequency	Bi annually
Allotment date	2/10/20
Maturity Date	2/10/25

NOTES TO THE FINANCIAL STATEMENTS

41.5 Tier II capital securities

Tier II capital securities are either perpetual or dated subordinated securities on which there is an obligation to pay coupons. According to the RBC rule, the Company's subordinated debt securities are included within the Company's regulatory capital base as Tier II capital.

41.6 Maturity analysis

The maturity analysis of loans and borrowings is given in Note 6.5.3.a (Table-21) on pages 305.

42. REINSURANCE PAYABLE

Accounting Policy

Reinsurance payable represents balances due to reinsurance companies. Payable amounts are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related insurance contracts.

Reinsurance liabilities are derecognised when the contractual liabilities are extinguished or expired, or when the contract is transferred to other party.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
As at 1 January	2,246,237	1,040,255
Arose during the year	2,490,889	2,678,803
Utilised during the year	(4,018,271)	(1,472,821)
Balance as at 31 December	718,855	2,246,237

43. OTHER LIABILITIES

Accounting Policy

Financial liabilities

Refer Note 4.3 for accounting policy relating to financial liabilities.

Other liabilities

Other liabilities include accruals and advances, and these liabilities are recorded at the amounts that are expected to be paid.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Financial liabilities			
Commission / Incentive payable	43.2	923,022	1,024,564
Premium deposit		248,911	231,551
Amounts due to related parties	43.3	15,846	11,036
Other payables		117,864	35,488
Lease liabilities	43.4	606,520	590,039
Total financial liabilities		1,912,162	1,892,678
Non financial liabilities			
Accruals		734,376	890,324
Tax and other statutory payables	43.8	120,049	45,453
Total non financial liabilities		854,426	935,777
Total other liabilities		2,766,588	2,828,455

43.1 Maturity Analysis

Maturity schedules of other financial liabilities are disclosed in Note 6.5.3.a (Table 21) on page 305.

43.2 Commission / Incentive payable

Provisions

As at 31 December	2023 Rs. '000	2022 Rs. '000
As at 01 January	1,024,564	739,173
Provision made during the year	4,256,368	5,128,521
Payments made during the year	(4,357,910)	(4,843,130)
Balance as at 31 December	923,022	1,024,564

43.3 Amounts due to related companies

Amounts due to related companies represents fund management fees and rent payable to group companies as follows.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Softlogic Asset Management (Pvt) Ltd	45.11	15,846	11,036
Total		15,846	11,036

43.4 Lease liabilities

Please refer Note 27 for accounting policy relating to leases under SLFRS 16.

As at 31 December	2023			2022		
	Leasehold properties Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000	Leasehold properties Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000
Lease liabilities as at 1 January	581,650	8,389	590,039	640,289	13,136	653,425
Recognition of new lease agreement during the period*	281,150	-	281,150	104,274	-	104,274
Interest Expenses	110,933	515	111,448	95,699	935	96,634
Payment of lease liabilities	(370,435)	(5,682)	(376,117)	(345,351)	(5,682)	(351,033)
Modification	-	-	-	122,488	-	122,488
De-recognition	-	-	-	(35,749)	-	(35,749)
Cumulative lease liabilities as at 31 December	603,298	3,222	606,520	581,650	8,389	590,039

*Rent prepayments has been recognised as RoU assets and therefore additions to lease liabilities are not equivalent to newly recognised RoU assets.

43.5 Maturity analysis - Contractual undiscounted cash flows

As at 31 December	2023 Rs. '000	2022 Rs. '000
Less than one year	357,402	335,139
Between one and five years	437,477	387,890
More than five years	-	-
Total undiscounted lease liabilities as at 31 December	794,879	723,028
Lease liabilities included in the Statement of Financial Position as at 31 December	606,519	590,039
Undiscounted cash flows		
Current	357,402	335,139
Non current	437,477	387,890
Total	794,879	723,028

43.6 Maturity Analysis - Discounted cash flows

Refer Note 6.5.3.a (Table-21) on page 305.

43.7 Sensitivity analysis of lease liabilities

The following table demonstrate the impact arising from the possible changes in the incremental borrowing rate on the lease liabilities of the Company as at 31 December 2023 and 2022 assuming all other variables are remain constant.

As at 31 December	2023		2022	
	Effect on Profit Before Tax Rs. '000	Estimated lease liabilities Rs. '000	Effect on Profit Before Tax Rs. '000	Estimated lease liabilities Rs. '000
1% increase in discount rate	(7,216)	599,303	(5,854)	584,185
1% decrease in discount rate	7,428	613,947	5,723	595,762

NOTES TO THE FINANCIAL STATEMENTS

43.8 Tax and other statutory payables

As at 31 December	2023 Rs. '000	2022 Rs. '000
Stamp duty	1,300	1,080
Crop insurance levy	3,504	11,062
EPF / ETF payable	20,455	17,871
CESS payable	14,329	11,274
PAYE tax payable	65,010	2,922
WHT Payable	14,207	-
Other	1,244	1,244
Total	120,049	45,453

43.9 Income Tax Liabilities

As at 31 December	2023 Rs. '000	2022 Rs. '000
Income Tax Payable	927,170	801,030
	927,170	801,030

44. OPERATING SEGMENTS

Accounting Policy

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Key Management Personnel of the Company (being the Company's chief operating decision maker) to make decisions about resources allocated to each operating segment and assess performance, and for which discrete financial information is available.

Segment results that are reported to the KMP include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. There were no unallocated items. All items of income, expenses, assets, and liabilities are properly allocated.

Segment capital expenditure included total cost incurred by the Company during the year to acquire property, plant and equipment, and intangible assets.

Basis for segmentation

For management purposes and to comply with the regulatory framework, the Company is organised into business units based on their products and services and has two reportable operating segments. These segments are managed separately because they require different operational, risk management and marketing strategies.

The following summary describes the products and services that each segment offers;

Reportable segment	Product and services
Life policyholder fund	Policyholder fund represents all long term insurance business related products and riders and known as the Life Insurance Fund.
Shareholder fund	Shareholder fund represents the investment income and their attributable profits

Aggregation

No operating segments have been aggregated to form the above reportable segments.

Graphical representation of segment information are provided in financial highlights on page 262 to 263.

44.1 Geographic information

Activities of the Company are located in Sri Lanka. The economic environment in which the Company operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

44.2 Information about reportable segments

Segment performance and reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items are summarised below. Segment profit before tax, as included in the management reports reviewed by the Key Management Personnel of the Company is used to measure performance of the segments as this information is the most relevant in evaluating the results of individual segments.

44.2.1 Summary of segment financial performances and reconciliation of information on reportable segments to the amounts reported in the Financial Statements

For the year ended December	2023				2022			
	Policyholder fund	Shareholder fund	Unallocated/ eliminations	Consolidated	Policyholder fund	Shareholder fund	Unallocated/ eliminations	Consolidated
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Segment Revenue (Gross written premiums)	26,341,321	-	-	26,341,321	23,083,425	-	-	23,083,425
Premiums ceded to reinsurers	(2,490,889)	-	-	(2,490,889)	(2,678,803)	-	-	(2,678,803)
Segment net written premiums	23,850,432	-	-	23,850,432	20,404,622	-	-	20,404,622
Segment other revenue	5,768,826	2,179,338	-	7,948,164	3,316,802	1,803,389	-	5,120,191
Inter segment revenue	-	-	-	-	-	-	-	-
Segment total net revenue	29,619,258	2,179,338	-	31,798,596	23,721,424	1,803,389	-	25,524,813
Net claims and benefits expenses	(12,843,338)	-	-	(12,843,338)	(8,393,585)	-	-	(8,393,585)
Change in contract liability - life	(2,828,082)	-	-	(2,828,082)	(3,717,074)	-	-	(3,717,074)
Underwriting and net acquisition costs (including reinsurance)	(5,486,208)	-	-	(5,486,208)	(4,955,888)	-	-	(4,955,888)
Other operating and administrative expenses	(5,054,455)	(56,656)	-	(5,111,111)	(4,294,149)	(62,730)	-	(4,356,879)
Impairment (charge) / reversal on financial investments	42,194	(1,123,971)	-	(1,081,777)	(90,495)	(2,048,295)	-	(2,138,790)
Finance costs	(434,369)	(816,540)	-	(1,250,909)	2,107,767	(39,980)	-	2,067,787
Segment profit before tax	3,015,000	182,171	-	3,197,171	4,378,000	(347,616)	-	4,030,384
Income tax expense	-	(358,768)	-	(358,768)	(1,143,420)	(204,088)	-	(1,347,508)
Segment profit for the year	3,015,000	(176,597)	-	2,838,403	3,234,580	(551,704)	-	2,682,876

Evaluation of segment performance

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Company's financial statements.

44.2.2 Summary of segment financial position and reconciliation of information on reportable segments to the amounts reported in the Financial Statements

For the year ended 31 December	2023				2022			
	Policyholder fund	Shareholder fund	Unallocated/ eliminations	Consolidated assets and liabilities	Policyholder fund	Shareholder fund	Unallocated/ eliminations	Consolidated assets and liabilities
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total assets	39,400,301	11,939,121	-	51,339,422	35,399,068	12,849,275	-	48,248,343
Total equity	(856,820)	14,190,166	-	13,333,346	(1,141,990)	12,014,914	-	10,872,924
Liabilities	40,257,120	(2,251,044)	-	38,006,076	36,541,058	834,361	-	37,375,419
Total equity and liabilities	39,400,300	11,939,122	-	51,339,422	35,399,068	12,849,275	-	48,248,343
Capital expenditure	-	218,199	-	218,199	-	96,682	-	96,682

NOTES TO THE FINANCIAL STATEMENTS

44.2.3 Summary of segment cash flows

For the year ended 31 December	2023			2022		
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000
Cash flows from,						
Operating activities	2,281,986	(593,960)	1,688,026	3,750,288	1,374,070	5,124,358
Investing activities	(1,627,498)	1,919,452	291,954	(3,382,958)	(315,111)	(3,698,069)
Financing activities	(370,437)	1,318,180	(1,688,617)	(345,351)	(1,055,682)	(1,401,033)

44.3 Major customers

The Company doesn't have any major customers.

44.4 Impairment

For the year ended 31 December	2023			2022		
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000
Impairment losses / (reversal) recognised in profit or loss	(42,194)	1,123,971	1,081,777	90,495	2,048,295	2,138,790

Financial assets pledged as collateral for liabilities

There was no financial investment pledged as collateral for liabilities or contingent liabilities (2022 - Nil).

Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

45. RELATED PARTY DISCLOSURE

Accounting Policy

The Company carried out transactions in the ordinary course of business on arm's length basis with parties who are defined as related parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

45.1 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of business. Outstanding balances at year end are unsecured and interest free. Settlement will take place in cash.

45.1.1 Guarantees

No guarantees given or received during the period (2022 - Nil).

45.2 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 December 2023 audited financial statements, which require additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.14.7 and Code of Best Practices on Related

45.3 Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue of the Company as per 31 December 2023 audited financial Statements, which require additional disclosures in the 2022 Annual Report under Colombo Stock Exchange listing Rule 9.14.7 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

45.4 Parent and ultimate controlling party

The parent entity of the Company is Softlogic Capital PLC. In the opinion of Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka.

45.4.1 Ultimate parent of the group

The Group does not have an identifiable parent of its own.

45.5 Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard - LKAS 24 on "Related Party Disclosures", Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

45.6 Transactions with KMP

Please refer Note 45.1 for terms and conditions of transactions.

45.6.1 Compensation of KMP

As at 31 December For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Short term employment benefits	70,518	60,540
Post-employment benefits	5,806	4,838
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Fees paid	10,260	10,510
Total	86,584	75,888

45.6.2 Transactions with KMP recorded in Income Statement

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Insurance premiums		2,089	1,790
Compensation to KMP	45.6.1	86,584	75,888
Total		88,673	77,678

45.6.3 Transactions with KMP Recorded in statement of financial position

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.

45.6.4 Loans to directors

No loans have been granted to the Directors of the Company.

45.7 Transactions, arrangements and agreements involving KMP and their Immediate Family Members (IFM)

Immediate Family Members (IFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependents of the KMP or the KMP domestic partner. IFM are related parties to the Company.

There are no transactions with IFM of KMP of the Company during the year (2022 - Nil).

45.8 Share-based transactions of KMP and their Immediate Family Members (IFM)

There were no share-based transaction with KMP and IFM during the reporting period. (2022- Nil).

45.9 Changes to the board of directors

During the year, there have been no any changes to the board of directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

45.10 Transactions with parent and ultimate parent

Please refer Note 45.1 for terms and conditions of transactions.

Transactions recorded in income statement

For the year ended 31 December	Transactions with parent (Softlogic Capital PLC)		Transactions with ultimate parent (Softlogic Holdings PLC)	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Nature of transactions				
Insurance premiums	607	1,300	5,835	10,564
Receiving of services	270,267	187,898	1,840	7
Interest income	14,999	14,999	11,269	97,843

Transactions recorded in statement of financial position

For the year ended 31 December	Transactions with parent (Softlogic Capital PLC)		Transactions with ultimate parent (Softlogic Holdings PLC)	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Nature of transactions				
Dividend paid	678,810	543,048	615	492
Investments	100,368	100,344	400,394	411,266
Insurance premium receivable	8	818	-	10,029

Impairment

The Company has recognised a reversal of expense of Rs. 24,557 during the year (2022 - expense of Rs. 130,937 has been charged in the financial statements) as impairment on the investment in corporate debt resulting in a provision balance of Rs. 107,778 as at 31 December 2023 (2022 - Rs. 132,335).

Except for above, there is no impairment losses have been recorded (2022 - Nil) on the above outstanding balances from parent and ultimate parent.

45.11 Transactions with other related entities

45.11.1 Transactions with subsidiary companies of the parent and ultimate parent

Please refer Note 45.1 for terms and conditions of the transactions.

Nature of the relationship

Other related entities are those which are controlled, directly or indirectly by key management personnel of the Company and transactions with companies under common control.

Further, Directors' interest in contracts with the company have been disclosed on page 208.

Transactions recorded in income statement

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Nature of the transaction		
Insurance premiums	91,646	235,030
Dividend received	-	17,948
Claims paid	5,000	2,155
Expenses	350,659	240,692
	447,305	495,825

Transactions recorded in statement of financial position

As at 31 December	2023 Rs. '000	2022 Rs. '000
Nature of the transaction		
Investments	460,499	561,666
Insurance premium receivable	48,149	224,539
Purchases of property plant and equipment	31,573	24,038
Other payable / receivable (Note 43.3)	15,846	11,036
	556,067	821,279

Impairment

The Company has recognised an impairment expenses on insurance premium receivable amounting to Rs. 24.8 million during the year (2022 - Rs. 9.36 million) resulting in a provision balance of Rs. 48.33 million as at 31 December 2023 (2022 - Rs. 23.53 million).

Except for above, there is no impairment losses have been recorded (2022 - Nil) on the above outstanding balances from other related entities.

45.12 Purchase of its own shares

The Company has not purchased its own shares from related parties during the period ended 31 December 2023 (2022 - Nil).

46. CAPITAL AND OTHER COMMITMENTS

The Company has commitments for acquisition of property, plant and equipment incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Approved and contracted for	53,581	44,580
Total capital commitments	53,581	44,580

Bank guarantees

Following Bank Guarantees have been provided as at 31 December 2023.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Relating to tax	88,860	97,779
Relating to others	28,650	34,414

47. EVENTS AFTER THE REPORTING PERIOD

Accounting Policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements other than disclosed below.

Non adjusting events after reporting date

47.1 Proposed Dividend

As disclosed in Note 24 on page 331, an interim dividend of Rs. 3.75 per share has been declared on 01 March 2024 which complies with the Direction No. 01 of 2021 issued by IRCSL for the financial year ended 31 December 2023.

As required by the Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company has satisfied the solvency test in accordance with Section 57 prior to declaring the interim dividend. A statement of solvency duly completed and signed by the Directors on 14 February 2024 has been reviewed by Messrs. KPMG.

In accordance with Sri Lanka Accounting Standard - LKAS 10 on "Events after the Reporting Period", the interim dividend has not been recognised as a liability in the Financial Statements as at 31 December 2023.

48. PROVISIONS AND CONTINGENCIES

Accounting Policy

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised in the Income Statement.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets".

Use of judgements and estimates provisions and contingencies

Refer Note 3.2.9 on page 281 for use of judgements and estimates relating to provisions and contingencies.

The contingent liability of the Company relates to the followings;

Assessment in Respect of Value Added Tax (VAT)

- VAT assessments have been issued by the Department of Inland Revenue for the taxable period 2010 and was determined by the Tax Appeal Commission (TAC) on 22 August 2019. Out of total 11 assessments, 08 assessments were determined in favour of Commissioner General of Inland Revenue amounting to Rs. 46.5 million including the penalty and 03 assessments were determined in favour of Softlogic Life Insurance PLC amounting to Rs. 24.8 million including the penalty.

The Company transmitted the former case to the Court of Appeal being dissatisfied with the determination which determined in favour of the Commissioner General of Inland Revenue and case is stated for the opinion of the Honourable Court of Appeal. The Total tax exposure of this appeal is Rs. 46.5 million including the penalty.

The Commissioner General of Inland Revenue, transmitted the latter case to the Court of Appeal being dissatisfied with the determination which determined in favour of Softlogic Life Insurance PLC and case is stated for the opinion of the Honourable Court of Appeal.

Assessment in Respect of Value Added Tax on Financial Services (VAT on FS)

- The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2014/15, 2016/17 and 2017/18 under the Value Added Tax Act amounting to Rs. 68.7 million, Rs. 28.0 million and Rs. 102.4 million respectively, in favour of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission, on the basis that the underlying computation includes items which are out of scope of the VAT Act.

NOTES TO THE FINANCIAL STATEMENTS

- 3) Assessments have been issued for the Company under the Value Added Tax Act, in relation to the Y/A 2018/19 and 2019/20 amounting to Rs. 72.6 million and Rs. 147.7 million respectively. The Company has filed an appeal in relation to 2018/19 to the Commissioner General of Inland Revenue on the basis that the underlying computation includes items which are out of scope of the VAT Act and filed an objection letter and the Company is awaiting the CGIR determination. In January, it has been informed that the assessment has been annulled in determining the appeal. Further, the company has requested administration review for the assessment issued for the Y/A 2019/20.

Assessment in Respect of Nation Building Tax on Financial Services (NBT on FS)

- 4) The Department of Inland Revenue has confirmed that for the Y/A 2017/18 under the Nation Building Tax Act; the tax in default along with the penalty assessed amounting to Rs. 13.7 million existed at the year-end has been written off as per the provisions in the Finance Act which results in no present exposure to the Company.
- 5) An assessment has been issued under the Nation Building Tax Act, in relation to the Y/A 2018/19 amounting to Rs. 9.7 million. The Company has filed an appeal to the Commissioner General of Inland Revenue on the basis that the underlying computation includes items which are out of scope of the NBT Act. The Company is awaiting the CGIR's determination.
- 6) An assessment has been issued by the Department of Inland Revenue under the Nation Building Tax, in relation to the Y/A 2019/20 amounting Rs. 18 million including penalty. The company has filed an appeal to the Commissioner General of Inland Revenue on the basis that the underlying computation includes items which are out of scope of NBT Act. Since it is a mandatory requirement in law to communicate the CGIR's decision on the request for administrative review in writing to the taxpayer, the Company intends to make an appeal once the decision of the CGIR is served to the company.

Economic Service Charge (ESC)

- 7) The Department of Inland Revenue has confirmed that for the Y/A 2017/18 under the ESC Act; the tax in default along with the penalty assessed amounting to Rs. 7.3 million existed at the year-end has been written off as per the provisions in the Finance Act which results in no present exposure to the Company.

Life Insurance Taxation

- 8) The Tax Appeals Commission issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2010/11 amounting to Rs. 0.68 million, in favour of the Company. Then the Commissioner General of Inland Revenue has transmitted this case to the Court of Appeal being dissatisfied with the said determination and case is stated for the opinion of the Honourable Court of Appeal. The Company is awaiting the decision of the Court of Appeal.
- 9) The Tax Appeals Commission issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2011/12 and 2012/13 amounting to Rs. 10.1

million and Rs. 12.4 million respectively, in favour of CGIR and The Company has transmitted this case to the Court of Appeal being dissatisfied with the said determination of Tax Appeals Commission and case is stated for the opinion of the Honourable Court of Appeal. The Company is awaiting the decision of the Court of Appeal.

- 10) The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 681.7 million along with penalty, in favour of the Commissioner General of Inland Revenue. For the Y/A 2014/15, determination of the Tax Appeal Commission has been received in favour of the company in January 2024. The Company is in the process of hearing the other appeals with Tax Appeals Commission.
- 11) An assessment has been issued under the Income Tax Act by the Department of Inland Revenue in relation to the Y/A 2018/19, amounting to Rs. 533.4 million including penalty and interest. The Company has filed an appeal to the Commissioner General of Inland Revenue and awaiting the CGIR determination.
- 12) The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2019/20 amounting to Rs. 1,114 million along with penalty, in favour of the Commissioner General of Inland Revenue. The Company has submitted a petition of appeal with Tax Appeals Commission.
- 13) The Company has received an assessment on PAYE Tax for the Y/A 2016/17 amounting to Rs. 0.9 million along with penalty for which company has submitted an appeal.
- 14) An assessment has been issued under the Income Tax Act by the Department of Inland Revenue in relation to the Y/A 2020/21, amounting to Rs. 931.23 million including penalty and interest. The Company has filed an appeal to the Commissioner General of Inland Revenue.

Directors are of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submission and therefore, the probability of company having to settle any of this tax assessments are very low.

In addition, there are no litigations and claims involving the Company that may have a material effect on the financial statements in the Directors' view.

49. COMPARATIVE INFORMATION

The presentation and classification of Notes to the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

50. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements. Please refer to pages 205 to 206 of the Statement of Directors' Responsibility for Financial Reporting.

SUPPLEMENTARY INFORMATION

Statement of Financial Position-Life Insurance Fund **378** | Insurance Revenue Account **378** | Notes to the Statement of Financial Position of the Life Insurance Fund **379** | Quarterly Analysis **381** | Decade at a Glance - Financial Performance **382**
Decade at a Glance - Financial Position **383** | Simplified Insurance Financials **384** | Investor Relations **385**
Horizontal and vertical analysis of statement of financial position over five years **389** | Horizontal and vertical analysis of Income Statement over five years **391** | GRI - Content Index **392** | Glossary of Insurance Terms **395**
SLFRS 17 Implementation effect on Company's Financial Statements **398** | Integrated Reporting - Content Index **402**
Corporate Information **405** | Notice of Meeting **406** | Form of Proxy - Annexure **1**
Investor/Stakeholder Feedback Form - Annexure **2**



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Our unique strengths, knowledge and experience ensure that you're in safe hands, no matter what the future may hold.

STATEMENT OF FINANCIAL POSITION-LIFE INSURANCE FUND

As at 31 December	Note	Page	2023 Rs. '000	2022 Rs. '000
Assets				
Property, plant and equipment	1	379	311,000	277,674
Right of use assets	2	379	600,973	539,477
Financial investments	3	379	33,092,231	30,249,843
Loans to life policyholders	30	352	331,301	265,060
Reinsurance receivables	31	353	465,211	568,379
Premium receivables	32	354	2,449,089	1,763,388
Receivables and other assets	4	380	1,063,438	1,000,613
Cash and cash equivalents	5	380	1,087,058	734,634
Total assets			39,400,301	35,399,068
Equity and liabilities				
Equity				
Other reserves			(856,820)	(1,141,990)
Total equity			(856,820)	(1,141,990)
Liabilities				
Insurance contract liabilities	39	357	27,925,474	25,338,502
Employee benefit liabilities	40	364	276,302	208,959
Reinsurance payables	42	368	718,855	2,246,237
Other liabilities	6	380	10,959,800	8,439,041
Bank overdraft	5	380	376,690	308,319
Total liabilities			40,257,120	36,541,058
Total equity and liabilities			39,400,301	35,399,068

INSURANCE REVENUE ACCOUNT

As at 31 December	Note	Page	2023 Rs. '000	2022 Rs. '000
Life insurance - Policyholder fund				
Gross written premiums	8	320	26,341,321	23,083,425
Premiums ceded to reinsurers	9	320	(2,490,889)	(2,678,803)
Net written premiums	10	321	23,850,432	20,404,622
Other revenue				
Finance and other income			5,768,826	3,316,802
Net benefits and claims expenses	16.1	325	(12,843,338)	(8,393,585)
Change in insurance contract liabilities	17	325	(2,828,082)	(3,717,074)
Underwriting and net acquisition costs (Including reinsurance)	18	326	(5,486,208)	(4,955,888)
Expenses			(5,446,630)	(2,276,877)
Surplus from life insurance fund			3,015,000	4,378,000
Income tax on surplus			(904,500)	(1,143,420)
Surplus after tax			2,110,500	3,234,580
Shareholder fund				
Finance and other income not attributable to policyholders			2,179,338	1,803,389
Expenses not attributable to policyholders			(1,997,168)	(2,151,005)
Profit before tax - shareholder fund			182,171	(347,616)
Income tax on shareholder profit	22	328	545,732	(204,088)
Profit/(loss) from shareholder fund			727,903	(551,704)
Profit for the year - Company			2,838,403	2,682,876

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

1. PROPERTY, PLANT AND EQUIPMENT

Refer accounting policies set out in Note 26 on page 333.

	Freehold land	Freehold building	2023 Rs. '000	2022 Rs. '000
Cost / Revaluation				
Balance as at 1 January	160,000	128,132	288,132	288,132
Additions during the year	-	-	-	-
Surplus on revaluation	20,000	23,784	43,784	-
Transferred of accumulated depreciation on revalued assets	-	(20,916)	(20,916)	-
Balance as at 31 December	180,000	131,000	311,000	288,132
Accumulated depreciation and impairment losses				
Balance as at 1 January	-	10,458	10,458	-
Depreciation for the year	-	10,458	10,458	10,458
Transferred of accumulated depreciation on revalued assets	-	(20,916)	(20,916)	-
Balance as at 31 December	-	-	-	10,458
Carrying value as at 31st December 2023	-	-	311,000	
Carrying value as at 31st December 2022	-	-	-	277,674

2. RIGHT OF USE ASSETS

Refer accounting policies set out in Note 27 on page 338.

Reconciliation of carrying amounts of Right-of-Use assets

As at 31 December	2023 Rs. '000	2022 Rs. '000
As at 1 January	539,477	592,229
Additions to right-of-use assets	325,392	140,320
Depreciation charge for the year	(263,896)	(282,917)
Derecognition of right-of-use assets	-	(34,027)
Change in fair value	-	-
Modification	-	123,872
Balance as at 31 December	600,973	539,477

3. FINANCIAL INVESTMENTS

Refer accounting policies set out in Note 4.2 on page 282.

As at 31 December	Notes	2023 Rs. '000	2022 Rs. '000
Amortised Cost (AC)	3.1	25,575,900	26,135,687
Fair Value Through Other Comprehensive Income (FVOCI)	3.2	3,710,869	1,267,878
Fair Value through Profit or Loss (FVTPL)	3.3	3,805,462	2,846,278
Total financial investments		33,092,231	30,249,843

3.1 Amortised Cost (AC)

Refer accounting policies set out in Note 29.2 on page 344.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Debentures	5,239,003	5,929,447
Treasury bonds	17,122,440	11,695,148
Treasury bills	553,717	314,011
Sri Lanka development bonds	-	5,980,589
Fixed deposits	826,458	375,912
Securitised paper	150,435	407,994
Commercial papers	658,033	858,824
Reverse repo	1,025,814	573,762
Total	25,575,900	26,135,687

3.2 Fair Value Through Other Comprehensive Income (FVOCI)

Refer accounting policies set out in Note 29.3 on page 348.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Equity - quoted	732,335	689,200
Treasury bonds	2,978,534	578,678
Total	3,710,869	1,267,878

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

3.3 Fair Value through Profit or Loss (FVTPL)

Refer accounting policies set out in Note 29.4 on page 350.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Treasury bonds	144,337	-
Unlisted perpetual debenture	408,325	396,448
Unit trust	3,252,800	2,449,762
Derivative asset	-	68
Total	3,805,462	2,846,278

4. RECEIVABLES AND OTHER ASSETS

Refer accounting policies set out in Note 33 on page 354.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Financial assets		
Refundable deposits	159,937	51,873
Receivable from Fairfirst Insurance Ltd (Net of provisions)	1,800	3,600
Total financial assets	161,737	55,473
Non financial assets		
Tax recoverable	7,414	35,970
Advances and prepayments	894,287	909,170
Total non financial assets	901,701	945,140
Total receivables and other assets	1,063,438	1,000,613

5. CASH AND CASH EQUIVALENTS

Refer accounting policies set out in Note 34 on page 355.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Cash in hand	7,978	11,213
Cash at bank	1,079,080	723,420
Total cash in hand and at bank	1,087,058	734,634
Bank overdraft	376,690	308,319

6. OTHER LIABILITIES

Refer accounting policies set out in Note 43 on page 368.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Financial liabilities		
Commission / Incentive payable	923,022	1,024,564
Premium deposit	248,911	231,551
Amounts due to related parties	8,373	1,990
Other payables	8,096,394	5,650,822
Lease liabilities	603,296	581,649
Total financial liabilities	9,879,996	7,490,576
Non financial liabilities		
Accruals	778,063	903,207
Tax and others statutory payables	301,741	45,258
Total non financial liabilities	1,079,804	948,465
Total other liabilities	10,959,800	8,439,041

QUARTERLY ANALYSIS

2023	1 Quarter Jan - Mar Rs. '000	2 Quarter Apr - Jun Rs. '000	3 Quarter July - Sep Rs. '000	4 Quarter Oct - Dec Rs. '000	Total 2023 Rs. '000
Gross written premiums	5,984,618	6,487,574	6,076,894	7,792,235	26,341,321
Premiums ceded to reinsurers	(639,612)	(642,690)	(597,671)	(610,916)	(2,490,889)
Net written premiums	5,345,006	5,844,884	5,479,223	7,181,319	23,850,432
Other revenue					
Net finance income	1,732,591	1,732,563	1,743,799	1,768,490	6,977,443
Net realised gains	39	14,551	88,383	124,418	227,391
Net fair value gains / (losses)	207,236	278,319	234,405	13,485	733,445
Other operating income	2,562	2,516	1,832	2,975	9,885
Total other revenue	1,942,428	2,027,949	2,068,419	1,909,368	7,948,164
Total net revenue	7,287,434	7,872,833	7,547,642	9,090,687	31,798,596
Net benefits, claims and expenses					
Net insurance benefits and claims paid	(3,188,942)	(3,227,241)	(3,116,593)	(3,365,385)	(12,898,161)
Net change in insurance claims outstanding	47,830	(35,822)	(64,388)	107,203	54,823
Change in insurance contracts liabilities	65,026	(903,991)	(531,579)	(1,457,538)	(2,828,082)
Underwriting and net acquisition cost (Net of reinsurance)	(1,371,103)	(1,309,820)	(1,348,381)	(1,456,904)	(5,486,208)
Other operating and administration expenses	(1,261,235)	(1,352,838)	(1,347,631)	(1,149,407)	(5,111,111)
Impairment (provision)/Reversal on financial investments	(156,114)	52,814	(131,687)	(846,790)	(1,081,777)
Finance cost	(602,136)	(386,791)	(57,888)	(204,094)	(1,250,909)
Total benefits, claims and expenses	(6,466,674)	(7,163,689)	(6,598,147)	(8,372,914)	(28,601,425)
Profit before tax	820,760	709,144	949,495	717,772	3,197,171
Income tax expenses	(319,124)	(203,731)	(249,020)	413,107	(358,768)
Profit for the year	501,636	505,413	700,475	1,130,879	2,838,403

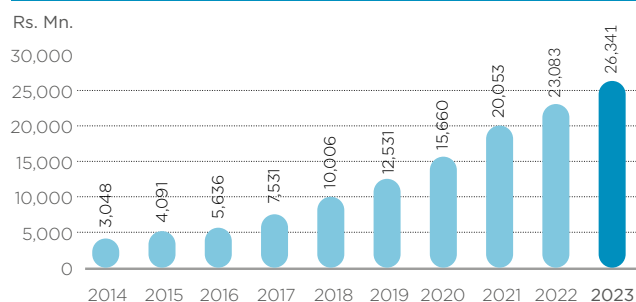
2022	1 Quarter Jan - Mar Rs. '000	2 Quarter Apr - Jun Rs. '000	3 Quarter July - Sep Rs. '000	4 Quarter Oct - Dec Rs. '000	Total 2022 Rs. '000
Gross written premiums	5,803,596	5,600,185	5,271,699	6,407,945	23,083,425
Premiums ceded to reinsurers	(512,526)	(658,766)	(737,226)	(770,285)	(2,678,803)
Net written premiums	5,291,070	4,941,419	4,534,473	5,637,660	20,404,622
Other revenue					
Net finance income	737,325	1,249,129	1,401,406	1,603,285	4,991,145
Net realised gains	(26,798)	59,603	19,341	117,762	169,908
Net fair value gains / (losses)	(127,377)	(40,898)	93,197	23,977	(51,101)
Other operating income	2,755	4,646	2,149	689	10,239
Total other revenue	585,905	1,272,480	1,516,093	1,745,713	5,120,191
Total net revenue	5,876,975	6,213,899	6,050,566	7,383,373	25,524,813
Net benefits, claims and expenses					
Net insurance benefits and claims paid	(1,724,312)	(1,892,874)	(2,158,672)	(2,488,428)	(8,264,286)
Net change in insurance claims outstanding	(27,701)	3,713	12,540	(117,851)	(129,299)
Change in insurance contracts liabilities	(1,695,599)	(1,893,271)	126,227	(254,431)	(3,717,074)
Underwriting and net acquisition cost (Net of reinsurance)	(1,329,438)	(1,259,895)	(1,213,915)	(1,152,640)	(4,955,888)
Other operating and administration expenses	(1,052,763)	(1,000,459)	(1,027,992)	(1,275,665)	(4,356,879)
Impairment (provision)/Reversal on financial investments	(680,724)	(365,395)	(503,089)	(589,582)	(2,138,790)
Finance cost	1,353,414	1,129,929	(186,831)	(228,725)	2,067,787
Total benefits, claims and expenses	(5,157,123)	(5,278,252)	(4,951,732)	(6,107,322)	(21,494,429)
Profit before tax	719,852	935,647	1,098,834	1,276,051	4,030,384
Income tax expenses	(218,086)	(245,442)	(335,986)	(547,994)	(1,347,508)
Profit for the year	501,766	690,205	762,848	728,057	2,682,876

DECADE AT A GLANCE - FINANCIAL PERFORMANCE

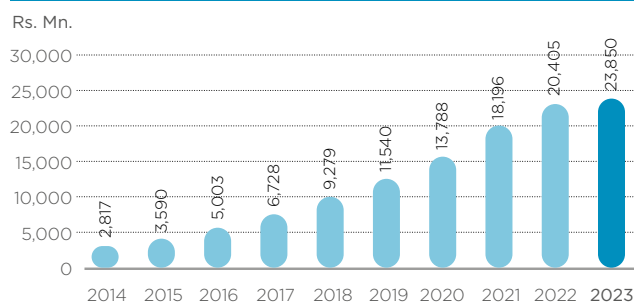
For the year ended 31 December	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014* Rs. '000
Gross written premiums	26,341,321	23,083,425	20,053,302	15,660,116	12,531,283	10,005,733	7,530,935	5,635,701	4,091,042	3,048,148
Net Written Premiums	23,850,432	20,404,622	18,195,507	13,787,500	11,539,828	9,279,175	6,728,473	5,002,748	3,589,571	2,816,593
Other revenue	7,948,164	5,120,191	2,775,629	2,276,114	1,584,114	953,383	1,069,179	753,005	867,754	1,477,322
Net income	31,798,596	25,524,813	20,971,136	16,063,614	13,123,942	10,232,558	7,797,652	5,755,753	4,457,325	4,293,915
Net insurance benefits and claims	(12,843,338)	(8,393,585)	(5,902,068)	(3,566,797)	(2,996,112)	(2,339,004)	(1,222,501)	(1,072,166)	(433,732)	(312,491)
Net acquisition cost	(5,486,208)	(4,955,888)	(4,050,033)	(3,269,454)	(2,968,714)	(2,044,220)	(1,830,773)	(1,580,473)	(992,572)	(714,531)
Expenses	(7,443,797)	(4,427,882)	(3,909,935)	(3,497,047)	(3,385,862)	(3,253,983)	(2,322,492)	(1,848,586)	(1,072,007)	(1,173,695)
Operating surplus before transfer to insurance provision	(25,773,343)	(17,777,355)	7,109,100	5,730,316	3,773,254	2,595,351	2,421,886	1,254,528	1,959,014	2,093,198
Change in insurance contracts liabilities	(2,828,082)	(3,717,074)	(4,143,426)	(3,599,969)	(1,169,696)	(1,500,589)	(517,365)	(287,685)	(966,452)	(1,253,098)
Profit before tax	3,197,171	4,030,384	2,965,674	2,130,347	2,603,558	1,094,762	1,904,521	966,843	992,562	840,100
Income tax (expenses) / reversal	(358,768)	(1,347,508)	(860,806)	(608,864)	(430,715)	2,241,483	420,000	-	-	-
Profit for the year	2,838,403	2,682,876	2,104,868	1,521,483	2,172,843	3,336,245	2,324,521	966,843	992,562	840,100

*Represents life insurance segment result when composite company.

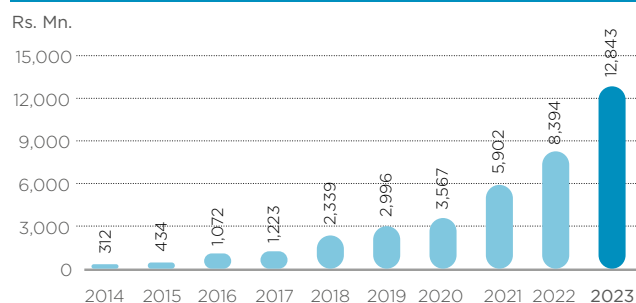
GROSS WRITTEN PREMIUMS



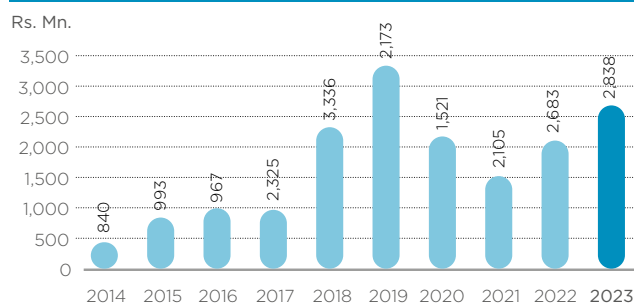
NET WRITTEN PREMIUM



NET INSURANCE BENEFITS AND CLAIMS PAID



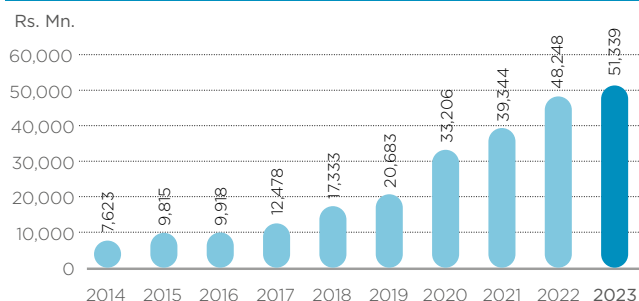
PROFIT FOR THE YEAR



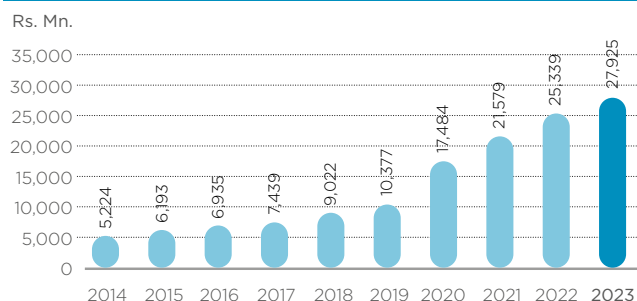
DECADE AT A GLANCE - FINANCIAL POSITION

As at 31 December	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014* Rs. '000
Assets										
Intangible assets	2,364	2,566	1,356	404	444	2,089	7,145	13,236	21,982	15,009
Property, plant and equipment	707,427	579,357	617,745	660,928	675,468	619,059	577,705	485,014	427,519	289,725
Right of use assets	611,661	556,915	616,417	752,393	408,044	-	-	-	-	-
Deferred tax assets	838,938	-	675,164	1,621,904	2,230,768	2,750,962	420,000	-	-	-
Investments in subsidiary	-	-	-	-	-	-	-	-	800,000	100,000
Financial investments	43,500,215	42,599,855	34,217,429	27,367,792	14,910,744	12,065,241	9,994,488	8,218,287	7,744,020	6,642,677
Loans to life policyholders	331,301	265,060	224,198	234,462	224,672	161,001	140,385	162,448	143,640	134,352
Reinsurance receivables	465,211	568,379	231,587	323,288	188,131	154,802	149,548	85,940	62,643	73,316
Premium receivables	2,449,089	1,763,388	983,657	856,281	743,549	507,434	290,821	92,318	67,274	50,169
Receivables and other assets	1,333,537	1,172,879	993,325	834,388	923,961	691,109	579,409	627,810	355,424	212,805
Cash and cash equivalents	1,099,679	739,944	696,920	554,362	377,093	381,270	318,945	232,554	192,118	105,028
Total assets	51,339,422	48,248,343	39,257,798	33,206,202	20,682,874	17,332,967	12,478,446	9,917,607	9,814,620	7,623,081
Equity and liabilities										
Equity										
Stated capital	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	500,000
Restricted regulatory reserve	798,004	798,004	798,004	798,004	798,004	798,004	798,004	-	-	-
Other reserves	(2,144,892)	(3,100,255)	(1,725,658)	(1,214,604)	(1,405,801)	(1,464,958)	(916,620)	(1,323,610)	(470,220)	453,206
Retained earnings	13,617,734	12,112,675	10,453,584	9,290,347	7,764,216	6,275,417	2,942,245	2,223,276	1,845,655	450,181
Total equity	13,333,346	10,872,924	10,588,430	9,936,247	8,218,919	6,670,963	3,886,129	1,962,166	2,437,935	1,403,387
Liabilities										
Insurance contract liabilities	27,925,474	25,338,502	21,492,757	17,483,705	10,377,102	9,021,521	7,438,592	6,935,047	6,192,615	5,223,695
Employee benefit liabilities	276,302	208,959	192,629	182,332	151,027	107,404	86,693	73,436	45,796	25,724
Loans and borrowings	5,014,997	5,643,918	3,064,994	2,852,245	-	-	-	-	-	154,483
Reinsurance payables	718,855	2,246,237	1,040,255	636,060	428,557	320,824	236,265	139,262	92,972	14,704
Current tax liabilities	927,170	801,030	-	-	-	-	-	-	269,700	-
Other liabilities	2,766,588	2,828,455	2,588,183	1,890,223	1,330,998	841,833	754,027	676,230	414,338	654,217
Bank overdraft	376,690	308,318	290,550	225,390	176,271	370,422	76,740	131,466	361,264	146,871
Total liabilities	38,006,076	37,375,419	28,669,368	23,269,955	12,463,955	10,662,004	8,592,317	7,955,441	7,376,685	6,219,694
Total equity and liabilities	51,339,422	48,248,343	39,257,798	33,206,202	20,682,874	17,332,967	12,478,446	9,917,607	9,814,620	7,623,081

TOTAL ASSETS



INSURANCE CONTRACT LIABILITIES



SIMPLIFIED INSURANCE FINANCIALS

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

Summary of the extract of Income Statement is as follows:

Income Statement	Note	2023 Rs. '000
Gross written premiums	A	26,341,321
Less: Premium ceded to reinsurers	B	(2,490,889)
Net written premiums	C	23,850,432
Net insurance benefits and claims	D	(12,843,338)
Net acquisition cost	E	(5,486,208)
Increase in life fund	F	(2,828,082)

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

Liabilities	Note	2023 Rs. '000
Life insurance fund	G	26,145,333
Surplus created due to change in valuation method from NPV to GPV	H	1,056,535
Claim payable / unclaimed benefits		723,606
Life insurance contract liabilities		27,925,474

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

Gross written premiums / NOTE A

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

Premium ceded to reinsurers / NOTE B

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

Net written premiums / NOTE C

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

Net insurance benefits and claims / NOTE D

If the incident against which the insurance cover was obtained occurs, the Insurance Company indemnifies the insured with an agreed sum, which is known as a claim. If the customer survives till the policy expiration date, the maturity proceed will be paid. If customer requests proceeds before the maturity date, accumulated fund is paid which is called Surrenders.

Part of the claim payment is reimbursed by the reinsurance company to the Insurance Company based on the proportion of risk(s) transferred. This is known as the Reinsurance Recoveries.

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

Net acquisition cost / NOTE E

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

Increase in Life fund / NOTE F

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

Life Insurance Fund / NOTE G

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

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

Surplus created due to change in valuation method from NPV to GPV / NOTE H

This represents a change in the valuation method from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV). As directed by the Insurance Regulatory Commission of Sri Lanka, these reserves are maintained under Life Fund until 2016.

However, as at 31 December 2023, Life fund only includes One-off surplus relating to the participating fund.

INVESTOR RELATIONS

Dear Stakeholders,

"Investor Relations" serves as the cornerstone of our commitment to transparency, communication, build trust and maintain relationship with our existing and potential shareholders. In this dynamic landscape, we recognise the paramount importance of fostering a strong and open relationship with our investors. Throughout the reporting year, the Company has diligently worked to provide timely and accurate information, ensuring that our shareholders are well-informed about our financial performance, strategic initiatives, and corporate governance practices. By facilitating regular communication channels, we aim to cultivate a comprehensive understanding of our business operations and future prospects.

At Softlogic Life, our dedication to excellence in Investor Relations reflects our unwavering commitment to maintaining a collaborative and mutually beneficial partnership with our shareholders, contributing to transparency and good governance while maintaining sustainable growth and success of the Company. In this segment of the report, we provide relevant and adequate information on the shareholding and performance of the company's listed share during the reporting year for enhancing the loyalty and confidence of the investors.

STOCK EXCHANGE LISTING

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

SUBMISSION OF FINANCIAL STATEMENTS TO THE CSE

The audited Income Statement of the Company for the year ended 31 December 2023 and the audited Statement of Financial Position as at that date have been submitted to the Colombo Stock Exchange within three months of the Statement of Financial Position date. The interim financial statements of the 4th Quarter for the year (quarter ended 31 December 2023) were also submitted within stipulated time lines.

NAMES OF DIRECTORS

The names of persons who held the positions of Directors during the year are provided in the Annual Report of the Board of Directors on pages 161 to 163.

THE PRINCIPLE ACTIVITIES OF THE COMPANY

The principal activities of the company during the year are given in the Annual Report of the Board of Directors and Note 1.3 in accounting policies on page 276.

STOCK MARKET PERFORMANCE

"In 2023, the All Share Price Index (ASPI) experienced a notable year-on-year increase of +25.5%, reaching 10,654.16 as of 31 December 2023. Concurrently, the S&P SL20, representing the 20 largest, most liquid, and actively traded companies, also demonstrated a positive trend with an year-on-year rise of +16.4% to 3,068.37. These indices serve as indicators of the price fluctuations in publicly traded companies.

Despite of these positive trends, global stock markets faced challenges throughout the year due to various social and economic constraints. The Colombo Stock Exchange reported an aggregate turnover of approximately LKR 410.6 billion, with a daily average of around LKR 1,696.82 million. Notably, the market saw a net foreign inflow of about LKR 4.4 billion (approximately USD 14 million) for the entire year, driven by strong foreign interest in selected counters.

Overall, the financial landscape in 2023 reflected the resilience of the Colombo Stock Exchange amid global uncertainties, marked by significant index gains and notable foreign investment inflows."

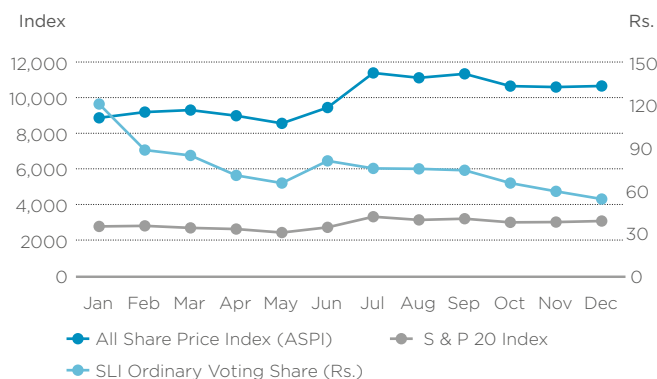
PERFORMANCE OF SOFTLOGIC LIFE SHARE

"Despite the ongoing economic challenges in the country during the period, Softlogic Life Insurance PLC managed to sustain success in both financial and non-financial aspects, outperforming competitors in the industry throughout 2023. Due to the steady performance, the Company maintained a robust position on the Colombo Stock Exchange, with its stock price fluctuating between a high of Rs. 136 (on 13 February 2023) and a low of Rs. 53.50 (on 28 December 2023) throughout the year.

Although the company excelled in its business operations in 2023, the stock market performance exhibited a slight downward trend compared to the previous year due to challenges faced by both the Company and the industry. Consequently, the Company's share price closed at Rs. 53.80 as of 31 December 2023, reflecting a decrease from Rs. 86.60 on 31 December 2022. Additionally, the total number of share transactions declined from 151,927 to 81,431 in 2023. Moreover, the total volume of shares traded decreased from 155.6 million to 80.6 million during the same period. Similarly, the total turnover of traded shares amounted to Rs. 7,810 million in 2023.

Softlogic Life Insurance PLC's market capitalisation reached Rs. 20,175 million as of December 31, 2023, indicating a 38% decrease compared to the previous year's level of Rs. 32,475 million. Despite these challenges, the Company's resilience and adaptability demonstrated its ability to navigate a challenging economic environment.

PERFORMANCE OF THE SOFTLOGIC LIFE INSURANCE PLC'S ORDINARY SHARE WITH MARKET PERFORMANCE IN 2023

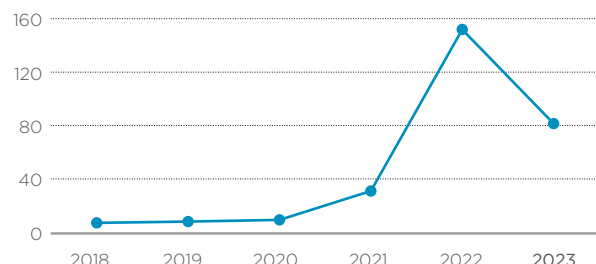


INVESTOR RELATIONS

Performance of the Softlogic Life Insurance PLC's Ordinary Share with market performance in 2023

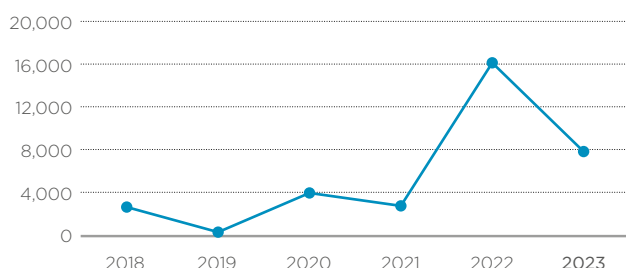
NUMBER OF SHARE TRANSACTIONS

Volume Mn



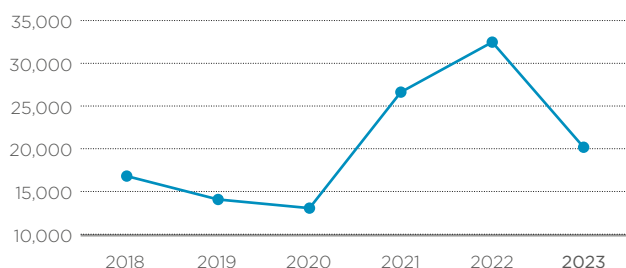
VALUE OF SHARES TRADED

Rs. Mn



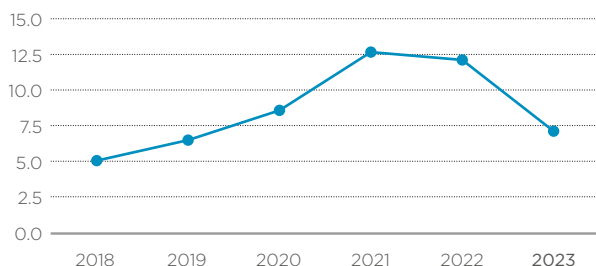
MARKET CAPITALISATION

Rs. Mn



PRICE EARNINGS RATIO

Times



The details relating to the performance of the share are given below.

	2023	2022
MARKET VALUE		
Highest Price (Rs.)	136.0	249.0
Lowest Price (Rs.)	53.5	27.0
Year-end price (Rs.)	53.8	86.6
TRADING STATISTICS		
Number of shares traded	80,563,197	155,637,925
Value of Shares traded (Rs. Mn)	7,810	16,120
Number of Share transactions	81,431	151,927
Market Capitalisation - SLI (Rs. Mn)	20,175	32,475
Percentage of total market capitalisation	0.47%	0.84%
VALUATION RATIOS		
Number of shares as at 31 December	375,000,000	375,000,000
Basic earnings per share (Rs.)	7.57	7.15
Net Assets per share (Rs.)	35.56	28.99
Price per book Value (Times) - per share	1.5	2.9
Return on Equity (%)	23.5	25.8
Price Earnings Ratio (Times)	7.1	12.1
Earning yield (%)	14.1	8.3
Dividend per Share (Rs.)	3.50	2.80
Dividend payout (%)	46.2	39.2
Dividend yield (%)	6.5	3.2
Debt to Asset Ratio (%)	9.8	11.7
Debt to Equity Ratio (%)	37.6	51.9
Interest Cover (Times)	5.7	9.1
Equity Asset Ratio (%)	20.0	22.5

Basic Earnings Per Share (EPS)

In 2023, the company reported an EPS of Rs. 7.57, compared to Rs. 7.15 in the previous year (2022). When compared to the prior year, this is a 5.87% improvement predominantly as a result of the spike in profit that was achieved during the year.

Price Earnings Ratio (P/E Ratio)

P/E ratio of the Company has decreased to 7.1 times in 2023 compared with 12.1 times recorded in 2022. There is a 41.32% deterioration in P/E ratio in 2023 against the previous year.

Free float

The CSE defines the free float of a Company as the percentage of shareholders, excluding Directors shareholdings, who hold less than 3% stake in the Company. According to this definition, the Softlogic Life free float is 10.23% in 2023. (2022 - 10.23%).

Float Adjusted Market Capitalisation

As at 31 December 2023, the Float Adjusted Market Capitalisation of the Company is Rs. 2,063,902,500.

The Company is complied with minimum public holding requirement as at the reporting date based on the "Option 2" of Rule 7.13.1.b.

SHAREHOLDER BASE

The shareholder base of Softlogic Life is diverse, both geographically and in terms of the proportion of individual investors to those of institutional investors. As of the 31 December 2023, there were 4,909 shareholders in total, which is an decrease over the previous year's total of 5,556 shareholders. By the end of the year 2023, Softlogic Life had a total of 4,612 registered individual shareholders, which was equivalent to 93.95% of the total number of shareholders. It is estimated that roughly 93% of Softlogic Life's ordinary share capital is held by institutional shareholders. The overwhelming majority of the company's individual shareholders are citizens or permanent residents of Sri Lanka and as of the 31st of December 2023, there were 4,884 shareholders who were registered as living in the country, accounting for 99.49% of the total shareholders. 59.52% of the owners have fewer than 1,000 shares each in their possession. The top twenty shareholders hold 92.05% of the Company share capital.

Table 1 - Distribution of total number of holders and percentage of holding

No of Shares	As at 31 December 2023			As at 31 December 2022		
	No of share holders	No of shares	% of Total holding	No of share holders	No of shares	% of Total holding
1-1,000	2,922	811,407	0.22	3,106	980,440	0.26
1,001-10,000	1,390	5,364,439	1.43	1,802	6,655,488	1.78
10,001-100,000	525	15,269,485	4.07	591	17,414,052	4.64
100,001-1,000,000	66	15,877,175	4.23	53	13,504,260	3.60
1,000,001 and Over	6	337,677,494	90.05	4	336,445,760	89.72
Total	4,909	375,000,000	100.00	5,556	375,000,000	100.00

Table 2 - Distribution of number of holders and percentage of holding based on residency

No of Shares	Non Resident			Resident		
	No of share holders	No of shares	% of Total holding	No of share holders	No of shares	% of Total holding
1-1,000	11	5,034	-	2,911	806,373	0.22
1,001-10,000	4	14,433	-	1,386	5,350,006	1.43
10,001-100,000	6	235,226	0.06	519	15,034,259	4.01
100,001-1,000,000	2	656,707	0.18	64	15,220,468	4.06
1,000,001 and Over	2	142,500,000	38.00	4	195,177,494	52.04
Total	25	143,411,400	38.24	4,884	231,588,600	61.76

Table 3 - Composition of shareholders based on residency

Composition	As at 31 December 2023			As at 31 December 2022		
	No of share holders	No of shares	% of Total holding	No of share holders	No of shares	% of Total holding
Resident	4,884	231,588,600	61.76	5,526	232,279,693	61.94
Non Resident	25	143,411,400	38.24	30	142,720,307	38.06
Total	4,909	375,000,000	100.00	5,556	375,000,000	100.00

Table 4 - Composition of shareholders based on category

Composition	As at 31 December 2023			As at 31 December 2022		
	No of share holders	No of shares	% of Total holding	No of share holders	No of shares	% of Total holding
Individual	4,612	26,264,780	7.01	5,256	31,839,397	8.49
Institutional	297	348,735,220	92.99	300	343,160,603	91.51
Total	4,909	375,000,000	100.00	5,556	375,000,000	100.00

INVESTOR RELATIONS

Table 5 - Public shareholding

Composition	As at 31 December 2023			As at 31 December 2022		
	No of share holders	No of shares	% of Total holding	No of share holders	No of shares	% of Total holding
Public Shareholding - Ordinary Voting	4,903	38,378,690	10.23	5,551	38,378,690	10.23
Public Shareholding - Ordinary - Non-Voting	Nil	Nil	Nil	Nil	Nil	Nil

Table 6 - Directors' shareholding

Name	As at 31 December 2023		As at 31 December 2022	
	No of shares	% of Total Holding	No of shares	% of Total Holding
Mr. A. K. Pathirage (Chairman)	Nil	Nil	Nil	Nil
Mr. T. M. I. Ahamed (Managing Director / CEO)	Nil	Nil	Nil	Nil
Mr. H. K. Kaimal - Director	Nil	Nil	Nil	Nil
Ms. Fernanda Lima - Director	Nil	Nil	Nil	Nil
Mr. V. Govindasamy - Director	Nil	Nil	Nil	Nil
Mr. R. Snyders - Director	Nil	Nil	Nil	Nil
Mr. P. L. P. Withana - Director	Nil	Nil	Nil	Nil
Mr. S. W. Mohottala - Director	Nil	Nil	Nil	Nil

Table 7 - Twenty largest shareholders

As at 31 December, Name of the Shareholder	2023	
	No of Shares	%
Softlogic Capital PLC	193,945,760	51.72
Dalvik Inclusion Private Limited	71,250,000	19.00
Milford Ceylon (Pvt) Ltd	71,250,000	19.00
Commercial Bank of Ceylon PLC / W. Jinadasa	1,231,734	0.33
Mr. G.C. Goonetilleke	979,765	0.26
Mr. L.A.J.F. Morais	764,980	0.20
Mrs. H.N.R. Bharati	625,000	0.17
Mr. A.P.P.M. Abeyrathne	519,647	0.14
EMFI Capital Limited	517,707	0.14
Seylan Bank PLC / Eagle Crest (Pvt) Ltd	412,500	0.11
People's Leasing & Finance PLC / Mrs. H. A.J. Wickramasena	403,787	0.11
Mr. J.M.I. Jayaweera	388,427	0.10
Seylan Bank PLC/Shermal Hemaka Jayasuriya	375,603	0.10
Assetline Finance Limited / R.S.P.Samaranayake	374,991	0.10
Mr. M.K. De Livera	370,003	0.10
Hatton National Bank PLC A/C No.4 (HNB Retirement Pension Fund)	362,602	0.10
Dialog Finance PLC / D.S. Nakandala	356,760	0.10
Mr. J.A.D.K.R. Jayasuriya	342,690	0.09
Mr. S.H. Jayasuriya	329,000	0.09
Mr. W.A.A.T.M. Jayawickrama	328,570	0.09
20 Largest shareholders	345,129,526	92.05
Other shareholders	29,870,474	7.95
Total Shareholders	375,000,000	100.00

As at 31 December, Name of the Shareholder	2022	
	No of Shares	%
Softlogic Capital PLC	193,945,760	51.72
Dalvik Inclusion Private Limited	71,250,000	19.00
Milford Ceylon (Pvt) Ltd	71,250,000	19.00
Mr. G.C. Goonetilleke	979,765	0.26
Mr. W. Jenadasa	962,419	0.26
Mr. A.P.P.M. Abeyrathne	800,636	0.21
Mr. L.A.J.F. Morais	758,750	0.20
Mrs. H.N.R. Bharati	636,729	0.17
Mr. W.A.A.T.M. Jayawickrama	503,144	0.13
Mr. J.M.I. Jayaweera	413,427	0.11
Mr. A.N. Lokukalutota	400,000	0.11
Mr. R.S.P. Samaranayake	375,001	0.10
J.B. Cocoshell (Pvt) Ltd	360,000	0.10
Merchant Bank of Sri Lanka & Finance PLC / E.M.G.S.B. Ekanayaka	352,000	0.09
Mr. H.A.D.J.R. Sandamal Hettiarachchige	300,000	0.08
Mr. A.W. Gunawardene	290,000	0.08
Mrs. W.M.D.M.G. Andradi	289,831	0.08
Hatton National Bank PLC / Porage Don Thushantha Mahesh Kumara	288,030	0.08
Mr. H.M.D.D. Arunakumara	268,600	0.07
Mr. S.S. Gamage	253,960	0.07
20 Largest shareholders	344,678,052	91.92
Other shareholders	30,321,948	8.08
Total Shareholders	375,000,000	100.00

HORIZONTAL AND VERTICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION OVER FIVE YEARS

Horizontal Analysis

As at 31st December	2023		2022		2021		2020		2019	
	Rs Mn	%	Rs Mn	%	Rs Mn	%	Rs Mn	%	Rs Mn	%
Assets										
Intangible assets	2	(8)	3	89	1	236	-	(9)	-	(79)
Property, plant and equipment	707	22	579	(6)	618	(7)	661	(2)	675	9
Right of use assets	612	10	557	(10)	616	(18)	752	84	408	-
Deferred tax assets	839	-	-	(100)	675	(58)	1,622	(27)	2,231	(19)
Financial investments	43,500	2	42,600	24	34,217	25	27,368	84	14,911	24
Loans to life policyholders	331	25	265	18	224	(4)	234	4	225	40
Reinsurance receivables	465	(18)	568	145	232	(28)	323	72	188	22
Premium receivables	2,449	39	1,763	79	984	15	856	15	744	47
Receivables and other assets	1,334	14	1,173	18	993	19	834	(10)	924	34
Cash and cash equivalents	1,100	49	740	6	697	26	554	47	377	(1)
Total assets	51,339	6	48,248	23	39,258	18	33,206	61	20,683	19
Equity and liabilities										
Equity										
Stated capital	1,063	(0)	1,063	-	1,063	-	1,063	-	1,063	-
Retained earnings	13,618	12	12,113	16	10,454	13	9,290	20	7,764	24
Restricted regulatory reserve	798	-	798	-	798	-	798	-	798	-
Other reserves	(2,145)	(31)	(3,100)	80	(1,726)	42	(1,215)	(14)	(1,406)	(4)
Total equity	13,333	23	10,873	3	10,588	7	9,936	21	8,219	23
Liabilities										
Insurance contract liabilities	27,925	10	25,339	18	21,493	23	17,484	68	10,377	15
Employee benefit liabilities	276	32	209	8	193	6	182	21	151	41
Loans and borrowings	5,015	(11)	5,644	84	3,065	7	2,852	-	-	-
Reinsurance payables	719	(68)	2,246	116	1,040	64	636	48	429	34
Income tax liabilities	927	15	801	100	-	-	-	-	-	-
Other liabilities	2,767	(2)	2,828	9	2,588	37	1,890	42	1,331	58
Bank overdraft	377	22	308	6	291	29	225	28	176	(52)
Total liabilities	38,006	2	37,375	30	28,669	23	23,270	87	12,464	17
Total equity and liabilities	51,339	6	48,248	23	39,258	18	33,206	61	20,683	19

HORIZONTAL AND VERTICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION OVER FIVE YEARS

Vertical Analysis

As at 31st December	2023		2022		2021		2020		2019	
	Rs Mn	%	Rs Mn	%	Rs Mn	%	Rs Mn	%	Rs Mn	%
Assets										
Intangible assets	2	0	3	-	1	-	-	-	-	-
Property, plant and equipment	707	1	579	1	618	2	661	2	675	3
Right of use assets	612	1	557	1	616	2	752	2	408	2
Deferred tax assets	839	2	-	-	675	2	1,622	5	2,231	11
Financial investments	43,500	85	42,600	88	34,217	87	27,368	82	14,911	72
Loans to life policyholders	331	1	265	1	224	1	234	1	225	1
Reinsurance receivables	465	1	568	1	232	1	323	1	188	1
Premium receivables	2,449	5	1,763	4	984	3	856	3	744	4
Receivables and other assets	1,334	3	1,173	2	993	3	834	3	924	4
Cash and cash equivalents	1,100	2	740	2	697	2	554	2	377	2
Total assets	51,339	100	48,248	100	39,258	100	33,206	100	20,683	100
Equity and liabilities										
Equity										
Stated capital	1,063	2	1,063	2	1,063	3	1,063	3	1,063	5
Retained earnings	13,618	27	12,113	25	10,454	27	9,290	28	7,764	38
Restricted regulatory reserve	798	2	798	2	798	2	798	2	798	4
Other reserves	(2,145)	(4)	(3,100)	(6)	(1,726)	(4)	(1,215)	(4)	(1,406)	(7)
Total equity	13,333	27	10,873	23	10,588	27	9,936	30	8,219	40
Liabilities										
Insurance contract liabilities	27,925	54	25,339	53	21,493	55	17,484	53	10,377	50
Employee benefit liabilities	276	1	209	-	193	-	182	1	151	1
Loans and borrowings	5,015	10	5,644	12	3,065	8	2,852	9	-	-
Reinsurance payables	719	1	2,246	5	1,040	3	636	2	429	2
Income tax liabilities	927	1	801	1	-	-	-	-	-	-
Other liabilities	2,767	5	2,828	6	2,588	7	1,890	6	1,331	6
Bank overdraft	377	1	308	1	291	1	225	1	176	1
Total liabilities	38,006	73	37,375	77	28,669	73	23,270	70	12,464	60
Total equity and liabilities	51,339	100	48,248	100	39,258	100	33,206	100	20,683	100

HORIZONTAL AND VERTICAL ANALYSIS OF INCOME STATEMENT OVER FIVE YEARS

Horizontal Analysis

For the year ended 31st December	2023		2022		2021		2020		2019	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Gross written premiums	26,341	14	23,083	15	20,053	28	15,660	25	12,531	25
Net written premiums	23,850	17	20,405	12	18,196	32	13,788	19	11,540	24
Other revenue	7,948	55	5,120	84	2,776	22	2,276	44	1,584	66
Net revenue	31,799	25	25,525	22	20,971	31	16,064	22	13,124	28
Net insurance benefits and claims	(12,843)	55	(8,394)	40	(5,902)	65	(3,567)	19	(2,996)	28
Net acquisition cost	(5,486)	11	(4,956)	22	(4,050)	24	(3,269)	10	(2,969)	45
Expenses	(7,444)	63	(4,428)	17	(3,726)	12	(3,497)	3	(3,386)	4
Operating surplus before transfer to insurance provision – Life	6,025	(22)	7,747	9	7,293	24	5,730	52	3,773	45
Change in insurance contracts liabilities	(2,828)	(24)	(3,717)	(10)	(4,143)	15	(3,600)	208	(1,170)	(22)
Profit before tax	3,197	(21)	4,030	36	2,966	39	2,130	(18)	2,604	138
Income tax (expenses) / reversal	(359)	(73)	(1,348)	57	(861)	41	(609)	41	(431)	(119)
Profit for the year	2,838	6	2,682	27	2,105	38	1,521	(30)	2,173	(35)

Vertical Analysis

For the year ended 31st December	2023		2022		2021		2020		2019	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Gross written premiums	26,341	100	23,083	100	20,053	100	15,660	100	12,531	100
Net written premiums	23,850	91	20,405	88	18,195	91	13,788	88	11,540	92
Other revenue	7,948	30	5,120	22	2,776	14	2,276	15	1,584	13
Net revenue	31,799	121	25,525	111	20,971	105	16,064	103	13,124	105
Net insurance benefits and claims	(12,843)	(49)	(8,394)	(36)	(5,902)	(29)	(3,567)	(23)	(2,996)	(24)
Net acquisition cost	(5,486)	(21)	(4,956)	(21)	(4,050)	(20)	(3,269)	(21)	(2,969)	(24)
Expenses	(7,444)	(28)	(4,428)	(20)	(3,910)	(19)	(3,497)	(22)	(3,386)	(27)
Operating surplus before transfer to insurance provision – Life	6,025	23	7,747	34	7,119	36	5,730	37	3,773	30
Change in insurance contracts liabilities	(2,828)	(11)	(3,717)	(16)	(4,143)	(21)	(3,600)	(23)	(1,170)	(9)
Profit before tax	3,197	12	4,030	17	2,966	15	2,130	14	2,604	21
Income tax (expenses) / reversal	(359)	(1)	(1,348)	(6)	(861)	(4)	(609)	(4)	(431)	(3)
Profit for the year	2,838	11	2,682	12	2,105	10	1,521	10	2,173	17

GRI - CONTENT INDEX

Statement of use	Softlogic Life Insurance PLC has reported the information cited in this GRI content index for the period 01 January 2023 to 31 December 2023 with reference to the GRI Standards
GRI 1 used	Foundation 2021

GRI Standards	Disclosure	SDG Goal	SDG Target	UN Global Compact	Location
The organisation and its reporting practices					
GRI 2_ General Disclosures 2021	2-1 Organisational details				
	2-2 Entities included in the organisation's sustainability reporting				15
	2-3 Reporting period, frequency and contact point				15,17
	2-4 Restatements of information				14
	2-5 External assurance				17
Activities and workers					
GRI 2_ General Disclosures 2021	2-6 Activities, value chain and other business relationships				28,29, 112-130
	2-7 Employees		8.5, 10.3		101-102
	2-8 Workers who are not employees		8.5		101
Governance					
Disclosure GRI 2_ General Disclosures 2021	2-9 Governance structure and composition		5.5, 16.7		155,160
	2-10 Nomination and selection of the highest governance body		5.5, 16.7		170
	2-11 Chair of the highest governance body		16.6		Non Executive Chairman is the Chair of the highest governance body
	2-12 Role of the highest governance body in overseeing the management of impacts		16.7		170
	2-13 Delegation of responsibility for managing impacts				233
	2-14 Role of the highest governance body in sustainability reporting				181
	2-15 Conflicts of interest				182
	2-16 Communication of critical concerns				171
	2-17 Collective knowledge of the highest governance body				155
	2-18 Evaluation of the performance of the highest governance body			6	172
	2-19 Remuneration policies			6	172
	2-20 Process to determine remuneration			6	172

GRI Standards	Disclosure	SDG Goal	SDG Target	UN Global Compact	Location
Strategy, policies and practices					
GRI 2_ General Disclosures 2021	2-22 Statement on sustainable development strategy				82
	2-23 Policy commitments		16.3	1,2	100,101, 127,146
	2-27 Compliance with laws and regulations				182
	2-28 Membership associations				124
Stakeholder engagement					
GRI 2_ General Disclosures 2021	2-29 Approach to stakeholder engagement				72-77
	2-30 Collective bargaining agreements		8.8	3	Not Available
Disclosures on material topics					
GRI 3_ Material Topics 2021	3-1 Process to determine material topics				78-81
	3-2 List of material topics				78-81
	3-3 Management of material topics				98-146
Topic Specific Disclosure					
GRI 201_ Economic Performance 2016	201-1 Direct economic value generated and distributed		8.1, 8.2, 9.1, 9.4		21
	201-2 Financial implications and other risks and opportunities due to climate change		13.1	7,8	69
	201-3 Defined benefit plan obligations and other retirement plans				103
	201-4 Financial assistance received from government				No assistance received
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community		8.5	6	101
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption		16.5	10	127
	205-2 Communication and training about anti-corruption policies and procedures		16.5	10	100
	205-3 Confirmed incidents of corruption and actions taken		16.5	10	127
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	   	7.2, 7.3, 8.4, 12.2, 13.1	7,8	144
	302-2 Energy consumption outside of the organisation	   	7.2, 7.3, 8.4, 12.2, 13.1	7,8	144
	302-3 Energy intensity	   	7.3, 8.4, 12.4, 13.1	7,8	144
	302-4 Reduction of energy consumption	   	7.3, 8.4, 12.4, 13.1	7,8	144
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	 	6.3, 6.4, 12.4	7,8,9	144
	303-3 Water withdrawal		6.4	7,8	144
	303-5 Water consumption				144

GRI - CONTENT INDEX

GRI Standards	Disclosure	SDG Goal	SDG Target	UN Global Compact	Location
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		6.1, 14.2, 15.1, 15.5	7,8,9	No premises is managed
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions		3.9, 12.4, 13.1, 14.3, 15.2	7,8	146
	305-2 Energy indirect (Scope 2) GHG emissions		3.9, 12.4, 13.1, 14.3, 15.2	7,8	146
	305-4 GHG emissions intensity		13.1, 14.3, 15.2	7,8	146
GRI 401: Employment 2016	401-1 New employee hires and employee turnover		5.1, 8.5, 10.3	6	104,105
	401-2 Benefits provided to full-time employees that are not provided to temporary or part time employees		3.2, 5.2, 8.5	6	103
	401-3 Parental leave		5.1, 5.4, 8.5	1,6	108
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee		4.3, 4.4, 4.5, 5.1, 8.1, 8.5, 10.3	6	106
	404-2 Programs for upgrading employee skills and transition assistance programs		8.2, 8.5	6	106
	404-3 Percentage of employees receiving regular performance and career development reviews		5.1, 8.5, 10.3	6	106
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees		5.1, 5.5, 8.5	6	101,102
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken		5.1, 8.8	6	100,108
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour		5.2, 8.7, 16.2	5	127
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		16.3, 16.10	1	118

GLOSSARY OF INSURANCE TERMS

A

Acquisition Expenses

Direct and indirect variable outlays incurred by an insurer at the time of selling or underwriting an insurance contract (both new and renewal). The costs may be in the form of brokerage, underwriting costs or medical expenses etc.

Actuary

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

Actuarial Valuation

A determination by an actuary at a specific date of the value of a life insurance company's assets and its liabilities. The purpose of a valuation is to determine, if the Company holds adequate assets to fund the Company's liabilities.

Admissible Assets

Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the rules made by the Insurance Regulatory Commission of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

Annualised new business premium

The regular premium policies are annualised to allow comparisons of new business achieved in a specific period.

Annuity

A series of regular payments. Annuities include annuities certain, where payments are made at definite times, and life annuities, where payments depend on the survival of an annuitant. A life annuity is a contract that provides a regular payment typically monthly during the lifetime of the policyholder or a fixed period if less. If the payments start at the outset of the contract, it is an immediate annuity. If they start at some point in the future, it is a deferred annuity.

Average Premium per Policy

Measure of Total premium divided by number of policies. This is a measure to understand market segment that the company is accessing.

B

Beneficiary

A person named by the policyholder as the recipient of the sum insured and other benefits due in the event of a policyholder's death.

Bonus

Bonus is a method of distribution of surplus amongst the participating policyholders of a life insurance company. A bonus is an enhancement to the basic sum assured under a contract and is declared as a percentage of the sum assured.

C

Claim Outstanding

The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the reporting date being the sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

Claim Ratio (Net loss ratio)

$$\frac{\text{Net claims incurred}}{\text{Net written premiums}}$$

Claims

The amount payable under a contract of insurance arising from the occurrence of an insured event such as destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured and gratuity claims.

Claims Incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.

Clause

A section of a policy contract or endorsement dealing with a particular subject.

Commission

The part of an insurance premium paid by the insurer to an agent or broker for his services in procuring and servicing the insurance.

Combined Ratio

Measure of profitability used by an insurance company to gauge how well it is performing in its daily operations. or

Calculated by taking the sum of incurred losses and expenses and then dividing them by the earned premium.

D

Dividend Cover

Profits after tax divided by dividend. Measures the number of times dividends are covered by distributable profits for the period.

Determination Ratio

Life fund backed by admissible assets (Admissible assets classified as per IRC SL)

E

Earnings Per Share (EPS)

Profits of the Company after tax and after the transfer to life fund divided by the number of issued ordinary shares.

Embedded Value

The combination of the present value of the future profits of the existing book of business and net assets.

Endowment

Life insurance payable to the policyholder if living on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

Ex-Gratia Payment

A payment made to an insured where there is no liability to pay under the terms of the policy. In some cases, an insurer may feel there has been a mistake or a misunderstanding and it may pay claim, even though he does not appear to be liable.

GLOSSARY OF INSURANCE TERMS

Expense Ratio

Measure of profitability.

Calculated by dividing the expenses associated with acquiring, underwriting, and servicing premiums by the net premiums earned by the insurance company.

F

Facultative Reinsurance

Oldest form of reinsurance.

This is the reinsurance of an individual risk on terms and conditions agreed with the reinsurer specifically for that risk. Particulars of each risk are submitted by the ceding company to the reinsurer who may accept or decline at will. This is useful when dealing with risks outside the ceding company's treaty arrangements.

G

Gross Written Premium

Premium to which the insurer is contractually entitled and received in the accounting period.

Gross/Net

The terms gross and net mean before and after deduction of the portion attributable to business ceded in reinsurance. Instead of "net," the term "for own account" is sometimes used.

I

Insurance Contract

Insurance is a contract whereby one party the insurer, in return for a consideration i.e. the premium, undertakes to pay to the other party the insured sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

Insurance Provision - Long Term

The fund or funds to be maintained by an insurer in respect of its long term insurance business in accordance with the Regulation of Insurance Industry Act No 43 of 2000.

Investment Contract

A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance.

L

Lapsed Policy

A policy terminated at the end of the grace period because of non-payment of premiums.

Liability Adequacy Test

An annual assessment of the sufficiency of insurance and/or investment contract with liabilities, to cover future insurance obligations.

Life Fund

Net Assets kept to meet the obligation towards life policyholders.

Life Surplus

The Excess of the assets over the liabilities as determined by the actuary (taking into account solvency requirements) and after distribution of dividends to policyholders.

M

Market Capitalisation

Number of shares in issue multiplied by the market value of each share as at the Balance Sheet date.

Maturity

The time at which payment of the sum insured under a life insurance policy falls due at the end of its term.

Mortality

The ratio of deaths to the entire population or to a particular age group. It is globally expressed in numbers or rates and set out in mortality tables.

N

Net Assets Per Share

Net assets attributable to Shareholders' equity divided by the number of ordinary shares issued.

Net Combined Ratio

Net Claims Incurred + Other Expenses

Non-participating Business

Life Insurance business where policyholders are not entitled to share in the surplus of the relevant life fund.

P

Participating Business

Life Insurance business where the policy holders are contractually entitled to share in the surplus of the relevant life fund.

Persistency Ratio

The ratio of life insurance policies receiving timely premiums in the year and the number of net active policies.

Policy

The printed document issued to the policyholder by the company stating the terms of the insurance contract.

Premium

The payment or one of the regular periodic payments, that a policyholder makes to own an insurance policy.

Price Earning Ratio

Market price of a share divided by earnings per share.

Policy Loan

Under an insurance policy, the amount that can be borrowed on the security of the surrender value of a life insurance policy at a specific rate of interest from the issuing company by the policyholder, who used the value of the policy as collateral for the loan. In the event the policyholder dies with the debt partially or fully unpaid, the insurance Company deducts the amount borrowed, plus any accumulated interest, from the amount payable.

Premium Ceded to Reinsurers

The premium paid by the ceding Company to the reinsurer in consideration for all or part of the risk assumed by the reinsurer.

R

Reinsurance

Transfer of all or part of the risk assumed by an insurer under one or more insurances to another insurer, called the reinsurer.

Reinsurance Commission

Commission received or receivable in respect of premium paid or payable to a reinsurer.

Reinsurance Premium

The premium payable to the reinsurer. Reinsurance is an arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (the cedent) against part or all of the liability assumed by the cedent under a policy or policies of insurance.

Retention

That part of the risk assumed, which the insurer/reinsurer does not reinsure/ retrocede, i.e. retained net for own account.

Rider

An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.

Risk Based Capital (RBC)

Amount of required capital that the insurance company must maintain based on the inherent risks in the insurer's operations. These risks include asset depreciation risk, credit receivables risk, underwriting risk and off-balance-sheet risk.

Risk-based Capital Adequacy Ratio (CAR)

The CAR is a measurement of available capital expressed as a percentage of risk-weighted credit exposures.

CAR = (Total Available Capital/Risk Based Capital Required) * 100

S**Surrender**

Termination of an insurance policy by the insured before the expiry of its term (more common in the life insurance).

Surrender Value

The sum payable by an insurance Company upon the surrender of a life insurance policy before it has run its full course.

T**Total Available Capital (TAC)**

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

U**Underwriting**

The process of classifying applicants for insurance by identifying such characteristics as age, sex, health, occupation and hobbies. People with similar characteristics are grouped together and are charged a premium based on the group's level of risk. The process includes rejection of unacceptable risks.

Underwriting Margin

Consists of the earned premium remaining after claims/benefits have been paid and administrative expenses have been deducted. It does not include any investment income earned on held premiums.

SLFRS 17 IMPLEMENTATION EFFECT ON



EFFECTS ON THE STATEMENT OF FINANCIAL POSITION

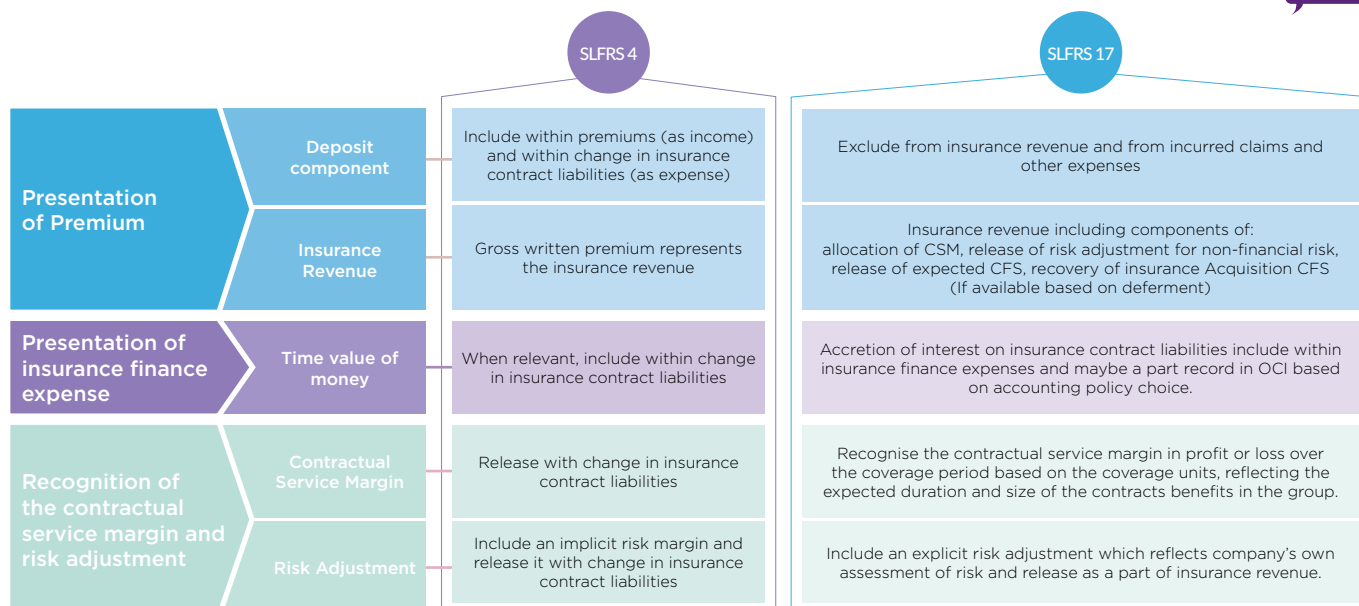
MEASUREMENT OF INSURANCE CONTRACTS	SCENARIO			EXPECTED EFFECTS OF SLFRS 17	
				Insurance contract liabilities	Equity
	Current or historical Assumptions	Currently used discount rate (i.e. historical rate)	If historical rate is lower than current rate	▼ Decrease	▲ Increase
			If historical rate is higher than current rate	▲ Increase	▼ Decrease
	Risk Margins	Currently used Risk margin	If risk margin is higher than risk adjustment in SLFRS 17	▼ Decrease	▲ Increase
			If risk margin is lower than risk adjustment in SLFRS 17	▲ Increase	▼ Decrease
	Financial options and guarantees	Current value of minimum interest rate guarantees	If doesn't fully reflect in measurement of insurance contracts	▲ Increase	▼ Decrease
			If fully reflects in measurement of insurance contracts	◀ ▶ Low effect	◀ ▶ Low effect
	Acquisition Cost	Existing treatment on acquisition costs	If expensed as incurred (i.e. the current treatment)	▼ Decrease	▲ Increase
				Depends	Depends
General model (Building Block Approach - BBA)	Complex: requiring calculation of a Unearned Premium at a granular level at inception and tracked over life of the contract		Default approach for the measurement of insurance contracts		
	Premium allocation approach (PAA)	Simplified: similar to current accounting but with liability valuation based a model which is similar to discounting and risk margin		Generally, used for the contracts with duration of less than 12 months	
	Variable fee approach (VFA)	Similar to the general model, but with an obligation to pay policyholders an amount equal to the fair value of underlying items, less an insurer's fee which is variable.		Used for the contracts with direct participation features	
PRESENTATION OF INSURANCE CONTRACTS	Indicator	Caption	SLFRS 4	SLFRS 17	
	◀ ▶	Insurance contract liabilities	Present separately	Present separately	
		Reinsurance contract assets			
	✓	Insurance contract assets	Net with insurance contract liabilities	Present separately on the Statement of Financial Position	
		Reinsurance contract liabilities	Net with reinsurance contract assets		
	X	Deferred acquisition costs	Present separately	Include under Insurance contract liabilities and provide a reconciliation from the opening to closing balances of insurance acquisition cash flows (CFS) as a disclosure note.	
		Value of business acquired		Include in the measurement of insurance contracts and disclose value of contracts acquired on initial recognition. Subsequently, this value will be included within the contractual service margin.	
		Policy loans		Include in the measurement of insurance contracts and disclose if they are a key metric for the company financial statement users.	
		Premiums receivable	Present separately as financial assets	Include in the measurement of insurance contracts and disclose premiums received for insurance contracts issued in a reconciliation from the opening to closing balances of insurance contracts.	
		Unearned premiums	Present separately for non-life insurance contracts	Include in the measurement of insurance contracts and are disclosed as specified in premium receivable.	
		Claims payable	Present separately as financial liabilities	Include in the measurement of insurance contracts and disclose claims paid in a reconciliation from the opening to closing balances of insurance contracts.	
◀ ▶ Line items unchanged (for presentation purposes) ✓ Expected 'new' line items X Line items not required by either SLFRS 4 or SLFRS 17					

COMPANY'S FINANCIAL STATEMENTS



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EFFECTS ON THE STATEMENT OF COMPREHENSIVE INCOME



Amount recognised in the Profit or Loss

Changes to the financial assumptions		
Effects of changes in discount rates	Scenarios	
	Increase in risk-free rate	Increase in asset default risk
Value of financial assets measured at fair value	▼ Decrease	▼ Decrease
Value of insurance contract liabilities	▼ Decrease	◀ ▶ No change
Effect on profit – SLFRS 4	▼ Decrease	▼ Decrease
Effect on profit – SLFRS 17	◀ ▶ No effect if matched	▼ Decrease

Treatment for estimation changes in fulfillment cash flows		
Effects of changes in estimation of fulfilment CFs	Initial Recognition	Subsequent Measurement
Results net outflow (onerous contracts)	Charge loss immediately to the Profit or Loss (P&L)	Recognise additional losses to the P&L
Results net inflow (Profitable and contracts can become onerous subsequently)	Recognise the contractual service margin and releases it to the P&L based on coverage units over the period.	Adjust contractual service margin and if it becomes zero, recognise the additional charge to P&L.

Illustration of Financial Statements

SLFRS 4		SLFRS 17	
Premiums	xx	Insurance revenue	xx
Investment income	xx	Incurred claims and expenses	(xx)
Incurred claims and expenses	(xx)	Insurance service result	xx
Change in insurance contract liabilities	xx	Investment income	xx
Profit or loss for the year	xx	Insurance finance expenses	xx
Other comprehensive income	xx	Net financial result	xx
Total comprehensive income	xx	Profit or loss for the year	xx
		Other comprehensive income	xx
		Total comprehensive income	xx

SLFRS 17 IMPLEMENTATION EFFECT ON

EFFECTS ON DISCLOSURE NOTES

	Disclosure requirements	What's new?
EXPLANATION ON AMOUNT RECOGNISED IN FINANCIAL STATEMENTS	Insurance Contract Liabilities	
	Reconciliation of the net carrying amounts of contracts analysed by:	
	• The net liabilities (assets) for remaining coverage excluding the loss component	●
	• Any loss component	
	• The liabilities for incurred claims	
	• The estimates of the present value of the future cash flows	
	• The risk adjustment for non-financial risk	
	• The CSM	
	Insurance Finance Income or Expense (IFI or IFE)	
	Explanation of the relationship between insurance finance income or expenses and the investment return on assets	●
NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS	Assets for insurance acquisition cash flows	
	Reconciliation of assets for insurance acquisition cash flows including:	
	• Recognition of impairment losses and reversals	●
	• Quantitative disclosure of when the entity expects to derecognise an asset for insurance acquisition cash flows in appropriate time bands	●
	Contracts not measured under the PAA	
	• An analysis of insurance revenue	
	• An analysis of the effect of contracts initially recognised in the period	●
	• Quantitative disclosure of when the entity expects to recognise the remaining CSM in profit or loss in appropriate time bands	●
	Direct participating contracts	
	• The composition of underlying items and their fair values	
SIGNIFICANT JUDGEMENTS MADE WHEN APPLYING SLFRS 17	• The effect of the risk mitigation option	●
	• For any change in the basis for disaggregating IFI or IFE (Why change is required, amount of adjustment, impact on carrying amount)	●
	Transition amounts	
	For contracts measured under the modified retrospective approach or the fair value approach:	
	• Reconciliation of the CSM	
	• Amounts of insurance revenue separately under each approach	
	• How the entity determined the measurement of the contracts at the date of transition	●
	• If IFI or IFE are disaggregated between P&L and OCI, a reconciliation of the cumulative amounts included in OCI for related financial assets at FVOCI	●

	Disclosure requirements	What's new?
SIGNIFICANT JUDGEMENTS MADE WHEN APPLYING SLFRS 17	Estimation techniques	
	• Methods used to measure insurance contracts and processes for estimating the inputs to those methods	
	• Any changes in methods and processes for estimating inputs used to measure contracts, the reason for each change and the type of contracts affected	●
	• Approach used to identify changes in discretionary cash flows for contracts without direct participation features	
	• If IFI or IFE are disaggregated between P&L and OCI, an explanation of the methods used to determine the amounts recognised in P&L.	
	• If a technique other than the confidence level technique is used to determine the risk adjustment for non-financial risk (RANFR), disclosure of the technique used and the confidence level that corresponds to the results of that technique	●
	Assumptions	
	• Determine the risk adjustment for non-financial risk, including whether changes therein are disaggregated into an insurance service component and an insurance finance component	●
	• Determine discount rates	
	• Determine investment components	
NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS	• Determine the relative weighting of the benefits provided by insurance coverage and investment services	●
	Inputs	
	Yield curve (or range of yield curves) used to discount cash flows that do not vary based on the returns on underlying items	●
	Confidence level used to determine the risk adjustment for non-financial risk	●

	Disclosure requirements	What's new?
NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS	Information about the effect of the regulatory frameworks If contracts are included within the same group as a result of law or regulation	●
	Information about risk concentrations	
	For each type of risks:	
	• The exposures to risks, how they arise and changes therein	
	• The entity's objectives, policies and processes for managing the risks, methods used to measure the risks and changes therein	●
	• Summary quantitative information about exposure to the risk at the reporting date, based on information provided internally to key management personnel or, when this is not provided, based on the specific disclosure requirements provided	
	Insurance and market risks	
	For insurance risk, a sensitivity analysis that shows the effect for insurance contracts issued, before and after risk mitigation by the reinsurance	
	Methods and assumptions used in preparing the sensitivity analyses, changes therein and the reasons for such changes	●
	If an entity discloses an alternative sensitivity analysis in place of any of those specified above, explanations of the method used and its objective, the main parameters and assumptions, and any limitations that may result in the information provided	
SIGNIFICANT JUDGEMENTS MADE WHEN APPLYING SLFRS 17	For each type of market risk, a sensitivity analysis that explains the relationship between the sensitivities from insurance contracts and those from financial assets	●

	Disclosure requirements	What's new?
SIGNIFICANT JUDGEMENTS MADE WHEN APPLYING SLFRS 17	Insurance risk	
	Claims development – i.e. actual claims compared with previous estimates of the undiscounted amount of the claims	●
	Credit risk	
	The entity's maximum exposure to credit risk	
	Information about the credit quality of reinsurance contract assets	●
	Liquidity risk	
	A description of how liquidity risk is managed	●
	Maturity analyses that show, as a minimum, net cash flows for each of the first five years after the reporting date and in aggregate beyond the first five years, which may be based on the estimated timing of:	●
	• The remaining contractual undiscounted net cash flows; or	
	• The estimates of the present value of the future cash flows	
NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS	Amounts that are payable on demand and their relationship with the carrying amounts of the related portfolios of contracts	●

New disclosure ● Existing requirement ●

Expanded requirement - Similar disclosure more detailed or specific under SLFRS 17 ●

COMPANY'S FINANCIAL STATEMENTS

EFFECTS ON KEY FINANCIAL METRICS



	Metric	Common method of calculation	Effects - SLFRS 17	Explanation
Volume Metrics	Earned premiums (SLFRS 4) and insurance revenue (SLFRS 17)	As reported in financial statements (measurement methods vary when applying SLFRS 4)	●	Depends on existing insurance accounting practices. For companies that currently include within earned premiums any deposit component on long-term insurance contracts, when they apply SLFRS 17, insurance revenue is expected to be significantly lower."
	Gross premiums (or premiums written)	Premiums expected to be collected over the contracts' duration (ie not only premiums already received)	■	This metric could be disclosed in the notes to the financial statements, but is not permitted to be presented on the face of the statement of comprehensive income as a measure of insurance revenue.
	Premiums due	Invoiced or receivable premiums, which are unconditionally due to the insurer	■	The premiums-due metric is similar to the premiums received in a period. When applying SLFRS 17, premiums received for insurance contracts issued are required to be disclosed in the notes to the financial statements, but are not permitted to be presented on the face of the statement of comprehensive income as a measure of insurance revenue.
Profitability Metrics	Contractual service margin added from new contracts	Contractual service margin initially recognised in the period	▲	This will be a new metric provided by all insurers in a consistent manner. SLFRS 17 requires its disclosure in the notes to the financial statements. This metric is similar to the value added from new business, a metric provided by some insurers within their embedded value reporting.
	Insurance service result	As reported applying SLFRS 17	▲	This will be a new metric comprising insurance revenue less insurance service expenses.
	Profit or loss	As reported applying SLFRS Standards	●	Depends on the existing insurance accounting practices applied by a company.
	Return On Equity (ROE)	$\frac{\text{Profit or loss}}{\text{Equity}}$	●	Depends on the effects on profit or loss and on equity, which depend on the existing insurance accounting practices applied by a company.
	Earnings Per Share (EPS)	$\frac{\text{Profit or loss}}{\text{Number of shares outstanding}}$	●	Depends on the effects on profit or loss, which depend on the existing insurance accounting practices applied by a company. SLFRS 17 does not change the denominator.
	Net investment return	Investment return less insurance finance expenses	▲	The investment margin earned in the period will be presented in the statement of comprehensive income and will provide an important new profitability measure.
	Operating profit and underlying profit	Various methods—earnings from ordinary activities before income taxes, excluding earnings from investments	●	The effects of applying SLFRS 17 will depend on the existing insurance accounting practices applied by a company and on the nature of the adjustments made to profit or loss reported applying SLFRS Standards.
	Combined ratio	$\frac{\text{Incurred claims and other expenses}}{\text{Earned premiums}}$	●	Incurred claims will be reported discounted and adjusted for risk. The change in ratio will depend on particular facts and circumstances.
Liquidity Metrics	Net operating cash flow	Various methods—cash flow from operating activities does not include cash related to equity and borrowing	●	Insurers are expected to review the cash flow classification in their operating, financing and investing activities in the light of the changes introduced by SLFRS 17 in the presentation of information about insurance contracts in the statement of comprehensive income.

▲ New metric ■ No change ● Depends

THE ESSENTIAL INSURANCE JARGONS

SLFRS 4	SLFRS 17	SLFRS 4	SLFRS 17	SLFRS 4	SLFRS 17
Claim or loss reserves	Liability for incurred claims-LIC	Value in force-VIF	Contractual service margin-CSM	Unearned premium reserves-UPR	Liability for remaining coverage-LRC
Underwriting profit	Insurance service result	New business profit	Contractual service margin-CSM	Experience variances -life	Experience adjustments and change in estimates
Earned premiums	Insurance revenue	Premiums due	Premiums received	Premiums written	Present value of new business premiums

INTEGRATED REPORTING - CONTENT INDEX

IR Reference	Para. No;	Description	Page No; / Note
1G	1.2	An integrated report should include a statement from those charged with governance	17
2B	2.4	Value created, preserved or eroded by an organisation over time manifests	26 - 27
2C	2.10	All organisations depend on various forms of capital for their success.	92 - 146
2D	2.20	The process through which value is created, preserved or eroded is depicted	28, 29
3A	3.3	Strategic focus and future orientation	72
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NOTES

[illegible]

CORPORATE INFORMATION

GENERAL

Name of the Company

Softlogic Life Insurance PLC

Legal Form

A Public Limited Liability Company Incorporated and domiciled in Sri Lanka in 1999 and registered under Companies Act No. 7 of 2007. The Company regulated under the Insurance Act No 43 of 2000 and amendments thereto.

Company Registration Number

PQ 31

Tax Payer Identification Number (TIN)

134008202

Principal Activities

Life Insurance Business

Stock Exchange Listing

The Ordinary Shares of the Company are listed on the Diri Savi Board of the Colombo Stock Exchange. Stock Exchange code for the Company share is "AAIC"

Accounting Year End

31st December

Board of Directors

Ashok Pathirage - Chairman - Non Executive Director
Iftikar Ahamed - Managing Director/ Executive Director
Haresh Kumar Kaimal - Non-Executive Director
Fernanda Lima - Non-Executive Director
Visvanathamoorthy Govindasamy - Independent Non-Executive Director
Raimund Synders - Non-Executive Director
Lalith Withana - Independent Non-Executive Director
Sanjaya Mohottala - Independent Non-Executive Director

BOARD SUB COMMITTEES

Board Audit Committee

Lalith Withana - Chairman - Independent Non - Executive Director
Raimund Synders
Visvanathamoorthy Govindasamy

Board Risk Committee

Raimund Synders - Chairman - Non Executive Director
Fernanda Lima
Lalith Withana
Iftikar Ahamed

Board HR & Remuneration Committee

Visvanathamoorthy Govindasamy - Chairman - Independent Non-Executive Director
Ashok Pathirage
Lalith Withana

Board Investment Committee

Ashok Pathirage - Chairman - Non Executive Director
Iftikar Ahamed
Visvanathamoorthy Govindasamy
Fernanda Lima
Raimund Synders
Sanjaya Mohottala

Board Related Party Transactions Review Committee

Lalith Withana - Chairman - Independent Non-Executive Director
Raimund Synders
Visvanathamoorthy Govindasamy

Board Nomination and Governance Committee

Visvanathamoorthy Govindasamy - Chairman - Independent Non-Executive Director
Ashok Pathirage
Lalith Withana

Registered office and Principle Place of Business

Softlogic Life Insurance PLC, Head Office,
Level 16, One Galle Face Tower,
Colombo 02, Sri Lanka
Telephone : + 94112018800
Internet : www.softlogiclife.lk
Email : info@softlogiclife.lk

Actuaries

Messrs. Willis Towers Watson India Private Limited

Gratuity

Actuarial and Management Consultants (Pvt) Ltd.

Auditors

Messrs. KPMG (Chartered Accountants)

Secretaries

Softlogic Corporate Services (Pvt) Ltd.

Tax Consultant

Amerasekera & Co.
Chartered Accountants

Principal Officer

T. M. Iftikar Ahamed

Chief Financial Officer

Nuwan Withanage

Specified Officer

Pranama Perera

Compliance Officer

Ruwantha Arukwatta

Lawyers

Paul Rathnayake Associates
Nithya Partners

Reinsurance Panel

Munich Re
SCOR Re
TOA Re
AXA PPP Healthcare Limited
Canopus

Bankers

Bank of Ceylon
Cargills Bank PLC
Commercial Bank PLC
DFCC Bank PLC
Hatton National Bank PLC
HDFC Bank
Merchant Bank of Sri Lanka & Finance PLC
National Development Bank PLC
National Savings Bank
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Regional Development Bank
Sampath Bank PLC
Sanasa Development Bank PLC
Seylan Bank PLC
State Mortgage and Investment Bank

For any clarification on this regard please write to;

Chief Financial Officer
Level 16, One Galle Face Tower,
Colombo 02, Sri Lanka
Telephone : + 94112018713
Fax : +94 11 2372937
E Mail : nuwan.withanage@softlogiclife.lk

NOTICE OF MEETING

NOTICE OF THE VIRTUAL 25TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Virtual Twenty Fifth (25th) Annual General Meeting of SOFTLOGIC LIFE INSURANCE PLC (the Company) will be held on **Thursday, 28th March 2024 at 10.00 a.m. via an online platform at Level 16, One Galle Face Tower (Shangri-La Office Tower)**, Colombo 02 for the following purposes;

AGENDA

1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st December 2023 and the Report of the Auditors thereon.
2. To re-elect **Mr. P.L.P. Withana** who retires by rotation in terms of Articles 98 (a) of the Articles of Association of the Company as a Director of the Company.
3. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS OF
SOFTLOGIC LIFE INSURANCE PLC

Sgd.

SOFTLOGIC CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries

At Colombo, this 04th March 2024

Notes:

- A shareholder entitled to attend and vote at the virtual meeting, is entitled to appoint a Proxy to attend and vote instead of him/her.
- A Proxy need not be a shareholder of the Company.
- A Form of Proxy accompanies this notice.
- The completed Form of Proxy must be forwarded via e mail to corporateservices@softlogic.lk or deposited at Softlogic Corporate Service (Pvt) Ltd, No.14, De Fonseka Place, Colombo 05 not less than forty- eight (48) hours before the time appointed for holding of the meeting.

FORM OF PROXY

Annexure 1

FORM OF PROXY- VIRTUAL 24TH ANNUAL GENERAL MEETING

I/We of
 being Member / Member* of the above
 named Company, hereby appoint (1) Of failing him / her.

(2) Mr. A. K. Pathirage	or failing him	(6) Mr. V. Govindasamy	or failing him
(3) Mr. T. M. Iftikar Ahamed	or failing him	(7) Mr. Raimund Snyders	or failing him
(4) Mr. H.K. Kaimal	or failing him	(8) Mr. P.L.P. Withana	or failing him
(5) Ms. Fernanda Lima	or failing her	(9) Mr. S.W. Mohottala	

As my / our* Proxy to represent me / us* and vote and speak for me / us* on my / our* behalf at the **Virtual Twenty Fifth (25th) Annual General Meeting** of the Softlogic Life Insurance PLC to be held on **Thursday, 28th March 2024 at 10.00 a.m. via an online platform at Level 16, One Galle Face Tower (Shangri-La Office Tower), Colombo 02** and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

I / WE INDICATE MY/OUR VOTE ON THE RESOLUTIONS BELOW AS FOLLOWS;

	For	Against
1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st December 2023 and the Report of the Auditors thereon	☐	☐
2. To re-elect Mr. P.L.P. Withana who retires by rotation in terms of Articles 98 (a) of the Articles of Association of the Company as a Director of the Company	☐	☐
3. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.	☐	☐

.....
 Signature of shareholder Signed this day of 2024.

Note:

- (i) Please delete the inappropriate words.
- (ii) Instructions for completion of Proxy are noted below.
- (iii) A Proxy need not be a shareholder of the Company.
- (iv) Please mark "X" in appropriate cages, to indicate your instructions as to voting.

FORM OF PROXY

Instructions as to completion

1. Kindly perfect the Form of Proxy by filing in legibly your Full name, National Identity Card/ Passport/ Company Registration Number, your address and your instructions as to voting and by signing in the space provided and filing in the date of signature. Please ensure that all details are legible.
2. Please mark "X" in appropriate cages, to indicate your instructions as to voting on each resolution. If no indication is given, the Proxy holder in his/her discretion will vote as he/her thinks fit.
3. To be valid, the completed Form of Proxy must be forwarded via e mail to **corporateservices@softlogic.lk** or deposited at Softlogic Corporate Services (Pvt) Ltd, No. 14, De Fonseka Place, Colombo 05, Sri Lanka on not less than **48 hours** before the time appointed for the holding of the meeting to ensure that the proxies reaches the Company's Registrars before the date of the AGM. No registration of proxies shall be accommodated after the deadline.
4. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details (1) overleaf and initial against this entry.
5. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by Articles of Association/ Act of Incorporation.
6. In the case of a Proxy signed by an Attorney, a certified copy of the Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

INVESTOR/STAKEHOLDER FEEDBACK FORM

Annexure 2

To request information to submit a comment / query to the company, please provide the following details and return this page to -

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

T - +94 (11) 2018713
F - +94 (11) 2327257

Email : investor.relations@softlogiclife.lk

Name :

Permanent Mailing Address :

Contact Number/s :

Tel :

Fax :

E-Mail :

Name of Company :
(If Applicable)

Designation (If Applicable) :

Company Address :
(If Applicable)

Queries / Comments

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INVESTOR/STAKEHOLDER FEEDBACK FORM

Your opinion matters. Please share your views with us.

Which stakeholder groups do you belong to?

(You may tick more than one)

- ☐ Employee
- ☐ Customer
- ☐ Shareholder
- ☐ Community
- ☐ Investor

Does the report address issues of greatest interest to you?

- ☐ Comprehensively
- ☐ Partially
- ☐ Not at all

Please identify any additional issues that you think should be reported on :

Do you have any additional comments on the report - or on Softlogic Life’s performance in general?

Please tick here if we may include your comments in any future reports?

- ☐ Yes
- ☐ No

Would you like to be consulted when we prepare our next sustainability report?

- ☐ Yes
- ☐ No

Your name, email address and /or other contact details

Designed & produced by



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Softlogic Life Insurance PLC
Level 16, One Galle Face Tower,
Colombo 2, Sri Lanka.

www.softlogiclifellk