



Derisking the Nation

Today & Beyond



Derisking the Nation

Today & Beyond

We at Ceylinco Life forged ahead with a strong sense of purpose to derisk the nation amidst another challenging year.

We led the way with purposeful and resourceful strides by treading the extra mile for our stakeholders. Together, we strived to create security, radiate positivity and infuse stability in the face of a myriad of risks and uncertainty that engulfed us. This personifies the strength of our human ingenuity to collectively rise above all challenges to create a secure and sustainable future for all Sri Lankans. We believe that it takes courage to act, passion to progress and purpose to persevere for the common good.

Moving ahead, transforming our business by leveraging digitalisation as a key enabler for business growth, our sustainable path ahead is closely underpinned by our commitment to **derisk the nation – today and beyond.**

VISION

To take the message of Life Insurance and Retirement Planning to every Sri Lankan and provide Protection to every Family.

MISSION

To become the most trusted, acclaimed and progressive life insurance company in Sri Lanka, by providing need-based life insurance solutions to our customers, recognising and rewarding our employees, creating successful partnerships with stakeholders and ensuring sustainable business practices for sustainable, responsible and profitable growth, while leaving a smaller carbon footprint on the planet.

OUR VALUES

P R I D E

PROFESSIONALISM

In delivering life insurance and retirement planning solutions to meet the individual needs of our customers.

REWARDING

Customers, sales force, staff for their dedication and loyalty.

INTEGRITY

In everything we do, individually and collectively.

DEDICATION

In communicating the importance of Life Insurance and Retirement Planning to every Sri Lankan.

EXCELLENCE

In customer service, product development, innovation and fulfilling our social responsibility.

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REPORTING SUITE ABOUT THIS REPORT



WE WELCOME YOU TO THE 7th INTEGRATED ANNUAL REPORT OF CEYLINCO LIFE INSURANCE LTD UNDER THE THEME 'DERISKING THE NATION - TODAY & BEYOND'.

This Annual Report presents a concise and relevant account on the Company's operating environment, our strategy, performance, value creation, governance, risk management and future outlook. The Report details on the progress made on our triple bottom line priorities in line with our strategic aspirations. We recognise that our ability to deliver value depends on maintaining consistent relationships with our key stakeholders, whilst contributing to our community and the environment.

Scope and Boundary

This Integrated Report covers the operations of Ceylinco Life Insurance Limited from 1st January 2021 to 31st December 2021 in line with our annual reporting cycle. The most recent report of the Company for the year ended 31st December 2020 is available on our website at <http://www.ceylincolife.com>.

Material events post this reporting period, up to the sign off date by the Board of Directors on 24th February 2022, have been included in this Report, ensuring a more relevant and up to date Report. In addition to the focus on performance over the year, this Integrated Annual Report provides stakeholders an insight of the Company's value creation process and its strategic framework.

There were no re-statements of non-financial information provided in the

previous report. There were no significant changes in the Company's ownership or supply chain during the year under review. In 2020, our reporting approach took on a more strategic view, highlighting our key strategic imperatives. This year too, we maintain the same approach in reporting based on five strategic pillars to provide progress on our strategic positioning in 2021. This year we have highlighted the impact of the pandemic and how we responded to the changing operating landscape within the narrative of the Annual Report.

Integrated Thinking

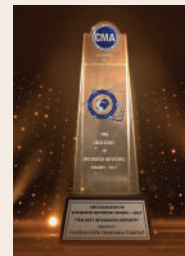
Integrated thinking is a fundamental component in developing our internal strategy. We have embedded integrated thinking into our strategy and operations thereby ensuring that stakeholder considerations and risk factors are duly identified and addressed.

Recognition for Excellence in Integrated Reporting

Our commitment to uphold the highest levels of transparency and corporate governance have been recognized across many platforms. Our Annual Report 2020 was recognised with the following awards.



Recognised with a Joint Silver Award under the Insurance category at the CA Sri Lanka Annual Report Awards



Ranked amongst the Ten Best Integrated Reports by the Institute of Certified Management Accountants (CMA) of Sri Lanka at their Excellence in Integrated Reporting Awards - 2021.

Materiality

The content of the Report has been determined following a materiality analysis which brings into focus all the aspects of our operations and the operating landscape. It considers legitimate business interests of our stakeholders and the Company's strategic aspirations. The process of determining material content and a full list of material topics are set out from page 40 to 42.

ABOUT THIS REPORT

Transparency



We have taken reasonable steps to ensure that this report has provided all material information required for decisions of our key stakeholders and to improve the clarity of the reported information.

- The Board has adopted many reporting practices, both mandatory and voluntary, as explained on page 04.
- We have also obtained assurance on our report content as disclosed on pages 138, 206, 212 and 213.

Accountability



Accountability plays a key role in our business model as our core business involves management of policyholders' risks which have been transferred to us.

- The Board has taken responsibility for the content of this Integrated Report on page 5.
- Our accountability for the financial reporting is reflected on page 203.
- The Chairman of the Board has provided assurance on our compliance, ethical and governance practices on page 152.

Our Commitment to TAGS Reporting



Sustainability



Sustainability is integral to our strategy and overall business success. As a life insurer, we always balance the needs of today with the need to honour our commitments in the future.

- We have obtained assurance on how we fared with Global Reporting Initiative (GRI) Standards, which cover many sustainability topics. Refer to page 138 and 206.
- The Chairman's views on sustainability practices are provided on page 13.
- Our sustainability policy has been disclosed on pages from 21 to 22.

Governance (G)



We are committed to maintaining high standards of corporate governance.

- The Chairman has provided his views on our corporate governance practices on page 152.
- Senior Independent Director's Statement provided on page 153.
- How we comply with the Code of Best Practices on Corporate Governance has been disclosed on pages 169 to 172.
- Annual Report of the Board of Directors is provided on pages 186 to 193.
- Our risk management practices are disclosed on pages 177 to 185.

| Reporting Framework / Regulation | Integrated Reporting | Sustainability Reporting | Financial Statements | Corporate Governance |
|---|----------------------|--------------------------|----------------------|----------------------|
| Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) | | | ✓ | |
| Regulations of Insurance Industry Act No 43 of 2000 and amendments | | | ✓ | ✓ |
| Companies Act No. 7 of 2007 | | | ✓ | ✓ |
| International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework | ✓ | ✓ | | |
| This report has been prepared in accordance with the GRI Standards: core option" | | ✓ | | |
| The United Nations Sustainable Development Goals (SDGs) | | ✓ | | |
| Direction No 17 - Corporate Governance Framework for Insurers and other rules and regulations issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) | | | ✓ | ✓ |
| Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka | | | | ✓ |
| Sri Lanka Auditing Standards (CA Sri Lanka) issued by CA Sri Lanka | | | ✓ | |
| Sri Lanka Standard on Assurance Engagements SLSAE 3000; Assurance Engagements other than Audits or Review of Historical Financial Information, issued by CA Sri Lanka | ✓ | ✓ | | |

Forward Looking Statements

This report contains forward looking statements in respect of the Company's future direction. Several risks, uncertainties and other important variables in the external environment may cause the actual results to be materially different to the expectations. The Company undertakes no obligation to update publicly nor release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of anticipated events.

Precautionary Principle

The precautionary principle is applied to social and environmental sustainability. We have taken steps to mitigate the risks caused to society and environment.

External Assurance

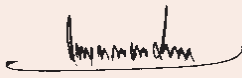
A combined assurance approach has been adopted to verify the accuracy and completeness of the content herein. Messer's. Ernst and Young,

Chartered Accountants have provided an independent assurance for the Consolidated Financial Statements as well as limited assurance on the non-financial limited assurance on the non-financial sustainability indicators as per the Global Reporting Initiative (GRI) Standards and limited assurance on integrated reporting.

Board Approval

The Board of Directors of Ceylinco Life Insurance Ltd undertakes responsibility for the integrity of the information presented in this report. In their opinion, this report addresses all the matters that are material to the Company's ability to create value and transparently presents its performance and future strategy.

Signed on behalf of the Board:



P. A. Jayawardane

Director/Chief Financial Officer
24th February 2022

Improvements to this report

Stakeholder Engagement has been refined to provide a holistic view of the engagement process and its quality was assessed.

Strategy and Resource Allocation has been refined to reflect our short term, medium term and long term views on each of our strategic pillars.

(More details are provided on page 7.)

Independent assurance on the Integrated Annual Report 2021 in accordance with the guiding principles and content elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (Framework) and the Sustainability Reporting criteria prepared in accordance with the requirements of the Global Reporting Initiatives.

Translations of the Chairman's and MD's messages in Sinhala and Tamil can be viewed by scanning the embedded QR code.

ICON Guide

CAPITAL REPORTS



FINANCIAL CAPITAL



MANUFACTURED CAPITAL



HUMAN CAPITAL



INTELLECTUAL CAPITAL



SOCIAL & RELATIONSHIP CAPITAL



NATURAL CAPITAL

STRATEGIC PRIORITIES



Delivering Financial Value



Retaining Market Leadership



Building Relationships for Life



Nurturing our Environment



Transforming through Technology



Investing in Our People

DELIVERING SOCIETAL VALUE THROUGH OUR CORE PURPOSE

SUSTAINABLE DEVELOPMENT GOALS



1 NO POVERTY



4 QUALITY EDUCATION



5 GENDER EQUALITY



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



15 LIFE ON LAND

Reaching out to our stakeholders through different platforms



Connect with us
We value and welcome our integrated report. Scan the QR code for quick and easy connect on your smartphone.

Digital Version



YouTube Video



HTML Version

Feedback

We are committed to constantly improving the readability and relevance of the content of our Annual Report. We welcome suggestions for improvement. Please direct your feedback to:

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Colombo 5, Sri Lanka
Telephone: +94 11 246 1327
E mail: kushanw@ceylife.lk
Web: www.ceylincolife.com

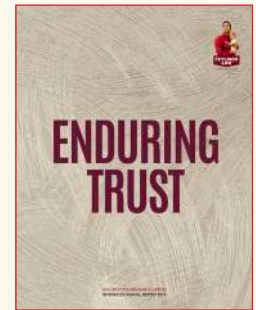


RAISING THE BAR OF EXCELLENCE

OUR EVOLUTIONARY JOURNEY IN CORPORATE REPORTING

Over the years Ceylinco Life has been committed to enhancing its standards of corporate reporting and stakeholder communication activities. The Annual Report has always taken a center stage as an invaluable tool to connect and communicate with our stakeholders. We have adopted the Integrated Reporting <IR> Framework promulgated by the International Integrated Reporting Council (IIRC) since the year 2015. We have complied with GRI Standards and reported on material topics which have been further certified through external and independent assurance.

Whilst being committed to enhancing the content of the Annual Report, we firmly believe in reaching out to our stakeholders in a user-friendly manner to convey the contents of our Annual Report. Thereby, since 2018, we have introduced video versions of our Annual Report supported by the HTML versions to engage our employees, sales agents, business partners, and the community at large with our Economic, Social and Governance (ESG) journey.



Annual Report 2015

- This was our first Annual Report published subsequent to our segregation from Ceylinco Insurance PLC.
- The Report was themed “**Know Your Life Insurer**” and was aimed at providing knowledge about our company to the reader.
- Complied with Global Reporting Initiative (GRI) Guidelines
- Complied with the Integrated Reporting Framework
- In our commitment to “transparency” in reporting, we obtained external assurance for both financial and non-financial information even for this first report.

Awards:

- Received a Silver award for ‘Financial Data’ in the ‘Insurance – Life & Health’ segment and ‘Honours’ in the same segment in the ‘Traditional Annual Report’ at the ARC Awards presented by MerComm Inc. in New York.
- Won a Certificate of Compliance at the CA Sri Lanka Annual Report Awards 2016.

Annual Report 2016

- We continued on the same theme “Know Your Life Insurer” in an attempt to build on the foundation and principles we had set in the previous year in our corporate reporting story.

Improvements

- Operating environment analysis was improved by analysing the competitiveness of the life insurance industry and PESTEL factors.
- The value creation model was improved to provide a holistic view of the overall process.

Awards:

- Received a Silver award for ‘Financial Data’ and two ‘Honours’ for “Written Text” and “Interactive Annual Report” at the ARC Awards presented by MerComm Inc. in New York.
- Won a Certificate of Compliance at the CA Sri Lanka Annual Report Awards 2017.

Annual Report 2017

- We continuously adopted the theme “Know Your Life Insurer” for the third consecutive year in our Annual Report. This is because we wanted our customers and all our stakeholders to know us in greater depth.

Improvements

- Operating environment analysis was improved by analysing the competitiveness of the life insurance industry and PESTEL factors.
- The value creation model was improved to provide a holistic view of the overall process.
- Initiated reporting our contribution to UN Sustainable Development Goals (SDG).

Awards:

- Won a Certificate of Compliance at the CA Sri Lanka Annual Report Awards 2018.
- Won a Certificate of Merit at CMA Sri Lanka Excellence in Integrated Reporting Awards 2018.

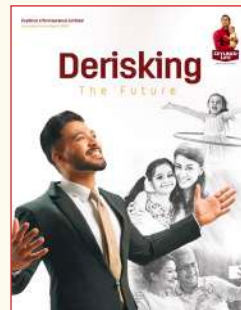
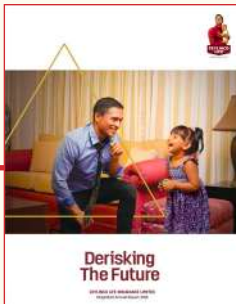
Annual Report 2018

Improvements:

- The Annual Report was conceptualized on a fresh theme 'Enduring Trust' to reflect on the Company's leadership position and credibility built with its stakeholders.
- Introduced a futuristic focus to capital reports.
- Facilitated connectivity with navigation icons.
- Introduced a video encapsulating the highlights of the AR to drive greater engagement with stakeholders.

Awards:

- Won a Certificate of Compliance at the CA Sri Lanka Annual Report Awards 2019.
- Won a Certificate of Merit at CMA Sri Lanka Excellence in Integrated Reporting Awards 2019.



Annual Report 2020

- In 2020 we introduced a significant change to our report structure by aligning the content of the report under the strategic imperatives to communicate our strategic direction and our path towards our aspirations.

Improvements:

- Structured to demonstrate our strategic priorities and drivers whilst demonstrating interconnectivity to the capitals and the respective SDG goals.
- Greater connectivity through navigation icons.
- Enhanced the conciseness of the report by reducing 40 pages.
- Adoption of Gender Parity Reporting introduced by CA Sri Lanka.

Awards:

- Joint Silver Award in the Insurance sector at the CA Sri Lanka Annual Report Awards 2021.
- Recognised among the 'Top Ten Best Integrated Reports' at the CMA Sri Lanka Excellence in Integrated Reporting Awards 2022.

Awards:

- Recognized as one of the 'Top Ten' Best Integrated Reports at the CMA Sri Lanka Excellence in Integrated Reporting Awards 2020.

Annual Report 2021

Improvements:

- Independent, external assurance on Integrated Reporting practices to enhance greater transparency and objectivity.
- Restructured the introductory reports to ensure an improved flow of information.
- Reassessed our material topics in line with stakeholder needs and changes in the operating environment, resulting in the introduction of new topic areas such as 'Data Privacy and Security' and 'Ensuring Business Continuity'.
- Consolidated and restructuring the material topics according to four material themes for greater clarity of the overarching purpose.
- Displayed material topic relevance across multiple stakeholder groups to minimize repetition, exhibit their interrelated concerns and displaying changes.
- Improved reporting on our stakeholder engagement to drive greater connectivity between material topics, the operating context and the strategic pillars.
- Improved our value creation model to show greater connectivity between the outcomes and the strategic pillars, while displaying a link between our impacts and the capitals, stakeholders and SDGs.
- Structured the strategic pillars according to focus areas, and their relevant SDGs whilst linking to the relevant material topic to improve connectivity.
- Improved disclosures on prospective financial information to help users to understand future prospects.
- Translations of the Chairman's and MD's messages in Sinhala and Tamil can be viewed by scanning the embedded QR code.

Annual Report 2019

Improvements:

- Emphasis on demonstrating linkages between capital inputs and trade-offs.
- Linked the company's initiatives to the United Nation's Sustainability Development Goals (SDG's).
- Separate section on insurance industry trends and our response through our strategy and resource allocation chapter.
- Separate section dedicated to our sustainability agenda.
- Enhanced readability by navigation icons and connectivity between sections.
- Adoption of the CG Framework for insurers under section 96A of the Regulation of Insurance Industry Act No 43 of 2000 by the Insurance Regulatory Commission of Sri Lanka.

WHO WE ARE

ORGANISATIONAL OVERVIEW

Ceylinco Life Insurance Ltd is a fully owned subsidiary of Ceylinco Insurance PLC (CIP). The Company commenced its business operations in 1988 as the life insurance division of CIP. With the mandatory segregation of life and general businesses under Section 53 of the Regulation of Insurance Industry (Amendment) Act No 03 of 2011, Ceylinco Life Insurance Ltd was incorporated on 22nd April 2014 and commenced operations on 1st June 2015.

The Company offers a comprehensive suite of life insurance and retirement planning solutions. Our concerted efforts in pursuing accelerated growth through extensive geographical reach, digital platforms and an array of innovative products along with operational excellence have enabled us to lead the way in Sri Lanka's life insurance industry as the undisputed leader. A host of awards and recognitions garnered in local and international platforms has aptly positioned us to capture emerging growth opportunities.

The Company is driven by a strong mandate of sustainability with the objective of building relationships for life with customers, employees and all other stakeholders.



OUR UNIQUE STRENGTHS SET US APART.

Financial Strength

Total Assets - **Rs. 173.62 Bn**

Fastest Growing

Life Fund with **Rs. 119.64 Bn**

Capital Adequacy Ratio (CAR) - **397%**

Profit After Tax - **Rs. 6.7 Bn**

Market leadership

Market leadership of 18 consecutive years
Won the trust and confidence of
> 1 Million Policyholders

People Strength

795 staff strength

3,583 Sales Team

Geographical Reach

138 Branches

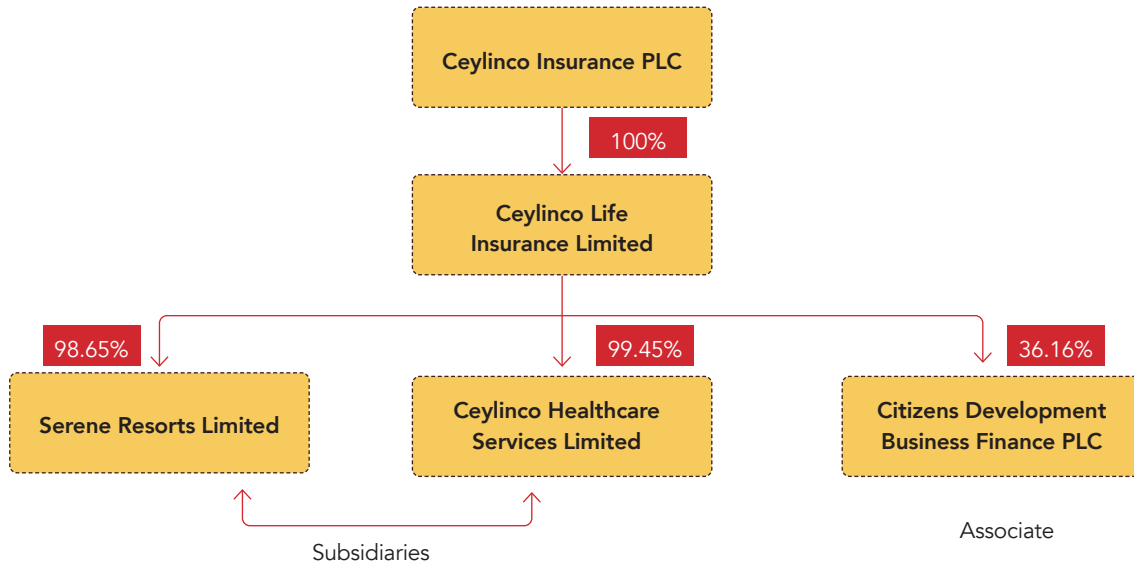
Green & Sustainable Operations

22 Green branches

21 Solar powered branches

Group Structure

The Group structure of Ceylinco Life Insurance Ltd is as follows:



Ceylinco Insurance PLC

Big or small - Ceylinco protects them all

Ceylinco Insurance PLC

Ceylinco Insurance PLC is the parent company of Ceylinco Life Insurance Limited and holds 100% of our share capital.



Ceylinco Healthcare Services Limited

Ceylinco Healthcare Services Limited (CHSL) is one of the most specialised private cancer care centre in the country, equipped with latest state-of-the-art equipment and services. CHSL offers a range of cancer treatment facilities, where Ceylinco Radiation Treatment unit and Ceylinco Tomotherapy Center are the main two services.



Serene Resorts Limited

Serene Resorts Limited owns and operates the nation's first retirement resort located in Uswetakiyyawa. This is a medium sized resort which comprises of 28 single bedroom chalets and 16 two-bedroom chalets targeted at active and assisted living retirees. This complex possesses facilities such as a swimming pool, mini gym, library, restaurant, reading room, emergency alarm facilities and other amenities which provides a holistic living experience for senior citizens to enjoy the golden years of their life.



Citizens Development Business Finance PLC

Citizens Development Business Finance PLC (CDB) is a licensed finance company. It is licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act no 42 of 2011 and registered under the Finance Leasing Act No. 56 of 2000. The main financial services offered by CDB include fixed deposits, savings accounts, leasing, personal loans, home loans, hire purchase financing, pawning, corporate and retail credit, credit card and debit card facilities backed by an island wide ATM network, foreign currency exchange, corporate financial services.

LEADING THE WAY WITH
A RESPONSIBILITY TO DERISK THE NATION.

CHAIRMAN'S MESSAGE



"Don't be afraid to give up the good to go for the great."

John D. Rockefeller

As a country with a population of 21.5 million but less than 1% penetration in life insurance, tremendous potential exists for life insurance companies to provide life cover to the citizens of Sri Lanka. Thus, our future focus will be on increasing the penetration of life insurance in Sri Lanka.

Sinhala & Tamil translations



Chairman's
Message

Dear Stakeholders,

It gives me immense pleasure to place before you our 7th Integrated Annual Report and to elaborate on how Ceylinco Life Insurance Limited successfully maintained its market leadership position in the life insurance industry through yet another challenging year, while continuing to infuse sustainable value for stakeholders and the wider community. The theme of our Integrated Annual Report, 2021 'Derisking the Nation – Today and Beyond' reflects how the Company navigated its way through a year filled with converging challenges by empowering the people of Sri Lanka to secure their financial well-being through insurance and retirement solutions.

Global Economy

The global economy finally seemed to be recovering from the catastrophe of the COVID-19 outbreak as rapid vaccination drives and substantial fiscal and monetary stimulus fuelled a stronger rebound in 2021, more than anticipated in 2020. According to the International Monetary Fund (IMF), the global economy is still recovering despite a rising pandemic that has required an international response. Global economic growth was anticipated to be 6% in 2021 and 4% in 2022, unchanged from April 2021's World Economic Outlook (WEO) forecast, but incorporating counter-cyclical adjustments.

Emerging market and developing economy prospects for 2021 weakened notably in Asia, while the outlook for advanced economies was enhanced. These updates reflect pandemic patterns and policy adjustments. The significant increase in global aggregate demand has not been matched by a corresponding rise in production. With supply constraints, real GDP expanded less than anticipated in 3Q 2021, while inflationary pressures increased. Demand supported by stimulus measures, mainly in the US, is driving the steep increase in global consumer goods prices since March 2021.

The return of workforces, solid investment, and the unwinding of fiscal and monetary stimulus should stabilise prices in 2022.

But the threat of broader inflation worries central banks. Further risks will arise if central banks postpone normalisation due to new COVID-19 variants. Meanwhile, the US Federal Reserve is expected to raise rates in 2022 to combat rising inflation. The European Central Bank is predicted to keep interest rates unchanged until 2023, while the People's Bank of China is expected to lower rates in 2022. The US dollar is likely to strengthen in the coming months. In 2022, a stronger dollar and slower Chinese growth could add to the challenges facing emerging-market growth.

Global Insurance Industry Outlook

Along with the global economy's outlook for 2021, the insurance sector's performance, both globally and in Sri Lanka, improved. According to research, the insurance sector had a relatively smaller decline in premiums during the COVID-19 crisis compared to the 2008/09 global financial crisis. It is anticipated that the total global direct premiums written in 2021 will be 10% higher than pre-crisis levels in 2019. This is a more rapid recovery than seen during global financial crisis recovery, when premiums had barely risen above their pre-crisis level.

Worldwide, real insurance premiums are expected to climb by 3.4% in 2021, bringing total global direct premiums issued to 8% more than in 2019. After a challenging year in 2021, insurance profitability should improve in 2022 as the industry absorbs COVID-19-related claims, above-average catastrophe losses, and high inflation.

Throughout COVID-19, the insurance sector - like most businesses - faced significant obstacles. Sri Lanka's insurance sector, which recovered from pandemic-induced circumstances in 2020, continued to grow in 1Q 2021, with practically every key performance metric increasing, although there was some divergence in performance between the life and non-life insurance segments. While Gross Written Premiums (GWP), profitability matrices, risk-based capital (RBC) and industry growth all outperformed, the

pandemic and its aftermath rekindled future prospects, particularly for the life insurance segment as people became increasingly conscious of the risks to their lives and sought additional life protection.

As a result of this phenomenon, life insurance GWP increased by 15.98% in 2020, the highest ever since 2017, before exponentially increasing to 34.13% in 1Q 2021, bringing the penetration level in terms of GWP as a percentage of GDP to 0.69% from 0.59% in 2019, and total insurance penetration to 1.39% of GDP from 1.31% a year ago.

Thus, it is noted that the world economy and the insurance industry, both internationally and in Sri Lanka, performed exceptionally in the year 2021 after a disruption created by the COVID-19 pandemic. Swiss Re forecasts that insurance demand will benefit from growth momentum, but rising inflation is a concern for 2022. Thus, the global insurance demand will grow by an above-trend 3.3% in 2021 and 3.9% in 2022, which is a rapid rebound relative to prior recessions.

Company Performance

After navigating the challenging 2020 year with poise and dignity, the year under review further reinforced the company's market leader status across three key pillars: the highest gross written premium; above average capital adequacy ratios and increased profitability. The company's GWP grew from Rs. 22.08 Bn in 2020 to Rs. 25.56 Bn in 2021, which reflects a 15.80% growth.

The company recorded a Capital Adequacy Ratio (CAR) of 397% as at 31 December 2021, while the minimum requirement of the regulator is 120%. The average CAR of the life insurance industry, based on the latest available IRC SL Statistical Review, stood at 366% as at 31 December 2020. This strong foundation gives confidence to customers because it reflects the company's ability to issue long term contracts and honour its commitments to policyholders.

CHAIRMAN'S MESSAGE

Dividend

The Company has proposed a final dividend of Rs. 15.75 per share for the FY 2021. Our dividends have historically been on an upward trend.

Product innovation

Along with managing particular pandemic-induced challenges, the company is also keeping a close watch on the big picture in the industry, especially some recent demographic changes. There is a growing incidence of more females and younger generations entering the workplace. As the workforce is getting incrementally younger, this demographic shift is top of mind when the company develops new products. Another segment that deserves greater attention is the greying population in Sri Lanka. The high proportion of greying population poses a grave socio-economic challenge to the country, and places a greater health burden on the state. As a responsible insurer and the market leader, Ceylinco Life has made recommendations to the regulator on how this challenge could be addressed to provide a safety net for senior citizens.

Going ahead, we will further enhance the features of our products to ensure our elderly population can access a life of dignity, secure in the belief that they have not been forgotten. The company now extends policies up to the age of 70 and is studying the viability of raising eligibility of policyholders to 75 years subject to certain riders.

Subsidiaries

The two subsidiaries of Ceylinco Life performed well during the year, recording a profit before tax of Rs. 81 Mn.

Ceylinco Healthcare Services Limited

We continue to provide chemotherapy hormone therapy and radiotherapy services thereby resulting in tremendous savings in foreign exchange to the country.

Serene Resorts Limited

During the year, our staff fielded growing number of inquiries from people, mainly Sri Lankans living abroad, who are looking for an assisted facility back home to retire in. La Serena, the retirement resorts, now has almost 16 occupants – with 12 out of the 44 chalets being occupied. The prospects for the retirement resort are growing stronger as we believe it is a concept ahead of its time in Sri Lanka.

Governance

The company is adequately geared up to meet compliance norms for the new accounting standard SLFRS 17, which will be implemented by the year 2023. The real implications of this standard on the Company's financials are still being studied, but we are well on our way to being ready for its implementation.

The implementation of another standard, SLFRS 9 is also in progress. We assessed an impairment provision of only Rs. 14 Mn under this standard in relation to our financial investments worth over Rs. 128 Bn as at 31st December 2020. The strong measure of trust reposed in the company is a result of how it manages its investments. This reflects the prudent management of our investments.

Ceylinco Life has in place an impeccable risk and governance framework. The Company voluntarily adopted the Code of Best Practices on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka. The Board of Directors holds oversight responsibility of the governance activities of the Company and the mechanisms for good governance are constantly reviewed, benchmarked and strengthened to meet evolving requirements. During the year, the Board consciously worked on improving the governance system framework and controls to ensure compliance with the requirements under the provisions of the Companies Act, the Listing Rules as applicable and with the Regulation of Insurance Industry Act, No.43 of 2000 and the applicable Rules, Determinations and Directions issued by the IRCSL.

In line with the Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka, a Senior Independent Director (SID) was appointed in 2021, strengthening the foundation of the Company's governance framework by enhancing transparency, accountability and stewardship.

Environment and Social Sustainability

In the year 2021, the company took a significant step in its sustainability journey to measure its carbon footprint and is working towards an annual reduction of between 5% to 10%. The company has moved ahead with its decision to reduce the use of rented buildings while moving into its own properties. Many of its owned branches have solar panels installed to reduce energy consumption, which has resulted in zero dependence on the national grid and instead in some cases the excess power generation is sold to the national grid. As one of our latest projects we have installed solar panels at our retirement resort in Uswatakeliyawa to generate 100 MW.

Another advantage of converting manual processes to digital has been the saving in paper consumption. Electronic waste is also disposed of responsibly through an agreement with a certified recycler.

Another sustainable strategy has been the management of the COVID-19 challenge. An in-house medical committee monitors the health of employees and attends to infected employees with regard to testing, quarantine or hospitalization, while looking after their families during the period. We have also provided work from home facilities for infected employees until they recover.

In addition to financial stability, the company has established a culture that offers handsome rewards and earnings to its sales force, which is considered the most professional in the industry and who enjoy above market benefits. The attrition rate in 2021 was nominal and I am happy to say that the well-trained veterans were

all retained despite the challenges they faced during the year.

Ceylinco Life has demonstrated its overarching commitment to educate and empower the future generations of country through its 'Pranama' scholarships which was held for the 20th consecutive year. We continued the classroom development project in 2021 despite the restrictions in movement. The Company, recognising the need for adequate medical infrastructure in hospitals with the ongoing pandemic, donated urgently needed medical equipment to government hospitals.

A key aspect of the company's sustainable approach to business is how it derisks the organization and the business. A comprehensive risk management team has been appointed in every department to identify risks, to take steps to minimize and address the risks.

Future outlook

As a country with a population of 21.5 million but less than 1% penetration in life insurance, tremendous potential exists for life insurance companies to provide life cover to the citizens of Sri Lanka. Thus, our future focus will be on increasing the penetration of life insurance in Sri Lanka. A prospective line of business that the company will explore in the future is private healthcare as there is clearly significant demand for quality healthcare solutions, backed by a trusted brand name.

Going ahead, the company will continue its policy of occupying its owned buildings and reduce the portfolio of rented branches. The strong digitalization push will perhaps necessitate more compact branches as customers rely more on digital platforms. The company has also embarked on a project to review its strategic IT roadmap for the future and has retained reputed consultants to chart its digital footprint into the long term.

Yet another challenge that we will face in 2022 with regards to our profitability is the arbitrary interpretations by Inland Revenue authorities.

Acknowledgements

The commitment and adaptability of the Ceyinco Life team was the main driver of profitability in 2021. Managing the entire operation prudently during the year, while elevating the customer service levels to become No. 1 in customer service amongst the insurance industry, was an admirable feat.

On behalf of the Directors, senior management and the rest of the staff, I would like to bid adieu to Gen. (Rtd.) C S Weerasooriya, who stepped down from the board. We extend our appreciation for his valuable contribution during his tenure of 6 years. I take this opportunity to welcome on board Mr W W L R A Fernando, who was invited to the Board w.e.f. 30th June 2021.

I wish to thank the Chairman and the Director General of the Insurance Regulatory Commission of Sri Lanka for the cooperation extended to the company. .

Finally, I would like to thank my colleagues on the board and the entire team for an impressive performance and coordinated effort through the year.



R Renganathan
Chairman

24th February 2022

A RESILIENT PERFORMANCE SPURRED BY INNOVATION,
SERVICE EXCELLENCE, AND INGENUITY.

MESSAGE BY MANAGING DIRECTOR



***"Tough times never last,
tough people do."***

Dr Robert H. Schuller

The Company's efforts in digitalising both internal and external systems are empowering it to offer best-in-class experiences to its customers.

Sinhala & Tamil translations



Managing Director's
Message

Dear Stakeholders,

Ceylinco Life has traversed through many periods of challenge and adversity in its corporate journey, but the last two years have been unprecedented in many ways. Challenges of this magnitude call for companies to act with a long-term approach by closely monitoring economic dynamics and responding in a resourceful and resilient manner to surmount the extraordinary challenges. Ceylinco Life was successful in sustaining its market leadership position into the second year of the pandemic, demonstrating unequivocal strength, dedication and professionalism of our team.

Our performance demonstrates our strong foundation while reflecting the quality of professionalism of Team Ceylinco Life. Against this backdrop, I am pleased to report that Ceylinco Life delivered on its financial, operational and strategic aspirations by taking a long-term sustainable approach, thereby creating value for all stakeholders.

Resilient Performance

The Company recorded Gross Written Premium of Rs. 25.56 Bn, marking an important milestone amidst adversity. This represents a growth of 16% in 2021, a marginal dip from 17% growth recorded in 2020. The Company was successful in maintaining profitability levels driven mainly by growth in Gross Written Premium (GWP).

The Life Fund of the Company reached the 119.63 Bn mark while the Shareholders' Fund rose to 44.19 Bn, which represents an increase of 15.86% compared to the previous year. The Return on Equity (ROE) stood at 15.33% while the Capital Adequacy Ratio (CAR) computed as per the Risk Based Capital regulations imposed by the Insurance Regulatory Commission of Sri Lanka (IRC SL) was 397% as at 31st December 2021 which is far above the statutory requirement of 120%.

The Company maintained the highest standards of investment credit quality through prudent investment strategies. In cognizance of the volatile nature of the business environment, the company focused mainly on AAA and AA rated

instruments and counterparties to safeguard and maintain a balanced portfolio of investments.

A sum of Rs. 12.73 Bn was paid out in policyholder claims and benefits during the year. Hospitalization claims increased marginally during the year due to the pandemic, but the company ensured that all claims were honoured to keep its promise to its policyholders. It is worthwhile to note that the company paid Rs. 1.4 Bn in death claims in 2021, compared to Rs. 725 Mn in the previous year.

Highlights of Operational Performance

Ceylinco Life considers its employees to be its key competitive advantage that drives market leadership status. As always, our foremost priority was to maintain a 'Safe' and 'Great' place to work for our team. In our 2nd year of assessment for 'Great Place to Work', we were placed among the top 10 best work places among the banking, financial services and insurance industry sector. The Company maintained health and well-being of employees by ensuring strict compliance with COVID-19 protocols and investing in appropriate hygiene and sanitation equipment. Our key strategy in ensuring workplace safety was raising awareness of staff at all levels of the organization and in our customers.

Although our operational expenses are the lowest in the industry, we continued our quest for operational excellence and efficiency by digitalising repetitive tasks and introducing Robotic Process Automation (RPA).

The most awaited policyholder engagement event - the popular "Family Savari" programme - could not be conducted this year due to the travel restrictions, but we ensured that the tangible value of this program was maintained by awarding the winners with gold coins of equivalent value amounting to Rs. 30 Mn.

Our Pranama scholarships programme was also conducted for the 20th consecutive year contributing to the education pillar, one of the key strategic

corporate social responsibility and policyholder engagement initiatives of the company. Scholarships amounting to Rs. 11.8 Mn were awarded for 162 student beneficiaries in 2021. Surmounting the restrictions for gatherings, we continued our engagement activities on virtual platforms while building relationships for life with our key stakeholder groups - our policyholders, sales team and employees. This ensured the bonds of connectivity and camaraderie being maintained despite the restrictions to connect in person.

Delivering on Our Strategy**Retaining market leadership**

Over the years we have placed considerable emphasis on expanding our geographical footprint. Our strategy of constructing branch offices in our own properties to strengthen our presence within the local communities has augmented our presence and instills confidence in the financial stability of the company. During FY 2021 we saw the completion of Negombo and Piliyandala branches despite challenges faced by the construction industry. Construction of the Matala and Ja Ela branches are underway while the proposed Nugegoda branch will commence construction in 2022 to widen our presence in strategic locations.

Ceylinco Life migrated most of its products and services online to maintain smooth customer service through the pandemic. The entire process was conducted remotely using the online platform by means of digital signatures or e-signatures for authentication purposes. During the year, the company recorded a growth of over 100% in new business through online channels.

The Company monitors overall customer satisfaction levels across different touch points. Surveys are conducted at each touch point to evaluate the level of service. Customers are encouraged to rate the service they received at any of the company's touch points. Surveys are also conducted by external parties to measure Call Centre Services, branch service levels and the service levels offered by sales agents.

MESSAGE BY MANAGING DIRECTOR

LMD conducted a Customer Service Survey and ranked Ceylinco Life number one in customer service in the insurance industry for 2021. In 2020, the company slipped to the number two position and took it on as a challenge to move to the top spot once again by doubling customer service efforts. The brand also enjoys a 48% top of mind brand recall. The net promoter score is being measured currently to understand how many customers are likely to recommend the company to others.

In line with our vision of taking the message of life insurance and retirement planning to every Sri Lankan, we launched the "Life Insurance Week" campaign for the 14th year, where the sales force made a concerted effort to educate the general public about the importance of life insurance. A visual quotation was used to make the life insurance concepts more relatable and easy to understand. Our products and services have seen an increased relevance and significance in the post COVID-19 context. As a company that has its finger on the pulse of evolving consumer preferences, we strived to capture the emerging opportunities in the market by launching two new products during the year.

The Future Saver plan caters to the age groups of 30- to 40-year-olds who prefer to pay for a shorter period of 5-10 years but seek the benefits to pay out over 15-20 years to ensure a steady cash flow at later stages. The second product, Education Protector, covers the school fees of a child in case of the demise of the breadwinner in the family. The product ensures that agreed amount of school fees is paid to the surviving parent to protect the child's education.

Transforming through technology

The commencement of the pandemic in 2020 accelerated our initiatives on the digital frontier and in year 2021 we maintained the momentum of our transformation process through a multitude of digitalization initiatives and use of Robotic Process Automation (RPA) which derived many productivity and efficiency advantages. The digitalization of processes has infused greater efficiency, empowering our workforce, reducing our carbon footprint and driving business

continuity. During the year, the company strengthened its digital platforms to conduct business in the new normal by launching the customer app 'Ceylife Digital', which introduces a wide spectrum of benefits to our current and potential policyholders at the touch of a button. A significant investment was made in this initiative and the app has onboarded 12,000 users within five months of launching. The aim is to onboard up to 100,000 users by the end of 2022.

The Company's efforts in digitalising both internal and external systems are empowering it to offer best-in-class experiences to its customers. Electronic submission of policies gathered much needed momentum during the year, with 65% of all new policies taking place online. Within the next year, the Company aims to drive this to 100% to reduce paperwork and make it more convenient for both staff and customers. Digital onboarding of policyholders through the combined use of digital signatures, images and documents for data collection will also be accelerated.

Currently, the process of digitalizing receipts is underway, which will enable all sales agents in the field to use their electronic devices, such as tablets and mobile phones, to receive money and issue digital receipts to customers. This will shorten the time taken for transactions and make it easy for policyholders to keep track of their payments.

During the year, the Company invested Rs. 35 Mn to completely replace the non-computing equipment at the data center with a new "smart server room". The new server room will minimize disruptions due to power failure as it has increased the backup time available and has a better environmental footprint by halving electricity consumption and eliminating noise from outdoor AC compressors. Other benefits include server room temperature and humidity monitoring, fire alerts and enhanced physical access controls to the servers.

We are presently working with a consultancy firm to develop a three-year IT Strategy, with the main focus of enhancing Data Analytics and Artificial Intelligence to fuel company's growth

momentum by benefitting from the use of cutting edge technology. This significant investment over the next three-year period will help the Company to take strides of progress and be future ready. The Company has already deployed artificial intelligence with its chat bot "Ceylena" to resolve customer queries. The IT Strategy also envisions the use of robotics company-wide to reduce repetitive work and artificial intelligence to drive marketing and customer service departments, and even fraud assessment of claims.

Nurturing our environment and society

The Company has proved its credentials as a responsible corporate steward by engaging in a host of sustainability initiatives for many years. Our long-term sustainability and success are inextricably linked to the degree of value we deliver to the society and community at large. We aim to play our part by contributing to the development of the country and delivery of products and services for societal needs, and through our own operations, we aim to play our part to support the nation to create a thriving society whilst creating long term value and trust. This is particularly significant at this juncture where the country is grappling with many challenges, and we have responded to the needs of the country during the pandemic and will be a supportive partner in the nation's progress in future.

The Company donated high flow oxygen machines to 7 regional hospitals to better treat COVID-19 infected patients. Other life-saving medical equipment was donated to strengthen the medical facilities of hospitals which were grappling with a surge in the number of patients. As a forerunner in environmental conservation under its Go Green project, a 100 Mw rooftop solar energy project was launched at La Serena at a cost of Rs. 15 Mn – a significant step in the direction of achieving the objective of reducing the carbon footprint.

Investing in our people

The entire staff at Ceylinco Life adapted quickly to the new norm of online meetings and even training programmes, which ensured there was no disruption

when it came to enhancing skill sets of frontline employees. During the year we participated in the 'Great Place to Work' survey and based on the feedback received, launched some key initiatives to increase opportunities for idea generation which has proved to be a motivational tool. 'Customer Service Champion' and 'Super Idea Hero' projects were launched to encourage employees to engage further with the company.

The marketing team joined an international training programme conducted by a professor from the UK which was received well by the participants. Our professional sales force is upskilled with regular training programmes while giving them the latest digital tools to remain competitive, even more so due to the digitalization drive taking place in the company presently. Staff is actively looking at increasing online business and in time we may have to build a different business model for our sales force that leverages more on digital platforms.

The Company's performance-driven culture is enhanced by its commitment to continuous learning and open lines of communication to ensure employee concerns are heard and addressed at any point in the employee life cycle.

Awards and Accolades

Ceylinco Life was ranked as the 'Most Valuable Life Insurance Brand' in Sri Lanka in the 18th edition of the Brand Finance Awards. We also emerged SLIM Nielson People's Life Insurance Brand of the Year in 2021. This is the 15th consecutive year that the Company has been recognized with this accolade since the inception of the awards.

Ceylinco Life was ranked amongst the '10 Most Admired Companies in Sri Lanka' by the International Chamber of Commerce Sri Lanka (ICCSL) in collaboration with the Chartered Institute of Management Accountants (CIMA). Ceylinco Life is the only insurer in the 'Top 10' in the latest edition of this prestigious list.

Ceylinco Life retained its title as World Finance's 'Best Life Insurer in Sri Lanka' in 2021, reaffirming its consistency in performance in an extraordinarily

challenging year marked by the COVID-19 pandemic. Bestowed on the Company for a record eight consecutive years, the World Finance Global Insurance Award recognises Ceylinco Life as an organisation that is committed to continuously improving its overall processes, efficiency, and relationships to serve our policyholders.

The Company was awarded the 'Great Place to Work' for the second consecutive year with a five-mark improvement over the overall rating accorded to the life insurance leader last year, following an independent analysis conducted by Great Place to Work® a global authority on workplace culture.

Over the years we have placed significant emphasis on corporate reporting and transparency. Integrated Annual Report 2020 won a joint Silver Award at the CA Sri Lanka Annual Report Awards organized by the Institute of Chartered Accountants of Sri Lanka.

Further, the Annual Report was ranked among the '10 Best Integrated Reports' for the second consecutive year at the 7th edition of the 'CMA Excellence in Integrated Reporting Awards 2021' presented by the Institute of Certified Management Accountants (CMA) of Sri Lanka.

Looking Ahead

Sustaining market leadership status, which we have achieved for the past 18 years remains our foremost strategic objective, while working towards recording above average industry growth in 2022 over the previous year. Customer-centricity and enhancing customer experience will be pivotal in maintaining our market leadership position hitherto maintained on a continuous basis. Recognizing the needs of the millennial and Gen Z policyholders and enhancing the customer experience through digitalization will be a key focus area.

Enriching our positioning as a most sought-after employer in the industry by promoting a Great place to work culture as a strategic priority will be a primary focus area whereby, we could attract and retain the best talent in the industry. We also recognize the aspirations of the

millennials and Gen Z workforce and hope to align our practices to be an appealing and attractive workplace to these emerging segments.

Environmental sustainability has been a part of our DNA and will continue to drive the way we operate and expand our business. Strongly underpinned with our digitalization initiatives, we envisage our operations to be digitally driven with the least impact on our natural resources, thereby reducing our carbon footprint by 10% by 2022.

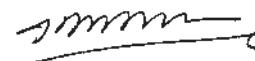
Appreciation

I would like to place my sincere appreciation to the Chairman and the Board of Directors for placing their trust in me to lead the organization through a challenging year. Of course, I could not have achieved this without the committed Team Ceylinco Life. I would like to take this opportunity to appreciate our policyholders, business partners as well as all other stakeholders for their continued confidence and trust in the company. I also wish to thank our shareholder and parent company - Ceylinco Insurance PLC.

I would like to thank the Insurance Regulatory Commission of Sri Lanka for regulating the life insurance industry during a turbulent phase and for its efforts in creating awareness on life insurance among Sri Lankans.

I wish to convey my appreciation to, Munich Reinsurance Company and Swiss Reinsurance Company Ltd, two leading reinsurers for supporting us throughout the pandemic.

As we look forward to a stronger 2022, we at Ceylinco Life remain committed to delivering on our purpose of spreading the message of life insurance whilst contributing to the well-being and growth of the societies by creating and delivering value to our stakeholders.



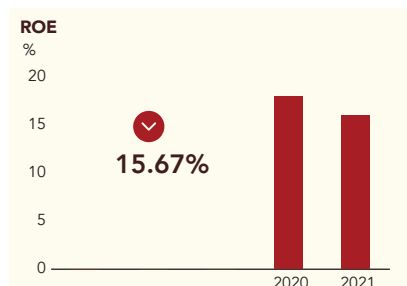
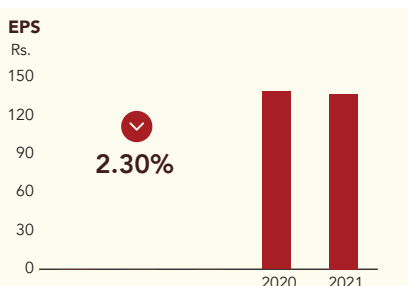
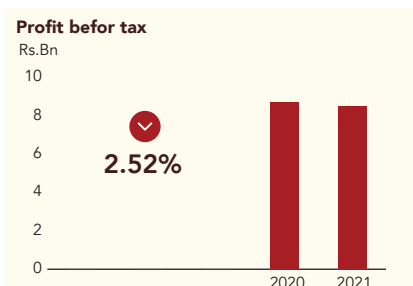
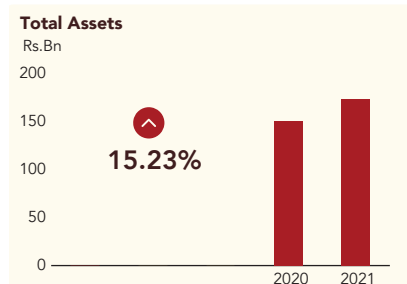
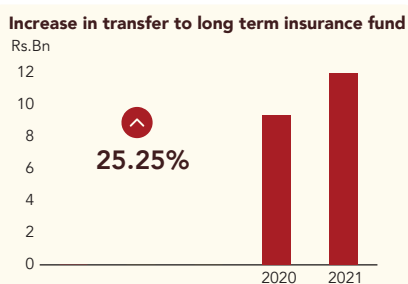
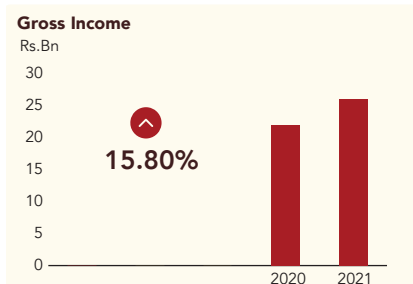
Thushara Ranasinghe
Managing Director / CEO

24th February 2022

SCALING NEW HEIGHTS

FINANCIAL HIGHLIGHTS

| Year Ended 31 December | Company | | |
|---|-------------|-------------|---------|
| | 2021 | 2020 | Change |
| | Rs.'000 | Rs.'000 | % |
| Results for the Year | | | |
| Gross Written Premium | 25,565,050 | 22,076,250 | 15.80 |
| Net Claims / Net Benefits | 12,736,308 | 12,266,513 | 3.83 |
| Increase in transfer to Long Term Insurance Fund | 11,803,985 | 9,423,994 | 25.25 |
| Investments and Other Income | 15,129,139 | 14,912,201 | 1.45 |
| Transfer to Retained Earnings (Annual Shareholder Transfer) | 4,500,000 | 4,100,849 | 9.73 |
| Profit Before Taxation | 8,545,373 | 8,766,512 | (2.52) |
| Profit After Taxation | 6,774,490 | 6,934,122 | (2.30) |
| Position at the Year End | | | |
| Shareholder's Equity | 44,194,034 | 38,145,035 | 15.86 |
| Long Term Insurance Fund | 119,634,780 | 106,737,377 | 12.08 |
| Investments | 154,455,119 | 133,707,835 | 15.52 |
| Total Assets | 173,762,956 | 150,801,386 | 15.23 |
| Per Ordinary Share | | | |
| Earnings (Basic) (Rs.) | 135.49 | 138.68 | (2.30) |
| Dividends (Rs.) | 15.65 | - | 100.00 |
| Net Assets (Rs.) | 883.88 | 762.90 | 15.86 |
| Ratios | | | |
| Return on Total Assets % | 3.90 | 4.60 | (15.21) |
| Return on Equity % | 15.33 | 18.18 | (15.67) |
| Dividend Cover (Times) | 8.66 | - | 100.00 |
| Dividend Payout Ratio % | 11.55 | - | 100.00 |
| Capital Adequacy Ratio | | | |
| Total Available Capital (TAC) Rs. Mn | 71,665 | 71,737 | (0.10) |
| Risk Based Capital requirement (RCR) Rs. Mn | 18,048 | 16,918 | 6.68 |
| Risk-based Capital Adequacy Ratio (CAR) % | 397% | 424% | (6.36) |
| Minimum CAR (%) Required by Regulator | 120% | 120% | |



CONTRIBUTING TO A SUSTAINABLE FUTURE

NON - FINANCIAL HIGHLIGHTS

| Indicator | GRI Relevance | Unit of Measure | 2021 | 2020 |
|--|---------------|-----------------|----------|----------|
| Financial Capital | | | | |
| Direct economic value added | 201-1 | Rs. Mn | 3,515 | 4,055 |
| Manufactured Capital | | | | |
| Total number of branches | | Count | 138* | 139 |
| Investments in new owner occupied properties | | Rs. Mn | 253 | 153 |
| Investments in new investment properties | | Rs. Mn | 311 | 218 |
| Natural Capital | | | | |
| Electricity consumption | 302-1 | Mwh | 1,986 | 2,050 |
| Fuel consumption | 302-1 | Litres | 289,473 | 266,450 |
| Water withdrawal | 303-1 | Litres | 26,244 | 26,292 |
| Direct GHG emissions (Scope 1) | 305-1 | tCO2e | 591.00 | 931.28 |
| Energy indirect GHG emissions (Scope 2) | 305-2 | tCO2e | 951.56 | 960.93 |
| Other indirect GHG emissions (Scope 3) | 305-3 | tCO2e | 2,456.56 | 1,660.23 |
| Indirect GHG Emissions from Products Used by the Organisation (Scope 4) | | tCO2e | 105.85 | 124.60 |
| Total GHG emissions | | tCO2e | 4,104.97 | 3,677.05 |
| Weight of waste paper recycled through 3rd party contractors | 306-2 | Kg | 21,297 | 5,678 |
| Significant environmental fines | 307-1 | Rs. Mn | Nil | Nil |
| Human Capital | | | | |
| Estimated value of defined benefit plans | 201-3 | Rs. Mn | 2,070 | 2,184 |
| New employee hires | 401-1 | Count | 54 | 42 |
| Employee turnover | 401-1 | Count | 80 | 71 |
| Total employees | 401-1 | Count | 795 | 814 |
| No of incidents of work related injuries and fatalities | 403-2 | Count | Nil | Nil |
| Workers with high incidence or high risk of diseases related to their occupation | 403-3 | Count | Nil | Nil |
| Incidents of child labour | 408-1 | Count | Nil | Nil |
| Average hours of training per year per employee | 404-1 | No of hours | 14.7 | 6.5 |
| Percentage of employees receiving regular performance and career development reviews | 404-3 | % | 100 | 100 |
| Incidents of discrimination | 406-1 | Count | Nil | Nil |
| Social & Relationship Capital | | | | |
| Customer complaints as a percentage of active policies | | % | 0.11 | 0.13 |
| Number of Pragma Scholarship recipients | | Count | 162 | 154 |
| Value of Pragma Scholarships granted | | Rs. Mn | 11.8 | 11.5 |
| Sustained complaints on breach of customer privacy and loss of customer data | 418-1 | Count | Nil | Nil |
| Non-compliance with social and economic laws and regulations | 419-1 | Count | Nil | Nil |
| Incidents of non-compliance related to products | 417-2 | Count | Nil | Nil |
| Incidents of non-compliance related to marketing communications | 417-3 | Count | Nil | Nil |
| Number of sales agents | | Count | 3,583 | 4,084 |
| Female representation in agency force | | % | 51 | 49 |
| Number of MDRT qualifiers | | Count | 161 | 135 |
| Premium ceded to reinsurers | | Rs. Mn | 308 | 505 |
| Number of Waidya Hamuwa programs conducted | 203-1 | Count | Nil | Nil |
| Number of class rooms developed | 203-1 | Count | Nil | 2 |
| Intellectual Capital | | | | |
| Incidents of violation of corporate code of conduct and ethics | 205-3 | Count | Nil | Nil |
| Number of key IT systems introduced | | Count | 4 | 2 |

*Drop in no. of branches is due to relocation of few branches in to one location

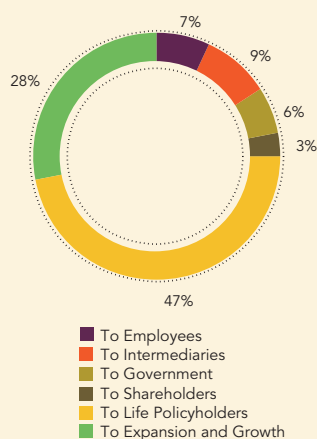
DELIVERING VALUE TO OUR STAKEHOLDERS

ECONOMIC VALUE ADDED STATEMENT

| For the Year Ended 31 December | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|------------------|------------------|------------------|------------------|------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Invested equity | | | | | |
| Shareholders' funds | 40,737,848 | 34,688,848 | 28,035,892 | 22,969,401 | 17,190,714 |
| Earnings | | | | | |
| Profit after tax | 6,774,491 | 6,934,121 | 6,671,669 | 5,794,289 | 6,011,241 |
| Cost of equity (Based on 12 months weighted average T-bill rate plus 2% for risk premium) | 8.00% | 8.30% | 11.57% | 11.11% | 12.05% |
| Cost of average equity | 3,259,028 | 2,879,174 | 3,243,753 | 2,551,900 | 2,071,481 |
| Economic value added | 3,515,463 | 4,054,947 | 3,427,916 | 3,242,389 | 3,939,760 |

| For the period ended December | 2021 | 2020 | |
|---------------------------------|-------------------|-------------------|-------------------|
| | Rs.'000 | Rs.'000 | |
| Net Earned Premium | 25,256,551 | 21,570,788 | |
| Investment & Other income | 15,129,139 | 14,912,201 | |
| | 40,385,690 | 36,482,989 | |
| Net Claims incurred | (12,736,308) | (12,266,513) | |
| Cost of external services | (2,212,642) | (2,016,642) | |
| Total Value Added | 25,436,740 | 22,199,834 | |
| | Change % | | |
| To Employees as Remuneration | 1,790,925 | 12.88 | 1,586,632 |
| To Intermediaries as Commission | 2,369,754 | 11.59 | 2,123,644 |
| To the Government as Tax | 1,566,313 | (12.34) | 1,786,883 |
| To the Shareholders as Dividend | 782,500 | 100.00 | - |
| Increase in Life Fund | 11,803,985 | 25.25 | 9,423,994 |
| Retained as Depreciation | 348,773 | 1.22 | 344,560 |
| Retained as Reserves | 6,774,490 | (2.30) | 6,934,121 |
| Total Value Distributed | 25,436,740 | 14.60 | 22,199,834 |

Distribution of Income 2021



EMBEDDING ECONOMIC SOCIAL AND GOVERNANCE PARAMETERS SUSTAINABILITY POLICY

Sustainability is integral to our overall business success and strategy. Our vision to take the message of life insurance and retirement planning to every Sri Lankan and provide protection to every family is deeply connected to our goal of building sustainable, healthier communities for life.

As a life insurance company, we always balance the needs of today with the need to honour our commitments in the future. This perspective compels us to consider the economic, social and environmental impacts of our decisions. It is our policy to conduct our business in a sustainable manner, leaving a minimal footprint as possible on our planet.

Our Sustainability Strategy

Ceylinco Life’s focus on advancing sustainability is a key strategy and differentiator for us. Endorsed by our Board of Directors, our sustainability strategy is anchored on four principles: organisational resilience, environmental responsibility, community wellness, and governance and risk management.

The strategy reflects input from external and internal stakeholders and is aligned with our company’s overall vision and mission.

Our Sustainability Principles

Organisational Resilience We cultivate an organisation that is competitive, forward-thinking, resilient and sustainable for the long term, so we can continue to meet the needs of our key stakeholders, who are at the centre of all we do.

Environmental Responsibility

We are accountable for the impact of our operations on the environment, so we are consistently taking steps to measure, manage and reduce that impact.

Community Wellness

We believe that by actively supporting the communities in which we live and work, we can help to build a positive environment for our stakeholders.

Governance and Risk Management We believe a well-governed organisation contributes to a stable operating platform for the Company, and positions us to meet our obligations to stakeholders. Proactive risk management and a strong

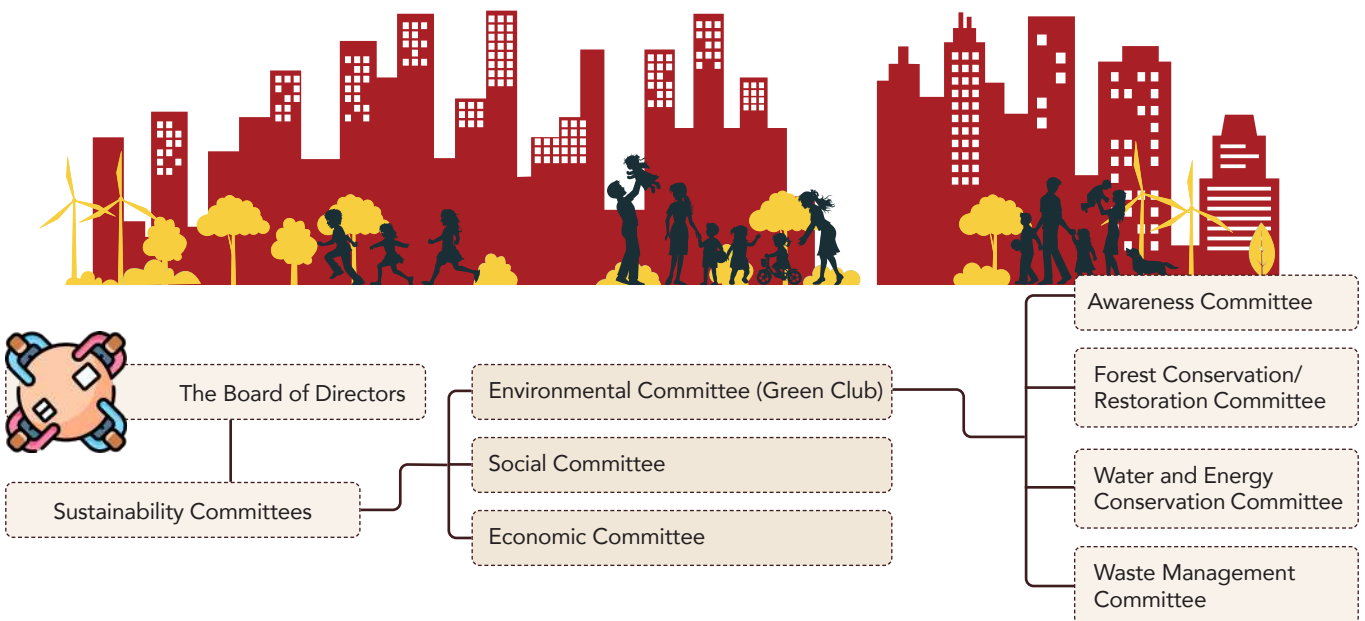
risk culture are essential to our long-term success.

Stakeholder Engagement

Our commitment to sustainability starts with listening to stakeholders. Through a variety of engagement channels, we seek to understand and integrate the needs and interests of our stakeholders into all aspects of our operations and sustainability strategy. Open dialogue and inclusive engagements help us improve our business, build positive relationships and understand evolving expectations. Our main stakeholders relevant to sustainability, are those who we consider to have a direct or indirect interest in, or can influence or be impacted by, our business activities. More details can be found on Stakeholder Engagement section on page 38.

Materiality Assessment

Our sustainability reporting focuses on a set of “material issues”. We identify, prioritize and validate these issues through ongoing stakeholder engagement and an annual materiality analysis to ensure that we are addressing the right issues. Refer to Materiality Assessment section on page 40.



SUSTAINABILITY POLICY

| | | |
|--------------------------------|--|---|
| Organisational Resilience | Financial stability | <p>OUR APPROACH</p> <p>Improving financial stability is vital to keep our company resilient in terms of financial strength. This enables us to honour customer claims throughout the terms of the contracts. This is also a key factor for customer to trust us. We ensure that all funds are invested in a prudent manner adhering to regulatory guidelines to generate steady returns and accumulate financial wealth. More details can be found in Delivering Financial Value on page 54.</p> |
| | Customer focus | <p>OUR APPROACH</p> <p>Placing our customers at the centre of all means, listening to them and understanding what they need from us at every touch point. It's not just about selling insurance or benefits. It's about delivering the best outcomes for our policyholders. Our customer-centric strategy means we're working harder than ever to ensure we're modernizing and humanising our brand, while maintaining our core attributes of being a caring, optimistic and relevant company. More details can be found in Building Relationships for Life on page 76.</p> |
| | Technological innovation | <p>OUR APPROACH</p> <p>We're transforming our business by digitising current operations and creating innovative new models that can delight our customers, de-mystify a complex business and support the important work of our sales agents and business partners. Leveraging data allows us to personalize and deepen relationships with customers, and better predict and anticipate their needs to help them achieve their goals. In the digital age, we can become a larger part of their daily lives, thanks to mobile connections, new tools and capabilities. More details can be found in Transforming through Technology on page 101.</p> |
| | Talent management | <p>OUR APPROACH</p> <p>We are committed to creating inclusive, sustainable and empowering workplaces where employees can contribute to their full potential. Our objective is to build and attract a disproportionate share of top talent across our businesses, wrapped in a culture that emphasizes collaboration, integrity and treating customers and colleagues with dignity and respect. More details can be found in Investing in Our People Choice on page 121.</p> |
| Environmental Responsibility | Environmental impact management | <p>OUR APPROACH</p> <p>We are accountable for our impact on the environment, and work every day to measure, manage and reduce that impact. Through our environmental management framework, we integrate environmental sustainability into our day-to-day operations and decision-making. Our wide range of programs and practices aim to manage the environmental footprint of our business. We track and report on key environmental indicators to monitor progress and identify opportunities for improvement. More details can be found in Nurturing Our Environment on page 110.</p> |
| Community Wellness | Promotion of community health and facilities | <p>OUR APPROACH</p> <p>We contribute to uplift the standard of health and medical facilities of the nation by donating high dependency units (HDU) to hospitals. We conduct 'Waidya Hamuwa' programs in rural communities to help them improve their health conditions. More details can be found in Building Relationships for Life on page 76.</p> |
| | Promotion of school facilities | <p>OUR APPROACH</p> <p>We continue to support schools in rural areas by undertaking the design and construction of class rooms. More details can be found in Building Relationships for Life on page 76.</p> |
| Governance and Risk Management | Ethics, Integrity and Corporate Governance | <p>OUR APPROACH</p> <p>We always maintain a firm stance in ethics and integrity. We voluntarily comply with the Code of Best Practice on Corporate Governance. More details can be found in Corporate Governance section on page 152.</p> |
| | Risk Management | <p>OUR APPROACH</p> <p>As a large life insurance company, we are exposed to various risks, including sustainability-related risks. Our Enterprise Risk Management Framework prescribes a comprehensive set of programs for conducting our business activities. The risks that arise when providing products and services to customers are managed within these programs. This framework, along with our suite of risk management policies, seeks to ensure that risks are appropriately managed to achieve the Company's business objectives. More details can be found in Enterprise Risk Management on page 177.</p> |

Sustainable Development Goals



SDGs Impacted by our Business Operations

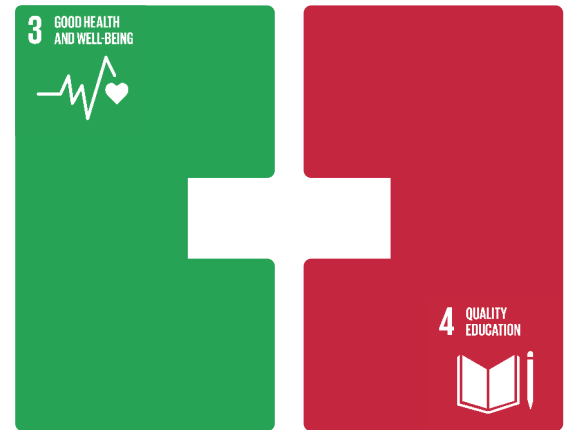


The United Nation’s SDGs provide a guide for development priorities aimed towards ending poverty, protecting the planet and ensuring prosperity for all as part of a new sustainable development agenda. Ceylinco Life directly and indirectly contributes towards Sri Lanka’s progress of 13 of the 17 SDGs.

This year, we have sought to improve our SDG reporting by,

- Demonstrating relevance within the capital reports on the progress towards SDGs
- Classification of SDGs into 2 broad categories encompassing relevance of SDGs to the operations directly and to the strategic CSR initiatives of the Company.

SDGs Impacted by our Strategic CSR Initiatives



RESPONDING TO A DYNAMIC ENVIRONMENT

OPERATING ENVIRONMENT



Global Economy Overview

The global economy rebounded to an estimated 5.5% in 2021, However global growth is expected to decelerate significantly in 2022 to 4.1%, reflecting continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks further exacerbated by the geo-political tensions.

Although output and investment in advanced economies are projected to return to pre-pandemic trends in 2022, they will remain below in Emerging Market and Developing Economies (EMDEs), owing to lower vaccination rates, tighter fiscal and monetary policies, and the lingering effects from the pandemic.

Various downside risks cloud the outlook, including simultaneous Omicron-driven economic disruptions, further supply bottlenecks, a de-anchoring of inflation expectations, financial stress, climate-related disasters, and a weakening of long-term growth drivers.

This underscores the importance of strengthening global cooperation to foster rapid and equitable vaccine distribution, calibrate health and economic policies, enhance debt sustainability in the poorest

countries, and tackle the mounting costs of climate change.

Global Economic Outlook

It is evident that an effective global health strategy involving higher levels of vaccine production, better delivery systems within nations and more equitable vaccine distribution is now more relevant than ever to establish global economic stability and growth.

Financial stability, encompassing capital flows, currencies, and fiscal positions, in emerging markets and developing economies may be affected as advanced economies lift policy rates. This is particularly relevant for those nations which saw significant increases in debt levels since the outset of the pandemic. Therefore, many countries will need to gear their monetary policy towards curbing inflation pressures and fiscal policies towards prioritizing health and social spending and supporting those who are most severely affected.

Other global risks may arise from high levels of geopolitical tensions. The probability of high impact, wide scale natural disasters cannot be discounted within the context of the status quo of the climate emergency and the underwhelming race towards net-zero. Investing in climate policies continues to be an imperative for reducing the risks of catastrophic climate change.

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The Sri Lankan Economy Overview

The socio-economic effects of the pandemic since 2020 and the associated lockdowns and mobility restrictions have been significant, causing a heavy toll on the economic development of the country.

During the first half of 2021, the Sri Lankan economy saw a strong recovery. However, the third wave of the pandemic, beginning in late April 2021 and peaking in August, delayed the full resumption of economic activity and affected third quarter performance. The Sri Lankan economy was expected to grow by around 4.0 per cent in 2021.

In its January 2022 Monetary Policy Review, the Central Bank of Sri Lanka notes that several leading indicators point towards activity returning to normalcy, along with the successful vaccination drive of the Government.

With nearly one third (33.65%) of Sri Lankans of the vaccine eligible population in Sri Lanka receiving three vaccines Sri Lanka is among the handful of nations that have commenced administering the booster dose for fully vaccinated people.

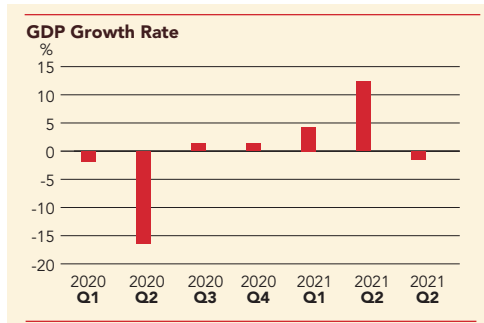
The success of Sri Lanka's successful nationwide vaccination program underpins the nation's ability rebound from the pandemic. It has been recognized and commended by many organizations and nations across the globe. This has significant implications for the ability to continue with business and economic activities while positioning Sri Lanka advantageously as a tourist destination.

The policy stimuli by the Central Bank of Sri Lanka (CBSL) and the Government have provided a strong foundation for the post-pandemic recovery. Amidst the foreign exchange crunch, debt service concerns and rising inflation, the CBSL has taken measures to ensure the stability of the external sector with a close focus on the near-term horizon. This focus underpins the belief that the proper management of this period of turmoil will lead to the restoration of clarity and certainty, enabling the economy to recover.

Operating Landscape and how we Respond to Changing Dynamics

The dynamic operational landscape of the company is represented by many variables in the macro-economic, demographic and technological. Each of these variables have significant impact to the company to which the company responds with its strategic response to adapt and remain relevant in the changing operating landscape.

MACRO – ECONOMIC VARIABLE : GDP Growth



COMMENTARY : The Sri Lankan economy rebounded strongly from the COVID-19 pandemic induced contraction in 2020. The real economy grew by 8.0%, year on year, in the first half of 2021, registering a broadbased recovery of the major sectors of the economy.

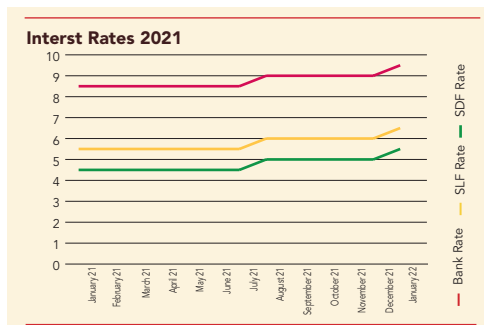
The economy contracted by 1.5% in Q3 of 2021 as Sri Lanka reimposed pandemic travel and other restrictions. The shortfall was mainly due to the contraction in output of industrial activities (-2.1% vs 22.1% in Q2), and services (-1.6% vs 7.5% in Q2) and was partly offset by the growth in agricultural activities (1.7% vs 3.1%) over the previous quarter.

RISKS AND OPPORTUNITIES : Contractions/ fluctuation in GDP levels due to externalities on a consistent basis affects the overall business growth projections of the Company. In this context the company has responded by adapting to a low economic growth level by identifying sectors, niche markets which offer growth potential. As a result, the company has devised a more segmented and focused approach in developing new products and expansion.

IMPACT TO CLI : Demand for life insurance plans could be affected due to declining disposable income levels.

COMPANY'S STRATEGIC RESPONSE : Product diversification targeting specific market segments. More details on page 77

MACRO – ECONOMIC VARIABLE : Interest Rates



COMMENTARY : The low interest rate environment benefitted fiscal operations amidst restricted access to global financial markets. Further, the Central Bank provided a large amount of funds to the Government by way of purchasing Treasury bills in bridging the widened financing gap in the midst of the pandemic. However, the Central Bank implemented monetary tightening measures in mid August 2021 by raising policy interest rates and the SRR (effective September 2021) in order to preempt the buildup of excessive inflationary pressures over the medium term.

RISKS AND OPPORTUNITIES : A low interest regime affects the yields of the investment portfolios. The Company has taken into cognizance low interest and high inflation levels by investing prudently in assets and investments which will cushion the impact of these two variables.

IMPACT TO CLI :

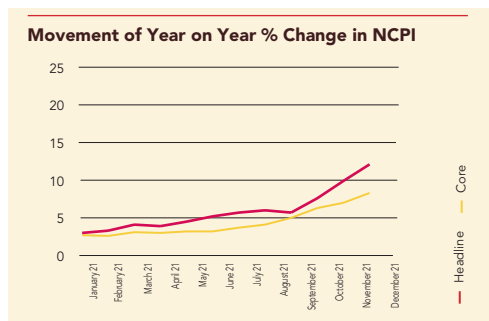
- Lowering investment yields
- Lowering returns on fund -based insurance products
- Lower interest rates, if other relevant factors remain unchanged, could positively impact the CAR ratio.

COMPANY'S STRATEGIC RESPONSE :

- Managing the interest rate risk. More details on page 181
- Locking in investments at higher rates
- Maintaining a well-diversified investment portfolio

OPERATING ENVIRONMENT

MACRO – ECONOMIC VARIABLE : Inflation



COMMENTARY : Overall Inflation rate was on the rise throughout 2021. Colombo Consumer Price Index (CCPI) based food and non-food inflation reported similar upward trends where food inflation remained significantly high at double-digit figures.

The leading cause for increasing inflation was the constraints imposed on economic activity due to COVID-19. Rising global energy prices and the universal supply chain disruptions that began with COVID-19 and prevailed around the globe during 2021 have also contributed to rising costs of both food and non-food items, including consumer and industrial goods.

Core inflation also recorded an uptick indicating the strengthening of demand conditions of the economy. While headline inflation could remain above the targeted levels in the near term.

RISKS AND OPPORTUNITIES : High inflation rates affect business growth as the uptake for insurance would be affected. In this context we have managed our expenses and strived to optimize our profitability levels.

Increased uncertainty levels coupled with high inflation levels creates a potential for insurance products which are structured with protection and a steady investment return.

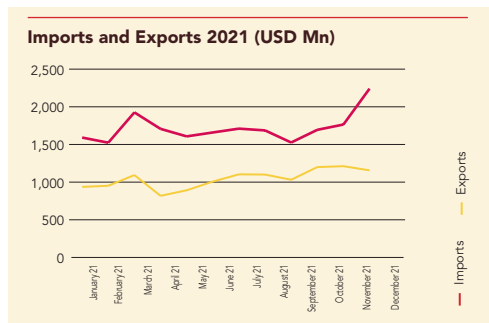
IMPACT TO CLI :

- Demand for life insurance plans could be affected due to declining disposable income levels.

COMPANY'S STRATEGIC RESPONSE :

- Competitive pricing mechanisms
- Budgetary controls for managing expenses

MACRO – ECONOMIC VARIABLE : Exchange rates



COMMENTARY : Exports reached pre-pandemic levels, while import expenditure increased, reflecting the normalisation of activity. Key commodities in the global market saw an increasing trend. Amidst limited foreign exchange inflows under pandemic conditions, speculative activity exerted further pressure on the domestic foreign exchange market, warranting intervention by the Central Bank to impose a mandatory conversion requirement on export proceeds, provide exchange rate guidance, and ultimately provide liquidity support for essential imports.

The tourism industry, which was severely affected from the outset of the pandemic did not begin its recovery until the removal of travel restrictions in the latter part of 2021. Worker remittances have been on a declining trend throughout the year.

Despite the policy restrictions imposed on non-essential imports, import expenditure remained at high levels throughout the year. Together with low forex inflows and high imports the continuous foreign currency debt servicing activities led to further depreciation of the Rupee.

The chart shows the nominal exchange rate movement of the USD against the Sri Lanka Rupee during 2021 and up to end of January 2022.

RISKS AND OPPORTUNITIES :

- On a long-term basis uncertainty on the availability of dollars and fluctuating exchange rates will affect our business growth plans, hampers our planning process and setting of budgets.
- This has an indirect impact of stifling planned expansion and upgrades of software/hardware infrastructure.

IMPACT TO CLI :

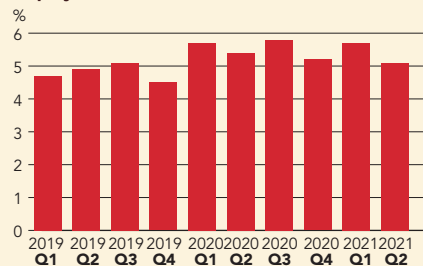
- Increase in exchange rates will result in higher outflows in rupee equivalents being paid for payments made for reinsurers, software licenses etc.
- Shortage of foreign exchange delayed important payments such as reinsurance remittances

COMPANY'S STRATEGIC RESPONSE :

- Negotiations with suppliers to invoice in LKR.
- Negotiations with banks to make split forex payments.

**MACRO – ECONOMIC VARIABLE :
Labour Market**

Unemployment Rate



COMMENTARY : The local labour market index improved in comparison with 2020 mainly due to the stability achieved through the successful testing and vaccination programmes. Although challenging conditions prevailed during the second and third waves of COVID-19, these challenges were overcome enabling economic activities to continue. The labour force increased by 1.5% to 8.594Mn in the first half of 2021 from 8.469Mn for the corresponding period in 2020.

The number of foreign workers employed declined, dropping by 24.1% to 30,797 in the first half of 2021, from 40,581 recorded for the first half of 2020. Out of the total departures, the male population represented 63.8% while 36.2% comprised of the female population.

The labour market also witnessed the negative impact of the pandemic with increasing unemployment rates due to widespread loss of livelihoods. The unemployment rate remained above 5% for six consecutive quarters since the onset of the pandemic, registering unemployment rates of 5.7% and 5.1% in the first quarter and the second quarter of 2021, respectively.

RISKS AND OPPORTUNITIES :


- Favourable increases in employment rates augurs well for the company. It creates opportunities with a captive market. This also creates a positive impact in helping the company strengthen its permanent cadre as well as the sales force.

IMPACT TO CLI :

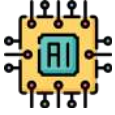


- Positive movements in the labour market creates greater potential for life insurance products..

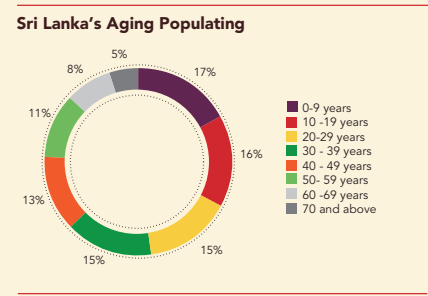
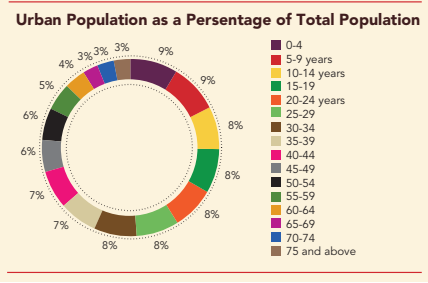
COMPANY'S STRATEGIC RESPONSE :

- Product diversification targeting specific market segments.
- Creation of recruitment opportunities in sales force and permanent staff.

| TECHNOLOGICAL VARIABLES | COMMENTARY | RISKS AND OPPORTUNITIES | IMPACT | STRATEGIC RESPONSE |
|---|---|---|---|---|
| <p>Increase in technology adoption and growing internet penetration levels</p>  | <p>Sri Lanka with a population of 21.46 million has 50.8% internet users. There are 30.41 Mn mobile connections which signifies 141% mobile penetration levels. There are 7.90 million active social media users.</p> | <p>The strong mobile technology adoption rates was a good foundation for transactions to move to mobile platforms seamlessly during the pandemic.</p> | <p>Businesses must be able to leverage positive technology adoption rates to remain connected and drive business through online platforms. Digitalization is a key enabler to elevate customer engagement and service levels.</p> | <p>The Company has empowered its sales force with tabs and smart phones which enables them to interact with their prospective policyholders to create a frictionless service level.</p> <p>Simplifying the customer on-boarding process is one of the key elements as it is important to showcase ease of transaction and enable a simple and frictionless experience to facilitate front line sales teams to onboard customers efficiently and effortlessly.</p> |

OPERATING ENVIRONMENT

| TECHNOLOGICAL VARIABLES | COMMENTARY | RISKS AND OPPORTUNITIES | IMPACT | STRATEGIC RESPONSE |
|---|--|---|--|---|
| <p>Use of Robotic Process Automation (RPA), Machine Learning (ML) and Artificial Intelligence (AI)</p>  | <p>Robotic process automation is a form of business process automation technology based on metaphorical software robots or on artificial intelligence / digital workers.</p> | <p>The pandemic accelerated the adoption of technology to infuse greater efficiency and infuse cost savings.</p> <p>Insurers will need to partner with a wide variety of distribution partners beyond the traditional modes of distribution. This requires highly efficient platforms powered by analytics, automation and artificial intelligence.</p> <p>In the current context, a personalised customer service experience is not just expected, but is demanded and the use of artificial intelligence, cloud computing, machine learning algorithms and bots are expected to help improve this experience going forward.</p> | <p>Adoption of such new and advanced technologies has become increasingly important to remain competitive in the insurance industry.</p> | <p>The company is adopting RPA to automate routine tasks thus ensuring job enrichment opportunities for staff.</p> <p>We are exploring the possibility of using ML and AI across the customer value chain i.e. at the prospecting stage - identifying high propensity customers for cross-sell/up-sell and making relevant product recommendations.</p> <p>It is also used at the customer onboarding stage (e.g., predicting possible early claims, and automating the underwriting decision) and at the customer retention stage (e.g., predicting customers who are likely to renew) and employee management (e.g., identifying employees with high attrition risk).</p> |
| <p>Use of Big Data Analytics</p>  | <p>Big data and analytics could be leveraged to make data – driven forecasts and decisions.</p> | <p>Data – driven decision making enhances our decision-making process to drive greater levels of efficiency.</p> | <p>Big data analytics can be applied to obtain strategic insights and to drive better decision making.</p> | <p>We are exploring the possibility of using big data analytics on our customer data to identify strategic opportunities for better market segmentation. This can also be applied to improve our underwriting process.</p> |
| <p>Growing threat of cyber risks</p>  | <p>In an increasingly tech driven world cyber terrorism and high-profile cyber threats have exposed vulnerabilities of systems.</p> | <p>Due to increased technological transformation cyber risks pose a considerable risk to insurers' business platforms.</p> | <p>Insurers are making significant investments in cyber security and protection of sensitive customer data.</p> | <p>Threats on information security and security of IT infrastructure has been identified as a significant risk. The company will continue to upgrade its security infrastructure whilst keeping abreast with the new developments and stepping up on potential threats. Cyber security remains a key focus and, given the increase in the number and sophistication of cyber-attacks against business entities, we will continue to invest in our IT security capabilities.</p> |

| DEMOGRAPHIC / BEHAVIOURAL VARIABLES | COMMENTARY | RISKS AND OPPORTUNITIES | IMPACT | STRATEGIC RESPONSE |
|--|--|---|--|---|
| <p>Increasing ageing population</p> | <p>Sri Lanka faces an ageing population with 12.3% of the population being over 60 years. The western province has 31.7% of the elderly while the Northern province has 4.8%. It is estimated that in 2025 one in every four Sri Lankans will be over 60 years of age which will have significant socio-economic implications.</p>  <p>Sri Lanka's Aging Populating</p> <p>https://blogs.worldbank.org/</p> | <p>In comparison to developed countries and the region, Sri Lanka's insurance penetration rates are at its lowest at less than 1%. This coupled with an ageing population creates a significant opportunity that reinforces the need for retirement planning and annuity products. The evolution of the life insurance distribution model to the digital space will also create greater awareness on life insurance thus enhancing the opportunity.</p> | <p>Increased demand for life insurance</p> <p>Increased public awareness about the value of retirement planning which will be elevated as a national priority.</p> | <p>Create and develop retirement products which would cater to different needs and markets.</p> |
| <p>Increasing urbanization</p> | <p>Increased urbanization paves the way to modern lifestyles.</p>  <p>Urban Population as a Percentage of Total Population</p> | <p>Urbanization affects the distribution and branch presence of the company.</p> | <p>Increased demand for life insurance</p> | <p>New products and branch expansion strategy of the company will be dependent on the urbanized areas of Sri Lanka.</p> |
| <p>Millennials and Gen Z entering the work force</p> | <p>Millennials and Gen Z workforce value independence, flexibility and fast track progress within the work environment.</p> | <p>Businesses have to understand the needs of these younger generations and create work practices, culture and environment that address their needs.</p> | <p>Millennials and Gen Z will prefer employers who can satisfy their specific needs and inculcate cultures with their preferred set of values.</p> | <p>Reaching out and engaging with Millennial and Gen Z work force aspirations.</p> |

OPERATING ENVIRONMENT

| DEMOGRAPHIC / BEHAVIOURAL VARIABLES | COMMENTARY | RISKS AND OPPORTUNITIES | IMPACT | STRATEGIC RESPONSE |
|--|--|---|---|--|
| Millennials and Gen Z as a captive market | <p>Millennials and GenZ customers are conscious of making the right long-term choices when considering insurance plans. Content marketing that educates about these risks and implications can be important for a generation that values doing the right thing.</p> <p>Millennials are the generation most likely to purchase insurance online. Being the first digital-native generation they will be more comfortable making financial services purchases without the personal touch previous generations desired. It also means they expect that quotes, results, policies, and all things associated with insurance services must be served up quickly and online.</p> | Millennials and Gen Z are increasingly conscious of environmental and social variables when evaluating a purchase. | Companies need to appeal to these captive markets by reaching out to these segments. Building digital platforms and providing content and information to support decision making will be crucial. | <ul style="list-style-type: none"> Reaching out to these segments through appropriate marketing channels and remaining relevant. Elevating market positioning to appeal to these market segments. Contactless insurance via website / chat bots will be an appropriate platform to reach out to these segments. |
| Greater awareness and consciousness on health and wellness | The pandemic during the last two years heightened awareness levels on healthy lifestyle choices and planning for uncertainty. | This is an opportunity whereby insurers could relate and link up with a segment which values insurance and retirement planning. | A health conscious and wellness driven population who are receptive to insurance products. | Support healthy lifestyles and wellness as a corporate entity. |

| REGULATORY VARIABLES | COMMENTARY | IMPACT | STRATEGIC RESPONSE |
|---|--|---|---|
| <p>IRCSL Circular No. 1 of 2021 - Clearance of Insurance Products Prior to Launch</p> | <p>The IRCSL introduced several requirements to be complied with prior to launching insurance products.</p> <p>Key Features</p> <ul style="list-style-type: none"> • Insurance companies can launch products/policy forms only after the IRCSL has confirmed that they are fair and equitable. • Long-term insurance companies are required to submit the following documents to the IRCSL at least 45 days prior to the product launch. <ul style="list-style-type: none"> • Actuarial Certificate • Policy document (policy terms and conditions and schedule) • Proposal form • Long-term insurance companies are required to submit the following documents to the IRCSL at least 2 weeks prior to the product launch. <ul style="list-style-type: none"> • Any other documents signed by policyholder at the sale in addition to the proposal form • Brochures and any other sales/marketing material • An undertaking from the Principal Officer that all relevant information has been provided to the actuary • A written undertaking from the Principal Officer that there is no material change in the documents | <p>Increased regulatory supervision over product launch</p> <p>Compliance/risk management processes need to identify and monitor these requirements</p> | <p>We comply with all these requirements when launching new products.</p> |
| <p>IRCSL Direction No. 1 of 2021 and Amendment - Divided Declaration and Distribution</p> | <p>Considering the impact of the COVID-19 pandemic, the IRCSL required insurance companies to consider some critical aspects such as financial results, impact of contingent liabilities, impact of potential risks, additional capital requirements etc. when declaring dividends. The IRCSL also requires the Board of Directors to submit a signed confirmation that it considered all such aspects at least 2 weeks prior to declaration of the dividend to shareholders.</p> | <p>Increased regulatory supervision over dividend declaration</p> <p>Compliance/risk management processes need to identify and monitor these requirements</p> | <p>The Company considered all such aspects and submitted a confirmation to the IRCSL as required prior to declaration of dividends in 2021.</p> |
| <p>IRCSL Direction No. 14 (Revised)</p> | <ul style="list-style-type: none"> • All insurance companies and brokers are required to refrain from employing persons, in any capacity of employment, whose services have been terminated on the grounds of financial misappropriation or fraud. • However, we are required to follow due process, specially follow the principles of natural justice, prior to such termination. | <p>Recruitment process needs to scrutinize financial integrity of applicants</p> | <p>Ceylinco Life does not employ anyone who has been terminated on the grounds of financial misappropriation or fraud.</p> <p>Termination decisions follow the laid-down procedure and considers the principles of natural justice.</p> |
| <p>Minimum Retirement Age of Workers Act No. 28 of 2021</p> | <p>This Act has specified the extension of the minimum age of retirement of an employee in the private sector to 60 years. Once passed, it will negate or override any other written law, contract of service, collective agreement or any other form of contract that provides for the age of retirement of an employee.</p> | <p>This has implications for overall HR functions of the company</p> <p>Impact on valuations of retirement funds</p> | <p>Ceylinco Life is presently evaluating the impact from this and developments in the legal environment.</p> |

AN INDUSTRY POISED FOR GROWTH

INSURANCE INDUSTRY OVERVIEW

The global pandemic induced major disruptions to the insurance industry across the globe. However, emerging from 2020, the industry looked upon 2021 with renewed optimism driven by a heightened focus on innovation matched with a strong desire for strengthening organizational purpose. This has resulted in building consumer confidence in the industry and the overall confidence in the insurance industry's growth prospects.

The global mega trends that were in motion before the pandemic continued to maintain momentum. While the impact of demographic changes and urbanization took a back seat, the role of three drivers, economic divergence, digitalisation and decarbonization came to the fore.

The Sri Lankan insurance industry also suffered the impacts of pandemic shutdowns, the resulting business disruptions, and an overall decline in disposable income and cashflow issues among individual and businesses. However, as the market is relatively strong, it weathered its way through obstacles and became even more attuned to the needs of people than ever before.

The pandemic accelerated the demand for life and health insurance, globally. The same trend was observed in Sri Lanka. Typically, pandemics are excluded from life policies and most policies in Sri Lanka had no such cover. However, most life insurers rallied to the call and offered to pay COVID-19 related costs to their policy holders up to certain limits, even though they were not liable to do so.

This empathetic approach has enhanced people's confidence in the insurance sector, as having evolved to speedily meet the needs and expectations of the people.

Sri Lanka's intensely competitive life insurance landscape is characterised by 13 long term insurers of which 04 operate with collaborations with foreign insurers. Besides there are 02 composite insurers who engage in both life and non-life insurance.

Based on the company-wide data available only through 2020 end, Ceylinco Life Insurance Limited continued to dominate the industry based on GWPs with a 21.44% share, followed by Sri Lanka Insurance Corporation Limited with a 18.70% share of total industry GWPs.

Growth

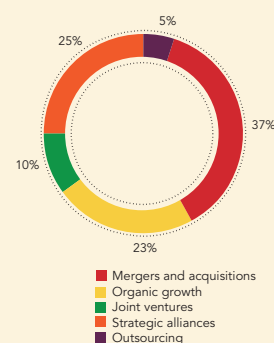
While the insurance sector recovered during Q1 of 2021, the third wave of the pandemic that emerged at the end of April led to further lockdowns and operational constraints for the industry.

Amidst declining disposable incomes, insurance becomes less of a priority and even before the pandemic, insurance has not been a priority among Sri Lankans, which led to many policies lapsing. However, Sri Lanka's insurance industry emerged stronger as the pandemic and its aftermath rekindled future prospects, albeit some divergence was seen between how life and non-life insurance segments have fared. While increasing risk awareness, growing public confidence over insurance, innovative and varied product offerings and, the growing adoption of digitalisation all contributed to the strong growth in the life segment.

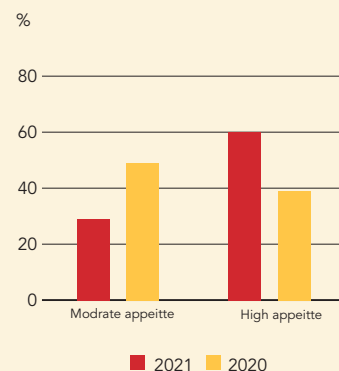
Global Trends

- Majority of insurance CEOs (93%) expressed confidence about growth prospects in mid-2021, a significant shift from 88% from the same time the previous year.
- Clear purpose targeted towards creating long-term value for stakeholders.
- 2021 saw mergers and acquisitions emerging as the primary growth strategy over the next three years.

Insurance sector growth strategies



Insurance Sector Appetite for Mergers & Acquisitions (M&A)



Digital transformation

Despite the fierce competition in the market, Sri Lanka's insurance industry has largely remained traditional in its business operations for decades. However, during 2020, amidst the initial phases of the pandemic the insurance sector recognized that a digital-first approach lay at the heart of avoiding and mitigating impacts of business disruptions. Thus, it entered 2021 with a renewed appreciation of innovation as a source for creating value for their stakeholders.

The digital opportunity for life insurers extends beyond the customer and broker interactions at the point of sale. COVID-19 has further highlighted the need for insurers to streamline, improve and digitize operations and claims functions with the heightened recognition of the link between customer experience and digital strategy.

Under the strategic pillar of Transforming through Technology page 101 we have outlined in detail how Ceylinco Life, a pioneering force in terms of digital transformation in the insurance industry, embraced and leveraged digital transformation.

Risk landscape

2021 saw a rearrangement of the risk agenda for insurance companies. The last two years exposed insurance companies to monumental challenges dramatically changing the risk landscape with far reaching economic and societal issues.

Insurance companies will need to navigate through an environment characterized by rapidly changing dynamics oscillating between physical, virtual and digital spheres. The capacity to rapidly respond to an uncertain environment through an ambidextrous business model will become a core competency.

Cybersecurity risk increased exponentially since the onset of the pandemic in 2020. Most organisations had to move their operations to online platforms and embrace hybrid work structures all within a short time span to avoid business disruptions. Consequently, having insufficient time to implement proper plans and risk mitigation measures significantly increased the risk exposure.

Global Trends

Regulatory risk rose to the top of factors that concern insurance CEOs across the globe. The tax risk and reputational risk—which were not among the top five risks of 2020—rose to be among the top three risk areas.

| | 2021 | 2020 |
|---|--------------------------|--------------------------|
| 1 | Regulatory risk | Cyber security risk |
| 2 | Tax risk | Regulatory risk |
| 3 | Reputational risk | Environmental risk |
| 4 | Cyber security risk | Return territorialism |
| 5 | Emerging technology risk | Emerging technology risk |

Regulatory Environment

Under Risk Based Capital (RBC) framework, stipulated by the regulator, insurers are required to maintain a Capital Adequacy Ratio (CAR) above 120% level and a minimum Total Available Capital (TAC) of Rs.500 million. The preemptive measures introduced by the Regulator in suspending dividend distribution and discretionary spending buttressed capitalization levels. The enhanced earnings of the sector bolstered capitalization levels measured through TAC AND CAR. The industry and the individual companies have outperformed well more than their minimum levels by 1Q'2021 as all life insurance companies complied with minimum requirement.

The life insurance industry reported its CAR at 342% by the end of 1Q'21, up significantly from 299% a year ago. It is largely expected that the growing life insurance profits supported by the rejuvenated interest for life insurance policies and increased penetration levels would support the life insurance companies to continuously maintain above the minimum CAR levels providing an increased shock absorption capacity in case of future risks and unforeseen events.

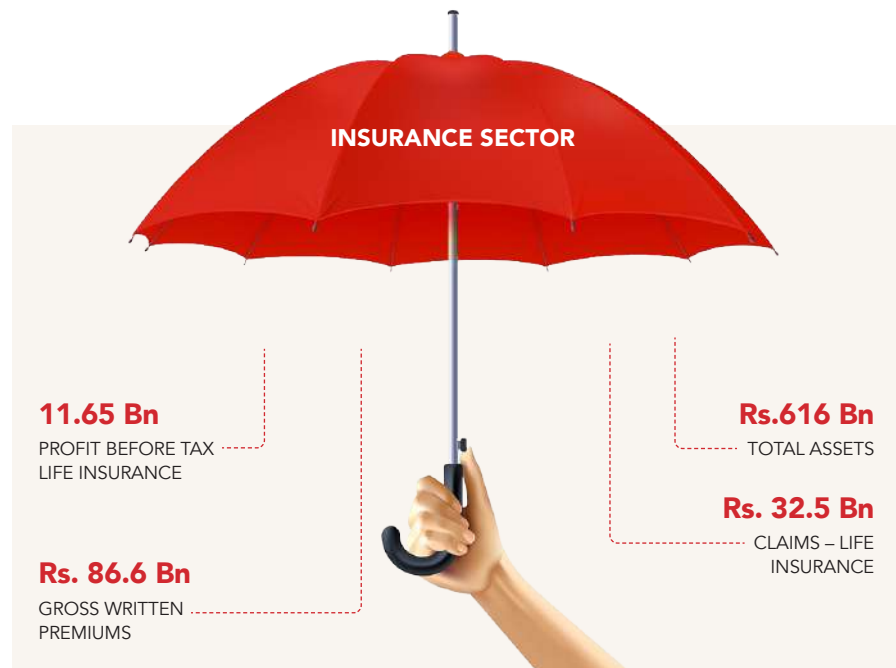
Performance

The Sri Lankan Life Insurance sector performed well in the first three quarters of 2021, compared to the comparative period of 2020. And is expected to have continued that performance in the final quarter.

Based on the company-wide data available only through 2020 end, Ceylinco Life Insurance Limited continued to dominate the industry based on GWPs with a 21.44% share, followed by Sri Lanka Insurance Corporation Limited with a 18.70% share of total industry GWPs.

Profits before tax of Life Insurance sector grew by 17% during the first three quarters of 2021 compared to the corresponding period in 2020.

The performance of the industry as at the end of Quarter 3 is set out below:



INSURANCE INDUSTRY OVERVIEW

Total Assets

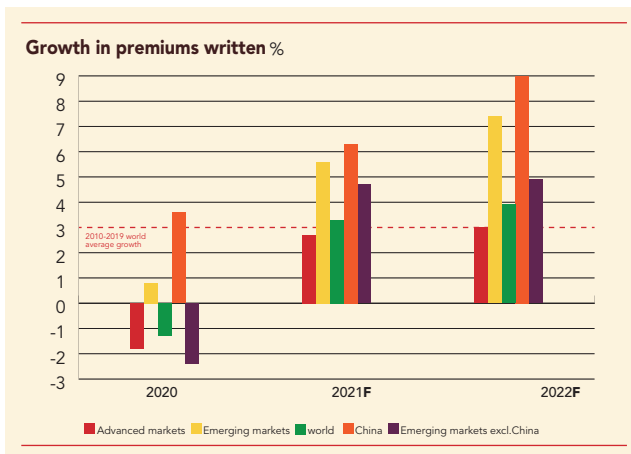
Total assets of Sri Lankan insurers grew by a collective 8% by 30 September 2021, over the previous year's corresponding figures. The Life Insurance sector performed better in the same period showing an 11% increase in total assets.

Gross Written Premiums

The gross written premiums the Life Insurance sector saw a 20% growth in GWP.

for economic recovery. The severity of the message is more immediate for the insurance industry. Recognising the need to tackle climate and other pressing environmental, social, and governance (ESG) concerns, insurance companies are increasing investments to push ESG efforts in climate sustainability.

Ceylinco Life's efforts, achievements and investments in the drive to zero-carbon is outline in the strategic pillar of Nurturing the Environment in page 110.



Global Trends

According to the Swiss Re Institute, the post COVID-19 economic prospects are unlikely to lift all boats, globally in the same way. The expected economic divergence among regions and sectors is amply demonstrated by the forecast for growth in written premiums.

Claims

Claims of the Life Insurers grew by 18% during the first three quarters of 2021 over the corresponding period the previous year.

ESG Commitment

Climate change is a reality. The heightened severity of extreme weather events during 2020 and 2021 has increased the immediacy of climate risk around the world. It is no longer possible for any country or industry to ignore that climate change has direct implications

Looking ahead

Global insurance demand is expected to grow much faster than its long-term trend rate during 2022 and 2023. Considering the market conditions, it is expected that the positive pricing momentum will continue across all lines and regions. Inflation and persistently low interest rates will impact insurance industry performance as a result of rising inequality and worsening social inflation.

The bright spot for insurers is that the pandemic has once more demonstrated the value and utility of life insurance and its role as a risk absorber.

In May 2021 the Swiss Re Institute predicted that global insurance demand will grow by an above-trend 3.3% in 2021 and 3.9% in 2022. Using global premium growth as the source, the institute expected that emerging markets would continue to outpace advanced markets and that Asia would outperform other regions of the world, reflecting the shifting of economic power from the west to the east.

The outlook for the Sri Lankan life insurance industry remains positive. Overall, the Life Insurance sector has managed to weather the pandemic to emerge stronger than ever with low insurance penetration levels together with an increased awareness on the value of life insurance and retirement planning.

INSIGHTS FROM OUR STAKEHOLDERS

Managing Stakeholder Relationships

How we manage our partnerships with our stakeholders govern our success. Our engagement and collaboration help us understand our material issues, and help establish trust. Our key stakeholders are those who fall within the scope of our business operations – encompassing the individuals or groups who impact the company, or those who are impacted by the company’s actions.

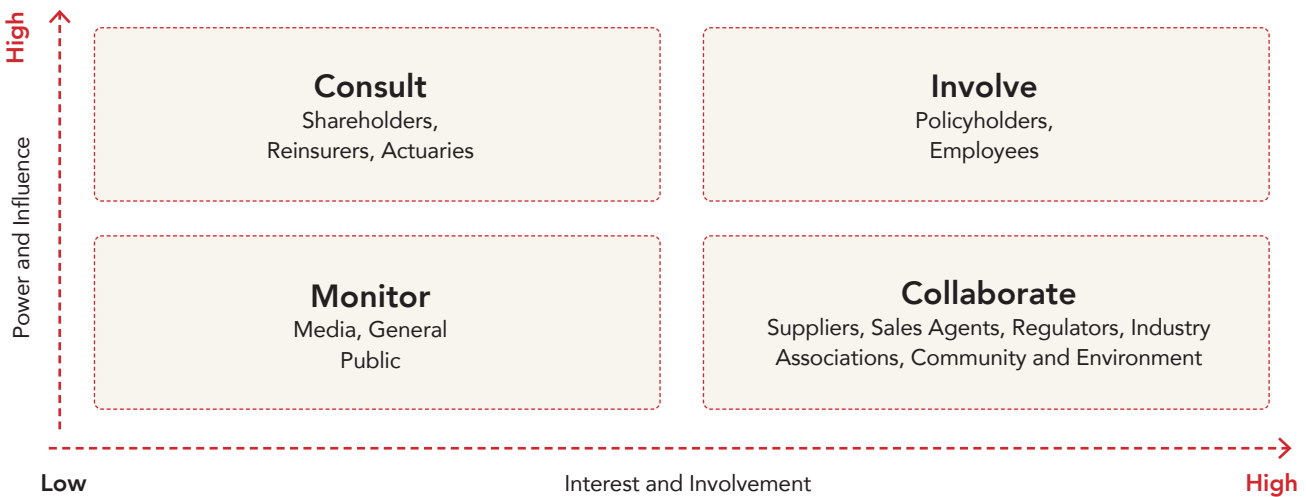
Our Stakeholder Management Process

The company manages its stakeholders via a process that promotes positive, productive and mutually beneficial relationships. We uphold principles of transparency, integrity and responsiveness in all our dealings with internal and external stakeholders, maintaining consistent communication, while addressing key concerns and expectations at every stage.



Stakeholder Mapping

While there are many stakeholder groups that fall within the purview of Ceylinco Life, our level of engagement and the priority of each stakeholder group are arrived at based on the degree of impact and influence they possess with respect to our business. As such, we have reported primarily on the key stakeholder groups mapped out below:



MANAGING STAKEHOLDER RELATIONSHIPS

An Overview of our Key Stakeholders

In accordance with the above frameworks, Ceylinco Life closely engages with the following stakeholder groups to ensure our operations are in line with their needs and expectations, while driving economic, social and environmental progress at every level.



Frequency of Communication

The dialogue we maintain with stakeholders serves multiple purposes; enabling the company to identify emerging opportunities for our business, while understanding and mitigating the risks and challenges associated with our operations. Furthermore, the company is able to anticipate and address any shortcomings and negative perceptions held by our stakeholders, and ensure continuous improvement that drives organizational excellence.

As such, we encourage stakeholder feedback through multiple channels, while initiating continuous proactive engagement wherever possible in order to arrive at a positive outcome. The following table outlines the methods utilized in our stakeholder communications and their frequency of occurrence within the reporting year.

| Stakeholder | Engagement Methodology and Frequency | | | | | | | | | | | | | | | | | |
|---------------------------|--------------------------------------|---------------------------------------|-------------------|------------------------------------|----------------------|--------------------------|---|-----------------------|--|---------------------------|--------------------|-------------------|-----------------------|---------------------------------------|--------------------------|-----------------------------|---------------------|-------------------------------------|
| | AGMs and EGMs | Annual Reports and Interim Statements | Corporate Website | Complaints, Inquiries and Requests | Feedback and Surveys | Meetings and Discussions | Social Media and Other Digital Channels | Events and Programmes | Newsletters, Emails and Other Communications | Remuneration and Payments | Grievance Handling | Formal Agreements | Regulatory Compliance | Submission of Taxes and Other Returns | Projects and Initiatives | On-site visits and meetings | Actuarial Valuation | Development, Recognition and Awards |
| Shareholder | A AR | A P | O | | | | | | | | | | | | | | | |
| Reinsurers | | | | | | | | | | AR | | O | | | | AR | | |
| Actuaries | | | | | | | | | | A | | | | | | | | A |
| Policyholders | | | O | O | O AR | | O | | A BA | O | | | | | | | | |
| Employees | | | | | | Q AR | | AR | O | | O | | | | | | | A AR |
| Suppliers | | | | | | AR | | | | | O | AR | | | | O AR | | |
| Sales Agents | | | | | | | | | A | | O | | | | | | | A BA |
| Regulators | | | | | | AR | | | | | | | O | | Q A AR | | | |
| Industry Associations | | | | | | AR | | AR | | | | | | | | | | |
| Community and Environment | | | | | | | | | | | | | | | | O | | |

A Annually, BA Bi-Annually, Q Quarterly, O Ongoing, AR As Required

MANAGING STAKEHOLDER RELATIONSHIPS

Stakeholder Engagement

The following table identifies and maps our engagement and response to stakeholder concerns and expectations, spanning our primary stakeholder groups.

Capital Icons



| | | Stakeholder Group | Quality of Engagement | Key Expectations | Associated Risk/ Opportunity |
|---------------------|---------|-------------------------------|-----------------------|---|--|
| Level of Engagement | Consult | Shareholder | ★★★★☆ | Sustainable financial return and growth Attractive dividends Sound balance sheet | Operating in a dynamic and volatile environment it is imperative that the company maintains equitable shareholder returns to garner shareholder confidence and trust. |
| | | Reinsurers | ★★★★★ | Timely payment of invoices | As a risk mitigation strategy, a portion of risk pool is transferred to reinsurers to manage risks within the risk appetite parameters set by the company. |
| | | Actuaries | ★★★★★ | | Provides advisory services on product development, pricing by performing liability valuation. Ensures the long-term stability of the company in directing the company's strategic path. |
| Involve | | Policyholders | ★★★★★ | Obtaining best-in-class life insurance solutions Timely payment of claims Financial stability Privacy and security | In a competitive business landscape, the company needs to stay ahead by offering customer – centric experience. We consider it strategic business imperative to engage and develop relationships for life with our policyholders. This builds enduring trust and credibility to our brand, |
| | | Employees | ★★★★★ | Fair remuneration Career development Job security Health and safety | A well-motivated and driven team is a critical success factor that drives business success and growth. With the pandemic maintaining a safe workplace was a key priority. The company is committed to maintain a safe and great place to work. |
| | | Suppliers | ★★★★☆ | Timely payment of invoices Maintaining sound relationships | As a company which is guided by building relationships for life it needs to manage its relationships with suppliers who provide inputs for the value creation of the business. |
| Collaborate | | Sales Agents | ★★★★★ | Healthy commissions Progression and growth Health and safety | A motivated sales team will ensure achievement of the company's business growth objectives. |
| | | Regulators | ★★★★☆ | Timely submission of returns Timely payment of taxes | Ensuring compliance with legal and regulatory requirements maintains business continuity. |
| | | Industry Associations | ★★★★☆ | Contribution towards industry development | As the leader in the life insurance sector, it is imperative that industry growth and best practices are driven in collaboration with respective industry associations to promote the best interests of the industry's growth and long-term stability. |
| | | Community and Environment | ★★★★☆ | Improve livelihood and standard of living Responsible consumption of natural resources | The company acts with a deep sense of responsibility when driving its business expansion taking cognizance of the environmental footprint. |
| | | Sales Agents | ★★★★★ | Healthy commissions Progression and growth Health and safety | A motivated sales team will ensure achievement of the company's business growth objectives. |

ORGANISATIONAL OVERVIEW

Quality of Engagement

| | |
|--|--|
| | No existing relationship |
| | Relationship is established, but quality is not substantially improved |
| | Relationship is established and adding value, but there remains room for improvement |
| | Good quality, mutually beneficial relationship with some room for improvement |
| | Strong relationship with mutual benefits |

Level of Engagement

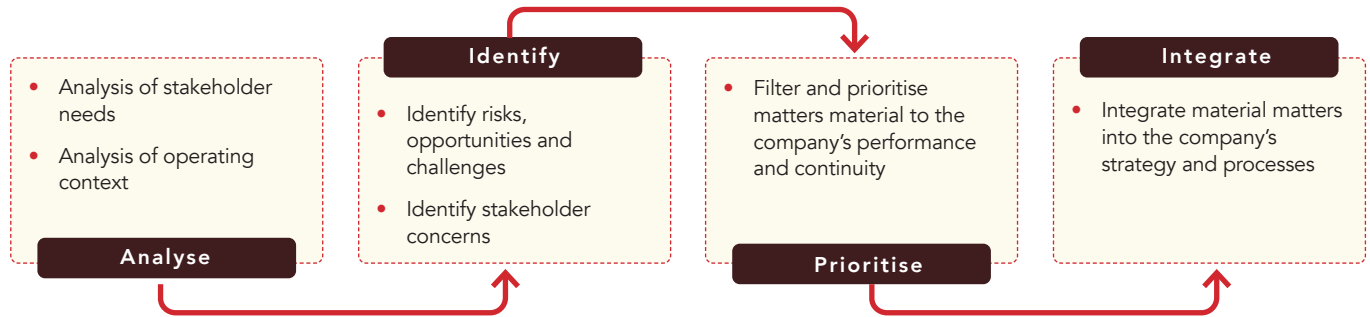
| | |
|--------------------|--|
| Consult | Obtain the stakeholder's feedback for Ceylinco Life's decision-making processes. |
| Involve | Directly interact with the stakeholder to ensure that their concerns are considered. |
| Collaborate | Partner with the stakeholder in developing alternatives and solutions. |

| Our Response | Outcome | Impacted Capitals | Linked SDGs |
|--|---|-------------------|-------------|
| Driving sustainable revenue growth through prudently managing and optimizing our cost base, minimizing our environmental impact, and managing risks within the acceptable risk appetite limits under a strong governance structure. | ROE - 15.33% ROA - 3.90 % DPS - Rs.15.65 | | |
| Supplying data in a timely manner to support valuation and ensuring timely payment of invoices. | Payments - Rs. 203 Mn | | |
| | Payments - Rs. 26.5 Mn | | |
| Providing timely, relevant financial solutions via the right channels based on a comprehensive understanding of customer needs and a changing operating environment, to improve risk reduction and resilience. Empowering people and processes to deliver an exceptional customer experience. Improving digital capabilities and innovation to uphold policyholder convenience, security, and health and safety. | Claims paid - Rs 12.7 Bn Bonus declared - Rs 4.8 Bn | | |
| Offering attractive remuneration packages and rewards. Training and developing a digitally empowered, agile workforce. Creating an inspiring and engaging work environment which prioritizes employee well-being. Creating a safe, inclusive workplace. | Gross salaries paid - Rs 1.8 Bn Number of promotions - 139 | | |
| Procurement from local suppliers, and promoting environmentally friendly sourcing practices. Maintaining transparent, ethical, mutually beneficial partnerships. | Number of suppliers - 1,927 Payments made - Rs. 3.7 Bn | | |
| Developing a competitive, rewarding, inclusive sales culture. Promoting employee health and safety through digital empowerment. | Commission paid - Rs.2.4 Bn | | |
| Compliance with rules, regulations with timely disclosures. Maintaining industry best practices and responsible operations. | Taxes paid - Rs. 876 Mn | | |
| Participation in joint industry efforts to drive industry growth. | Participation in all industry events | | |
| Enabling the progress of future generations through investment in education. Investing in Sri Lanka's medical Infrastructure. Contributing to improve quality of life through infrastructure development and employment opportunities. Minimizing environmental impact and relying on sustainable resources. | Payments - Rs.10.3 Mn | | |

IDENTIFYING ISSUES THAT IMPACT VALUE CREATION

Materiality Assessment

A company does not operate within a vacuum – and therefore must consistently assess and identify key areas of focus to ensure it remains relevant and efficiently meets stakeholder demands. While Ceylinco Life tracks and responds to countless focus points on a daily basis, we ensure the company prioritizes the matters that are most material to our operations, using the process defined below:



The abovementioned process is aligned with the materiality approach recommended by the Global Reporting Initiative (GRI) Sustainability Reporting Standards, and developed under the guidance of the International Integrated Reporting Council's (IIRC's) Integrated Reporting Framework.

Determining Materiality

Ceylinco Life uses the following guidelines to determine the materiality of the topics that arise from our external and internal assessments.

- Importance or scale of the topic**
 - Degree or extent of the topic's impact to the company's operations is significant
- Frequency of occurrence**
 - Topics with a perceived low impact, but with a high likelihood or frequency of occurrence
- Compliance and regulatory requirements**
 - Stipulated regulatory mechanisms in place to ensure good governance and stewardship
- Potential risk to stakeholders**
 - Topics with a tendency to disrupt operations, or expose stakeholders to adverse conditions

Changes to our Material Topics

During the year, we reassessed and restructured our material topics in order to establish greater clarity and operational relevance. This resulted in both the consolidation of certain topics, and the isolation/addition of critical topics where relevant. For example:


































Topics relevant to compliance, strategy and financial returns are classified under the theme 'Sustainable business operations' to ensure greater clarity and minimize replication.







New topics relevant to 'Data privacy and security' and 'Ensuring business continuity' have been introduced, in line with rising stakeholder concerns.

The company further records the degree of change in materiality year-on-year, to identify existing or new areas that need greater focus within our strategic plan.

Material Themes and Topics

Based on the company's materiality assessment, Ceylinco Life arrived at 15 material themes, with an underlying 04 material topics. Their relevant impact on the company and its stakeholders are mapped out below, followed by their year-on-year change in materiality. Ceylinco Life's response to these topics can be found throughout the report, and are denoted accordingly.

| Material Theme | Material Topics | Why it is Material | Stakeholder Groups | Business Relevance | Stakeholder Importance | Change in Materiality | Our Response | GRI Standard |
|--|---|--|---|---|---|---|---------------|--|
| Sustainable business operations | 1 – Healthy financial returns | Our financial stability ensures we can continue our business in the long-run and deliver continuous value. |  Shareholders Policyholders Employees |  |  |  | Pages 54-68 | 201 |
| | 2 – Good governance, compliance and conduct | Investors require timely, accurate disclosures to drive effective decision-making. Compliance and adherence with laws, regulations and reporting standards, timely submission of taxes and returns, and cooperation and collaboration with regulators ensure long-term stability through ethical operations. |  Shareholders Policyholders Regulators |  |  |  | Pages 152-193 | 419 417 205 206 408 409 |
| | 3 – Strategic growth and leadership | Maintaining our leadership position through timely, responsive strategies ensures we remain relevant and deliver long-term growth. |  Policyholders Shareholders |  |  |  | Pages 69-75 | - |
| | 4 – Ensuring business continuity | Business continuity planning ensures the company is poised to respond to potential external disruptions. |  Shareholders Policyholders Employees |  |  |  | Pages 184 | |
| | 5 – Responsible resource management | Effective and responsible resource consumption can derive business long-term sustainability through cost-efficiencies, minimized waste and green practices. |  Environment Shareholders |  |  |  | Pages 110-120 | 301 302 303 305 306 307 |
| Building customer loyalty and trust | 6 – Excellence in customer standards and service | Delivering high levels of customer satisfaction ensures customer attraction, retention and loyalty. |  Policyholders |  |  |  | Pages 69-75 | |
| | 7 – Data privacy and security | Ensuring we uphold the highest levels of confidentiality and security, which builds trust and brand reputation. | |  |  |  | Pages 84 | 418 |
| | 8 – Improved reach and accessibility | Uninterrupted customer connectivity, movement into new markets and cross-selling activities enable the formation of long-term relationships. | |  |  |  | Pages 76-100 | |
| | 9 – Ethical business conduct | Engaging in anti-competitive behaviour and anti-corruption practices safeguards stakeholder interests and improves loyalty. | |  |  |  | Pages 84 | |

 High Relevance/Importance
  Medium Relevance/Importance
  Low Relevance/Importance
 No change in materiality
  Increased materiality
  Reduced materiality

MATERIALITY ASSESSMENT

| Material Theme | Material Topics | Why it is Material | Stakeholder Groups | Business Relevance | Stakeholder Importance | Change in Materiality | Our Response | GRI Standard |
|---|--|--|---|--------------------|------------------------|-----------------------|----------------------|--------------------------|
| Protecting and safeguarding a nation | 10 – Addressing health and safety concerns | Health and safety across key stakeholder groups remains a priority to ensure their well-being and survival. | Employees Policyholders Sales Agents Suppliers | ■ | ■ | — | Pages 124-125 | 403 |
| | 11 – Mitigating customer risk through product offerings | The company is built on a suite of products designed to mitigate the customer's risk – which remains our primary business activity and source of income. | Policyholders | ■ | ■ | — | Page 78 Page 84 | 416 |
| | 12 – Safeguarding society and its future | Community investment and employment opportunities afforded by the company ensure improved public perception and societal growth. | Community | ■ | ■ | — | Pages 92-96 | 203 413 |
| Enabling stakeholder growth and progress | 13 – Recognition, rewards and career progression | Empowering sales agents and employees through a competitive rewards system, training and development and improved upward mobility create an expert, knowledgeable workforce. | Employees Sales Agents | ■ | ■ | — | Pages 127-129 | 202 401 402 404 |
| | 14 – Enabling inclusive, equal opportunity growth | Providing equal opportunities for the empowerment of women, small-scale suppliers, and lower-income segments of society enables stronger relationships and improved public perception. | Suppliers Employees Policyholders Community | ■ | ■ | — | Pages 79, 99 and 134 | 405 404 413 |
| | 15 – Building long-term business partnerships | Ensuring transparent, accountable communications and promoting enduring partnerships with business partners ensure business continuity. | Reinsurers Actuaries Suppliers | ■ | ■ | — | Pages 97-100 | 204 |

■ High Relevance/Importance
 ■ Medium Relevance/Importance
 ■ Low Relevance/Importance
— No change in materiality
 ⬆️ Increased materiality
 ⬇️ Reduced materiality

Materiality Matrix

Based on the previous table, the company prioritized its material topics using the following matrix

| | | | | |
|-----------------------|--------|----------------------------|--------|----------------------------------|
| Importance to Company | High | | | 1,2,3,4,5,6 7,8,9,10,11,13,15 |
| | Medium | | 12,14 | |
| | Low | | | |
| | | Low | Medium | High |
| | | Importance to Stakeholders | | |

OUR ROAD MAP TO THE FUTURE STRATEGY & RESOURCE ALLOCATION

Strategic resource allocation is a key responsibility of our stewardship role at Ceylinco Life. As we strive to derisk the future, and realize the Vision and Mission of the Company, amidst challenging times of economic strife and the continuing COVID-19 pandemic, we remain hyper-focused on macro and micro global trends that affect our nation, industry, business, and the Sri Lankan public at large, including our policyholders and employees.

In order to realise our mission of taking the message of life insurance and retirement planning to every Sri Lankan and provide protection to every family, Ceylinco Life operates within six strategic imperatives designed towards derisking the future, outlined below.



Our framework of strategic imperatives and our continuing commitment to honour them lie at the heart of our 30-year consecutive success as Sri Lanka's leading life insurer.

Our strategic imperatives—of delivering financial value, retaining market leadership, building relationships for life, investing in our people, transforming through technology and nurturing our environment—build on each other to enable a tremendous strategic advantage and synergies.

Strategic Planning Committee

We recognise that the process of strategy formulation and implementation are essentially towards aligning the 'What', 'Why', 'Who' and 'How' of our business into a coherent whole. This alignment and fine-tuning is the forte and focus of the Strategic Planning Committee.



The responsibility of determining the strategic direction of the company falls to the Strategic Planning Committee which is headed by the Executive Chairman and reports to the Board of Directors. The Ceylinco Life Strategic Planning Committee comprises a team of Executive Directors including the CEO, General Managers and Senior and Deputy General Managers, and holds meetings on a monthly basis.

The Strategy Process at Ceylinco Life

The strategy process at Ceylinco Life aligns the mission and goals of Ceylinco Life (what we are doing) with the vision and incentives (why we do what we do), and with our value network (who we are striving to serve) and strategy (how we plan to get where we want to go).

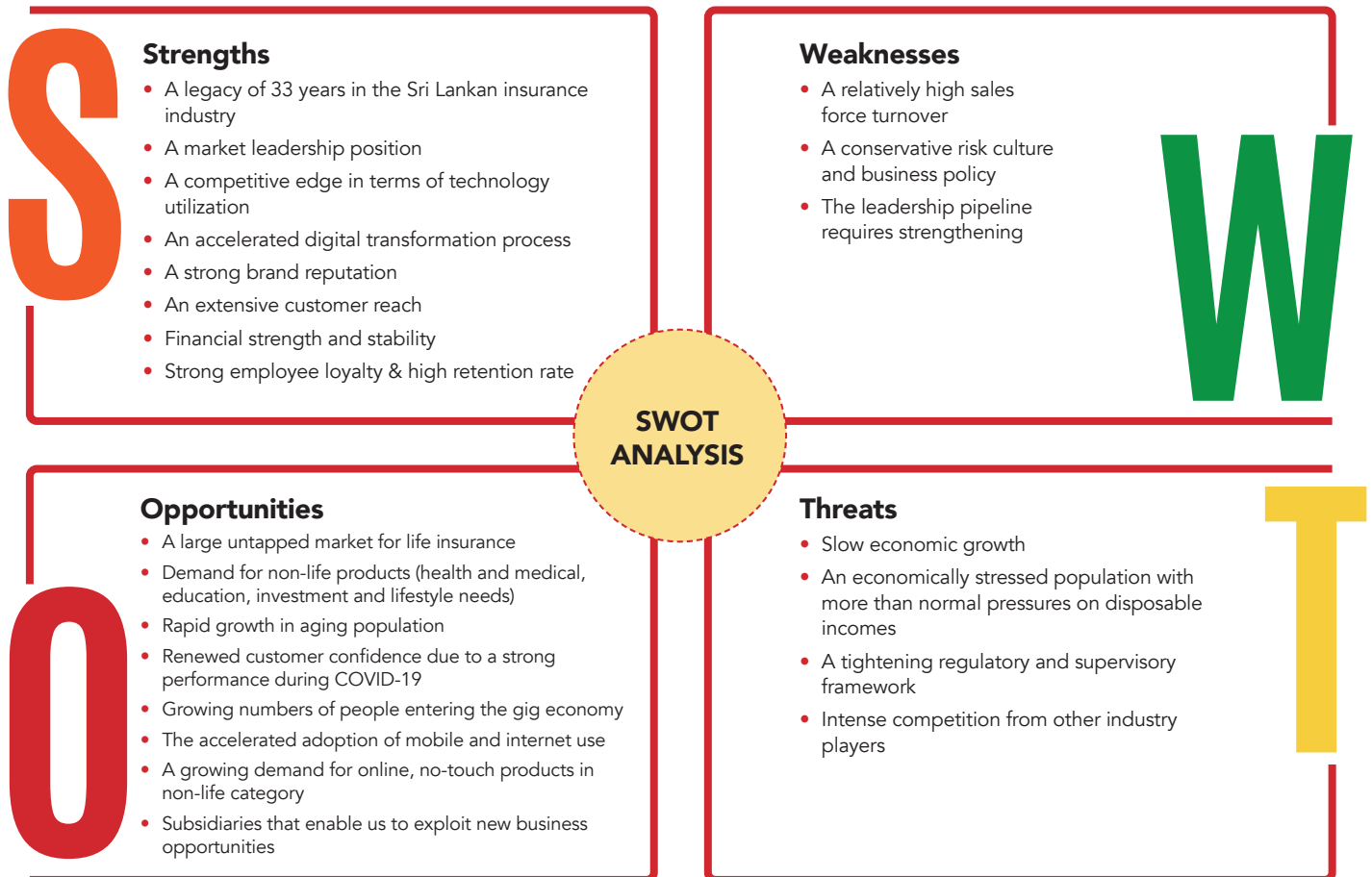
Strategy does not and cannot happen in a vacuum. The broader direction for the company must essentially arise from strategically responding to the changing dynamics identified in our external business environment. Therefore, all successful companies must determine their strategic direction and actions by understanding and appropriately responding to global mega trends and other environmental factors that transcend beyond the business itself, by acting on behalf of who we serve, i.e., the customers and other stakeholders.

STRATEGY & RESOURCE ALLOCATION



SWOT Analysis

Understanding where we stand with respect to our resources, capabilities and external environment is a business imperative. Therefore, your company periodically performs a comprehensive analysis of our strengths, weaknesses, opportunities and threats, detailed in the diagram below.



Consumer Trends Help Shape Strategy




A SWOT analysis can only take you so far. Since our customers, i.e., our policyholders of the present and the future, live in the external world, we must listen, and train our eye on the far horizon where emerging mega trends develop. In setting the strategic direction for Ceylinco Life, it is integral to arrive at a perfect alignment between their needs, desires and concerns with our vision and mission.

As a company built around people, it is also essential for Ceylinco Life to operate with empathy and with the understanding that our customers are both subject to global mega trends that affect our company, and are shapers and key players in rolling out the same mega trends and our business into the future.







In the Operating Environment section of this report, we discuss in detail the global mega trends and forces that are at play in the global and local insurance industry. The following section constitutes a summary of how the previously discussed trends impact our policy holders both now and in the future.

In doing so, we would also like to provide a context how the worldwide insurance sector responded to these emerging trends in 2021 and how we, at Ceylinco Life Insurance, responded on the same front.

Consumer Trends and Digitalisation of Life Insurance

| Consumer Trends | Global Insurance Industry Responses | Ceylinco Life Responses | Relevant Strategic Pillars |
|--|---|-------------------------|---|
| Pandemic-driven insurance buying. Protection remains a consumer priority | <ul style="list-style-type: none"> Catered to a surge in demand for life, medical, saving and investment covers by facilitating simpler, improved insurance accessibility and responding to the emerging customer needs for online-based and specialized products. | SR |  <p>Building Relationships for Life Transforming through Technology Investing in Our People Retaining Market Leadership</p> |
| | <ul style="list-style-type: none"> Supported insurance agents and staff adapt to digital and hybrid channels, and empowered them with WFH online access, digital tools and platforms. | SR | |
| | <ul style="list-style-type: none"> Enhancing digital customer support throughout the policy onboarding process. | SR | |
| Seeking quick, easy insurance covers | <ul style="list-style-type: none"> No-touch, no-exam life insurance products. | SR |  <p>Building Relationships for Life Transforming through Technology Investing in Our People Retaining Market Leadership</p> |
| | <ul style="list-style-type: none"> Flexible, shorter terms. | SR | |
| | <ul style="list-style-type: none"> Online insurance products to supplement traditional offerings. | SR | |
| | <ul style="list-style-type: none"> Video conferencing with insurance agents or financial advisors. | SR | |
| | <ul style="list-style-type: none"> Online applications, e-signatures and e-notarization with speedy approval. | SR | |
| | <ul style="list-style-type: none"> Online and digital payment facilities. | SR | |
| | <ul style="list-style-type: none"> e-delivery of policy documents. | SR | |
| Demanding greater online accessibility to insurance | <ul style="list-style-type: none"> Expanding access to online channels. | SR |  <p>Building Relationships for Life Transforming through Technology Investing in Our People Retaining Market Leadership</p> |
| | <ul style="list-style-type: none"> New online products. | SR | |
| | <ul style="list-style-type: none"> Strengthening customer service via social channels, AI and digitally-enabled agents and service staff. | SR | |
| | <ul style="list-style-type: none"> Changing traditional systems and structures to accommodate servicing customers online. | SR | |

STRATEGY & RESOURCE ALLOCATION

| Consumer Trends | Global Insurance Industry Responses | Ceylinco Life Responses | Relevant Strategic Pillars |
|--|---|-------------------------|---|
| The Great Resignation takes place, with more self-employed people and more people entering the gig economy, creating a greater demand for life cover. | <ul style="list-style-type: none"> New life, saving and investment products. | SR |   Building Relationships for Life Retaining Market Leadership |
| | <ul style="list-style-type: none"> Flexible, varied terms and conditions in comparison to traditional life products. | SR | |
| More employers focusing on employee attraction and retention by means of utilising group life insurance as a benefit in the wake of the Great Resignation. Individuals realizing that workplace group life insurance is often inadequate for their needs. | A greater demand for group life insurance. | PR |   Building Relationships for Life Retaining Market Leadership |
| | A wider choice of supplementary group life products that enable some employers shift benefit expense to employees by means of giving employees greater choice. | PR | |
| | Shift in balance between values of living and death benefits. Higher demand for living benefits: disability, accident, dental, supplementary medical, critical illness and vision cover. | PR | |
| Women's life insurance needs came into spotlight with job losses and the Great Resignation. More women are leaving workforce to start businesses, become independent operators, to WFH or take care of families. All will lose workplace cover and will require life insurance coverage. There is also the recognition of the economic value of homemakers' contributions. | Recognition of women's needs: pregnancy and medical insurance; less retirement savings; work in informal economy or homemakers; live longer; are more risk aware. | PR |   Building Relationships for Life Retaining Market Leadership |
| | Recognition that women are less likely to be covered by group life and medical policies, and therefore, a source for growth. | PR | |
| | New life, saving, medical and investment products and products that address different life stages of women. | PR | |
| | Flexible, varied terms to accommodate differing needs and earning patterns. | PR | |
| | Insurers are also recognizing that women who may want to work from home, on part time basis can be a pool for insurance agents. | NR | |
| | Focus on diversity and inclusion in the workplace and increasing the proportion of women in client-facing roles in sales and client service. | PR | |
| | Mobile insurance offices for villages and townships to extend insurance access to women who are unable to leave their families to meet with insurance representatives. | DR | |

SR Similar response PR Previously responded DR Different response NR No response

Resource Allocation

Strategic resource allocation occurs at Ceylinco Life via an annual budgeting process. The resource allocation takes into consideration the priority areas for action in any given year, in addition to the various functional areas accountable for executing the strategic agenda. Some priority areas cross functional boundaries and are coordinated by the top management to ensure seamless collaboration.

| Strategic Imperative | Future Outlook | | | 2021 Outlook | | |
|--|--|--|--|--|---|---|
| | Short Term Target (Next Year) | Medium Term View (Next 2-3 years) | Long Term Vision (Beyond Next 3 years) | Investment in Rs. Mn | Current KPIs | |
| Retaining Market Leadership Refer Page 69 | <ul style="list-style-type: none"> Retain market leadership Top of mind awareness – 40% To further establish the corporate brand's new messaging – "De-risking your ambitions" To be the best in terms of customer service in the industry | <ul style="list-style-type: none"> Increase penetration in the core life insurance segment to stimulate premium growth To be the best in terms of customer service in industry | <ul style="list-style-type: none"> Grow market share up to 25% while retaining market leadership Develop alternative channels Promote customer convenience | 305 mn | <ul style="list-style-type: none"> Market leader for the 18th consecutive year Top of mind awareness – 48% Considered a strong brand with a brand equity rating of 4.3 An AA+ brand rating | |
| Delivering Financial Value Refer Page 54 | <ul style="list-style-type: none"> GWP growth - 15%+ ROE - 15%+ Life Fund Growth – 10%+ Capital Adequacy Ratio – 200%+ | <ul style="list-style-type: none"> GWP growth - 20%+ ROE - 20%+ Life Fund Growth – 15%+ Capital Adequacy Ratio – 200%+ Transition into SLFRS 17 and SLFRS 9 | <ul style="list-style-type: none"> Increase penetration in the core life insurance segment to stimulate premium growth Balancing the product mix to achieve higher CSM under SLFRS 17 Re-engineering financial processes to optimize expenses Maintain adequate capital and liquidity levels | N/A | <ul style="list-style-type: none"> GWP Growth of 15.80% ROE - 15.33% Life Fund Growth – 12.08% Capital Adequacy Ratio – 397% | |
| Transforming Through Technology Refer Page 101 | <ul style="list-style-type: none"> Proposals through e-submission – 100% Agent physical receipt automation – 100% Referral app for lead generation Improve cyber security platforms to ensure data security | <ul style="list-style-type: none"> Developing "Insurance Marketplace" as an online platform (50,000 policies by 2023) Direct integration of social media with CRM system Compliance with IT security standards Empower staff with proper tools to drive productivity | <ul style="list-style-type: none"> Transition into a technological leadership position in the life insurance industry Adoption of best-in-class enterprise data and IT protection infrastructure Develop the agency force to be self-sufficient in terms of information | Investment of Rs. 17 Mn | <ul style="list-style-type: none"> 68% of all new businesses took place electronically 66.78% growth in online payments Aligning our processes to the ISO27001 standards Launch of the Ceylinco customer app with 128,000 customers to date | |
| Building Relationships for Life Refer Page 76 | Managing Policyholder Relationships | <ul style="list-style-type: none"> Improve convenience to our customers through digital touch points | <ul style="list-style-type: none"> Use AI capabilities to provide better services Obtain customer feedback from over 40% of the base | <ul style="list-style-type: none"> Use AI capabilities to provide better services | 17,500 Mn | <ul style="list-style-type: none"> 144,043 new policies issued in 2021 Over 1 Mn Lives Covered Rs. 30 Mn invested in engagement activities with policyholders |
| | Empowering our Sales Agents | <ul style="list-style-type: none"> Sales training budget – Rs. 37 Mn Provide technical knowledge and soft skills required to promote insurance Proposals through e-submission – 100% | <ul style="list-style-type: none"> Enable sales force with TABs and smart devices | <ul style="list-style-type: none"> Provide training to Sales staff to enhance their professionalism | Rs.2.5 Bn | <ul style="list-style-type: none"> 3,583 sales agents Rs. 20.18 Mn invested in digital empowerment of sales agents 3.82 hours of online training hours per sales agent |







STRATEGY & RESOURCE ALLOCATION

| Strategic Imperative | | Future Outlook | | | 2021 Outlook | |
|--|--|--|--|---|----------------------|--|
| | | Short Term Target (Next Year) | Medium Term View (Next 2-3 years) | Long Term Vision (Beyond Next 3 years) | Investment in Rs. Mn | Current KPIs |
| | Collaborating with Business Partners and Suppliers | <ul style="list-style-type: none"> Ensuring survival of suppliers in the face of existing challenges by giving them support | <ul style="list-style-type: none"> Improving diversity of essential suppliers | <ul style="list-style-type: none"> Sustainability centric supplier onboarding | N/A | <ul style="list-style-type: none"> 1,927 suppliers Rs. 3.7 Bn in supplier payments |
| | Collaborating with Our Community | <ul style="list-style-type: none"> Conduct 12 Waidya Hamuwa health camps | <ul style="list-style-type: none"> Classroom development projects to reach 100 in total | <ul style="list-style-type: none"> Protection, health and well-being of the community Education and future progress of the children and youth | Rs. 10.3 Mn | <ul style="list-style-type: none"> Over 1,000 community members benefitted 7 'High Flow Nasal Cannulas' donated to State Hospitals |
| Nurturing the Environment Refer Page 110 | | <ul style="list-style-type: none"> Reduction in electricity consumption – 10% Reduction in carbon footprint – 10% Proposals through e-submissions to reduce paper in insurance proposals – 100% Reduction in paper consumption – 10% Green buildings – 2 buildings per year | <ul style="list-style-type: none"> Conversion into R-410 air conditioners Green buildings – 2 buildings per year All solar projects to be registered to obtain carbon credits for offsetting Conversion into hybrid/electric vehicles in company fleet | <ul style="list-style-type: none"> To become a carbon-neutral organization Sustainable business expansion and development Responsible resource management and disposal Integrating sustainability into our operations | Rs.185 Mn | <ul style="list-style-type: none"> Reduction in electricity consumption – 3.1% Proposals through e-submissions to reduce paper in insurance proposals – 5,220 Kg Paper Recycled - 21,297Kg New green buildings – 2 |
| Investing in Our People Refer Page 121 | | Digitalization of 90% of HR functions Supporting mental and physical health – a minimum of 4 hours of training per employee Increase innovative employee ideas by 50% | <ul style="list-style-type: none"> Improving digital/technological literacy of the workforce To nurture a well-equipped and skilled workforce. – a minimum 15 hours of training per employee Alignment of existing HR policies to improve diversity, inclusion and pluralism. Continuing to be certified as a Great Place to Work – ranked among the Best 10 in the sector | <ul style="list-style-type: none"> To become the most sought-after employer through employee branding and an unmatched employee value proposition To fill 90% of Assistant Manager category vacancies through existing talent Continuing to be certified as a Great Place to Work – ranked among the Overall Best 40 | Rs.1.8 Bn | <ul style="list-style-type: none"> Certified as a Great Place to Work 795 employees 90% retention rate 13.16 training hours per employee |

Strategy formation and execution are two critical areas of strength. The manner in which we have strived to execute the strategies we set for ourselves are explained in detail over the following pages of this report.

Investment of Resources in Key Strategic Imperatives and Progress Made

The following diagram lays out the priority areas of focus for investment of resources (including funds, human resources and time) for each strategic imperative, detailing the degree of performance in terms of our strategic imperatives, which are described in great detail in the strategic drivers set out in pages 54 to 137.

| | Delivering Financial Value | Retaining Market Leadership | Building Relationships for Life | Transforming through Technology | Nurturing Our Environment | Investing in our People |
|--|---|---|--|---|--|---|
|  FINANCIAL CAPITAL | Contribution of taxes – Rs. 1.6 Bn | Investment in branch network – Rs. 5.1 Bn Investment in new branches opened in 2021 – Rs. 178.3 Mn | Investment in policyholder engagement activities – Rs.30 Mn Investment in Sales Agents engagement activities – Rs. 2.5 Bn | Investment in IT infrastructure in 2021 – Rs. - 80.1 Mn Investment in Tabs and Laptops in 2021 – Rs. 22.8 Mn | Investing in solar for our branch network – Rs. 2.6 Mn Investment in other green initiatives – Rs. 5 Mn | Employee remuneration of Rs.1.8 Bn Investment in T&D – Rs.6.1 Mn Investment in maintaining health and safety – Rs. 93.5 Mn |
|  MANUFACTURED CAPITAL | Investment in new branches Investment in online channels | Enhanced geographical penetration. Robust platform of digital capabilities. | Enhancing connectivity with key stakeholders through physical and digital reach. | Advanced end-to-end digital infrastructure which makes business processes simple and frictionless. | Building a network of green branches Investment in creating a paperless office by offering Tabs and other devices – Rs. 22.8 Mn | Implementing health and safety guidelines issued by the Ministry of Health with the provision of necessary PPE and other facilities across the network. |
|  SOCIAL & RELATIONSHIP CAPITAL | Consistent bonus for policyholders. Timely payment of claims | Trust and stability of a reliable insurance partner. | Strong relationships with over 1 million policyholders. Consistent relationships with agents and business partners. | Specialized IT capabilities which facilitate customer service excellence and speedy service. | Creating awareness on green initiatives across our organization. | Maintaining cordial relationships and open communication across the team. Building team spirit with engagement activities, |
|  HUMAN CAPITAL | Stable employer who supports the career development and progress of employees. | A team that delivers superior customer service in keeping with the values of the Company. | Values, skills and knowledge of strength of 795 staff members | Enhanced digital capabilities of team. Use of RPA and process automation systems enhance efficiency to levels. Driving digital engagement activities among the team. | Creating a culture of environmental sustainability. | Building competencies, values and promoting a high-performance culture |
|  NATURAL CAPITAL | Significant investment in building a sustainable business. | A Company driven by a strong environmental conscious mandate that demonstrates commitment to the environment and community. | Safeguarding resources for future generations. | Digitization has introduced savings in paper usage. Online meetings have reduced the need to travel. | Reducing and managing resources in a conscious manner. | Creating an environmentally conscious team who values nurture sustainability as a way of life. |
|  INTELLECTUAL CAPITAL | Strength of the Ceylinco Life brand recognized among the Top Brands of Sri Lanka. Brand Rating AA+ | Utilization of natural resources in a responsible and optimum manner in delivering client experience. | Unique processes and brands that drive excellence in customer service | Enhanced IT acumen across the Company from the Board, team and sales force. | Unique systems, processes and knowledge accumulated over the years, deployed to minimize our footprint. | A team which is aligned with the best practices and values propagated by the Company. |

DERISKING THE FUTURE THROUGH THE VALUE WE CREATE

VALUE CREATION MODEL

As the nation’s leading life insurer, our primary business activity is providing financial security and protection by derisking the future for all Sri Lankans – thereby creating sustainable value for our stakeholders. Our business model is a unique differentiator which enables us to lead the way in an intensely competitive industry.

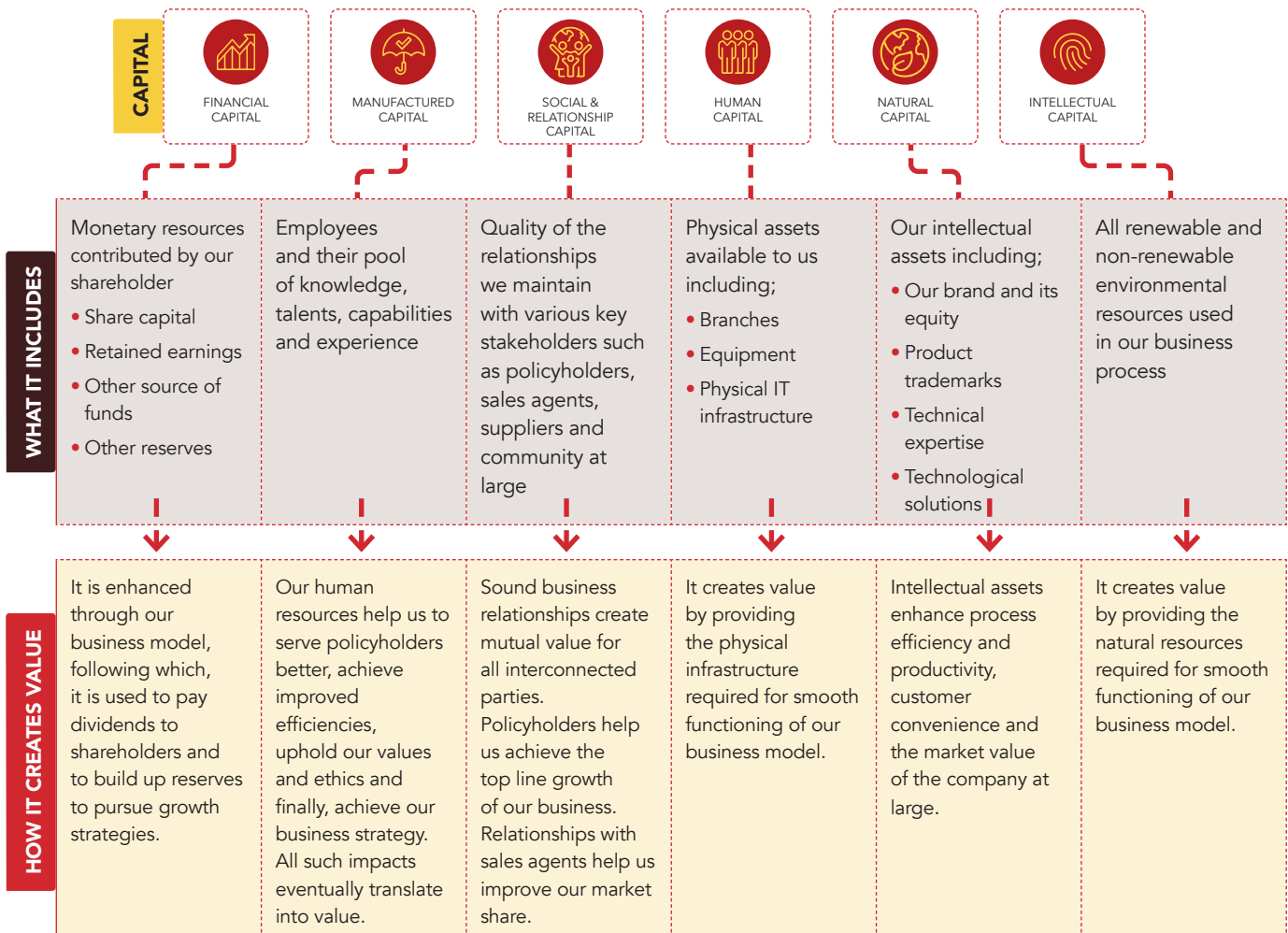
The business of life insurance is based on the diffusion of risk through the mitigation of adverse financial consequences for policyholders through a well-structured risk management system defined by the risk appetite parameters of the Company.

Identifying, measuring, and modeling risks enables us to set premiums which are equitable and competitive.

Our primary business activity lies in providing financial security and protection for Sri Lankans through life insurance solutions. The Company, in achieving this objective, relies on building relationships with its key stakeholder groups such as customers, employees, agents, community, business partners and the environment.

Resource Inputs:

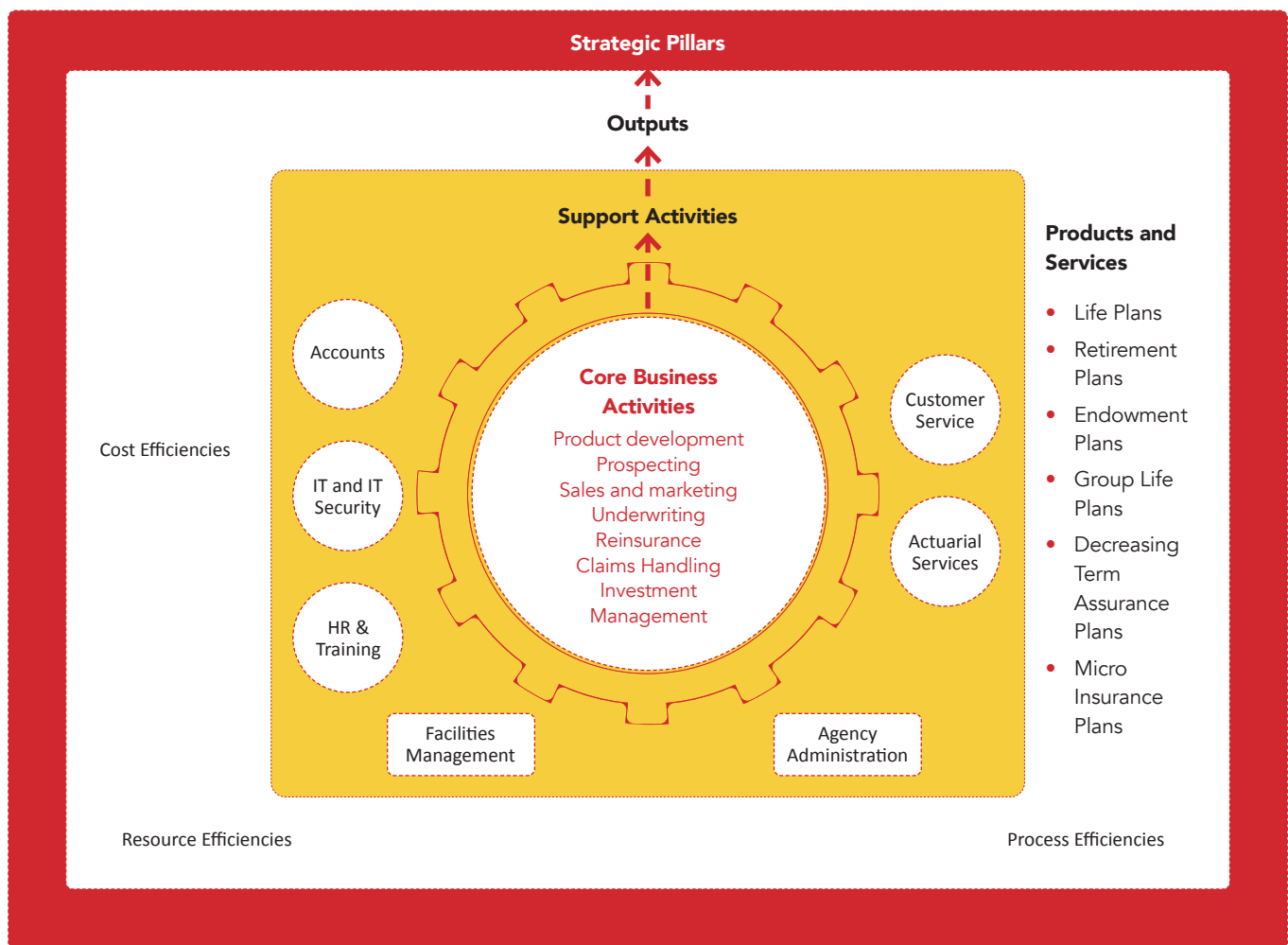
The Company uses financial, social and relationship, human, manufactured, intellectual and natural capital as inputs for its business process. In conducting its business activities, the Company is guided by a strong mandate to preserve and nurture the environment. These inputs are measured at the commencement of the year and their relevant impacts are determined at the end of the year. The Company takes on a long-term perspective by building sustainable value for its stakeholders. Through our business activities and strategy execution we create a positive cycle of financial confidence, security, and performance for our stakeholders, thereby winning their enduring trust and confidence.



Value Creation:

At the center of our value creation process lies our core business activities. The core business activities are further enhanced by support activities such as underwriting, investment management, claims management, actuarial services, corporate governance, and risk management functions. Our core and support functions enable us to achieve our strategic imperatives represented by the five pillars creating outcomes across our stakeholders.

The outcomes of our value creation process are two-fold – our products which deliver value and our resource, cost/ process efficiencies that enable us to move forward delivering value to our wider stakeholders comprising of employees, sales agents, the community etc. Our comprehensive suite of products and services consisting of life insurance plans, retirement solutions, Decreasing Term Assurance (DTA), policies and annuity policies serve the evolving needs acting as a strong safety net protecting and safeguarding our policyholders. Process efficiencies, conscious usage of natural resources deliver value for our stakeholders such as employees, sales agents, business partners and the community at large. This enables the company to move ahead in its business growth objectives achieving strides of progress in GWP growth/ growth in life fund enabling the company to maintain its market leadership position as the No 1 Life Insurer in Sri Lanka. Strengthening the employee experience, providing a progressive environment for sales agents and minimising our carbon footprint are some of the outcomes of our value creation process.



Impacts:

The Company's value which is delivered is translated into impacts which create tangible value for our stakeholders. The impacts generated could be positive or negative consequences stemming from the business activities. In our value creation model these are expressed from a stakeholder perspective.

Stakeholders can derive economic benefits as dividends, employee emoluments, sales agent commission and rewards, policyholder bonuses, claims and benefits. These benefits further translate into mutually rewarding interactions, enhanced relationships with business partners and valued contributions to the community and the environment.

VALUE CREATION MODEL

What Drives Us:

Vision, Mission and Values

Refer page 2

Changes in the Operating Landscape

Refer page 24



OUTCOMES

629,030 kW of energy saved
1,069 Units of water recycled and harvested
21,297 Kg of waste recycled

STRATEGIC DRIVERS

Nurturing our Environment
Pages 110-120

State-of-the-art security
65% growth in online transactions

Transforming through Technology
Pages 101-109

Support activities

Core Business Activities

Investing in Our People
Pages 121-137

Certified as a Great Place to Work
795 employees
92% retention rate



FINANCIAL CAPITAL

2 New Products
Shareholder's Fund - **Rs.44 Bn**
Life Fund - **Rs. 119.6Bn**
Operating Cash Flows - **Rs.15 Bn**
Financing Cash Flows - **Rs.2.4 B**



MANUFACTURED CAPITAL

Rs. 178.3 Mn invested in Green Branches
04 new Solar Systems were installed
02 green branches opened



SOCIAL & RELATIONSHIP CAPITAL

Direct Investment in community - **Rs. 10.3 Mn**
New Suppliers - **790**



HUMAN CAPITAL

3,583 Sales Agents reached **144,043** new customers
1,927 suppliers provide quality products and services to enable smooth operations
Sales Agent Training - 3.82 hour
Investment in training - **Rs. 43 Mn**
Training hours per employee - **14.66**
Investment in safety initiatives - **Rs. 93 Mn**
795 employees
Investments in Health and Safety - **Rs.93 Mn**



NATURAL CAPITAL

Investment in green buildings - **Rs. 178.3 Mn**
20 communications to raise awareness
16 members in the Green Club
Measurement of the carbon footprint caused by Company's operations



INTELLECTUAL CAPITAL

Investment in Technology - **Rs. 37 Mn**
Testing Centre of Excellence established
Improving the knowledge and capabilities of our work force to generate financial value

What Governs Us:

Strong Governance Structures

Refer page 154

Proactive Risk Management

Refer page 177

Evolving Stakeholder Needs

Refer page 38

Disruptive Technology

Refer page 101



Life fund of Rs. 119.6 Bn
GWP Growth of 16%

Delivering Financial Value

Pages 54-68

Retaining Market Leadership

Pages 69-75

Building Relationships for Life

Pages 76-100

Over 1Mn policyholders
1,927 business partners
3,583 sales agents

OUR IMPACTS



FINANCIAL CAPITAL

Distributing Steady Returns

Return on Equity – **15.33%**
Return on Assets – **3.90%**
Dividends per share – **Rs. 15.65**
Taxes Paid – **Rs. 876 Mn**
Investment Income - **Rs.15 Bn**
Total Assets - **Rs.173 Bn**
GWP from New Products - **Rs. 120 Mn**



MANUFACTURED CAPITAL

Reaching a Nation

New Products Developed – **02**
Number of Online Channels – **05**
Number of New Branches – **02**
Electricity Saving through Solar Generation - **Rs.14 Mn**



SOCIAL & RELATIONSHIP CAPITAL

Strengthening our Partnerships

Death Claims Settled – **Rs. 1.4 Bn**
Payments Disbursed – **Rs. 2.4 Bn**
Lives Impacted through CSR - **over 1000**
Over 1 Mn lives covered
3.7 Bn paid to suppliers and settlements were made on time



HUMAN CAPITAL

Caring for our People

Rewards and Remuneration - **Rs. 1.8 Bn**
Number of Promotions – **139**
Female Recruits - **31**
Workplace-Related Injuries - **0**



NATURAL CAPITAL

Sustaining our Surroundings

Indirect Emission Reduction - **55%**
Solar Energy Generated – **629.03 MWH**
2,652 trees were saved through solar electricity
2,224,000 Litres rainwater harvested
21,297 Kg of paper recycled



INTELLECTUAL CAPITAL

Driving Innovation and Knowledge

Innovative technologies – **04 System**
New Products Developed – **2**

Impacted Stakeholders and SDGs

8 16
Shareholders, Government

9 10
Policyholders

1 3 4 5 8
9 10 11 12 16
17
Policyholders, Suppliers, Regulators, Reinsurers, Actuaries, Sales Agents, Industry Associations, Community

3 5 8 9
Employees

7 9 11 12
Environment

9 11
Policyholders, Employees

A Sustainable Approach

Refer page 21-22

Regulatory Frameworks

Refer page 4

DERISKING THE FUTURE BY DELIVERING FINANCIAL VALUE

Delivering strong, consistent returns and ensuring long-term stability have long been one of the cornerstones of our success as an insurance provider. Our ability to meet stakeholder needs in a sustainable manner depends largely on the prudent management of our finances – which manifests across all strategic pillars and business units.



How Delivering Financial Value Helps Achieve our Goals

PRIORITIES FOR 2021

Steady, Consistent Returns

Smart, Prudent Investments

Compliance and Accurate Disclosures

OBJECTIVE

TO RELY ON OUR FINANCIAL ACUMEN TO EXTEND LONG-TERM, SUSTAINABLE VALUE TO OUR SHAREHOLDER WHILE PROTECTING THE INTERESTS OF OUR POLICYHOLDERS.

OUR RESPONSE

Ensuring increased profitability and performance year-on-year, through sustainable, visionary strategies designed to anticipate and address change, while extending financial solutions to the nation and uplifting their living standard.

Relying on sustainable, long-term investments to drive value and stability.

Prioritizing compliance with industry standards and best practices to ensure good governance and accountability.

IMPACTED CAPITALS:



HUMAN CAPITAL



INTELLECTUAL CAPITAL



SOCIAL & RELATIONSHIP CAPITAL



MANUFACTURED CAPITAL



NATURAL CAPITAL



FINANCIAL CAPITAL

IMPACTED SDGs:

1

7

8

9

12

13

16

KEY ACHIEVEMENTS

Rs. 25,565 Mn in gross written premium, crossing the 25 Bn threshold for the first time

15.8% increase in gross written premium

Rs. 12,736 Mn net benefits and claims paid

1.5% growth in investment and other income

Rs. 15,129 Mn investment & other income

Rs. 4,500 Mn surplus from the life insurance business

Total assets crossed Rs. 173 Bn

15.2% growth in total assets

Rs. 135.49 earnings per share

Rs. 782.5 Mn paid as dividends to shareholders

Rs. 884 net asset per share with 16% growth

Rs. 178 Mn invested to build two green branches

Rs. 2.6 Mn invested in installing solar panels at 4 locations

Rs. 14 Mn saved from electricity expenses

Material Topics: 1, 2, 3, 4, 5

Delivering Financial Value - Management Approach

As an insurance provider, the success of Ceylinco Life depends on our financial acumen. That is why delivering financial value remains one of the core strategic pillars of the company.

Our financial management strategy is a key driver of financial success and the ability to create sustainable value for our stakeholders. We faced 2021 with an adaptive and flexible financial management approach, aligned to specific strategic challenges that impacted us during the proliferation of COVID-19 pandemic. This approach was a critical success factor behind the outstanding financial performance witnessed in 2021.

As a life insurer, our utmost purpose of managing financial capital is to create long-term sustainable value to our shareholder while protecting the interests of our policyholders. Therefore, financial stability, liquidity and profitability are key deliverables of our financial strategy – which are addressed through the key priorities set in place during the year. These are driven by our value enablers, set out as follows:

Value Enablers

Digital Empowerment

- As the pandemic continued to escalate despite the best efforts of the government and health authorities, conventional means of business were no longer viable for corporates in new normal.
- Those who are digitally equipped will survive in the new reality. As the market leader, Ceylinco Life introduced a number of digital capabilities across every process related to our core business.

Continuous Monitoring

- Managing and monitoring our resources are integral to every aspect of the company's operations.
- Organisation-wide budgetary controls serve as a controlling mechanism to manage outflows.
- Premium and investment income targets are carefully monitored on a monthly basis.
- Finance KPIs are tabled at regular finance meetings.
- Monthly financial statements are prepared according to the Financial Reporting Framework (refer page 04) and presented to the Executive Board of Directors and the Senior

Management.

- The 'Finance MIS Dashboard' was introduced in 2021 to enable the top management to see a snapshot of Company's financial performance and financial position.
- The performance of Takaful business is reviewed and Takaful Financial Statements are circulated to the members of Shariah Council on a monthly basis apart from Quarterly Performance Review and Shariah Compliance meeting with the members of the Independent Sharia Council.

Agility and Responsiveness

- Business Continuity Planning (BCP) meetings and Strategic Planning Meetings (SPM) are conducted regularly to respond to challenges arising from both internal and external environment.
- Success during the pandemic was dependent on how speedily we could react to the challenges we faced and the degree of action taken towards leveraging on the opportunities that emerged in external business environment.

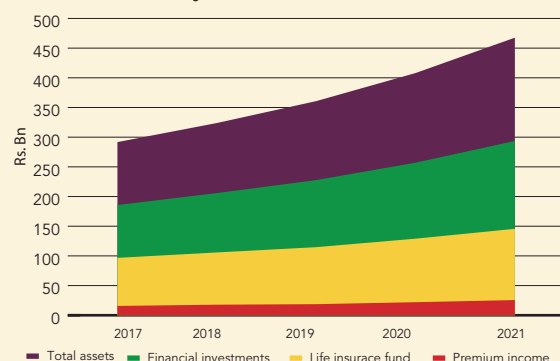
FOCUS AREA 01

Steady, Consistent Returns

1 8 12

Over the years, Ceylinco Life has continued to deliver steady growth across all financial KPIs, thereby extending the pledge of sustainable, long-term value to its stakeholders. Our journey is mapped out below:

Our Financial Journey



DELIVERING FINANCIAL VALUE

Performance Dashboard 2021 and Targets for 2022

In line with our pledge for delivering steady streams of value in the years ahead, the company has mapped out its current performance and future performance as follows:

| Performance Indicator | Current Period | | | Previous Period | | | Succeeding Period | |
|------------------------------|----------------|----------|-------------|-----------------|----------|-------------|-------------------|--------|
| | 2021 | | | 2020 | | | 2022 | |
| | Actual | Target | Achievement | Actual | Target | Achievement | Target | Growth |
| | Rs. Mn | Rs. Mn | % | Rs. Mn | Rs. Mn | % | Rs. Mn | % |
| Gross written premiums | 25,565 | 25,536 | 100% | 22,076 | 20,500 | 108% | 30,624 | 20% |
| Investment and other income | 15,129 | 14,304 | 106% | 14,912 | 11,500 | 130% | 16,648 | 10% |
| Net benefits and claims paid | (12,736) | (15,585) | 82% | (12,267) | (11,694) | 105% | (20,922) | 64% |
| Acquisition cost | (2,370) | (2,859) | 83% | (2,124) | (2,051) | 104% | (4,358) | 84% |
| Expenses | (4,837) | (4,411) | 110% | (3,902) | (3,800) | 103% | (4,503) | -7% |
| Profit before tax | 8,545 | 7,516 | 114% | 8,767 | 8,500 | 103% | 9,213 | 8% |

Statement of Financial Capital Position

| Financial Capital | Current Year | Previous Year | Succeeding Year | Prospective Growth |
|---|------------------|------------------|------------------|--------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2022 | |
| | Rs. Mn | Rs. Mn | Rs. Mn | Rs. Mn |
| Total Equity | 44,194 | 38,145 | 52,102 | 17.9% |
| Life Fund | 119,635 | 106,737 | 125,134 | 4.6% |
| Financial Investments | 148,466 | 128,248 | 160,777 | 8.3% |
| Investment Properties | 4,046 | 3,516 | 4,248 | 5.0% |
| Investments in Subsidiaries & Associate | 1,944 | 1,944 | 1,944 | 0.0% |
| Policy Loans | 1,562 | 1,283 | 1,624 | 4.0% |
| Total Assets | 173,763 | 150,801 | 188,281 | 8.4% |

Policyholders' Fund

| For the Year Ended 31st December, | 2021 | 2020 | Change |
|--|----------|----------|--------|
| | Rs. Mn. | Rs. Mn. | % |
| Gross written premiums | 25,565 | 22,076 | 15.8% |
| Premiums ceded to reinsurers | (308) | (505) | -39.0% |
| Net written premiums | 25,257 | 21,571 | 17.1% |
| Investment and other Income | 11,782 | 12,156 | -3.1% |
| Net benefits and claims paid | (12,736) | (12,267) | 3.8% |
| Increase in long-term insurance fund | (11,804) | (9,424) | 25.3% |
| Acquisition cost | (2,370) | (2,124) | 11.6% |
| Operating and administrative expenses | (4,497) | (4,554) | -1.3% |
| Finance cost | (91) | (76) | 19.8% |
| Tax expense | (1,040) | (1,181) | -12.0% |
| Surplus from life insurance business / underwriting result | 4,500 | 4,101 | 9.7% |

The above table depicts the result of the financial performance of the Policyholders' Fund, which is a part of the overall financial performance of the company.

Vertical Analysis of Financial Statement

Vertical analysis shows the percentage contribution of each line using a based figure within the statement. This shows a holistic overview on the financial statements.

(a). Statement of Comprehensive Income

Gross Written Premium is considered as the base figure in vertical analysis of Statement of Comprehensive Income.

| Statement of Comprehensive Income | Current Year | Previous Year | Succeeding Year |
|--|--------------|---------------|-----------------|
| For the period ended 31 December, | 2021 | 2020 | 2022 |
| | % | % | % |
| Gross written premiums | 100% | 100% | 100% |
| Premiums ceded to reinsurers | -1% | -2% | -3% |
| Net written premiums | 99% | 98% | 97% |
| Investment & Other Income | 59% | 68% | 52% |
| Total revenue | 158% | 166% | 149% |
| Gross benefits and claims paid | -51% | -57% | -70% |
| Claims ceded to reinsurers | 1% | 1% | 1% |
| Gross change in contract liabilities | -46% | -43% | -23% |
| Net benefits and claims | -96% | -99% | -92% |
| Acquisition Cost | -9% | -10% | -14% |
| Other operating and administrative expenses | -19% | -17% | -15% |
| Finance costs | 0% | 0% | 0% |
| Total other expenses | -28% | -27% | -29% |
| Total benefits, claims and other expenses | -125% | -126% | -120% |
| Profit before tax | 33% | 40% | 30% |
| Income tax expense | -7% | -8% | -5% |
| Profit for the period | 26% | 32% | 25% |

(b). Statement of Financial Position

Total assets is considered as the base figure in vertical analysis of Statement of Financial Position.

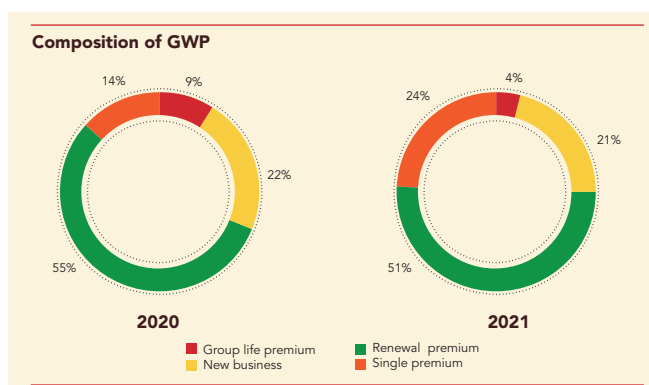
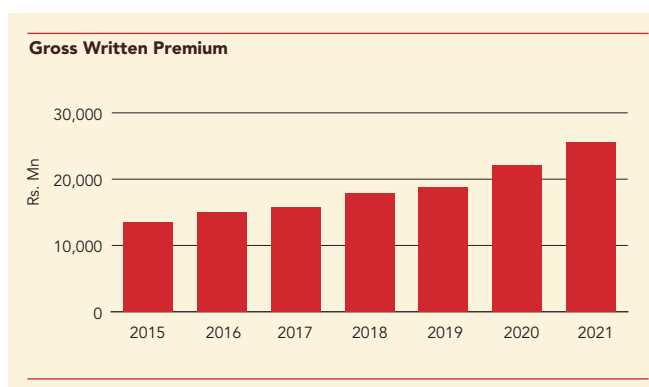
| Statement of Financial Position | Current Year | Previous Year | Succeeding Year |
|--|----------------|----------------|-----------------|
| As at 31 December | 2021 | 2020 | 2022 |
| | % | % | % |
| Assets | | | |
| Intangible Assets | 0.17% | 0.24% | 0.16% |
| Property, Plant & Equipment | 5.99% | 6.29% | 5.91% |
| Investment Property | 2.33% | 2.33% | 2.30% |
| Investments in Subsidiaries & associates | 1.12% | 1.29% | 1.02% |
| Financial Instruments | 85.45% | 85.04% | 85.96% |
| Employee Gratuity & Pension Benefit Asset | 3.23% | 2.91% | 2.98% |
| Other Assets | 1.43% | 1.39% | 1.40% |
| Cash and Cash Equivalents | 0.28% | 0.51% | 0.27% |
| Total Assets | 100.00% | 100.00% | 100.00% |
| Equity & Liabilities | | | |
| Total Equity | 25.44% | 25.29% | 27.36% |
| Liabilities | | | |
| Insurance Contract Liabilities - Life | 68.85% | 70.78% | 65.38% |
| Insurance Contract Liabilities - Other funds | 0.39% | 0.44% | 0.42% |
| Short Term Loan | 1.84% | 0.00% | 2.70% |
| Other Liabilities | 3.25% | 3.16% | 3.92% |
| Bank Overdraft | 0.23% | 0.33% | 0.22% |
| Total Liabilities | 74.57% | 74.71% | 72.64% |
| Total Equity & Liabilities | 100.00% | 100.00% | 100.00% |

DELIVERING FINANCIAL VALUE

Gross Written Premium (GWP)

Gross Written Premium (GWP) is the total premium paid by the policyholders to the company, before deducting reinsurance and ceding commission, which serves as our primary source of income. Our total gross written premium recorded a growth of 15.8% (2020: 17.9%) over the previous year to reach Rs. 25,565 Mn (2020: Rs.22,076 Mn).

With the prevailing uncertainties in Sri Lankan economy, it is indeed a significant achievement that represents the success and stability of Ceylinco Life as a life insurance company, as is the GWP crossing the 25 Bn mark for the first time.



| GWP by nature | 2021 Rs. Mn. | 2020 Rs. Mn. | Growth |
|----------------------|-----------------|-----------------|--------------|
| Group life premium | 974 | 2,089 | -53.4% |
| New business | 5,393 | 4,869 | 10.8% |
| Renewal premium | 13,138 | 12,151 | 8.1% |
| Single premium | 6,061 | 2,967 | 104.3% |
| Total premium | 25,565 | 22,076 | 15.8% |

Group Life Premiums

The contribution of Group Life premiums to the GWP dropped to 5% in 2021, in comparison to the 9% recorded in 2020. In absolute terms, Group Life premiums dropped by 53% in 2021 over the 2020 figure, which was a growth of 131% in 2020.

During the period, Ceylinco Life performed an upward rate revision with respect to Pensioners' Decreasing Term Assurance (DTA) policies which in turn created a reduction in premium income from the group segment.

New Business

While new business recorded a 10.8% growth over the previous year in absolute terms as opposed to 14% in 2020, when annualized, it resulted in a 44% increase (2020 - 26%).

| Description | 2021 | 2020 | Change |
|---|-----------|-----------|--------|
| Annualized new business premium -Rs. '000 | 9,017,314 | 7,626,838 | 18% |
| No of new policies issued during the period | 144,043 | 175,299 | -18% |
| Average premium per policy - Rs. | 62,602 | 43,508 | 44% |

Renewal Premium

Renewal premium shown a 8% growth while contributing 51% to our total premium income. Greater persistence and satisfaction of the existing policyholders reflected from the growth of renewal premium.

Single Premium

Single Premium products which Name is Single Premium include our endowment and retirement policies, grew by 104% in 2021 in comparison to a 41% growth in the previous year, arising mainly from the successful re-launch of the limited term endowment product that attracts a significant number of customers. Single Premium products contributed to 24% of total premiums in 2021, compared to 14% in 2020.

The number of new policies issued during 2021 dropped by 18%, in comparison to the growth of 26.4% experienced in 2020. Despite the drop in number of policies issued during the period, the average premium per policy has increased by 44% (2020 - drop by 0.4%). This is due to higher amount of GWP collected from Limited Term Endowment products.

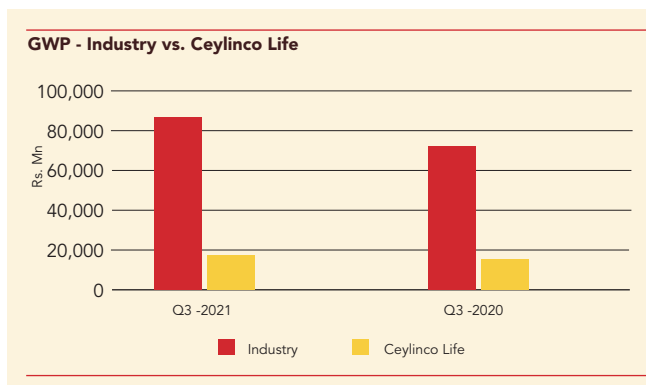
Channel-wise GWP Analysis

Ceylinco Life primarily operates via three channels, namely Agency (individual sales agents), Alternative Channels (Bancassurance, brokers and corporates) and Internet and Online, which includes social media. 99% of our total premium is collected through the agency model which displays a 15.7% increment in GWP compared to the previous year.

| GWP by Channel | 2021 | 2020 | Change |
|-------------------|---------------|---------------|--------------|
| Channel | Rs. Mn | Rs. Mn | % |
| Agency | 25,319 | 21,892 | 15.7% |
| Alternative | 212 | 167 | 27.0% |
| Internet & Online | 34 | 17 | 100% |
| Total | 25,565 | 22,076 | 15.8% |

GWP Growth - Industry vs Ceylinco Life

The GWP of the Sri Lankan life insurance industry recorded a 19.8% growth for the nine months ended 30 September 2021 (Q3) in comparison to 13.1% in the previous year. Ceylinco Life grew its GWP by 11.1% over the same period (2020 -13.9%). Ceylinco Life focuses mainly on core life insurance products while many other industry players place an aggressive focus on medical insurance.

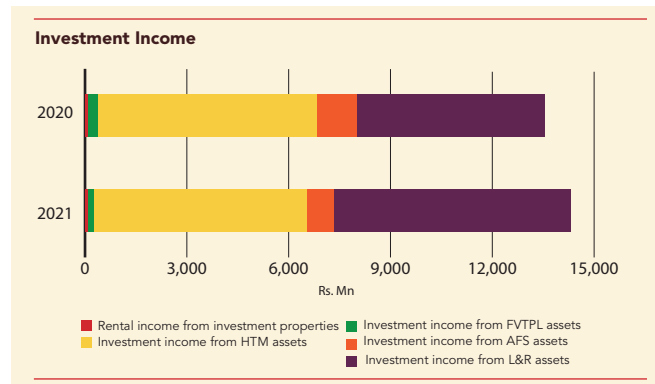


Source: IRCSL Press Release - Performance of the Insurance Industry - Q3 2021

Investment Income

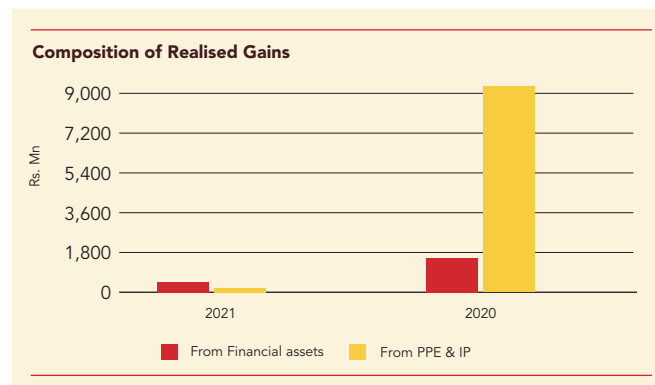
The investment income of Ceylinco Life increased to Rs. 14,315 Mn in 2021 (2020 - Rs. 13,542 Mn), recording a 5.7% growth over the previous year (2020- 6.8%). This performance is the result of the smart, prudent investment strategies implemented by the Investment Committee. The drop experienced in the growth rate of investment income is primarily due to the low interest rate environment that prevailed during early 2021. The Investment Committee Report on page 199 to 200 provides more details in this regard.

Loans and receivable financial assets were the key contributor to the rise in investment income in 2021, generating Rs. 6,980 Mn. The second largest contributor was the Rs. 6,274 Mn generated from held to maturity financial assets.



Realised Gains

Realised gains represent the profit of proprietary trading of financial assets and the gain from disposal of property, plant and equipment (PPE) and investment properties (IP). During the period, Ceylinco Life decided to hold the Available for Sale Treasury Bonds at higher yields in order to enhance fund yields and investment income, while reducing reinvestment risk. Further, proprietary trading of financial assets was ceased as a result of Financial Assets reclassification from Available for Sale & Fair Value Through Profit or Loss to Held to Maturity categories (Refer page 258 in note 12.(a).2).



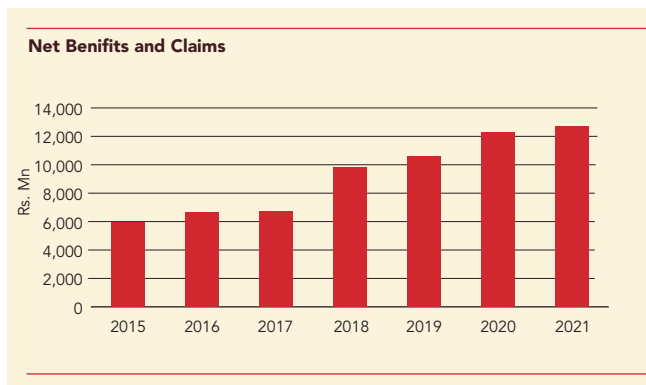
Net Benefits and Claims

Net benefits and claims from the life insurance business excluding gross change in contract liabilities increased by 3.8% to reach Rs. 12,736 Mn in 2021, compared to Rs. 12,267 Mn in 2020.

During the year under review, we paid Rs. 8,152 Mn worth of maturity benefits, which reflected a 5.3% drop from the Rs. 8,612 Mn paid in 2020. Death, disability and hospitalization claims paid in 2021 amounted to Rs. 1,958 Mn, up by 63.6% over Rs. 1,197 Mn paid in 2020.

DELIVERING FINANCIAL VALUE

| Nature of the claim | 2021 | 2020 | Change % |
|---|--------|--------|----------|
| | Rs. Mn | Rs. Mn | |
| Death, disability and hospitalization claims | 1,958 | 1,197 | 63.6% |
| Policy maturities | 8,152 | 8,612 | -5.3% |
| Interim payments on anticipated endowment plans | 1,072 | 1,056 | 1.5% |
| Policy surrenders | 1,722 | 1,593 | 8.1% |
| Annuities | 23 | 52 | -55.4% |
| Gross claims and benefits | 12,927 | 12,511 | 3.3% |
| Reinsurance recoveries | (191) | (244) | -21.7% |
| Net benefits and claims | 12,736 | 12,267 | 3.8% |

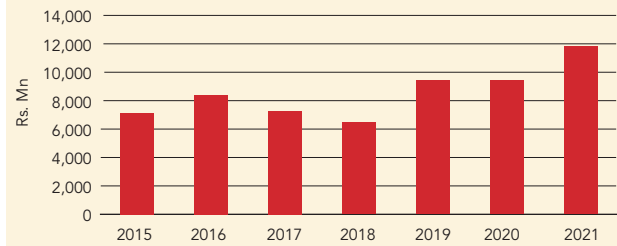


Transfer to the Long-term Insurance Fund

During 2021, the Company transferred Rs. 11,803 Mn to the Long-term Insurance Fund following a transfer of Rs. 4,500 Mn to the Shareholders' Fund (2020 - Rs. 4,100 Mn). This reflects an increase of 25.3% over Rs. 9,424 Mn transferred in 2020.

This transfer was made possible by the GWP growth combined with higher investment income generated from the prudent investment of policyholders' funds. These were sufficient to absorb the escalation in acquisition costs, the increased levels of customer benefits paid and other operating and administrative expenses.

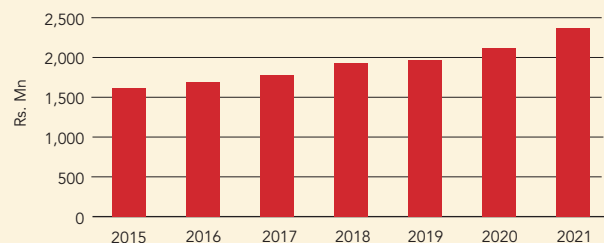
Transfer to Long-term Insurance Fund



Acquisition Cost

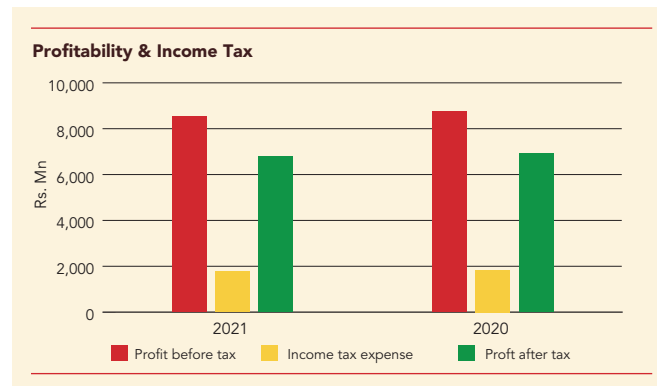
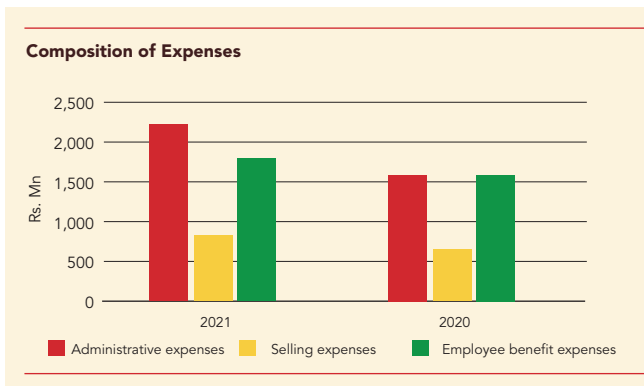
Acquisition cost mainly represents the commission expenses incurred by the Company in underwriting life insurance. Ceylinco Life depends predominantly on independent sales agents to deliver the message of life insurance to Sri Lankan families. The 11.6% rise in acquisition cost (2020 - 8.2%) to Rs. 2,370 Mn in 2021 over Rs. 2,124 Mn in 2020 correlated to the increase in GWP in 2021.

Acquisition Cost



Operating and Administrative Expenses

| Description | 2021 | 2020 | Change |
|---------------------------|--------|--------|--------|
| | Rs. Mn | Rs. Mn | |
| Administrative expenses | 2,220 | 1,588 | 39.8% |
| Selling expenses | 826 | 649 | 27.3% |
| Employee benefit expenses | 1,791 | 1,587 | 12.8% |
| Total | 4,837 | 3,823 | 26.5% |



The company's operating and administrative expenses increased by 26.5% to Rs. 4,837 Mn in 2021, from the Rs. 3,823 Mn incurred in 2020. The 27% (2020-22%) increase in selling expenses reflects the spending on advertising and business promotions to win new business and defend our market share in an intensely competitive market.

The main contributor to the 39.8% increment in administrative expenses during 2021 is attributable to the increment in fund contributions (commonly known as joint product cost) for the products in which policyholders are entitled to an account balance.

There was a rise in employee benefits during the year as the company suitably rewarded those who made an exceptional contribution towards business value creation during the year. This increase is after the reversal of the Company's contributions to the pension and gratuity funds resulting from the fair values of the plan assets being higher than the plan liabilities. More details about our investment in human capital are discussed in pages 121 - 137.

Profitability

In 2021, Ceylinco Life recorded a profit before tax (PBT) of Rs. 8,545 Mn, thereby indicating a slight drop of 2.5% over the Rs. 8,767 Mn recorded in 2020. The income tax expense dropped by 3.4% to reach Rs. 1,770 Mn, in comparison to the Rs. 1,832 Mn incurred in 2020. The current tax charge for 2021 is Rs. 1,641 Mn (2020-Rs. 1,787 Mn), while the profit after tax (PAT) for 2021 is Rs. 6,774 Mn, which indicates a slight drop of 2.3% over Rs. 6,934 Mn in 2020.

Life Insurance Specific Ratios

| Description | 2021 % | 2020 % | Explanation |
|--|--------|--------|---|
| Claims and benefit ratio | 50 | 55 | Claims and other benefits paid as a percentage of premium income |
| Claims ratio (without maturities, advance payments and surrenders) | 8 | 6 | Claims paid as a percentage of premium income |
| Reinsurance ratio | 1.5 | 2 | Percentage of the risk transferred to reinsurers |
| Acquisition ratio | 10 | 10 | Acquisition cost as a percentage of premium Income |
| Capital adequacy ratio (CAR) | 397 | 424 | Total Available Capital (TAC) as a percentage of Risk Based Capital Requirement (RCR) |

DELIVERING FINANCIAL VALUE

FOCUS AREA 02

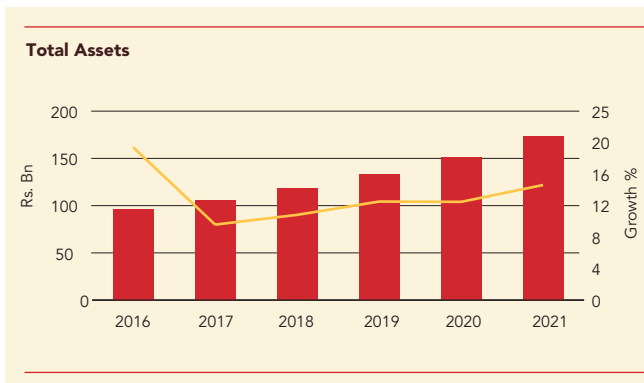
Smart, Prudent
Investing

1 7 8 9 12 13

The company's assets and investments serve as the key to our continuity in the long-run – contributing towards our strength and stability amid an extremely volatile environment.

Total Assets

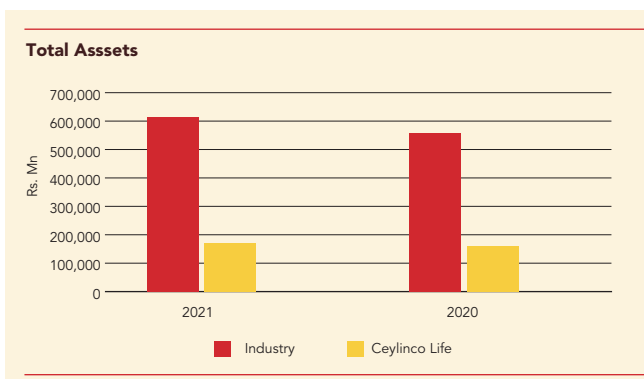
Total assets of the Company reached Rs 173 Bn in December 2021, while achieving 15% growth over 2020. The increase was mainly attributable to the growth in Loans and Receivables Financial Assets, Held to Maturity Financial Assets and Employee Gratuity Benefit Assets.



Total Assets – Industry vs Ceylinco Life

The total assets of the life insurance industry as at the end of Q3 2021 stood at Rs. 615,538 Mn, recording a 10.7% growth over Rs. 556,157 Mn recorded in Q3 2020. Total assets of Ceylinco Life stood at Rs. 170,228 Mn as at Q3 2021, with a growth of 5.9% over Rs. 160,751 Mn 2020 recorded in 3Q 2020.

As the market leader, Ceylinco Life contributed to over a quarter of the total assets of the life insurance industry as at the end of Q3 2021.



Source: IRCSL Press Release - Performance of the Insurance Industry - Q3 2021

Property, Plant and Equipment

Property, plant and equipment increased by 9.7% from Rs. 9,281 Mn in 2020 to Rs. 10,177 Mn in 2021. Freehold land and buildings are considered to be an admissible asset in capital adequacy calculations, and account for 90% of the value of property, plant and equipment (2020- 88%).

During the year, the Company acquired land and buildings amounting to Rs 202 Mn, which includes two new green branches constructed at Piliyandala and Negombo. Further details on additions and depreciation are given on page 238.

During the year, the Company recognized a gain of Rs. 827 Mn on revaluation of land and buildings held under property, plant and equipment (2020 -559 Mn).

Investment Property

Investment property includes land and buildings held by the Company for investment purposes. Such property generates rental income for the Company and gains from capital appreciation. Ceylinco Life's investment property grew by 15.1% from Rs. 3.5 Bn in 2020 to Rs. 4.0 Bn in 2021 (2020 - 42.3%).

The growth of Investment Property in 2020 was a result of Rs. 579 Mn worth of assets transferred from property, plant and equipment to this category.

During the period additions amounting to Rs. 311 Mn have been made to investment properties (2020 - Rs. 218 Mn) and a fair value gain of Rs. 458 Mn was recognised from the valuation of the properties in 2021 (2020 - Rs. 248 Mn). An investment property worth of Rs. 240 Mn was disposed of during the period (2020 – Nil). Additional details on investment property are given on page 247 on Note 9.

Rs. 148 Bn

Investment in
Financial Instruments

Rs. 1.1 Bn

Investment in Subsidiaries

Rs. 808 Mn

Investment in Associates

Rs. 4.0 Bn

Investment Property

Investments in Subsidiaries

Investments in subsidiaries stood at Rs. 1,136 Mn as at the end of 2021. This includes the investments in the Ceylinco Healthcare Services Limited and Serene Resorts Limited worth Rs. 771 Mn and Rs. 365 Mn respectively.

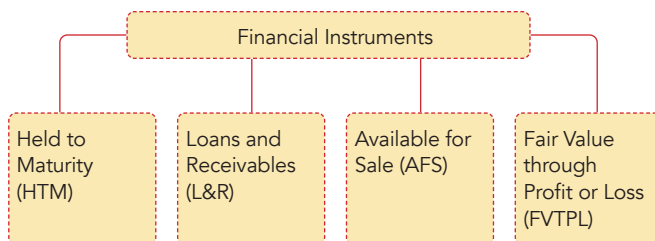
Investments in Associates

The investment in our associate company, Citizens Development Business Finance PLC, remained unchanged from 2020 to 2021, amounting to Rs. 808 Mn.

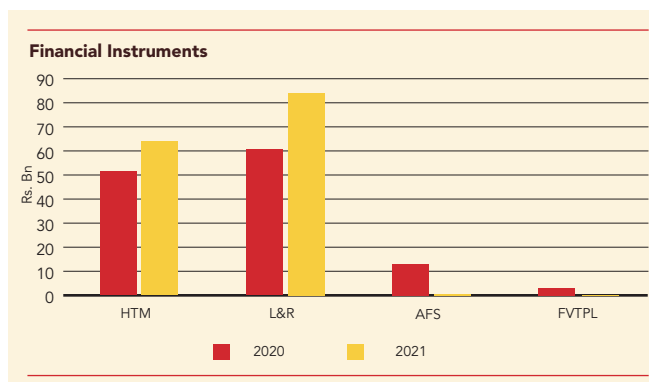
Financial Instruments

Investments by the Company in financial instruments grew by 15.7% over 128 Bn in 2020 to reach Rs. 148 Bn (2020 -13.9%). Financial instruments account for 85% of our total assets as at end 2021, which remains unchanged from 2020. A larger percentage of the life insurance fund is invested in government debt securities and other fixed income securities such as quoted debentures and term deposits, according to the guidelines issued by the Insurance Regulatory Commission of Sri Lanka.

In compliance with the Sri Lanka Accounting Standards (SLFRS/ LKAS), we have categorised financial instruments into four categories as follows:



Since we are a life insurance company, with the exemption granted under SLFRS 17: Insurance Contracts, we have deferred the adoption of the latest standard on financial instruments, SLFRS 9, until the effective date of SLFRS 17 which is on 1 January 2023.



Nature of the Financial Investment Portfolio

Investments in financial instruments strictly follow the regulatory and internal investment guidelines. Our strategy lies in earning steady returns from investments from relatively lower-risk investments. A majority of our investments are made in risk-free government securities while the balance is invested in counterparties with good credit quality (Refer note 41.(b) in page 307 for credit ratings of financial instruments issuers). An analysis of our financial investments is provided in the table below:

| For the Year Ending 31 December, | 2021 | 2020 | Change | Composition | |
|----------------------------------|----------------|----------------|--------------|-------------|-------------|
| Financial Instrument | Rs. Mn | Rs. Mn | % | 2021 | 2020 |
| Government Securities | 53,995 | 52,722 | 2.4% | 36% | 41% |
| Quoted Debentures | 29,718 | 26,922 | 10.4% | 20% | 21% |
| Term Deposits | 57,518 | 47,167 | 21.9% | 39% | 37% |
| Repo Lendings | 6,296 | 395 | 1494% | 4% | 0% |
| Quoted Shares | 126 | 106 | 18.8% | 0% | 0% |
| Staff loans | 813 | 937 | -13.2% | 1% | 1% |
| Total | 148,466 | 128,249 | 15.8% | 100% | 100% |

36% of our total investments represent risk-free government securities as at period end (2020 - 41%) with a growth of 2.4% compared to the previous year. With the expectation of interest rate growth in recent future and in line with our investment strategy, we have invested heavily in short-term fixed deposits offering higher interest rate income. Term deposits represent 39% our total financial instrument portfolio (2020 - 37%) with a growth of 21.9% compared to the previous period. Repo lending and quoted shares and staff loans represent the balance 5% of our financial investment portfolio.

HTM Financial Assets

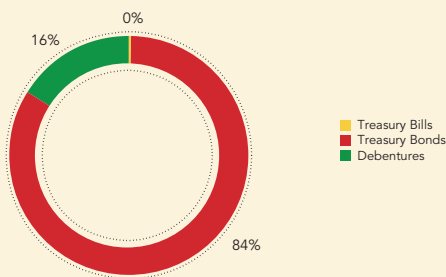
Held-to-Maturity (HTM) financial assets are those with fixed or determinable payments and fixed maturities. Our smart, prudent investment philosophy and strong financial position enable us to hold longer term investments until maturity, matching with our long-term insurance liabilities. As such, 43% of the financial instruments we hold are in the HTM category, in comparison to the 40% held in 2020. During the period, the Company reclassified assets worth Rs. 7,758 Mn from AFS and Rs. 5,073 Mn from FVTPL to HTM category (Refer note 12.(a).2 in page 258).

A majority, or 84% of our HTM assets are in 'risk-free' Treasury Bonds (2020 -72%). The remainder are held in quoted debentures and Treasury Bills. We primarily invest in corporate debentures of issuers bearing credit ratings between AAA to BBB+. Our objective is to earn relatively lower-risk, steady returns from

DELIVERING FINANCIAL VALUE

investments, while adhering to the stringent regulatory and internal investment guidelines.

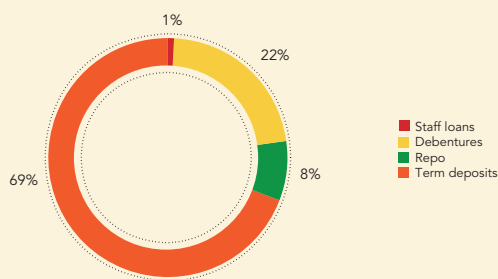
Composition of HTM Assets



Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company holds 57% of its financial instruments in the Loans and Receivables category (2020 - 47%). At 69%, the majority of Loans and Receivables are held as term deposits (2020 - 78%). The majority of term deposits (96%) are held with Licensed Commercial Banks (2020 - 95%), while the remaining component are held with Licensed Finance Companies. Debentures account for 22% of Loans and receivables (2020 - 20%). The balance 8% represents Repo Lending arrangements with commercial banks and specialized banks (2020 - 0.3%).

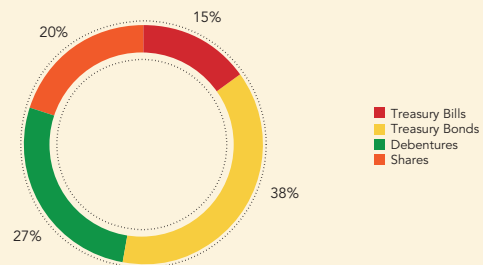
Composition of Loans and Receivables



AFS Financial Assets

Available-for-Sale (AFS) financial assets are financial assets available for sale, but are not classified in any of the other categories (residual category). AFS financial assets account for 0.5% of our investments in financial instruments (2020 -10%). AFS instruments comprise of Treasury Bonds, quoted debentures, quoted shares and Treasury Bills. During the period, the Company reclassified assets worth Rs. 7,758 Mn from AFS category to HTM category (Refer note 12.(c).2 in page number 261).

Composition of AFS Assets

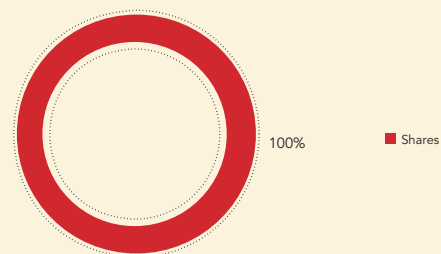


Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial Assets at Fair Value through Profit or Loss (FVTPL) are financial assets held for trading purpose. The proportion of the FVTPL assets in our portfolio is insignificant, accounting for only 0% (2020 -3%). Quoted shares entirely account for our FVTPL financial assets.

During the period, the Company has reclassified assets worth Rs. 5,073 Mn from FVTPL category. (Refer note 12.(d).2 on page 262).

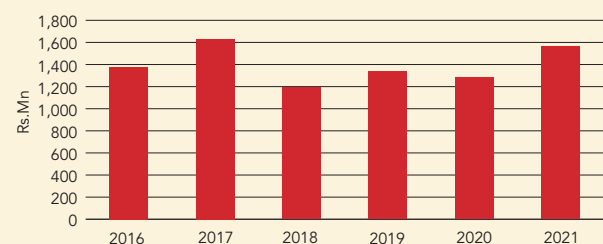
Composition of FVtPL Assets



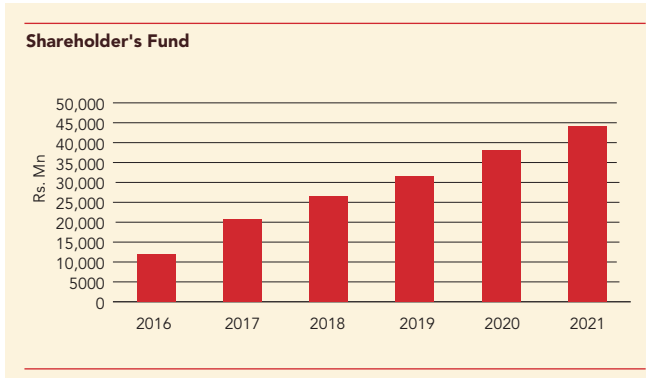
Loans to Policy Holders

Policyholder loans increased to Rs. 1,562 Mn in 2021 from Rs. 1,283 Mn in 2020, which indicates a 21.8% growth from the previous year (2020 - drop by 3.9%). We offered competitive interest rate to policyholders during the year and rates are revised on quarterly basis as adjustment to movement in market rates.

Policyholder Loans



Shareholders' Equity



Shareholders' equity increased from Rs. 38,145 Mn in 2020 to Rs. 44,194 Mn in 2021, which indicates a 15.9% growth from previous year (2020 -21.1%). The stated capital of the Company remained unchanged at Rs. 500 Mn. The impressive financial performance in 2021 added Rs. 7,114 Mn to retained earnings (2020 -Rs. 6,414). Retained earnings as at the end of 2021 stood at Rs. 32,400 Mn (2020 -Rs. 26,408 Mn). This was following the distribution of Rs. 782.5 Mn as a dividend (2020 – Nil).

The revaluation reserve increased to Rs. 497 Mn in 2021 from Rs. 366 Mn in 2020, reflecting a growth of 35.6% (2020 -59.6%) due to the gain recognised on revaluation of land and buildings. The Restricted Regulatory Reserve, which was recognised in 2017 in compliance with Direction 16 issued by the Insurance Regulatory Commission of Sri Lanka, stood unchanged at Rs. 3,456 Mn as at the end of 2021. This Restricted Regulatory Reserve reflects the one-off surplus transfer made to the Shareholders' Fund from other than participating business in 2017.

Shareholders' equity also includes a Special Reserve of Rs. 7,311 Mn, which represents the value of net assets transferred to Ceylinco Life Insurance Limited from Ceylinco Insurance PLC on 1st June 2015 as an effect of the regulatory segregation of the life insurance business from Ceylinco Insurance PLC.

Dividend

During the period, the company paid Rs. 782.5Mn as a final dividend from the profit earned in financial year 2020.

Rs. 44,194 Mn

Shareholder's Equity

15.9%

Growth in Shareholder's Equity

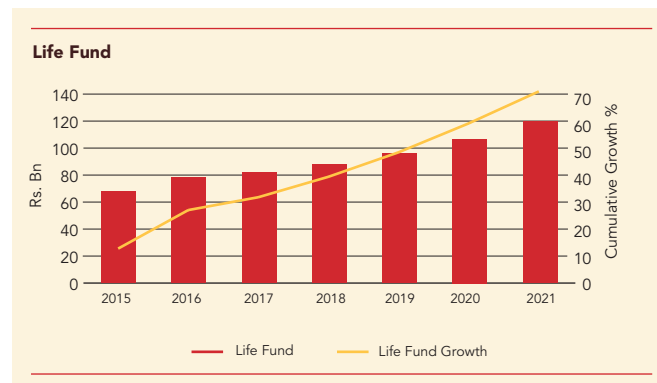
Rs. 782.5 Mn

Dividend paid

Insurance Contract Liabilities - Life

Insurance Contract Liabilities or the Life Fund is the fund maintained for the long-term insurance business by Ceylinco Life in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000, as amended. The size of the Life Fund indicates the financial strength and stability of a life insurer. A bigger fund indicates that the insurance company is financially strong and sound.

Our Life Fund is approaching the Rs. 120 Bn threshold and reached Rs. 119.6 Bn as at the end of 2021. This records a 12.1% growth over Rs. 106.7 Bn at end of 2020. This is the net growth witnessed in the Life Fund following the transfer of Rs. 4.5 Bn to the shareholders' fund in 2021 (2020 – 4.1 Bn). The actuarial valuation of the Life Fund as at 31st December 2021 was carried out by the Independent Consulting Actuary, Willis Towers Watson, whose report is given on page 212.

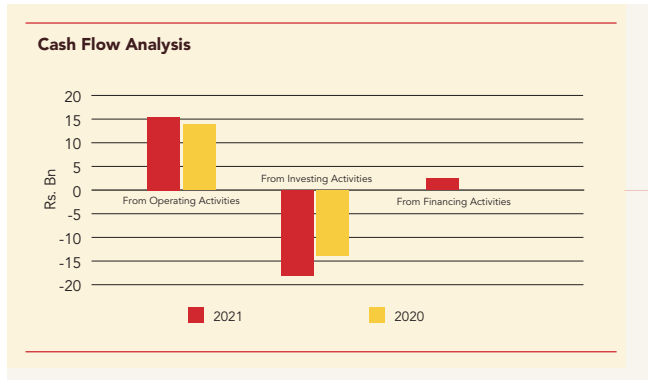


Cash Flow Analysis

During the period Company generated Rs. 15.4 Bn net cash flow from operating activities (2020 -13.9 Bn) with a growth of 10.7%. This represents the growth of the top line after allowing for operational expenses. The positive cash flow generated from operational activities along with the excess of Rs. 2.4 Bn generated from financing activities during the period have been channelled to investing activities amounting to Rs.18 Bn. This caused a significant improvement in our financial asset portfolio to 148 Bn from 128 Bn in 2020.

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| For the Year Ending 31 December, | 2021 | 2020 | Change |
|----------------------------------|----------|----------|--------|
| Cash Flows | Rs. Mn | Rs. Mn | % |
| From Operating Activities | 15,430 | 13,937 | 10.7% |
| From Investing Activities | (18,030) | (13,759) | 31.0% |
| From Financing Activities | 2,417 | - | 100.0% |



Financial Performance of the Takaful Insurance Business

The financial records for the Ceylinco Life's Takaful Insurance business are as follows:

| For the Year Ending 31 December, | 2021 Rs.000 | 2020 Rs.000 | Growth % |
|----------------------------------|----------------|----------------|-------------|
| Takaful Contribution | 91,854 | 95,967 | -4.3% |
| Transfer to ISF Fund | 60,349 | 63,417 | -4.8% |
| Transfer to Tabarru Fund | 6,291 | 6,377 | -1.3% |
| Operator as Wakalah Fee | 25,214 | 26,173 | -3.7% |

The GWP income from the Takaful business dropped by 4.3% during the period (2020 – 9.7%). However, the ISF and Tabarru funds have grown by 12.1% and 8.7% respectively.

| As at 31 December, | 2021 Rs.000 | 2020 Rs.000 | Growth % |
|--|----------------|----------------|-------------|
| Individual Investment Fund – ISF | 351,441 | 313,434 | 12.1% |
| Insurance Contract Liability - (Family Takaful Tabarru Fund) | 15,973 | 14,698 | 8.7% |
| Mudharabah Investments | 261,935 | 233,673 | 12.1% |
| Government Securities | 116,543 | 102,598 | 13.6% |
| Mudharabah Savings | 646 | 683 | -5.4% |

FOCUS AREA 03

Compliance and Accurate Disclosures **8** **16**

Ceylinco Life continues to comply with industry standards to ensure sustainable, equitable growth, while remaining accountable to all its stakeholders. The following efforts were made during the year in this regard.

SLFRS17 – Insurance Contracts

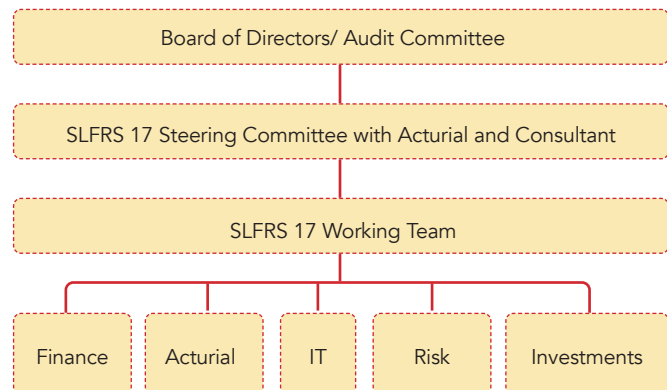
SLFRS 17 supersedes SLFRS 4 Insurance Contracts which was an interim standard. SLFRS 4 allowed entities to use a wide variety of accounting practices, reflecting national accounting requirements. This made it difficult for users to understand and compare insurers' results. Therefore, a need for a common global insurance accounting standard was identified.

In May 2017, the International Accounting Standards Board (IASB) issued SLFRS 17 Insurance Contracts, with a proposed effective date of 1 January 2021. Subsequently, the IASB deferred the effective date of the standard to 1 January 2023. The Institute of Chartered Accountants of Sri Lanka issued SLFRS 17 which is the applicable Financial Reporting Standard in the Sri Lankan context, and subsequent amendments to thereon. The Institute further endorsed the deferral of the effective date of SLFRS 17.

The crucial implication of SLFRS 17 is that it will not merely impact the financial disclosures but result in an additional material impact on operational aspects of data, systems and processes.

Ceylinco Life's Approach to SLFRS 17 Implementation

The Company has set up a dedicated project team to ensure a smooth transition to SLFRS 17. This team is entrusted with operational responsibilities for the implementation of the Standard. A Steering Committee has been set up to provide the strategic leadership required for the project and to oversee its progress. The Steering Committee reports directly to the Board of Directors, as outlined below.



We have identified the following critical focus areas for successful implementation of SLFRS 17.

Establish an adequate process to escalate critical issues and project risks to the attention of the Steering Committee and the Board.

Ensure that adequate human resources with necessary expertise are devoted to the project.

Understand the potential changes introduced by SLFRS 17, assess their impact on company structure, product portfolio, systems and operations through a proper gap analysis.

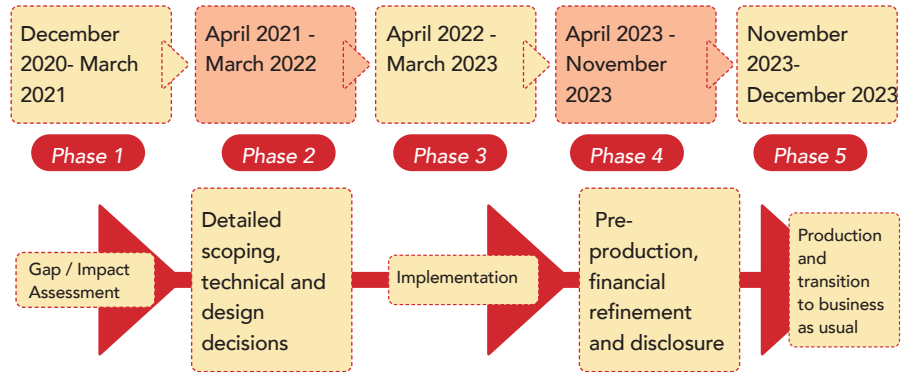
Ensure key decisions and judgements are made with the advice of experts such as actuaries and auditors and proper documentation of the key decisions and judgements is maintained.

Identify key milestones in the project and monitor progress, taking prompt corrective actions to align the project with the overall time plan.

However, due to the turbulent environment caused by the pandemic and sophisticated actuarial and financial inputs required to comply with the standard, many players in the insurance industry expect a further deferral to the effective date of SLFRS 17.

Present Status of the Project

At present, the company has developed the project scope and confined it to five phases, which will serve as our road map towards the implementation of SLFRS 17.



We have planned to execute the dry run on SLFRS17 in parallel with the current accounting standard (SLFRS 4) for the annual reporting periods beginning from 01 January 2024. Below table shows the critical activities involved in each phase;

| | | |
|------------------------------|---|--|
| <p>PHASE</p> <p>1</p> | <p>Gap & impact assessment</p> | <ul style="list-style-type: none"> Understand the gaps and impacts Plan the next stage |
| <p>PHASE</p> <p>2</p> | <p>Detailed scoping, technical and design decisions</p> | <ul style="list-style-type: none"> Scoping based on the outcome of gap analysis and design requirements for systems related to data, finance, actuarial, IT. Produce detailed specifications on how the identified gaps will be addressed. Documents detailing out the specifications of systems Documents detailing changes required to be made to actuarial models |
| <p>PHASE</p> <p>3</p> | <p>Implementation</p> | <ul style="list-style-type: none"> Acquisition of hardware and software Implement changes to systems related to data, actuarial, finance, etc. Develop the CSM engine |
| <p>PHASE</p> <p>4</p> | <p>Pre-production, financial refinement and disclosure</p> | <ul style="list-style-type: none"> Pilot test the systems and processes; and understand the results Re-design the processes, if required Conduct board awareness sessions and workshops for stakeholders to understand output |
| <p>PHASE</p> <p>5</p> | <p>Production and transition</p> | <ul style="list-style-type: none"> Produce disclosures and explain those to stakeholders Develop business strategies within the SLFRS 17 world |

Where we are now

DELIVERING FINANCIAL VALUE

We are now in both the latter part of phase 2 and the early stage of phase 3. We have signed contracts with two consultants, namely Ernst and Young (EY)- Sri Lanka who will advise us on the financial aspects while Wills Towers Watson - India will provide actuarial support.

SLFRS9 – Financial Instruments

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company meets the eligibility criteria of the temporary exemption from SLFRS 9 and intends to defer the application of SLFRS 9 until the annual reporting periods beginning on or after 1 January 2023. SLFRS 9 is to be simultaneously applied with SLFRS 17. Hence, SLFRS 9 is expected to be applied by Ceylinco Life from annual reporting period beginning from 01 January 2024.

We have engaged with Ernst and Young (EY)- Sri Lanka as an SLFRS 9 technical consultant and performed initial classification of financial instruments and assessed the impact to our financial instruments from the impairment assessment according to Expected Credit Loss (ECL) Model.

Proposed Surcharge Tax

The Ministry of Finance issued a Bill governing the imposition and administration of the Surcharge Tax through a gazette notification on 07th February 2022, subsequent to our annual report date. This has been proposed in the budget 2022 as a one-time tax chargeable from any individual, partnership, company or each company in a group of companies whose taxable income is calculated in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017. A threshold has been introduced at Rs. 2 Billion for the year of assessment commencing on April 1, 2020, at the rate of twenty five percent (25%).

Since the legislation for the proposed Surcharge Tax, as announced in the 2022 budget, was not considered to be substantially enacted as at the reporting date under LKAS 12. The Company has not provided for any potential liability in this regard in the Financial Statements for the period ended 31 December 2021.

However, we have assessed the impact on our financials from the proposed Surcharge Tax based on current provisions available in the Bill, and the amount to be incurred additionally as income tax has been estimated at Rs. 1.7 Bn, if the Act is legislated.

Future Outlook

We have formulated our strategic direction and each capital contributes towards achieving our ultimate goal of 'De-risking the Future'. Our financial performance plays a vital role in our strategic journey, and has been analyzed into three different time frames as outlined below.



| Short-term | Medium-term | Long-Term |
|--|--|---|
| 20% growth in GWP | 15%-20% growth in GWP | Wealth maximization of both policyholders and shareholders through prudent investment management |
| 10% growth in Investment Income | 15%-20% growth in Investment Income | |
| 8% growth in Operating Profit | 8%-10% growth in Operating Profit | Manage adequate liquid resources matching with long term insurance liability |
| Expense ratio 17% | Expense ratio 16% - 18% | |
| Capital Adequacy Ratio Minimum of 200% | Capital Adequacy Ratio Minimum of 200% | Digitalization of finance processes which enables superior financial services to all stakeholders |
| 8% growth in Total Assaets | Compliance with SLFRS 17 & SLFRS 9 | |

DERISKING THE FUTURE BY RETAINING MARKET LEADERSHIP

As the undisputed leader in the life insurance industry, Ceylinco Life is built on the promise of excellence and trust. Retaining this status amid a competitive environment requires considerable investment in ensuring we remain relevant amid a changing climate, while providing assurance of our leadership to our stakeholders through recognition both locally and overseas.



How Retaining Market Leadership Helps Achieve our Goals

PRIORITIES FOR 2021

Maximising our Reach and Accessibility

Nurturing Brand Equity

Unrivalled Knowledge, Strategy and Product Innovation

OBJECTIVE

TO RETAIN OUR LEADERSHIP POSITION IN THE MARKET BY NURTURING A BRAND BUILT ON SAFEGUARDING LIVELIHOODS AND HELPING PEOPLE ACHIEVE THEIR GOALS.

OUR RESPONSE

Improving market share and accessibility via a range of touch points, including branch network, new products and digital channels.

Ensuring our brand adheres to and is recognised for our long-standing values, in order to build a positive perception among our stakeholders and the general public.

Focused on facets of strategy, innovation, knowledge and agility, to ensure the company can remain competitive, ensure business continuity, and lead the way in shaping industry trends.

KEY ACHIEVEMENTS

Market leader for the 18th consecutive year with a market share of 20.50%

Considered a strong brand with a brand equity rating of 4.3

A 48% top of mind awareness for the brand among the general public

An AA+ brand rating

SLIM Nielsen People's Awards 2021 for the 15th consecutive year

Service Brand of the Year at SLIM Brand Excellence Awards

Ranked as the Most Valuable Life Insurance Brand in 2021 by Brand Finance

Recognised as one of Sri Lanka's Top 10 Most Admired Companies

Recognised by World Finance Magazine as the Best Life Insurance

Company for the 8th consecutive year

Voted the 'Most Popular Service Provider' in Sri Lanka's Life Insurance industry in the LMD magazine

IMPACTED CAPITALS:



HUMAN CAPITAL



INTELLECTUAL CAPITAL



SOCIAL & RELATIONSHIP CAPITAL



MANUFACTURED CAPITAL



FINANCIAL CAPITAL

IMPACTED SDGs:

8

9

16

Material Topics: 3,8

Market Leadership Strategy and Approach

Ceylinco Life's market leadership position is the result of many decades of agility, evolution and excellence over the course of its journey as an organization. Due to the nature of the life insurance industry, which is built on long-term planning and future stability, it is an imperative at Ceylinco Life that all decisions are made based on the long-term continuity of the business. This strategy has ensured the company's steady growth and continued

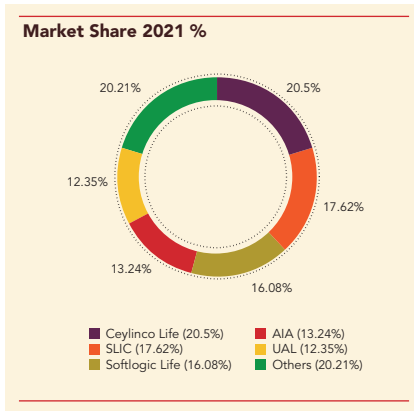
leadership in the market. As such, the company does not resort to marketing products with higher claim ratios or other short-lived strategies with the objective of gaining traction in the market.

The company further focuses on remaining relevant, and offering products and services in line with identified emerging

trends – building a spirit of innovation, knowledge and agility to ensure our products remain attractive, and in line with customer needs and wants. We engage in continuous communication to raise public awareness, while broadening our channels to maximise our reach.

RETAINING MARKET LEADERSHIP

Ceylinco Life successfully obtained a market share of **20.50%**, continuing to dominate an intensely competitive environment and retaining its leadership stance for the 18th consecutive year.



Source - IASL Industry Figures 2021

The company's financial performance as laid out in pages 215 to 333 further demonstrates the fiscal success achieved by the company in the year 2021.

Ceylinco Life's focus on building relationships has led to the company investing towards expansion and growth – ensuring we remain in touch with the people at every stage of their lives. Our overarching vision is built on '... taking the message of life insurance to every Sri Lankan', and consequently, our products and services are centred around serving the mass market with customized solutions to meet their needs. Thus, a large portfolio of products in the form of micro insurance (for low income earners) and investment-oriented plans (for higher income segments) are offered to cater to Sri Lankans with wide-ranging requirements from different walks of life.

Ranked **1st** in the market

18 consecutive years as market leader

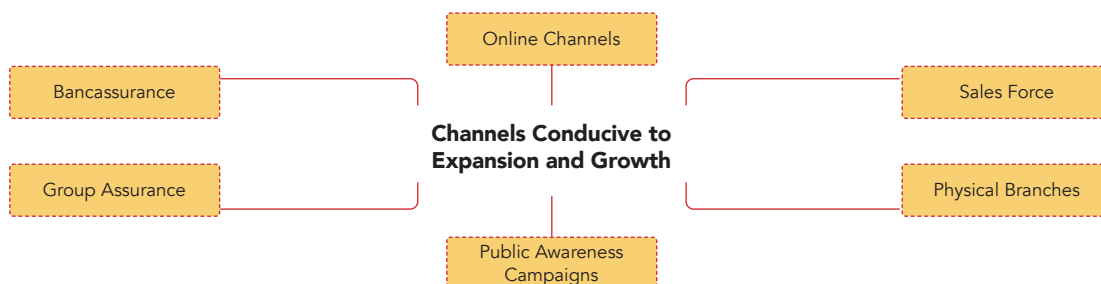
20.50% market share

FOCUS AREA 01

Maximising our Reach and Accessibility **8 9**

The company therefore directs consistent efforts towards improving and expanding its multiple channels and touch points, while exploring potential avenues and new possibilities to reach out to Sri Lankans across the island, and help them derisk their futures.

At present, the company engages in the following mechanisms to reach out to and raise awareness among potential clients, constituting both physical and digital channels:



Ceylinco Life Sales Force

At present, the company's dedicated sales force is Ceylinco Life's primary means of canvassing and sourcing new customers and reaching out to new markets. The company has made a significant investment in digitally empowering the sales force, with the aim of improving their ability to reach out to customers at all times, while ensuring their continuous training, knowledge and development. Furthermore, all sales agents are encouraged to engage in up-selling and cross-selling to drive greater growth.

Further details about these initiatives are found in page 86 to 91 of this annual report.

Accessibility via Digital Channels

Following the onset of the COVID-19 pandemic and its associated travel restrictions, Ceylinco Life migrated a majority of its products and services online, in order to maintain customer communication, service and accessibility.

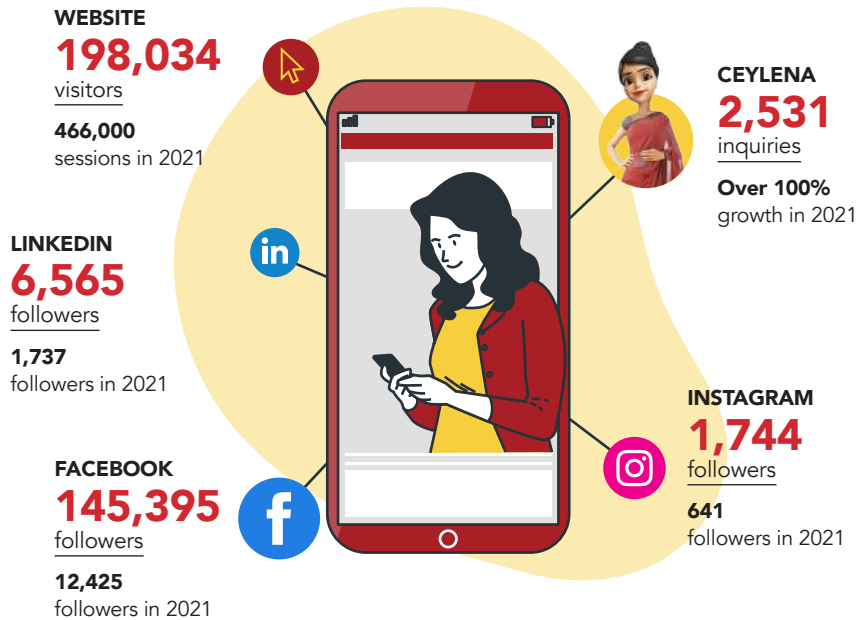
Ceylinco Life's insurance and retirement plans were migrated to a digital platform during 2020, making Ceylinco Life the first life insurer to achieve the introduction of online products. This platform's functionality continued well into the year 2021 as well, ensuring that our products were accessible to potential clients 24/7, for 365 days of the year, even in the midst of the lockdowns.

This measure served to streamline the customer onboarding process, while offering simplified, easily-understandable policies to the customers. Sales personnel were equipped with tabs in order to reach potential customers despite the prevailing

restrictions. The entire process can be conducted remotely using the online platform by means of digital signatures or e-signatures for authentication purposes. During the year the company recorded a growth of over 100% in new business through online channels.

The company's own customer app, 'Ceylife Digital', available in English, Sinhala and Tamil, continued to benefit potential customers and current customers, and is downloadable and operable on Android, iOS and Huawei's HarmonyOS. Ceylinco Life hopes to augment the app with certain features designed to improve accessibility and functionality.

As a result of these efforts, during the year, engagement on online channels demonstrated remarkable levels of growth.



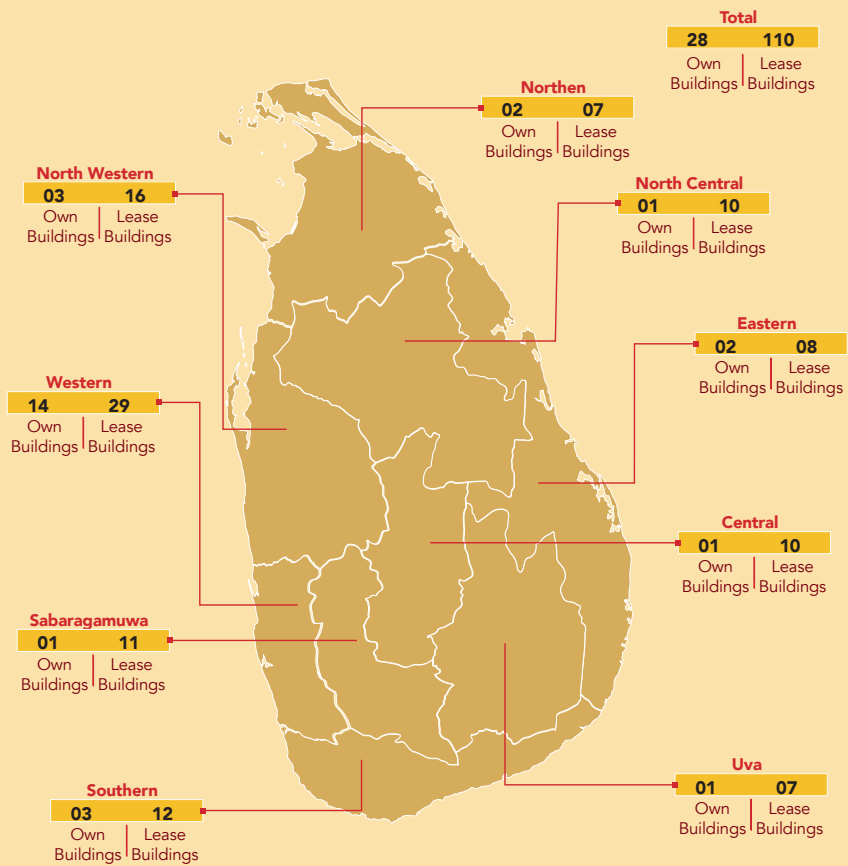
Improved Geographical Reach

In line with our vision of ensuring we reach Sri Lankans across the island with a message of positivity and reassurance, Ceylinco Life invests in establishing its branches in regional hubs to maximise our reach to surrounding villages and towns. Our branches are present in every district, providing a nation-wide reach to the company.

Therefore, we consider the 138 branches within our network to add considerable value to our overall offering, of which 110 are leased properties, and 28 are owned properties.

During the year, the company invested in extending the Negombo branch by an additional 7,950 square feet, making it the second largest branch in our network, with a total area spanning 18,859 square feet. The company further invested in constructing and opening a brand new building in Piliyandala, and laid foundations to construct branch buildings in Ja-Ela and Matale.

The company's expansion strategy is primarily focused on investing in company-owned buildings, resulting in the two-pronged benefit of cost savings and appreciation of capital due to the burgeoning growth of land value with time. Investment in property further drives a sense of stability and brand presence, thereby strengthening community relations within the vicinity.



RETAINING MARKET LEADERSHIP

Public Awareness Campaigns

Against the uncertain environment and volatility induced by the pandemic, Ceylinco Life identified that many Sri Lankans were increasingly health-conscious, while focusing on short-term returns from savings and insurance products due to the prevailing sense of fear and anxiety.

Therefore, Ceylinco Life initiated the Health Insurance Awareness Month, which took place in June, conducted via digital channels. The objective of the programme was to create public awareness regarding the multiple benefits and different aspects of health insurance, as the present perception of health insurance is limited to hospitalisation covers.

The campaign communicated the presence of a range of health insurance products, including per-day benefit products, which are targeted primarily towards relatively low-income earners, in addition to products that pay a pre-agreed lump-sum for identified critical illnesses at point of diagnosis, covering any expense.

This campaign was conducted both in 2020 and in the year under review, and each year, a notable increase in the attachment rates of health products was recorded immediately following the campaign.

A Sure Plan for Unsure Times
Health Insurance Awareness Month

How Much You Invested can be added to the Fund at any time.

Life Cover + Health Cover + Disability Cover = **Rs. 3,267,997**

30 years | 35 years | 40 years | 45 years | 50 years | 55 years | 60 years

Rs. 35,000 each is added to the Fund | **Rs. 279,000 is added to the Fund**

| | | Rs. |
|-------------------------------|---|------------------|
| Life Cover | In Case of Loss of Life Payable to your dependents | 1,000,000 |
| Critical Illness Cover | Given as a Lump-sum Payment if diagnosed with one of the listed 36 Critical Illnesses | 500,000 |
| The Fund | You will receive at end of 30 Years (7%*) | 3,267,997 |
| Monthly Premium | For above benefits | 2,627 |

If Permanently Disabled

- You need not pay premiums anymore.
- Your Fund will be maintained by Ceylinco Life till end of Policy Term.
- Your Life Cover will be maintained by Ceylinco Life till end of your Policy Term/ Demise.

Call us on **0112 461 461**

CEYLINCO LIFE
A Relationship For Life™

Bancassurance

At present, Sri Lanka's banking sector consists of 25 licensed commercial banks and 7 licensed specialized banks. Ceylinco Life's Bancassurance services are extended to banking clients, particularly to Seylan Bank, providing life insurance plans including Advance Payment Plans, Endowment Plans, Sipsetha Supreme and Uthum.

Group Assurance

Ceylinco Life engages in providing group insurance plans to companies, via its main group assurance plans, namely Suraksha and Suratha. The purpose of these plans serve to provide life insurance covers to employees in the event of a death, or disability due to

an accident, while offering sickness and critical illness benefits. The Ceylinco Life Group Retirement Plan offers a lump-sum monthly payment to a group of employees.

Furthermore, the company's Group assurance plans consist of Decreasing Term Assurance Policies which extend loan protections to clients in the event of the untimely demise of a borrower prior to settling the loan in question.

FOCUS AREA 01

Nurturing Brand Equity

9 16

Ceylinco Life's brand identity consists of associations with its name, logo, brand perceptions and affinity. In all marketing communications and public communications, the company focuses primarily on the corporate brand, namely 'Ceylinco Life', which is the overarching brand under which all products are identified and promoted.

The organisation has in place a clearly defined vision, mission and value system which are communicated to all individuals within the organisation from the point of recruitment and beyond. These values span qualities that foster a spirit of quality, integrity and excellence, which in turn elevate our offering and assure the public of an unmatched service.

Furthermore, the organization's continued practice of these governing principles are evidenced in the awards and accolades received by Ceylinco Life year-on-year.

Family Takaful

Ceylinco Life is the second largest operator for Takaful insurance solutions catering to the varied needs of insurance. This ensures that our product portfolio is diversified and inclusive. The company obtains counsel and advisory services from an Independent Sharia Council who possesses wide knowledge and expertise on sharia insurance products. The Council is further strengthened by the specialist expertise of a Chartered Accountant, a former ACIL, General Secretary and scholars.

CEYLINCO LIFE
Life Insurance Quotation

Please examine this quotation and contact one of our Sales Officers at Ceylinco Life for any clarifications or further information.

Current Age: 30 Years
Policy Term: 25 Years

| | | Rs. |
|---|--|------------------------------------|
| Protection Benefit | Will be paid to your dependents in case of your untimely death | 1,600,000 |
| Health Benefit | Will be paid to you as a lump sum payment if you are diagnosed with one of the 36 applicable critical illnesses | 400,000 |
| Maturity Benefit | Will be paid to you at the end of your policy term. Guaranteed Maturity Benefit. Illustrated Guaranteed Maturity Benefit | 400,000 1,022,000 |
| The Total Monthly Premium for above Benefits | | 2,101 |

Call Centre: 0112 461 461

CEYLINCO LIFE
A Relationship For Life™

Over the years the company has developed two Takaful insurance solutions catering to widely demanded needs.

Ceylinco Life Family Takaful Education Plan

The plan provides financial protection to the children of participants enabling them to continue their education in an uninterrupted manner in the event of a premature death or disability of the bread winner. This policy on maturity provides an education fund for the children.

Ceylinco Life Family Takaful Pilgrimage Protection Plan

This plan has been designed to provide financial support for spiritual pilgrimages to Mecca. The plan is structured with four options along with additional benefits which can be chosen by the policyholders.

Refer page 66 for Financial Performance of the Takaful Business

The Ceylinco Life Brand



Ceylinco Life forayed into the life insurance arena in 1988 as the life insurance division of Ceylinco Insurance PLC. The Company established a separate entity in 2015 with the incorporation of Ceylinco Life Insurance Limited. The company is in fact the successor of the nation’s oldest life insurance company, Ceylon Insurance Company founded in 1939, following which it served as the life insurance division of Ceylinco Insurance PLC. As such, the company is built on a rich history and heritage within the local life insurance sector.

| Video | Objective and Key Message | Targeted Audience | Link |
|--|---|---|--|
| A video showcasing the virtual Panama scholarship event (14th August 2021) | For 20 years, Ceylinco Life annually recognized the Panama scholarship recipients at an annual event held in Colombo. However due to the COVID-19 pandemic, the event was held virtually. The video was created to motivate and recognize all scholarship recipients on a public forum. | Families with children attending school |  |
| The company launched a corporate campaign to communicate the new messaging of the brand. The video served as an extension to the mass media campaign. (23rd April 2021) | Reinforce the message that Ceylinco Life will derisk you while you achieve your goals and ambitions in life | Mass audiences |  |
| A video was developed titled 'Back to School', showcasing the emotions children had experience when schools were reopened following the COVID-19 pandemic. (06th December 2021) | Although many children lost valuable time and knowledge that many of us achieved in school, there remained a growing concern among parents, who were unwilling to send their children to school. The brand wanted to create a discussion surrounding this concern; while acknowledging the emotional and physiological difficulty the children were compelled to face, the brand wished to encourage children to go back to school, and ensure their dreams and goals in life were achieved. | Families with children attending school |  |

At present, Ceylinco Life is a fully-owned subsidiary of Ceylinco Insurance PLC, and has continued to progress from strength to strength, utilizing the rich history, experience and insights garnered years to steer our course, and maintain our leadership position in the market.

As a business governed by ethics and driven by values, we ensure we adhere to the vision, mission and values that have been passed down over the years; forging ahead with principles of PRIDE: professionalism, rewarding, integrity, dedication and commitment to excellence.

While life insurance is often associated with negativity, Ceylinco Life’s communications maintain a positive stance; playing the role of uplifting and inspiring the public and our stakeholders to achieve their goals through the promise of a stable future, devoid of risk.

Our consistent communications and efforts towards brand building have resulted in Ceylinco Life achieving a Top of Mind Awareness of 48%, while Nielsen rated the Ceylinco Life Brand as a strong brand, following a score of 4.3.

RETAINING MARKET LEADERSHIP

Awards and Accolades

Even amid a challenging backdrop, Ceylinco Life proceeded to garner recognition across the global and local stage, demonstrating its commitment to ethics, values, customer service and overall organizational excellence.



Declared 'People's Life Insurer of the Year' at the SLIM Nielsen People's Awards 2021 for the 15th consecutive year



Awarded the Service Brand of the Year at SLIM Brand Excellence 2021



Ranked as the Most Valuable Life Insurance Brand in 2021 by Brand Finance



Recognised as one of Sri Lanka's Top 10 Most Admired Companies



Recognised by World Finance Magazine as the Best Life Insurance Company for the 8th consecutive year



Recognised as A Great Place to Work for the 2nd consecutive year



Voted the 'Most Popular Service Provider' in Sri Lanka's Life Insurance industry in an online survey conducted by LMD



Awarded Gold for Best New Entrant for the Ceylinco Life Pension Saver Brand at SLIM Brand Excellence 2021



Awarded Silver for CSR Brand of the Year at SLIM Brand Excellence Awards 2021



Awarded for Excellence in Financial Reporting, by achieving the silver award in the insurance companies category at the CA Sri Lanka Annual Report Awards for the 2020 annual report



Recognised among the top 10 best integrated reports in Sri Lanka at the 2020 CMA Awards

Ceylinco Life Derisking the Future

Today we continue to focus on our primary purpose and message of 'Derisking the Future'. Our key focus is to ensure our policyholders have peace of mind in the midst of these times of uncertainty by safeguarding the people's livelihoods and enabling them to focus on achieving their goals.

Further details on each of the initiatives that drive product innovation and strategy and describe our organizational knowledge base are featured in other sections in this report, as follows:

Unrivalled Knowledge of our People and Partners

Refer page 86 for details on sales agents
Refer page 121 for details on employees

Digital Transformation

Refer page 101 for details on technology investment

Refer page 105 for HR-related digital transformation

New Product Development

Refer page 77 for details on our new product development process

Strategy and Governance

Refer page 24 for more details on trends in the operating environment
Refer page 152 - 193 for details on Board governance and strategy

FOCUS AREA 03

Unrivalled Knowledge, Strategy and Product Innovation

9

Amid rapidly evolving market dynamics, Ceylinco Life ensures the highest levels of creativity and innovation are maintained within the organization. Our culture is therefore one which drives the development of innovation and ideation across all processes, while prudently developing and nurturing the knowledge

of our sales agents and the employees who are integral to our business operations, including our underwriting team and the actuaries who provide essential support towards our day-to-day functionality.

Our company strategy is powered by the evaluation of global and local mega trends that impact the general public. Ceylinco Life strives to facilitate existing and prospective customer needs, while ensuring long-term business growth and success.

Future Outlook



- The company will continue to invest in process innovation to drive improved customer service and accessibility.
- Ceylinco Life will also engage in developing new products focused on providing policyholders with short-term returns, based on the observed uptick in demand.
- Our brand's key message 'Derisking the Future', will continue to be developed and communicated among the public in greater depth, in order to create greater awareness about our overarching purpose helping individuals achieve their goals and livelihoods through peace of mind and a risk-free future.

DERISKING THE FUTURE BY BUILDING RELATIONSHIPS FOR LIFE

As we nurture lasting relationships with policyholders, agents, suppliers, and the surrounding community, Ceylinco Life is deeply committed towards safeguarding their future and that of the organisation – thereby driving collective, sustainable progress.



How Building Relationships for Life Helps Achieve our Goals

PRIORITIES FOR 2021

| | |
|---------------|---|
| POLICYHOLDERS | An Unmatched Customer Experience |
| | Customer Privacy and Data Security |
| | Ethical, Responsible Business Operations |
| SALES AGENTS | Empowerment with IT tools |
| | Rewards and Recognition |
| | Upskilling to meet future customer needs |
| COMMUNITY | Protection, Health and Well-being |
| | Education and Future Progress |
| SUPPLIERS | Quality Assurance and Best Sourcing Practices |
| | Safety and Well-Being |

OBJECTIVE

TO BUILD LONG-TERM, MUTUALLY BENEFICIAL PARTNERSHIPS THAT ENSURE THE ORGANISATION'S LONG-TERM SUSTAINABILITY AND GROWTH.

OUR RESPONSE

Ensuring our policyholders receive the highest levels of customer care and convenience even amid a pandemic, by improving accessibility and minimizing risk via digital transformation, while anticipating and meeting their ever-evolving needs.

Due to the migration of vast stores of data to digital platforms, customer privacy and data security came into greater focus.

Compliance with regulatory requirements, ensuring all business activities are conducted with the utmost integrity and fairness.

Ensuring all activities conducted by the sales force are streamlined and simplified, in order to improve productivity and safety.

Motivating and engaging with the sales force through competitive benefits and rewards systems, while ensuring their growth.

Training and developing the sales force in line with their emerging needs, while ensuring their knowledge remains up-to-date and relevant.

To ensure that communities are protected, even at critical junctures in life, and thereby move Sri Lanka steadily towards becoming a healthier, safer nation.

To ensure unhindered education through infrastructure development, and thereby assist progress towards a better life.

Supplier assessment, evaluation, and compliance with regulations. Ensuring transparency and ethical supplier relations, while building engagement and trust.

Ensuring supplier safety and well-being in the midst of the COVID-19 pandemic.

KEY ACHIEVEMENTS

144,043 new policies issued in 2021
 Rs. 15.15 Mn invested in data security and technology upgrades
 Rs. 305 Mn invested in engagement activities with policyholders
 Zero incidents of non-compliance with regulatory requirements
 3,583 sales agents
 Rs. 20.18 Mn invested in digital empowerment of sales agents
 3.82 hours of online training hours per sales agent
 Rs. 10.3 Mn invested in community programmes
 1,927 Suppliers
 Rs. 3.7 Bn in Supplier Payments

IMPACTED CAPITALS:

| | | |
|----------------------|----------------------|-------------------------------|
| HUMAN CAPITAL | INTELLECTUAL CAPITAL | SOCIAL & RELATIONSHIP CAPITAL |
| MANUFACTURED CAPITAL | FINANCIAL CAPITAL | |

IMPACTED SDGs:

- 1
- 3
- 4
- 5
- 8
- 9
- 10
- 12
- 16
- 17

STRENGTHENING POLICYHOLDER RELATIONSHIPS

POLICYHOLDER RELATIONSHIP MANAGEMENT AND APPROACH

POLICYHOLDERS

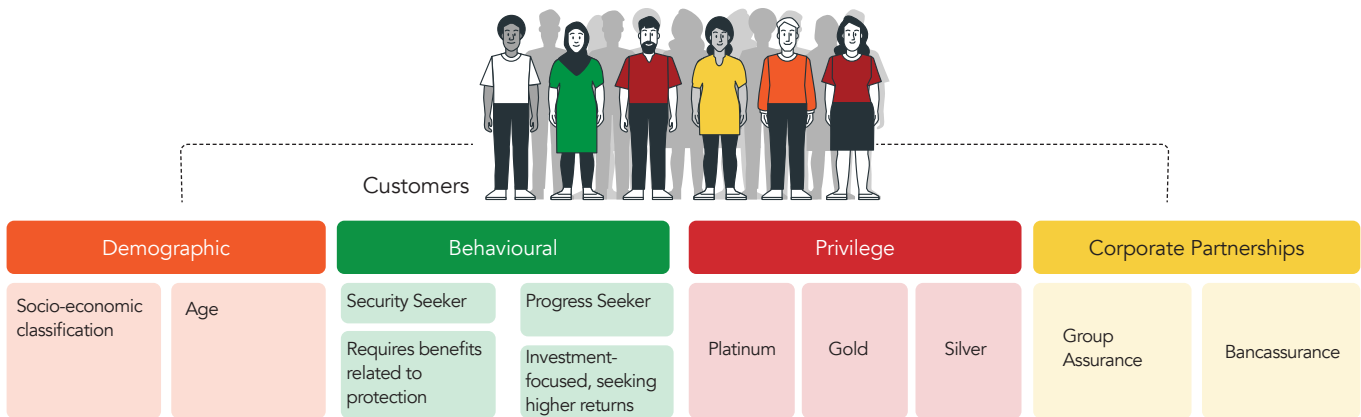
Ceylinco Life’s policyholders continue to play an integral role in the success of our business, and we therefore strive to engage with them and closely monitor their needs in order to remain relevant and competitive, and retain their business in the long-term.

Over the years, the company has successfully derisked over 1 million lives, by sharing the message of life insurance and retirement planning among Sri Lankans across the island, with the assurance of helping people achieve their goals, and safeguard the future of their loved ones.

In retaining our leadership in the market and in ensuring we support our policyholders and their families at every stage of their life’s journey, Ceylinco Life offers unmatched products and services spanning life insurance, medical insurance, retirement plans and endowment plans to suit their evolving needs. We ensure we stand by our policyholders when they need us the most.

We continue to channel our every effort towards consistently delivering on our promise to remain a steadfast, trusted force throughout our customers’ lives and beyond. Built on the strength of our other strategic imperatives, we continue to monitor global and local trends to identify and anticipate customer needs and serve our policyholders with the perfect portfolio of products, while improving and enhancing our current offering where relevant.

In order to facilitate the identification and evaluation of policyholder needs and trends, Ceylinco Life segments its customers based on behavioural and demographic factors as follows:



In terms of demographics, segmentation is primarily based on social-economic classifications and age groups, while behavioural segmentation is based on two key segments – the ‘security seeker’ and the ‘progress seeker’. The security seeker is identified as an individual requiring more protection benefits, while the progress seeker is more investment focused, and primarily seeks products generating higher returns. An additional classification consists of privilege members, defined as customers who pay extremely high premiums. The company further works in partnership with corporate entities via our Group Assurance and Bancassurance solutions.

The Premium Club was formed in order to reward our loyal high net-worth customers via a series of programmes designed solely to cater to the specific needs of this client base. Customers are segmented into different categories such as Platinum, Gold and Silver, which are defined according to the premium amount and number of years spent with Ceylinco Life.

The members of this club receive a host of gifts and benefits annually, including dining and accommodation packages at hotels, electronic items and accessories, as well as tableware and leatherware. They are also afforded with the privilege of viewing the spectacular Kandy Esala Perahera from one of the best vantage points in the heart of the city.

FOCUS AREA 01

An Unmatched Customer Experience

1

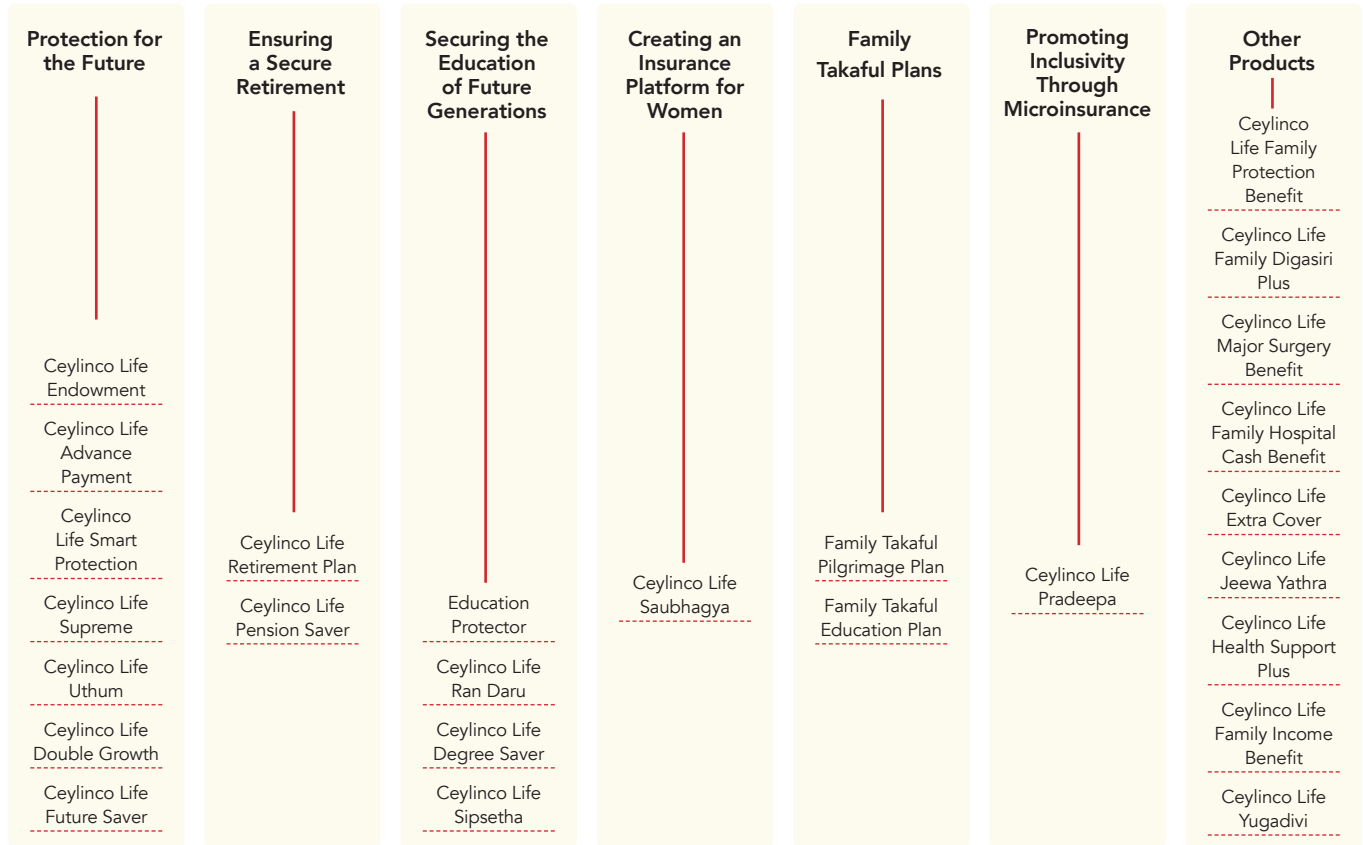
3

5

9

POLICYHOLDER RELATIONSHIP MANAGEMENT AND APPROACH

Ceylinco Life possesses a comprehensive portfolio, with products related to protection, health, retirement and endowment. We ensure that at every stage, we engage with our policyholders to drive an unmatched customer experience characterised by safety, convenience, personalised service and speed. The following range of products were made available to customers during the year under review:



Family Takaful

Recognizing the need to diversify our product range to be inclusive in catering to the varied needs of society, we offer Family Takaful products. Presently, Ceylinco Life is the second largest Takaful operator in Sri Lanka. Ceylinco Life obtains counsel from an independent Shariah Council who has vast knowledge and experience. The Council includes a Chartered Accountant, a former ACJU General Secretary and scholars.

We have developed two Takaful insurance products to date.

Ceylinco Life Family Takaful Education Plan

The plan provides financial benefits to the children of participants to continue their education uninterrupted in-case of an unpredictable event such as premature death or disability of the bread winner. It also stands as an asset that could be made use of in the future for the children's higher education.

Ceylinco Life Family Takaful Pilgrimage Protection Plan

This plan has been designed as an additional supplement protection on spiritual pilgrimages to Mecca. The plan comes with four options and additional benefits that participants can choose from.

Refer page 66 for Financial Performance of the Takaful Insurance Business

Anticipating and Serving Customer Needs

We map and monitor all emerging trends to curate a portfolio of products and services aligned with the needs of our nation and its people. As a result, the company engages in comprehensive policy reviews and new product

development activities in order to develop a range of products and services that are always relevant and designed in keeping with the changing times.

Comprehensive Policy Review

A comprehensive review of all existing policies are conducted every year. This measure consists of staying apprised of any changes in the policyholders' lives and suggesting necessary revisions to their policies in line with identified changes.

| |
|---|
| Research and New Product Development |
| Ceylinco Life has a dedicated product development team assigned to propose new products, or areas for improvement in existing products. This cross-functional team consists of representation across key departments. Regular meetings are conducted monthly with the management to table suggestions. All new products are either developed based on potential client needs, or on the various stages within the life cycle. Research is conducted regularly and on a project-basis as needed. |
| Data Analytics |
| Data analytics is used to identify insights for development of future strategies. |
| Up-selling and Cross-selling |
| The Special Projects Unit oversees customer satisfaction across all branches, and explores prospects for up-selling and cross-selling to existing policyholders. |

Based on the data gathered from the above initiatives, two new products were launched during the year under review.

Based on identification of needs

Identified trend: An increased focus on long-term protection with a short-term commitment among the nation’s high-earning youth segment.

Ceylinco Life Future Saver: A short-term premium payment plan, targeted towards high-performing young adults. Premium to be paid over the course of 5 or 10 years, with the resulting policy being in force for 10,15,20 or 25 years. A Premium Assurance Benefit guarantees the continuity of the Wealth Fund for family members in the event of policyholder death or disability.

Based on stages in the life cycle

Identified life stage: Parents with children facing the prospect of education.

Ceylinco Life Education Protector: A cover to secure the future education of a child in the event of a parent’s untimely demise or permanent disability. With a single one-time premium payment, a monthly benefit cover ranging from Rs 5,000 to Rs 50,000 will be provided to the child continuously for a period of 2 - 12 years to meet education expenses including school fees, tuition fees, books and stationery costs.

| |
|---|
| The Saubhagya insurance plan was therefore designed to take all these needs and challenges into account, and at present caters to the needs of women in the 21st century. |
| Ceylinco Life Saubhagya plan provides a comprehensive life cover throughout the policy term, and by adding riders, the product enables further strengthening of the safety net. |
| The attractive maturity value at the end of the policy term can serve as a retirement fund, to enable a comfortable life once the policyholder retires from employment. |
| With the addition of health riders, the beneficiary can have access to the health emergency fund, in the event of any health-related issues. |
| The lump sum payments released every year can be utilised as future savings through reinvestment, or can alternately be utilized to fund personal / family requirements. |

In addition, the company conducted an awareness programme surrounding the theme “Why Women Need Life Insurance” to commemorate International Women’s day which fell on 8th March 2021.

A video featuring the Company’s female staff was developed in order to create a platform to discuss the need for life insurance among women, and circulated among the sales force to educate



Products for Women

During the year, we passionately promoted our existing Ceylinco Life Saubhagya, an insurance product that caters to women, who play crucial roles as mothers, breadwinners, daughters, leaders, and strong independent personalities who strive to win the world. We understand that women often face challenges in meeting their daily goals, and are expected to undertake sacrifices daily while balancing work and family in order to achieve great strides in both aspects.

POLICYHOLDER RELATIONSHIP MANAGEMENT AND APPROACH



Furthermore, a flyer was designed to create awareness on breast cancer and circulated among all women in the workforce and sales staff members, to share among their customers, family and friends.

BREAST CANCER AWARENESS MONTH
OCTOBER 2021

සියයුරු පිළිකා පිළිබඳ දැනුවත් කිරීමේ මාසය
2021 ඔක්තෝබර්

මාර්ගයේ පුහුණු වීමේ මාසය
2021 ඔක්තෝබර්

Breast Cancer account for **25%** of Female Cancers in Sri Lanka.
 ශ්‍රී ලංකාවේ කාන්තාවන්ට පැයදාන පිළිකා අතරින් **25%** ක් සියයුරු පිළිකාවට අයත් වේ.
 මුළු කාන්තාවන්ට පැයදාන පිළිකා අතරින් **25%** ක් සියයුරු පිළිකාවට අයත් වේ.

Over **1,000** women die of Breast Cancer every year.
 සියයුරු පිළිකා වෙනුවෙන් සැම වසරකම කාන්තාවන් **1,000** කට වඩා මිය යති.
 ලෝකපුරාම වසරකට **1,000** කම කාන්තාවන් සියයුරු පිළිකාව මගින් මිය යති.

You can prevent it by: ඔබට වැළැක්විය හැකි බවට පත් කර ගන්න.

Maintaining a healthy weight.
සෞඛ්‍ය සහගත බරක් පවත්වා ගන්න.
සෞඛ්‍ය සහගත බරක් පවත්වා ගන්න.

Exercising regularly and being physically active.
නිතිරිත වැඩසටහන් වල නියෝජිතව සහභාගී වෙමින්
ව්‍යායාමය සහ සජීවී ලෙස ජීවත් වීම.

Breastfeeding. (Where possible.)
මවගේ දූව (එහි හැකි)
නිෂ්පාදනය කිරීම (මවගේ)

Do not ignore any lumps or nodes in your breasts.
ඔබේ පිටියේ කුඩා කැටුම්බුන් හෝ පිටියේ
කැටුම්බුන් ඔබට අහෝසිතව හැසිරවිය නොහැකි බවට
නිතරව පරීක්ෂණය කරන්න.

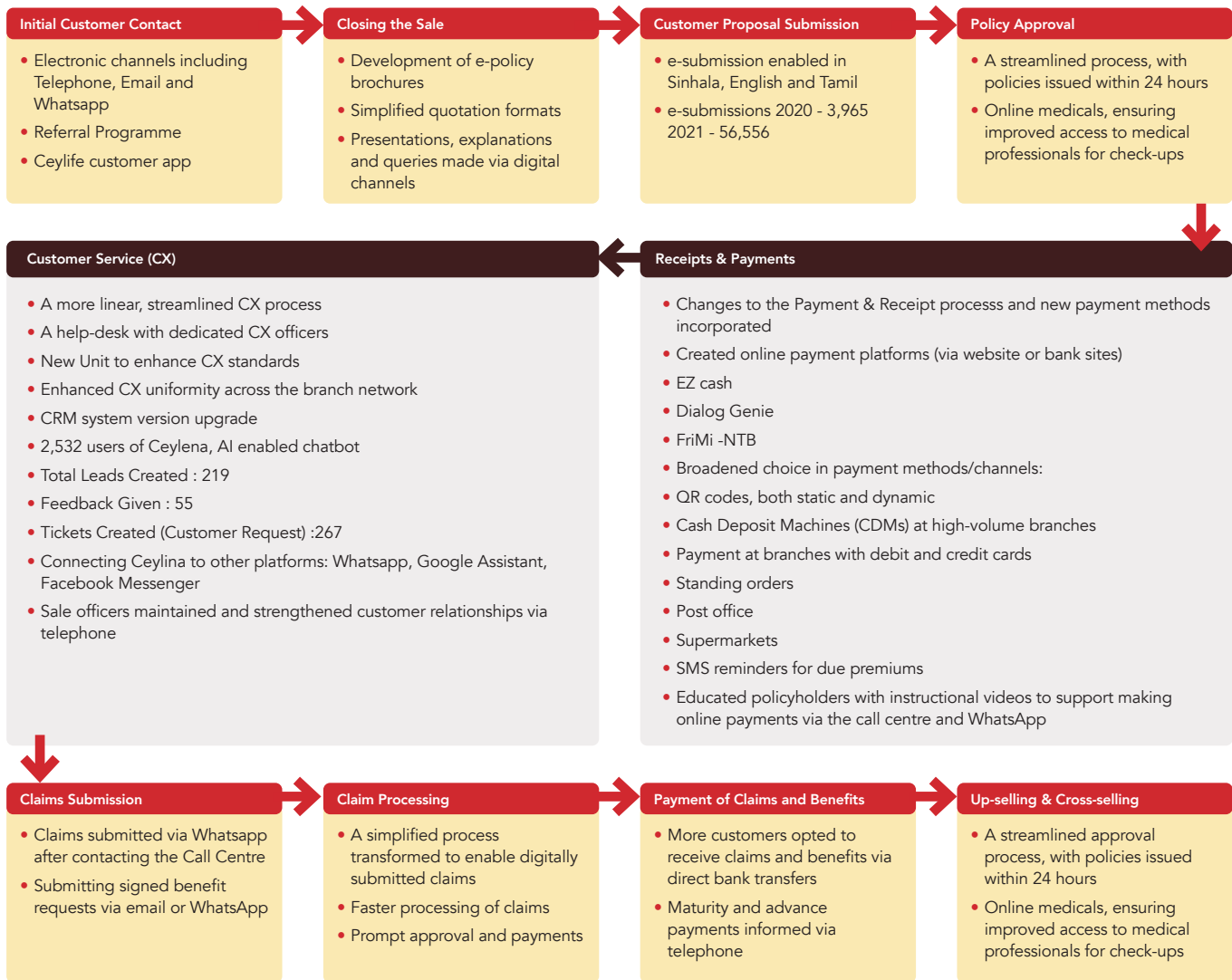
If your family has a history of breast cancer,
you should consult a doctor for more preventative tips.
ඔබේ පවුලේ සාමාජිකයින්ට පිටියේ පිළිකා පිළිබඳව
අධ්‍යයනයක් සඳහා වෛද්‍යවරයෙකු සමඟ සම්මත
පිළිකා පිළිබඳව වැඩිදුරටත් උපදෙස් ලබන්න.

If you are 40 years or older, do an annual mammogram test.
ඔබේ වයස 40 හෝ ඊට වැඩි නම් සියයුරු පිළිකා පිළිබඳව
වර්ෂයකට වරක් පරීක්ෂණය කරන්න.
සියයුරු පිළිකා පිළිබඳව 40 වැඩි වූ විට සියයුරු පිළිකා
පරීක්ෂණයක් සඳහා වෛද්‍යවරයෙකු සමඟ සම්මත.

CEYLINCO LIFE®
A Relationship For Life™

As a life insurance company, Ceylinco Life’s products and entire ethos are built on providing a sense of safety and protection to its policyholders. With the onset of the pandemic, this commitment was further extended towards every aspect of the company’s interactions with its customers, from the point of onboarding to the offboarding stage. This was primarily achieved through digital transformation deployed across the board.

Ceylinco Life’s responsiveness to change and its resulting process migration to online channels is a testament to its adaptive systems which were geared for digitization. The following measures were made available across all policyholder touchpoints, to ensure all policy-related processes took place remotely, thereby driving customer safety amid the pandemic.



Ceylife Customer App

During the year, Ceylife, the company's dedicated customer app served as a strong platform for both potential and current policyholders to perform policy-related functions from the comfort of their home.



Phase 01 Completed

- Enables policyholders to view the status of their policies and peruse the separate benefits pertaining to each of these policies.
- Enables the payment of premiums via credit or debit cards.
- The ability to determine and confirm payments.
- The ability to purchase online life, retirement and investment plans.
- The ability to put forward a request for services from the relevant branch.
- Allows customers to view details of the branch network.

Phase 02 To be Implemented

- Incorporation of additional service functions including change of address, and online claim initiation.
- Enhanced security features through bio-sensory mechanisms.

POLICYHOLDER RELATIONSHIP MANAGEMENT AND APPROACH

Ceylena

The company's chatbot, Ceylena served to ensure greater connectivity during the year even amid lockdowns, while streamlining customer service and reducing the call-centre workload. Simple queries and concerns were addressed via this platform, and it continued to be a resounding success, with more hits recorded during the year. In 2021, Ceylena reached 2,532 hits, averaging at approximately 211 hits per month, in comparison to the 29 hits achieved in the month of its launch in December 2020.

Alternate Online Channels

In terms of the company's recently developed e-policies and contactless insurance, customer-friendly quotation formats were developed during the year to further enhance our processes and ensure customer convenience. The format was upgraded in a manner that made it easy to understand, with greater transparency to the policyholder. Furthermore, quotations can be generated via the sales app leading to a more streamlined process for the customers.

Particularly in rural areas where use of new technology is still limited, the company continued to improve direct payment methods, utilizing CDMA, post office and supermarket networks to encourage self-payment instead of relying on the traditional method of submitting payments through the sales officer. This served to minimize the burden on agent collection, which could not take place due to the social distancing measures and travel restrictions that were initiated during certain periods of the year. Payments could therefore be initiated via channels including Ez-Cash, the local post office, supermarkets, Dialog Genie, FriMi and other online channels. Such measures ensured that policies did not lapse during the year. The direct payment ratio was relatively high compared to the previous years.



In another new initiative to ensure customers were safeguarded even following the stage of offboarding, all customers who chose to surrender or cancel their policies were provided the opportunity to invest in a smaller life cover, by offering a single-premium payment at a relatively low rate.

The company also was the first to introduce the concept of tele-underwriting, an innovative means of clarifying and ensuring the accuracy of policyholder information that serves to minimize the likelihood of any miscommunications or misunderstandings between agents and customers.

| Direct Payment Ratio: 21% | |
|------------------------------|-----|
| Available Channels: | |
| Banks | 55% |
| Direct Pay | 6% |
| General Post Office | 29% |
| Other | 5% |
| Supermarkets | 6% |

Our foremost priority as a service-oriented organisation is to ensure the highest degree of customer satisfaction is maintained. Our objective therefore is to attain the status of being the best in terms of customer service within the life insurance industry. The company's high levels of customer satisfaction were evidenced by Ceylinco Life being voted the 'Most Popular Service Provider' in Sri

Lanka's Life Insurance industry in an online survey conducted by LMD.

However, we recognize that maintaining customer satisfaction is an ongoing, continuous process, and as such, the following measures were taken to ascertain customer satisfaction levels during the year:

Regular customer satisfaction surveys are conducted, taking into account the customer's rating of the call centre, the sales officer and the branch office.

Monthly reviews with the CEO enable continuous learning and corrective measures.

All customer service requests are followed with a satisfaction rating. Low ratings require feedback and corrective action.

Tags are placed in company-owned branches to facilitate easy customer feedback.

Customer feedback is obtained via direct calling at the point of purchase, customer birthdays, and at the point of off-boarding/ policy surrenders.

During the year, several projects were initiated to assess and improve processes across the customer cycle, from the point of initial contact to the final offboarding stage. Surveys are conducted regularly across our main touch points, namely sales agents, the call centre and the branches to determine customer service levels at each stage.

In 2021, the company engaged in identifying key customer touch points and obtained feedback from each point to identify stages at which customers exhibit dissatisfaction or negative feedback. This mechanism enabled instant identification of negative experiences in order to address any concerns, thereby proactively measuring and preventing opportunities for customers to leave the company, rather than engaging in delayed identification of dissatisfaction.

In terms of the future, the company is in the process of developing a mechanism to obtain feedback from every single customer within the organisation by 2022. This is expected to be achieved via an SMS function at the point of each customer's policy anniversary. The results of this comprehensive feedback system will be used to develop an average satisfaction score for each branch to assess their performance, and identify any points of concern.

Improving Leased Branch Ambience

During the year, the company initiated a process to revamp our leased branches to ensure that all branches complement each other in terms of outlook, ambience and overall customer experience. This long-term initiative will take into consideration both the external outlook and the interior of each branch.

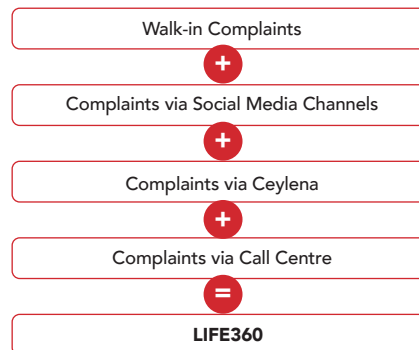
Complaint Management

The COVID-19 pandemic and its resulting mobility restrictions posed a significant challenge in terms of managing walk-in customer complaints and inquiries. However, Ceylinco Life remained equipped for the challenge, relying on a range of communication channels to enable customers to submit complaints or concerns from the safety and comfort of their homes.

Our multilingual chatbot, Ceylena facilitated online customer complaints, and issued a reference number for the purpose of following up on any developments.

The company's social media channels further serve as a means of being notified of customer complaints. The company's corporate WhatsApp is utilized often by customers for inquiries and complaints. Any negative feedback posted on our social media platforms such as Facebook are monitored closely by a dedicated team to address any concerns.

All complaints are recorded in the company's CRM platform, LIFE360°. Every record is assigned with a Service Level Agreement (SLA), and closely monitored by the top-level management to ensure rapid resolution of any underlying concerns. The CRM issues a series of steps to address all complaints within 14 days from the time of origin, which is the IRCSL benchmark. A unique tag is allocated to each complaint, enabling policyholders to track and monitor the progress of their complaints. During the year there were no complaints nor breaches of customer privacy and loss of customer data.



| | |
|---|-------|
| Brought Forward from 2021 | 24 |
| Number of Complaints Recieved | 982 |
| No of Complaints Resolved in-house by the Comapny | 1,006 |
| Carried Forward to 2022 | 0 |

Engaging with our Policyholders

In line with our principle of building relationships for life, Ceylinco Life consistently engages with policyholders at key milestones and life events. Our two primary engagement initiatives are the Ceylinco Life Pranama Scholarships and the Ceylinco Life Family Savari programmes, which have served to forge unique bonds between policyholders and their family members, therefore creating a lasting brand affinity that spans generations.

Ceylinco Life Pranama Scholarship Programme

This programme was first initiated in 2002, and has since benefitted over 2800 children with a total sum of Rs. 167 Mn. The scholarships are presented to the children of policyholders who achieve the highest results at key stages in their academic career, i.e., the grade 5 scholarship examination, the G.C.E. O/L and G.C.E. A/L examinations. The scholarships are also extended to children who reach national or international skill levels in the fields of sports, drama, art, or innovation, and provides the necessary financial support to help them reach their full potential. This encouragement and support have provided the necessary drive for talented students to reach even greater heights of success, and allowing them to reach academic excellence and serve as knowledgeable corporate citizens who serve our nation.

2,887 children benefitted since 2002

Rs.167 Mn awarded since 2002

Rs.11. 8 Mn disbursed in 2021

During the year, due to the COVID-19 pandemic, the awards ceremony was conducted in a digital format to ensure safety measures were maintained.

Ceylinco Life Family Savari

Ceylinco Life Family Savari is a pioneering loyalty programme, that has the distinction of being one of the largest reward systems offered by any life insurer in Sri Lanka. Prior to the pandemic, customers were offered a host of rewards which included foreign tours with family members, with the prize determined on the basis of policyholders' monthly premiums.

The promotion selects over 600 policyholders from among those with active life insurance plans over the course of six bi-monthly draws, with over 100 customers chosen at each draw.

POLICYHOLDER RELATIONSHIP MANAGEMENT AND APPROACH

618 policyholders
benefitted in 2021

Rs. 30 Mn awarded
during the year

26 foreign trips since the
programme's inception

Due to the travel restrictions imposed during the COVID-19 pandemic, Ceylinco Life rewarded its valued customers with gold valued over Rs. 30 Million. One grand winner is afforded the chance to take home Rs. 1 Mn in gold every two months, with Rs. 4 Mn distributed among 100 policyholders at each draw.

Outdoor promotions were conducted to raise awareness about this programme during the year.

Bonuses offered to Policyholders

Rs. 4.8 Bn in bonus was declared to over 200,000 Policyholders.

FOCUS AREA 01

Data Privacy and
Customer Security

9

16

As a business built on maintaining customer connectivity and nurturing strong relationships, Ceylinco Life possesses significant knowledge on its large customer base, which helps us understand and identify their needs. Therefore, we prioritize the protection of our customers' personal and sensitive information and maintain the privacy and confidentiality of their data at every stage.

All personal information is governed by stringent protection policies, and is only shared with employees on a needs-basis. The process of contacting policyholders is automated, with a large portion of the number masked to ensure privacy; with designated employees in place for each customer to avoid unnecessary dissemination of information.

Cybersecurity and Data Privacy

With the migration of company-wide processes to online platforms, Ceylinco Life faced the challenge of addressing rising concerns of cybersecurity and data privacy during the year under review. As a result, the company continued to strengthen its systems to ensure protection from internal and external vulnerabilities.

The following chart describes a summary of the initiatives that initiated during the year to address customer security and data privacy. Further information regarding these mechanisms can be found on page 109 of this annual report.

ISO 27001:

- Ongoing alignment of procedures with ISO 27001 international standards, related to management of information security.

Improved Acceptable Usage Policy:

- Development of a more user-friendly acceptable usage policy for the company's systems, to facilitate easier understanding of the guidelines across the organisation.

Enhancing Cyber Security:

- Conducting Cyber Security drills with the assistance of a Cyber Security Consultant to educate and provide appropriate training and exposure on prevailing Cyber security incidents to the company's CERT (Computer Emergency Response Team).
- The Privilege Access Manager (PAM) solution is used to manage external service / software provider access. With this technological advancement, software/service providers can attend to internal system maintenance even amid the present global context. Pre-approved external parties were connected to the corresponding service domains using a PAM solution and dual authenticated connectivity.

Enhancing Data Security:

- A classification policy review was conducted to examine modifications to current data classification and to identify unclassified new data pieces. The proposed classification was used to adjust data loss prevention measures in order to emphasize data leakage instances that occurred unintentionally or purposefully.

FOCUS AREA 03

Ethical, Responsible Business
Operations

16

In line with our business values, Ceylinco Life believes in performing business affairs with the utmost integrity and professionalism. Therefore, we strive to adhere to the rules and regulations that are applicable to the organization, while practicing transparency and ethical conduct across the board. As a result of these consistent efforts, we continue to uphold and honour the trust and confidence built within the hearts and minds of our policyholders over the years.

Compliance with Rules and Regulations

The company consistently complies with the regulations set forth by the Insurance Regulatory Commission of Sri Lanka. Details of every new product in the pipeline are shared with the IRCSL for approval. Any queries raised by the regulatory body are addressed via a pre-defined process which evaluates the accuracy of the information prior to submission.

No incidents of non-conformity with regulations and voluntary codes of conduct were reported in 2021. Ceylinco Life's response to the regulatory environment is further mapped out on pages 31 and 38 of this annual report. There were no incidents of non-compliance concerning product and service information labelling. There were no incidents of non-compliance concerning the health and safety impacts of products and services.

Responsible Sales and Advertising

As an organization whose policyholder interactions are predominantly with the sales force, we face potential exposure to fraudulent activity. In order to mitigate the occurrence of such events, the following processes were followed during the year:

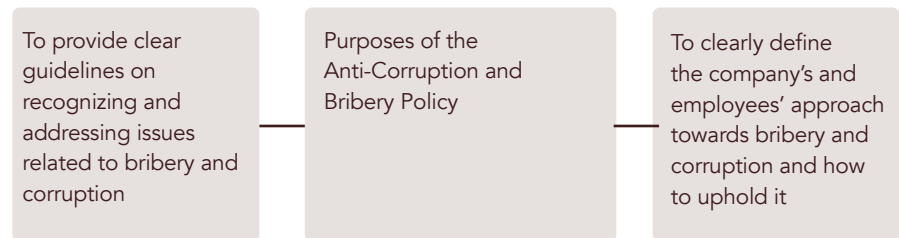
- Our concept of Treating Customers Fairly (TCF) ensures that all company employees and sales agents who serve as the primary point of contact are governed by stringent controls to prevent any form of preferential treatment, dishonesty or injustice.
- A dedicated Business Intelligence team is in place to proactively monitor policyholder interactions by independently contacting customers to identify any discrepancies and irregularities. In monitoring these aspects, Ceylinco Life is enabled to take remedial action to combat policyholder exploitation or breaches in ethical business conduct.
- All sales agents are trained on business ethics and values and are required to complete examinations related to anti-money laundering practices and other irregularities.
- Collection sheet Automation process was implemented in 2021 in order to further reduce the potential of fraudulent activities arising from transactions between the customer and the sales agent.

Furthermore, all policy documents are continuously reviewed to ensure greater transparency and clarity, based on feedback obtained from the sales team and the customers. All advertising and promotional material visibly include all disclosures mandated by the IRCSL, and are forwarded to the regulatory body for reviewing purposes.

There were no incidents of non-compliance concerning marketing communications.

Anti-Corruption Policies

Ceylinco Life is governed by the company’s code of conduct, as well as an Anti-Corruption and Bribery Policy approved by the Board of Directors, and continued to be in force during the year under review.



The company has a zero-tolerance approach to instances of bribery and corruption, which expressly forbids any policyholder transactions which could either be considered a bribe, or deemed to be dishonest. Further issues outlined in the policy include activities related to conflicts of interest, bribery and corruption, and entertainment and gifts.

As a result of these efforts, no incidents of corruption or bribery were recorded during the year.

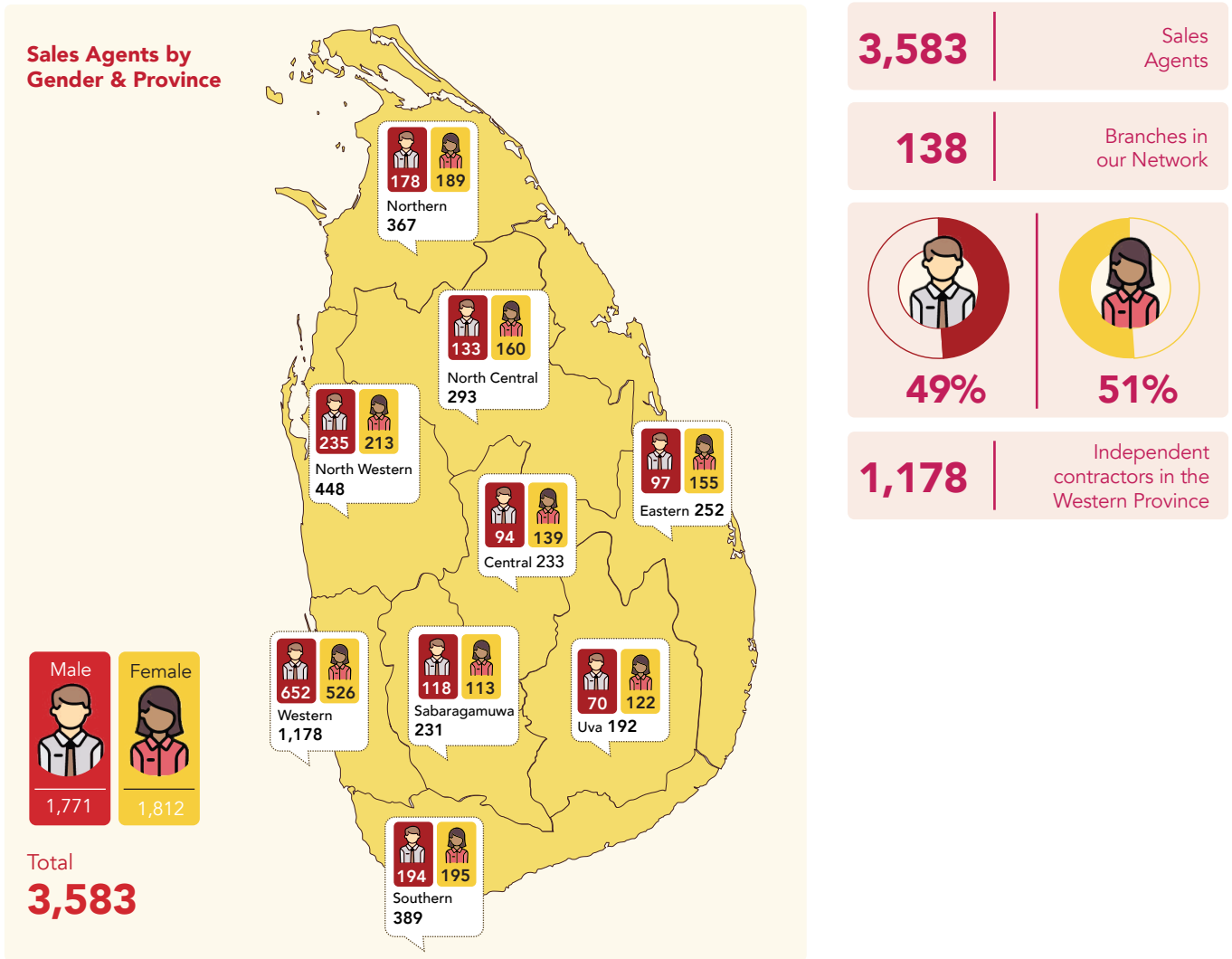
EMPOWERING OUR SALES AGENTS

SALES AGENTS MANAGEMENT AND APPROACH

SALES AGENTS

At present, Ceylinco Life engages with one of the largest sales teams in the life insurance industry. Our sales force plays an integral role as a link between the company and the policyholder, and generates new business by identifying and selling life insurance plans and retirement planning solutions, based on customer needs. The sales force further assists customers with respect to policy renewals and claim settlements.

As the market leader in the life insurance industry for 18th consecutive years, Ceylinco Life serves approximately a million customers from all walks of life. Our entire team of 3,583 sales agents play a crucial role in ensuring customer satisfaction and the company’s continued success. The company therefore continues to engage closely with the sales force to ensure they remain motivated to serve our customers with the highest levels of service excellence.



FOCUS AREA 01
Digital Empowerment **3 9 12**

The COVID-19 pandemic brought about an immense transformation, leading Ceylinco Life to continue in its pursuit of a digitally-enabled sales team. The company transformed a range of processes and functions online, including recruitment, onboarding, training and customer interaction, as we needed to uphold the safety and health of our sales force.

Prior to the pandemic, Ceylinco Life's sales force related practices primarily took place physically. To date, the company has migrated a majority of such functions to online platforms, thereby enabling simplified operations that adhered to all health and safety regulations.

Furthermore, digitalization is integral to the industry's operations, supporting sales agents in terms of selling and promoting complex insurance products in a value-driven innovative manner, driving customer convenience, cost-efficiency and improved sales processing times.

Digitalization in Sales Agent Administration

| Process | How Digitalization Has Been Applied |
|--------------------------|---|
| Recruitment | <ul style="list-style-type: none"> All physical processes including seminar recruitments, lead collection, interviews, examination and final interviews took place virtually. |
| Training and Development | <ul style="list-style-type: none"> All training and development activities took place virtually. The company's learning management system made incredible strides, with a large number of training modules consisting of self-phased material. Trained the sales force in the use of social media and to conduct virtual client meetings, to help them leverage it for business orientation towards the digital world. Training programs were simplified to improve active participation and productivity. |
| Customer Engagement | <ul style="list-style-type: none"> The sales force continued to drive sales through virtual meetings with clients, with the capability of serving and approaching locals living overseas and across the island. Customers were educated through videos on how to use online platforms for premium payment. Development of the sales app to promote online payments ensure payments and accessibility to policy information. |

Engagement with the Company and the Management

- Increasing the frequency of meetings with the management, by enabling virtual monthly meetings with the Chairman, which previously occurred once every quarter, particularly for those based in remote areas.
- The company intranet is one of the most efficient tools available to the sales force. Accessible to all, the intranet provides instant recognition and motivation for high performers and winners of the competitions conducted weekly and monthly.

FOCUS AREA 01
Engagement, Motivation and Progress **8**

Ceylinco Life is built on a performance-based rewards and recognition system that fosters productivity and efficiency. Our sales agents' success is a representation of the company's success, and therefore, we ensure their

development and progress through training and development mechanisms that take place at every stage of their careers, and recognise their contribution through annual and mid-year award programmes (please refer page 89 for training and development programmes in 2021).

Rewards and Recognition

The company held the annual awards event virtually, with 161 qualifying for the Million Dollar Round Table (MDRT) status – an increase of 26 qualifiers over the previous year. We continue to encourage the sales officers to achieve MDRT and highflyer club status by, offering mentoring and networking opportunities that assist them in the journey and sharpen their skills to a greater degree.

At our highly anticipated awards ceremony for 2021, the company celebrated the participation of approximately 1000 agents with 485 awards being distributed among 234 winners, recognizing them for their dedication, commitment and performance.

Furthermore, Mid-Year Awards were conducted in September 2021 via Zoom, with 494 award winners being acknowledged for their performance during the first half of the year.

96 sales agents were eligible for foreign tours. However, since foreign tours could not be conducted due to the pandemic, an equivalent amount of cash was rewarded to those agents.

| Tours | Eligible Agents |
|--|-----------------|
| Package tour to Malaysia | 23 |
| Package tour to China | 13 |
| Package Tour to Singapore | 4 |
| Package Tour - Star Cruise | 45 |
| Package Tour to Dubai | 2 |
| Package tour the United Kingdom / Europe | 8 |
| Air Ticket to Malaysia | 1 |
| Total Tours Awarded | 96 |

SALES AGENTS MANAGEMENT AND APPROACH

485

Awards distributed at the annual awards

494

Agents recognized at the mid-year awards

161

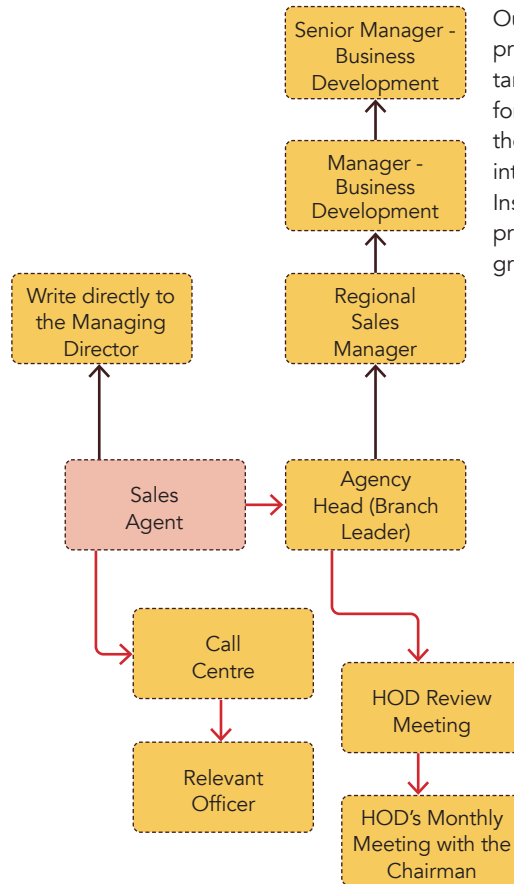
MDRT statuses awarded

Sales Agent Grievance Handling

As Ceylinco Life manages the largest sales force in the industry, the company faces the likelihood of handling many potential grievances. As a result, we have a structured approach towards grievance handling, which ensures that any concerns can be raised to the relevant supervisor. In the event the immediate supervisor is unable to address or respond to the concern in an acceptable manner, the grievance can be escalated to the next level within the hierarchy.

In addition, the company enables sales agents to contact the call centre, and place on record any issues or concerns, which will then be forwarded to the relevant officer for necessary action.

The sales agents also possess the alternative of writing directly to the Managing Director or relevant Business Development Manager to place on record any official complaints or grievances.



Our training calendar is eventful with programs scheduled every five days, targeting various segments of the sales force. A notable development during the year was the company's entrance into a new partnership with the Sri Lanka Institute of Marketing (SLIM) to offer a professional course to the sales force to groom them for future development.



FOCUS AREA 01

Engagement, Motivation and Progress

8

Sales Agent Training

Ceylinco Life engages in the sale of purely intangible products, which are largely technical in nature. Therefore, all sales agents have to possess comprehensive understanding of each product and its benefits, and in order to do so, every recruit undergoes stringent training prior to embarking into the field.

The following training procedures are followed throughout the tenure of a sales agent:

Pre-contract Training

The physical process took 7 days, however today, it has been transformed into a virtually conducted self-paced training module that requires 49 hours for completion.

SLII Training Module and Licensing Examination

All potential agents are required to pass the licensing examination conducted by the Sri Lanka Insurance Institute, which is a regulatory requirement. Preparation is given via self paced training module that takes 4-5 days.

Onboarding via the Orientation Training Programme

At the end of 3rd month, orientation program is conducted for new sales agents. That is where they learn about the company culture, policies, systems, and procedures, and their selected product range. We provide further insights on computation of premiums, of which they received foundational knowledge at the pre-recruitment stages.

No. of trainings - 15
No. of participants - 944

Refresher Training Programme

These are performed for members of the sales team, to ensure their knowledge and skills remain relevant and up-to-date. Each programme has allocated training credits; and a sales consultant, regardless of their time with the company unit head and agency head, should earn minimum of 40 training credits per annum. This is integral towards determining promotions, winning sales competitions, and being recognised at mid-year and annual awards competitions.

No. of trainings - 131
No. of participants - 4,886

All training programmes were conducted online during the year. The company invested a total of Rs. 37 Mn on training, with 327 training programmes conducted for a total of 11,822 participants during the year.

| Name of the Training Programs | No of participants | No of trainings | No of training Hours | No of days | Total Training Hours |
|-------------------------------|--------------------|-----------------|----------------------|------------|----------------------|
| Advanced Sales Skills Course | 1,483 | 17 | 3 | 1 | 4,449 |
| Agent Orientation | 944 | 15 | 8 | 1 | 7,080 |
| Basic Sales Skills Course | 2,405 | 26 | 3 | 1 | 7,215 |
| Cross Road | 437 | 19 | 2.5 | 3 | 3,278 |
| HOB's Course | 213 | 13 | 3 | 1 | 639 |
| Leadership Skills Course | 877 | 20 | 3 | 1 | 2,631 |
| Management | 116 | 29 | 3 | 3 | 1,044 |
| Sales Refresher | 4,886 | 131 | 3 | 1 | 14,658 |
| Skill Sharpening | 461 | 29 | 3 | 3 | 4,149 |

229

Training programmes

3.82

Training hours per sales agent

SALES AGENTS MANAGEMENT AND APPROACH

Challenges and Opportunities

| | Challenge/Opportunity | Impact on the Company | Strategic Response |
|---|-----------------------|---|---|
| Talent retention | Challenge | <ul style="list-style-type: none"> Loss of successful agents Demoralization of other sales agents | <ul style="list-style-type: none"> Develop a conducive environment for agents to perform Benchmark with industry and offer highest possible rewards |
| Rising unemployment rates due to COVID-19 | Opportunity | <ul style="list-style-type: none"> Can recruit those who became unemployed due to the pandemic | <ul style="list-style-type: none"> Refining the image of sales agent as a professional individual |
| Keeping the sales force updated with latest information about insurance products, technologies, economic changes | Challenge | <ul style="list-style-type: none"> When the sales agents' knowledge is not up to date, it might impact the quality of customer service | <ul style="list-style-type: none"> Tailor made training programs Performance evaluations through KPIs and feedback for improvements |
| Conducting physical training programs were difficult due to the pandemic and some programs may not be effective on online platforms | Challenge | <ul style="list-style-type: none"> Human interaction in training programs became limited | <ul style="list-style-type: none"> Several tactics in online platforms were used to keep the participants engaged (Q&A, polls etc) |
| Setting fair evaluation criteria for promotion was difficult as some areas of the country had lockdown periods | Challenge | <ul style="list-style-type: none"> Demotivation of sales agents, if evaluation was not fair | <ul style="list-style-type: none"> KPIs were adjusted taking account of such disruptions. |





Takaful Sales Force Training and Development

Ceylinco Life provides specialist and comprehensive training for the sales force engaged in Takaful business. The knowledge and skills of the team are continuously enhanced to meet the current dynamic business needs.

New recruits are provided with a three-day Induction Training Program. We conduct a bi-annual review as an opportunity for the members of the Takaful sales force to re-assess their strengths and weaknesses to sharpen their selling skills whilst learning invaluable selling strategies from successful sales agents in the Company.

High performers who excel are recognized as the 'Takaful Star' - monthly recognition scheme where his / her photograph is displayed on the intranet as recognition of the special achievements which motivates them to move forward towards higher aspirations.

Gender Parity

| | 2021 | | | | | 2020 | | | | |
|-------------------------------|---|---|--------------|------------|------------|---|---|--------------|------------|------------|
| |  |  | Total | Male % | Female % |  |  | Total | Male % | Female % |
| Sales Agents | 1,771 | 1,812 | 3,583 | 49% | 51% | 1,018 | 1,077 | 2,095 | 49% | 51% |
| Sales Agents by Region | | | | | | | | | | |
| Central | 94 | 139 | 233 | 40% | 60% | 155 | 123 | 278 | 56% | 44% |
| Eastern | 97 | 155 | 252 | 38% | 62% | 181 | 106 | 287 | 63% | 37% |
| North Central | 133 | 160 | 293 | 45% | 55% | 172 | 145 | 317 | 54% | 46% |
| North Western | 235 | 213 | 448 | 52% | 48% | 254 | 270 | 524 | 48% | 52% |
| Northern | 178 | 189 | 367 | 49% | 51% | 212 | 194 | 406 | 52% | 48% |
| Sabaragamuwa | 118 | 113 | 231 | 51% | 49% | 135 | 125 | 260 | 52% | 48% |
| Southern | 194 | 195 | 389 | 50% | 50% | 197 | 206 | 403 | 49% | 51% |
| Uva | 70 | 122 | 192 | 36% | 64% | 119 | 97 | 216 | 55% | 45% |
| Western | 652 | 526 | 1,178 | 55% | 45% | 638 | 755 | 1,393 | 46% | 54% |
| Total | 1,771 | 1,812 | 3,583 | 49% | 51% | 2,063 | 2,021 | 4,084 | 51% | 49% |

Sales Agents by Age

| | | | | | |
|--------------|--------------|--------------|--------------|------------|------------|
| 18-25 | 396 | 478 | 874 | 45% | 55% |
| 26-35 | 397 | 459 | 856 | 46% | 54% |
| 36-45 | 461 | 467 | 928 | 50% | 50% |
| 46-55 | 372 | 261 | 633 | 59% | 41% |
| 56 and above | 145 | 147 | 292 | 50% | 50% |
| Total | 1,771 | 1,812 | 3,583 | 49% | 51% |

Steps taken during COVID-19

- Basic facilities provided for prevent COVID-19, such as facility to wash hands, sanitizer, temperature, social distance & face masks
- Exams were held at our own branches and company approved locations.
- Promote e-submission among sales force to submit business proposals and restricted sending documents
- Virtual meetings and discussion were held instead of attending physically for the meetings & encourage sales staff to have virtual discussions with the customers
- Facilitate Sales force with TABs on a special scheme
- Educate sales force regarding on-line payment by educational training programs
- Special facility had being obtained from selected intermediate medical care centers for sales force during COVID treatments
- Restricted Sales force reporting to branch daily & encouraged them to work from home & provided resources.
- Self paced training modules were introduced for mandatory training programs and product trainings held virtually.
- Cost of the RAT/ PCR test done for a sales officer, was born by the company
- Appointed a health committee to monitor and implement health guideline given, within the organization

Future Outlook



- Identify candidates based on recruitment profile designed by the company
- Provide technical knowledge and soft skills required to promote insurance
- Close supervision of sales force performance and provide regular feedback
- Conversion of manual proposals to 100% e-submissions
- Enable sales force with TABs and smart divisors
- Provide training to Sales staff to enhance their professionalism

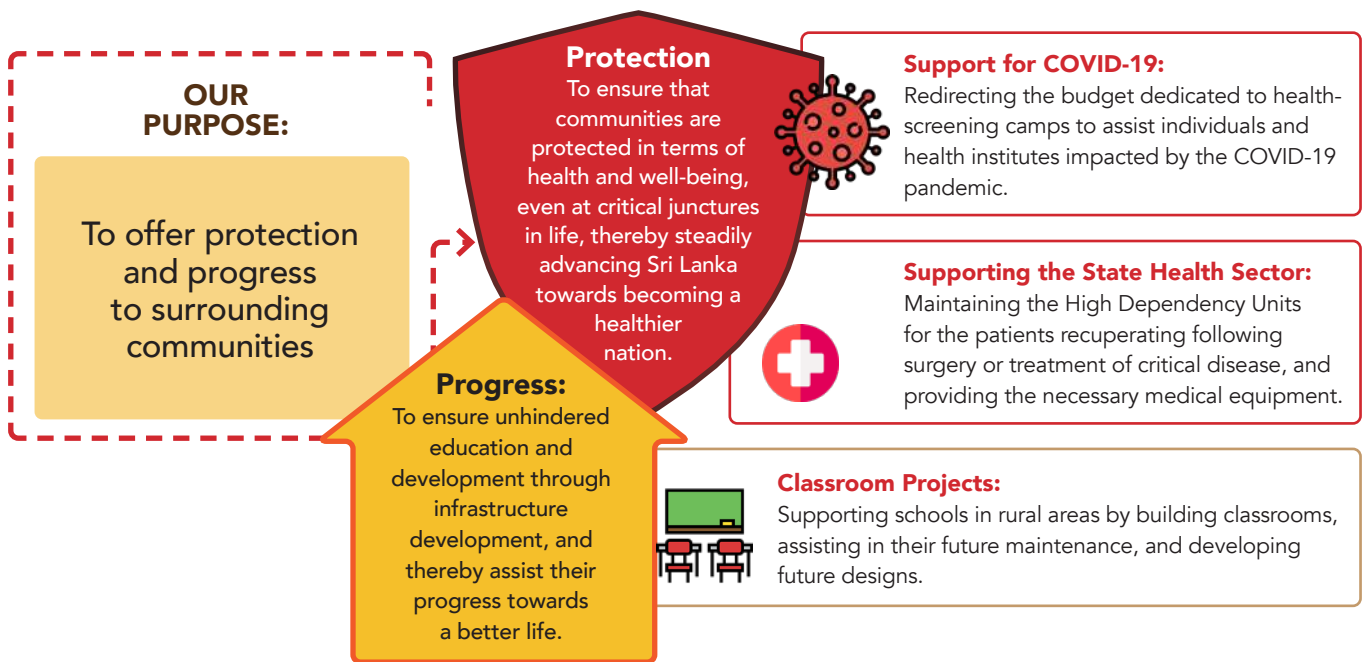
COLLABORATING WITH OUR COMMUNITY

COMMUNITY MANAGEMENT AND APPROACH

In derisking people’s goals and ensuring their health and welfare, Ceylinco Life is first and foremost a brand built on offering protection and progress to its stakeholders. Therefore, we approach all community activities with the same commitment and purpose; demonstrated by our efforts towards uplifting the nation’s healthcare and education sectors in the long-term through employee involvement at every level. The year commenced on a strong footing, with Ceylinco Life having plans in place to drive new initiatives such as provincial-level CSR projects, and make further strides with respect to our flagship classroom projects.

However, the prolonged closure of schools, social distancing, isolation of selected locations island-wide and the continued spread of the COVID-19 pandemic resulted in the company ceasing all progress on such plans, and redirecting its efforts and funds towards more relevant, pressing needs.

During the year, our primary efforts entailed providing access to quality educational infrastructure and ensuring its maintenance, while supporting the health sector in terms of their critical needs, particularly with respect to the COVID-19 pandemic, while continuing to maintain the High Dependency Units (HDUs) we helped install in the previous years. However, due to social distancing concerns associated with the rapid spread of different strains of the virus, the company was unable to hold any health camps, and therefore diverted the funds allocated for this purpose to assist those impacted by the COVID-19 pandemic.



FOCUS AREA 01

Protection, Health and Well-being

1 3 10

The COVID-19 pandemic created both challenges to overcome and opportunities to serve. Ceylinco Life faced numerous challenges in achieving its predetermined objectives, and yet remained undeterred – identifying and addressing key points of concern that arose during the year.

OBJECTIVES FOR 2021

To conduct 12 health camps in locations across the island
To conduct 9 health initiatives to support local hospitals
To continue the maintenance of the HDUs

COVID-19 IMPACT

Due to COVID-19 health regulations against large gathering and meetings, all activities related to health camps were suspended.

The pandemic resulted in a widespread impact across all sectors of society. Ceylinco Life identified the following emerging concerns faced by the general public and the nation's health sector, and focused on improving said factors, while maintaining the previously provided HDUs.

CHALLENGES IN 2021

Many state hospitals had limited resources, and faced difficulty in terms of accommodating or treating the sudden influx of COVID-19 patients.



Those impacted by area isolations, lockdowns and travel restrictions were often unable to access basic needs as a result of losing their source of income.



Supporting Hospitals in the State Sector

COVID-19 Related Support

As at mid-2021, the number of COVID-positive patients increased exponentially, thus placing the state health sector under immense strain. Many state-owned hospitals did not possess sufficient equipment and resources to accommodate the sudden influx in patients, particularly in terms of regional hospitals required to treat patients in critical conditions. Therefore, Ceylinco Life rerouted the budgets previously dedicated towards provincial level hospital projects, and focused on supporting local hospitals in need of such resources, in order to strengthen the local healthcare system to combat the threat of COVID-19.

During the year, the company provided 'High Flow Nasal Cannulas' (HFNCs) to regional-level hospitals. This device was an integral aspect of the COVID-19 treatment process, designed to provide relatively high FiO2 to patients with severe hypoxic respiratory failure.

Ceylinco Life invested in providing 7 HFNCs, distributed among seven hospitals across the country. A unique feature of this initiative is the staff's involvement at each level. The company's staff spearheaded the project in the manner detailed below:

Corresponding with regional hospitals and identifying their requirements



Informing the head office and preparing the necessary documentation to proceed with the project



Receiving the equipment and entrusting it to the hospital



The following hospitals received High Flow Nasal Cannula (HFNC) Devices during the year:

- Colombo South Teaching Hospital - Kalubowila
- Teaching Hospital - Batticaloa
- Base Hospital - Kanthale
- Teaching Hospital - Kuliyaipitiya
- District General Hospital - Matale
- District Hospital - Matara
- Teaching Hospital - Rathnapura

Rs. 6.82 Million
invested in 2021

CEYLINCO LIFE®

Supporting the national effort to fight Covid-19 by donating 7 HFNC devices during April - September 2021.

Coordinated by the employees, for the people.

High Flow Nasal Cannula (HFNC) devices are used to supply Oxygen to patients suffering from hypoxic respiratory failure. Ceylinco Life employees, from both the head office and branch offices, collaborated and coordinated this project that donated 7 HFNC devices to hospitals in different parts of the country. Thereby strengthening the national healthcare system during the fight against Covid-19.

Our duty of protecting lives goes beyond Life Insurance. In fact, we are committed to saving lives in every possible way, and most especially during these trying times.



CEYLINCO LIFE®

A Relationship For Life™



COMMUNITY MANAGEMENT AND APPROACH

Protecting Communities through the Donation of HFNC Devices

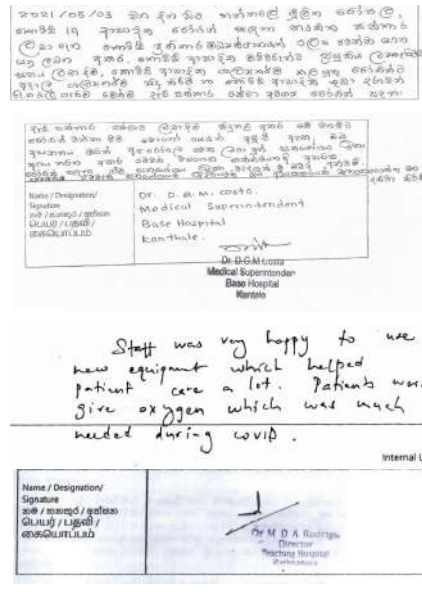


Over 1,000 lives saved

by the 7 HFNC devices donated by Ceylinco Life to the state medical sector, which played a key role in supporting the battle against the COVID-19 pandemic.

In addition to providing HFNCs, Ceylinco Life further financed the provision of an emergency crash cart to the Mahiyangana Hospital during the year under review, bringing the total investment to Rs. 7.12 million.

Feedback obtained from the hospitals:



5 High Dependency Units

Additional support to the state hospital sector to treat the critical COVID-19 patients.

Following the outbreak of COVID-19, many of these units were converted to treat those infected by the virus. Therefore, continuous upkeep of these units became essential to the sector's work at this critical time.

Ceylinco Life therefore engaged in supplying or replacing any non-functioning equipment, and maintaining the air conditioning within the unit via our annual agreements set up with vendors. A total investment of Rs. 796,447 was expended in this regard.

Support to Areas Impacted by COVID-19

Following the lockdowns imposed during the year to curtail the spread of COVID-19 in the Colombo District, the employees of Ceylinco Life conducted a humanitarian operation in June 2021 to provide dry rations to daily wage earners who were unable to source adequate food supplies for their families.

A majority of the dry rations were distributed among families residing in Slave Island and Torrington areas, in collaboration with the Centre for Humanitarian Affairs of the Consortium of Humanitarian Agencies (CHA) and members of the Sri Lanka Police.

324 employees across the head office and island-wide branches contributed towards 50% of the cost of each pack, while the company contributed the remaining component, reaching a total value above Rs. 1.44 million.



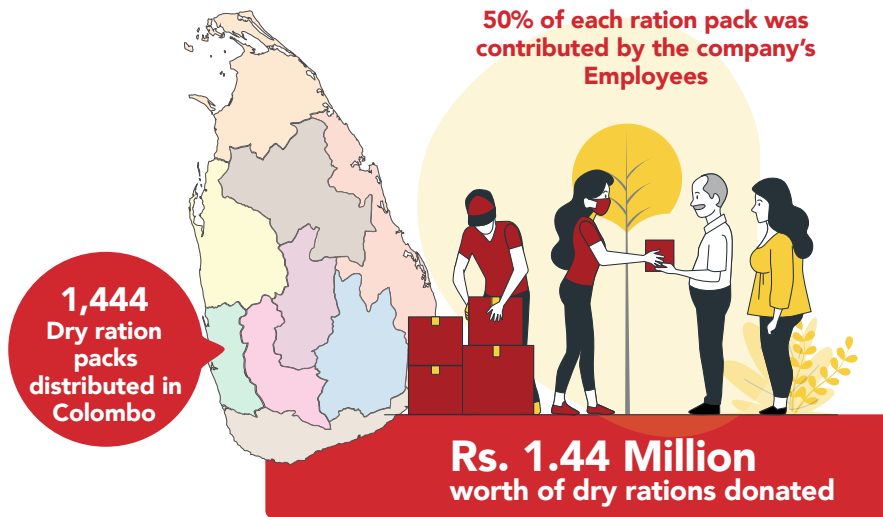
Maintaining the High Dependency Units

Over the past 5 years, Ceylinco Life has set up and supported the continuous operation of High Dependency Units (HDUs) across five key state-owned hospitals. These units support intensive post-operative care; enabling recuperation following a surgery and close monitoring of a patient's condition at all times.

As a policy, the company maintains the units we set up in the past, thereby ensuring the long-term benefits of our investments. A special three-member team is allocated to monitor these maintenance needs, while coordinating

the timely maintenance of the equipment in line with supplier contracts. Annual visits are carried out by Ceylinco Life's regional managers in order to ensure any requirements are identified and feedback is obtained.

- To date, Ceylinco Life has provided High Dependency Units to five hospitals, namely:
- The Lady Ridgeway Hospital, Colombo. **Dec 2012**
- The National Hospital, Colombo. **Dec 2014**
- The Teaching Hospital, Jaffna. **Nov 2013**
- The Colombo South Teaching Hospital, Kalubowila. **Feb 2018**
- The Teaching General Hospital, Kandy. **July 2019**



Classroom Projects:

FOCUS AREA 02

Education and Future Progress

4 9 10 17

Our classroom projects focus primarily on developing new, improved facilities with a view of providing a more engaging learning experience to students and equip them to get through their examinations.

At Ceylinco Life we believe in empowering future generations to reach their full potential—securing their future through impactful initiatives designed to ensure their progress and growth. Our classroom projects focus primarily on developing new, improved facilities for with a view of providing a more engaging learning experience to students and equip them to get through their examinations.

Relying on an island-wide presence and insights into the surrounding communities, the company's employees identify deserving schools, and present them to the management for the necessary approvals. The organisation fully funds the construction of the respective classroom, and supports the institution in terms of obtaining

the necessary approvals, locating contractors, while monitoring construction progress and disbursing funds at the completion of each stage. Upon completion of the project, employees visit the school annually to evaluate and assess the project's success, ascertain new needs, and ensure the classroom is adequately maintained.

OBJECTIVES FOR 2021

To reassess the current classroom design for future improvement
To source recipients for new classroom projects

COVID-19 IMPACT

The supply chain was severely disrupted due to COVID-19 and related economic forces, resulting in a subsequent rise in cost of construction materials, sourcing quantities and obtaining quotations. Furthermore, logistical challenges impacted the construction process itself.

COMMUNITY MANAGEMENT AND APPROACH

Development of a New Classroom Design

During the year, we focused on revisiting and assessing our present classroom design to ensure we remained up-to-date by enhancing and uplifting the current framework where required. In order to identify areas for improvement, a special team was dispatched to inspect existing classrooms from our previous projects. Based on the feedback obtained from a cross-section of school teachers and students, a new design was proposed for a 22.3" x 17.3" classroom, and introduced during the year to all subsequent projects. The first classroom project commenced under the improved design was the Indikolapalassa School in Sewanagala in the Monaragala District.

Maintenance of Classrooms

As in the past, the company remained committed towards maintaining the condition of the classrooms constructed through our initiatives. During the year, a classroom constructed by Ceylinco Life in 2008 for the G/Kadhinagala Maha Vidyalaya in Pannimulla, Panagoda, within the Galle District was damaged due to a tree falling on its roof. The company provided support in terms of repairing the roof and repainting the classroom.

Construction of a New Classroom

The COVID-19 pandemic posed significant challenges towards the nation's education sector, with many schools conducting lessons and classroom activities on digital platforms. However, the company continues to believe in the merit of classroom, location-based learning for children, and therefore continued to advance in terms of constructing new classrooms for children. In light of the lockdowns and school closures, we wisely utilized the available time to fine-tune and perfect the plan for our future classroom design and commenced construction of the new classroom for the Indikolapalassa School in Sewanagala. The company ensured compliance with laws and regulations in the social and economic area.



Future Outlook

In 2022, we hope to achieve the following initiatives and programmes:

- To recommence the Waidyahamuwa Health Programmes and conduct a total of 12 Health Camps.
- To continue our maintenance of the HDUs.
- To commission an additional HDU or conduct the previously planned local hospital project which was postponed due to the pandemic.
- To complete the 4 classroom projects in the pipeline and identify recipients for additional 3 projects.



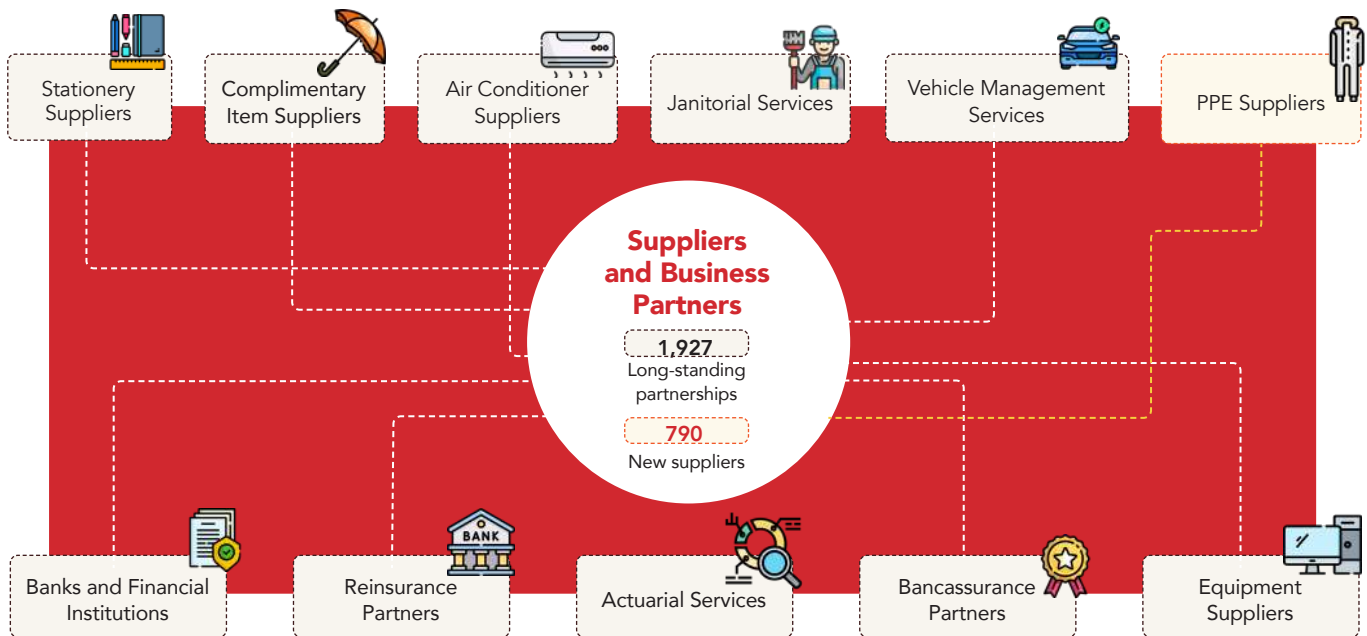
COLLABORATING WITH BUSINESS PARTNERS AND SUPPLIERS

SUPPLIER AND BUSINESS PARTNER MANAGEMENT AND APPROACH

SUPPLIERS

We believe in creating mutually-beneficial relationships with our suppliers and business partners, working closely alongside them to uplift their livelihoods and support their growth. Consequently, our supplier engagement process duly considers quality, compliance, transparency, ethical standards and continuous communication. We strive to maintain competitive, collaborative partnerships that last. The company focuses on providing equal opportunities for both large corporates and small-scale suppliers.

During the year under review, the company continued to maintain relationships with its large supplier base, varying in terms of size, scale and duration of partnership. In terms of rented buildings, we maintain contracts ranging from 3 – 5 years with our building lessors, who manage the maintenance of the leased properties, while contracts with our air conditioner suppliers are reviewed for renewal annually. Our fleet of vehicles are managed and maintained by external entities, and we work alongside small-scale suppliers for janitorial services. Newly added to our supplier database are those who provide us with personal protective equipment (PPE).



The company further maintains its memberships with professional institutions and associations. The Insurance Association of Sri Lanka (IASL) serves as the apex organisation of Sri Lanka’s insurance industry, involved in formulating and executing joint industry initiatives. The Association coordinates and engages in continuous correspondence with the Insurance Regulatory Commission of Sri Lanka (IRCSSL), and consists of seven sub-committees whose members consist of officials of Ceylinco Life.

The Sri Lanka Insurance Institute (SLII) is the sole educational body dedicated to the local insurance industry. Its overarching purpose includes enhancing the professionalism in the Sri Lankan insurance practice, while developing a dynamic, fully-equipped human capital in insurance and other financial services. Ceylinco Life continues to be a member of this institution, which was established to grow and enhance the standards in the industry.

| | |
|-------------------------|-------------------------------------|
| Rs.3.7 Bn 91% | Payments to local suppliers |
| 1,927 | Registered new business partners |
| Rs.358 Mn 9% | Payments to international suppliers |
| Rs.308Mn | Premiums credited to reinsurers |

SUPPLIER AND BUSINESS PARTNER MANAGEMENT AND APPROACH

FOCUS AREA 01

Quality Assurance & Best Sourcing Practices



As an organisation dedicated towards delivering excellence and building long-term relationships, Ceylinco Life ensures the highest quality standards are maintained by our suppliers, while practicing transparent, responsible procurement processes across the board.

Quality Assurance through Supplier Evaluation

Ceylinco Life performs a comprehensive screening process prior to partnering with any supplier or business partner, ensuring they too share our core values of excellence, integrity and professionalism. When governing our supplier relationships, the following conditions and factors are taken into account:

Compliance and Ethical Business Conduct



- Ensure supplier compliance with all laws and other applicable business legislature.
- Due diligence conducted to ensure our suppliers abide by our Anti-bribery and Corruption Policy.
- Compliance with safety standards.

Commitment to Sustainability



- Compliance with environmental regulations and sustainable sourcing practices
- Preference to suppliers who manufacture environmentally friendly products
- Clearly define expectations from suppliers and embed minimum requirements within supplier contracts.

Quality Management and Process Excellence



- Evaluation of management, employees, e-commerce and organisational capabilities.
- Evaluation of processes, capacity and technology.
- Evaluation of quality assurance policies and procedures

Financial Feasibility



- Assessment of cost vs. benefit, reasonable pricing
- Evaluation of financial results and condition of suppliers

In order to assess whether the above criteria are met, the company conducts site visits or virtual meetings, and peruses all relevant certificates and documentation, following which the supplier will be registered within the company system if no irregularities are identified.



Particularly with respect to personal protective equipment suppliers, the company outlined strict policy standards to ensure only the most reliable products were sourced, thus ensuring high degrees of safety. The presence of certificates and standards related to the credibility and viability of the procured products was an imperative, and the lack thereof led to immediate elimination from the evaluation process. The company's Health Committee was involved in all related discussions, to ensure Ceylinco Life sourced the right products, from the right supplier in a prompt and cost-efficient manner.

Ensuring Transparency and Fairness in Decision Making

All our relationships are built on principles of trust, and our supplier relationships are no exception. We ensure we honour all terms and conditions of the agreements we share with our business partners, while striving to develop transparent, accountable partnerships at every possible opportunity. All contracts are awarded based on a series of predefined standards and competencies.

Therefore, the company has in place a series of procedures that ensure all suppliers are treated fairly and given equal opportunity. All supplier assessments are performed by the Central Procurement Unit, and each supplier who qualifies under our screening processes is registered in the company database.

We maintain a minimum of two or more suppliers under each category in the database, and ensure that at least three quotations are collected from potential suppliers prior to procurement of goods and services.

With respect to the large quantities of gift items, calendars and diaries outsourced annually, the company divides the requirements among different parties to ensure a fair and equitable process.

With respect to the selection of contractors for the construction of buildings, the company manages each requirement on a case-by-case basis, via a tender process. All submitted tenders are reviewed by a specialized consultant, and in addition a dedicated advisory panel reviews each contractor's credentials to ensure they comply with the Construction Industry Development Authority (CIDA) guidelines. The recommendations are then submitted to the Board for their perusal and approval.

Similarly, disposal of company assets falls within a tender process. In this instance, once tender forms are published and submissions reach the company, Ceylinco Life relies on a committee to assess and evaluate each supplier for their quality levels, organisational capabilities and ethical practices, prior to entering into the contract stage.

Fostering Long-term Mutual Growth

At Ceylinco Life, our commitment towards fostering long-term growth and progress extends even to our suppliers, and as such, many of our suppliers have partnered with us and shared our journey over the course of many years. A few aspects that are addressed and monitored in this regard are listed below.

Encourage our key suppliers to invest in environmentally and socially responsible practices to improve their sustainability commitment.

Continuous dialogue with key suppliers to provide data and other relevant information to drive innovation and product development.

Assess performance of our key strategic suppliers and monitoring their progress, and identifying areas for improvement.

Maintain all our relationships in good faith and in an ethical manner, while honouring all stipulated commitments and payments.

Prioritize relationships with existing suppliers where feasible, during the procurement process.

Local Sourcing and Environmental Responsibility

Driving social and environmental responsibility remains at the core of our operations, and therefore Ceylinco Life engages with local home-grown suppliers and small and medium enterprises to drive economic growth and progress, and ensure a positive impact on society.

Our procurement policy outlines our commitment to support local communities around our branch network, including janitorial services, tea services and electrical maintenance.

We further take steps to procure environmentally-friendly gift items, including the development of eco-friendly till boxes which were distributed among our clients.

The Company do not issue any gift items that contains plastics except for umbrellas.



Supplier Empowerment

During the year, Ceylinco Life took further strides in its journey towards promoting local skills and capabilities while fulfilling its duty towards preserving the environment. We joined hands with Quasar Trading Company to introduce the new eco-friendly hand-made till to our range of complimentary items, manufactured using natural mana leaves.

The entire manufacturing process is based in the village of Karuwalagaswewa, in which an abundance of natural resources and talents are readily available. The collaboration between Quasar Trading and the passionate individuals involved in the company's Go-Green concept ensure the success of this project, overseeing its operations, while providing the necessary funding, technology and training to the villagers. This project has in turn generated a number of job opportunities to low-income families in the area and thereby helped towards uplifting their living standards.



The eco-friendly till box designed in collaboration with our suppliers

Reinsurers

Ceylinco Life values its partnership with reinsurers as it is essential towards providing additional safeguards against high value risks, thereby enabling the company to expand operations and pursue its goals and growth objectives. During the year, our reinsurance partners provided their fullest support by providing the necessary guidelines to foster business resilience and best industry practices.

The company continues to maintain long-term partnerships with three of the world's leading insurers, namely; Munich Re of Germany, Swiss Re of Switzerland and the Reinsurance Group of America (RGA). Munich Re possesses the distinction of being the world's leading reinsurer with over 400,000 employees, while Swiss Re has been in business since 1863, and ranks a close second, with operations in over 25 countries. RGA is one of the largest global life and health reinsurance companies, and provides innovative and personalised solutions to clients worldwide.

Our partnerships with these reinsurers span over two decades, and ensure that the company remains on par with emerging global trends, while enhancing our knowledge and capacity to stand steadfast in the competitive local market through training programmes pertaining to disciplined underwriting, prudent portfolio management, and innovative product development.

SUPPLIER AND BUSINESS PARTNER MANAGEMENT AND APPROACH

Premium Ceded to Reinsurers

| Reinsurer | 2021 Rs. Mn | 2020 Rs. Mn | 2019 Rs. Mn |
|-----------|----------------|----------------|----------------|
| Swiss Re | 130 | 269 | 320 |
| Munich Re | 145 | 197 | 195 |
| RGA | 33 | 39 | 35 |
| Total | 308* | 505 | 550 |

*This includes a setting-off of Rs. 201 Mn in respect of recovery of premium paid annually in advance in 2020. This adjustment was required as a result of changing reinsurance premium computation basis from annual mode to monthly mode.

Actuaries

For over three decades, Ceylinco Life's in-house actuarial team has worked in collaboration with Willis Towers Watson India Private Ltd., a leading global actuarial consulting firm. A majority of the actuarial work, including quarterly valuations, validations, running liability models and surplus calculations are conducted in-house. However, our year-end valuations are shared with Willis Towers Watson India for review.

Our appointed actuary approves and signs off on the aforementioned valuations, following which the Chairman and Board of Directors sign off on the surplus that can be transferred to profits.

The COVID-19 pandemic continued to impact and disrupt operations, and therefore Ceylinco Life continuously engaged in managing and mitigating its negative effects on our supplier relations during the year.

Many companies and individuals within our supplier base were impacted by the pandemic, in the form of lack of materials, delays in delivery and unavailability of staff. Therefore, the company was required to adapt, and focus on alternate recourses and reaching out to suppliers to ensure continuity.

The following steps were taken to ensure supplier safety and well-being during the year:

- Limiting many face-to-face interactions using online meetings, telephone conversations, and virtual discussions.
- Supplier evaluations and site assessments were conducted via zoom or other virtual platforms, with on-site visits being conducted once restrictions were lifted.
- The usual periodic visits, including workshops, training, overseas training and sessions by our reinsurers were replaced by online sessions.
- All third parties including suppliers were prevented from entering office premises and essential services were restricted only to their respective floors.
- Government mandated health measures were encouraged when working, cleaning and handling documents and correspondence.
- All construction of new buildings were conducted under strict health guidelines, with site meetings and inspections conducted via Zoom, via smartphones provided to the site managers. Emergency clearance was provided to ensure construction continued amid on-site isolation. The company engaged in resource management and sourcing to optimize usage, while addressing any shortage in necessary materials and meeting any requirements to ensure on-time completion.

Future Outlook



- Ensuring survival of suppliers in the face of existing challenges by giving them support
- Improving diversity of essential suppliers
- Sustainability centric supplier onboarding

DERISKING THE FUTURE BY TRANSFORMING THROUGH TECHNOLOGY

Ceylinco Life has long been a pioneering force in terms of digital transformation in the insurance industry. As the world embraces the new normal, we continue to drive positive change through cutting-edge systems that promote security, efficiency, convenience and uninterrupted service to all our stakeholders.



How Transforming through Technology Helps Achieve our Goals

PRIORITIES FOR 2021

- Ensuring Safe, Seamless Operations
- Improving Organisation-wide Efficiency
- Enhancing Security Mechanisms

OBJECTIVE

TO DRIVE ORGANISATION-WIDE DIGITAL TRANSFORMATION THAT PROMOTES SEAMLESS OPERATIONS, CUSTOMER SATISFACTION, AND BUSINESS EFFICIENCY.

OUR RESPONSE

- Ensuring uninterrupted operations amid the disruptive impacts of the pandemic, by empowering a virtual workforce and creating digital platforms that drive safety, accessibility and convenience for all stakeholders.
- Streamlining operations, empowering the workforce and efficiently managing resources through a host of simplified systems and processes.
- Addressing rising threats of cybersecurity, through state-of-the-art security and data leakage prevention mechanisms.

KEY ACHIEVEMENTS

- Use of POS Machines for Premium Collection
- Migration of all training and development programmes to online channels
- Digitization of the employee onboarding and offboarding processes
- 456 tabs in 2021 issued to all sales agents 66.78% growth in online payments
- Enhancing security through globally-renowned Next Gen Antivirus Solution
- Email Security solutions
- Aligning our policies and procedures to the ISO27001 standards
- Launch of the Ceylife customer app with 12,800 customers to date
- Introduction of e-schedules during the year
- Upgrading existing data centre to SMART data centre
- Launch of the Testing Centre of Excellence (TCoE)

IMPACTED CAPITALS:

| | | |
|----------------------|----------------------|-------------------------------|
| HUMAN CAPITAL | INTELLECTUAL CAPITAL | SOCIAL & RELATIONSHIP CAPITAL |
| MANUFACTURED CAPITAL | | |

IMPACTED SDGs: 3 9 12 16

Material Topics: 4, 5, 6, 7, 8, 10

Information Technology Management and Approach

At Ceylinco Life, we have long valued the importance of technology that transforms our service delivery, which in turn produces a positive impact on people, profit and planet. The impact of our strategic IT initiatives ripple across the

entire organisation, ensuring we anticipate emerging needs and remain aligned with ever-evolving stakeholder needs.

During the year, the company continued to integrate cutting-edge technology developments across all departments in order to improve efficiency, empower our workforce, reduce environmental

impact, ensure business continuity and safeguard our stakeholders at every stage. The company's technological capabilities were particularly instrumental against combating the challenges of the COVID-19 pandemic, ensuring we stood steadfast and unwavering amid turbulent times.

TRANSFORMING THROUGH TECHNOLOGY

The following benefits were derived from our strategies during the year:

| Challenges | Strategies | Benefits | | | | | | | | | Impacted Stakeholders | |
|---|---|-----------------------------|------------------------|--------------------------|-------------------------------|-----------------|----------------------------------|----------------------|--------------|----------------------------------|-----------------------|---|
| | | Transforming communications | Workforce efficiencies | Operational productivity | Collaboration and remote work | Cost management | Investing & strategic management | Customised solutions | More choices | Reduced risk and improved safety | | Sustainable operations |
| Disruption of business activity, reduced mobility, health risks | Enabling a virtual workplace, and improving remote accessibility of our services | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | Employees, Policyholders, Sales Force, Business Partners, Investors |
| Increasing rate of cyberthreats | Implementation of Next Gen Anti virus solution advanced email security and Privileged Access Monitoring solutions | ✓ | | | | | ✓ | | ✓ | ✓ | | Employees, Business Partners |
| Improving productivity and customer satisfaction | Implementing streamlined systems and processes, and expanding our channels | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | | | Employees, Sales Force, Policyholders, Investors |
| Improving our resource management | Reducing energy and paper consumption through efficient systems | | | ✓ | | ✓ | ✓ | | | | ✓ | Environment, Employees, Investors |



FOCUS AREA 02
Ensuring Safe, Seamless Operations **3 9 12**

The COVID-19 pandemic challenged traditional structures, and compelled many organisations to revisit their systems and processes. Ceylinco Life continued to address the rising needs of the pandemic, by anticipating and addressing the changing dynamics exhibited during the year under review.

Enabling Remote Functionality

During the year, the company continued to expand the scope of its remote

operations. This enabled the organisation to continue business as usual, and perform all functions quickly and efficiently while upholding the safety of our policyholders, employees and sales force. Due to the strong foundations built at the onset of the pandemic, the company was prepared to face the continuing challenges during the year, and therefore readily deployed fully-functional 'Work-From-Home' operations within a relatively short period of time.

The company continued to reap the benefits derived from the infrastructure already in place, while expanding on its capabilities in the year under review.

The company continued to reap the benefits derived from the infrastructure already in place, while expanding on its capabilities in the year under review.

| 2021 Infrastructure | 2021 Initiatives |
|--|--|
| E-submission systems | Introduction of e-scheduling |
| Hyper-converged server infrastructure | Launch of the Ceylife customer app |
| Improved bandwidth across the branch network | All sales force and employee training migrated to online platforms |
| Provision of tabs and laptops for the sales force and employees | Onboarding and offboarding of employees shifted to online channels |
| A new and improved Intranet | Digitization of premium collection and automation of fund transfers |
| HRIS and intranet access to all sales agents | Introduced BoardPac to enable simplified, digitized and remote board governance. |
| Premium collection, bonus and policy claims conducted online | Upgrading our UPS systems |
| Work Flow Automation of CRM on Life 360 | Upgrade of our state-of-the-art data centre |
| Lotus Notes collaborative software | Introduction of a second generator dedicated to the data centre |
| Online meetings conducted via video conferencing | 456 tabs provided to sales agents to enable work |
| Investment management and operations migrated to online channels | Replacement of desktops with 250 laptops across the network |
| Chatbot | Basis of reinsurance made via an automated process |
| Migration of certain training functions to online platforms | Electronic submission enforced for 65% of new policies |

Improving Accessibility of our Services

During the year, Ceylinco Life introduced new channels to its existing line-up, to reduce delays and inconveniences arising from the lockdowns, while minimizing any exposure to the virus and avoid any risks to the people's health.

In terms of alternate channels for premium collection, Cash Deposit Machines (CDMs) and credit card machines were deployed, in addition to the company enabling the complete digitization of the premium collection process, from the point of collection to the point of deposit via a new receipt system.

Electronic submission of policies began to reach new heights during the year, with 65% of all new policies taking place online. The company hopes to enforce mandatory e-submission across all new policies and reach 100% penetration by the beginning of 2022, thereby reducing the consumption of paper, while enabling remote onboarding of policyholders through the combined use of digital signatures, images and documents for data collection.

The payment gateways introduced in 2020 were further expanded during the year to successfully encourage online payments, as evidenced by the 66.78% growth experienced via these channels.

During the year, the company also introduced e-scheduling, which circumvented delays in the delivery of time-sensitive documents. Through this initiative, customers received digital versions of their schedules via e-mail or WhatsApp.

Furthermore, a hype in the usage of the chatbot, e-reminders and e-receipts was witnessed, thereby improving customer communication and the functionality of the call centre during the year.

Our dedicated customer app 'Ceylife Digital' was introduced during the year. The soft launch has seen 12,800 users already onboarded, and we hope to promote it further within our customer base in the coming years. The year under review saw the company introduce BoardPac, a world-renowned paperless governance automation solution, designed to enable remote Board functions both simply and securely, while contributing towards environmentally-friendly processes.

TRANSFORMING THROUGH TECHNOLOGY

IT Initiatives during the year 2021

| Initiative | System | Process Improvement | Benefits |
|--|---|---|--|
| Collection Sheet Automation | The collection sheet was used by the sales officers to tabulate their collections and deposit the premium to the bank. | The previous process was automated through a mobile application. This web-based programme enables the sales officer to capture all their premium collection in one central location. | The workload of a branch servicing officer has been reduced by 25%. |
| Temporary Receipt Automation | Temporary Receipts are issued by the sales officers upon premium collection in the field. These preprinted receipts contain customer information. | Through the TR automation process, Ceylinco Life now issues digital receipts to customers. | Minimizes erroneous transactions since the policy number is validated upon the receipt being issued. |
| Integration of the Customer App with CRM Systems | In the past, policyholders were required to call the contact centre to obtain policy-related services. | With the integration of the CRM system and the digital customer application, customers can create service-related tickets through the digital application without contacting the hotline. | Simplifies and streamlines policyholder interactions, offering increased convenience. |
| Connecting the Chatbot to Other Platforms | Previously, the bot, which was initiated in 2020 was only accessible through the Ceylinco Life website | The company is in the process of connecting the chatbot to Whatsapp. | Greater accessibility to our range of services, thereby offering increased convenience to policyholders. |

A Virtual Workplace

During the year, the company introduced a host of initiatives related to human resources to ensure employee health and safety, while driving seamless operations across all departments.

In terms of recruitment and termination of sales agents and employees, all processes were digitized, thereby streamlining the selection of favourable recruits, and

ensuring the safety of all parties involved. The recruitment advertisement was designed to access a portal wherein standard questions were posed to all potential recruits. This enabled multiple interviews to occur concurrently, following which the recruitment panel reviews all footage and shortlists promising candidates for the next round of interviews. All application forms, paperwork and the induction process took place online.

In terms of employee engagement, a series of digital programmes such as ‘Avurudhu Kumaraya and Kumari’, ‘Poson Bhakthi Gee’ and Children’s Day Celebrations were conducted during the year to ensure employees continued to connect with each other despite social distancing measures. Images from these activities can be found in page 126 and 134 of this report. Furthermore, all 180 hours of training and development conducted during the year took place online.

The following online training programmes took place during the year:



250

laptops issued to employees

456

tabs issued to the sales force

Rs.20.18 Mn

investment

We continued to empower the workforce to work-from-home through the issuing of mobile devices such as laptops for employees and tabs for sales agents. During the year, 250 laptops replaced company desktops, and 456 tabs were provided to the sales force. All devices were equipped with the latest software applications, with access enabled to the company intranet and the HRIS to optimize performance and allow all authorized employees to access information easily from the safety of their homes.

The upgrading of the servers to a hyper-converged solution in the previous year was beneficial towards the company functioning remotely and accessing systems on-the-go. In addition, during the year, the company's basis of reinsurance was changed via an automated process. We are at present also focused on

reviewing and implementing e-signatures to improve internal communications.

The implementation of Robotic Process Automation for finance and agency administration functions ensured certain processes took place with no requirement for human intervention. The company further relied on video conferencing and collaborative software solutions to communicate efficiently and effectively and arrive at decisions integral to the company's operations.

Business Continuity and Risk Management

Improving business continuity and uninterrupted operations, a state-of-the-art data centre was launched during the year, with an investment of Rs. 35 mn, implemented over the course of 9 months. In order to protect the integrity of the data centre and safeguard our operations, the company upgraded its UPS systems in accordance with the latest technology, thereby gaining four hours of backup time, in comparison to the previous system's capacity of 30 minutes. The server's dynamics could be monitored remotely, with the additional feature of automated temperature and power control.




The company further owns its own Disaster Recovery (DR) site, which tests the disaster recovery capabilities of both IT servers and business functions. During the year, the company operated selected systems which were deployable from the DR site.

FOCUS AREA 02













Improving Organisation-Wide Efficiency











9 12

Apart from the previously mentioned initiatives, the company continued to focus on improving its efficiency and productivity through Robotic Process Automation, Data Analytics, and the newly introduced Testing Centre for Excellence. As a result of these combined efforts, the company witnessed incredible impacts in terms of turnaround time, overall efficiency and reduced resource consumption.

| Department | Initiative | Cost | Time | Achieved Benefits | Impacted Stakeholders |
|-----------------|---|---|-----------|---|---|
| Human Resources | Shifting the performance appraisal from 90 to 180 degrees. | Rs. 135,337.50 Within the HRIS upgrading cost. | 03 Months | KPIs set by the Supervisor and submit for the review of the direct reports, Opportunity to request to amend KPIs by the direct reports, Self assessment, KPI evaluations by three different levels. |  Employees All the employees - 795 |
| | Automation of the calculation of marks for 03 Common KPIs, i.e., Knowledge, Punctuality and Attendance. | Within the HRIS upgrading cost. | 03 Months | Manual data entering was eliminated, high accuracy, No personal bias. |  Employees |
| | Automation of the clearance process. | Within the HRIS upgrading cost. | 01 Months | Manual data entering was eliminated, high efficiency, paper less. | All the Heads of the Departments and HR team. |
| | Capturing vaccination details through the HRIS. | HRIS modification. | 03 days. | Manual data entering was eliminated, high efficiency, close follow-up and monitoring. |  Employees |
| | Provided the authority to update non-critical self-information by employees. | Rs. 350,000/- | 01 year | Manual data entering was eliminated, high efficiency, quick short listing, no paper work. | All the Heads of the Departments and HR team. |

TRANSFORMING THROUGH TECHNOLOGY

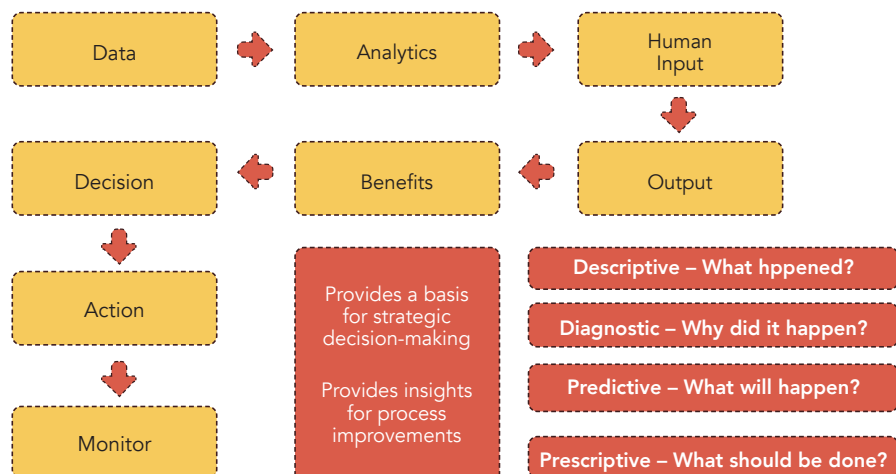
| Department | Initiative | Cost | Time | Achieved Benefits | Impacted Stakeholders |
|----------------------|---|--|-----------------------------|---|--|
| Life Operations | Providing online underwriting manuals at branch level, incorporated with facts, updates, articles and research findings. | No cost due to internal modifications. | 1 month. | Increased accuracy of underwriting decisions at branch level. Effective knowledge enhancement. |  Employees  Policyholders |
| | Bulk uploading of unclear images through RP automation | No cost due to internal Development. | 1 month | Elimination of regulatory risk i.e., the requirement imposed by the regulators / FIU to maintain clear, legible images of key documents. We hope to roll out the RPA across several operational areas in the future. |  Regulators |
| | A pilot project for branch level tele verifications, with branch staff empowered to perform minor verifications via tabs, with call recording facilities. | Approximately Rs. 600,000/- | 1 month | Easing the bottleneck that occurred at the central tele team. Elimination of delays in policy issuance through decentralization. This initiative will be enhanced in the near future by providing more tabs and expanding the project further. |  Employees  Policyholders |
| | Automation of policy endorsement printing | | | A fully automated system has been launched to print and administrate policy endorsements under the Sure Core policy printing system. | |
| Marketing | The launch of Ceylinco Life's Customer App - A mobile application which enables policyholders to conduct life insurance transactions and manage their policies. | Rs. 5.5 Million | 8 Months. | The ability to pay for premiums via mobile devices. The ability to view policy details and benefits for each policy. The ability to conduct multiple service requests across a range of functions. The ability to communicate the rates of the plans for customers The ability to provide updates regarding the company The ability to purchase online plans via the mobile app Availability in all 3 languages |  Policyholders  Employees |
| Information Security | Privilege Access Management | Rs. 2. 5 Mn | Completed in December 2021 | Process improvement in terms of remote connectivity including visibility/ third party support services |  Policyholders |
| | Information Security Procedure development (Including the Acceptable Usage Policy) | Rs. 270,000 | Completed in December 2021 | Process improvement achieved for internal information security procedures, formulated according to the ISO27001 international standard. |  Employees |
| | Email gateway upgrade using ProofPoint | 6.4 MN | Completed in September 2021 | Proofpoint is one of the world' leading product , which gives us enhance security options |  Employees |
| | Two-factor authentication implemented for Remote Access VPN | No cost Involved | Completed in September 2021 | Process improvements and enhanced data security OTP |  Employees  Policyholders |

| Department | Initiative | Cost | Time | Achieved Benefits | Impacted Stakeholders |
|----------------|---|---|----------|--|---|
| Internal Audit | Branch Audit Management System | Internally developed | 3 months | Monitoring compliance with respected to critical controls at branches throughout the system. Efficiencies and savings in terms of cost and time (cost of branch visit and time spent on audits), and enabling safety and business continuity during lockdown periods. |  Employees  Regulators  Investors |
| Risk | The implementation of Compfie, an automated online compliance management tool built using a cloud platform, designed to global standards with a combination of sector/ industry-specific knowledge. | 1650 USD for 5 licenses. A number of additional licenses are scheduled to be purchased in 2022 | 6 months | Provides compliance matrixes within the legal framework and policy standards of Sri Lanka, enabling Directors, legal officers and compliance officers to stay relevant and up-to-date on their compliance. |  Regulators  Employees |
| Finance | Implementing RPA for Group collection. Here Group collections are fed to the Life Asia system without user involvement. | Rs. 625,000 | 2 months | Minimizing user errors and reducing transaction recording time, thus enabling more productivity. |  Employees |
| | Automated annual budget evaluation. With the assistance of this modification in CeySAP system, the company has a system-driven budget requisitions and evaluation solution to be deployed for the next fiscal year. | In-house development | 1 Month | Supporting more efficiencies in terms of the MIS due to minimum effort and time undertaken for the process. Enables easier comparison, and improved accessibility of information. | |
| | Payment Bank Integration | | 1 month | Requires no physical document flows, leading to reduced paper consumption and the facilitation of streamlined daily payment processes. |  Employees  Environment |
| | Implementing a Bank Reconciliation Monitoring System, enabling the standardisation of Bank reconciliation verification, management of user sign-off and the provision of supporting schedules. | In-house development | 1 month | Improved efficiencies in terms of Bank Reconciliation verification and monitoring. |  Employees  Customers |

Data Analytics

Ceylinco Life relies on the power of data analytics to enhance our processes, decision making and minimize risks. Analysing and assessing the data we collect on a daily basis enables us to elevate our offerings and drive excellence across the board.

Making sense out of data



TRANSFORMING THROUGH TECHNOLOGY

The following benefits were realized by the company as a result of data analytics during the year:

| Initiative | Benefits Realised |
|--|--|
| Fraud Detection for Claims | <ul style="list-style-type: none"> Reducing unnecessary expenses with respect to claims |
| Fraud Detection for Agents | <ul style="list-style-type: none"> Improved customer service |
| Risk Assessment in Automated Underwriting | <ul style="list-style-type: none"> Enabling efficient underwriting decision-making Improving underwriting profitability |
| Prediction on Lapsation | <ul style="list-style-type: none"> Increasing premium income |
| Identifying Training Needs through Business Analysis | <ul style="list-style-type: none"> Improving skills and capabilities to drive business efficiency and customer service |
| Performance Monitoring | <ul style="list-style-type: none"> Increasing income of sales officers Achieving company revenue targets Improving agent retention ratios |
| Providing Agent Recruitment Indicators | <ul style="list-style-type: none"> Enabling the recruitment and training of the ideal sales officers |

Testing Centre of Excellence

Testing centre was initiated in 2020 and came into effect in the year under review. Ceylinco Life signed an MoU with a renowned company to engage in a short-term partnership to develop a testing methodology with documented requirements and with use of automated tools for software testing for all new developments in the core Life Insurance Administration System.

The objective of the testing centre was to improve, streamline and standardize testing outcomes through systematic data gathering and validation processes. This would enable employees to minimize any existing errors and improve the quality of our core systems, and thereby save considerable time and investment, while driving a spirit of innovation within our employees.

The company will continue the partnership until the end of January 2022, following which stage the partnership will be completed, and the Testing Centre of Excellence will be completely under our purview.

Environmental Impact from IT Initiatives

The consolidated efforts of the company's processes in terms of information technology and process improvements result in our company engaging in responsible consumption of our resources, in line with our organisational commitment. Digitization and automation of processes result in reduced paper consumption, while upgrades to our systems ensure less energy is consumed. Furthermore, we are committed to disposing all electronic waste responsibly, to ensure the environment faces no negative impact.

745 Kg

of e-waste collected

5220 Kg

of paper saved

284kW

of energy saved

During the year, upgrading the company's server room enabled multiple efficiencies in terms of resource utilization, time consumption and health and safety, detailed below:

Smart Server Room



Initiatives

- Replaced five 10-year old 17.5Kw air conditioners with two 20kw air conditioning units.
- Replaced one 40 Kva UPS with two 20 Kva UPS units.
- Four power sources used, including the CEB, building generator, and the server room generator with ATS & UPS. Dual power feeds in place for the server room.
- Replaced a FM-200 Fire suppression to ensure compliance.
- Reduced the footprint of the data centre from 2144 sq. feet to 1440 sq. feet.
- Installed remote monitoring software with the ability to track access, temperature/ humidity, power consumption, fire alerts and CCTV monitoring with SMS alerts.

Benefits

- Power saving of up to 56% savings achieved.
- Improved business continuity, with an increased back-up capability of 90 minutes (from 25 minutes).
- Lower power consumption, with a daily average of 547 KWh reduced to 263 KWh.
- Controlled physical access enabling improved data security, and enhanced health and safety mechanisms through continuous monitoring of activities and conditions.

FOCUS AREA 03
Enhancing Security Mechanisms **9** **16**

Ceylinco Life remained mindful of all external threats during the year 2021, particularly in the face of rising instances

of malware, ransomware and other threats arising within the cyberspace. Cybersecurity and risk assessment remained a primary concern. Therefore, the company invested Rs. 15.15 Mn in ensuring our systems were fully protected, via the latest, globally renowned cutting-edge security solutions and in collaboration with leading industry players, detailed below:

The company further hopes to conduct workshops and other programmes to improve the organisation’s collective knowledge on IT security via the implementation of a Learning Management System (LMS) to interactively engage with the employees and provide the necessary training.

We also implemented Anti-Money Laundering System and Electronic Know Your Customer (eKYC) to prevent illegal activities and online impersonation, thereby verifying the company’s activities and securing the right outcome.

| Initiative | Software/Mechanism | Year Introduced |
|--|--|-----------------|
| Review and alignment of processes to international information security management standards | Conducted in accordance with ISO 27001 standards. | 2021 |
| Implementation of firewalls and a state-of-the-art antivirus solution | Issued by CrowdStrike, an American company renowned for services related to cloud workload and endpoint security, threat intelligence, and cyberattack response. | 2021 |
| | Introduction of two-factor authentication for all VPN connections. | |
| Ensuring e-mail security to safeguard sensitive information | Powered by Proofpoint, an industry leader in e-mail gateway protection. | 2021 |
| Data Leakage Prevention and Data Classification | Software developed by Forcepoint, an organisation globally recognized for reducing loss of data, and simplifying data protection | |
| | Data classification conducted according to insights from Boldon James. Upon Implementation all data is classified according to 6 categories: Public; Internal use only; Confidential External; Confidential Internal; Strictly Confidential External; Strictly Confidential Internal; The data classification system prevents any attempt towards transmitting data against this previously defined hierarchy, and details of such events are collated and monitored by the company’s IT security division. | |
| Risk / vulnerability assessments conducted against external parties | The company conducts a range of vulnerability and risk assessments in the form of simulated attacks, phishing attacks, audited assessments and supplier risk assessments to ensure any potential threats are identified and addressed. | |
| Privileged Access Management Solutions | Implemented by Arcon Solutions to monitor external parties and all remote access points.. | 2021 |

Future Outlook



- The company is working towards developing an IT Strategy in consultation with third-party experts.
- We are continuing to develop a comprehensive Disaster Recovery Site in alignment with CBSL guidelines.
- Ceylinco Life will continuously review and assess its policies and procedures related to IT security.
- We continue to explore next generation technology by focusing on IoT, while venturing into the field of facial recognition to count branch footfall.

DERISKING THE FUTURE BY NURTURING THE ENVIRONMENT

Every aspect of our operations continues to be wholly embedded in principles of sustainability and responsible consumption which in turn contributes towards efficiencies in cost and resource management. Our environmental commitment extends to every member of our workforce, and remains integrated across all processes and activities – ensuring we optimize our resources and minimize our footprint, as we contribute towards sustaining and protecting the future of our planet for generations to come.



How Nurturing the Environment Helps Achieve our Goals

PRIORITIES FOR 2021

- Sustainable Business Expansion and Development
- Responsible Resource Management and Disposal
- Integrating Sustainability into Our Operations
- Nature friendly initiatives with collaboration of communities and employees.

OBJECTIVE

TO MINIMISE THE DIRECT ENVIRONMENTAL IMPACT OF OUR OPERATIONS AND CONTRIBUTE TOWARDS THE SUSTAINABLE USE OF NATURAL RESOURCES, AND THEREBY PRESERVE VALUE FOR FUTURE GENERATIONS.

OUR RESPONSE

Ensuring all new buildings are constructed using environmentally friendly, green building principles.

We continue to monitor, measure and minimize our footprint, by managing our energy, waste and water consumption.

Sustainability is embedded into our decision-making processes. Furthermore, our Green Club, consisting of representatives from all departments, continues to encourage sustainable practices across the organisation.

IMPACTED CAPITALS:



IMPACTED SDGs:

7 11 12 13

Material Topics: 5

KEY ACHIEVEMENTS

- Rs. 178.3 Mn invested in Green Branches
- 02 green branches opened in 2021
- 21,297 Kg of paper recycled
- 2,652 trees saved through solar electricity
- 745 kg of e-waste recycled
- 2,244,000 l of rainwater harvested
- 844,800 l of water recycled from sewerage
- Guidelines for various processes issued organisation-wide
- 04 new Solar plants were installed adding 132.8 kW
- 629 units (Mwh) Solar Power Generated

Environmental Resource Management and Approach

As a corporate that is built on preserving and protecting the future, Ceylinco Life ingrains environmental sustainability across the people, processes and partnerships that constitute its daily operations. Our primary focus remains on minimizing our direct impacts on the environment, while supporting the sustainable consumption of the natural resources.

Our accountability and commitment towards the environment cascades from the highest governing level of our organisation to every employee across all business functions within our sphere of influence. The Board of Directors set the precedent in terms of governing the company's activities with respect to sustainable objectives, which is reflected in the decision-making framework featured below.



As a service organisation, our impact on the planet is relatively minimal – however in our day-to-day activities, the company utilizes both renewable and non-renewable resources to a certain degree. Therefore, the company focuses on protecting and preserving the environment through proactive reduction of our carbon footprint, while optimizing use of resources and steadily working towards eliminating our reliance on scarce resources. The company’s ‘Go Green’ concept was launched in 2016 to direct all sustainability activities in this regard. All projects are supported by our staff members who serve as a driving force and a pillar of strength in the implementation of our yearly initiatives, while extending their sustainability pledge to their personal lives as well. Due to the nature of our business, we have not analyzed the materials used in our operations as non-renewable and renewable sources.

Our governing environmental sustainability principles are as follows:

| | |
|--|--|
| Integration | The integration of environmental sustainability into Ceylinco Life’s daily operations through dedicated committees, structures and processes. |
| Management and Compliance | Management of the company’s environmental footprint through the implementation of appropriate programmes and international best practices, and compliance with legislation, regulations, and laws related to environmental sustainability. |
| Monitoring | Implementation of a monitoring system to record and track progress to identify areas for improvement. |
| Responsible Disposal | Safe and responsible disposal of waste; ensuring we partner with licensed operators when disposing of hazardous waste. |
| Reduce, Re-Use and Recycle | Finding new and innovative ways of optimising our resource management by eliminating our reliance on resources, recycling waste, or partnering with registered recycling operators. |
| Stakeholder Participation and Communication | Encouraging enthusiastic engagement of employees, customers, business partners and the community in our initiatives. Communicating and raising awareness on the importance of such initiatives. |

 **FOCUS AREA 01**

Sustainable Business Expansion and Development

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At Ceylinco Life, we believe that our continued growth and expansion should not be at the expense of our surroundings; therefore, we engage in green building practices in constructing all our newest branches. Thus far, Ceylinco has 22 green buildings within its network of branches, which embody green design principles at both pre-contract and post-building stages, and share the following common features:

Use of clean, renewable energy sources

All our green buildings are 100% solar-powered with zero electricity consumed from the national grid whenever there is sufficient supply excess electricity is supplied to the National Grid.

Energy-efficient design and systems

Maximising the use of natural light and light interiors to minimize power consumption from artificial lighting.

Utilizing LED lighting and energy efficient inverter air conditioners across all green buildings. Our systems are designed to operate on the lowest possible electricity consumption rate for commercial buildings of 42 kVA, using electrical capacitors.

Air conditioning is eliminated in corridors and within the lobby area.

Use of environmentally sustainable materials in building construction

Using bricks made out of fly-ash, thus utilising a harmful by-product in a productive manner without disposal.

Using bricks made out of quarry dust, a by-product of aggregate stone production.

Using the waste-product of crushed limestone as a back-filing material, as an alternative to soil

All constructions are wood-free and eliminate the use of granite and suspended ceilings. In the event of wood being used, the company resorts to eco-friendly pest control mechanisms.

NURTURING THE ENVIRONMENT

Minimum interference and impact on the natural environment

All our branches are designed in line with the earth's topography and landscape to reduce the usage of soil for filling the earth and to reduce our impact on our surroundings. We incorporate the use of flora and open space concepts to create a more natural outlook, while ensuring we do not infringe on protected areas or nature reserves.

Driveways, walkways and parking areas are designed with hollow interlocking blocks to ensure grass is grown, and expands on the surrounding green patch.

Compliance with environmental regulations

The company complies with all environmental laws and regulations in constructing and building branches, particularly with respect to managing waste and monitoring our carbon footprint. Certifications from the Central Environment Authority are obtained as a testament to our commitment towards preserving the environment.

Efficient use of space and resources

The excess and unnecessary use of granite, floor tiles, suspended ceilings, tempered glass and large windows are eliminated where identified.

To ensure maximum productivity, more than 85% of the remove building area is designed to be used, and monitored accordingly.

During 2021, the company added two new green buildings to our network, located in Piliyandala and Negombo, at an investment of Rs. 178.3 Mn. The year saw Ceylinco Life begin construction of two new branches, situated in Matale and Ja-Ela, in addition to converting the Negombo branch, which was one of the oldest buildings in our network into a green building.

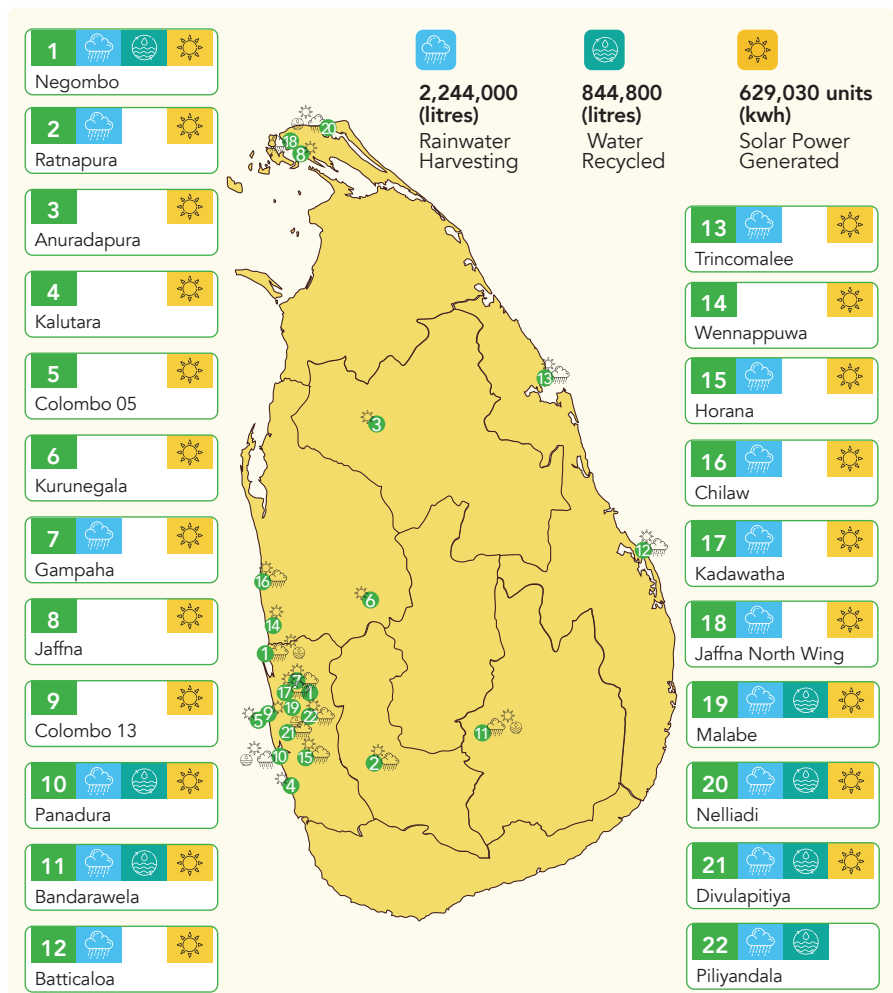


Ceylinco Life Green Building
in Piliyandala

In our expansion and construction of new branches, we continue to utilize our 'Go Green' concept, built on the premise of the 3Rs of 'Reduce, Re-use, Recycle'. We ensure minimum wastage, and where possible, re purpose or re-use existing material, as evidenced by our use of existing glass panels in constructing the Ja-Ela branch. We further engage in repairing and re-using furniture and fittings where possible, before discarding the remnant.

The company continues to be committed towards growing its capabilities with respect to water management and conservation, and therefore engages in rainwater harvesting, and in the construction of new sewerage treatment plants across our branch premises. During the year we constructed 04 new plants, via an investment of Rs. 2.655 Mn. .

Ceylinco Life installed 3 new Solar electricity system during the year, of which the one situated at Negombo currently has the distinction of being the second largest in our system, with a capacity of generating 57.2kW of electricity. We further hope to install 5 more Solar electricity systems in the year 2022, which will result in the installation of the largest Solar electricity system within the company's network, anticipated to generate 100 kW.



| No. | District | Rainwater Harvesting (litres) | Water Recycling (litres) | Solar Generation units (kwh) |
|-----|-------------|-------------------------------|--------------------------|------------------------------|
| 1 | Negambo | 330,000 | 52,800 | 39,230 |
| 2 | Rathnapura | 132,000 | - | 11,580 |
| 3 | Anuradapura | - | - | 72,120 |
| 4 | Kalutara | - | - | 28,240 |
| 5 | Head Office | - | - | 72,360 |
| 6 | Kurunagala | - | - | 21,720 |
| 7 | Gampaha | 132,000 | - | 70,780 |
| 8 | Jaffna | - | - | 55,940 |
| 9 | Kotahena | - | - | 47,730 |
| 10 | Panadura | 132,000 | 52,800 | 23,700 |
| 11 | Bandarawela | 132,000 | 475,200 | 2,800 |
| 12 | Batticalo | 132,000 | - | 15,660 |
| 13 | Trincomalee | 132,000 | - | 14,970 |
| 14 | Wennappuwa | - | - | 22,310 |

| No. | District | Rainwater Harvesting (litres) | Water Recycling (litres) | Solar Generation units (kwh) |
|--------------|-------------------|-------------------------------|--------------------------|------------------------------|
| 15 | Horana | 132,000 | - | 21,760 |
| 16 | Chilaw | 132,000 | - | 23,620 |
| 17 | Kadawatha | 132,000 | - | 16,120 |
| 18 | Jaffna North Wing | 132,000 | - | 55,940 |
| 19 | Malabe | 132,000 | 52,800 | 21,120 |
| 20 | Nelliadi | 264,000 | 52,800 | 24,730 |
| 21 | Divulapitiya | 132,000 | 105,600 | 22,540 |
| 22 | Piliyandala | 66,000 | 52,800 | - |
| Total | | 2,244,000 | 844,800 | 629,030 |

NURTURING THE ENVIRONMENT

| Initiatives for 2021 | Status | Features |
|--|--------------------------------|---|
| Conversion of one of our oldest buildings in Negombo into a green building | Completed | Using solar power, we eliminated the use of electricity from the national grid, thereby offering a saving of approximately Rs. 400,000.00 on electricity. |
| Construction of the Piliyandala and Negombo branches | Completed | The Piliyandala branch utilized interlocking porous bricks, with grass grown within the bricks to create a green patch. |
| Initiating the construction of green branches in Matala and Ja-Ela | Construction initiated in 2021 | The Ja-Ela branch will re-use existing glass panels in its construction to minimize wastage. |



Ceylinco Life's Nelliady branch made use of porous interlocking blocks to provide a more natural outlook to its surroundings.

| | | | |
|-----------|---|-------------|---|
| 629 | units of electricity saved | 22 | green buildings across our network |
| 2,244,000 | litres of rainwater harvested | 04 | New Solar Electricity Systems installed |
| 844,800 | litres of water recycled | Rs. 178.3Mn | invested in green buildings |
| 132.8 kW | of renewable energy sources added to our system | Rs. 2.655Mn | invested in sewerage treatment plants |

COVID-19 Impact

Following travel restrictions and the health and safety risks posed by the pandemic during the year, Ceylinco Life saw it fit to introduce new construction planning methodologies, instead of physical on-site site meetings and inspections. The company relied on virtual platforms such as Zoom, while providing all construction sites with a smartphone to enable connectivity. Furthermore, all planning and material procurement was conducted in an efficient manner to optimize usage. Further information regarding construction activities during the pandemic can be found on page 112 of this annual report.



FOCUS AREA 02

Responsible Resource Management and Disposal

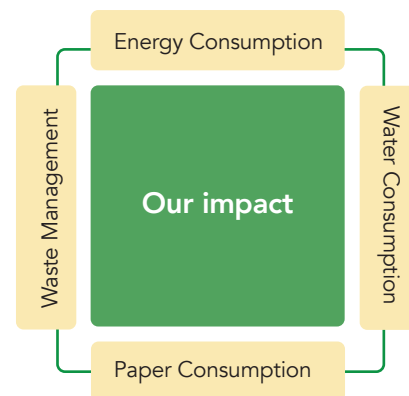
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The company mainly uses water, energy and paper, while ensuring it disposes of all waste material responsibly. We believe being mindful of our consumption and disposal patterns can have a positive impact on the planet and the sustainability of such scarce resources in the long-term, and strive to incorporate best practices in terms of managing our footprint across the organisation.

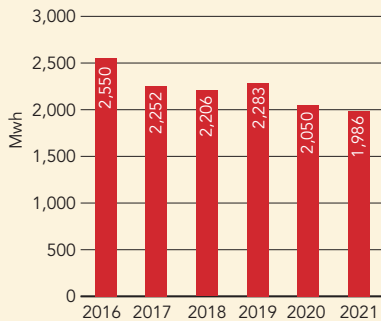


Energy Consumption

Ceylinco Life consumes purchased electricity from the national grid and renewable energy generated through solar power. While our long-term objective lies in reducing our dependence on energy sources originating from fossil fuels through reliance on renewable, clean sources, we continue to inspire a sense of environmental consciousness within our workforce at every stage.

Due to periodic lockdowns during the year, our on-site energy consumption was significantly low. A resulting reliance on courier services to deliver gift items and enable the exchange of important documents was visible; which was offset to a great degree by the reduced levels of fuel and energy consumption due to the travel restrictions and branch closures that took place in 2021.

Electricity Consumption



Apart from the clean energy we source and utilize during the year the company continued to practice and introduce a host of initiatives to reduce energy consumption across the organisation, detailed below:



Air conditioners are switched off at 4.45 p.m. across the Head office and branch network, and are set to function within the range of 25-27 degrees to minimise power consumption. Low usage spaces such as corridors and lobbies are not air conditioned.



Utilizing LED bulbs rather than conventional fluorescent bulbs. All owned branches operate on this basis, while rented branches have customer areas powered by LED lights.



The electricity connection of each branch is limited to 42 KVA in order to minimize consumption.



Branches at Own building is provided with a backup generator with sufficient capacity to provide power in the event of an interruption to the customer areas and the training room.



During the year, we reduced usage of elevators across all branches to reduce power consumption, by disabling them during off-peak times.



Enabled lower power consumption of company devices by ensuring their hibernation when not in active use. Use laptops over desktops to encourage lower power consumption.



Consolidating a number of branches in a single location, which reduced overall consumption of energy, water, and other materials, with the added benefit of reducing cost of rent. The Kochchikade branch moved to Wennappuwa, while the Boraesgamuwa and Kesbewa branches shifted to Piliyandala.

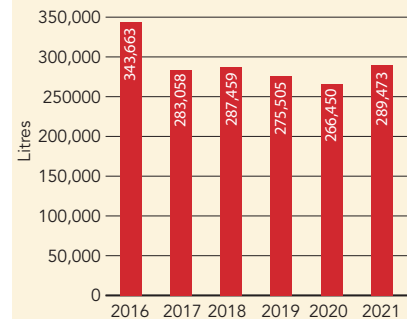


Relying on natural lighting and refurbishing various branches to improve their outlook.



Introduction of sensor lights in common areas including corridors, in order to reduce wastage of electricity.

Fuel Consumption



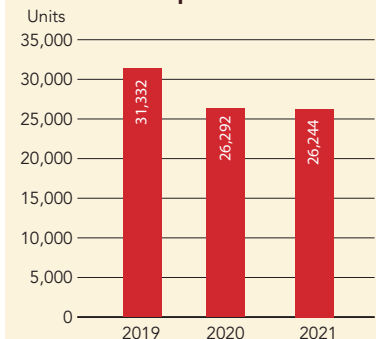
Water Consumption

We are aware that clean water is a scarce resource, and therefore engage in both harvesting from natural sources, and recycling the water we use for other purposes. At present all our branches with the exception of the Bandarawela branch rely on pipe-borne water, while Jaffna, Nelliadi and Wennappuwa utilize well water. Drinking water is sourced through external suppliers.

At present we have sewerage recycling plants in the locations mentioned in Page 113. During the year there were no incidents of any waterbodies being affected by water runoffs and any discharges.

The company also engages in rainwater harvesting, which saves 2,244,000 l litres of traditional water consumption per year which is doubly beneficial in terms of cost saving and resource preservation. Furthermore, all washrooms are fitted with sensor-controlled and flow-controlled water fittings to optimise usage.

Water Consumption



NURTURING THE ENVIRONMENT

Waste Management

The company primarily manages three types of waste, namely paper, food waste and e-waste. All e-waste and paper waste are disposed of through authorised recyclers, in an ethical manner, in accordance with the company's established procedures and processes. Hazardous waste within the scope of emissions arising from diesel and fuel oil in generators is considered negligible. All food waste is segregated and monitored daily to ensure excess wastage is avoided.

During the year, the company initiated a project designed to discard all redundant archived documents. At present each department has begun evaluating their respective documents to ensure only essential documents would be retained, while the rest would be recycled.

| | 2021 | 2020 |
|--|---------|---------|
| Paper (kg) | 21,297 | 5,678 |
| Trees (Nos) | 362 | 97 |
| Oil (Litres) | 37, 376 | 9,965 |
| Electricity (kWh) | 85,188 | 22,712 |
| Water (liters) | 676,819 | 180,447 |
| Landfill (m3) | 64 | 17 |
| GHG Emission saving (Carbon equivalent per KG) | 21,297 | 5,678 |

Paper Consumption

During the year, the company was able to reduce its paper consumption by 25%, by means of issuing a lesser quantity of A4 sheets across each department. A print policy was introduced to optimise paper usage and reduce waste.

The following initiatives further contributed towards the reduced paper consumption levels across the organisation:

- Encouraging all employees to edit on computers before printing, in order to reduce the number of draft copies. If drafts are necessary, all printed copies are to be taken on the unused side of a piece of previously used paper.

- Office files to be stored digitally whenever possible, minimizing reliance on hard copies.
- Reducing waste by using both sides of a sheet of paper, with the exception of official letters and documentation.
- Using smaller sized sheets of paper for short memos, and encouraging the use of scanned images via email.
- Relying on e-mail and digital means of communication to share reports, quotations and invoices, rather than printing hard copies. The necessary approvals are in turn shared via return mail.
- Paper envelopes are re-used for internal purposes.
- Any documents, memos, reports and other publications are circulated via email or published on the company intranet.
- All circulars and announcements are shared through the company e-mail.
- Avoiding the printing of e-mails.
- All paper waste is offered to a third-party accredited recycler.

E-Waste Campaign

The company engaged in an e-waste campaign during the latter part of the year. Through the programme, we collected both company-generated waste and e-waste from employees' homes to ensure all waste was disposed of in a responsible manner, with the support of third-party accredited recyclers. Encourage people by gifting plants as token of appreciation for their commitment in e-waste campaign.

| | | | | | | |
|----------------------------|---|-------------|---|----------------------------|---|--------------------------|
| 745 kg | = | 235 | = | approx. 3,625 kg | = | 9,180 kg |
| e-waste ethically disposed | | trees saved | | carbon emissions prevented | | plastic bottles recycled |



Measuring our Impact

The company continued to measure its carbon footprint for the second consecutive year with the support of Climate Smart Initiatives, thus enabling the accurate measurement and identification of gaps in our initiatives, while allowing the company to analyse and assess its overall impact on greenhouse gas (GHG) emissions.

As we work steadily towards reaching 'carbon-neutral' status, we calculated our carbon footprint in line with the globally renowned Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard (GHG Protocol), developed in partnership with the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). The assessment was performed in compliance with the Carbon Disclosure Project (CDP). Both the GHG Protocol and the CDP provide standardised guidelines pertaining to scope and boundary of measurement, quantification and reporting standards.

Type of Assessment: Greenhouse Gas

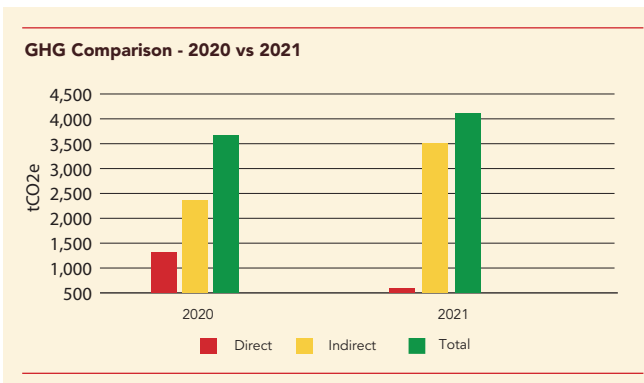
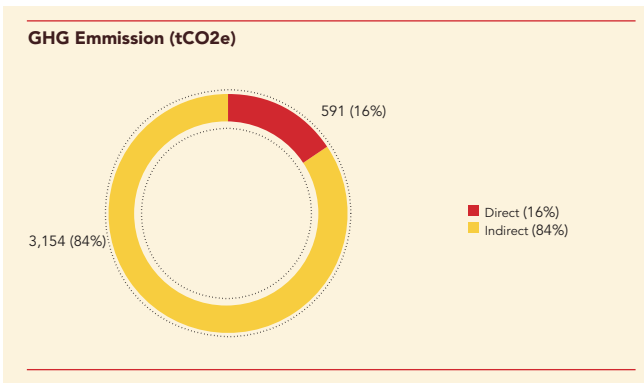

Scope of Assessment: The Ceylinco Life head office, its 138 branches and the Holiday Bungalow situated in Nuwara Eliya

Reporting Period: 1st of January 2021 to the 31st of December 2021

Reporting Standard: ISO140641:2018 standard

Change in reporting protocols: Emissions were previously classified according to 3 main scopes, and are now divided into 6 categories

Measurement unit: Tonnes of CO₂ equivalent (tCO₂e)







GREENHOUSE GAS VERIFICATION OPINION
Sri Lanka Climate Fund
Ministry of Environment

Organization Level GHG statement developed by
Ceylinco Life Insurance Limited
106, Havelock Road, Colombo 5, 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/0091 |
| Date of Issue | : 28.02.2022 |
| Period of Assessment | : 01.01.2021 – 31.12.2021 |
| Selected Boundary | : Operationally controlled business operations of Ceylinco Life Insurance Limited including the Head Office, 138 branches island-wide and Holiday Bungalow at Nuwara Eliya |
| Direct GHG Emissions | : 591 tonnes of CO ₂ equivalent |
| Indirect GHG Emissions | : 3,514 tonnes of CO ₂ equivalent |
| Total GHG Emissions | : 4,105 tonnes of CO₂ equivalent |

ISO 14065
GHG 001-01

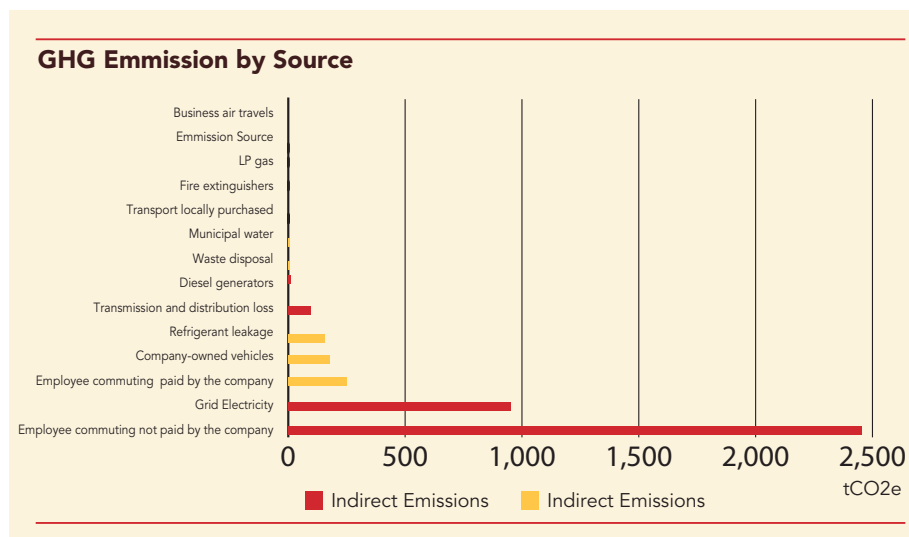
[Signature]
Chief Executive Officer
Sri Lanka Climate Fund

Period of Validity: 31.12.2022
Exclusions: Emissions of client/guest transportation
*Materiality threshold is below 5%

NURTURING THE ENVIRONMENT

| Category 1: Direct Emissions | GHG emissions 2021 | | | | | |
|--|--|-----------------|--------|------|------|--------|
| | Emission Source | tCO2e | CO2 | CH4 | N2O | HFCs |
| | Company- owned vehicles | 178.17 | 173.93 | 2.07 | 2.16 | |
| | Stand by generators | 8.65 | 8.61 | 0.03 | 0.02 | |
| | Refrigerant leakage | 155.36 | | | | 155.36 |
| | Employee commuting, Fuel paid by company | 248.4 | | | | |
| | LPG Usage | 0.15 | | | | |
| | Fire extinguishers | 0.26 | 0.26 | | | |
| Total Direct Emissions | | 591.00 | | | | |
| Category 2: Indirect emissions from imported energy | Grid-Connected Electricity | 951.56 | | | | |
| Category 3: Indirect emissions from transportation | Transport locally purchased | 1.16 | | | | |
| | Employee commuting, fuel not paid by the company | 2,455.28 | | | | |
| | Waste transport | 0.12 | | | | |
| | Business air travels | 0 | | | | |
| Category 4: Indirect emissions from services used by the organisation | Municipal water | 4.32 | | | | |
| | Waste disposal | 6.5 | | | | |
| Category 6: Indirect emissions from other sources | Transmission and distribution loss | 95.03 | | | | |
| Total indirect emissions | | 3,513.97 | | | | |
| Total GHG emissions | | 4,104.97 | | | | |

As per the assessment, it was determined that employee commuting, not paid by the company is the largest GHG emission source (60% of the total emissions), followed by grid electricity used by the company (23% of total emissions). The largest direct emissions source arises from employee commuting paid by the company.



| Emission Category | Emission Sources | 2020 | 2021 | Change |
|-------------------------------------|---|-----------------|-----------------|----------|
| Direct GHG Emissions | Onsite Diesel Generators | 9.85 | 8.65 | ▼ |
| | Refrigerant Leakage | 387.24 | 155.36 | ▼ |
| | Fire Extinguishers | | 0.26 | ▼ |
| | Company Owned Vehicles | 534.19 | 178.17 | ▼ |
| | Employee Transport, Paid by The Company | 382.17 | 248.40 | ▼ |
| | LPG Usage | N/A | 0.15 | ▲ |
| Total direct GHG emissions | | 1,313.45 | 591.00 | ▼ |
| Total indirect GHG emissions | Grid connected electricity | 960.93 | 951.56 | ▼ |
| | Business air travels | N/A | N/O | ▼ |
| | Employee commuting, not paid by the company | 1,251.28 | 2,455.28 | ▲ |
| | Municipal water | N/A | 4.32 | ▲ |
| | Waste disposal | 41.95 | 6.5 | ▼ |
| | Transmission and distribution loss | 82.65 | 95.03 | ▲ |
| | Waste transportation | 0.77 | 0.12 | ▼ |
| | Transmission and distribution loss | 82.65 | 95.03 | ▲ |
| | Waste transportation | 0.77 | 0.12 | ▼ |
| | Transportation of locally purchased items | 26.03 | 1.16 | ▼ |
| Total indirect GHG emissions | | 2,363.61 | 3,513.97 | ▲ |
| Total emissions | | 3,677.06 | 4,104.97 | ▲ |

The results of the assessment indicate a 55% reduction in direct GHG emissions during the year, attributable to the initiatives established by Ceylinco Life in terms of minimizing overall impact. Conversely, the company's indirect emissions displayed an increase of 48.67% year on year, primarily as a result of the growth in emissions arising from employee commuting not paid by the company. This can be credited to the following reasons:

- Greater levels of mobility experienced during the year, which was relatively non-existent during pandemic-induced lockdowns.
- Employees relying on their own vehicles to report to work.
- Increase in the number of working days in comparison to the previous year.
- Increase in movement due to the growth in operations in comparison to the previous year.

55% ▼ direct emissions

48.67% ▲ indirect emissions

11.6% ▲ Total emissions

17.96% ▼ emission intensity

NURTURING THE ENVIRONMENT

| Efficient energy usage | Solid waste management | Promoting environmental literacy and other activities |
|---|---|---|
| Business travel guidelines enforced for the sales force and permanent employees to reduce fuel consumption. | Waste management guidelines to reduce food wastage | Once every two weeks, communications on good environmental practices at home and office are circulated among employees. |
| Guidelines for distance learning and virtual meetings to ensure less power is consumed. | Initiation of the e-waste project to ensure ethical responsible disposal of non-degradable e-waste. | A webinar was conducted to create awareness among employees and senior managers on the benefits of sustainable activities within an organisation. |
| Guidelines to perform regular electrical maintenance. | Introduction of a print policy to ensure paper consumption is optimized. | Orientation video clips are used to introduce new recruits to the organisation's sustainability commitment. |
| Building management system implemented to ensure all equipment, furnishings and interiors are maintained in a standardised manner, adhering to all environmental standards and protocols. | | A tree planting campaign took place within our own branch premises. |

Tree Planting Campaigns at Our Branches



Future Outlook



The company hopes to introduce the following initiatives in the coming year:

- Issuing guidelines to various departments to begin our journey towards 'zero plastic' consumption.
- Evaluating and assessing the company's archives to responsibly divest of excessive paper and documentation.
- The installation of 5 additional solar panels to our network in the year 2022, which will include the largest panel to date with a capacity of 100 kW.
- Reward branches for their dedication in sustainability activities.

DERISKING THE FUTURE BY INVESTING IN OUR PEOPLE

At Ceylinco Life, we believe in safeguarding the future of our employees through every step of their journey with us. This year, against the backdrop of the COVID-19 pandemic, we ensured their protection, well-being and financial security through a range of policies and initiatives, while continuing to provide long-term benefits in the form of training, attractive remuneration and opportunities for career progression.



How Investing in Our People Helps Achieve our Goals

PRIORITIES FOR 2021

- Employee Health and Safety
- Training and Development Opportunities
- Competitive Benefits, Remuneration and Employee Welfare
- Career Advancement and Succession Planning
- Management of Diversity and Inclusion
- Employee Engagement and Effective Communication
- Digital Transformation

OBJECTIVE

TO BECOME THE EMPLOYER OF CHOICE IN THE INSURANCE INDUSTRY, IN ORDER TO ATTRACT, DEVELOP AND RETAIN UNMATCHED TALENT AND GUARANTEE EXCELLENCE IN CUSTOMER SERVICE.

OUR RESPONSE

- Initiatives and stringent processes implemented to ensure employee health and safety in the midst of the pandemic, overlooked and governed by the company's dedicated Special Health Committee.
- Continuing to analyse training needs and deliver the same via digital platforms, while encouraging and rewarding skill development through our CPD programme.
- Offering a competitive rewards package that combines both intrinsic and extrinsic rewards.
- Developing the necessary programmes to groom future leaders and equip them for the next stage of their journey by performing a third-party analysis on training needs.
- The presence of grievance mechanisms, whistle-blower policies, and other non-discriminatory mechanisms ensure an equal opportunity workplace.
- Open dialogue is encouraged between the Management and the Ceylinco Life Employees' Union, while all employees are encouraged to share ideas to improve performance.
- Training and developing employees to adapt to the new norm, while empowering them with the latest technology to ensure efficiency and improved productivity.

IMPACTED CAPITALS:

| | | |
|--------------------------|--------------------------|-----------------------------------|
| HUMAN CAPITAL | INTELLECTUAL CAPITAL | SOCIAL & RELATIONSHIP CAPITAL |
| MANUFACTURED CAPITAL | | |

IMPACTED SDGs: **3** **5** **8** **9**

KEY ACHIEVEMENTS

- Certified as a Great Place to Work in 2021 for the second consecutive year.
- 31 female recruitments out of 54.
- 57% female representation among new recruits
- 44% employees with over 15 years of service
- 350 employees out of 795 are with over 15 years of service
- 54 new recruits
- 14.66 hours of online development activities per employee
- 92% employee retention rate
- 139 employee promotions, 17% of total cadre
- Conducting a survey to determine employer brand value

Material Topics: 4, 5, 10, 13, 14

INVESTING IN OUR PEOPLE

Human Capital Strategy and Approach

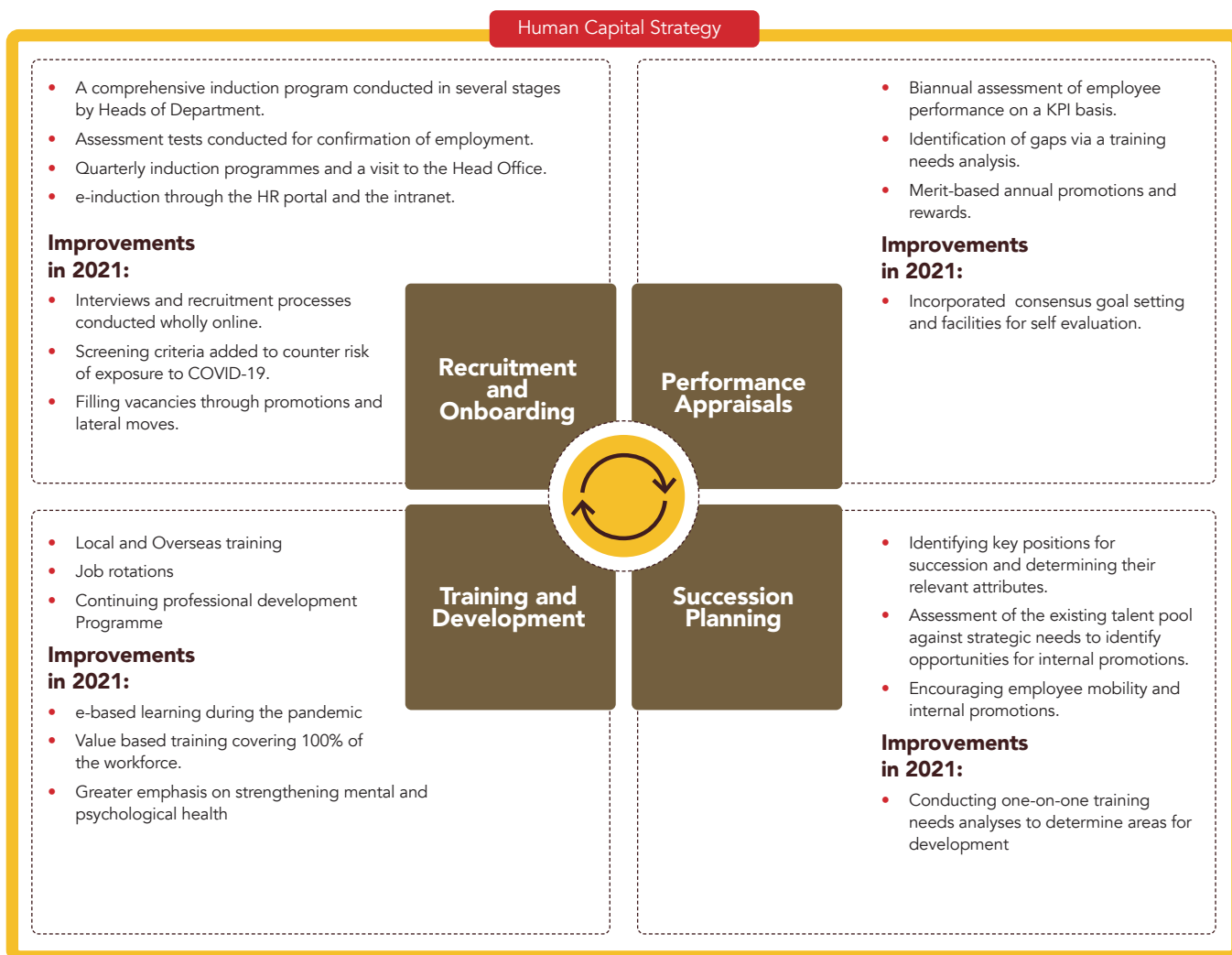
At Ceylinco Life, we believe in safeguarding the future of our employees – ensuring their safety and progress via a comprehensive analysis of their present requirements, while anticipating their future needs. Our people strategies are firmly built on our guiding principles and values, which have remained at the epicenter of Ceylinco Life’s HR policies and processes since the company’s inception. These values serve as a constant reminder of our core purpose, as they steer the company towards achieving its goals – driving positive transformation

in our journey towards becoming a preferred insurance provider and an employer of choice.

An integrated approach to strategic human resource management ensures the employees grow and transform in line with the organisation’s progress, and remain equipped to face the future. With the continued challenges of the pandemic, employee health and safety, digital transformation and up-skilling of employees remain key priorities; while we continue to enhance governance mechanisms and policies to foster a workplace that promotes inclusivity and equal opportunity.

The company’s performance-driven culture is only enhanced by its commitment to sustainability and continuous learning; and open lines of communication ensure employee concerns are heard and addressed at any point in the employee life cycle.

During the year, comprehensive internal audits were conducted with respect to the policies and processes within the HR spectrum to identify areas for improvement.



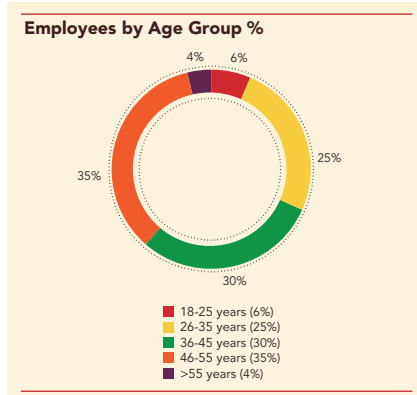
Building Employer Branding and Value Proposition

A Rewards Structure to Foster Engagement and Retention

Alignment with Company Values, Mission and Vision

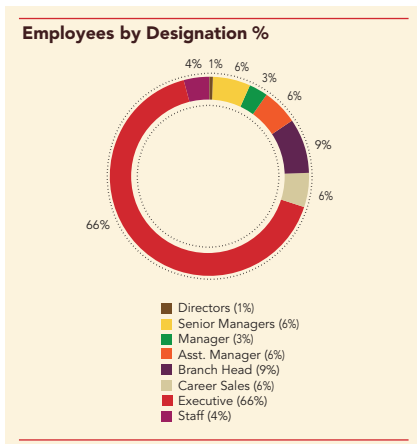
The following graphs and tables outline the diversity and dynamics of the employees at Ceylinco Life.

| Category | Employment Type | | | Total |
|-------------------|-----------------|------------|------------------|------------|
| | Contract | Permanent | Special Contract | |
| Director | 0 | 5 | 0 | 5 |
| Senior Manager | 1 | 36 | 11 | 48 |
| Manager | 0 | 25 | 0 | 25 |
| Assistant Manager | 0 | 45 | 1 | 46 |
| Branch Head | 1 | 68 | 2 | 71 |
| Career Sales | 0 | 45 | 0 | 45 |
| Executive | 6 | 503 | 13 | 522 |
| Staff | 0 | 31 | 2 | 33 |
| Total | 8 | 758 | 29 | 795 |



Ceylinco Life does not engage employees on a part time basis.

| Age | Age Wise | | | | | | | | | | |
|-----------------|-----------|-----------|------------|-----------|------------|-----------|------------|-----------|-----------|----------|------------|
| | 18-25 | | 26-35 | | 36-45 | | 46-55 | | 55< | | Total |
| Category | | | | | | | | | | | |
| Directors | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 4 | 0 | 5 |
| Senior Managers | 0 | 0 | 1 | 1 | 5 | 2 | 28 | 0 | 10 | 1 | 48 |
| Manager | 0 | 0 | 2 | 0 | 8 | 2 | 13 | 0 | 0 | 0 | 25 |
| Asst. Manager | 1 | 0 | 11 | 7 | 10 | 4 | 9 | 3 | 1 | 0 | 46 |
| Branch Head | 0 | 0 | 0 | 0 | 24 | 2 | 43 | 0 | 2 | 0 | 71 |
| Career Sales | 0 | 0 | 0 | 0 | 12 | 1 | 30 | 2 | 0 | 0 | 45 |
| Executive | 19 | 31 | 117 | 63 | 151 | 10 | 98 | 23 | 7 | 3 | 522 |
| Staff | 0 | 0 | 0 | 0 | 5 | 0 | 26 | 0 | 2 | 0 | 33 |
| Total | 20 | 31 | 131 | 71 | 215 | 21 | 248 | 28 | 26 | 4 | 795 |

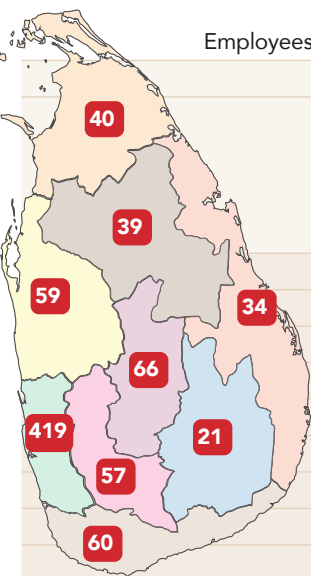


795 | (814 in 2020)

80.5% | Employees (81.2% in 2020)

19.5% | Employees (18.8% in 2020)

| Category | Province | | | | | | | | | |
|-------------------|-----------|-----------|-----------|---------------|---------------|--------------|-----------|-----------|------------|------------|
| | North | Central | Eastern | North Central | North Western | Sabaragamuwa | Southern | Uva | Western | Total |
| Director | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 5 |
| Senior Manager | 1 | 2 | 1 | 2 | 2 | 1 | 1 | 0 | 38 | 48 |
| Manager | 0 | 1 | 1 | 2 | 2 | 2 | 1 | 0 | 16 | 25 |
| Assistant Manager | 3 | 2 | 0 | 0 | 2 | 1 | 1 | 0 | 37 | 46 |
| Branch Head | 5 | 5 | 5 | 2 | 5 | 8 | 7 | 2 | 32 | 71 |
| Career Sales | 4 | 6 | 2 | 3 | 1 | 4 | 7 | 2 | 16 | 45 |
| Executive | 27 | 46 | 25 | 30 | 42 | 38 | 40 | 17 | 257 | 522 |
| Staff | 0 | 4 | 0 | 0 | 5 | 3 | 3 | 0 | 18 | 33 |
| Total | 40 | 66 | 34 | 39 | 59 | 57 | 60 | 21 | 419 | 795 |



INVESTING IN OUR PEOPLE

FOCUS AREA 01

Employee Health, Safety and Well-Being

3

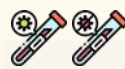
As a service-based organization, Ceylinco Life does not face any potential risk of workplace-related fatalities or injuries. However, the company's dedicated Health and Safety Committee ensures that all staff members are prepared in the event of a fire or any other incident, such as first aid training and evacuation procedures. The company is further committed towards fostering a safe, non-hazardous work environment, and therefore continuously engages in building and electrical maintenance in order to mitigate the occurrence of any adverse events. Furthermore, the necessary licenses and certificates have been obtained periodically, to ensure we maintain an environment that fulfils excellence in health and safety practices. All employees of the company are covered under the occupational health and safety management system.

Ceylinco Life provides a post-retirement critical illness cover to associates above the age of 30 at a concessionary rate. Furthermore, the company offers a free Health Insurance Cover for associates and a Contributory Medical Fund to support employees with hospitalization fees and other OPD treatment facilities. All associates receive 07 days of sick leave in addition to the statutory leave requirements. The company also continued to conduct its annual free health camps for employees to facilitate and identify necessary treatment and procedures where required.



COVID-19 Measures

As the effects of the COVID-19 pandemic continued to impact the nation, and new strains of the virus began to spread, the company's efforts in terms of employee health and safety were further intensified. The following figures represent the impact of the COVID-19 pandemic on the workforce during the year:

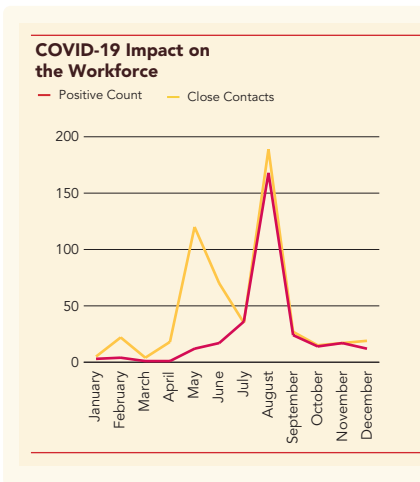


Employees Directly Impacted by COVID-19

| | January | February | March | April | May | June | July | August | September | October | November | December | Total |
|----------------|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|-------|
| Positive Count | 3 | 4 | 1 | 1 | 12 | 17 | 36 | 168 | 24 | 14 | 17 | 12 | 309 |
| Close Contacts | 5 | 22 | 4 | 18 | 120 | 70 | 35 | 189 | 27 | 15 | 17 | 19 | 541 |

COVID-19 Vaccination Details

| Location | Degree of Vaccination | Total Cadre | Sinopharm | Sputnik | Moderna | Astra Zeneca | Pfizer | Non-Vaccinated | Vaccinated |
|-------------|-----------------------|-------------|-----------|---------|---------|--------------|--------|----------------|------------|
| Head Office | First two doses | 346 | 69% | 3% | 1% | 20% | 4% | 2% | 98% |
| Branches | First two doses | 449 | 69% | 1% | 6% | 7% | 2% | 14% | 86% |



309 COVID-Positive Employees

98% of Head Office Employees Vaccinated with two doses.

86% of Branch Employees Vaccinated with two doses.

Amid the disruption and concerns of the pandemic, Ceylinco Life continued to support its employees by both minimizing their exposure to health risks, and providing for their needs. Wherever possible, the company encouraged employees to “work from home” to ensure their safety. The company continued to adapt to the changing environment by introducing new technology and further enhancing its digitized processes to facilitate remote recruitment, and operations. These practices ensured business continuity and seamless customer care.

Once travel restrictions were lifted, Ceylinco Life adhered to all government-mandated guidelines and procedures with respect to social distancing, protection and hygiene. The following mechanisms were in place in order to ensure health and safety in the workplace:

- Implementing extensive health and safety protocols in accordance with government-mandated guidelines, including mandatory temperature checks at the entrance, and health audit checklists to be filled by visitors prior to entering the premises.
- Facilitating Work-From-Home (WFH) measures and flexible working arrangements during lockdown periods to ensure employee safety. Furthermore, WFH facilities were provided for the self-quarantined associates who were either close or direct contacts of COVID patients.

- Migrating HR processes including recruitment and training to online platforms, and implementing business continuity plans and risk mitigation plans where necessary. Potential recruits were screened with respect to vaccination status and potential exposure to COVID-19.
- Mask wearing was made compulsory across the organisation, even when employees were at their individual workstations and we discouraged the use of public transport services across the organisation, and reimbursed any incremental costs for alternate transport arrangements.
- Implementing roster-based operations once travel restrictions were lifted in order to ensure business continuity, while minimizing the likelihood of infection. Each department was segregated into two groups - while one team reported to work, the remaining group worked remotely.
- The Special Health Committee representing a cross-section of Ceylinco Life Managers was appointed to evaluate any risks posed by the pandemic, meet all health-related requirements, and approve the proceedings of any event or meeting.
- Movement restricted between floors to minimize the possibility of contact, and a timetable was implemented for the use of the company cafeteria.
- The Special Health Committee was tasked with monitoring and communicating to the top management the details and health condition of those who tested positive or came into contact with any COVID-positive individual.

- Stand-by ventilators, oximeters and oxygen cylinders were acquired in order to deploy the equipment to the necessary personnel in the event of an emergency. Drivers and support staff were trained in their use and installation for a more efficient service.
- A COVID-19 death cover was granted to employees in the permanent cadre free of charge, with an additional death benefit of one million.
- In the event of an employee being quarantined or infected with COVID-19, the Special Health Committee ensured that personal and basic needs were fulfilled where necessary.
- In addition to meeting hospital charges and fees, the company's health policy was further extended to reimburse quarantine centre expenses. This benefit was also made applicable to the family members covered under the existing policies.
- A doctor was placed on-call, with follow-up calls twice a week in order to direct employees towards care centres where necessary.
- Reporting of any cases to the relevant government authorities for their action.

Rs 8.3 Mn Reimbursed via the company health policy

158 Individuals benefitted from the company health policy

Work-Life Balance and Mental Well-Being

In addition to managing factors related to physical health, the company is committed to managing the employees’ mental health by encouraging a healthy work-life balance and positive thinking. During the pandemic, periodic reminders and tips on balancing productivity at both home and work were provided to the employees, while extended working hours are discouraged both on-site and virtually.

In order to drive a stronger work-life balance, the company limits working hours to 5 days per week at 8 hours per day, in terms of a typical day shift. 24 hours of short leave are allowed per annum, subject to a maximum limit of 02 hours per day.

INVESTING IN OUR PEOPLE

The company grants leave on par with industry standards, and further engaged in training programmes related to working-from-home and work-life balance under the headings of "Working from Home webinar", "Counselling Skills for Ceylinco Life" and "Mental health and well-being", in order to ensure that employees were educated on approaching the challenge of change with the right mindset, and were therefore able to adapt to the new normal with ease.

Furthermore, the Company developed a motivational music video with the participation of employees to uplift the morale of the employees who engaged in working from home.

Engaging with our Employees Virtually

The company continued to maintain employee engagement through exciting events, thereby enabling connectivity and a sense of belonging in an increasingly distanced environment.

Digital Avurudu 2021



Customer Relation Dept



Kurunagala Branch



FOCUS AREA 02

Training and Development

8

Ceylinco Life is deeply committed to ensuring we deliver consistent value to our employees through continuous skills development and training programmes. While contributing to the growth and future potential of our staff, these initiatives serve the additional benefits of further enhancing our levels of customer care and driving organizational excellence.

The company typically relies on a diverse mix of training methods to ensure optimized results; however, due to the nature of the pandemic, we resorted to conducting training programmes via online platforms.

Encouraging a Learning Culture

Each employee is required to collect a minimum number of training hours in order to obtain Continuous Professional Development (CPD) points, aligned to their relevant KPIs, which are in turn linked to employee salary increments, promotions and other awards. Each employee has 08 CPD points allocated within their respective KPIs for the primary purpose of measuring learning and development.

A two-way process is therefore created, wherein employees actively engage in seeking out opportunities for learning and development by approaching their respective Heads of Department with various requests, while the Heads of Departments are rewarded for offering training programmes to their employees. This enables a spirit of continuous development driven by both employer and employee.

Training and Development

The company conducted a comprehensive training need analysis to identify focus areas and points for improvement, taking into consideration the results of the performance appraisals for below average performers in addition to changes in the external environment and feedback from heads of departments. Accordingly, a structured training calendar was implemented to ensure uninterrupted skill development and training across all employee categories as follows:



8,925

Training Hours

13.95

Average Training Hours



11,651

Training Hours



14.66

Average Training Hours

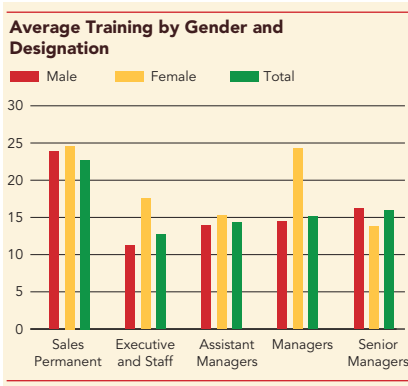


2,726

Training Hours

17.59

Average Training Hours



| Designation | Total | Gender | |
|-----------------|-------|--------|--------|
| | | Male | Female |
| Executive | 12.73 | 11.25 | 17.57 |
| AM | 14.36 | 13.94 | 15.32 |
| Manager | 16.51 | 14.39 | 24.30 |
| Snr. Manager | 15.98 | 16.18 | 13.83 |
| Sales Permanent | 25.44 | 25.41 | 26.45 |

Most importantly, a need analysis was conducted with the support of a third-party expert in terms of succession planning, ensuring the development of training programmes to pass on the necessary skills and knowledge to employees due for internal promotions; thereby equipping and arming them to effectively perform their duties for the next stage of their professional journey. These training programmes were finalized during the year under review, with the expectation of launching them in the year 2022, as they are designed according to face-to-face, interactive training formats.

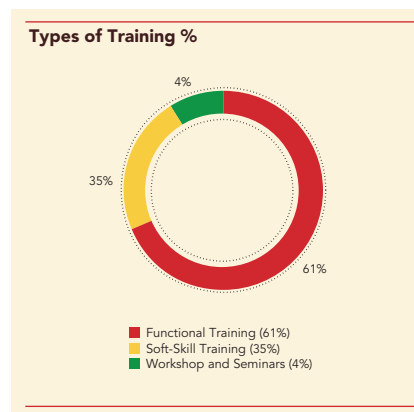
Rs.6.18Mn | invested in training

14.66 hours | of online training per employee

Investment in Training

The company's total investment towards training and development activities during the year amounted to Rs. 6.1 Mn, in comparison to the Rs. 5.3 Mn invested in 2020.

The company achieved an average of 14.66 hours of online training per employee; a testament to the company's commitment towards driving employee growth despite the challenging conditions of the pandemic. Each employee achieved a minimum of 04 hours of online training, even amid unusual and challenging work assignments. Key focus areas in training included tips to adapt to the new normal, effective use of online platforms and technology, and fostering work-life balance amid the pandemic.



| Type of Training | Male | Female | Total |
|----------------------------------|--------------|--------------|---------------|
| Functional Training | 5,835 | 1,956 | 7,791 |
| Soft Skill Training | 2,295 | 687 | 2,682 |
| Workshop & Seminars | 795 | 83 | 878 |
| Total | 8,925 | 2,726 | 11,651 |
| Employees in the Permanent Cadre | 640 | 155 | 795 |
| Average Training Hours | 13.95 | 17.59 | 14.66 |

FOCUS AREA 03
Competitive Benefits, Remuneration and Employee Welfare **8**

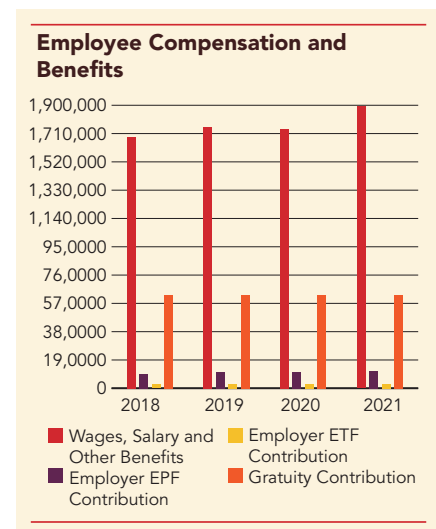
Ceylinco Life is governed primarily by a performance-driven culture, namely rewarding of employees in line with the achievement of their respective KPIs. In addition, the company ensures

their benefits and value proposition far surpasses those of their competitors, therefore elevating our status in the eyes of potential recruits, in order to attract and retain the best talent in the market.

During the COVID-19 pandemic, Ceylinco Life ensured continuous job security and financial stability to employees, with no incidents of pay cuts or lay-offs. The planned profit incentives and bonuses for the year were paid, thus maintaining employee motivation and morale.


An Unmatched Employee Value Proposition

Our employee value proposition is built on a comprehensive package combining both intrinsic and extrinsic rewards. While extrinsic rewards constitute financial and material benefits, opportunities for training and development and promotions, an engaging work culture, emphasis on work-life balance and a harmonious experience augment our intrinsic offering, and set the stage for Ceylinco Life's status as a preferred employer in the marketplace.





INVESTING IN OUR PEOPLE

The following benefit schemes are extended to employees, according to the eligibility criteria specified below:

|  Medical/Emergency Facilities | | | Medical/Emergency Facilities (contd.) | | |
|--|---|---|---|--|--|
| Benefit/Scheme | Criteria and Availability | Beneficiaries/ Benefits Paid | Benefit/Scheme | Criteria and Availability | Beneficiaries/ Benefits Paid |
| Company Life Insurance Cover (GT27) | for 795 Associates Free of charge | 4 Critical Illness (Rs.5.25 Mn) | Informative sessions and workshops on health and well-being | For all employees | 03 programmes covering 65 Head of Departments and Sectional Heads, and 300 associates from other levels. |
| Additional comprehensive Life Cover (GT 13,GT 37, 47) | On a concessionary rate | Total Claims Paid (Rs.27.2 Mn) | COVID-19 Death Cover | Benefit offered free of charge with an additional death benefit of 1 million for those facing the untimely loss of a loved one | No victims |
| Ceylinco Life Health Insurance cover | Free for Associates and discounted rate for family | 871 Claims (Rs. 37.8 Mn) | Death Donations | For family members and immediate family members | For 45 members with a total payment of Rs. 1,395,000/-. |
| Contributory Medical Fund | To claim OPD bills | Total claim (Rs 23.2 Mn) | Additional leave for quarantine purposes | All Associate | Company has granted 1182 days special leave for self-quarantine purposes. |
| Critical Illness Retirement Cover (GT 55) | For Associates age above 30 years on a concessionary rate | No claims as yet. | Motorcycle Loan Scheme for Employees | Interest free loan to repay in three years | Only one loan facility for Rs 54,000/-. |
| Employee Distress Loan Scheme | One month's gross salary for any emergency | No one has used this facility. | Car Hire Scheme | Interest free loan to repay in seven years | 2 new loan issued of Rs 3,600,000/- |
| 07 days of Sick Leave | All the Associates | 4199 utilised during the year | Employee Wedding Gift | One month's salary with an upper ceiling | 17 gifts of Rs 773,150/- |
| Annual Health Camp | Free health checkups and consultations | 100 employees took part for this event. | | | |
| Allowance for Basic Medical Checkups | Rs 10,000 for all employees above the age of 40 | 87 employees have claimed Rs 640,708/- | | | |


|  Sports/ Recreation | |
|--|---|
| Benefit/Scheme | Criteria and Availability |
| Fully equipped Gymnasium | Open daily for all the Associates during off office hours |
| Yoga Session for all | Once a week |
| Online Avurudu Kreeda | For all employees |
| CSR Activities | For all employees |
| Online Christmas Carols | For all employees |


|  Meals and Nutrition | |
|---|---------------------------|
| Benefit/Scheme | Criteria and Availability |
| Cafeteria run by a reputed catering service | For all employees |


|  COVID-19 Health and Safety | |
|--|--|
| Benefit/Scheme | |
| Introduced a roster-based method for reporting to work and reduced maximum per day staff count by 50% | |

| COVID-19 Health and Safety (contd.) | |
|---|--|
| Benefit/Scheme | |
| Provided surgical and KN95 masks for all staff for 795 associates | |
| Sanitising procedures, daily temperature checking and wearing of masks made mandatory | |
| Encouraged staff to avoid public transport and reimbursed fuel expenses for use of their personal vehicles | |
| Appointed an independent party to conduct a special health and safety audit and implemented their recommendations | |

| COVID-19 Health and Safety (contd.) | |
|--|--|
| Benefit/Scheme | |
| Introduced best health practices and staggered meal breaks to prevent interaction and gathering of staff members. | |
| Benchmarked and improved our processes against "Sri Lanka Standard 1672: 2020 COVID-19 Safety Management System Requirements for Organisations". | |
| Equipped all essential staff and call centre with IT resources to enable Work-from-Home facilities | |
| Criteria and Availability- For all employees | |

|  Adequate Working Hours | |
|--|---|
| Benefit/Scheme | |
| Criteria and Availability | |
| Rosters to work on 05 days per week and 08 hours per day | Employees are encouraged to vacate the office by 5.30pm |
| 24 hours of short leave per annum | Subject to maximum 02 hours per day |
| Flexibility in working hours | Mainly for Associates in locked-down/ quarantined areas |

|  Transport | |
|---|---|
| Benefit/Scheme | |
| Criteria and Availability | |
| Reimbursement of Fuel Expenses | For official traveling |
| Transport allowance for private transport | Encouraging the use of private transport among those using public transport services |
| Transport allowance for those below Manager category | A special allowance for reporting to work using personal transport modes |
| Transport facilities were offered via Company vehicles for specific destinations. | On the request of certain staff members with the approval of their respective Head of the Department. |

|  Other Benefits | |
|--|---|
| Benefit/Scheme | |
| Criteria and Availability | |
| Sundry Loan | Interest free loan maximum of 05 times the basic salary to be settled in instalments. |
| Festival Advances | One month salary advance for eligible associates. |
| Housing Loan Interest Reimbursement | 6% of the loan interest is reimbursed with a cap. |
| Paid leave for exams | Approved professional exams. |

Employer Brand Survey

The company has partnered with Nielsen to analyse and determine the perception of prospective candidates of Ceylinco Life as an employer, by means of a wide-ranging survey covering a cross-section of potential employees. The results of this survey will help the company understand its present standing as an employer of choice, the public awareness of its employee value proposition and employees' expectations towards an employer.

The results of the survey are expected in the first quarter of 2022. Any identified gaps will be addressed to help the company to further align itself towards becoming the people's most sought-after employer.

A Performance-Driven Culture

Ceylinco Life rewards and motivates its employees to drive improved organisational performance through a profit incentive scheme. In order to reap the benefits of this initiative, employees must strive towards achieving greater organisational profits, which in turn encourages the achievement of KPIs and corporate objectives.

This method fosters a greater degree of employee involvement; ensuring a stronger investment in the company's growth trajectory, while providing due recognition for their contribution towards the organisation's success.

Profit incentives, promotions and other forms of incentive schemes are only awarded upon the meeting of the Corporate and Departmental objectives, thereby ensuring the improvement of organisational performance year-on-year.

The success of this initiative is indicated via the awarding of consistent bonuses and the achievement of the company's corporate objectives during the year.

Ceylinco Life Ranked Among the 10 Best Workplaces in the BFSI Sector

Ceylinco Life ranked among the 10 Best Workplaces in Sri Lanka's Banking, Financial Services and Insurance (BFSI) sector by 'Great Place to Work'. The ranking was the result of a survey conducted among 21,000 employees across the sector, selected on the basis of positive employee perceptions and human resource related organizational policies and practices.

Certified as 'A Great Place to Work'

Ceylinco Life obtained a certification as 'A Great Place to Work' for the second consecutive year. This certification represents the company culture and its alignment towards achieving our long-term goal of being the most sought-after employer within the industry in the next two years.

The company engaged in focus group discussions and workshops with cross-functional groups to further delve into identified problem areas in 2020, and arrive at a favourable outcome.

Over 85% of the survey participants awarded 'Great' and 'Fair' ratings to the investigative question that explored the degree of confidence the employees had in the management team's decisions – a testament to the trust that Ceylinco Life has earned over the years, and translating to the success of its operations, particularly with respect to employee engagement and customer satisfaction.

- Ceylinco Life scored higher than the average of the 40 Best Workplaces in Sri Lanka in 2021 published by Great Place to Work® for the criteria of 'Business Acumen' and 'Management Clarity.'
- 'Management Reliability,' 'Pride' and 'Credibility' emerged as areas of relative strength for the organisation.
- Great Place to Work® further observed that "Long-term Association with the Organisation" is the strongest performing Workplace Health Indicator for Ceylinco Life.

INVESTING IN OUR PEOPLE



Sri Lanka's Best Workplaces in the BFSI industry for 2021

Our Strengths:

- Business Acumen
- Management Clarity
- Management Reliability
- Pride
- Credibility
- Long-term Association with the Organisation

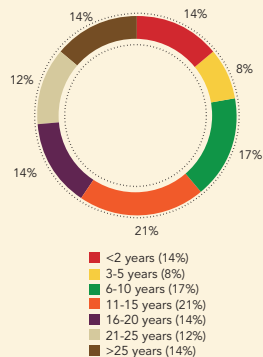
Employee Retention

The high levels of growth potential and employee satisfaction that exist within the company are evidenced by its high retention ratio of 91.65, and the number of employees who continue to maintain over 10 years of service at Ceylinco Life. To date, over 513 employees have served the company for 10 years and above, constituting approximately 65% of our workforce.

Length of Service

| Category | 2> | | 3-5 | | 6-10 | | 11-15 | | 16-20 | | 21-25 | | 25< | | Total |
|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|------------|----------|-----------|----------|------------|-----------|------------|
| | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | |
| Directors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 4 | 0 | 5 |
| Senior Managers | 1 | 2 | 1 | 1 | 6 | 0 | 4 | 0 | 7 | 0 | 4 | 1 | 21 | 0 | 48 |
| Manager | 0 | 0 | 3 | 0 | 2 | 1 | 5 | 1 | 3 | 0 | 7 | 0 | 3 | 0 | 25 |
| Asst. Manager | 2 | 2 | 4 | 2 | 8 | 4 | 6 | 3 | 4 | 2 | 1 | 0 | 7 | 1 | 46 |
| Branch Head | 1 | 0 | 3 | 0 | 4 | 1 | 27 | 1 | 17 | 0 | 11 | 0 | 6 | 0 | 71 |
| Career Sales | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 3 | 12 | 0 | 5 | 0 | 12 | 0 | 45 |
| Executive | 39 | 42 | 26 | 20 | 73 | 29 | 82 | 13 | 66 | 2 | 63 | 2 | 43 | 22 | 522 |
| Staff | 2 | 0 | 1 | 0 | 2 | 0 | 5 | 0 | 3 | 0 | 6 | 0 | 14 | 0 | 33 |
| Total | 45 | 46 | 38 | 23 | 95 | 35 | 142 | 21 | 112 | 4 | 98 | 3 | 110 | 23 | 795 |

Employees by Length of Service %



513

Served more than 10 years.

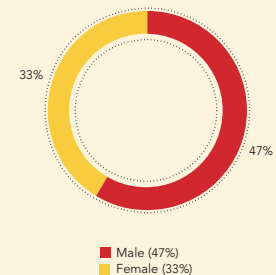
65%

of the workforce have enjoyed over 10 years of service at Ceylinco Life

91.65

Retention ratio

Resignations by Gender %



Resignations by Age and Gender

| Age | 18-25 | | 26-35 | | 36-45 | | 46-55 | | 55< | | Total | |
|-----------------|-----------|------------|------------|------------|------------|-----------|------------|-----------|------------|-----------|-------------|-------------|
| Category | | | | | | | | | | | Count | % |
| Directors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Senior Managers | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 0 | 3 | 4% |
| Manager | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Asst. Manager | 0 | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 4 | 5% |
| Branch Head | 0 | 0 | 0 | 0 | 2 | 0 | 3 | 0 | 1 | 0 | 6 | 8% |
| Career Sales | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 2 | 0 | 3 | 4% |
| Executive | 4 | 11 | 12 | 16 | 7 | 2 | 3 | 0 | 3 | 3 | 61 | 76% |
| Staff | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 2 | 0 | 3 | 4% |
| Total | 4 | 11 | 13 | 16 | 10 | 3 | 9 | 0 | 11 | 3 | 80 | 100% |
| % | 5% | 14% | 16% | 20% | 13% | 4% | 11% | 0% | 14% | 4% | 100% | |

FOCUS AREA 04

Career Advancement and Succession Planning

5

The company has in place clearly defined succession plans and encourages internal recruitment at every possible stage, ensuring all employees are trained and fully prepared for their progression path within the organisation. Furthermore, the company does not restrict freedom of movement of employees, and encourages their career development and growth in line with their future aspirations.

Facilitating Career Succession

Each employee category possesses corresponding qualifications and criteria which determine eligibility for promotions and progression within the company. As such every employee is required to learn and enhance their knowledge levels in order to grow and take the next step forward in the leadership pipeline.

During the year, 139 promotions took place within the organization. A training needs analysis was conducted by an external party in order to objectively identify the necessary skills, thereby resulting in the development of three training programmes designed to prepare the leadership level of the company for their respective roles, and assist them to discharge their duties effectively. Due to

| Category | Province | | | | | | | | | | Grand Total | % |
|--------------------|-----------|-----------|-----------|---------------|---------------|--------------|-----------|-----------|------------|-------------|-------------|-------------|
| | Central | Eastern | North | North Central | North Western | Sabaragamuwa | Southern | Uva | Western | | | |
| Director | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Senior Manager | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 3 | 4% |
| Manager | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Assistant Manager | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 4 | 5% |
| Branch Head | 1 | 0 | 0 | 1 | 1 | 0 | 2 | 1 | 0 | 6 | 6 | 8% |
| Career Sales | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 3 | 3 | 4% |
| Executive | 5 | 4 | 0 | 2 | 6 | 3 | 1 | 2 | 38 | 61 | 61 | 76% |
| Staff | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 3 | 3 | 4% |
| Grand Total | 7 | 4 | 0 | 3 | 7 | 3 | 4 | 3 | 49 | 80 | 80 | 100% |
| % | 9% | 5% | 0% | 4% | 9% | 4% | 5% | 4% | 61% | 100% | | |

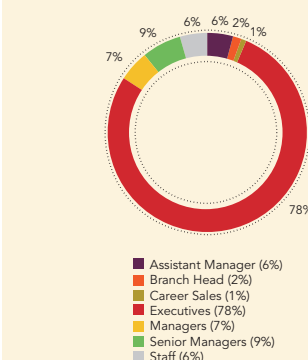
the physical, on-site nature of the programmes, they will take place during the next fiscal year.

139

Promotions took place within the organisation

| | Promotions |
|-------------------|------------|
| Assistant Manager | 6 |
| Branch Head | 2 |
| Career Sales | 1 |
| Executives | 108 |
| Managers | 7 |
| Senior Managers | 9 |
| Staff | 6 |
| Total | 139 |

Promotions by Category %

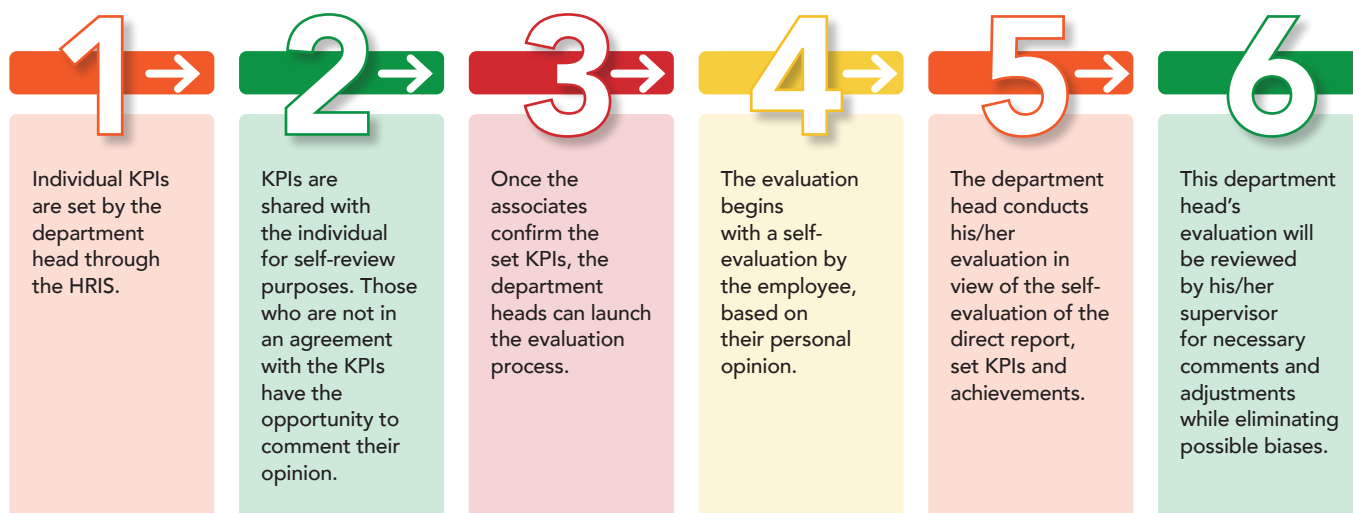


INVESTING IN OUR PEOPLE

Performance Appraisals Linked to Growth and Progress

The company determines career succession and progress on the basis of employee performance. During the year, the company introduced a 180° approach to performance evaluation, beginning from self-evaluations, which are escalated to the department heads to determine their accuracy and ascertain whether corporate objectives were met by each employee. All employees were considered for performance evaluations.

The company's KPIs are assessed via the company's HRIS – a computer-based evaluation system designed to standardize the appraisal process. Appraisal takes place on a bi-annual basis, as follows:



FOCUS AREA 05

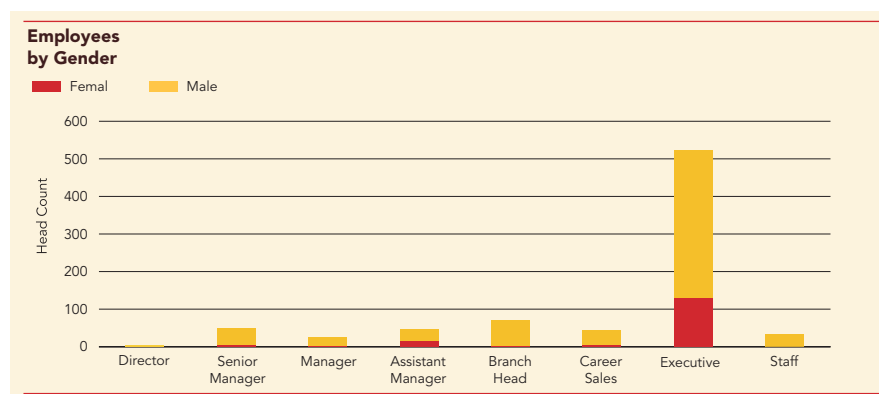
Diversity, Inclusion and Ethical Practices

5

As an equal opportunity employer, Ceylinco Life does not tolerate any form of discrimination, whether on the basis of gender, age, race, disability or other factors. Over the years, the company has provided equal opportunities for progress among the top management and the Board of Directors. The company further upholds local and internationally recognized human rights practices – and as such, the company does not engage in child labour or forced labour. There were no incidents of child labour, forced or compulsory labour. No instances of discrimination or violations of fundamental rights were recorded during the year. A standard entry level salary is offered to new recruits on par with industry standards, with no discrimination against gender. The company's entry-level wage is 1.6 times the minimum government-stipulated wage. This is extended to all new recruits without gender discrimination. The company's remuneration policy does not discriminate based on gender.

Gender Parity and Equality

The company continues to be committed towards improving the gender balance of our workforce, and providing equal opportunities for women.



| Province | | | Total |
|---------------|------------|------------|------------|
| Central | 11 | 55 | 66 |
| Eastern | 3 | 31 | 34 |
| North | 6 | 34 | 40 |
| North Central | 0 | 39 | 39 |
| North Western | 6 | 53 | 59 |
| Sabaragamuwa | 6 | 51 | 57 |
| Southern | 5 | 55 | 60 |
| Uva | 2 | 19 | 21 |
| Western | 116 | 303 | 419 |
| Total | 155 | 640 | 795 |

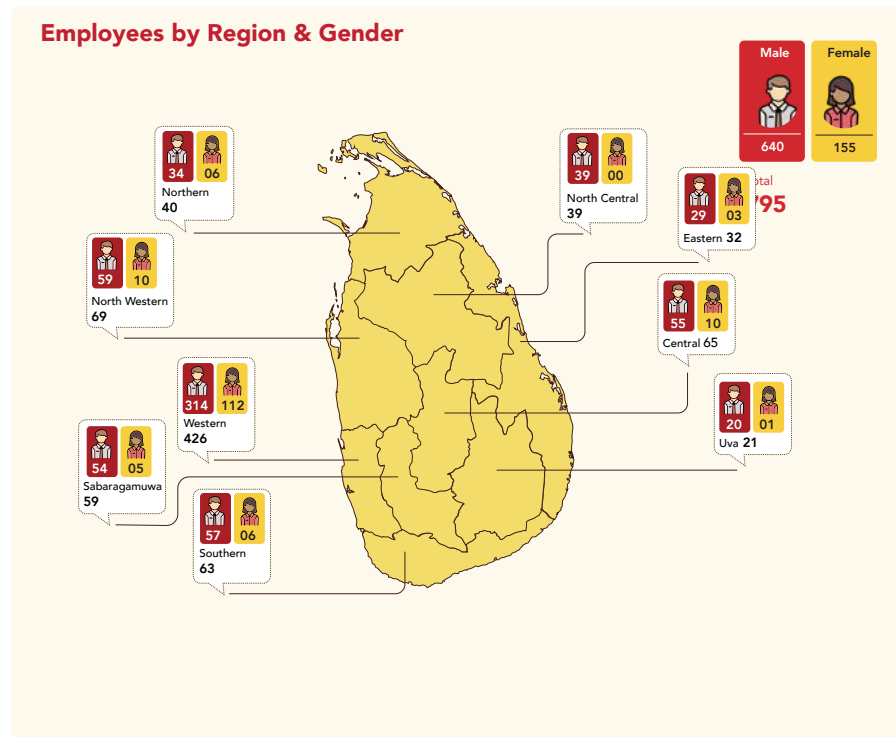
Employees by Employee type Gender Wise

| Employment Type | | | Grand Total |
|--------------------|------------|------------|-------------|
| Contract | 3 | 5 | 8 |
| Permanent | 146 | 612 | 758 |
| Special Contract | 6 | 23 | 29 |
| Grand Total | 155 | 640 | 795 |

Employees by Province Employee type

| Province | Contract | Permanent | Special Contract | Grand Total |
|--------------------|----------|------------|------------------|-------------|
| Central | 2 | 61 | 3 | 66 |
| Eastern | 1 | 33 | 0 | 34 |
| North | 0 | 40 | 0 | 40 |
| North Central | 0 | 39 | 0 | 39 |
| North Western | 0 | 57 | 2 | 59 |
| Sabaragamuwa | 0 | 52 | 5 | 57 |
| Southern | 0 | 56 | 4 | 60 |
| Uva | 0 | 21 | 0 | 21 |
| Western | 5 | 399 | 15 | 419 |
| Grand Total | 8 | 758 | 29 | 795 |

Employees by Region & Gender



Promotions by Gender

| Category | Female Promotions | Female Cadre | As a % of Cadre | Male Promotions | Male Cadre | As a % of Cadre | Total Promotions |
|-------------------|-------------------|--------------|-----------------|-----------------|------------|-----------------|------------------|
| Assistant Manager | 1 | 14 | 7% | 5 | 32 | 16% | 6 |
| Branch Head | 0 | 2 | 0% | 2 | 69 | 3% | 2 |
| Career Sales | 0 | 3 | 0% | 1 | 42 | 2% | 1 |
| Executive | 25 | 130 | 19% | 83 | 392 | 21% | 108 |
| Manager | 1 | 2 | 50% | 6 | 23 | 26% | 7 |
| Senior Manager | 0 | 4 | 0% | 9 | 44 | 20% | 9 |
| Staff | 0 | 0 | 0% | 6 | 33 | 18% | 6 |
| Total | 27 | 155 | 17.42% | 112 | 635 | 17.63% | 139 |

Recruits by Province & Gender

| | | | Total | |
|---------------|------------|------------|-------------|-------------|
| | | | Count | % |
| Central | 3 | 4 | 7 | 13% |
| Eastern | 2 | 2 | 4 | 7% |
| North Central | 0 | 2 | 2 | 4% |
| North Western | 1 | 2 | 3 | 6% |
| Sabaragamuwa | 1 | 2 | 3 | 6% |
| Southern | 0 | 0 | 0 | 0% |
| Uva | 0 | 3 | 3 | 6% |
| Western | 24 | 8 | 32 | 59% |
| Total | 31 | 23 | 54 | 100% |
| % | 57% | 43% | 100% | |

The company continued to drive women empowerment and strive towards achieving a balanced workforce, as evidenced by our recruitment policies during the year.

31



Recruits

23



Recruits

57.4%

of new recruits were female (50% in 2020)

INVESTING IN OUR PEOPLE

Recruitments by Age, Designation and Gender

| Age | 18-25 | | 26-35 | | 36-45 | | 46-55 | | 55< | | Total | |
|-----------------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|
| | | | | | | | | | | | Count | % |
| Directors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Senior Managers | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 1 | 0 | 3 | 6% |
| Manager | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Asst. Manager | 1 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 3 | 6% |
| Branch Head | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 2% |
| Career Sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Executive | 6 | 18 | 12 | 9 | 0 | 0 | 0 | 0 | 1 | 0 | 46 | 85% |
| Staff | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 2% |
| Total | 7 | 18 | 12 | 11 | 1 | 2 | 1 | 0 | 2 | 0 | 54 | 100% |
| % | 13% | 33% | 22% | 20% | 2% | 4% | 2% | 0% | 4% | 0% | 100% | |

All senior management recruitments are hired from the local community

Maternity Leave

| Parental leave details as at 31.12.2021 | | | | |
|--|------------------------------------|------------------|----------------------|-----------------------|
| No of employees entitled for maternity leave | No of employees on maternity leave | Returned to work | Not returned to work | Returning due in 2022 |
| 155 | 8 | 2 | 2 | 4 |
| Return to work rate | Returned to work | | 2 | 50% |
| | Returning due | | 4 | |
| Retention Rate | Retained after 12 months | | 1 | 100% |
| | Return to work in previous year | | 1 | |

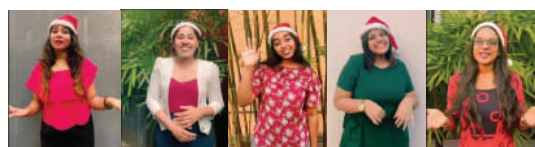
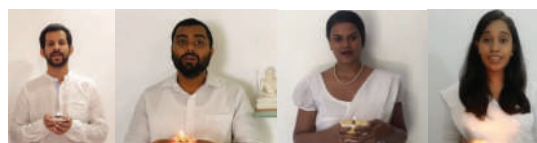
A Place for Diversity, Inclusion and Pluralism

Recognising the need for creating a peaceful and harmonious working environment, during the year under review, the company developed a policy outlining guidelines for diversity, inclusion and pluralism in the workplace. Two comprehensive training programmes for Gender Parity and Diversity and Inclusion were conducted for all heads of departments under the guidance of 'A Great Place to Work', in order to foster a non-discriminatory environment with respect to remuneration, recruitment and other stages in the HR process.

We openly invite differently-abled individuals to apply for vacancies and the opportunities are offered based on the ability of fulfilling the job functions with certain flexibilities provided.

The company regularly witnesses the participation of associates from across all religious groups for seasonal events such as Bhakthi Gee and Christmas Carols, thus displaying high degrees of pluralism within the organisation.

Bhakthi Gee



Christmas Carols

Grievance Handling Mechanisms



Sexual Harassment: A stringent sexual harassment policy is in place which is clearly communicated across all employee groups. The 'Liya Saviya' hotline which was introduced in 2019 continued even amid the pandemic, in order support female employees to escalate any irregularities, grievances or misconduct to a dedicated independent committee for immediate action.



Grievance Handling Procedures: The company has implemented a formal employee grievance handling process. A policy of open-door communication is maintained to ensure that any employee can approach the top management to voice their concerns. During the year, no incidences of labour disputes were recorded.



Whistle-Blower Policy: Ceylinco Life is committed towards ensuring transparency and ethical conduct across the organization. Therefore, all new recruits are educated on the company's whistle-blower policy at the orientation stage. The company takes strong measures to ensure whistle-blowers are not penalized, and immediately takes action against valid complaints that are brought to our notice.

Anti-Corruption Mechanisms

Ceylinco Life continues to maintain the utmost integrity and trust through comprehensive policies on Prevention of Money Laundering and Terrorist Financing, Whistle Blowing, and Data Protection. These policies are reviewed and revised regularly where required, reinforcing the company's zero-tolerance approach towards incidents of bribery and corruption in the workplace. All employees have been educated on the anti-corruption policies of the company.

During the year there were no incidents of corruption reported.

The company's Anti-Corruption and Bribery Policy was approved by the Board of Directors in 2019, and serves as an effective system to combat any irregularities and deviations from the established processes. All the employees of Ceylinco Life have accepted the Company's Anti-Money Laundering and Bribery and Corruption Policies, following the completion of a system-based Q & A session.

FOCUS AREA 06
Employee Engagement and Communication **8**

Employee motivation and engagement are the cornerstone of the company's existence, and therefore Ceylinco Life has established policies and procedures conducive to workforce engagement and open communication. The company's management invites the sharing of innovative strategies and ideas for improvement, while implementing initiatives to empower employees within the decision-making process. All initiatives are implemented to ensure employees feel a sense of belonging and connection with the organisation's success.

Employee Communication

At Ceylinco Life, employee-related communication occurs via multiple channels, including the company intranet, emails and newsletters. The company encourages open-door communication, and employees are invited to approach the management with suggestions and concerns as and when required.

The Great Place to Work survey conducted in 2020 identified gaps between top-down and bottom-up communication, and therefore the company took steps to bridge this gap via weekly departmental meetings, enabling the Heads of Department to communicate all top-level decisions and changes in strategy down-the-line to the associates. Other department heads are invited to the meetings to share their views.

Any amendments to policies, procedures and operations are communicated to employees well in advance, and updated on the company's intranet to ensure greater accessibility. The Company provides adequate notice for its staff when operational changes and significant changes to processes and procedures are conducted.

Employee Empowerment

In a move to empower and engage with the younger members of the workforce, certain projects were entrusted to the leadership and stewardship of certain employees. Their involvement in such programmes would undoubtedly benefit their future growth, while providing a unique experience.



During the year, Ceylinco Life launched internal campaigns to urge employees to share their innovative ideas and strategies through the Super Idea Hero initiative, in order to foster greater employee involvement and engagement in the organisation's growth. Employees were rewarded on the basis of their ideas which were assessed for merit, and implemented accordingly.

The company continued to drive employee involvement in the company's environmental and social initiatives, thereby ensuring holistic, purposeful and meaningful growth.



INVESTING IN OUR PEOPLE



Ceylinco Life ranked among the Top 10 Most Admired Companies

Ceylinco Life was ranked among the Top 10 Most Admired Companies, a ranking that primarily considers human resource factors of employee engagement and satisfaction in determining the outcome. This achievement is a clear indication of the company's commitment towards employee involvement and well-being.

Developing Communication and Leadership Skills

Ceylinco Life Toastmasters' Club held its eighth installation during the year. Focused primarily on developing communication and leadership skills, it is immensely popular among the employees, as evidenced by its growth in membership over the years.

The Club has further been conferred the widely acclaimed 'Distinguished' status consecutively since its inception.

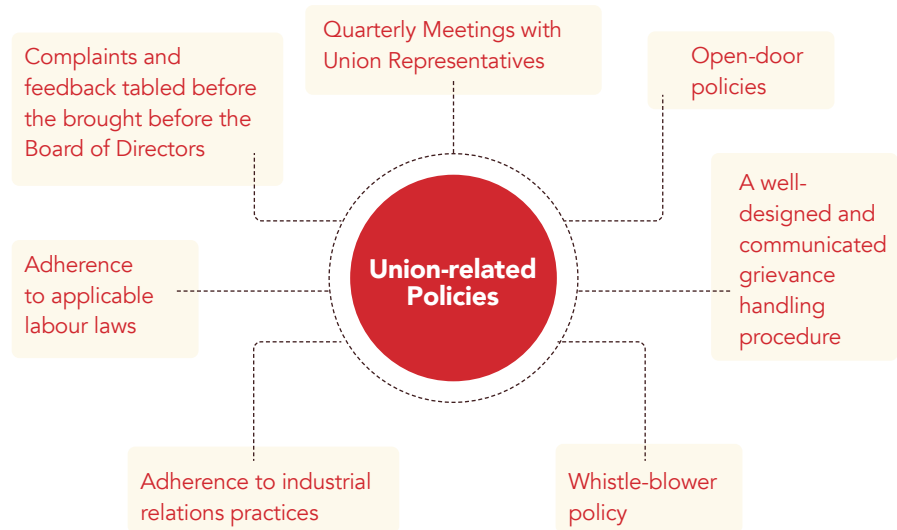
Collective Bargaining and Freedom of Association

Ceylinco Life recognizes Freedom of Association as a fundamental right afforded to its employees, which is protected by the Sri Lankan Constitution. Consistent, open and cordial dialogue is therefore maintained between the management and the Ceylinco Life Employees' Union, of which every permanent employee is a member. All members are governed by the terms and conditions of this Union, and the leaders of the Union are able to engage directly with the Directors and table any concerns at the highest level. Therefore, the company has no requirement for a collective bargaining agreement.

The Union is empowered to engage with the management, and share their concerns and feedback at critical junctures of the company's transformation, including process introductions or revisions. The nature of this open dialogue has continued to reinforce the good relations cultivated between the company and the

Union over the years.

The following measures and channels are made available to the Ceylinco Employees' Union:



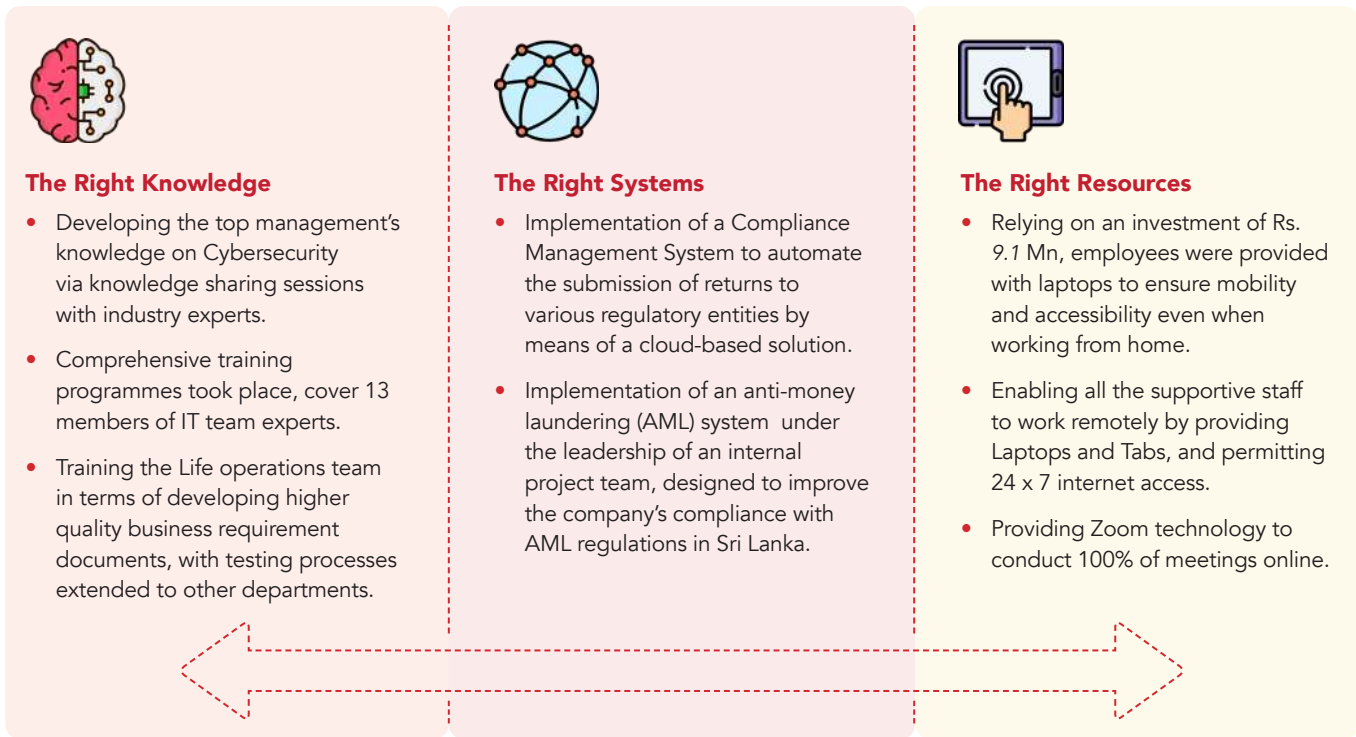
FOCUS AREA 06

Digital Transformation 9

Particularly with the onset of the pandemic, digital transformation became an imperative for organizational survival. Mobility, flexibility and technical skills were essential for business continuity and uninterrupted service, and thus the company invested in ensuring the right platforms and equipment were made available to employees.

Employees were trained in the use of conferencing software, online presentations, usage of tabs and laptops and other online processes. Many transformations took place across the HR function, thus enabling improved business continuity and resource maximization.

The following steps were taken during the year in order to develop employees' technical capabilities and provide the right equipment to facilitate continuous, streamlined operations in the midst of the pandemic.



*information pertaining to digital empowerment of the sales force can be found in pages 101 - 109

Investing in the Future of our Employees

| Short Term Goals | Medium Term Goals | Long Term Goals |
|--|---|--|
| <ul style="list-style-type: none"> • Assisting our employees to face pandemic-related challenges, and supporting their mental and physical health. • Ensuring job security and financial stability | <ul style="list-style-type: none"> • To nurture a well-equipped and skilled workforce. • Relying on multi-tasking skills and the divergent nature of the workforce to face a continually changing, dynamic environment. | <ul style="list-style-type: none"> • Using Robotic Automatic Processes (RAP) and AI in every-day operations and decision-making processes. • To become the most sought-after employer through employee branding and an unmatched employee value proposition. |
| <ul style="list-style-type: none"> • Expanding their knowledge on sustainable concepts, particularly with respect to the environment. | <ul style="list-style-type: none"> • Facilitation of HR functions through digitalisation and automation. | <ul style="list-style-type: none"> • To maintain a greater gender balance within all employee categories in the work force. |
| <ul style="list-style-type: none"> • Integrating more employee suggestions and innovative ideas to drive greater business and process improvements. | <ul style="list-style-type: none"> • Alignment of existing HR policies to improve diversity, inclusion and pluralism. | <ul style="list-style-type: none"> • To fill 90% of the vacancies related to the Assistant Manager category and above using existing talent, through a robust succession planning process. |
| <ul style="list-style-type: none"> • Inculcating corporate values among employees on a daily basis. | <ul style="list-style-type: none"> • Development of employees with a sustainability-oriented mindset, thereby contributing towards reducing the company's carbon footprint. | |
| | <ul style="list-style-type: none"> • Continuing to be certified as a Great Place to Work, while implementing appropriate development actions for further improvements. | |

EXTERNAL ASSURANCE REPORT



Ernst & Young
Chartered Accountants
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Independent Assurance Report to the Board of Directors of Ceylinco Life Insurance Limited on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2021

Scope

We have been engaged by the management of Ceylinco Life Insurance Limited ("the Company") to perform an independent assurance engagement, as defined by the Sri Lanka Standard on Assurance Engagements, on the sustainability reporting criteria presented in the Integrated Annual Report for the year ended 31 December 2021 (the "Report").

- Reasonable assurance on the information on financial performance as specified on page 20 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the GRI Standards: Core option.

Criteria applied by Ceylinco Life Insurance Limited

The sustainability reporting criteria presented in the Report has been prepared in accordance with The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website www.globalreporting.org.

This Report has been prepared in accordance with the GRI Standards: Core option (the "criteria").

Ceylinco Life Insurance Limited's responsibilities

Ceylinco Life Insurance Limited's management is responsible for selecting the criteria, and for presenting the Report

in accordance with the said criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to support the sustainability reporting process of the Report, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Report in accordance with the GRI Standards: Core option based on the evidence we have obtained.

We conducted our engagement in accordance with the 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 and the terms of reference for this engagement as agreed with Ceylinco Life Insurance Limited in the engagement letter dated on 18th February 2022.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Report in order for it to be in accordance with the criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

Our Independence and Quality Control

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

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We performed our procedures to provide an independent assurance engagement in accordance with SLSAE 3000.

Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance Indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance indicators within the Report and obtaining an understanding of the compilation of

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G G S Manalunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

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the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. 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.

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

We also performed the below procedures as we considered necessary in the circumstances:

- Perform a comparison of the content of the Report against the Global Reporting Initiative (GRI) - GRI Standards guideline.
- Interviewing relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Review and validation of the information contained in the Report.
- Check the calculations performed by the organization on a sample basis through recalculation.
- Advice, make recommendations and suggestions on the Sustainability Reporting indicators to improve the presentation standard.
- Independently review the content of the Report and request changes if required.
- Express an independent assurance conclusion on the performance indicators presented in the Sustainability Reporting criteria.

Emphasis of matter

Social, natural and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

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

Restricted use

This report is intended solely for the information and use of Ceylinco Life Insurance Limited and is not intended to be and should not be used by anyone other than the specified party.

Conclusion

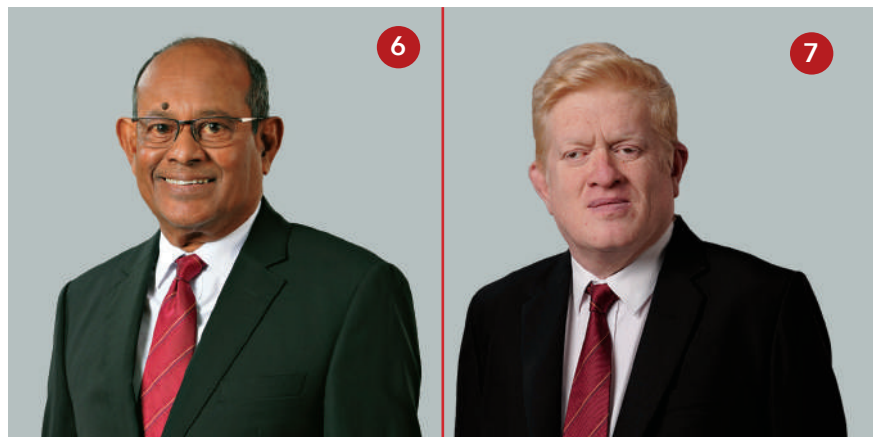
Based on our procedures and the evidence obtained, we conclude that:

- The information on financial performance as specified on page 20 of the Report is properly derived from the audited financial statements of the Company for the year ended 31 December 2021.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from the GRI Standards: Core option.

Ernst & Young
Colombo

21st February 2021

BOARD OF DIRECTORS



01 R RENGANATHAN
EXECUTIVE CHAIRMAN

02 E T L RANASINGHE
MANAGING DIRECTOR/
CHIEF EXECUTIVE
OFFICER

03 P D M COORAY
EXECUTIVE DIRECTOR/
HEAD OF HR AND
TRAINING

04 P A JAYAWARDENA
EXECUTIVE DIRECTOR/ CFO

05 S R ABEYNAYAKE
EXECUTIVE DIRECTOR/
DEPUTY CFO

06 D H J GUNAWARDENA
NON-EXECUTIVE
DIRECTOR

07 R S W SENANAYAKE
NON-EXECUTIVE
DIRECTOR



08 J A SETUKAVALAR
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

**09 PROF. EMERITUS
W M M DE SILVA**
INDEPENDENT
NON-EXECUTIVE DIRECTOR

10 DR. B G S DE SILVA
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

**11 W M P J K
WICKRAMASINGHE**
SENIOR INDEPENDENT
DIRECTOR

12 H S B CALDERA
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

13 MS. A K SENEVIRATNE
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

14 J DURAIRATNAM
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

15 W W L R A FERNANDO
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

BOARD OF DIRECTORS



R Renganathan

Executive Chairman

Appointed as a Director in April 2014 and became the Chairman of the Board in November 2018.

Chairman of the Board Investment Committee, Member of the Nomination Committee

Skills and experience

He joined Ceylinco Limited in 1983 and has had a long career in the Group's insurance business. He was responsible for setting up the Life Division of Ceylinco Insurance after the Government of Sri Lanka permitted private insurers to enter the Insurance Industry in 1987.

He functioned as the MD/ CEO of Ceylinco Insurance PLC (Life Division) until the segregation became fully operational in 2015.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka.

Other current appointments

Deputy Chairman (Non-Executive Director) - Ceylinco Insurance PLC, Chairman - Ceylinco Healthcare Services Limited, Chairman - Serene Resorts Limited.



E T L Ranasinghe

Managing Director/Chief Executive Officer

Appointed as a Director in April 2014 and became the Managing Director and Chief Executive Officer of the Board in November 2018.

Member of the Board Investment Committee

Skills and experience

He joined Ceylinco Limited as a Product Manager in 1986, counting over 42 years in sales, marketing and strategic planning and is one of the pioneer members who set up Ceylinco Insurance PLC (Life Division).

He holds an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jaywardenepura, and is a Fellow of the Chartered Institute of Marketing, UK.

Other current appointments

Executive Director - Ceylinco Insurance PLC, Director - Ceylinco Healthcare Services Limited, Director - Serene Resorts Limited

Previous appointments

Founder Member - Chartered Institute of Marketing, Sri Lanka, Executive Committee memberships including the post of Senior Vice Chairman of CIM.



P D M Cooray

Executive Director / Head of Human Resources and Training

Appointed as the Executive Director - Head of Human Resources and Training in April 2014.

Skills and experience

Having joined Ceylinco Insurance as an Assistant Manager - Training in 1987, Mr. Cooray played a key role in setting up the sales force for Ceylinco Life Insurance.

He is an internationally reputed speaker on life insurance and the first South Asian non-member to address the Million Dollar Round Table (MDRT), a prestigious international life insurance convention.

He is a Fellow of the Life Underwriters Training Council, USA (LUTCF) and a Chartered Insurance Agency Manager (CIAM), Certified Manager of Financial Advisors (CMFA), Executive Diploma in Business Administration, University of Colombo, CII (Award) on Financial Planning from the Chartered Insurance Institute, London.

Other current appointments

Executive Director - Ceylinco Insurance PLC, Director - Serene Resorts Limited



P A Jayawardena

Executive Director / CFO

Appointed as the Executive Director/CFO in April 2014.

Member of the Board Investment Committee

Skills and experience

He joined the Life Division of Ceylinco Insurance PLC in 1990 as Chief Accountant (Branches) and counts over 31 years experience in the insurance industry.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants, Sri Lanka.

Other current appointments

Non-Executive Director - Ceylinco Insurance PLC, Director - Serene Resorts Limited, Director - Ceylinco Healthcare Services Limited



S R Abeynayake

Executive Director / Deputy CFO

Appointed as the Executive Director/Deputy CFO in April 2014.

Member of the Board Investment Committee

Skills and experience

Mr Ranga Abeynayake counts over 22 years of experience in handling key management positions in the areas of Finance, Risk Management, Strategic Planning, Treasury Management and Project Planning. He holds a Master of Business Administration (MBA) from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and, of the Institute of Certified Management Accountants of Sri Lanka.

He joined the Life Division of Ceylinco Insurance PLC in March 1998 as Financial Accountant and held many senior positions before appointing to the Board.

Other current appointments

Non-Executive Director - Ceylinco Insurance PLC, Director - Serene Resorts Limited.

Previous appointments

Chairman / Non-Executive Director - Citizens Development Business Finance PLC.



D H J Gunawardena

Non-Executive Director

Appointed as a Non-Executive Director in April 2014. He was last re-elected in March 2020 and has been with the Company for a tenure of 7 years & 8 months.

Member of the RPTR Committee and member of the Audit Committee

Skills and experience

He counts over 47 years of experience in shipping, airline, finance, mining, export and import trade.

He was a Fellow of the Chartered Institute of Management Accountants, UK, and is a Chartered Global Management Accountant.

Other current appointments

Director - Hunter & Company PLC, Director - Lanka Canneries (Pvt) Limited, Director - Heath

& Co. (Ceylon) Limited, Director - Pelwatte Dairy Industries Limited, Chairman/Non-Executive Director - Techinc Global Advisory (Pvt) Ltd and Non - Executive Independent Director - Ceylinco Insurance PLC

Previous appointments

Chairman - Citizens Development Business Finance PLC



R S W Senanayake

Non-Executive Director

Appointed as a Non-Executive Director in April 2014. He was last re-elected in March 2020 and has been with the Company for a tenure of 7 years & 8 months.

Member of the Risk Committee and member of the Board Investment Committee

Skills and experience

He serves as a member of the Board Investment Committee of the Company having previously served in Ceylinco Insurance PLC from 1995 to 2009 in the field of investments and counts over 26 years experience in financial markets including insurance, stock brokering, fund management and corporate finance.

Associate of the Chartered Institute of Management Accountants, UK and a Fellow of the Certified Management Accountants, Sri Lanka

Other current appointments

Director - AKLAW Consultancy Services (Pvt) Ltd, Chairman - Corporate Capital Market Ltd., Director - Kenanga Investment Corporation Limited, Director - Kenanga Capital Holdings Ltd, Director - SMB Securities (Pvt) Limited, Director - SMB Real Estate Limited, Director - K Seeds Investments (Pvt) Limited, Director - The Magnum Fund Ltd, Director - Ceyline Holdings (Pvt) Ltd., Director - Ceyline Engineering Services (Pvt) Ltd, Director - Ceyline Shipping Ltd.



J A Setukavalar

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2020 and has been with the Company for a tenure of 7 years & 8 months.

Chairman of the RPTR Committee and Chairman of the Audit Committee

Skills and experience

Mr Setukavalar has over 41 years of experience in auditing, accounting and finance.

A recipient of scholarships awarded by the British Foreign and Commonwealth Office, UK and the Colombo Plan Bureau, he has been trained at INSEAD - France, IBM - Rochester, USA and JICA - Japan.

He also had worked for KPMG Colombo and Price Waterhouse Coopers in Dubai.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants, UK, and Certified Management Accountants, Sri Lanka, a Certified

Global Management Accountant and a Fellow of the Institute of Certified Professional Managers.

Other current appointments

Member - Board of Governors of the CMS schools in Sri Lanka, Chairman - Board of Trustees of the Ceylon School for the Deaf and Blind.

Previous appointments

Director - A. Baur & Co. (Pvt) Limited, Director - Baur Air Services Limited, Director - A. Baur & Company (Travel) Limited, Director - A. Baur Trading (Pvt) Limited, Director - Baur Agri Exports (Pvt) Limited, Director - Swiss Trading Group (Pvt) Limited, Director - Singer Finance (Lanka) PLC.

BOARD OF DIRECTORS



Prof. Emeritus W M M de Silva

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2021 and has been with the Company for a tenure of 7 years & 8 months.

Chairman of the Remuneration Committee

Skills and experience

Prof. de Silva has served as a Civil Volunteer Surgeon for the Sri Lanka Armed Forces and has received several accolades in recognition of his outstanding contributions. He is also the temporary advisor to WHO-SEARO on Patient Safety.

He holds a Master's Degree in Surgery from the University of Colombo, a Fellow of the Royal College of Surgeons, Edinburgh, an Honorary Fellow of the Asia Pacific Society of Digestive Endoscopy and an Honorary

Consultant Surgeon, Colombo South Teaching Hospital.

Previous appointments

President - College of Surgeons of Sri Lanka, Vice President - Sri Lanka Medical Association, Director Education - College of Surgeons of Sri Lanka, Former Dean - Faculty of Medical Sciences, University of Sri Jayewardenepura, Chairman - University Grants Commission of Sri Lanka and Senior Professor and Chair in Surgery.



Dr. B G S de Silva

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2021 and has been with the Company for a tenure of 7 years & 8 months.

Chairman of the Nomination Committee and Member of the Remuneration Committee

Skills and experience

Dr. de Silva is a Consultant Dental Surgeon with nearly 41 years experience.

He has a BDS (Sri Lanka), Degree from the University of Peradeniya and an FFDRCS (Ireland) in Oral Surgery.

Other current appointments

Director - Intercom (Pvt) Limited, Trustee of Ceylinco Insurance Employee Gratuity Trust Fund.

Previous appointments

President - Sri Lanka Dental Association and Chairman - Commission on Oral Diseases, Asia Pacific Dental Federation.



W M P J K Wickramasinghe

Senior Independent Director (SID)

Appointed as an Independent Non-Executive Director in April 2014 & he was appointed as the Senior Independent Director in January 2019. He was last re-elected in March 2020 and has been with the Company for a tenure of 7 years & 8 months.

Member of the Nomination Committee, Member of the RPTR Committee, Member of the Risk Committee, Member of the Audit Committee

Skills and experience

He counts over 37 years experience in engineering and IT. He is a member of the Chartered Institute of Logistics and Transport.

Other current appointments

Director - LINTA Enterprises (Private) Ltd, Research Institute, Kapruka Trust Fund.

Previous appointments

Chief Executive Officer - Lanka Logistics & Technologies Limited, Member - Board of Management of the Urban Development Authority, Chairman - Coconut Cultivation Board, Chairman - Coconut Development Authority, Chairman - Coconut Research Institute.



H S B Caldera

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2019 and has been with the Company for a tenure of 7 years & 8 months.

Member of the Remuneration Committee

Skills and experience

He is a practitioner in the Civil Courts in the areas of civil, corporate and commercial litigation together with commercial arbitrations, fundamental rights, administrative law and constitutional law.

He is an active member of the Bar Association of Sri Lanka, Attorney-at-Law and a graduate of the Faculty of Law, University of Colombo.

Other current appointments

Member - Board of Management of the Superior Courts Complex, Member - University Services Appeal Board.



Ms. A K Seneviratne

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in April 2014. She was last re-elected in March 2021 and has been with the Company for a tenure of 7 years & 8 months.

Chairperson of the Risk Committee

Skills and experience

Ms. Seneviratne is an actuary with over 21 years of experience, including 17 years in the life insurance industry in Sri Lanka. She had previously served as the in-house actuary of the Life Division of Ceylinco Insurance PLC.

She holds a BSc Degree with specialisation in Actuarial Mathematics from Concordia University (Canada) and the Canadian Risk Management (CRM) designation awarded by the Global Risk Management Institute (GRMI).

She is an Associate of the Society of Actuaries (USA) and an Associate of the Canadian Institute of Actuaries.

Other current appointments

Director- Technical Activities of the International Actuarial Association



J Durairatnam

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in November 2018. He was last re-elected in March 2019 and has been with the Company for a tenure of 3 years & one month.

Skills and experience

He has substantial professional, experience in Banking, covering all aspects of International Trade, Off-shore Banking, Credit, Operations and Information Technology, covering a period of 37 years.

He holds a Bachelor's Degree from the University of Peradeniya and an Executive Diploma from University of Colombo.

Other current appointments

Director- DFCC Bank PLC, Director – Assetline Leasing Co. Ltd, Director – Asian Hotel and Properties PLC.

Previous appointments

MD/CEO- Commercial Bank of Ceylon PLC, Director- Commercial Development Company PLC, Director – Lanka Financial Services Bureau Ltd, Director – Sri Lanka Banks 'Association (Guarantee) Ltd, Director- Lanka Clear Ltd.



W W L R A Fernando

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in June 2021 and he has been with the Company for 6 months.

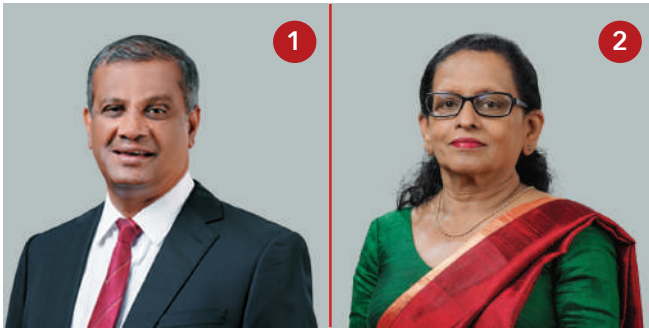
Skills and experience

Mr. Fernando is an Aviation Industry technical professional with 38 years of Aircraft Engineering experience with Air Lanka and Sri Lankan Airlines. A highly motivated Leader who guided every department in the Engineering Division to consistently achieve best results in engineering and maintenance service deliverables, with innovation and best practices that resulted in an unblemished record of accident-free flight operation.

He holds an Aircraft Maintenance Engineers License issued by the Sri Lanka Civil Aviation Authority from year 1985 onwards.

STEERING TOWARDS SUCCESS

STRATEGIC MANAGEMENT



01. P A J Jayawardena General Manager - Business Development, 02. R M U K Ratnayake General Manager/ Chief Digital Officer, 03. A H R Udayasiri General Manager - Business Development, 04. E R S G S Hemachandra General Manager - Marketing, 05. J P Abhayaratne General Manager - Operations, 06. W A W C Wijesinghe General Manager - Business Development, 07. H G A Sirisena General Manager - Technical, 08. P P D V Hemakumara Senior Assistant General Manager - Risk Management/Chief Risk Officer

SETTING THE RIGHT PATH

CORPORATE MANAGEMENT

01. **T N Y Morseth** Senior Deputy General Manager - Business Development, 02. **T Vijayananth** Deputy General Manager - Business Development, 03. **D S Thilakarathne** Deputy General Manager - Business Development, 04. **T D De Silva** Senior Assistant General Manager - Projects, 05. **R M P Bandara** Senior Assistant General Manager - Bancassurance, 06. **L V Keragala** Senior Assistant General Manager - Alternative Channels, 07. **H A Suraweera** Senior Assistant General Manager - Agency Administration, 08. **J L N Jayawardena** Senior Assistant General Manager - Customer Service, 09. **F H Li** Senior Assistant General Manager - ICT/ Chief Information Officer 10. **P A C D Wijayasekara** Senior Assistant General Manager - Internal Audit, 11. **D A T S Dissanayake** Senior Assistant General Manager - Deputy Head of Operations, 12. **R D Vipulatheja** Assistant General Manager - Training, 13. **D M G L Alwis** Assistant General Manager - Portfolio, 14. **G A H Chandana** Assistant General Manager - Finance, 15. **L G H A S Kumara** Assistant General Manager - Technical, 16. **P U C Pathinagoda** Assistant General Manager - Information Systems Audit,

CORPORATE MANAGEMENT



17. **C R P Liyanage** Assistant General Manager - Group Assurance, 18. **M J N S A Jayatilake** Assistant General Manager - Human Resources, 19. **M H Y A Silva** Assistant General Manager - Business Development, 20. **R M S Wijeyesekera** Assistant General Manager - Systems, 21. **V M G Kariyawasam** Assistant General Manager - Database Administration, 22. **K I Weththasinghe** Assistant General Manager - Legal, 23. **P P S Kalyaniwansa** Assistant General Manager - Business Development, 24. **B A Nandalal** Senior Manager - Business Development, 25. **P Vincent** Senior Manager - Projects, 26. **W S Dabarera** Senior Manager - Finance, 27. **D H Canagasabey** Senior Manager - Brand Development, 28. **S K N De Silva** Senior Manager - Financial Services, 29. **J S K Ratnayaka** Senior Manager - Business Development, 30. **K Sumanthiran** Senior Manager - Business Development, 31. **N K Subapanditha** Senior Manager - Business Development, 32. **M R N L Fonseka** Senior Manager - Operations,



33. G K S Sriyananda Senior Manager - Operations, 34. K M S N Karunanayake Senior Manager - Claims, 35. K L U Priyantha Senior Manager - Business Development, 36. N T Senavirathne Senior Manager - Business Development, 37. P H Samarasinghe Senior Manager - Brand Development, 38. T Nirojan Senior Manager - Business Development, 39. Ms. R P Gunasekera Senior Manager - Actuarial Services, 40. Mr. D M M Pussella Consultant - Business Intelligence

FOCUSSED ON EXECUTION MANAGERS



01. S P K Senadeera Manager Projects, 02. S P Mamaduwa Training Manager, 03. M A C P Wijeratne Manager - IT Projects, 04. D A Wijewardena Manager - IT Projects,

MANAGERS

05. **D R M T N D Bandara** Manager - Business Development, 06. **A K D D C Perera** Manager - Business Development, 07. **I B L Wijesinghe** Manager - Business Development 08. **M N Abdeen** Manager - Business Development, 09. **D S Hettiarachchi** Manager - Business Development, 10. **L P K Rupasiri** Manager - Operations, 11. **B A K S M Dharmasena** Manager - Information Security, 12. **M C Jayasinghe** Manager - Information Systems Audit, 13. **V Thanusath** Manager - Internal Audit, 14. **W A C R Alwis** Category Manager, 15. **S A T M Wijesinghe** Manager - IT Projects, 16. **H H U S C Fernando** Zonal Manager, 17. **S E S M Fernando** Manager - Administration, 18. **T D M P C Pulle** Manager - Training, 19. **S D Arulanandam** Manager Customer Relations, 20. **R P L Dammika** Zonal Manager



21. Mr. S P Karunaratne Manager - Operations, 22. Mr. L V S R R De Mel Manager - Administration,
23. Ms. N Luxshumyraj Brand Manager

SALES MANAGERS

Mr. E B J I Kumara
Acting Zonal Manager

Mr. S Dharshan
Acting Zonal Manager

Mr. M A S N Peter
Senior Regional Sales Manager (Branch Head)

Mr. N Kiriwandeniya
Senior Regional Sales Manager

Mr. H M J Banda
Regional Sales Manager (Branch Head)

Mr. S S Wettasinghe
Regional Sales Manager (Branch Head)

Mr. S A S Chandralal
Regional Sales Manager (Branch Head)

Mr. P D H Rasanga
Regional Sales Manager

Mr. S A A S Kumara
Regional Sales Manager

Mr. K M P D Chandradasa
Assistant Regional Sales Manager (Branch Head)

Mr. M P W Cooray
Assistant Regional Sales Manager (Branch Head)

Mr. M M R L Perera
Assistant Regional Sales Manager (Branch Head)

Mr. T J R Perera
Assistant Regional Sales Manager (Branch Head)

Mr. T Rajakopal
Assistant Regional Sales Manager

Mr. B B P Wickramasinghe
Acting Assistant Regional Sales Manager

Mr. S N Hettiarachchi
Senior Branch Sales Manager

Mr. H I Munasinghege
Senior Branch Sales Manager (Branch Head)

Mr. A P Perera
Senior Branch Sales Manager (Branch Head)

Mr. S A S R Senanayaka
Senior Branch Sales Manager (Branch Head)

Mr. R Mayuran
Senior Branch Sales Manager (Branch Head)

Mr. J Piratheev
Senior Branch Sales Manager (Branch Head)

Mr. J A R S Jayasinghe
Senior Branch Sales Manager (Branch Head)

Mr. B A Priyantha
Senior Branch Sales Manager (Branch Head)

Mr. J M S Jayasundara
Senior Branch Sales Manager (Branch Head)

Mr. W S R Fernando
Senior Branch Sales Manager (Branch Head)

Mr. T V M Lakmal
Branch Sales Manager (Branch Head)

Mr. M Priyaviraj
Senior Business Promotion Manager - Corporate Sales

Mr. A I P Manjula
Senior Business Promotion Manager

Ms. W G T K Danapala
Senior Business Promotion Manager

Mr. K B A Thushara
Senior Business Promotion Manager

Mr. N Pushpaharan
Senior Business Promotion Manager

Mr. W K M C Wickramasinghe
Senior Business Promotion Manager

Mr. W S Fernando
Senior Business Promotion Manager

Mr. S M C Bandara
Business Promotion Manager

Mr. N A J Fernando
Business Promotion Manager

Mr. K H A Kumara
Acting Assistant Regional Sales Manager

Mr. K G S B Wijeratne
Acting Assistant Regional Sales Manager

CORPORATE GOVERNANCE



Chairman's Message

Dear Shareholders,

I am pleased to introduce our Corporate Governance Report for 2021, which sets out the principles of good governance that we practice at Ceylinco Life Insurance Limited (CLIL). Over the years we have traversed through times of uncertainty and changed to provide better values and endless possibilities to all our stakeholders. 2021 was no exception as the pandemic continued to maintain its grip putting to test the resilience and adaptability of businesses. CLIL faced these challenges head-on demonstrating its strength and agility in responding to changing dynamics. The Company's Corporate Governance processes have always been a key strength in delivering superior performance and value and while upholding the principles of integrity, transparency and accountability, the existing structures were further reinforced to adapt to the changing times and new ways of work. Embracing newer and more advanced technologies, the Company took bold strides towards strengthening its compliance frameworks and internal control mechanisms to ensure that the high standards of corporate governance were maintained during this turbulent year.

Key focus areas of 2021

The Board provides ethical, accountable and purpose driven leadership to recalibrate the strategic priorities of the Company in line with our long-term vision and purpose. The governance framework is regularly reviewed to adapt to internal and external developments and industry best practices. The main focus of the year was to minimize the impact of Covid-19 on business operations and its employees. For this purpose, continuous risk assessments

were carried out whilst evaluating new initiatives that can minimize the impact. Automation of existing manual processes to enable remote functionality, further strengthening the Company's digital strategy by revisiting the Information System standards and aligning them according to ISO 27001, reviewing the readiness for implementation of SLFRS 17, SLFRS 9 and other changes in the regulatory environment were some of the key priorities addressed during the year.

Impact on Covid-19 for Board activities

In adherence with the restrictions placed on traveling and physical interactions, the Board carried out its activities during the year using digital platforms. The Boardpac was introduced in order to facilitate the conduct and circulation of Board related information in an efficient and paperless manner. All meetings were conducted in a hybrid manner allowing Directors the flexibility of attending meetings according to their preference and convenience. The AGM was conducted physically with the recommended quorum, in order to discuss all the agenda items appropriately.

Changes to the Board

In terms of Direction No.17 issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) on 17th December 2018 (as amended) Gen. Weerasooriya, Non-Executive Non-Independent Director retired from the Board w.e.f.30th June 2021. Mr. W W L R A Fernando was appointed as an Independent Non-Executive Director on the same day in order to fill the casual vacancy arisen. Furthermore, with the issuance of the latest revision to the aforesaid Direction on

03rd February 2022, the Nomination Committee discussed regarding the upcoming director retirements and succession planning initiatives to be made in the future.

Changes in culture and values

Our core values, Professionalism, Rewarding, Integrity, Dedication, and Excellence shape and drive our organizational culture. The practices adopted by the Company under the Code of Best Practice on Corporate Governance 2017 and the provisions of the Code of Conduct of the Company guide the employee's conduct in engaging with internal and external parties to complement value generation. Whilst leading the way, the Board always encourages initiatives on employee welfare and engagement of all employees in the decision-making process.

Declaration

This report presents the Company's level of compliance of the Code of Best Practice on Corporate Governance 2017 (The Code) issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Direction No.17 issued by the Insurance Regulatory Commission of Sri Lanka on 17th December 2018 (as amended) under section 96A of the Regulation of Insurance Industry Act No.43 of 2000. As required by the aforesaid regulations, I hereby wish to confirm that, to the best of my knowledge and belief, I am not aware of any material violations of the provisions of the Code of Best Business Conduct and Ethics of the Company by any Director or any member of the Corporate Management team as of the date of the Annual Report and that the Company has satisfied all statutory payment obligations to the Government and the statutory/regulatory bodies.

R Renganathan
Executive Chairman

24 February 2022
Colombo



Statement of the Senior Independent Director

Our Company is committed to maintaining high standards of Corporate Governance and strives to continually improve its governance practices and processes. The Company follows a strict policy on compliance with the mandatory requirements and taking a step further, embraces voluntary adherence as well. In line with the Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka, Ceylinco Life has appointed a Senior Independent Director (SID), as the Chairman plays an executive role,

thereby further strengthening the key pillars of the Company’s governance framework, transparency, accountability and stewardship.

The presence of the SID provides added value to the role played by the Chairman. While the Chairman provides leadership to the Board, my role as the SID entails review of the effectiveness of the Board’s activities. As the SID, I am consulted by the Chairman on governance related matters, and I make myself available to any

Director to have confidential discussions on affairs of the Company as and when the need arise. During the year under review, two confidential meetings with Executive Directors and Non-Executive Directors were conducted as per the requirements of the Code of Best Practice on Corporate Governance 2017 in order to discuss governance related matters.

It is my sincere belief that responsible leadership, active involvement of a competent Board, comprehensive policy framework, effective controls and organization culture will lead the way to sustained value creation for our stakeholders.

W M P J K Wickramasinghe
Senior Independent Director

24 February 2022
Colombo

Outline of the Corporate Governance Commentary

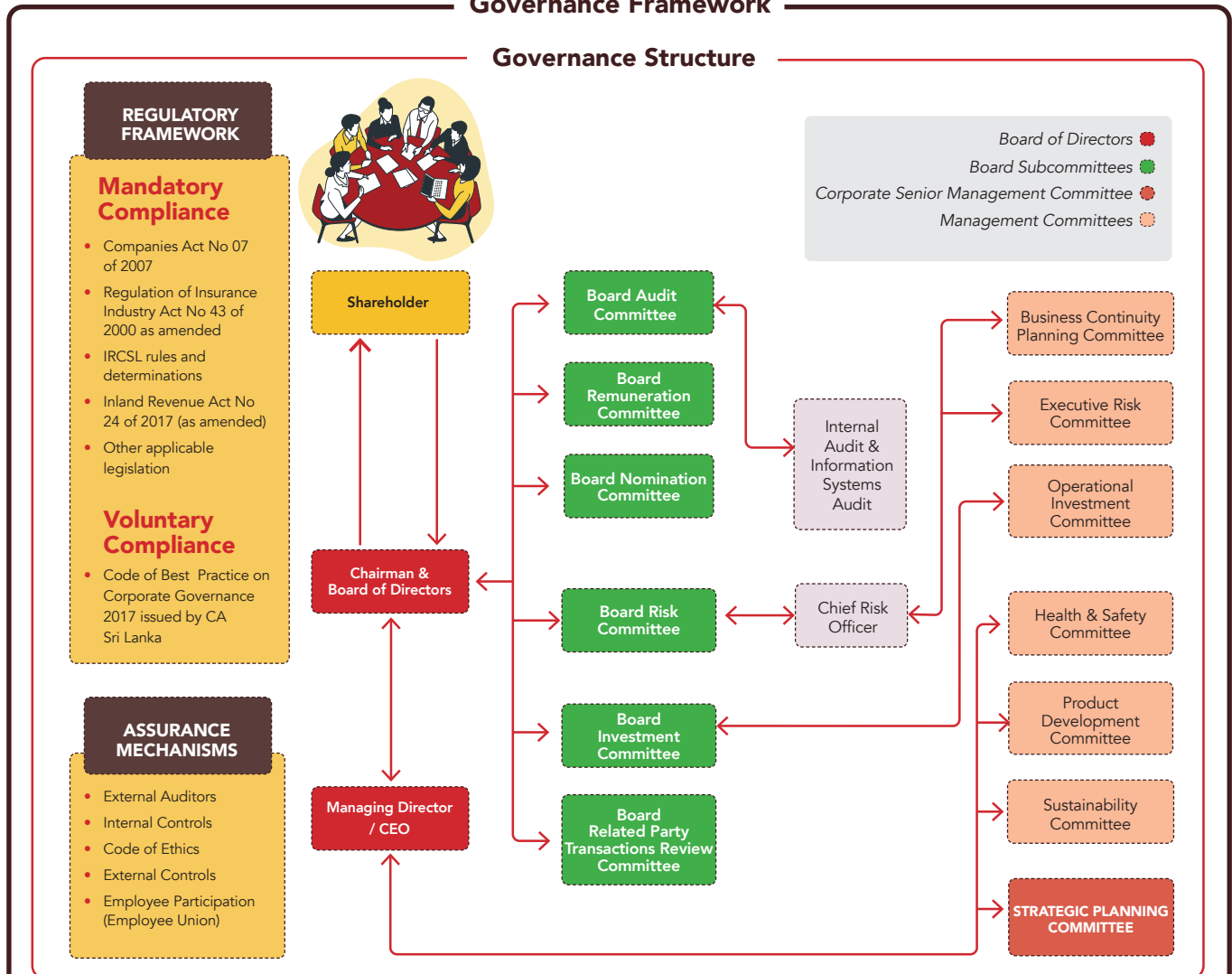
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CORPORATE GOVERNANCE

Governance Framework and Structure

The Board is responsible for setting in place a robust Governance Framework that supports the achievement of the Company's strategic objectives while safeguarding the corporate values, reputation and assets. Founded on the key pillars of Stewardship, Transparency and Accountability, the framework allows the Company to venture beyond its mandatory compliance, to expand conformance practices to different areas of the business, promoting responsible corporate behavior, strengthening operations, addressing expectations of various stakeholder groups and eventually supporting sustained performance. In a year of unprecedented challenges, the Board sought to strengthen the Governance Framework to build agility and resilience, tailored to meet future challenges.

Governance Framework



STEWARDSHIP

The Board of Directors, the highest governing authority of the Company, provides ethical, accountable and transparent leadership which ensures sustainable value creation and a culture of continuous improvement of good governance practices.



TRANSPERANCY

Transparency essentially depends on the compliance structure of the Company and the level of assurance obtained. In ensuring transparency, the Board of Directors collectively and individually act in accordance with the laws and regulations of the country.



ACCOUNTABILITY

The pillar of accountability is a key element of good corporate governance and relates to the board's ability to ensure it conducts and presents a fair, balanced and understandable assessment of the company's position and prospects.

Value Creation through Corporate Governance during 2021

The Board acknowledges that the adoption of good governance practices is critical to create a sustainable business and therefore the strategic objectives of the Company are defined accordingly. The strategic direction of the Company is based on six key pillars; Retaining market leadership, Transforming through Technology, Building relationships for life, Investing in Our People, Delivering Financial Value and Nurturing Our Environment, which are discussed in detail on pages 54 to 137. The following table depicts how the internal policies, procedures and systems of the Company which form part of the Corporate Governance framework facilitate the achievement of the corporate goals while creating value for its stakeholders.

| | | |
|---|--|---|
| <p>1 Strategic Objective</p> <p>Retaining market leadership</p> <p>To retain the market leadership by focusing on the business strategy, innovation, knowledge and agility to create industry trends.</p> <p><i>(More information on this area is provided under Market leadership on pages 69 to 75.)</i></p> | <p>Governing Structure</p> <ul style="list-style-type: none"> • Strategic Planning Committee • Business Development Management Committee • Product Development Committee • Board and Enterprise Risk Management Committees | <ul style="list-style-type: none"> • Assessment of IT related risks and its impact to the organization. As a result, a globally-renowned Next Gen Anti Virus solution and email security solutions were implemented to enhance the security. Further, introduction of Privilege Access Management for internal user administrators for proper monitoring of the user access to live system environment • Automated processes and devices related to premium collection, i.e. automation of CRM workflow on Life 360, premium collection, bonus and claims conducted online, Online meetings conducted via video conference, etc. • Revision of all IT related policies and procedures in line with ICT 27001 and initiating the User Acceptable Policy • Development of a framework for the ICT Business Continuity Plan and conducting of several drills by the IT Security team • Entering into ESCROW agreements with outsider software developers in order to mitigate future risks relating to system maintenance |
| <p>Key Responsibility of the Board</p> <ul style="list-style-type: none"> • Formulation and implementation of a sound business strategy | <p>2 Strategic Objective</p> <p>Transforming through Technology</p> <p>Implementing cutting-edge systems that promote security, efficiency, convenience and uninterrupted services to all our stakeholders.</p> <p><i>(More information on this area is provided under Transforming our business with IT on pages 101 to 109.)</i></p> | |
| <p>Contribution during 2021</p> <ul style="list-style-type: none"> • Review of the Strategic Plan of the Company and allocation of resources. (More information is provided under "Strategy and resource allocation" on pages 43 to 49.) • Continuous monitoring of achievement of sales performance • A dedicated Data Analytics Department was formed in order to identify future trends in the market. (More information is provided under Transforming through technology on pages 101 to 109.) • Contribution towards implementation of product design and pricing strategies | <p>Key Responsibility of the Board</p> <ul style="list-style-type: none"> • Ensuring effective systems to secure the integrity of information, internal controls, business continuity and risk management | |
| <p>Governing policy /Procedure</p> <ul style="list-style-type: none"> • Code of Conduct of the Company • Board approved annual KPI system • Code of conduct for Agents issued by the IRCSL • Product development policy | <p>Contribution during 2021</p> <ul style="list-style-type: none"> • Continuous review of the adequacy and integrity of the existing internal controls and Management Information Systems (MIS) • Improving IT Security Architecture, for example by upgrading the existing data centre to smart data centre, UPS system. | <p>Governing policy /Procedure</p> <ul style="list-style-type: none"> • Acceptable Usage policy • IT security Manual • IT Disaster Recovery plan • Bring Your Own Device (BYOD) policy |
| | | <p>Governing Structure</p> <ul style="list-style-type: none"> • Board Risk Committee • Board Audit Committee • Enterprise Risk Management Committee |

CORPORATE GOVERNANCE

- Chief Information Security Officer (CISO)
- ICT Risk Committee
- Chief Risk Officer (CRO)
- Independent vulnerability assessments

3 Strategic Objective**Building relationships for life**

To build long-term, mutually beneficial partnerships that ensure the organization's long-term sustainability and growth

(More information on this area is provided under Business relationship for life on pages 76 to 100).

Key Responsibility of the Board

- Ensuring compliance with laws, regulations and ethical standards
- Ensuring all stakeholder interests are considered in corporate decisions

Contribution during 2021

- Ensured that the required framework is in place to comply with all the statutory requirements, i.e. capital adequacy, taxation obligations, etc. and a compliance audit was conducted by an independent party to assess the current status Eg. Review of the readiness to comply with the SLFRS 17 & SLRFS 9 standards, etc.
- Implementation of a Compliance Management tool and Anti Money Laundering (AML) and Terrorist Financing transactions monitoring system to enhance the compliance monitoring mechanism
- Initiatives were taken to ensure ethical and transparent supplier relationships
- Implementation of the Complaint Handling Policy to ensure the prompt, fair and timely treatment of all complaints

- Conduct of a Compliance audit by E&Y to assess the level of compliance status
- Declaration of the first and final dividend of Rs.15.65 per share for the year ended 31st December 2020 to the shareholders of the Company.

Governing policy /Procedure

- Customer complaint handling policy
- Criteria determined for Supplier registration
- Procurement policy
- Sustainability policy
- Anti-money laundering and Terrorist Financing Policy
- Bribery and Corruption Policies
- Other mandatory and regulatory compliances as depicted under "Regulatory framework" on page 4.

Governing Structure

- Board Audit Committee
- Board Risk Committee
- Tender Committee

4 Strategic Objective**Investing in Our People**

To provide an equal opportunity for every employee to develop their skills and perform well.

(More information on this area is provided under Investing in Our People for life on pages 121 to 137).

Key Responsibility of the Board

- Ensuring that the Management team possesses the skills, experience and knowledge to implement the strategy

- Availability of a proper succession strategy for KMPs
- Ensuring compliance with laws, regulations and ethical standards

Contribution during 2021

- Continuous monitoring of the impact of COVID-19 on business operations and health and safety measures taken for the safety of employees
- A policy addressing employee diversity is currently under review.
- Conduct of employee survey for "Great Places to Work" and Employer Brand Value survey conducted by Nielsen.
- Initiatives taken to further strengthen the whistle blowing framework
- Review of the employee succession plan and performance appraisal system to create a performance-driven culture.
- Arrangements were made to conduct online on-boarding and off-boarding of employees and online trainings for employees considering prevailing social distancing regulations.
- Review of the Remuneration policy of the Company

Governing policy /Procedure

- Remuneration policy
- Code of Conduct
- Recruitment policy
- Whistle blowing policy
- Disciplinary Management policy
- Sexual Harassment Policy
- Grievance Handling Policy
- Anti-money laundering and Bribery and Corruption Policies

Governing Structure

- Remuneration Committee
- Enterprise Risk Management Committee
- Nomination Committee

| |
|---|
| 5 Strategic Objective |
| <p>Delivering Financial Value</p> <p>Smart, prudent investments to maximize the returns to all stakeholders while improving regulatory compliance</p> <p><i>(More information on this area is provided under Delivering Financial value on pages 54 to 68.)</i></p> |
| Key Responsibility of the Board |
| <ul style="list-style-type: none"> • Approving budgets and major capital expenditure • Determination of delegation of limits of authority and financial delegation • Ensuring compliance with laws, regulations and ethical standards • Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations • Continuous review of progress made in corporate strategy, budgets and related risks • Reporting on an annual /quarterly basis to the Regulator |
| Contribution during 2021 |
| <ul style="list-style-type: none"> • Approval of Audited and Quarterly Financial Statements of the Company • Recommendation of the Dividend for the year 2021 for the approval of the shareholder • Public disclosure on annual/ quarterly financial performance of the Company • Approval of Key Performance Indicators (KPIs) for 2021 of the Company at the beginning of the year. |

| |
|---|
| <ul style="list-style-type: none"> • Review of the achievement of KPIs in 2020. • Assessment of Counter party credit worthiness for 2021 • Review of defined internal investment benchmarks and its achievement on a quarterly basis • Regular reviews on the SLFRS 17 implementation project • Introduction of the Asset Liability Management Policy, Loss Limit Policy • Conducting of the stress testing to estimate impact on Capital Adequacy Ratio and policyholder surplus due to declining interest rates |
| Governing policy /Procedure |
| <ul style="list-style-type: none"> • Board Audit Committee Charter • Board Investment Committee Charter • Accounting policies • SLRFS/LKAS • Investment policy statement • Procedure manuals and guidelines • IRCSL guidelines on best practices of investment management • Expense Allocation policy • Asset Liability Management Policy |
| Governing Structure |
| <ul style="list-style-type: none"> • Board Audit Committee • Board Investment Committee • Operational Investment Committee • Independent External macro – economic advisors • External and Internal Audits |

| |
|--|
| 6 Strategic Objective |
| <p>Nurturing Our Environment</p> <p>To minimise the direct environmental impact of our operations and contribute towards the sustainable use of natural resources thereby preserving value for future generations.</p> <p><i>(More information on this area is provided under Nurturing our environment on pages 110 to 120).</i></p> |
| Key Responsibility of the Board |
| <ul style="list-style-type: none"> • Ensuring compliance with laws, regulations and ethical standards • Recognizing sustainable business development in corporate strategy, decisions and activities and considering the need for adopting Integrated Reporting |
| Contribution during 2021 |
| <ul style="list-style-type: none"> • An independent, external assurance on Integrated reporting practices was carried out. • Contribution towards Green club initiatives • Development of the company wide document retention policy • Introduction of Recycling targets • Conducting of the Carbon footprint monitoring controls • Reduction of paper consumption • Controls of resource usage i.e. water, electricity |
| Governing policy /Procedure |
| <ul style="list-style-type: none"> • Sustainability Policy |
| Governing Structure |
| <ul style="list-style-type: none"> • Sustainability Committee • Construction Committee |

CORPORATE GOVERNANCE

Our Journey on Corporate Governance Reporting

2016

Formation of the Related Party Transaction Review Committee

Formation of the Nomination Committee

Compiling a comprehensive Risk Register for the Company with the assistance of Ernst & Young Advisory Services

Implementation of CAMMS Risk Manager system for identifying, recording, analysing and monitoring the risks of the Company.

2017

Formation of the Board Investment Committee as per the guidelines issued by the IRCSL

Approval of the Remuneration Policy of the Company

Development of a Key Risk Indicator Dashboard.

Development of Investment Policy Statement of the Company

2018

Initiated SAP Finance and Investment System in order to adopt a system driven, investment risk and limit monitoring system.

Introduction of a robust procedure of recognizing and reporting Related Party Transactions

Review of Business Continuity Plan and IT Disaster Recovery Plan

Appointment of Mr. J Durairatnam as an Independent Director

Retirement of the former Chairman and appointment of Mr. R Renganathan as the Executive Chairman

2019

Reconstitution of Related Party Transactions Review Committee and Remuneration Committee of the Company.

Appointment of the Senior Independent Director and introduction of holding confidential meetings with Executive and Non-Executive Directors

Appointment of a dedicated Chief Risk Officer to review the ERM process more comprehensively.

Implementation of Policy on Prevention of Money Laundering and Terrorist Financing, Anti-corruption and Bribery Policy, Whistle-blowing Policy, Data protection and leakage policy

Commencement of SLFRS 17 & SLFRS 9 implementation project.

2020

Implementation of a Acceptable User Policy, Internal Capital Adequacy Policy, Document Retention Policy

Conduct of a Employee survey for "Great Places to Work" and the initiatives were taken based on the focus group discussions for further improvement

Conducting of special audits on SAP migration, Anti Money Laundering , Counter Terrorist Financing, etc...

Development of a Sustainable Policy and appointment of a Sustainability Committee

Impact of Covid-19 on the business continuity risk was assessed.

Highlights of 2021

The ensuing sections of this governance report are structured under the following priorities:



Stewardship

- Composition of the Board
- Sub-committees
- Board meetings
- Company Secretary
- Independence
- Changes to the Board
- Training and development
- Appraisal of performance
- Remuneration

Highlights

- Effecting the required changes under the Direction # 17 on Corporate Governance Framework for Insurers issued by the IRCSL (*More information is given under item 'Changes to the Board' on page 165*)
- Annual review of the Terms of Reference and Charters of the Board Sub-committees (*More information is given under Subcommittee reports on pages 194 to 202*)
- Revision of Risk Management Process, Risk Framework and Risk Appetite Statement (*More information is given under ERM Management on pages 177 to 184*)
- Review of Investment Policy Statement (*More information is given under Board Investment Committee Report on page 201*)
- Review of Remuneration Policy (*More information is given under Board Remuneration Committee Report on page 194*)
- Deployment of Boardpac, a Board Meeting solution to conduct meetings on a digitized platform in order to carryout the activities of the Board remotely and efficiently (*More information is given under 'Transforming through IT' on page 101 to 109*).
- Conducted two workshops on reinsurance and quality framework of the Company for the Board of Directors.
- Reviewed major policy statements, i.e. Risk Management process, Risk framework, Risk Appetite Statement, Investment Policy Statement, Remuneration Policy, etc.
- Discussion on the Key Performance Indicators for the year 2021 with the Senior Management team.
- Conducted Board performance evaluation and assessment of independence of Non-executive Directors for the year 2021
- Annual evaluation of the skills and expertise of the Board members to ensure their capabilities to carryout the future strategic goals of the Company.



Accountability and Control

- Annual Report
- External Audit
- Shareholder relations
- Material or major transactions
- Risk management and Internal Control
- Information Technology and Security

Highlights

- Review of SLFRS 17 Implementation in order to ensure the readiness of the company to comply with the standard within the stipulated timeframe (*More information is given under Delivering Financial Value on page 54 to 68*)
- Introduction of a Board-approved Asset Liability Management (ALM) Policy in order to prudently manage policyholder assets and liabilities, in order to achieve financial objectives while meeting policyholder liabilities, subject to given risk tolerances and other constraints. (*More information is given under Delivering Financial Value on page 54 to 68*)
- Introduction of a Board-approved Loss Limit Policy in order to detail the approval and reporting process while enhancing transparency (*More information is given under Delivering financial value on page 54 to 68*)
- Implementation of the Complaint Handling Policy to ensure the prompt, fair and timely treatment of all complaints, which will help to safeguard the interest of policyholders (*More information is given under Building relationships for life on page 76 to 100*)
- Upgrade of CAMMS risk management software for effective monitoring of operational risks of the Company (*More information is given under Enterprise Risk Management on page 177 to 184*)
- Revision of all the IT related policies and procedures in line with ICT 27001 and initiating the User Acceptance Policy to reflect such amendments appropriately (*More information is given under 'Transforming through IT' on page 101 to 109*)

CORPORATE GOVERNANCE



Accountability and Control

- Annual Report
- External Audit
- Shareholder relations
- Material or major transactions
- Risk management and Internal Control
- Information Technology and Security

Highlights

- An independent, external assurance on Integrated reporting practices was obtained for the Annual Report 2021 to enhance the greater transparency and objectivity (More information is provided under "Independent Assurance Report for Integrated Reporting" on page 206 to 207.)
- Development of the framework for ICT Business Continuity Plan and conducting of periodic reviews of the Business Continuity Plan of the Company.
- Conducting of the vulnerability assessments by an independent Consultant and corrective actions taken against identified external and internal vulnerabilities. Appointment of an Internal Security Assessment Team from different departments to carry out security assessments internally (More information is given under 'Transforming through IT' on page 101 to 109).
- Implementation of Privilege Access Management (PAM) system for internal user administrators for proper monitoring of the user access to live system environment (More information is given under 'Transforming through IT' on page 101 to 109).
- Completion of the Data Leakage and Classification project and development of a data classification policy for each department (More information is given under 'Transforming through IT' on page 101 to 109)



Transparency and Ethical Considerations

- Compliance
- Values and Culture
- Whistleblowing
- Diversity and Gender Equality

Highlights

- Commencement of the implementation of a Compliance Management tool and Anti Money Laundering (AML) transactions monitoring system in order to enhance the compliance monitoring mechanism.
- Conduct of Compliance audit by Ernst & Young, Chartered Accountants, in order to assess the existing level of compliance of the Company.
- Public disclosure on price sensitive information to the share price of Ceylinco Insurance PLC, especially on financial performance.
- Conducted an employee survey for "Great Places to Work" and developed action plans to be carried out by the focus groups to inculcate the best practices into the culture of the organization, using the survey feedback (More information is given under Investing in our people on page 121 to 137)
- Initiatives taken to enhance the effectiveness of the Whistleblowing Policy (More information is given under Investing in our people on page 121 to 137).



Sustainable Business

- Embedding ESG Considerations
- Business Continuity Planning

Highlights

- Continuous review of the existing Business Continuity Plan and its adequacy in the prevailing pandemic situation and to keeping the Board informed of the findings on a regular basis.
- Senior Management policy decision to optimize usage of resources, via reduction of paper usage, travel guidelines to reduce fuel usage, whilst virtual meetings were encouraged to reduce power consumption, etc.
- Compliance with environmental regulations
- Initiatives were taken to measure the carbon footprint of the Company for the 2nd consecutive year, in order to assess the impact of the operations of the Company on the environment and take the required preventive measures according to the outcome.
- Revisiting the Company's Document archiving manual in order to responsibly divest excess paper and manage the archiving facility effectively.

(More information is given under Nurturing Environment on pages 110 to 120)

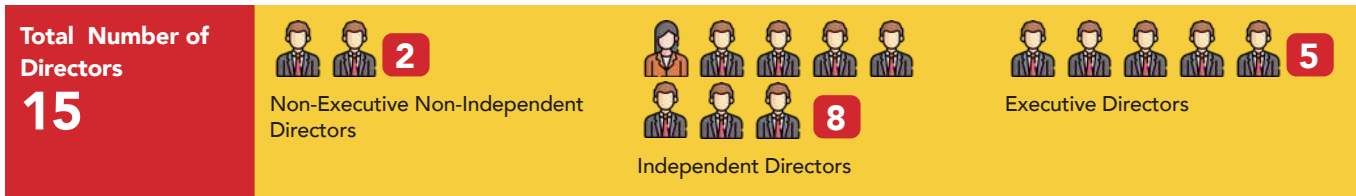
Corporate Governance Report

1. Stewardship

The Board of Directors provides ethical and entrepreneurial leadership to safeguard stakeholder value creation within a framework of robust and effective controls. The Board is well balanced and competent to discharge their statutory and fiduciary duties, objectively and effectively. The Directors possess financial acumen and knowledge gained through experience from leading large enterprises and professional backgrounds. A skilled Corporate Management Team supports the Board, and their expertise underpins the Company's ability to deliver on its strategy. The Board holds ultimate responsibility for the performance and affairs of the Company and the roles and responsibilities are clearly defined by mandates, through which authority and accountability is established.

1.1 Composition of the Board

No. of Executive / Non executive Directors



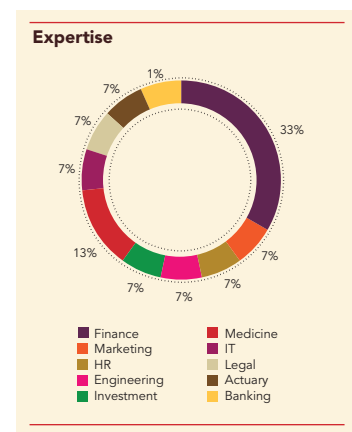
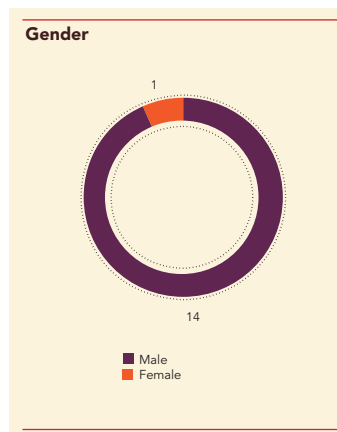
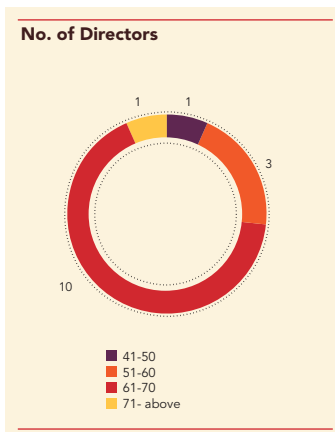
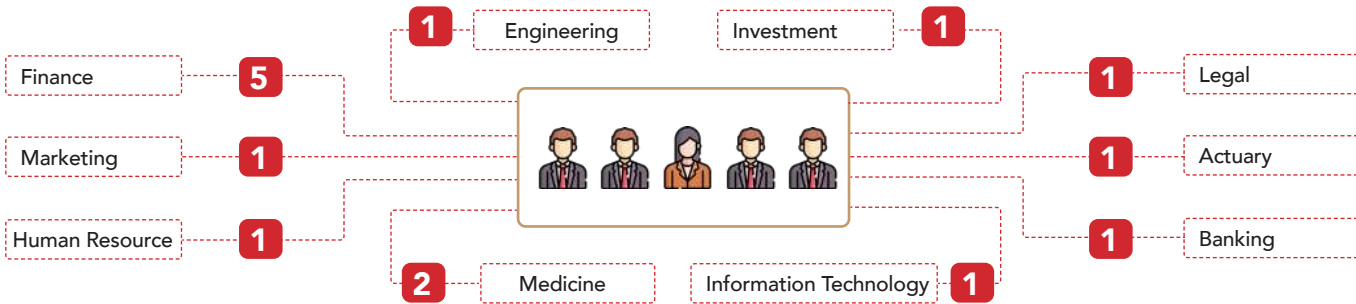
Gender Analysis of the Directors



Age Analysis of the Directors



Skills of the Board



CORPORATE GOVERNANCE

Segregation of Duties

ROLE & RESPONSIBILITIES OF THE BOARD

(The value creation via Corporate Governance initiatives are provided in detail on pages 155 to 157.)

- Appointing the Chairman and the Senior Independent Director.
- Ensuring that the CEO and the Management Team possess the skills, experience, and knowledge to implement the corporate strategy.
- Ensuring the adoption of an effective succession plan for the CEO and Key Management Personnel.
- Approving budgets and major capital expenditure.
- Determining the matters explicitly reserved for the Board and those delegated to the Management including limits of authority and financial delegation.
- Ensuring effective systems to secure the integrity of information, internal controls, business continuity and risk management.
- Ensuring compliance with laws, regulations and ethical standards.
- Ensuring all stakeholder interests are considered in corporate decisions.
- Recognizing sustainable business development in corporate strategy, decisions and activities and considering the need for adopting Integrated Reporting.
- Ensuring that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
- Establishing a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks.
- Ensuring that a process is established for corporate reporting on an annual and quarterly basis or more regularly as relevant to the Company.
- Fulfilling other Board functions, given the scale, nature, and complexity of the business concerned.

ROLE OF THE CHAIRMAN

The Chairman plays an executive role in the Company and thus is the highest executive position. He is accountable for facilitating the effective discharge of Board functions and ensuring that accurate, timely information is available to all Board members to make thorough and informed decisions. The key responsibilities of the Chairman are as follows:

- Providing leadership to the Board.
- Promoting a culture of good governance practices and maintaining the standard of integrity.
- Fostering a culture of inclusivity by encouraging the expression of diverse views by Board members and ensuring the participation of all Directors during discussions.
- Ensuring compliance to all applicable laws and regulations.
- Ensuring shareholder concerns are appropriately addressed.

ROLE OF THE CEO

The role of Chairman is separate from that of the CEO which is in line with the best practices of Corporate Governance. The key responsibilities of the CEO are as follows:

- Formation of Corporate objectives with the support of the Senior Management and obtaining of approval of the Board.
- Implementation of the strategic decisions made by the Board and leading the team towards the achievement of these goals
- Identification, assessment and management of risks and establishing appropriate internal controls to mitigate such risks.
- Development of the succession plan for the Senior Management

ROLE OF THE SENIOR INDEPENDENT DIRECTOR

To ensure that no one individual has unfettered powers of a decision making within the Board, Mr. W M P J K Wickramasinghe was appointed as the Senior Independent Director (SID) of the Board w.e.f. 24th January 2019, as the Chairman of the Board was an Executive Director. During the year under review, the SID separately met the Non-Executive Directors and Executive Directors twice, to discuss the governance-related matters of the Company, as required by the code.

More information is given under the "Statement of the SID" on page 153.

1.2 Sub-Committees

The Board has delegated certain responsibilities requiring greater attention to its Board Sub-Committees with oversight responsibility for same. This enables the Board to allocate adequate time to matters reserved for its decision making, predominantly execution of strategy and forward-looking agenda items, while ensuring delegated matters receive in-depth focus. The Board has appointed six Sub-committees, namely; Audit Committee, Risk Committee, Related Party Transactions Review Committee, Remuneration Committee, Board Investment Committee and Nomination Committee, considering the statutory, business and governance requirements. Each committee is provided with external guidance as and when required by them and the Board takes ultimate responsibility for the functions carried out by such Committees as well. The detailed report on each Sub-committee has been provided on pages 194 to 202.

Overview of the Management Committees

Executive or the Management Committees support the Board subcommittees to implement the strategies approved by the Board and monitor progress regularly until the objectives are met by the Management. A brief summary of the Management Committees of the Company is given below;

| | | | |
|---|--|---|---|
| <div style="background-color: #c00000; color: white; padding: 5px; text-align: center; border-radius: 5px;">Strategic Planning Committee</div> <div style="background-color: #f0e6e6; padding: 10px; border-radius: 5px;"> <p>Main objective : To formulate and initiate strategic direction of the Company</p> <p>Composition: Executive Directors, Chief Risk Officer and GM & above</p> <p>Frequency of meetings: Monthly</p> </div> | <div style="background-color: #c00000; color: white; padding: 5px; text-align: center; border-radius: 5px;">Executive Risk Management Committee</div> <div style="background-color: #f0e6e6; padding: 10px; border-radius: 5px;"> <p>Main objective : To develop, facilitate and monitor the control framework and execution of proper risk management strategies.</p> <p>Composition: Chief Risk Officer, members of cross functional teams</p> <p>Frequency of meetings: Quarterly (refer the Report of ERM Management on pages 177 to 184)</p> </div> | <div style="background-color: #c00000; color: white; padding: 5px; text-align: center; border-radius: 5px;">Operational Investment Committee</div> <div style="background-color: #f0e6e6; padding: 10px; border-radius: 5px;"> <p>Main objective : To recognize the prominence of the investment decision making function, review the implementation of investment strategies and swiftly deal with any challenges posed by the internal and external environments</p> <p>Composition: Management representatives from the areas of Actuarial, Finance, Investments, Marketing and Systems.</p> <p>Frequency of meetings: Weekly (refer the Report of Operational Investment Committee on pages 199 to 200)</p> </div> | <div style="background-color: #c00000; color: white; padding: 5px; text-align: center; border-radius: 5px;">Business Continuity Planning Committee</div> <div style="background-color: #f0e6e6; padding: 10px; border-radius: 5px;"> <p>Main objective : To ensure that Business operations can be conducted without any difficulty even in the midst of the unexpected disaster.</p> <p>Composition: Executive Directors and the Heads of Divisions</p> <p>Frequency of meetings: As and when required.</p> </div> |
| <div style="background-color: #c00000; color: white; padding: 5px; text-align: center; border-radius: 5px;">Sustainability Committee</div> <div style="background-color: #f0e6e6; padding: 10px; border-radius: 5px;"> <p>Main objective : To ensure that the operational activities of the Company are conducted in a sustainable manner</p> <p>Composition: Executive Directors and respective Chairs from Environment, Social and Economic Committees</p> <p>Frequency of meetings: Monthly</p> </div> | <div style="background-color: #c00000; color: white; padding: 5px; text-align: center; border-radius: 5px;">Health & Safety Committee</div> <div style="background-color: #f0e6e6; padding: 10px; border-radius: 5px;"> <p>Main objective : To ensure that employee health and safety in the midst of the pandemic and evaluate the risks posed by the pandemic</p> <p>Composition: Cross functional teams</p> <p>Frequency of meetings: Weekly</p> </div> | <div style="background-color: #c00000; color: white; padding: 5px; text-align: center; border-radius: 5px;">Product Development Committee</div> <div style="background-color: #f0e6e6; padding: 10px; border-radius: 5px;"> <p>Main objective : To ensure that the existing products cater to customer requirements and recommend new improvements.</p> <p>Composition: Executive Directors and Heads of Departments representing Marketing, Finance, Actuarial, IT, Investment.</p> <p>Frequency of meetings: Monthly</p> </div> | |

CORPORATE GOVERNANCE

1.3 Board Meetings

The Board held 7 meetings during the year and attendance at these meetings and meetings of Sub-Committees of the Board are given below. The required information for the Board and its Sub-committees is provided by the Management as per the frequency in which meetings are held. The Board/Committee members call for additional information in case where the Directors find that the information provided to them is inadequate or not clear. Further, the members of Corporate Management are invited to the meeting whenever the Board/Committee members require further information to be briefed on certain papers. Absentees are updated on proceedings of the meeting, by the Company Secretary by way of sending Minutes to the Board/Committee members. The Articles of Association of the Company provides direction as to how Directors can request for a resolution to be presented to the Board.

Matters regularly taken up for discussion at Board Meetings

- Review of Company performance
- Update on impact of COVID-19 and how to sustain the business
- Review of main IT projects, and cyber security concerns.
- Review of the status of statutory and non statutory compliance
- Status of legal cases pending in Courts
- Sustainability / CSR activities carried out by the Company.
- Review of investment function of the Company
- Discussion on key matters recommended/ forwarded by the Board sub-committees

Step 1 - Finalization of the meeting calendar at the beginning of the year and confirmation of the meeting venues by all the participants

Step 2 - The Chairman with the support of the Company Secretary finalize the Agenda of the meeting after considering agenda items proposed by other Directors.

Step 3 - Meeting Agenda, Minutes and the Board papers to be discussed at each meeting are circulated 7 days prior to the meeting allowing the Directors to go through the contents and make their observations independently.

Step 4 - During the meeting, the Chairman will encourage a constructive discussion of each agenda item and in case any of the Directors has a conflict of interest on a matter taken up at the meeting he will disclose his interest and will refrain himself from approving such matter. Further, in case the provided information on a matter is not adequate to make the decision, additional information shall be requested from the management prior to or after the meeting.

Step 5 - After the meeting, the Minutes of the meeting consisting of adequate proceedings of the meeting (including the dissenting views) will be circulated among the Board by the Company Secretary.

Meeting attendance

| No. | Name | Directorship Status | Date of Appointment | Board | Audit Committee | Risk Committee | Related Party Transactions Review Committee | Remuneration Committee | Investment Committee | Nomination Committee |
|--------------------------------------|--|---------------------|---------------------|----------|-----------------|----------------|---|------------------------|----------------------|----------------------|
| Total Number of Meetings Held | | | | 7 | 5 | 5 | 4 | 2 | 6 | 2 |
| 1. | Mr.R Renganathan | ED-Chairman | 22.04.2014 | 7 | | | | | 6 | 2 |
| 2. | Mr. E T L Ransinghe | MD/CEO | 22.04.2014 | 7 | | | | | 6 | |
| 3. | Mr. P D M Cooray | ED-HHRT | 22.04.2014 | 7 | | | | | | |
| 4. | Mr. P A Jayawardena | ED-CFO | 22.04.2014 | 7 | | | | | 6 | |
| 5. | Mr. S R Abeynayake | ED-DCFO | 22.04.2014 | 7 | | | | | 6 | |
| 6. | Mr. D H J Gunawardena | NED | 22.04.2014 | 7 | 5 | | 4 | | | |
| 7. | Gen. C S Weerasooriya (Retired w.e.f.30.06.2021) | NED | 22.04.2014 | 4 | | | | | | |
| 8. | Mr. R S W Senanayake | NED | 22.04.2014 | 7 | | 5 | | | 6 | |
| 9. | Mr. J A Setukavalar | INED | 22.04.2014 | 7 | 5 | | 4 | | | |
| 10. | Prof. W M M De Silva | INED | 22.04.2014 | 7 | | | | 2 | | |
| 11. | Dr. B G S De Silva | INED | 22.04.2014 | 7 | | | | 2 | | 2 |
| 12. | Mr. W M P J K Wickramasinghe | INED | 22.04.2014 | 5 | 4 | 3 | 4 | | | 2 |
| 13. | Mr. H S B Caldera | INED | 22.04.2014 | 6 | | | | 1 | | |
| 14. | Ms. A K Seneviratne | INED | 22.04.2014 | 6 | | 5 | | | | |
| 15. | Mr. J.Durairatnam | INED | 18.11.2018 | 6 | | | | | | |
| 16. | Mr. W W L R A Fernando (Appointed w.e.f.30.06.2021) | INED | 30.06.2021 | 3 | | | | | | |

ED- Executive Director CFO- Chief Financial Officer NED-Non-Executive Director DCFO-Deputy Chief Financial Officer INED-Independent Non-Executive Director
HHRT- Head of Human Resources and Training MD/CEO-Managing Director/Chief Executive Officer

1.4 Company Secretary

The Board is responsible for the appointment and removal of the Company Secretary. The Company Secretary performs a major role in ensuring that good governance practices are maintained within the Company at all times. Every member of the Board has access to the advice and services of the Company Secretary for matters relating to Board procedures and any clarification on applicable rules and regulations. The Company Secretary coordinates the Board meetings, by ensuring timely and accurate information is provided and prepares and maintains the minutes of the Board meetings. The Company Secretary also provides assistance on matters relating to corporate governance and economic and social sustainability among others.

Required insurance cover has been provided by the Company for key management personnel. Refer page 323 for the total insurance instalment paid during the year.

1.5 Independence

The Board comprises of 15 Directors of which 5 are Executive Directors including the Chairman/Chief Executive. Out of the 10 Non-Executive Directors 8 are Independent Directors, thereby supporting board balance. They all act in the best interests of the Company using their independent judgement on matters referred to the Board. When deemed necessary the Directors seek independent professional advice on matters relating to the Company, at the Company's expense. Each Director is responsible for giving advance notice of any conflict of interests to the Company Secretary prior to their appointment and to submit a written declaration at the beginning of each financial year. Further, they are also required to disclose their interests each quarter during the Board meetings. All Non-Executive Directors sign and submit a written declaration annually on his/her independence. Such declarations submitted by the Non-Executive Directors for the year 2021 were tabled by the Company Secretary at the previous Nomination Committee Meeting held on 10th February 2022, for their review.

Assessment Criteria

Directors' independence is determined based on the criteria in relation to the Code of Best Practice on Corporate Governance (2017). For a Director to be assessed as independent, he should be independent in character and judgment.

Assessment

Annual assessment is carried out by the Board based on the declarations of independence submitted by each Non-Executive Director. During the assessment, the Board will collectively consider each Director's interests that will have an influence on his or her decision making.

Outcome

As per the assessment carried out by the Board for 2021, it was determined that out of 10 Non-Executive Directors, 8 Directors were independent.

1.6 Changes to the Board

RETIREMENT/RESIGNATION & DIRECTOR TENURE

In terms of the Articles of Association of the Company and Companies Act No.07 of 2007, a director vacates his office, via tendering resignation, becoming disqualified under Sec. 202, 210 of the Companies Act or/and under the provisions of the Direction No.17 issued by IRCSL on 17th December 2018 (as amended), under Sec. 96A of the Regulation of Insurance Industry Act No.43 of 2000 (as amended)

Gen. C. S. Weerasooriya retired from the Board w.e.f. 30.06.2021 in terms of the Direction 17 issued by the IRCSL.

APPOINTMENTS

Directors are appointed through a formal process as outlined in the Board Mandate and based on the recommendations made by the Nomination Committee. Recommendations are made after consideration of the combined skills, knowledge, experience and the

gender diversity of the Board and any gaps thereof. Upon completion of the formalities of the appointment of the new Board member, a brief resume of the Director will be forwarded to the sole shareholder of the Company for their information.

Mr. W W L R A Fernando was appointed as an Independent Non-Executive Director w.e.f. 30.06.2021

RE-ELECTION/RE-APPOINTMENT

The re-election of Directors is governed by the Articles of Association of the Company and the Code of Best Practice on Corporate Governance and performed at the Annual General Meeting (AGM) of the Company. Accordingly, one third of the Directors, excluding the Executive Directors who have been in office the longest, offer themselves for re-election.

Directors reaching the age of 70 years are recommended for re-election by way of an ordinary resolution by the sole shareholder of the Company in terms of Sec.211 of the Companies Act No. 07 of 2007 and provisions of the Direction No.17 on Corporate Governance Framework for Insurers Issued by the IRCSL.

The following re-election/election of Directors will be recommended by the Board of Directors for shareholders approval at the forthcoming AGM;

- a. Re-election of Mr. D H J Gunawardena & Dr. B G S De Silva, who retire at the Annual General Meeting as Directors, in terms of Section 210 of the Companies Act No. 07 of 2007
- b. Re-election of Mr. J Durairatnam, Mr. R S W Senanayake, Mr. H S B Caldera in terms of Article 18B of the Article of Association of the Company
- c. Election of Mr. W W L R A Fernando who was appointed as an Independent Non-Executive Director on 30th June 2021, in terms of Rule A.8.2 of the Code of Best Practice on Corporate Governance 2017

CORPORATE GOVERNANCE

1.7 Training and Development

On appointment, Directors are taken through a formal and tailored induction programme where they are apprised of the corporate values and culture, its operating model, policies, governance framework and processes, Code of Ethics & Professional Conduct and operational strategies. The Non-Executive Directors are provided with the necessary clarifications on technical matters by the Chairman prior to or following Board Meetings and are also given a detailed briefing on the products and Company's business by the Executive Directors and the Senior Management during Board and other sub-committee meetings. The Company recognizes the need for continuous training and knowledge development and regularly reviews the training needs of the Directors. Following are the training provided to the Directors during the year under review.

- Training on Quality assurance framework of the Company
- Training on Reinsurance

1.8 Appraisal

An annual appraisal of the Board is conducted to support continued improvement in performance and effectiveness. The results of the assessments for the year 2021 were duly summarized and presented by the Company Secretary at the Board Meeting held on 24th February 2022 and the information was tabled for discussion by the Board. Considering the recommendations by the Nomination Committee, identified areas for improvement were communicated to the Board, including training needs, skills and knowledge gaps.

At the start of 2022, the Board determined the goals to be met by the MD/CEO during the upcoming year in line with the short-term and long-term goals of the Company and the Board also carried out the annual performance evaluation of the MD/CEO to ascertain whether the targets set during the prior year have been achieved.

Step 1 – Collecting the duly completed self-assessment questionnaire from each Director

Step 2 – The Company Secretary will present the collective outcome of the assessment at the Nomination Committee for their discussion. The Committee will recommend the areas for improvement based on the outcome to the Board.

Step 3 – The collective outcome of the assessment together with the recommendation of the Committee will be tabled at the following Board Meeting for their perusal and necessary action. The progress of the actions taken will be monitored regularly.

1.9 Remuneration

The Remuneration Policy of the Company ensures that remuneration is fair, responsible and transparent. The Directors' remuneration is designed to attract and retain eminent professionals with required skills and expertise. Remuneration is structured taking into account performance and risk factors required for the job and is aligned to corporate and individual performance. The Remuneration Committee is responsible for suggesting and approving the Directors' remuneration. The Committee sets the principles, parameters and governance framework of the Company's remuneration policy and recommends the terms and conditions of employment of the Chairman of the Board, Executive Directors, and the Senior Management.

No individual Director is involved in determining his own remuneration. Independent Director's fees are determined by the Board supported by the Remuneration Committee who also seeks professional advice from HR professionals.

The remuneration package of the MD/CEO is structured to link rewards to corporate and individual performance, ensuring there is strong alignment between the short-term and long-term goals and interests of the Company.

The report of the Remuneration Committee is presented on page 194. Directors' remuneration is disclosed on page 325.

2. Accountability and Control

2.1 Annual Report

CLIL is committed to fair and transparent reporting with emphasis on integrity, timeliness and relevance of information disclosed and presents its Financial Statements in line with Sri Lanka Accounting Standards (SLFRS/LKAS) and other applicable laws and regulations. This enables stakeholders to effectively assess performance and make informed decisions. The Annual Report is the key medium through which the Board presents a fair and balanced review of the Company's financial position, performance and prospects. The Company also voluntarily publishes its Interim Financial Statements in a timely manner thereby promoting a culture of transparency. The Board of Directors reviews and approves the Annual Report and third-party assurance has been obtained where relevant, to enhance the credibility.

2.2 External Audit

Messrs. Ernst and Young, Chartered Accountants, were re-appointed as the External Auditor of the Company for the year at the previous AGM. The Board Audit Committee engages with the external auditors for audit and non-audit matters relating to the professional ethical standards and regulatory requirements. The Audit Committee remains satisfied with the independence, objectivity and effectiveness of Messrs. Ernst & Young in rendering their services. At the previous Audit Committee Meeting held on 21st February 2022, Messrs. Ernst & Young submitted their Annual Statement confirming independence in relation to the external audit as required by the Companies Act No. 07 of 2007 and their re-appointment for the year 2022 will be recommended to the shareholder at the forthcoming AGM by the Board of Directors.

2.3 Shareholder Relations

The Company maintains effective and ongoing communication with its sole

Details of the 2021 AGM and key matters discussed

A physical AGM was held on 25th March 2021 and the following matters were considered and approved by the sole shareholder.

- Adoption of the Audited Financial Statements for the financial year ended 31st December 2020 together with the Report of Auditors thereon.
- Adoption of the Report of the Board of Directors for the said year.
- Declaration of the first and final dividend of Rs.15.65 per share for the year ended 31st Dec. 2020, to the shareholders of the Company, as recommended by the Board, subject to the regulatory requirements of the IRCSL.
- Re-election of Directors who were over 70 years of age, i.e., Gen. C S Weerasooriya and Mr. D H J Gunawardena.
- Rotation of Directors under Article 18B of the Articles of Association of the Company, i.e., Prof. W M M De Silva, Ms. A K Seneviratne, Dr. B G S De Silva.
- Re-appointment of M/s. Ernst & Young (Chartered Accountants) as the Auditors of the Company to hold office until the conclusion of the next AGM and the Directors were authorized to determine their remuneration.
- Directors were authorized to determine the donations for the ensuing year.

Each substantially different issue was adopted separately by the shareholder at the previous Annual General Meeting. All the resolutions taken up for approval of the shareholder were approved unanimously. In addition, the required information was provided by the SID and other Chairmen of Board Sub-Committees to the shareholder during the adoption of the said resolutions.

shareholder Ceylinco Insurance PLC. Multiple channels of communication such as the AGM, annual report, quarterly financial statements, memos, notices published in the newspapers and Company website are used to disseminate information. The shareholder is also encouraged to maintain direct communication with the Company via the Company Secretary. All responses towards any actions decided by the Board are formally communicated to the shareholder and appropriately recorded.

2.4 Material or Major Transactions

All material/major transactions entered into, which affect the net asset base of the Company are disclosed to the shareholder for their approval in terms of Sec.185 of the Companies Act No. 07 of 2007. During the year under review, no such transactions were entered into by the Company as defined under the said provision.

2.5 Risk Management and Internal Control

The Board is responsible for formulating and implementing effective risk management and internal control systems

to safeguard the shareholder interests and the assets of the Company. These systems cover all controls, including financial and operational compliance and an assessment of all operations, to remove the risk of fraud and corruption and are monitored and regularly reviewed for effectiveness by the Board. During the year the Board, Audit Committee and Risk Committee increased the rigour of oversight functions in risk management as the business environment continued to be uncertain and challenging. Key focus areas addressed during the year are discussed in detail in the Enterprise Risk Management report (pages 177 to 185), Report of the Audit Committee Report (pages 196 to 197) and Risk Committee Report (page 202).

2.6 Information Technology and Security

a. Connectivity and identification of the impact of cybersecurity risks

The Board recognizes the benefits of responsiveness, scalability, and innovation offered by digital platforms especially against a post pandemic backdrop and thus placed increased emphasis on the implementation of

an effective and properly resourced technology strategy during the year. As detailed on page 104 several initiatives were taken to upgrade the IT and security platforms to enable more agile business operations remain relevant and competitive. The Board is equally committed to safeguarding the Company's information assets and operational systems and had invested extensively in cyber security and management systems.

During the year, all our processes relating to management of information systems were reviewed and aligned to the ISO27001 international standards. A User Acceptance Policy was developed to make the users across the organization understand these procedures/guidelines. Furthermore, the Data Classification Policy review was carried out in order to examine modifications to existing data classification and to discover any unclassified data is available.

b. Appointment of a CISO and implementation of the cybersecurity policy

The vertical business unit is headed by the Chief Information Security Officer (CISO) who is equipped with the relevant knowledge and expertise and appointed by the Board. ICT functions have been segregated into Information System developments/ ICT Operations Including branch operation / Communication Network and IT Security functions. The CISO is responsible for overall information security of the Company. The ICT Risk Committee exists to identify Cyber Risks and to discuss such identified Critical Cyber Risks at the ERM Exco Meetings.

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Reporting structure under the Cyber Security Policy



The main focus of the year was to address rising threats of cybersecurity through state-of-the-art security and data leakage prevention mechanisms. For this purpose, the Company implemented globally renowned CrowdStrike and Proofpoint security solutions to enhance security, and data loss prevention measures were adjusted based on the proposed classification to ensure that no data leakage occurred accidentally or intentionally.

In addition, IT devices used by employees at Head Office and branches are connected to the Corporate network via the SLT- IP/VPN. Devices and Users are authenticated via the CLIL Windows Active Directory services using user IDs and Passwords. All IT devices such as TABs, Smart Phones, and Laptops used by sales teams are first authorized to access the corporate network after complying with the minimum-security conditions. All system users are issued with a unique User ID and a password while all system connectivity requests are authorized on a need basis. The corporate network's perimeter is also secured with multiple Cyber Security layers such as Firewalls, SPAM Control, and Anti threat Software/Antivirus solutions.

c. Periodic assurance of the effectiveness of cybersecurity risk management

TechCERT operated as the official independent Cybersecurity Consultant for the 11th consecutive year carrying out 4 Internal and External vulnerability assessments and keeping the Company informed of any external threats that might have an impact on CLIL. Several trainings were also carried out on current Cyber security incidents for the Company's CERT - Computer Emergency Response Team. Cyber-Risk Management of the Company was a standard, or an essential Agenda item of the Board Risk Committee Meetings during the year and the minutes of the said meetings were tabled and discussed in detail at the subsequent Board meeting.

The Company is working towards developing an IT roadmap in consultation with third-party experts and will focus on improving its procedures and policies to next generation technologies whilst addressing the cybersecurity threats.

3 Transparency and Ethical Considerations

3.1 Compliance

The Board is conscious of its duty to comply with laws, regulations and internal procedures and policies of the Company. The Compliance Officer of the Company is responsible to report on statutory and non-statutory compliances to the MD/CEO. As well as to the Audit and Risk Committee on the status of compliance of each Department of the Company based on the confirmation provided by the HODs. Thereafter the statements of compliance will be informed via the said subcommittees.

The Company is compliant with the Regulation of Insurance Industry Act No.43 of 2000 and its subsequent amendments, Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, along with many other applicable legislative enactments.

The Company voluntarily adheres to several best practices to strengthen its governance standards. These practices cascade down to different areas of business, promoting responsible corporate behaviour, strengthening operations, addressing the expectations of various stakeholder groups and eventually supporting sustained performance.

3.2 Values and Culture

The Board and Management demonstrate responsibility, the accountability, fairness and transparency in their decisions and actions thereby instilling sound corporate citizenship in the DNA of the Company.

The Company's Code of Conduct is a key facet establishing the values of the organization and the principles that underlie decision making. The Code sets the right culture, driving the desired behaviour that results in positive business outcomes. It addresses issues relating to conflict of interest, bribery and corruption, entertainment and gifts, accurate accounting and record-keeping, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets, compliance with laws and regulations and encouragement of reporting of any illegal or unethical behaviour. Similarly, every employee of the Company is also bound by the Anti-bribery and Corruption Policy of the Company for the same purpose.

Being a Public Limited Company fully owned by Ceylinco Insurance PLC, material information which may be price sensitive to the Parent Company is disclosed to the Parent Company, which in turn reports to its relevant regulators. RPT reporting and reporting Directors' interests in transactions, helps to monitor any shares purchased by KMPs or any other employee involved in financial reporting.

3.3 Whistle-blowing

The whistle-blowing policy which is communicated to all employees, allows them to anonymously report any unethical or unlawful behaviour in relation to

possible inappropriate financial reporting, internal controls or other matters that may require internal investigation.

The aim of the policy is to enable the stakeholders of the Company to feel confident and comfortable to voice their concerns or raise questions while assuring confidentiality.

3.4 Diversity and Gender Equality

The Board acknowledges the important contribution that gender diversity offers and seeks to promote fair representation and provide equal opportunity within the organization. Flexibility and concern towards maintaining a healthy work-life balance helps our female employees to fulfil their career aspirations. A policy addressing employee diversity is currently being drafted. Trainings on gender parity were conducted for HODs in accordance with the survey findings of Great Place to Work". Steps have been taken to combat workplace discrimination and various initiatives such as "Liya Saviya" were launched to promote gender equality.

4 Sustainable Business

4.1 Embedding ESG Considerations

CLIL has always remained committed to understanding and being responsive to the interests and expectations of stakeholders in creating a sustainable business. The Board believes that good ESG attributes facilitate better performance and boost stakeholder confidence and satisfies itself that ESG value creation across the various capitals are integrated into the Company's strategy, business model, risk management and reporting processes. This annual report has been prepared in the form of an integrated report addressing the relevant ESG aspects required by the Code.

4.2 Business Continuity Planning

With the outbreak of Covid-19 and rapid changes in technology, a business continuity plan (BCP) is a must-have to ensure uninterrupted operations. CLIL's business continuity plan aims to protect

staff, minimize down time and losses, safeguard the Company's reputation and sustain customer confidence.

The BCP team comprising of the Executive Directors and Corporate Management continually monitor progress of the actions taken and further discuss and evaluate changes required to the BCP to manage new challenges as they arise, and plan how operations would be conducted in the most efficient and effective manner.

Please refer Business Continuity Plan in ERM Report on page 77 for additional details.

Key areas addressed in the BCP

- Business impact assessment
- Emergency response plan
- Business unit plans
- IT recovery plan

Compliance with the Code of Best Practice on Corporate Governance

The table summarizes the level of compliance of the Company under the provisions of the Code;

| Code Ref. | Requirement | Reference | Complied | Page Ref |
|------------|--|---|----------|-----------------------|
| A | Directors | | | |
| A.1 | The Board | Governance Structure and Functions | ✓ | 154-162 |
| A.1.1 | Board Meetings | Board Meetings | ✓ | 164 |
| A.1.2 | Role & Responsibilities of the Board | Role & Responsibilities of the Board | ✓ | 155-157 & 162 |
| A.1.3 | Compliance with laws of the country | <ul style="list-style-type: none"> • Compliance • Chairman's message • Compliance with the Code of Best Practice on Corporate Governance and IRC SL Direction 17 on Corporate Governance Framework | ✓ | 168 152 169-172 |
| A.1.4 | Access to advice and services of Company Secretary and Insurance Cover | <ul style="list-style-type: none"> • Company Secretary • Details of the Insurance Cover provided to the Key Management Personnel | ✓ | 165 323 |
| A.1.5 | Independent Judgment of the Board | Independence | ✓ | 165 |
| A.1.6 | Dedicate Adequate Time and Effort | Board Meetings | ✓ | 164 |
| A.1.7 | Calls for Resolutions | Board Meetings | ✓ | 164 |
| A.1.8 | Board Induction and Training | Training and Development | ✓ | 166 |
| A.2 | Chairman & Chief Executive Officer | Role of the Chairman | ✓ | 162 |

CORPORATE GOVERNANCE

| Code Ref. | Requirement | Reference | Complied | Page Ref |
|-----------|---|--|----------|--|
| A.3 | Chairman's Role in Preserving Good Corporate Governance | Role of the Chairman | ✓ | 162 & 155-157 |
| A.4 | Financial Acumen | The Board | ✓ | 161 |
| A.5 | Board Balance | <ul style="list-style-type: none"> • Composition • Independence • Board Meetings • Board of Directors (profiles) • Appointments and Re-election • Role of the Chairman | ✓ | 161 165 164 142-145 165 162 |
| A.6 | Provision of Appropriate and Timely Information | <ul style="list-style-type: none"> • Board Meetings • Training and Development | ✓ | 164 164 |
| A.7 | Appointments to the Board | <ul style="list-style-type: none"> • Appointment and Re-election • Report of the Nomination Committee | ✓ | 165 195 |
| A.8 | Re-election of Directors | Appointment and Re-election | ✓ | 165 |
| A.9 | Appraisal of Board Performance | Appraisal | ✓ | 166 |
| A.10 | Disclosure of information in respect of Directors | <ul style="list-style-type: none"> • Board of Directors (profiles) • Board Meetings | ✓ | 142-145 164 |
| B. | Directors' Remuneration | | | |
| B.1 | Remuneration Procedure | Remuneration | ✓ | 166 |
| B.2 | Level & Make up of Remuneration | Remuneration | ✓ | 166 |
| B.3 | Disclosures related to Remuneration in Annual Report | <ul style="list-style-type: none"> • Remuneration • Report of the Remuneration Committee • Aggregate remuneration paid to the Directors | ✓ | 166 194 325 |
| C. | Relations with Shareholders | | | |
| C.1 | Constructive use of the AGM & Other General Meetings | <ul style="list-style-type: none"> • Details of the 2021 AGM and key matters discussed | ✓ | 167 |
| C.2 | Communication with shareholders | <ul style="list-style-type: none"> • Shareholder Relations | ✓ | 166 |
| C.3 | Disclosure of Major and Material Transactions | <ul style="list-style-type: none"> • Material or Major Transactions | ✓ | 167 |

| Code Ref. | Requirement | Reference | Complied | Page Ref |
|----------------------|---|--|----------|---|
| D. | Accountability and Audit | | | |
| D.1 | Present a balanced and understandable assessment of the Company's financial position, performance and prospects | <ul style="list-style-type: none"> Accountability and Control Chief Executive Officer's and Chief Financial Officer's Responsibility Statement Statement of Directors' Responsibilities in Relation to the Annual Financial Statements Directors' Statement on Internal Control Independent Auditors' Report Management Discussion and Analysis Related Party Transactions <p>1. Note 44 in the Financial Statements</p> <p>2. Report of the RPTRC</p> <p>In case of the net assets of the Company fall below 50% of the value of the Company's Shareholders Funds, the Board will summon an Extraordinary General Meeting (EGM) to notify the serious loss of capital of the Company to its shareholder under Sec.220 of the Companies Act and to explain the remedial action being taken.</p> | ✓ | 166 204 203 205 203-214 54-137 321-325 198 |
| D.2 | Process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets | <ul style="list-style-type: none"> Risk Management and Internal Control Directors' Statement on Internal Control | ✓ | 202 205 |
| D.3 | Audit Committee | Board Audit Committee Report | ✓ | 196-197 |
| D.4 | Related Party Transactions Review Committee | <ul style="list-style-type: none"> Board Related Party Transactions Review Committee report | ✓ | 198 |
| D.5 | Code of Conduct and Ethics | <ul style="list-style-type: none"> Chairman's Message Values and Culture | ✓ | 152 168 |
| D.6 | Corporate Governance Disclosures | Corporate Governance Report | ✓ | 152-176 |
| E. | Institutional Investors | | | |
| E.1 | Shareholder Voting | <ul style="list-style-type: none"> Shareholder Relations | ✓ | 166 |
| E.2 | Evaluation of Governance Disclosures | <ul style="list-style-type: none"> The Company's Corporate Governance Framework and practices | ✓ | 152-193 |
| F. | Other Investors- | | | |
| F.1 & F.2 | Investing and Shareholder Voting | <ul style="list-style-type: none"> Since the Company is a fully owned subsidiary of Ceylinco Insurance PLC, this provision does not apply to the Company. | N/A | |
| G. | Internet of Things & Cybersecurity | | | |
| G.1 | Identify connectivity and related cyber risks | <ul style="list-style-type: none"> Information Technology and Security | ✓ | 167-168 |
| G.2 | Appoint a CISO and allocate budget to implement a cybersecurity policy | <ul style="list-style-type: none"> Information Technology and Security | ✓ | 167-168 |
| G.3 | Include cyber security on Board agenda | <ul style="list-style-type: none"> Information Technology and Security | ✓ | 167-168 |

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| Code Ref. | Requirement | Reference | Complied | Page Ref |
|-----------|--|--|----------|---|
| G.4 | Obtain periodic assurance to review effectiveness of cybersecurity risk management | <ul style="list-style-type: none"> Information Technology and Security | ✓ | 167-168 |
| G.5 | Disclosures in Annual Report | <ul style="list-style-type: none"> Information Technology and Security Risk Management | ✓ | 167-168 177-185 |
| H. | Environment, Society & Governance | | | |
| H.1 | ESG Reporting | <ul style="list-style-type: none"> Embedding ESG Considerations Strategy and Value Creation Risks Management Operational Review Strategic pillars Corporate Governance | ✓ | 110-120 43-49 177-185 24-34 54-137 152-176 |

IRCSL Direction 17 on Framework for Corporate Governance for Insurers

The status of compliance of the Company with the Direction No.17 issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) on 17th December 2018 (as amended) is given below;

| Requirement under Direction No 17 | Level of Compliance | Complied |
|---|--|----------|
| Code of Best Practice on Corporate Governance -2017 | Please refer the Corporate Governance Report on pages 152 to 193 | ✓ |
| Board Composition | <ul style="list-style-type: none"> At least two members of the Board should be citizens of Sri Lanka and also resident in Sri Lanka The total period of service of a Non-Executive Director should not be more than 9 years as at 01st July 2019 | ✓ |
| Age | <p>A Director who is over 70 years of age shall cease to be a Director; Exemption applicable to CLIL:</p> <ul style="list-style-type: none"> If the Director is between 71 to 75 years of age on or after 01.07.2019, he may continue until 30.06.2022, subject to obtaining an extension for the continuation of such Director from the IRCSL. The required extension will be sought soon after the forthcoming AGM for Mr. D H J Gunawardena and Dr. B G S De Silva upon them being re-appointed by the Shareholders. <p>The required certifications will be forwarded to the IRCSL by the Company Secretary confirming that the continuation of the said Directors were in line with the Sec.211 of the Companies Act and no provision in the Articles of Association or Companies Act was violated.</p> | ✓ |
| CSE Listing Rule 7.10 | <p>To adhere to the CSE Corporate Governance Rules</p> <p>A statement confirming that the Company is in compliance with the Corporate Governance Rules</p> | ✓ |

| Requirement under Direction No 17 | Level of Compliance | Complied |
|--|---|----------|
| Appointments in other Boards | A Director of an Insurer cannot hold more than 20 Directorships in other companies/entities/institution including subsidiaries of the Insurer. In addition, out of the said Directorships such director cannot serve on more than 10 Specified Business Entities as classified under the Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995. | ✓ |
| Demonstration of the level of compliance with the Direction in the Annual Report | The level of compliance with the Direction is given in the table & the Annual Report will be available in the official website of CLIL within 5 months after the Balance Sheet date. | ✓ |

Performance Governance

The Board of Directors is responsible for the operational, strategic and financial performance of the Company, as well as its conduct and exercises its responsibility by clearly setting out the guiding principles within which they expect the management to function. The strategic planning committee appointed acts in accordance with the directions set by the Board taking into consideration the short and long -term objectives of the Company and ensures that the performance objectives are meticulously monitored and achieved.

The performance governance mechanisms applicable to each operational area are demonstrated below;

| Area of Operation | Area of Operation Governing Policies | Governance Structure | Governance Structure Performance Monitoring |
|-------------------------------------|---|---|--|
| Strategic Plan and Budget | <ul style="list-style-type: none"> Vision and mission Strategic Plan | <ul style="list-style-type: none"> Corporate management team Strategic planning committee Board of Directors | <ul style="list-style-type: none"> Review of performance against agreed budgets by the Board once a month. Review of the strategic plan by members of the strategic planning committee once a month Independent follow up by risk and compliance division Review of actual results against the budget by the management on a monthly basis with sales teams. Review with Head of Departments on progress made on KPI's on a monthly basis |
| Underwriting and Reinsurance | <ul style="list-style-type: none"> Standard underwriting procedure manual Guidelines in the online medical underwriting manuals of Swissre and Munichre underwriting for rating medical complications | <ul style="list-style-type: none"> Procedure manuals Rules built in to the AUSYS system for better control | <ul style="list-style-type: none"> Underwriting authority of individuals are maintained in the main system Frequent underwriting audits are conducted |
| Claims Management | <ul style="list-style-type: none"> Intranet based procedure manuals Claims assessment - based on policy conditions | <ul style="list-style-type: none"> Risk Committee | <ul style="list-style-type: none"> Senior management is involved in monitoring pending claims Audit is carried out to check accuracy of claim decisions |

CORPORATE GOVERNANCE

Performance Governance

| Area of Operation | Area of Operation Governing Policies | Governance Structure | Governance Structure Performance Monitoring |
|--|---|---|---|
| Investment Operations and Reporting | <ul style="list-style-type: none"> Board Investment Committee Charter Investment Policy Statement IRCSL guidelines on best practices of investment management Strategic and Tactical Asset Allocation Procedure manuals and guidelines Custodian Bank Agreement | <ul style="list-style-type: none"> Board Investment Committee Operational Investment Committee Financial Risk Management Committee Segregation of investment function in to Front Office, Mid Office and Back Office External Custodian Bank to hold all investment positions and securities Risk management oversight by Investment Middle Office Internal control and process oversight by Internal Audit Independent external macro-economic advisor/research provider | <ul style="list-style-type: none"> Annual investment policy review by Board Investment Committee Quarterly investment position, performance and risk exposure review by Board Investment Committee Weekly investment position, performance and risk exposure review by Operational Investment Committee Monthly Key Risk Indicators review by Financial Risk Committee and Operational Investment Committee Independent monitoring and reporting by Investment Middle Office and Internal Audit Use of custom benchmarks to measure relative performance Use of risk-adjusted indicators to measure investment performance |
| Sales Administration | <ul style="list-style-type: none"> Company Budget Annual Targets Individual Sales Targets | <ul style="list-style-type: none"> Business Development Management Team Enterprise Risk Management Committee Agency Management Team | <ul style="list-style-type: none"> Business Development Management Meetings Sales Review Meetings Performance reviews conducted by the Business Development Management Team and the Board Participating at Sales Conventions, various competitions, including foreign tours. Periodic Branch visits by the Business Development Management Team to address issues faced by the branch staff |

Performance Governance

| Area of Operation | Area of Operation Governing Policies | Governance Structure | Governance Structure Performance Monitoring |
|---|---|--|--|
| Product Development | Product development policy | <ul style="list-style-type: none"> Product Development Committee including executive directors Risk Committee | <p>Conducting market research on products</p> <ul style="list-style-type: none"> Obtaining insights from sales force Monitoring competitor products Guidelines for New Product development are followed Product Managers are appointed for each product |
| Financial Reporting and Controls | <ul style="list-style-type: none"> Audit Committee Charter Accounting policies SLFRS/LKAS | <ul style="list-style-type: none"> Audit Committee | <ul style="list-style-type: none"> Review of the quality of financial reporting and disclosure Review of adequacy of financial controls |
| Information Technology | <ul style="list-style-type: none"> Acceptance Usage Policy IT Security Policy Manual developed as per ISO 27001 standards Disaster Recovery Plan | <ul style="list-style-type: none"> Segregation of ICT functions – Info. System developments/ ICT Operations Including branch operation / Communication Network and IT Security functions CISO is responsible for overall information security of the company ICT Risk committee exists to identify Cyber Risks and report to CRO Critical Cyber Risk issues are taken at the ERM Exco Meetings | <ul style="list-style-type: none"> Regular meetings with cross functional teams to streamline processes Web based HelpDesk to report technical issues and comprising an escalation process until the issue is attended to and closed All change requests as well as data requests channel through a web-based system with a proper workflow and escalation process ICT Risk Committee to conduct monthly meetings with the CRO to discuss Cyber Risk issues and record the same in CAMMS monitoring system. Critical risks will be escalated to ERM Exco meetings as well as to the Board Risk Committee |

CORPORATE GOVERNANCE

| Area of Operation | Area of Operation Governing Policies | Governance Structure | Governance Structure Performance Monitoring |
|---------------------------------------|---|---|---|
| Human Resources | <ul style="list-style-type: none"> • Remuneration Policy • Code of Conduct • Recruitment Policy • Grievance Handling Policy • Attendance and Leave Policy • Disciplinary management policy • Training & Development Policy • Performance appraisal policy • Succession planning • Occupation health & safety policy • Sexual Harassment policy • Whistle Blowing policy • Clearance Policy | <ul style="list-style-type: none"> • Remuneration Committee • Enterprise Risk Management | <ul style="list-style-type: none"> • Remuneration Committee • Enterprise Risk Management • Measurement of performance via mid-year and year- end appraisals • Periodic review of knowledge tests conducted for technical staff • Corporate objectives • Periodic employee surveys (Great Place to Work) • Review of annual staff increments and promotions • Life 360 application |
| Risk Management and Compliance | <ul style="list-style-type: none"> • Mandate of the Risk Committee • Enterprise Risk Management Process and Framework • Risk Appetite Statement • Business Continuity Plan • Anti-Money Laundering Policy • Data Protection Policy | <ul style="list-style-type: none"> • Board Risk Committee • Executive Risk Committee • Audit Committee | <ul style="list-style-type: none"> • Monitoring of key risk indicators • Review of risk registers • Assessment of adequacy of the risk management actions and controls • Quarterly compliance reports submitted to the Audit Committee and Board • Monitoring compliance status through system reports |
| CSR | CSR plan | <ul style="list-style-type: none"> • Sustainability Committee • Green club | <ul style="list-style-type: none"> • Please refer the report on CSR activities carried out in 2021 on page 94 to 96 |

ENTERPRISE RISK MANAGEMENT

RISK MANAGEMENT IS A DEEP-ROOTED COMPONENT OF THE CORPORATE GOVERNANCE PROCESS OF CEYLINCO LIFE AND HAS BEEN INSTRUMENTAL IN THE LONG-TERM SUSTENANCE OF THE COMPANY. THE STRUCTURED PROCESS FOR RISK MANAGEMENT FURTHER ENHANCES THE COMPANY'S VALUE CREATION PROCESS FOR ALL ITS SIGNIFICANT STAKEHOLDERS BY ENSURING THAT IT EFFECTIVELY IDENTIFIES AND MITIGATES A RANGE OF OPERATIONAL, REGULATORY, FINANCIAL AND STRATEGIC RISKS.

Risk Policy

Our risk policy primarily encompasses the risk limits, risk tolerances, reporting requirements, reporting procedures and reporting hierarchy. The policy encapsulates the business unit level to organization-wide operational and strategic level risks and acts as a guideline in operational decision making and is integral to the planning process and performance management process of senior management.

Risk Objectives

When effectively implemented and maintained, enables us to:

- Increase the likelihood of achieving objectives
- Pro-actively identify and treat risk throughout the Company
- Comply with relevant legal and regulatory requirements and good practice
- Improve governance
- Improve stakeholder confidence and trust
- Establish a reliable basis for decision making and planning
- Improve controls and processes
- Effectively allocate and use resources for risk treatment
- Improve operational effectiveness and efficiency
- Enhance health and safety performance as well as environmental protection
- Minimize potential losses and business disruptions
- Improve the resilience of the Company

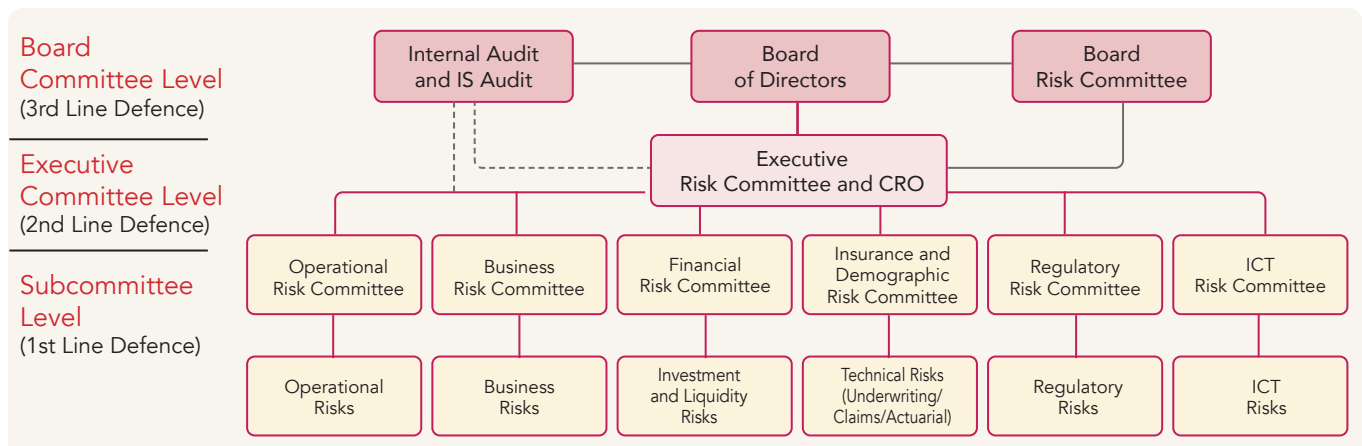
Risk Governance

The responsibility of managing risk, communicating the risk strategy and approving policies for effective risk management ultimately rests with the Board of Directors. The Board together with the Board Risk Committee, reviews the Company's portfolio of risks and assesses them against the risk appetite (refer to page 202 for the Report of the Board Risk Committee.) The importance of risk governance was reinforced with the outbreak of the COVID-19 pandemic which had a global impact on people, communities, and commercial enterprise. Ceylinco Life takes an integrated approach to ensure risk management principles and processes are intrinsically embedded within organizational strategies and objectives.

The Executive Risk Committee, headed by the Chief Risk Officer, is responsible for developing, facilitating and monitoring the control framework and execution of proper risk management strategies.

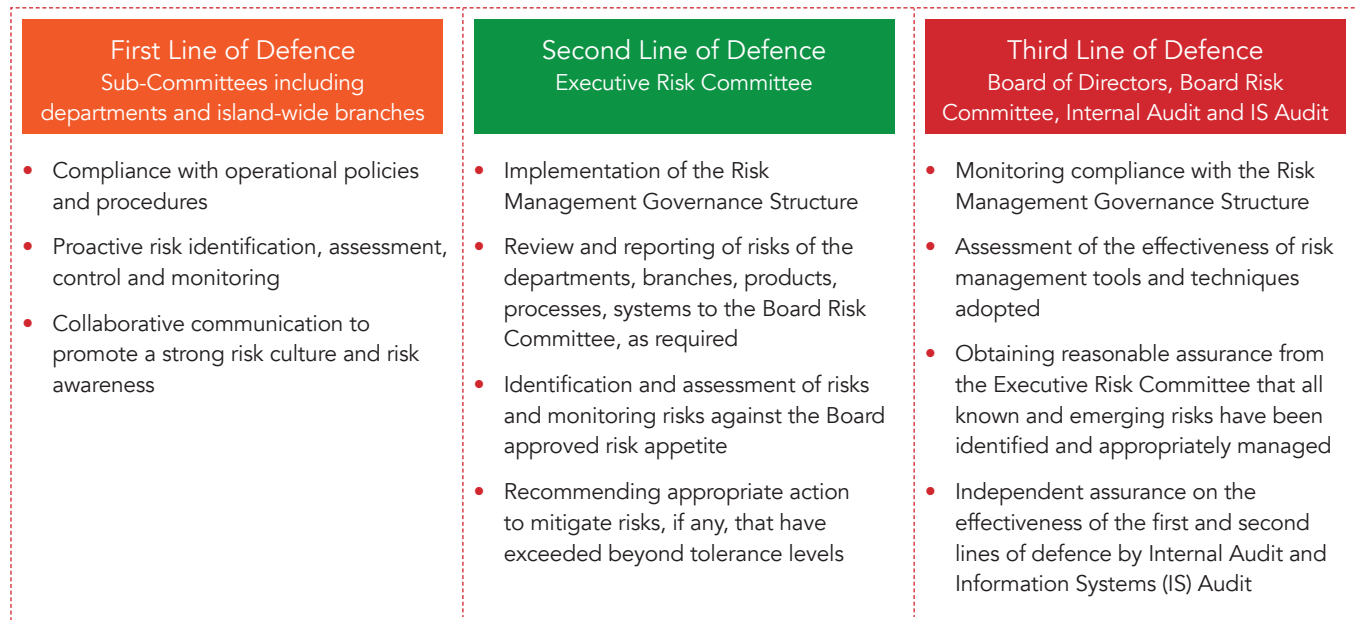
The line management and staff are responsible for day-to-day risk management and are represented at the Sub-Committee level. The six Sub-Committees, namely the Operations Risk Committee, Financial Risk Committee, Insurance and Demographic Risk Committee, ICT Risk Committee, Business Risk Committee and Regulatory Risk Committee, ensure timely identification of risks, initiation of controls and report to the Chief Risk Officer and higher-level management.

Risk Management Reporting Structure at Ceylinco Life



ENTERPRISE RISK MANAGEMENT

The Company has incorporated a 'Three Lines of Defence' approach to ensure application of a robust risk management system within the business operations. This approach supports clear accountability for risk-taking, oversight, and independent assurance within the Company and brings all the key functions into the Risk Management Governance Structure providing clarity on the roles and responsibilities in managing risks.



Our Risk Management Process

Risk management is a continuous process and is integrated to the performance review and decision-making procedures of the Company. Our Enterprise Risk Management (ERM) is based on the ISO 31000:2018 framework which enables us to proactively identify events and circumstances relevant to our corporate objectives (risks and opportunities) and assess them in terms of consequence and likelihood. We then determine an appropriate risk response strategy, implement it and monitor progress so that it will contribute to our value creation process. The ultimate result of this approach is an integrated, organizational-wide effort towards risk management.

An Independent Risk Unit

This ensures separation between the units that originate risk and those that control or supervise the risk.

Linking Risk Appetite to Strategy

Our Board-approved risk appetite statement serves as the point of reference in strategy setting for ensuring that strategies remain within defined appetite levels.

Inculcating a Risk Culture

We embrace a set of attitudes, values and beliefs towards risk, and this is engrained into all processes through a top-down approach across the hierarchy.

A Comprehensive Approach to Risk

Our Sub-Committee structure facilitates management of a diverse range of risks. We also understand inter-relationships between such risks and take an overall view.



Risk Register

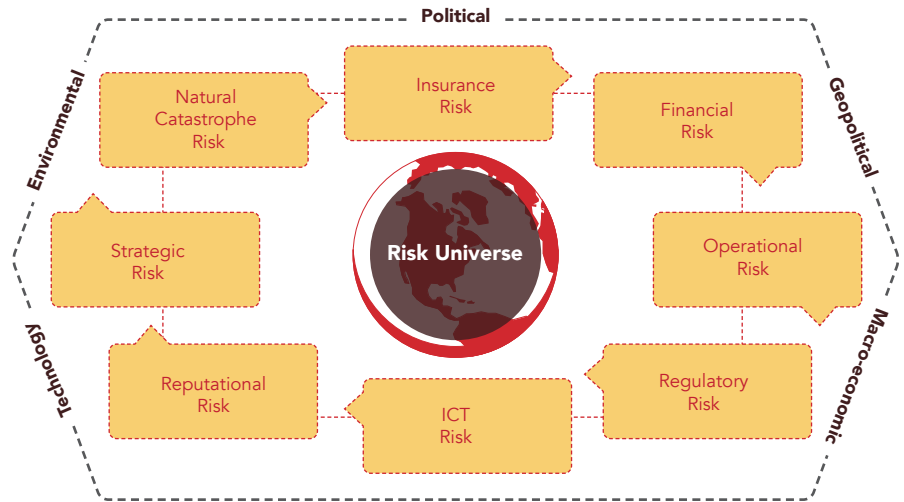
The Company uses an electronic system-based risk register. Risks are identified, discussed and updated in the register at sub-committee meetings. The risk register also serves as the basis for generating risk heat maps and for risk escalations to the higher management.

Risk Appetite

Risk Appetite refers to the aggregate amount and type of risk Ceylinco Life is willing to accept in the pursuit of its objectives, before action is deemed necessary to reduce it. We have defined a "Risk Appetite Statement" which serves as a guidance in our risk management process, and it is reviewed annually and approved by the Board of Directors. We have established appetite levels in the six broad categories of risks identified in our ERM framework.

Risk Universe

We determine our key risks through a review process that analyses the risks faced by Ceylinco Life, in relation to our strategy and long-term aspirations, reputation and delivery of business plans, in the context of the external and internal environment. Internal risks are managed systematically on a proactive basis while external risks are monitored on an ongoing basis to assess potential impacts on our operations.



The subsequent sections of this Risk Management Report provide an overview of the Company's approach to managing the key internal and external risks listed above.

Risk Dashboard 2021

1. Insurance Risk



1.1 Underwriting risk

The risk of not selecting lives at an adequate premium in line with mortality and morbidity assumptions.

| Risk Mitigation | Key Risk Indicator(s) |
|--|---|
| <ul style="list-style-type: none"> Verify the prospective policyholders' details through tele-underwriting Medical specialists are utilized for underwriting substandard cases Special review of insurance policies with significant life covers by underwriters and/or reinsurers Periodical review of underwriting guidelines Provide continuous local/foreign training to underwriting staff | <div style="display: flex; justify-content: space-around;"> <div data-bbox="743 1535 1081 1921"> <p>Sensitivity of Insurance Contract Liabilities to Changes in Mortality</p> </div> <div data-bbox="1122 1535 1459 1921"> <p>Sensitivity of Insurance Contract Liabilities to Changes in Morbidity</p> </div> </div> |

ENTERPRISE RISK MANAGEMENT

1.2 Claims risk

Deficiencies in settlement of claims as per the policy terms and conditions and the benchmarks set by the Company.

| Risk Mitigation | Key Risk Indicator(s) | | | | | | | | | | | | | | | | | | | | |
|--|--|------|---------|------|----|------|----|------|----|------|----|------|---------|------|----|------|----|------|----|------|----|
| <ul style="list-style-type: none"> Recording all claims at intimation and monitoring by senior management Verification of authenticity of all claim documents Automated claim computation Centralized claim approval with medical and legal consultation Claim audits and identification of claim patterns through statistics | <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Hospitalisation Claim Ratio %</p> <table border="1"> <caption>Hospitalisation Claim Ratio %</caption> <thead> <tr><th>Year</th><th>Ratio %</th></tr> </thead> <tbody> <tr><td>2017</td><td>14</td></tr> <tr><td>2018</td><td>16</td></tr> <tr><td>2019</td><td>17</td></tr> <tr><td>2020</td><td>19</td></tr> </tbody> </table> </div> <div style="text-align: center;"> <p>Accidental Death Claim Ratio %</p> <table border="1"> <caption>Accidental Death Claim Ratio %</caption> <thead> <tr><th>Year</th><th>Ratio %</th></tr> </thead> <tbody> <tr><td>2017</td><td>11</td></tr> <tr><td>2018</td><td>11</td></tr> <tr><td>2019</td><td>14</td></tr> <tr><td>2020</td><td>11</td></tr> </tbody> </table> </div> </div> | Year | Ratio % | 2017 | 14 | 2018 | 16 | 2019 | 17 | 2020 | 19 | Year | Ratio % | 2017 | 11 | 2018 | 11 | 2019 | 14 | 2020 | 11 |
| Year | Ratio % | | | | | | | | | | | | | | | | | | | | |
| 2017 | 14 | | | | | | | | | | | | | | | | | | | | |
| 2018 | 16 | | | | | | | | | | | | | | | | | | | | |
| 2019 | 17 | | | | | | | | | | | | | | | | | | | | |
| 2020 | 19 | | | | | | | | | | | | | | | | | | | | |
| Year | Ratio % | | | | | | | | | | | | | | | | | | | | |
| 2017 | 11 | | | | | | | | | | | | | | | | | | | | |
| 2018 | 11 | | | | | | | | | | | | | | | | | | | | |
| 2019 | 14 | | | | | | | | | | | | | | | | | | | | |
| 2020 | 11 | | | | | | | | | | | | | | | | | | | | |

1.3 Reinsurance risk

Retention of risks beyond our net retention capacity without obtaining adequate reinsurance and the inability of reinsurers to meet their commitments.

| Risk Mitigation | Key Risk Indicator(s) | | | | | | | | | | | | | | | | | | |
|---|--|---------------|----------------|------|------|------|------|-----------|---------------|---------------|----------|-------------------|-----|-----------|-------------------|-----|-----|-------------------|-----|
| <ul style="list-style-type: none"> Risk transfer with 3 top-ranked reinsurers; Swiss RE, Munich RE and RGA for life, health and group businesses Comply with the guidelines set out by the IRCSL in selecting reinsurers Monitoring the credit ratings of re-insurers periodically Having a catastrophic re-insurance treaty in place | <div style="display: flex; justify-content: space-between;"> <div style="text-align: center;"> <p>Reinsurance Receivable by Reinsurer Credit Rating (Rs. Mn)</p> <table border="1"> <caption>Reinsurance Receivable by Reinsurer Credit Rating (Rs. Mn)</caption> <thead> <tr><th>Year</th><th>Value (Rs. Mn)</th></tr> </thead> <tbody> <tr><td>2020</td><td>~280</td></tr> <tr><td>2021</td><td>~400</td></tr> </tbody> </table> </div> <table border="1"> <thead> <tr> <th>Reinsurer</th> <th>Rating Agency</th> <th>Credit Rating</th> </tr> </thead> <tbody> <tr> <td>Swiss RE</td> <td>Standard & Poor's</td> <td>AA-</td> </tr> <tr> <td>Munich RE</td> <td>Standard & Poor's</td> <td>AA-</td> </tr> <tr> <td>RGA</td> <td>Standard & Poor's</td> <td>AA-</td> </tr> </tbody> </table> </div> | Year | Value (Rs. Mn) | 2020 | ~280 | 2021 | ~400 | Reinsurer | Rating Agency | Credit Rating | Swiss RE | Standard & Poor's | AA- | Munich RE | Standard & Poor's | AA- | RGA | Standard & Poor's | AA- |
| Year | Value (Rs. Mn) | | | | | | | | | | | | | | | | | | |
| 2020 | ~280 | | | | | | | | | | | | | | | | | | |
| 2021 | ~400 | | | | | | | | | | | | | | | | | | |
| Reinsurer | Rating Agency | Credit Rating | | | | | | | | | | | | | | | | | |
| Swiss RE | Standard & Poor's | AA- | | | | | | | | | | | | | | | | | |
| Munich RE | Standard & Poor's | AA- | | | | | | | | | | | | | | | | | |
| RGA | Standard & Poor's | AA- | | | | | | | | | | | | | | | | | |

2. Regulatory risk

CAPITALS IMPACTED



FINANCIAL CAPITAL



HUMAN CAPITAL



INTELLECTUAL CAPITAL

The risk of legal or regulatory sanction, financial loss or damage to reputation as a result of failure to comply with applicable laws, regulations, codes of conduct and standards of good practice.

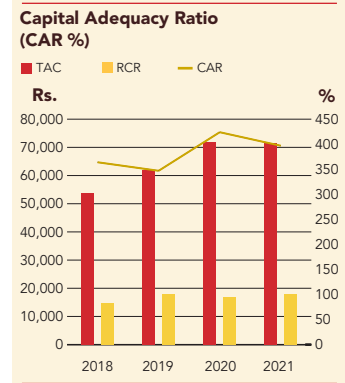
| Risk Mitigation | Key Risk Indicator(s) |
|---|--|
| <ul style="list-style-type: none"> Set the tone at the top through appropriate policies and procedures to improve the control environment Compliance Officer supervises the departments on compliance matters and is responsible to the Board on overall compliance of the Company Proactively identify changes in the regulatory landscape through the Regulatory Risk Committee respond to these changes | <ul style="list-style-type: none"> No of reported incidents of non-compliance - Nil Number of fines charged for non-compliance (Rs.) - Nil |

- Internal audits on status of compliance with applicable laws and regulations
- Regular consultation with in-house legal officers
- Provide training to relevant staff on compliance requirements and regulatory changes

Capital Adequacy Ratio (CAR)

The CAR under the Risk Based Capital (RBC) framework imposed by the Insurance Regulatory Commission of Sri Lanka measures the adequacy of the capital of an insurance company in absorbing losses due to risk exposures.

The CAR is computed by dividing the Total Available Capital (TAC) by the Risk Based Capital Required (RCR). According to the RBC regulations, the minimum CAR required is 120% and the minimum Total Available Capital required is Rs. 500 million. Ceylinco Life has always maintained CAR at very healthy levels.



3. Financial Risk

CAPITALS
IMPACTED



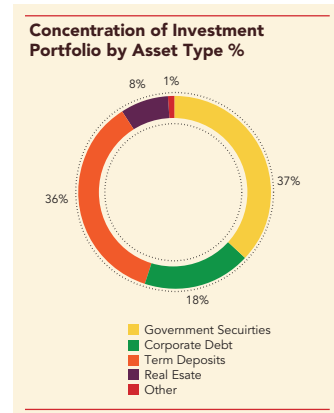
3.1 Investment concentration risk

This risk arises due to excessive concentration of the investment portfolio. Unless the investment portfolio is sufficiently diversified, excessive concentration in one or more asset classes, entities (issuers), currencies or markets would create investment concentration risk.

Risk Mitigation

- Compliance with the Investment Policy Statement of the company, which formally specifies investment concentration limits
- Use of more stringent internal limits in addition to regulatory limits
- Regularly review and update internal and regulatory limits are reviewed and updated in line with business and regulatory changes
- Selected investments are made in Real Estate which provides diversification and long-term capital appreciation benefits
- Review of actual concentration against the limits by the Board Investment Committee on a periodic basis
- Review the list of financial markets, asset classes, issuers and counterparties periodically.

Key Risk Indicator(s)



3.2 Interest rate risk

The risk that the market value or future cash flows of a financial instrument will fluctuate due to changes in interest rates. This includes reinvestment risk and inflation risk, which eventually impacts the interest rate. Interest rate changes will affect earnings and the underlying value of the current asset and liability position.

Risk Mitigation

- Monitor and evaluate the impact of interest rate risk charge to the Capital Adequacy Ratio (CAR)

Key Risk Indicator(s)

Refer to page 313

ENTERPRISE RISK MANAGEMENT

- Monitor maturities and interim cash and decide on reinvestment or recalling
- Monitor the exposure and the impact of the proprietary trading portfolio to short term interest rate movements and trends
- Oversee the overall strategy to manage the interest rate risk and revisit, change or fine-tune as required
- Continuous monitoring of the asset and liability position, including the duration, convexity and sensitivity of the same to market interest rate changes
- Aligning portfolio duration to optimize the fit with liability structure and interest rate outlook
- Periodic monitoring of the Central Bank's monetary policy, Government fiscal policy and key economic variables and global and macroeconomic developments

3.3 Liquidity Risk

Liquidity risk is the risk that Ceylinco Life will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs, without affecting either daily operations or the financial condition.

Risk Mitigation

- Collect interim cash flows and maturity proceeds on time
- Maintain investments in sufficiently liquid assets
- Monitor and review current and future cash flows to assess liquidity risk exposure
- Monitor current and expected money market liquidity position to ensure that sufficient liquidity or credit lines are available to meet expected funding/lending requirements
- Verify all transactions entered/agreed against confirmations to ensure that all settlements are accounted and funded to avoid any unexpected cash flows

Key Risk Indicator(s)

Maturity profile of investments – Refer to page 315

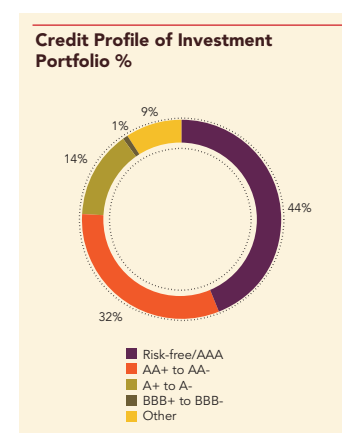
3.4 Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet its obligations towards Ceylinco Life.

Risk Mitigation

- Collect interim cash flows and maturity proceeds on time
- Carry out all transactions only with counterparties approved by the Board Investment Committee
- Obtain Board Investment Committee approval for all significant investment transactions
- Monitor existing credit risk exposure and compliance with relevant IRCSL limits, determinations and guidelines
- Review the list of financial markets, asset classes, issuers and counterparties periodically
- Align internal exposure limits with credit quality of issuers and counterparties

Key Risk Indicator(s)



4. Operational Risk

CAPITALS
IMPACTED



FINANCIAL
CAPITAL



HUMAN
CAPITAL



INTELLECTUAL
CAPITAL

4.1 ICT risk

Any risk of financial loss, disruption or damage to the reputation of the Company from failure of its information technology systems.

| Risk Mitigation | Key Risk Indicator(s) |
|--|--|
| <ul style="list-style-type: none"> • Adherence to the Board-approved Information Security Policy, which is regularly reviewed for changes in local and global IT and communication technologies • Continuous scanning of IT control environment and strengthen security activities and measures as required • Advanced firewall filters on data being transmitted • Regular virus definitions update • Access controls on external devices • Regular health checks on the servers • Regular training to all staff on cyber security • Penetration testing and vulnerability assessment by an external consultant • Independent audits on adequacy of IT security measures | <ul style="list-style-type: none"> • Actual incidents of ICT security policy violations |

5. Reputational risk

CAPITALS
IMPACTED



FINANCIAL
CAPITAL



SOCIAL &
RELATIONSHIP
CAPITAL



INTELLECTUAL
CAPITAL

A risk that arises due to negative publicity regarding Company's business practices which will lead to a loss of confidence amongst stakeholders and affect business operations.

| Risk Mitigation | Key Risk Indicator(s) |
|---|--|
| <ul style="list-style-type: none"> • Compliance with laws and regulations • Communication and training on business ethics and values • Trainings on acceptable behaviour on social media | <ul style="list-style-type: none"> • Actual incidents of negative publicity |

6. Strategic Risk

CAPITALS
IMPACTED



FINANCIAL
CAPITAL



SOCIAL &
RELATIONSHIP
CAPITAL



INTELLECTUAL
CAPITAL

This is the risk that the Company may not achieve its strategy or strategic objectives due to failed, inadequate or incomplete setting, execution, evaluation and monitoring of strategies and business planning.

| Risk Mitigation | Key Risk Indicator(s) |
|---|---|
| <ul style="list-style-type: none"> • Continuous scanning of the external environment to identify viable opportunities • Review of strategies at the monthly Strategic Planning Meetings | <ul style="list-style-type: none"> • Loss of competitiveness in the market • Loss of market share |

ENTERPRISE RISK MANAGEMENT

7 Natural Catastrophe Risk

CAPITALS
IMPACTED



FINANCIAL
CAPITAL



SOCIAL &
RELATIONSHIP
CAPITAL



NATURAL
CAPITAL

This risk reflects the adverse impacts on business operations due to natural calamities such as floods, earthquakes, pandemics etc.

| Risk Mitigation | Key Risk Indicator(s) |
|---|--|
| <ul style="list-style-type: none"> • A Business Continuity Plan has been formulated and reviewed periodically which addresses identified business contingencies • Periodic training of recovery teams • Periodic testing of the BCP through drills | <ul style="list-style-type: none"> • Drill performance versus targets • Actual system recovery times |



COVID Response 2021

Our comprehensive risk management framework together with our risk governance approach supported us in a challenging year where risk management processes had to be modified to consider the emerging developments with the COVID-19 pandemic which impacted risk exposures across all aspects of business strategy and business activities. Some of the key responses taken during the year are as follows.

- Health and safety measures introduced in 2020 were improved and maintained in 2021 as well. The Health and Safety Committee continued to monitor the effectiveness of such measures.
- Business Continuity Plans were revisited to incorporate changes in business processes and business impacts were reassessed.
- Stress testing to estimate impact on Capital Adequacy Ratio and policyholder surplus due to declining interest rates that prevailed during the pandemic period.
- COVID-19 claims were monitored closely to ensure they remain within our risk appetite levels.

2021 at a Glance

1. Review of the Risk Management Governance Framework and Policy Documents

We reviewed the ERM Process and Framework, Board Risk Committee Mandate and the Risk Appetite Statement during 2021.

Changes were introduced to make the framework more effective and improve its integration with the day-to-day operations.

2. Improved participation of risk owners in risk committee discussions

We maintained more than 90% participation in the risk committee meetings under the ERM Framework. Active participation helped the Company to identify and manage risks more effectively.

3. Conversion into a Smart Integrated Server Room

The aim of this project was to replace the data centre with a new smart server room. This addresses the risk of failure of the servers due to power interruptions and air conditioning issues. The project was successfully completed in October 2021 at a cost of Rs. 32.4 million with the following benefits to the Company.

- Increase availability of power for an emergency – There are 4 power sources; main electricity line, main building generator, dedicated server room generator and a UPS with 90 minutes' backup time.
- Lower power consumption of the server room
- Remote monitoring of operating conditions and performance
- Elimination of noise generated from outdoor air conditioner compressors

7. Stress testing to estimate impact on Capital Adequacy Ratio and policyholder surplus due to declining interest rates

With the continuously declining interest rates in the economy during the first half of 2021 a stress test was carried out to quantify the likely impact on the Capital Adequacy Ratio and policyholder surplus under 4 different yield curve scenarios. Based on the results of the test, despite lower interest rates having a significant impact on the Capital Adequacy Ratio, the Company is likely to maintain sufficient levels of capital.

6. Entering into ESCROW agreements with outsider software developers

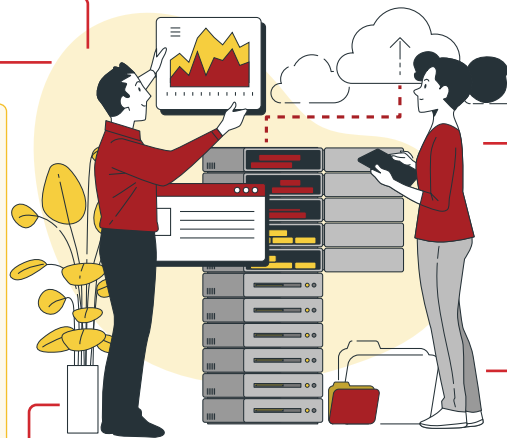
In relation to critical software/system development projects involving external developers, the Company started entering into ESCROW agreement. In such arrangements, the codes of the application are entrusted to the independent ESCROW agent. This ensures that the Company will have less issues in future system modifications in the event of non-availability of the vendors who originally developed the applications.

5. Development of a company-wide document retention policy

A comprehensive policy was developed considering the critical documents retained by all departments. The policy clearly specifies the form of the document, place of retention and length of retention. Retention of documents in hard form as well as in soft form was also factored in. Reviews are carried out by the Internal Audit Department to identify gaps with actual practice and the defined procedure.

4. Improvements to system testing of new products and modifications

A quality control arrangement was entered into to ensure enhanced accuracy in the configurations in the core insurance system for new products and product modifications. This has improved the quality of product development, testing and documentation.



Looking Ahead

- The recent developments in the external business environment have prompted the Company to relook at business continuity planning and reinforce disaster preparedness and business resilience. A special emphasis will be placed on IT disaster recovery and adopting more effective business continuity practices.
- Increased attention will be placed on maintaining market leadership, prudently managing the risks which impact the value of our investments, mitigating risks from changing business dynamics and compliance with changes in laws and regulations.
- Cyber security remains a key focus and, given the increase in the number and sophistication of cyber-attacks against business entities, we will continue to invest in our IT security capabilities



ANNUAL REPORT OF THE BOARD OF DIRECTORS

1. INTRODUCTION

The Board of Directors of Ceylinco Life Insurance Limited (CLIL) takes pleasure in presenting the Annual Report and the Audited Financial Statements of the Company for the financial year ended 31st December 2021.

This report covers the statutory requirements and directions of the Companies Act No. 07 of 2007, the Insurance Industry Act No. 43 of 2000 and amendments thereon, Direction No.17 on Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and the voluntary adherence to the recommended best practices on Corporate Governance as per the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka. This report was approved by the Board of Directors on 24th February 2022. The appropriate number of copies of the Annual report will be submitted to the IRCSL and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

The following table depicts the information disclosed in this report as required by Section 168 of the Companies Act No. 07 of 2007.

| Reference to the sections of the Companies Act No. 07 of 2007 | Information required to be disclosed as per the Companies Act | Reference to the pages in the Annual Report |
|---|--|---|
| Section 168 (1) (a) | The nature of the business of the Company together with any changes thereof during the accounting period. | 187 |
| Section 168 (1) (b) | Signed Financial Statements of the Company for the accounting period completed in accordance with Section 152. | 216 |
| Section 168 (1) (c) | Independent Auditors' Report on the Financial Statements of the Company. | 213 to 214 |
| Section 168 (1) (d) | Accounting Policies of the Company and any changes therein. | 222 to 333 |
| Section 168 (1) (e) | Particulars of the entries made in the Interests Registers of the Company during the accounting period | 191 |
| Section 168 (1) (f) | Remuneration and other benefits paid to Directors of the Company during the accounting period. | 322 |
| Section 168 (1) (g) | The total amount of donations made by the Company and its subsidiaries during the accounting period. | 189 |
| Section 168 (1) (h) | Information on the Directorate of the Company and its subsidiaries during the accounting period. | 142 to 145 & 187 |
| Section 168 (1) (i) | Separate disclosure on amounts payable to the Auditors as audit fees and fees for other services rendered during the accounting period by the Company. | 299 |
| Section 168 (1) (j) | Auditors' relationship or any interest with the Company. | 189 |
| Section 168 (1) (k) | Acknowledgement of the contents of this report/Signatures on behalf of the Board of Directors. | 193 |

2. REVIEW OF THE BUSINESS

2.1 Formation

CLIL is a Public Company with limited liability, incorporated on 22nd April 2014, bearing Registration No. PB 5183, licensed as an insurance Company by the Insurance Regulatory Commission of Sri Lanka (IRC SL) to carry on long-term life insurance business, under the Regulation of Insurance Industry Act No. 43 of 2000 (as amended). The Company was incorporated as a legal requirement that arose out of Section 53 of an amendment to the said Act, which required segregating the long term and general insurance business from the composite insurance Companies. The Company is domiciled in Sri Lanka and the registered office is situated at No. 106, Havelock Road, Colombo 05.

2.2 Corporate Vision, Mission and Values

The Company is strategically aligned to its Vision and Mission which are set out on page 2 of the Annual Report. The Board of Directors and the employees collectively conduct their activities adhering to the highest level of ethics reflecting their unwavering commitment to maintaining high standards of business conduct and transparency.

2.3 Principal Activity

The Company's principal activity is underwriting all classes of Life Insurance, which has remained unchanged since it received the license to carry out its business as a long-term insurance provider by the IRC SL on 01st June 2015.

The Directors declared that the Company has not engaged in any activity, which contravenes the laws and regulations of the country during the said period.

The ultimate Holding Company is Ceylinco Insurance PLC. Subsidiaries of the Company as of 31st December 2021 were Serene Resorts Limited and Ceylinco Healthcare Services Limited. Citizens Development Business Finance PLC is an Associate Company of CLIL.

- Ceylinco Healthcare Services Limited – CLIL holds a 99.45% stake, and the registered number of the Company is PB 135.

Ceylinco Healthcare Services Limited was established in 2000 and it is one of the most specialized cancer care hospitals in Sri Lanka, with the latest state-of-the-art equipment and services.

- Serene Resorts Limited – CLIL holds a 98.65% stake, and the registered Number of the Company is PB 19.

Serene Resorts Limited seeks to provide assisted retirement living facilities for the elderly population of the country by establishing a retirement home.

There were no changes to the Group Structure of the Company during the financial year ended 31st December 2021.

2.4 Review of Operations of the Company

The Chairman's Review given on pages 10 to 13, the Managing Director/CEO's Review on pages 14 to 17 and the Strategy and Resource Allocation on pages 43 to 49 together with the Audited Financial Statements provide an overall review of the business performance and the state of affairs of the Company together with the important events which took place during the year under review as required by Section 168 of the Companies Act No.07 of 2007 and the recommended best accounting practices.

The Company has an established presence across the country covering all districts. As at the end of the year under review, there were 138 branches.

The sector-wise contribution to the Company's revenue, results, assets and liabilities is disclosed in Note 05 to the Financial Statements on pages 225 to 233.

2.5 Future Developments

Likely future developments of the business are discussed in the Chairman's Review on pages 10 to 13. The Company has taken into cognizance the wider developments in the business environment and demographic changes which has increased the need for insurance and retirement planning in the country. In this context the Company has set in place a strategic plan which aims to affirm its market leadership position to reach its strategic objectives.

3. FINANCIAL STATEMENTS OF THE COMPANY

3.1 Director's Responsibility for Financial Reporting

The Directors assume the responsibility for the preparation and presentation of the Financial Statements, which reflect a true and fair view of the state of affairs of the Company. The Directors are of the view that the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 215 to 333 have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, Rules and Regulations of the Insurance Regulatory Commission of Sri Lanka. The said Accounting Policies adopted in the Financial Statements, are given on pages 222 to 333 as required by the Section 168 (1) (d) of the Companies Act No. 07 of 2007.

The Statement of Directors' Responsibility for Financial Reporting appearing on page 203 forms an integral part of this Report.

The Financial Statements of the Company, for the year ended 31st December 2021, duly certified by the Director/CFO, recommended by the Audit Committee, approved by the Board of Directors and signed by the Chairman and Managing Director/CEO, in compliance with the requirements of Sections 151, 152 and 168 (1) (b) of the Companies Act No. 07

ANNUAL REPORT OF THE BOARD OF DIRECTORS

of 2007 are given on pages 215 to 333 of this Annual Report.

3.2 Significant Accounting Policies and Changes during the Year

The accounting policies adopted by the Company during the preparation of the Financial Statements are depicted on pages 222 to 333. The Board of Directors wishes to confirm that there were no material changes in the accounting policies adopted by the Company, during the year under review vis-a-vis the previous year.

3.3 Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these Financial Statements. The Directors are not aware of any material uncertainties that may create a significant impact on the Company's ability to continue as a going concern. The Company has committed itself to honour the medical and life insurance claims of its policyholders considering the best interest of all policyholders.

3.4 Events Occurring after the Date of the Statement of Financial Position

The payment of the first and final dividend of Rs.15.75 per share for the year ended 31st December 2021 will be approved by the shareholders at the forthcoming Annual General Meeting to be held on 23rd March 2022. More information with regard to the dividend is given on Note 38 to the Financial Statements on page 302.

No material events have taken place after the reporting date, which require an adjustment to or a disclosure in the Financial Statements, except for the aforesaid proposed transaction. The relevant disclosure is given under Note 45 to the Financial Statements on page 325.

3.5 Contingencies

There were no contingent liabilities of the Company except for the disclosure made under Note 42 of the Financial Statements as of the reporting date.

4. FINANCIAL RESULTS AND APPROPRIATIONS

4.1 Gross Written Premium

The Gross Written Premium of the Company for year 2021 was Rs.25.56Bn (Rs.22.1Bn in 2020). The sources of external operating income, net operating profit and asset allocation of the Company together with their proportions are given in Note 26 to the Financial Statements on page 292.

4.2 Profits and Appropriations

The Profit before Tax of the Company amounted to Rs.8.54Bn in 2021 (Rs.8.77Bn in 2020) marking a decrease of 2.52% (Increase of 6.75% in 2020). Further, the Net Profit after Tax of the Company amounted to Rs.6.77Bn in 2021 (Rs.6.93Bn in 2020), indicating a decrease of 2.30% (increase of 3.93% in 2020).

On this basis, the dividend payout ratio amounts to 11.55% in 2021 (2020 -0%).

| For the year ended 31st December, | 2021 Rs.000' | 2020 Rs.000' |
|-----------------------------------|-----------------|-----------------|
| Profit Before Tax (PBT) | 8,545,374 | 8,766,512 |
| Income Tax Expenses | (1,770,883) | (1,832,391) |
| Profit for the Year | 6,774,491 | 6,934,122 |
| Dividends Paid | 782,500 | - |

4.3 Dividends on Ordinary Shares

As per the recommendation of the Board of Directors, the Company will declare a first and final dividend of Rs.15.75 per share (Rs.15.65 in 2020) amounting to a total sum of Rs. 787.5 Mn for the year ended 31st December 2021 on the issued and fully paid ordinary shares of the Company, subject to the approval of the shareholder at the forthcoming Annual General Meeting to be held on 23rd March 2022 and subject to the directions issued by the Insurance Regulatory Commission of Sri Lanka. Further, Rs. 6.0 Bn (net of dividend) was transferred during the year to retained earnings.

The Board was satisfied that the Company would meet the solvency test after the declaration of the aforesaid dividend and obtained a solvency certificate from the Company's Auditors to that effect. The Board authorized the distribution, in terms of Section 56 of the Companies Act No. 07 of 2007.

4.4 Reserves

A summary of the Company's reserves is given below;

Total reserves of the Company stood at Rs. 44.19Bn as at 31st December 2021. This includes the Restricted Regulatory Reserve of Rs. 3.46Bn recognized in compliance with the IRCSL Direction 16 on Identification and Treatment of One-off Surplus. Information on the movement of reserves is given in the Statement of Changes in Equity on page 219 and Notes 21 to the Financial Statements on pages 282 to 285.

4.5 Taxation

Tax expense has been computed at the rates given in Note 35 to the Financial Statements, appearing on pages 299 to 300 of this report.

4.6 Property, Plant and Equipment

The net book value of property, plant and equipment of the Company, as at the Reporting date amounted to Rs.10.18Bn. Total capital expenditure during the year for the acquisition of property, plant and equipment by the Company, amounted to Rs. 359Mn. More information on Property, Plant and equipment is given in Notes 7 to the Financial Statements on pages 235 to 244.

Specific information on the extent, location and the valuation of the land and buildings held by the Company are given in Notes 7.(i) to the Financial Statements on pages 240 to 244..

The details of capital expenditure approved and contracted for are given in Note 7.(c) to the financial Statements on pages 239.

4.7 Market value of land and buildings

The Company carried out a re-valuation of all its freehold land and buildings as at 31st December 2021. The revaluation of the land and buildings of the Company was carried out by professionally qualified independent valuers 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.

Details of the market value (re-valued amounts) of freehold properties of the Company are given in Note 7.(i) to the Financial Statements on pages 240 to 244.

The next revaluation exercise on the freehold land and buildings of the Company will be carried out as at 31st December 2022.

4.8 Investments

Total investments of the Company and other equity investments amounted to Rs. 154.46Bn as of 31st December 2021.

4.9 Provisions, Liabilities and Capital Commitments

The Directors have taken all reasonable steps to ensure that adequate provisions were made for all known liabilities and commitments.

4.10 Donations

During the year, the Company has not made any contributions to charities or other donations.

The CSR initiatives of the Company are detailed under 'Building relationships for life' on pages 76 to 100.

5. INVESTOR RELATIONS

5.1 Stated Capital

The stated capital is the total of all amounts received by the Company, in respect of the issue of shares. The stated capital of the Company, as at 31st December 2021, amounted to Rs. 500,000,500.00 (Five Hundred Million and Five Hundred Rupees), which is represented by issued and fully paid 50,000,050 ordinary shares.

The Company has not purchased its own shares during the year under review.

5.2 Substantial Shareholding

The Company is a fully owned subsidiary of Ceylinco Insurance PLC. The Company has issued 50,000,050 ordinary shares to the said Sole Shareholder of the Company. Information relating to dividends and net assets per share are stated under Note No 37 and 38 to the Financial Statements on pages 301 to 302.

5.3 Information on ratios, Net asset value of shares

Ratios relating to Dividends, Net Assets, Net Assets Value Price per share are presented below.

| | 2021 | 2020 | % |
|----------------------------------|--------|--------|--------|
| Dividend per share (Rs.) | 15.65 | - | 100.00 |
| Dividend Payout (Rs.Mn) | 782.5 | - | 100.00 |
| Net assets value per share (Rs.) | 883.88 | 762.90 | 15.86 |

5.4 Issue of shares or debentures

During the year the Company has not raised any funds either through a public issue, rights issue, debenture issue or through a private placement.

6. APPOINTMENT AND REMUNERATION OF INDEPENDENT AUDITORS'

6.1 Appointment of Auditors and the Audit Report

The Company's Independent External Auditors, Messrs. Ernst and Young, Chartered Accountants, who were re-appointed by a resolution passed at the 7th Annual General Meeting, have carried out an audit on the Financial Statements of the Company for the year ended 31st December 2021. The Auditors' Report issued thereon, is given on pages 213 to 214 as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

A resolution will be proposed to the shareholder at the forthcoming Annual General Meeting for approval pertaining to their re-appointment and to authorize the Directors to determine their remuneration.

6.2 Auditors' Remuneration

The fees paid to the Auditors are disclosed in Note 33.(b) in the Financial Statements.

6.3 Auditors' Independence

A confirmation of independence has been provided by Messrs. Ernst & Young 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 2021, confirming that Ernst & Young is not aware of any relationship or interest in the Company or any subsidiary audited by Ernst & Young, that in their judgment, may reasonably be thought to have a impairment on their independence within the meaning of the Code of Professional Conduct and Ethics issued by CA Sri Lanka, applicable as at the reporting date.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

7. THE BOARD OF DIRECTORS

7.1 Information on Directors of the Company

The Board of Directors of the Company as at 31st December 2021 consisted of 15 Directors with wide knowledge and experience on economic, financial, banking, commercial, HR, marketing, engineering and healthcare as detailed in the Board of Directors' profiles on pages 140 to 145.

Names of the Directors of the Company during and as end of 31st December 2021, as required by Section 168(1) & (h) of the Companies Act No. 07 of 2007 are given below;

| Name of the Director | Status |
|---------------------------------|--|
| R Renganathan | Executive Chairman |
| E T L Ranasinghe | Executive Director/ Managing Director/ CEO |
| P D M Cooray | Executive Director/Head of HR and Training |
| P A Jayawardena | Executive Director/Chief Financial Officer |
| S R Abeynayake | Executive Director/Deputy Chief Financial Officer |
| D H J Gunawardena | Non-Executive Director |
| Gen. C S Weerasooriya (Retired) | Non-Executive Director (Retired w.e.f. 30th June 2021) |
| R S W Senanayake | Non-Executive Director |
| J A Setukavalar | Non-Executive Independent Director |
| Prof. W M M De Silva | Non-Executive Independent Director |
| Dr. B G S De Silva | Non-Executive Independent Director |
| W M P J K Wickramasinghe | Non-Executive Independent Director |
| H S B Caldera | Non-Executive Independent Director |
| Ms. A K Seneviratne | Non-Executive Independent Director |
| J Durairatnam | Non-Executive Independent Director |
| W W L R A Fernando | Non-Executive Independent Director (Appointed w.e.f. 30th June 2021) |

7.2 Directors of the Subsidiary Companies

| Ceylinco Healthcare Services Limited | Serene Resorts Limited |
|--------------------------------------|---------------------------------------|
| Mr. R Renganathan - Chairman | Mr. R Renganathan - Chairman |
| Mr. E T L Ranasinghe - Director | Mr. E T L Ranasinghe - Director |
| Mr. P A Jayawardena - Director | Mr. P D M Cooray - Director |
| Mr. E R S G S Hemachandra - Director | Mr. P A Jayawardena - Director |
| Prof. M M R W Jayasekara - Director | Mr. S R Abeynayake - Director |
| | Mrs. R. M. U. K. Ratnayake - Director |
| | Mr. A. H. R. Udayasiri - Director |

7.3 Changes to the Board of Directors

In terms of the Direction No.17 issued by the IRCSL (as amended), Gen. C S Weerasooriya (Retired) being a Director over 70 years of age, retired from the Board of Directors w.e.f. 30th June 2021 and Mr. W W L R Albert Fernando was appointed as a Non-Executive Independent Director w.e.f. 30th June 2021, with the approval of the IRCSL.

Retirement and Re-election

1. In accordance with Section 210 of the Companies Act No. 07 of 2007, Mr. D H J Gunawardena and Dr. B G S De Silva will retire and be eligible to be re-elected as Directors at the forthcoming Annual General Meeting of the Company. Mr. D H J Gunawardena will be 73 years of age in December 2022 and Dr. B G S De Silva will be 71 years of age in December 2022. The shareholder's approval shall be sought by way of an ordinary resolution at the forthcoming Annual General Meeting of the Company, resolving that Section 210 of Companies Act No. 07 of 2007, shall not apply to Mr. D H J Gunawardena and Dr. B G S De Silva, subject to the provisions of Direction No.17 on Corporate Governance Framework for Insurers issued by the IRCSL (as amended).

2. In terms of Articles 18(B) of the Articles of Association, one third of the Non-Executive Directors are required to retire by rotation at each Annual General Meeting. Article 18 (B) provides that the Directors to retire by rotation at an AGM shall be those who (being subject to retirement by rotation) have been longest in office, since their last election or appointment.

The aforesaid appointments were considered by the Nomination Committee of the Company at their meeting held on 10th February 2022 and recommended to the Board of Directors to notify to the Shareholder. The Board recommended at their meeting held on 24th February 2022, the re-election of the following

Directors after considering the recommendations of the Nomination Committee.

- a. Mr. J Durairatnam
 - b. Mr. R S W Senanayake
 - c. Mr. H S B Caldera
3. In terms of Rule A.8.2 of the Code of Best Practice on Corporate Governance, all Directors including the Chairman of the Board should be subject to election by the shareholders at the first opportunity after their appointment. Accordingly, Mr. W W L R A Fernando who was appointed as an Independent Non-Executive Director on 30th June 2021, shall offer himself for re-election by the shareholder as a Director of the Company at the forthcoming Annual General Meeting. The aforesaid appointment was considered by the Nomination Committee of the Company at their meeting held on 10th February 2022 and recommended to the Board of Directors to notify to the Shareholder.

More details are given on page 346 under the 'Notice of the AGM'.

7.4 Directors Meetings

The details of the Board and Board Sub-Committee meetings and the attendance of Directors at these meetings, are given on page 164 and in the respective Committee reports on pages 194 to 202.

7.5 Board Sub-Committees

The Board of Directors of the Company has formed four main Board Sub-committees, namely the Nomination Committee, Remuneration Committee, Related Party Transactions Review Committee and the Audit Committee as suggested by the Code of Best Practices on Corporate Governance issued by CA Sri Lanka.

The Board has formed two more voluntary Board Sub-committees to assist the Board of Directors. They are the Board Risk Committee and the Board Investment Committee. These Sub-committees play a critical role in ensuring that the activities

of the Company are conducted to the highest ethical standards and in the best interest of all its stakeholders. The terms of reference of these Sub-committees conform to the recommendations made by various regulatory bodies such as IRCSL, CBSL, The Institute of Chartered Accountants of Sri Lanka and the SEC.

The Composition of Board Sub-committees as at 31st December 2021 are tabulated in the respective Committee reports on pages 194 to 202.

7.6 Remunerations and other benefits of Directors

Directors' remuneration in respect of the Company for the financial year ended 31st December 2021 is given in Note 44.(iv).d to the Financial Statements as required by Section 168 (1) (f) of the Companies Act No. 07 of 2007.

7.7 Entries in the Interest Register

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. All Directors have made declarations as required by Section 192 (1) and (2) of the Companies Act No. 07 of 2007.

7.8 Disclosure of Director's Dealings in Shares

Neither shares nor debentures of the Company were held by the Directors of the Company during the year under review.

7.9 Directors Interest in Contracts or Proposed Contracts

The Directors of the Company have no direct or indirect interest in any contract or proposed contract with the Company, except for those specified, which have been disclosed and declared at meetings of Directors, as requested by Sec.192 of the Companies Act No.07 of 2007.

7.10 Related Party Transactions with the Company

The Company carried out transactions in the ordinary course of business on an arm's length basis with entities where a Director of the Company is the Chairman or a Director of such entities, as detailed below;

| | Name of the Company | R Renganathan | E T L Ranasinghe | P D M Cooray | P A Jayawardena | S R Abeynayake |
|---|--------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 1 | Ceylinco Healthcare Services Limited | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | |
| 2 | Ceylinco Insuranc PLC | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3 | Serene Resorts Limited | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

In addition, Related Party Disclosures as per Sri Lanka Accounting Standards are detailed in Note 44 to the Financial Statement on pages 321 to 325 of this Annual Report and the report of the Related Party Transactions Review Committee is given on page 198.

7.11 Directors' and officers' insurance

The Company has during the financial year paid an insurance premium in respect of insurance policy for the benefit of the Company and the Directors and further details on the same are given in Note 44.(i).d to the Financial Statements on page 322.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

7.12 Register of Directors and Secretaries

As required under Section 223 (1) of the Companies Act No. 07 of 2007, the Company maintains a Register of Directors and Secretaries, which contains information of each Director and the Company Secretary.

8. MINIMUM CAPITAL REQUIREMENTS

As per the Gazette dated 7th May 2013 issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) by its the minimum capital requirement for all insurance companies was increased to Rs. 500,000,000/- with effect from 11th February 2015. The Company has an issued and paid-up capital of Rs.500,000,500/- and has abided by this statutory requirement.

9. TOTAL AVAILABLE CAPITAL (TAC)

Insurance Companies are required to maintain a Total Available Capital of Rs.500,000,000/- as per solvency margin (Risk Adjusted Capital) rules imposed with effect from 01st January 2016. The Company maintains a TAC of Rs 71,665 Mn as at 31st December 2021.

10. COMPLIANCE WITH REGULATIONS IMPOSED BY THE IRCSL

The Company has complied with all statutory requirements imposed by the IRCSL and has submitted all returns and information on the stipulated due dates in conformity with the rules and regulations. In addition, the Company complies with the Financial Transaction Reporting Act No. 06 of 2006 and the Convention on the Suppression of Terrorism Financing Act No. 25 of 2005.

11. TRANSITION TO NEW REGULATIONS

The Company has laid in place the necessary platform for transition to SLFRS 17 which will be effective from 01st January 2023 by educating all stakeholders. Ernst and Young and Wills Towers Watson have been engaged as independent consultancy teams to assist

the Company for a smooth transition. The Company had already completed the operational and impact analysis to the financial statements and the latest developments are given in detail under 'Delivering Financial Value' on pages 54 to 68.

12. RISK MANAGEMENT AND INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Company's system of internal controls. The systems are designed to provide reasonable assurance that the assets of the Company are safeguarded and to ensure that proper accounting records are maintained. The Board of Directors, having reviewed the system of internal control, is satisfied with the systems and measures in effect at the date of signing this Annual Report.

The Board Risk Committee reviews the policy development for risk management of the Company. Steps taken by the Company in managing risks are given on pages 177 to 184. under the topic of 'Risk Management'.

13. SUSTAINABILITY

The Company has embedded sustainability into its strategic planning process and focusses on business expansion and growth in a sustainable and responsible manner. More details are provided on pages 21 to 23.

14. HUMAN RESOURCES POLICY

The Company is committed to maintaining a superior workplace which provides equal opportunities for individuals to grow and realize their potential irrespective of gender, race or religion. The Company's employee cadre as at 31st December 2021 was 795 (2020 – 814). The Company offers a comprehensive array of benefits including a medical insurance under group cover for all confirmed employees. The Company has created an environment for growth and development by offering training and development opportunities. The Company's HR Policy and other details are given in 'Investing in our people' on pages 121 to 137.

15. COMPANY ETHICS AND VALUES

All employees and Directors of the Company are strongly anchored to the Company's values when conducting their day-to-day operations. Furthermore, the Company has a Code of Ethics in place which has been communicated to all employees and Directors.

16. WHISTLEBLOWING POLICY

The Company has a whistleblowing policy and all employees have been educated on this policy through relevant training programmes.

17. ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability. The Company has since 2017 committed to preserving the environment through its 'Go Green' initiatives with all branches and operations complying with green practices in conserving natural resources. These initiatives are detailed in the 'Nurturing our environment' section set out on pages 110 to 120.

18. STATUTORY PAYMENTS

The Board of Directors confirms that to the best of their knowledge and belief, all taxes, duties and levies payable by the Company and in respect of the employees of the Company and all other known statutory dues, that were due and payable by the Company, as at the reporting date have been paid or, where relevant provided for.

19. OUTSTANDING LITIGATION

As per the opinion of the Board of Directors and the Lawyers of the Company, there will not be a significant impact on the financial position of the Company from the pending litigation by and against the Company or its future operations.

20. CORPORATE GOVERNANCE

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework and implementing systems and structures as required to ensure best practices in Corporate Governance and their effective implementation. The Company's compliance with relevant sections of the Code of Best Practice on Corporate Governance 2017 together with the compliance with provisions of the Corporate Governance framework issued by IRCSL is given on pages 169 to 173. Further, the table from page 172 shows the manner in which the Company has complied with Section 7.10 of the Rules of the Colombo Stock Exchange on Corporate Governance.

21. TECHNOLOGY

The Company recognizes digitalization as a key enabler to business transformation. Over the last two years the Company has accelerated its digital initiatives to transition to a future ready organization. The Company was able to maintain business continuity during lockdowns imposed during the pandemic mainly through the use of technological platforms. Digital transformation will be a key strategic pillar which will drive the Company towards process and customer service excellence. Key achievements for the year are detailed in the section 'Transforming through Technology' on pages 101 to 109.

22. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a socially responsible corporate citizen, the Company carries out a range of CSR activities. The details of Corporate Social Responsibility activities are given under 'Social and Relationship Capital' section on pages 76 to 100

23. OPERATIONAL EXCELLENCE

The Company has significantly transformed its processes to reach operational excellence. This has derived many benefits to policyholders by

enhancing service levels. Technology has been a key enabler in reaching operational excellence.

24. ANNUAL GENERAL MEETING

The Eighth Annual General Meeting of CLIL, will be held at the Board Room of Ceylinco Life Insurance Limited at No. 106, Havelock Road, Colombo 05 on 23rd March 2022 at 3.00 p.m. The Notice of the AGM appears in page 346 of the Annual Report.

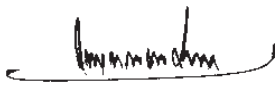
25. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of the Annual Report.

Signed for and on behalf of the Board of Directors,



R Renganathan
Chairman



Palitha Jayawardena
Director/CFO



K I Weththasinghe
Company Secretary

24th February 2022
Colombo

REPORT OF THE REMUNERATION COMMITTEE



Dear shareholder,

I am pleased to present the report of the Remuneration Committee for the year ended 31st December 2021. Through this report, I will share with you how the Remuneration Committee worked towards discharging its responsibilities.

Purpose of the committee

The Committee was established for the purpose of setting the principles, parameters and governance framework of the Company's remuneration policy and to recommend the terms and conditions of employment of the Chairman of the Board, Executive Directors, Senior Management and the Company Secretary.

Members

The Committee, as at 31st December 2021, comprised of the following members;

| Name | Category | MA |
|--------------------------|----------|-----|
| Prof. W M M De Silva (C) | INED | 2/2 |
| Mr. H S B Caldera | INED | 1/2 |
| Dr. B G S De Silva | INED | 2/2 |

(C)- Chairman

INED- Independent Non-Executive Director

MA- Meeting attendance

The Company Secretary functions as the Secretary to the Remuneration Committee. The Executive Chairman, Managing Director/Chief Executive Officer, Director/Chief Financial Officer (CFO) and Director/Deputy CFO attend meetings by invitation to provide their relevant information to the Committee to make their deliberations as and when required.

Terms of Reference

The committee's terms of reference outline the composition, role and responsibilities of the committee.

The committee is committed towards upholding the principles of accountability and transparency ensuring that remuneration structures are fair and aligned with the performance of the Company and long-term interest of the shareholders.

Key Responsibilities

- Set the principles, parameters and governance framework of the Company's remuneration policy
- Make recommendations to the Board regarding the remuneration of the Chairman, Managing Director, Chief Executive Officer, Executive Directors and Company Secretary
- Monitor the major changes in the employee and Directors benefit structures and update the Board on such matters.

Remuneration Policy

The remuneration policy is designed to attract, motivate and retain the Company's Executive Team with competitive remuneration and benefits to support the overall business growth and value creation. Accordingly, salaries and other benefits are reviewed periodically taking into consideration the industry norms and individual performance standards.

Professional Advice

The Committee is authorized to seek external professional advice on matters within its purview.

Remuneration paid to Directors

The remuneration paid to Directors during the year under review is disclosed in Note 44 to the financial statements.

All Independent Non-Executive Directors receive a fee for serving on the Board and Sub-Committee. They do not receive any performance related incentive.

The Company does not have an Employee Share Ownership Plan for Directors and Key Management Personnel.

Key Actions Taken During 2021

- Discussions on the Key Performance Indicator System and review of the performance of the Company.
- Continuous discussions on the readiness and the impact on employee engagement of the 3rd wave of COVID-19.
- Review of the Remuneration Policy of the Company in line with the latest developments in the market.
- Review of the Terms of Reference of the Committee.
- Discussions regarding the findings of Employee survey findings of "Great Place to Work" and continuation with the recommended developments from focus groups.

More information is given under "Investing in our people" on page 135

Conclusion

The annual evaluation of the performance of the committee was carried out by the Board and the committee was deemed to be operating effectively. The Company will continue to strengthen its remuneration policies and systems upholding a structure that drives performance and accountability.

Prof. Mohan De Silva

Chairman – Remuneration Committee

24th February 2022

REPORT OF THE NOMINATION COMMITTEE



Dear shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31st December 2021. Through this report, I will share with you how the Nomination Committee worked towards discharging its responsibilities.

Purpose of the committee

The main purpose of the Committee provide recommendations on new appointments to the Board in order to maintain a balance of skills and experience on the Board and its Sub-Committees.

Members

The Committee, as at 31st December 2021, comprised of the following members;

| Name | Category | MA |
|-----------------------------------|---------------|-----|
| Dr. B G S De Silva | INED | 2/2 |
| Mr. W. M. P. J. K. Wickramasinghe | INED | 2/2 |
| Mr. R. Renganathan | ED - Chairman | 2/2 |

(C)- Chairman
INED- Independent Non-Executive Director
ED- Executive Director
MA- Meeting Attendance

The Company Secretary acts as the secretary to the Nominations Committee. The Director/Chief Financial Officer attends meetings by invitation.

Terms of Reference

The Committee is governed by the Terms of Reference which has been prepared in line with the Rules set out in the Code of Best Practice on Corporate Governance. It provides an outline of the objectives, composition, role and responsibilities of the committee.

Key Responsibilities

- Review and recommendation of the Board and Committee composition
- Matters relating to corporate governance

The Committee is responsible for making recommendations to the Board on the appointment of new Directors and Key management Personnel (KMP). Qualifications, experience, and key attributes required for eligibility are taken into consideration when recommending new appointments. The committee also holds responsibility for recommending the re-election of existing Directors who are over the age of 70 years at the Annual General Meeting by the shareholder/s or the retirement by rotation according to the provisions of the Company's Articles of Association. Furthermore, the committee is in charge of overseeing the process by which the Board and its Sub-Committee assess the effectiveness of their performance and report findings, improvements and recommendations to the Board

The Committee monitors the progress of any relevant corporate governance or regulatory developments, that may impact the Committee and recommends any actions or changes it considers necessary for Board approval and ensures compliance with existing laws and regulations.

The responsibility of perusing duly completed declarations of all Directors and KMPs and forwarding of the same to the Board for noting lies with the Committee. The Committee is authorized to obtain external legal or other professional advice on any matters within its Terms of Reference with the prior approval of the Board.

Key Actions Taken During 2021

- Based on the performance and contribution made to achieve the Company's objectives the Committee has recommended to re-elect Mr. D H J Gunawardena and Dr. B G S De Silva who have attained the age of 70 years in terms of Sec. 210 of the Companies Act No.07 of 2007, subject to the provisions of the Direction 17 issued by the IRCSL on 17.18.2022 (as amended)
- Recommended the rotation of Mr. J Durairatnam, Mr. R S W Senanayake and Mr. H S B Caldera in terms of Article 18B of the Company's Articles of Association.
- Recommended the election of Mr. W W L R A Fernando, as an Independent Non-executive Director for the approval of the Board, in terms of Rule A.8.2 of the Code of Best Practice on Corporate Governance 2017.
- The Committee continued to work closely with the Board of Directors on matters assigned to the Committee and reported to the Board of Directors with its recommendation.
- Collective outcome of the Board performance evaluation questionnaire was discussed and recommended certain actions for the areas which require future improvement.
- Reviewed the Terms of Reference of the Nomination Committee and recommended relevant revisions for the approval of the Board.

The aforesaid initiatives have been discussed in detail in the Corporate governance report on pages 152 to 193.

Conclusion

The Committee continues to work with the Board on reviewing its skills mix and succession planning based on the immediate and emerging needs.

The Committee completed its self-assessment during the year, conducted by the Chairman and Committee members and concluded that the Committee continues to operate effectively.

Dr. B G S De Silva
Chairman - Nominations Committee

24th February 2022

REPORT OF THE AUDIT COMMITTEE



Dear shareholder,

I am pleased to present the report of the Audit Committee for the year ended 31st December 2021. Through this report, I will share with you how the Audit Committee worked towards discharging its responsibilities.

Purpose of the committee

The Audit Committee is a Sub-Committee of the Board of Directors of the Company and reports directly to the Board. It holds oversight responsibility for the Company's financial reporting system, compliance with legal and regulatory requirements, internal control mechanism, risk management process, internal audit function and review of independence and performance of external auditors, with a view to safeguarding the interests of the shareholders and all other stakeholders.

Members

The Committee, as at 31st December 2021, comprised of the following members;

| Name | Category | MA |
|------------------------------|----------|-----|
| Mr. J A Setukavalar (C) | INED | 5/5 |
| Mr. D H J Gunarwardena | NED | 5/5 |
| Mr. W M P J K Wickramasinghe | INED | 4/5 |

(C)- Chairman

INED- Independent Non-Executive Director

NED- Non-Executive Director

MA- Meeting Attendance

The Company Secretary acts as the Secretary to the Audit Committee. The Director/CFO, Director/Deputy CFO, Senior AGM - Internal Audit, AGM - Information Systems Audit and External Auditors attend meetings by invitation.

Terms of Reference

The Audit Committee Charter defines the Terms of Reference and the composition, role and responsibilities of the Committee and is reviewed periodically to ensure that new developments to the Committee's functions are sufficiently addressed.

Key Responsibilities

- Compliance with financial reporting, statutory and regulatory requirements
- Internal Audit
- Risk Management and Control
- External Audit
- Whistle blower policy

Compliance with financial reporting, statutory and regulatory requirements

The Audit Committee reviews and recommends the Company's quarterly and annual financial statements to the Board for approval, prior to release, including the extent of compliance with Sri Lanka Accounting Standards (LKASs and SLFRSs) and the adequacy of disclosures required by other applicable laws, rules and guidelines.

The Committee verifies that the accounting policies and practices are appropriate and adequate internal controls and procedures are in place to provide reasonable assurance that the financial reporting system is effective and well managed to provide reliable and timely information.

The Committee reviews the Quarterly Regulatory Compliance Reports submitted to the Committee and verifies that the Company's compliance framework provides reasonable assurance that all relevant laws, regulations, code of ethics and standards of governance have been adhered to. Any instances of non-compliance or breach of ethics are included in the Audit Committee's reports to the Board and necessary corrective action is taken to prevent re-occurrence.

Internal Audit

The Audit Committee regularly reviews the scope of the internal audit function of the Company and monitors its effectiveness. Internal audit reports are submitted to the Committee and audit findings presented in the reports are prioritized based on risk levels. The Committee in general monitor and review:

- The annual audit plan
- The scope of the audit plan
- The internal audit findings
- Follow-up action taken on the recommendations of the Internal Auditors

The impact of COVID-19 on the continuity of business operations was given due consideration when formulating the risk strategies. Special attention was placed on mitigating possible financial reporting risks and internal audit plans were amended accordingly.

Internal auditors were unable to visit branches to conduct internal audits during 2021 due to movement restrictions owing to the pandemic. Adapting to this externality the Internal Audit Division introduced a digitalized approach to conduct the audit remotely. Accordingly, all Branch Accountants / team leaders were requested to upload documents pertaining to the audit for verification and review. Thereby the audit procedures were performed centrally through Audit Command Language software.

Risk Management and Controls

The Audit Committee reviews the processes for identification, evaluation and management of operational risks faced by the Company. The Committee is satisfied that an effective system of internal controls is in place to provide reasonable assurance on safeguarding the Company's assets and reliability of Financial Statements. The Committee also ensures that good governance practices cascade down to every single level of the organization and are strictly adhered to.

External Audit

The Committee has reviewed the independence and objectivity of the Independent External Auditors and is satisfied that the independence of the External Auditors has not been impaired by any event or service that could result in a conflict of interest. During the year the Committee held a meeting with the External Auditors to review their audit plan and the observations made by them.

The Committee has recommended Messrs. Ernst & Young, Chartered Accountants to be re-appointed as the independent External Auditors subject to the approval of the shareholders at the next Annual General Meeting.

Whistle Blower Policy

As per the Whistle Blower Policy all incidents which are reported are forwarded to an independent Whistle Blowing Committee which comprises senior management members. All these incidents will be reviewed on an independent basis. If in the event any incident which is reported is deemed to contain any potential or existing wrongdoing the matter will be further investigated whilst ensuring the confidentiality of the whistle blower.

Key Actions Taken During 2021

- Reviewed significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas and recent professional and regulatory pronouncements, and their impact on the financial statements.
- Approved the annual internal and information systems audit plans and reviewed the progress made by both audits.
- Reviewed the internal audit and information systems audit budget, resource plan, activities, and organizational structure of the audit function with the Head of Internal Audit and IS Audit.

- Reviewed the findings of regulatory agencies and auditor observations, especially in the areas/ functions concerning; Investment Division, Audit on Money Laundering and Terrorist Financing Risk Management, Audit on Reinsurance, Audit on Underwriting, etc.
- Regularly reported to the Board on Committee activities, identified issues, and related recommendations.
- Provided an open avenue of communication between the internal audit department, external auditors, and the Board of Directors.
- Reported annually to the shareholders, describing the committee's composition, responsibilities and any other information required by rule, including approval of non-audit services.
- Reviewed the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit. Discussions concerning the audit plan, key audit issues and their resolution, management responses, interim issues memorandum issued by the External Auditors for the year 2021 and the proposed remuneration of the Auditor were carried out.
- Reviewed the Management Letter of 2020 and advised the management to take required corrective actions with regard to the observations.
- Reviewed and assessed the adequacy of the Committee's function based on the Audit Committee Charter and confirmed that all responsibilities were carried out satisfactorily by the Committee.

More information on the aforesaid initiatives have been provided in the Notes to the Financial Statements on pages 222 to 333 and Corporate Governance commentary on pages 154 to 176

The Committee reviewed the Company's whistle blowing policy to ensure the Company's arrangement for confidentiality of information and their sources remained effective.

Conclusion

The Audit Committee is satisfied that the effectiveness of the Company's accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with the Company policies and that the Company's assets are properly accounted for and sufficiently safeguarded. The annual evaluation of the committee was carried out and it was deemed that the committee's functions were being carried out effectively.



Mr. J. A. Setukavalar
Chairman- Audit Committee

24th February 2022

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE



Dear shareholder,

I am pleased to present the report of the Related Party Transactions Review Committee for the year ended 31st December 2021. Through this report, I will share with you how the Related Party Transactions Review Committee worked towards discharging its responsibilities.

Purpose of the committee

The Committee was established for the purpose of reviewing the Related Party Transactions (RPTs) to determine whether the proposed transactions are in compliance with various applicable laws and standards, the governance code and the listing rules, prescribed for related party transactions.

The Committee reviews any proposed related party transactions on behalf of the Board to safeguard the interests of the shareholders by preventing Directors, Senior Management and/or substantial shareholders taking advantage of their positions to execute transactions.

Members

The Committee, as at 31st December 2021, comprised of the following members;

| Name | Category | MA |
|------------------------------|----------|-----|
| Mr. J A Setukavalar (C) | INED | 4/4 |
| Mr. D H J Gunarwardena | NED | 4/4 |
| Mr. W M P J K Wickramasinghe | INED | 4/4 |

(C)- Chairman

INED- Independent Non-Executive Director

NED- Non-Executive Director

MA- Meeting Attendance

The Company Secretary functions as the Secretary to the Related Party Transactions Review Committee. Director CFO and AGM - Finance attend the meetings by invitation.

Terms of Reference

The Committee is governed by the mandate approved by the Board of Directors which encompasses the Committee's purpose, duties and responsibilities. The Committee exercises oversight on behalf of the Board to ensure compliance with the Code of Best Practices on Related Party Transactions published by the Securities and Exchange Commission of Sri Lanka, regulations issued by the CSE and LKAS 24. The Terms of Reference was reviewed in 2021 by the Committee and no changes were recommended.

Key Responsibility

- Review of all related party transactions carried out by the Company

The Committee reviews all proposed related party transactions of the Company 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. Information required from management, employees or external parties with regard to any transaction entered into with a related party is obtained when deemed necessary. Competent independent professional advice is sought, if required, to assess all aspects of proposed related party transactions where necessary. Recommendations are made to obtain shareholder approval for applicable related party transactions as per the provisions in the Code.

Key Actions Taken During 2021

During the year, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules, requiring disclosure in the Annual Report. The Committee reviewed all the details of other related party transactions entered into by the Company during the year which are disclosed in Note 44 to the Financial Statements.

All proceedings of the Committee Meetings are reported to the Board on a regular basis along with recommendations to improve the process of reporting related party transactions whenever they arise.

Conclusion

A declaration is given by the board in the Annual Report of the Board of Directors on pages 186 to 193 as a negative statement to the effect that no related party transaction falling within the ambit of the Code of Best Practice on related party transactions issued by the Securities & Exchange Commission of Sri Lanka and the Mandate of the RPTRC that required prior approval of shareholders was carried out during the year.

Mr. J A Setukavalar

Chairman,
Related Party Transactions Review Committee

24th February 2022

REPORT OF THE OPERATIONAL INVESTMENT COMMITTEE

The Long-Term Insurance Fund (“Fund”) of Ceylinco Life Insurance Limited (“Ceylinco Life”) is overseen by the Board Investment Committee, to ensure it provides a secure and a steady return for its policyholders.

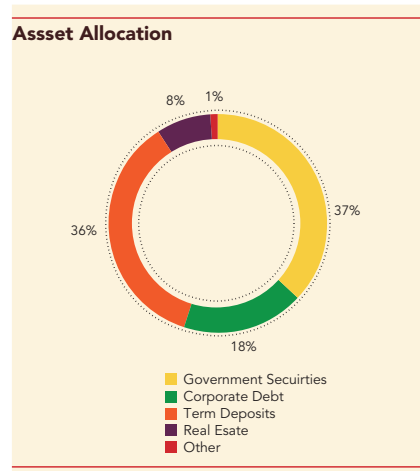
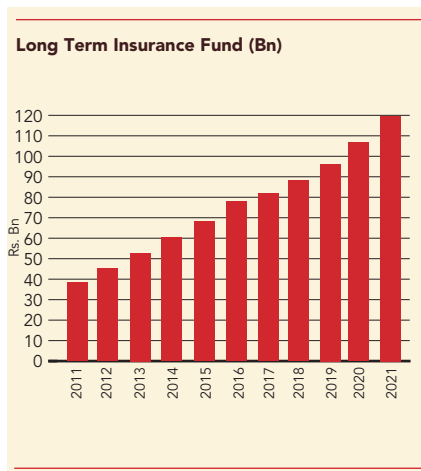
As an adoption of the “Guidelines on Investments for Insurance Companies” issued by Insurance Regulatory Commission of Sri Lanka (“IRCSL”), the Board Investment Committee was established by the Board of Directors of Ceylinco Life (“Board”) to ensure compliance with the said code and global best practices. The Committee is acting in a fiduciary capacity with respect to the Fund and is accountable to the Board. The Committee formulates investment strategies and oversees the performance of investments on a quarterly basis.

In order to make timely decisions on executing strategies crafted, the Committee has appointed Operational Investment Committee (“Committee”) which meets on a weekly basis. To ensure a return that is secure and steady, investments are made diligently according to diverse investment objectives and varied risk preferences.

By crafting investment strategies that add value, continually monitoring the execution of the set strategies to ensure conformity, and making timely calls deemed necessary to ensure probity, the Committee ensures that the funds are well positioned, ideally invested and coherently managed to meet the objectives of various stakeholders such as policyholders, shareholders and regulators.

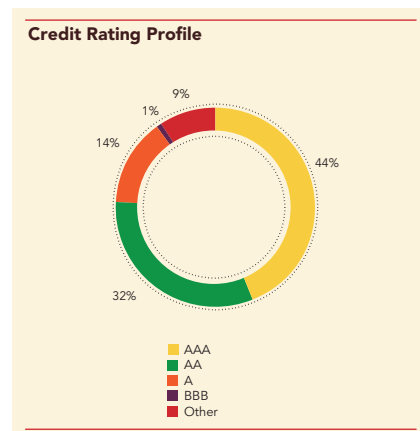
1. Long Term Insurance Fund

The Long-term Insurance Fund of Ceylinco Life, which is considered as a safe haven for policyholders, has surged over the Rs. 119 Billion mark, which depicts the superior performance and stability of its investments, and the continuous trust and loyalty placed by the policyholders.



2. Quality of Investments

The Investment Front Office of Ceylinco Life, with the recommendations and guidance of the Operational Investment Committee along with the oversight and supervision of Board Investment Committee, manages the Long-term Insurance Fund, which is regarded as one of the largest and thriving life insurance portfolios in Sri Lanka. The execution and settlement of approved investments are performed by the Investment Back Office, while Investment Middle Office constantly monitor investment-related risk exposures.



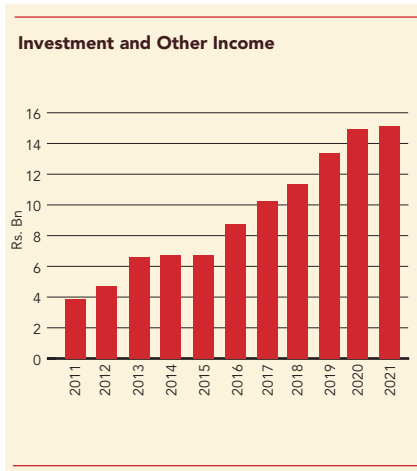
Risk and Return, while carrying an inherent trade-off, are two aspects which hold paramount importance in crafting an investment strategy. Ceylinco Life takes utmost responsibility in providing the best solutions to maintain an optimum and cautious balance between the two.

The asset allocation and credit rating profile of our investment portfolio are presented in the charts below as of 31st December 2021.

3. Investment Income

Following a prudent and a conservative investment strategy amidst challenging and volatile market conditions, with the backdrop of ultra-low interest rates in the first half of the year, Investment and Other Income grew at a modest rate of 1.5% during the year to reach an all-time high of Rs. 15.1 Billion.

REPORT OF THE OPERATIONAL INVESTMENT COMMITTEE



Operational Investment Committee

The following members served in the Operational Investment Committee during the year.

- 1 Mr. R Renganathan**
(Executive Chairman)
Chairman
- 2 Mr. E T L. Ranasinghe**
(Managing Director/CEO)
Member
- 3 Mr. P A Jayawardena**
(Director/CFO)
Member
- 4 Mr. S R Abeynayake**
(Director/Deputy CFO)
Member
- 5 Mr. R S W Senanayake**
(Non-Executive Director)
Member
- 6 Mr. E R S G S Hemachandra**
(GM – Marketing)
Member
- 7 Mr. P P D V Hemakumara**
(CRO)
Member
- 8 Mr. D M G L Alwis**
(AGM - Portfolio)
Member

- 9 Mr. K I Weththasinghe**
(AGM – Legal)
Member
- 10 Ms. R P Gunasekara**
(Senior Manager – Actuarial)
Member
- 11 Mr. C S Kumarasinghe**
(Senior Assistant Manager)
Member
- 12 Mr. K V Wickramasuriya**
(Senior Assistant Manager)
Member
- 13 Mr. A C Ahangama**
(Senior Assistant Manager)
Member

The Committee members contribute immensely and add value to the investment decision making process with their vast knowledge and diverse experience. In addition, the Committee obtains external professional advice on matters within its purview.

Meeting and Attendance

The Committee meets weekly, recognizing the prominence of the investment decision making function, to proactively monitor the implementation of investment strategies, and to timely face the challenges posed from ever-changing global and domestic macro-economic landscapes.

In addition to the members, management representatives from the areas such as Actuarial, Finance, Life Operations, Marketing and Systems attend the meetings on invitation.

Investment Outlook for 2022

Recent challenges posed by global developments and their impact on financial markets which (in the opinion of the Committee) would resonate for several years. In the recent past, financial markets have faced multiple “black swans”, which illustrates the new normal, i.e. increasing occurrence of improbable events with severe adverse consequences.

Given the plethora of global and local challenges endured by the economy, Committee believes that their impact would most likely spill over to 2023 as well, mainly due to second order effects. Consequently, interest rate and currency shocks are inevitable, given the significant external pressure amidst dwindling foreign reserves. Such would give rise to tight monetary and fiscal policies, sustained levels of elevated inflation, tight money market liquidity and lackluster GDP growth.

The prudent and diligent investment strategy followed by the Committee over the years has immensely rewarded the Company at such uncertain and challenging times, proving the probity and stability of Ceylinco Life, while reaping benefits of lower volatility of investment returns, and building confidence among investors and policyholders.

In addition, the Committee recognizes that investment strategies adopted should evolve in response to emerging challenges and ever-changing market conditions. Therefore, the Committee continues to monitor, closely, developments in the economy, financial markets and subsequent monetary and fiscal responses by regulators/governments and act appropriately.

On behalf of the Operational Investment Committee,

Mr. R Renganathan
Chairman

24th February 2022

REPORT OF THE BOARD INVESTMENT COMMITTEE



Dear shareholder,

I am pleased to present the report of the Board Investment Committee ("Committee") for the year ended 31st December 2021. Through this report, I will share with you how the Committee worked towards discharging its responsibilities.

Purpose of the Committee

The Committee was established by the Board of Directors of Ceylinco Life to ensure compliance with the "Guidelines on Investment for Insurance Companies" issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and principles of good governance. The main purpose of the Committee is to set out and oversee the policies relating to governance of investment management, management of investment portfolios and associated risks.

Members

The Committee, as at 31st December 2021, comprised of the following members;

| Name | Category | MA |
|-----------------------|-----------------|-----|
| Mr. R Renganathan (C) | ED - Chairman | 6/6 |
| Mr. E T L Ranasinghe | MD/CEO | 6/6 |
| Mr. P A Jayawardena | ED - CFO | 6/6 |
| Mr. S R Abeynayake | ED - Deputy CFO | 6/6 |
| Mr. R S W Senanayake | NED | 6/6 |

(C) - Chairman
NED - Non-Executive Director
ED - Executive Director
MD/CEO - Managing Director/Chief Executive Officer
CFO - Chief Financial Officer

The Company Secretary acts as the secretary to the Committee. Chief Risk Officer - Senoir Assistant General Manager, Assistant General Manager - Portfolio, Senior Assistant Manager - Dealing and Senior Assistant Manager - Investments attend meetings by invitation.

Terms of Reference

The Committee Charter outlines the composition, role and responsibilities of the Committee. The primary objective of the Committee is to oversee the investment decision making/management function of the Company and provide direction and guidance in evaluating the financial viability and strategic allocation of investments.

Key Responsibilities

- Prudent investment management
- Investment related internal control
- Governance and Compliance

Prudent investment management

The Committee holds responsibility for reviewing and recommending to the Board, significant investment strategies and proposals. The Committee ensures that investments are made prudently according to established investment guidelines and varied risk preferences, while funds are well positioned and managed diligently to meet the objectives of various stakeholders such as policyholders, shareholders and regulators.

Investment related internal control

The Committee ensures that the Company has a sound risk management framework for identifying, monitoring and mitigating various risks arising from investment activities and provides necessary oversight assuring effective and efficient control of the investment portfolio. It periodically reviews the adequacy of investment related internal control systems and risk management systems to support prudent investment management. Furthermore, the Investment Policy of the Company is reviewed on a regular basis to ensure that it remains applicable and in line with the changes in the business, regulatory and economic environment.

Governance and Compliance

The Committee ensures effective and efficient governance of investment activities of the Company. Due care is exercised to ensure that the interests and rights of policyholders are not compromised at any time. It also ensures full compliance with laws, rules, regulations, determinations and

guidelines issued by the Insurance Regulatory Commission of Sri Lanka and any other relevant regulatory authority.

Professional Advice

The Committee is authorized to seek external professional advice when deemed necessary on matters within their purview. During the year, such advice was specifically sought on market interest rate movements, expected path of monetary and fiscal policy and analysis of key macro-economic variables.

Key Actions Taken During 2021

- Reviewed the Committee Charter and Investment Policy Statement.
- Recommended the proposed Asset Liability Management (ALM) Policy of the Company for the approval of the Board.
- Recommended the proposed Loss Limit Policy of the Company for the approval of the Board.
- Incorporated guidelines on Strategic and Tactical Asset Allocation and Custom Benchmarks to the Investment Policy Statement (IPS)
- Reviewed the performance of investment management function as per the guidelines issued by the IRCSL and monitored the portfolio performance, composition and quality on a quarterly basis.
- Reviewed the critical internal audit findings related to investment operations.
- Recommended the Internal Target CAR Policy Statement for the approval of the Board.

More information on the initiatives are given on page 199 to 200 under "Report of the Operations Investment Committee"

Conclusion

The annual evaluation of the performance of the Committee was carried out by the Board and the Committee was deemed to be operating effectively.

Mr. R Renganathan
Chairman - Board Investment Committee

24th February 2022

BOARD RISK MANAGEMENT COMMITTEE REPORT



Dear shareholder,

I am pleased to present the report of the Risk Committee for the year ended 31st December 2021. Through this report, I will share with you how the Risk Committee worked towards discharging its responsibilities.

Purpose of the committee

The Committee was established for the purpose of assisting the Board in fulfilling its responsibilities towards overseeing the adequacy and effectiveness of the risk management framework and activities of the Company, including the review of major risk exposures and the steps taken to monitor and control those exposures.

Members

The Committee, as at 31st December 2021, comprised of the following members;

| Name | Category | MA |
|-------------------------------|----------|-----|
| Mrs. A K Seneviratne (C) | INED | 5/5 |
| Mr. W M P J K. Wickramasinghe | INED | 3/5 |
| Mr. R S W Senanayake | NED | 5/5 |

(C)- Chairman
INED- Independent Non-Executive Director
MA- Meeting attendance

The Company Secretary acts as the secretary to the Risk Committee. The Chief Risk Officer attends the meetings by invitation.

Terms of Reference

The Risk Committee Mandate outlines the composition, role and responsibilities of the Committee. The Committee works closely with the Chief Risk Officer, Corporate Management, Heads of Divisions, Consultants and Senior Managers supervising broad risk categories such as business,

financial, regulatory, ICT, insurance and demographic and operational risks. Any concerns of the Committee will be reported to the Board of Directors on a regular basis.

Key Responsibilities

- Review of risk exposures
- Compliance

Review of risk exposures

The Committee holds responsibility in assisting the Board in setting the tone and developing a corporate culture that embraces risk management practices while supporting the Company's strategic objectives. It makes recommendations to the Board on the Company's risk appetite, compliance and risk management practices and continuously monitors the risk management capabilities within the Company, including communication lines established to escalate risks, preparedness against any crisis and recovery plans in place. In order to effectively govern the risk management process, the Committee ensures that the Executive Team has identified and assessed all key risks that the Company is exposed to and has established a sound risk management framework capable of addressing those risks. The Committee is also responsible for overseeing the division of risk related responsibilities to each Board Sub-Committee as clearly as possible and performing a gap analysis to determine whether all risks are addressed.

Compliance

The Committee reviews the risk and compliance profile of the Company within the context of the risk parameters determined by the Board. Furthermore, it monitors implementation of risk management practices and regulatory compliance of the Company.

Professional Advice

The Committee is authorized to obtain legal or other professional advice internally and/ or externally as and when it deems necessary, at the Company's expense.

The Committee may also seek the views of other Board Sub-Committees as and when required and may inform them of any relevant procurements that may be of relevance to their mandates.

Key Actions Taken During 2021

- Reviewed the Company's Risk Appetite Statement and Risk Management Framework and made recommendations to the Board
- Reviewed the Risk Committee Mandate and proposed amendments were recommended to the Board
- Reviewed the Management's assessment of compliance with the Company's risk management policies and practices
- Discussed with the Management and the Chief Risk Officer, the Company's major risk exposures and reviewed the risk response strategies adopted by the management in terms of business, insurance, market, liquidity, capital, regulatory, operational, ICT, strategic, legal, political, systemic and other related risk categories.
- Reviewed the management's assessment of key risk exposures and emerging trends that have reasonable potential to exceed the Company's stated risk appetite and risk tolerance limits, and where appropriate, recommended action plans.
- Monitored risks and risk management capabilities within the Company periodically, including communication about escalating risk and crisis preparedness and recovery plans. Impact of COVID -19 on business continuity was discussed and preventive measures taken were reviewed. New risks that could emerge due to the pandemic and impacts of working from home were also discussed.

The aforesaid initiatives have been discussed in detail in the Risk Management Report on page 177 to 184.

Conclusion

The annual evaluation of the performance of the Committee was carried out by the Board and the Committee was deemed to be operating effectively.

Ms. A K Seneviratne
Chairperson – Board Risk Committee

24th February 2022

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible under the Companies Act No. 07 of 2007, to ensure compliance of the requirements set out therein to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the Balance Sheet date and the profit of the Company for the financial period. Further, the Board of Directors ensures the compliance of all regulatory requirements imposed by the said Act and other applicable statutory and regulatory provisions.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements prepared and presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any have been disclosed and explained.

Reasonable and prudent judgments and estimates have been used so that the form and substance of transactions are appropriately reflected.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and for ensuring that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 7 of 2007.

Further, the Directors confirm that the Financial Statements have been prepared on a going-concern basis and are of the view that sufficient funds and other resources are available within the Company to continue its operations and to facilitate planned future expansions and capital commitments.

They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context, to have a proper regard to the establishment of appropriate systems of internal control, with a view to preventing and detecting fraud and other irregularities. Accordingly, the Directors have taken steps to establish appropriate systems of internal controls comprising internal audit checks, risk assessment tests and financial and other controls to mitigate, prevent and detect fraud and other irregularities.

The Board of Directors also wishes to confirm that, as required by Sections 166 (1) and 167 (1) of the Companies Act; they have prepared this Annual Report in time and ensured that a copy thereof is sent to Ceylinco Insurance PLC, the sole shareholder of the Company.

The Directors are required to prepare the Financial Statements and to provide its External Auditors Messrs. Ernst & Young, with every opportunity to take whatever steps necessary and to undertake whatever inspections that may be considered appropriate to enable them to give their audit opinion. The said Messrs. Ernst & Young were re-appointed by the shareholder at their previous Annual General Meeting held on 25th March 2021.

The Directors confirm that to the best of their knowledge and belief that all statutory payments in relation to regulatory and statutory authorities that were due, in respect of the Company as at the Balance Sheet date have been duly paid or where relevant, provided for.

The Directors are of the view that they have duly discharged their responsibilities as set out in this statement.

By Order of the Board,



K I Weththasinghe
Company Secretary
Ceylinco Life Insurance Limited

24th February 2022
Colombo

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S STATEMENT

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act No.43 of 2000 (as amended), Sri Lanka Accounting & Auditing Standards Act No.15 of 1995, Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

The Accounting Policies used in preparation of the Consolidated Financial Statements are appropriate and consistently applied, except unless otherwise stated in the Notes accompanying the Financial Statements. There are no deviations from the prescribed Accounting Standards in their adoption.

Comparative information has been re-classified wherever necessary to comply with the current presentation. Significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee.

The Board of Directors of the Company is responsible for preparation and presentation of these Financial Statements which give a true and fair view of the financial performance and the position of the Company. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis.

In order to ensure this, the Company has taken proper and adequate care in installing a system of internal control and accounting records, which are reviewed, evaluated and updated on an-ongoing basis.

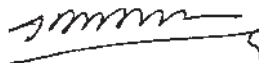
All accounting controls are continuously updated to ensure prudence and completeness, prevention and detection of fraud and other irregularities. This ensures accounting records are free from error and omission. The internal control system in place functions properly and it is regularly evaluated. All procedure

manuals are updated whenever necessary and are accessible to all the staff.

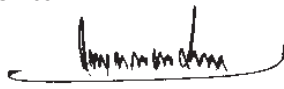
The Internal Auditors of the Company have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company have been consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements of the Company for the financial year end of 31st December 2021 were audited by Messrs. Ernst & Young and the Financial Statements of the Subsidiary Companies were audited by the appointed auditors.

The Audit Committee of the Company meets on a quarterly basis. Internal Auditors and the External Auditors join the meeting on invitation when necessary to review the manner in which these Auditors execute their audit procedures and to discuss major variations or observations, internal control and financial reporting issues. To ensure complete independence, the Independent External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.



E T L Ranasinghe
Managing Director/ Chief Executive Officer



P A Jayawardena
Director/ Chief Financial Officer

24th February 2022
Colombo

THE BOARD'S STATEMENT ON INTERNAL CONTROL

Requirement

As per the requirement of Section D 1.5 of the Code of Best Practice on Corporate Governance – 2017, issued by The Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this Report on internal control mechanisms of Ceylinco Life Insurance Limited ('the Company').

Responsibility

The Board of Director is responsible for the Company's system of internal controls and reviewing its design and effectiveness in order to safeguard shareholders' investment and the Company's assets.

This system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminating the risk of failure to achieve the business objectives and policies of the Company. Accordingly, a reasonable but not absolute assurance can be provided, against material misstatement of Management and financial information and against financial losses and fraud.

The Company has established key processes that aid in ensuring the integrity and efficacy of the system of internal controls that has been adopted with respect to financial reporting. These processes are overseen by Committees which assist the Board in matters relating to the Company's operations, and ensure that approved corporate objectives, strategies and policies are adhered to.

Internal Control Processes

- Risk Management Committee

The Board Risk Committee is responsible for assisting the Board in all matters relating to the overall management of principal areas of risk to the Company. The Board Risk Committee implements the Risk Management Framework via Executive Risk Committees. Quarterly meetings are held during which key risk areas are discussed and required action initiated. All areas that come under discussion are escalated to Board level. A detailed account of the activities carried out by the Board and Executive Risk

Committees are available in the Risk Management section from pages 177 to 184 of this report.

- Internal Audit & Information Systems Audit Departments

The Internal Audit Department and Information System Audit Department are responsible for reviewing the design and effectiveness of the internal control systems, management information systems, as well as the systems for compliance with applicable laws, regulations, rules and directives.

Audits are carried out on all the branches and departments. The frequency of these audits is determined using a risk-based methodology which factors in the input of Senior Management. An independent and objective report is mandatory.

Some reviews are outsourced to external parties with specialist knowledge in the relevant area. These external audits are carried out depending on the nature and complexity of the area requiring review.

The annual audit plan is drawn up by the Internal Audit Department and Information System Audit Department and is reviewed and approved by the Audit Committee.

- Audit Committee

The Audit Committee conducts quarterly reviews to address significant findings with respect to non-compliances or ineffectiveness of internal controls that are identified by the Internal Audit Department and Information Systems Audit Department.

The Audit committee is also responsible for taking action to deal with significant issues and control weaknesses highlighted by the External Auditors.

The Audit Committee reviews the quality assurance and improvement

in programmes of the Internal Audit and IS Audit Departments and the performance of External Auditors, in order to evaluate the adequacy and effectiveness of the Company's risk management and internal control system.

The minutes of the Audit Committee meetings and recommendations regarding the requirements for improvements, are tabled for the information of the Board on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Company are available in the Audit Committee Report on pages 196 to 197.

Confirmation

Backed by the Internal Audit Departments' continued review and verification of the suitability and effectiveness of pre-existing procedures and controls, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting; and that the preparation of Financial Statements for various stakeholders has been done in accordance with Sri Lanka Accounting Standards, and comply with regulatory requirements including the Companies Act No. 07 of 2007 and the Insurance Industry Act No. 43 of 2000 (as amended).

By order of the Board,



J A Setukavalar
Chairman – Audit Committee



P A Jayawardena
Director/Chief Financial Officer



R Renganathan
Chairman

24th February 2022
Colombo

INDEPENDENT ASSURANCE REPORT FOR INTEGRATED REPORTING



Ernst & Young
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Independent Assurance Report to the Board of Directors of Ceylinco Life Insurance Limited in the Integrated Annual Report- 2021

Scope

We have been engaged by the management of Ceylinco Life Insurance Limited ("the Company") to perform an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements, on the following elements of its Integrated Annual Report for the year ended 31 December 2021 (the "Integrated Report").

- Reasonable assurance engagement on the information on financial capital management as specified on pages 54 to 68 of the Integrated Report.
- Limited assurance engagement on other information on management of the capitals (other than financial capital), stakeholder engagement, business model, strategy, organizational overview & external environment and outlook presented in the Integrated Report.

Criteria applied by Ceylinco Life Insurance Limited

The Integrated Report is prepared based on the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) (the "criteria") publicly available at IIRC's website at "www.integratedreporting.org"

Ceylinco Life Insurance Limited's responsibilities

Ceylinco Life Insurance Limited's management is responsible for selecting

the criteria, and for presenting the Integrated Report in accordance with the said criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Integrated Report, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's Responsibilities

Our responsibility is to express a conclusion on the presentation of the Integrated Report in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) based on the evidence we have obtained.

We conducted our engagement in accordance with the 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 and the terms of reference for this engagement as agreed with Ceylinco Life Insurance Limited in the engagement letter dated on 18th February 2022.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Integrated Report in order for it to be in accordance with the criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material

misstatement, whether due to fraud or error.

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

Our Independence and Quality Control

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

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We performed our procedures to provide reasonable and limited assurance engagement in accordance with SLSAE 3000.

Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk

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Principals: G B Goudlan ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

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assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance indicators within the Integrated Report and obtaining an understanding of the compilation of the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Integrated Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. 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.

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

We also performed the below procedures as we considered necessary in the circumstances:

- Perform a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

- Perusing the Integrated Annual Report – Financial Capital element information to understand whether the information contained are properly derived from the audited financial statements.
- Interviewing the selected key management personnel and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtaining an understanding of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the stakeholders, how the Company creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtaining an understanding of the description of the Company's strategy and how the Company creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Perusing the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Perusing the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Perusing the Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.

Emphasis of matter

Social, natural and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

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

Restricted use

This report is intended solely for the information and use of Ceylinco Life Insurance Limited and is not intended to be and should not be used by anyone other than the specified party.

Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- The information on financial capital management as specified on pages 54 to 68 of the Integrated Report are properly derived from the audited financial statements of the Company for the year ended 31 December.
- Nothing has come to our attention that causes us to believe that other information presented in the Integrated Report are not fairly presented, in all material respects, in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Ernst & Young
21st February 2022

Colombo



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Prepare for a pleasant
and enjoyable
retirement with early
financial planning.

FINANCIAL CALENDER



ANNUAL
REPORT

2021
on February 19

2022
on February 24



ANNUAL GENERAL
MEETING

2021
on March 25

2022
on March 23



FINAL DIVIDEND PAID
(FOR PREVIOUS YEAR)

2021
on April 05

2022
in March



FINAL DIVIDEND
PROPOSED

2021
on February 24

2022
on February 24

UNDERSTANDING OUR FINANCIALS

The statement of income of a life insurance company contains the income and expenses pertaining to the underwriting of life insurance. Thus, the statement of income of a life insurer contains income and expense items that do not appear in a statement of income of a manufacturing and trading business. Similarly, the statement of financial position of a life insurer also contains some industry-specific assets and liabilities.

This brief note is aimed at helping the reader to understand our financials and is to be read along with the explanatory notes to the financial statements and the glossary.

Statement of Comprehensive Income

| For the Year Ended 31 December 2021 | Brief Description | Rs.'000 | Rs.'000 |
|---|---|--------------|--------------|
| Gross Written Premiums | The main source of income of a life insurer is the premium paid/payable by customers for the risks transferred to the life insurer through the insurance contract. | 25,565,050 | |
| Premiums Ceded to Reinsurers | Reinsurance is the process by which part of the risks undertaken by the life insurer is transferred to a reinsurer, for which reinsurance premium paid/payable by the insurer to the reinsurer. | (308,499) | |
| Net Written Premiums | Net earned premium is the premium earned by the insurer for the financial year. | | 25,256,552 |
| Fees and Commission Income | Fees and commission income includes the charges and policy fees paid by customers and reinsurance commission income. | 197,885 | |
| Investment Income | Investment income contains the interest income, dividend income and rental income on investments made out of the Life Fund, after deducting the related investment expenses. | 14,314,783 | |
| Realised Gains | Realised gains and losses include gains and losses arising on sale of financial assets and Property, Plant and Equipment. | 200,402 | |
| Fair Value Gains and Losses | Fair value gains and losses are gains and losses that arise from changes in fair values of investment property and financial assets at FVtPL. | 388,079 | |
| Other Operating Revenue | Other income comprises fees charged for policy administration services, gains on foreign currency translations, and miscellaneous income. | 27,990 | |
| Other Revenue | | | 15,129,139 |
| Net Income | | | 40,385,691 |
| Gross Benefits and Claims Paid | Gross benefits and claims paid refer to the total amount of claims and claim-related expenses incurred during the year and benefits paid to customers, such as maturity, bonuses, advance payments. | (12,927,237) | |
| Claims Ceded to Reinsurers | Claims ceded to reinsurers contain the proportion of claims paid, which was recovered from reinsurers. | 190,929 | |
| Gross Change in Contract Liabilities | Gross change in contract liabilities is the net transfer to the Life Fund during the period. | (11,803,985) | |
| Net Benefits and Claims | | | (24,540,294) |
| Acquisition Cost | Acquisition cost refers to the commission expenses incurred for the financial year. Life insurance business is predominantly transacted through independent contractual agents who are paid commission based on premium they collected. | (2,369,754) | |
| Other Operating and Administrative Expenses | Other operating and administrative expenses include administration, staff, sales and marketing expenses related to the company. | (4,836,630) | |
| Finance Cost | Finance cost includes charges on the financial services provided by financial institutions, particularly bank charges. | (93,640) | |
| Total Other Expenses | | | (7,300,024) |
| Profit Before Tax | | | 8,545,374 |
| Income Tax Expense | Income tax expense comprises the current and deferred tax. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous year. | (1,770,883) | |
| Profit for the Year | | | 6,774,491 |

Statement of Financial Position

| As at 31 December 2021 | Brief Description | Rs.'000 |
|--|---|--------------------|
| Assets | | |
| Intangible Assets | | 296,448 |
| Property, Plant and Equipment | | 10,177,018 |
| Right-of-use Asset | | 238,137 |
| Investment Properties | | 4,045,699 |
| Investment in Subsidiaries | | 1,136,000 |
| Investment in Associates | | 807,672 |
| Financial Instruments | Financial instruments represent the financial investments made out of the Life Fund and Shareholders' Fund by a life insurer, with the aim of earning investment income to increase profitability of the company. | 148,465,748 |
| Employee Gratuity Benefit Asset | | 5,016,649 |
| Employee Pension Benefit Asset | | 591,984 |
| Reinsurance Receivables | Represent the amounts receivable by the life insurer from the reinsurer for the claims made the policyholders. | 392,170 |
| Loans to life policyholders | Include the loans granted by the life insurer to policyholders. Eligible policyholders can obtain loans up to a pre-determined percentage of the surrender value of their policy. | 1,561,981 |
| Premium receivables | Represent the gross written premium accrued up to the reporting date. | 336,496 |
| Other Assets | | 202,603 |
| Cash and Cash Equivalents | | 494,350 |
| Total Assets | | 173,762,956 |
| Equity and Liabilities | | |
| Equity Attributable to Equity Holders of Parent | | |
| Stated Capital | | 500,001 |
| Retained Earnings | | 32,400,317 |
| AFS Reserve | | 29,368 |
| Restricted Regulatory Reserve | | 3,456,184 |
| Special Reserve | | 7,311,651 |
| Total Ordinary Shareholders' Equity | | 44,194,032 |
| Total Equity | | 44,194,032 |
| Liabilities | | |
| Insurance Contract Liabilities - Life | Due to the long-term nature of life insurance business, life insurers are required to maintain a separate fund to meet future policyholder obligations. This fund is known as 'Insurance Contract Liabilities - Life', or more commonly as 'Life Fund'. An actuarial valuation is performed at each year end to determine the size of the fund necessary in comparison to the assets maintained out of the fund. Any excess of assets over the policy liabilities of the fund, known as the 'Life Surplus', is transferred to the shareholders' funds of the company. | 119,634,780 |
| Insurance Contract Liabilities - Unit Linked | | 318,852 |
| Insurance Contract Liabilities - Family Takaful | These items represent the balances of the other separately identifiable funds, in addition to the Life Fund, maintained by a life insurer. | 15,973 |
| Individual Investment Fund - ISF | | 351,441 |
| Deferred Tax Liabilities | | 378,863 |
| Reinsurance Payables | Reinsurance payables contain amounts outstanding to be paid to reinsurers by a life insurer as at the reporting date. | 524,897 |
| Trade and Other Payables | | 4,486,107 |
| Lease Liabilities | | 251,560 |
| Interest Bearing Borrowings | | 3,202,054 |
| Bank Overdraft | | 404,397 |
| Total Liabilities | | 129,568,924 |
| Total Equity and Liabilities | | 173,762,956 |

ACTUARIAL REPORT

WillisTowersWatson 

21 February 2022

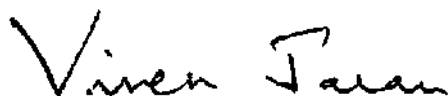
To the Directors of Ceylinco Life Insurance Limited

Actuarial Valuation as at 31 December 2021

I have carried out an actuarial valuation of the Life Fund of Ceylinco Life Insurance Limited (“the Company”) as at 31 December 2021. I hereby certify that:

- 1 I have satisfied myself about the accuracy of the valuation data furnished to me by making a number of reasonableness checks;
- 2 Adequate and proper reserves have been provided as at 31 December 2021 for all known liabilities in respect of the long term business of the Life Fund, taking into account all bonus declared as at that date in accordance with the requirements of Solvency Margin (Risk Based Capital) Rules 2015 dated 15 December 2015; and
- 3 Based on information on assets extracted from the audited accounts of the Company for the year ended 31 December 2021, the Company has adequate financial resources to cover its capital requirements in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 dated 15 December 2015.

Yours faithfully



Vivek Jalan FIAI

Head of Insurance Consulting & Technology, India

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CIN – U67190HR1996PTC051336

INDEPENDENT AUDITORS' REPORT



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TO THE SHAREHOLDERS OF CEYLINCO LIFE INSURANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ceylinco Life Insurance Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group gives a true and fair view of the financial position of the Company and the Group as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics

issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of both Company and Group.

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.

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Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCA FCCA

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INDEPENDENT AUDITORS' REPORT

- 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 internal controls of the Company and the Group.
- 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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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 the Section 47(2) of the regulation of insurance industry Act, No.43 of 2000, as far as appears from our examination, the accounting records of the company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.



21 February 2022
Colombo

STATEMENT OF FINANCIAL POSITION

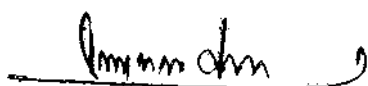
| As at 31 December | | | Group | | Company | |
|--|------|--------|--------------------|--------------------|--------------------|--------------------|
| | Page | | 2021 | 2020 | 2021 | 2020 |
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Assets | | | | | | |
| Intangible Assets | 234 | 6 | 296,607 | 363,044 | 296,448 | 362,838 |
| Property, Plant and Equipment | 237 | 7 | 13,430,315 | 12,482,390 | 10,177,018 | 9,280,573 |
| Right-of-use Asset | 246 | 8.(a) | 230,155 | 189,781 | 238,137 | 197,763 |
| Investment Properties | 247 | 9 | 1,229,600 | 787,800 | 4,045,700 | 3,515,700 |
| Investment in Subsidiaries | 253 | 10 | - | - | 1,136,000 | 1,136,000 |
| Investment in Associates | 254 | 11.(a) | 5,025,710 | 3,915,423 | 807,672 | 807,672 |
| Financial Instruments | | | | | | |
| Held to Maturity Financial Assets | 258 | 12.(a) | 63,905,377 | 51,485,457 | 63,905,377 | 51,485,457 |
| Loans and Receivables | 259 | 12.(b) | 84,883,811 | 61,374,736 | 83,943,190 | 60,633,154 |
| Available-For-Sale Financial Assets | 260 | 12.(c) | 783,568 | 13,198,829 | 616,108 | 13,032,168 |
| Financial Assets at Fair Value Through Profit or Loss | 262 | 12.(d) | 1,073 | 3,097,684 | 1,073 | 3,097,684 |
| Employee Gratuity Benefit Asset | 270 | 13 | 5,016,649 | 3,874,866 | 5,016,649 | 3,874,866 |
| Employee Pension Benefit Asset | 274 | 14.(a) | 591,984 | 513,590 | 591,984 | 513,590 |
| Reinsurance Receivables | 275 | 15 | 392,170 | 280,009 | 392,170 | 280,009 |
| Income Tax Receivables | 278 | 16.(a) | 6,376 | 7,515 | - | - |
| Loans to Life Policyholders | 280 | 17.(a) | 1,561,981 | 1,282,725 | 1,561,981 | 1,282,725 |
| Premium Receivables | 280 | 18 | 336,496 | 288,720 | 336,496 | 288,720 |
| Other Assets | 281 | 19 | 467,934 | 528,975 | 202,603 | 243,914 |
| Cash and Cash Equivalents | 281 | 20 | 421,856 | 769,939 | 494,350 | 768,553 |
| Total Assets | | | 178,581,662 | 154,441,483 | 173,762,956 | 150,801,386 |
| Equity and Liabilities | | | | | | |
| Equity Attributable to Equity Holders of Parent | | | | | | |
| Stated Capital | 282 | 21.(a) | 500,001 | 500,001 | 500,001 | 500,001 |
| Retained Earnings | 283 | 21.(c) | 35,992,934 | 28,984,774 | 32,400,318 | 26,408,326 |
| AFS Reserve | 283 | 21.(d) | 29,368 | 102,622 | 29,368 | 102,622 |
| Revaluation Reserves | 284 | 21.(e) | 831,796 | 625,581 | 496,512 | 366,251 |
| Restricted Regulatory Reserve | 284 | 21.(g) | 3,456,184 | 3,456,184 | 3,456,184 | 3,456,184 |
| Special Reserve | 284 | 21.(f) | 7,311,651 | 7,311,651 | 7,311,651 | 7,311,651 |
| Total Ordinary Shareholders' Equity | | | 48,121,934 | 40,980,815 | 44,194,034 | 38,145,036 |
| Non-Controlling Interests | 301 | 36.(a) | 7,092 | 6,590 | - | - |
| Total Equity | | | 48,129,026 | 40,987,405 | 44,194,034 | 38,145,036 |

STATEMENT OF FINANCIAL POSITION

| As at 31 December | | | Group | | Company | |
|---|--------------|-----------------|--------------------|--------------------|--------------------|--------------------|
| | Page | | 2021 | 2020 | 2021 | 2020 |
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Liabilities | | | | | | |
| Insurance Contract Liabilities - Life | 287 | 22.(a) | 119,637,160 | 106,739,757 | 119,634,780 | 106,737,377 |
| Insurance Contract Liabilities - Unit Linked | 287 | 22.(a) | 318,852 | 329,257 | 318,852 | 329,257 |
| Insurance Contract Liabilities - Family Takaful | 287 | 22.(a) | 15,973 | 14,698 | 15,973 | 14,698 |
| Individual Investment Fund - ISF | 287 | 22.(a) | 351,441 | 313,434 | 351,441 | 313,434 |
| Employee Gratuity Benefit Liability | 271 | 13.(a) | 12,274 | 13,051 | - | - |
| Deferred Tax Liabilities | 278 & 279 | 16.(c) & (d) | 931,714 | 726,540 | 378,863 | 271,847 |
| Reinsurance Payables | 291 | 24 | 524,897 | 477,740 | 524,897 | 477,740 |
| Trade and Other Payables | 292 | 25 | 4,765,374 | 4,094,608 | 4,486,105 | 3,803,966 |
| Lease Liabilities | 246 | 8.(b) | 233,814 | 193,144 | 251,560 | 210,890 |
| Interest Bearing Borrowings | 290 | 23.(a) | 3,210,934 | 20,000 | 3,202,054 | - |
| Bank Overdraft | 281 | 20 | 450,203 | 531,849 | 404,397 | 497,141 |
| Total Liabilities | | | 130,452,636 | 113,454,078 | 129,568,922 | 112,656,350 |
| Total Equity and Liabilities | | | 178,581,662 | 154,441,483 | 173,762,956 | 150,801,386 |

The above Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements on pages 222 to 333 which form an integral part of the Financial Statements.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.



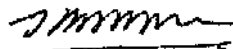
P A Jayawardene
Director/Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and Signed on behalf of the Board by;



R Renganathan
Executive Chairman



E T L Ranasinghe
Managing Director/Chief Executive Officer

21st February, 2022

INCOME STATEMENT

| For the Year Ended 31 December, | | | Group | | | Company | | |
|--|------|--------|--------------|--------------|---------|--------------|--------------|---------|
| | Page | | 2021 | 2020 | Change | 2021 | 2020 | Change |
| | No | Note | Rs.'000 | Rs.'000 | % | Rs.'000 | Rs.'000 | % |
| Net Income | | | 40,555,074 | 36,725,607 | 10.43 | 40,385,690 | 36,482,989 | 10.70 |
| Gross Written Premiums | 293 | 26.(a) | 25,564,813 | 22,076,215 | 15.80 | 25,565,050 | 22,076,250 | 15.80 |
| Premiums Ceded to Reinsurers | 293 | 26.(c) | (308,499) | (505,463) | (38.97) | (308,499) | (505,463) | (38.97) |
| Net Written Premiums | | | 25,256,314 | 21,570,753 | 17.09 | 25,256,551 | 21,570,788 | 17.09 |
| Revenue from Subsidiaries | 294 | 26.(f) | 364,701 | 283,886 | 28.47 | - | - | - |
| | | | 25,621,015 | 21,854,638 | 17.23 | 25,256,551 | 21,570,788 | 17.09 |
| Fees and Commission Income | 294 | 27 | 197,885 | 131,025 | 51.03 | 197,885 | 131,025 | 51.03 |
| Investment Income | 295 | 28.(b) | 14,199,055 | 13,608,440 | 4.34 | 14,314,783 | 13,542,174 | 5.71 |
| Realised Gains/(Losses) | 296 | 29 | 200,376 | 948,287 | (78.87) | 200,402 | 948,287 | (78.87) |
| Fair Value Gains/ (Losses) | 296 | 30 | 305,593 | 168,289 | 81.59 | 388,079 | 280,122 | 38.54 |
| Other Operating Revenue | | | 31,150 | 14,928 | 108.67 | 27,990 | 10,594 | 164.22 |
| Other Revenue | | | 14,934,059 | 14,870,969 | 0.42 | 15,129,139 | 14,912,201 | 1.45 |
| Gross Benefits and Claims Paid | 297 | 31.(a) | (12,927,237) | (12,510,505) | 3.33 | (12,927,237) | (12,510,505) | 3.33 |
| Claims Ceded to Reinsurers | 297 | 31.(b) | 190,929 | 243,992 | (21.75) | 190,929 | 243,992 | (21.75) |
| Gross Change in Contract Liabilities | 297 | 31.(c) | (11,803,985) | (9,423,994) | 25.25 | (11,803,985) | (9,423,994) | 25.25 |
| Net Benefits and Claims | | | (24,540,293) | (21,690,507) | 13.14 | (24,540,293) | (21,690,507) | 13.14 |
| Direct Costs of Subsidiaries | | | (143,410) | (176,764) | (18.87) | - | - | - |
| Acquisition Cost | 297 | 32 | (2,369,754) | (2,123,644) | 11.59 | (2,369,754) | (2,123,644) | 11.59 |
| Other Operating and Administrative Expenses | 298 | 33 | (5,043,996) | (3,972,729) | 26.97 | (4,836,630) | (3,823,330) | 26.50 |
| Finance Cost | 299 | 34 | (93,738) | (80,557) | 16.36 | (93,640) | (78,995) | 18.54 |
| Total Other Expenses | | | (7,650,898) | (6,353,694) | 20.42 | (7,300,024) | (6,025,969) | 21.14 |
| Total Benefits, Claims and Other Expenses | | | (32,191,191) | (28,044,201) | 14.79 | (31,840,317) | (27,716,476) | 14.88 |
| Profit Before Share of Associates | | | 8,363,883 | 8,681,406 | (3.66) | 8,545,373 | 8,766,512 | (2.52) |
| Share of Profit of Associates | 254 | 11.(a) | 1,068,712 | 702,824 | 52.06 | - | - | - |
| Profit Before Tax | | | 9,432,595 | 9,384,230 | 0.52 | 8,545,373 | 8,766,512 | (2.52) |
| Tax Expense | 299 | 35.(a) | (1,844,935) | (1,884,120) | (2.08) | (1,770,883) | (1,832,391) | (3.36) |
| Profit for the Year | | | 7,587,660 | 7,500,110 | 1.17 | 6,774,490 | 6,934,121 | (2.30) |
| Profit Attributable to: | | | | | | | | |
| Equity Holders of the Parent | | | 7,587,158 | 7,499,475 | 1.17 | 6,774,490 | 6,934,121 | (2.30) |
| Non-Controlling Interests | 301 | 36.(b) | 502 | 635 | (20.98) | - | - | - |
| | | | 7,587,660 | 7,500,110 | 1.17 | 6,774,490 | 6,934,121 | (2.30) |
| Basic Earnings Per Share | 301 | 37.(a) | 151.74 | 149.99 | 1.17 | 135.49 | 138.68 | (2.30) |
| Dividend Per Share | 302 | 38 | 15.65 | - | 100 | 15.65 | - | 100 |

The above Income Statement is to be read in conjunction with the notes to the Financial Statements on pages 222 to 333 which form an integral part of the Financial Statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

| For the Year Ended 31 December | | | Group | | Company | |
|---|------|------|-----------|-----------|-----------|-----------|
| | Page | | 2021 | 2020 | 2021 | 2020 |
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Profit for the Year | | | 7,587,660 | 7,500,110 | 6,774,490 | 6,934,121 |
| Other Comprehensive Income | | | | | | |
| Items that will not be reclassified subsequently to income statement | | | | | | |
| Revaluation Surplus/ (Deficit) During the Year | 303 | 39 | 926,640 | 685,721 | 826,700 | 559,191 |
| Actuarial Gain/(Loss) on Defined Benefit Plans | 303 | 39 | 265,387 | (519,663) | 264,577 | (519,729) |
| Share of Other Comprehensive Income of Equity Accounted Investees | 303 | 39 | 103,486 | (9,471) | - | - |
| Items that may be reclassified subsequently to income statement | | | | | | |
| Net Gain/(Loss) on Available-For-Sale Assets | 303 | 39 | (572,553) | 707,647 | (572,553) | 707,647 |
| Income Tax relating to Components of Other Comprehensive Income | 303 | 39 | (1,898) | (99,561) | 22,207 | (99,561) |
| Other Comprehensive Income for the Year, Net of Tax | | | 721,062 | 764,673 | 540,931 | 647,548 |
| Total Comprehensive Income for the Year, Net of Tax | | | 8,308,723 | 8,264,783 | 7,315,421 | 7,581,669 |
| Total Comprehensive Income Attributable to: | | | | | | |
| Equity Holders of the Parent | | | 8,308,221 | 8,264,148 | 7,315,421 | 7,581,669 |
| Non-Controlling Interests | | | 502 | 635 | - | - |
| | | | 8,308,723 | 8,264,783 | 7,315,421 | 7,581,669 |

The above Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements on pages 222 to 333 which form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

| Group | Page No | Note | Attributable to Equity holders of the Parent | | | | | | | Non-Controlling Interests Rs.'000 | Total Equity Rs.'000 |
|--|------------|------|--|----------------------------|--|---------------------------------|------------------------------|---------------------------------------|---|--------------------------------------|-------------------------|
| | | | Stated Capital Rs.'000 | Special Reserve Rs.'000 | Restricted Regulatory Reserve Rs.'000 | Revaluation Reserves Rs.'000 | Retained Earnings Rs.'000 | Available-for-Sale Reserve Rs.'000 | Total Ordinary Share-Holders' Equity Rs.'000 | | |
| | | | | | | | | | | | |
| Balance As At 1st January 2020 | | | 500,001 | 7,311,651 | 3,456,184 | 362,308 | 22,012,313 | 802 | 33,643,260 | 5,956 | 33,649,215 |
| Net Profit for the Year | | | - | - | - | - | 7,499,475 | - | 7,499,475 | 635 | 7,500,110 |
| Other Comprehensive Income for the Year | | | - | - | - | 621,503 | (529,143) | 672,313 | 764,673 | - | 764,673 |
| Total Comprehensive Income for the Year | | | - | - | - | 621,503 | 6,970,332 | 672,313 | 8,264,148 | 635 | 8,264,783 |
| Transferred to Long Term Insurance Fund | | | - | - | - | (358,230) | - | (570,492) | (928,721) | - | (928,721) |
| Group Right to Use Assets Adjustment | | | - | - | - | - | 2,462 | - | 2,462 | - | 2,462 |
| Associate Change in Equity | | | - | - | - | - | (332) | - | (332) | - | (332) |
| Balance As At 31st December 2020 | | | 500,001 | 7,311,651 | 3,456,184 | 625,581 | 28,984,774 | 102,622 | 40,980,816 | 6,590 | 40,987,406 |
| Net Profit for the Year | | | - | - | - | - | 7,587,158 | - | 7,587,158 | 502 | 7,587,660 |
| Other Comprehensive Income for the Year | | | - | - | - | 888,292 | 368,753 | (535,983) | 721,062 | - | 721,062 |
| Total Comprehensive Income for the Year | | | - | - | - | 888,292 | 7,955,911 | (535,983) | 8,308,221 | 502 | 8,308,723 |
| Final Dividend Paid - 2020 | 302 | 38 | - | - | - | - | (782,500) | - | (782,500) | - | (782,500) |
| Transferred to Long Term Insurance Fund | | | - | - | - | (682,077) | (264,577) | 462,729 | (483,925) | - | (483,925) |
| Associate Change in Equity | | | - | - | - | - | 99,326 | - | 99,326 | - | 99,326 |
| Balance As At 31st December 2021 | | | 500,001 | 7,311,651 | 3,456,184 | 831,796 | 35,992,934 | 29,368 | 48,121,933 | 7,092 | 48,129,025 |

| Company | Page No | Note | Stated Capital | Special Reserve | Restricted Regulatory Reserve | Revaluation Reserves | Retained Earnings | Available-for Sale Reserve | Ordinary Share-Holders' Equity | Total Equity | |
|--|------------|------|----------------|-----------------|-------------------------------|----------------------|-------------------|----------------------------|--------------------------------|--------------|---------|
| | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| | | | | | | | | | | | |
| Balance As At 1st January 2020 | | | 500,001 | 7,311,651 | 3,456,184 | 229,508 | 19,993,934 | 802 | 31,492,079 | 31,492,079 | |
| Net Profit for the Year | | | - | - | - | - | 6,934,121 | - | 6,934,121 | 6,934,121 | |
| Other Comprehensive Income for the Year | | | - | - | - | 494,973 | (519,729) | 672,313 | 647,557 | 647,557 | |
| Total Comprehensive Income for the Year | | | - | - | - | 494,973 | 6,414,392 | 672,313 | 7,581,678 | 7,581,678 | |
| Transferred to Long Term Insurance Fund | | | - | - | - | (358,230) | - | (570,492) | (928,721) | (928,721) | |
| Balance As At 31st December 2020 | | | 500,001 | 7,311,651 | 3,456,184 | 366,251 | 26,408,326 | 102,622 | 38,145,036 | 38,145,036 | |
| Net Profit for the Year | | | - | - | - | - | 6,774,490 | - | 6,774,490 | 6,774,490 | |
| Other Comprehensive Income for the Year | | | - | - | - | 812,338 | 264,577 | (535,984) | 540,931 | 540,931 | |
| Total Comprehensive Income for the Year | | | - | - | - | 812,338 | 7,039,067 | (535,984) | 7,315,421 | 7,315,421 | |
| Final Dividend Paid - 2020 | 302 | 38 | - | - | - | - | (782,500) | - | (782,500) | (782,500) | |
| Transferred to Long Term Insurance Fund | | | - | - | - | (682,077) | (264,576) | 462,729 | (483,925) | (483,925) | |
| Balance As At 31st December 2021 | | | 500,001 | 7,311,651 | 3,456,184 | 496,512 | 32,400,318 | 29,368 | 44,194,032 | 44,194,032 | |

The above Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements on pages 222 to 303 which form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

| For the Year Ended 31 December | Page No | Notes | Group | | Company | |
|---|-----------|---------|-----------------|-----------------|-----------------|-----------------|
| | | | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Cash Flows from Operating Activities | | | | | | |
| Premiums/Revenue received from Customers | | | 25,547,501 | 22,272,367 | 25,547,738 | 22,272,401 |
| Reinsurance Premiums (net of Commission) Paid | | | (203,663) | (702,024) | (203,663) | (702,024) |
| Commission Paid | | | (2,414,777) | (2,090,056) | (2,414,777) | (2,090,056) |
| Claims and Benefits Paid | | | (12,699,709) | (12,570,245) | (12,699,709) | (12,570,245) |
| Reinsurance Receipts in respect of Claims & Benefits | | | 139,502 | 398,084 | 139,502 | 398,084 |
| Interest and Dividends Received | | | 10,953,302 | 12,081,457 | 11,121,348 | 12,087,487 |
| Other Operating Cash Payments | | | (4,141,485) | (3,840,853) | (4,543,432) | (3,876,338) |
| Other Income | | | 108,019 | 50,820 | 108,019 | 50,820 |
| Gratuity/Pension payments | 270 & 273 | 13 & 14 | (676,585) | (735,289) | (676,585) | (731,987) |
| Income Taxes Paid | | | (876,569) | (842,566) | (876,569) | (842,566) |
| Interest paid | | | (71,331) | (58,978) | (71,331) | (58,978) |
| Net Cash Flows from Operating Activities | 221 | Note A | 15,664,206 | 13,962,717 | 15,430,542 | 13,936,599 |
| Cash Flows from Investing Activities | | | | | | |
| Investments in/Proceeds from Subsidiaries/ Associates | | | - | - | - | (50,000) |
| Acquisition of Investment Property | | | (311,201) | - | (311,201) | - |
| Proceeds from sale of Investment Property | | | 300,000 | (218,431) | 300,000 | (218,431) |
| Acquisition of Financial Investments | 265 & 266 | 12.(h) | (331,770,447) | (108,730,373) | (330,942,767) | (108,543,893) |
| Proceeds from Financial Investments | 265 & 266 | 12.(h) | 314,330,250 | 96,370,821 | 313,818,249 | 96,298,342 |
| Acquisition of Property , Plant & Equipment | 237 & 238 | 7 | (383,685) | (441,157) | (358,574) | (418,889) |
| Proceeds from Disposal of Property , Plant & Equipment | | | 9,511 | 50,006 | 7,811 | 49,756 |
| Acquisition /Disposal of Intangible Assets | 234 | 6 | (36,838) | (99,294) | (36,838) | (99,294) |
| Acquisition /Disposal of Lease Buildings | | | (3,911) | - | - | - |
| Interest Income | | | 36,144 | - | - | - |
| REPO borrowings / (settlements) - (net) | | | (506,180) | (756,444) | (506,180) | (776,444) |
| Net Cash Flows from Investing Activities | | | (18,336,356) | (13,824,871) | (18,029,499) | (13,758,854) |
| Cash Flows from Financing Activities | | | | | | |
| Proceeds/(settlements) from short-term borrowing | | | 3,188,880 | - | 3,200,000 | - |
| Interest Paid | | | (665) | (267) | - | - |
| Dividends Paid to equity holders | | | (782,500) | - | (782,500) | - |
| Net Cash Flows from Financing Activities | | | 2,405,715 | (267) | 2,417,500 | - |
| Increase / (Decrease) in Cash & Cash Equivalents | 221 | Note B | (266,437) | 137,579 | (181,458) | 177,745 |

| For the Year Ended 31 December | Page No | Notes | Group | | Company | |
|--|-----------|---------|-------------------|-------------------|-------------------|---------------------|
| | | | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Note A. | | | | | | |
| Reconciliation of Profit Before Tax with Net Cash Flows from Operating Activities | | | | | | |
| Profit before tax | | | 9,432,596 | 8,681,406 | 8,545,374 | 8,766,512 |
| Adjustments for: | | | | | | |
| Depreciation including Right-to Use Assets | 237 & 238 | 7 | 397,943 | 411,067 | 326,098 | 338,947 |
| Provision for Gratuity & Pension | | | 645,217 | (280,100) | 642,888 | (282,549) |
| Amortisation of Intangible Assets | 234 | 6 | 103,274 | 86,129 | 103,228 | 86,082 |
| Change in Trade and Other Receivables | | | (2,849,244) | (687,276) | (2,848,906) | (685,820) |
| Change in Reinsurance Receivable | | | (112,161) | (6,601) | (112,161) | (6,601) |
| Increase in Life Insurance Funds | 297 | 31 | 11,803,985 | 9,423,994 | 11,803,985 | 9,423,994 |
| Increase in Unit-linked Fund | | | (10,405) | 389 | (10,405) | 389 |
| Increase in Takaful Fund | | | 1,276 | (4,172) | 1,276 | (4,172) |
| Increase in Individual Investment Fund (IFS) | | | 38,007 | 78,247 | 38,007 | 78,247 |
| Change in Trade and Other Payables | | | (1,772,019) | (974,427) | (964,363) | (975,469) |
| Change in Reinsurance Payable | | | 47,158 | - | 47,158 | - |
| Realised Gains/(Losses) | 296 | 29 | (200,376) | (948,287) | (200,402) | (948,287) |
| Fair value Gain recorded in Income Statement | 296 | 30 | (305,593) | (168,289) | (388,079) | (280,122) |
| Income Tax Paid | | | (876,569) | (842,566) | (876,569) | (842,566) |
| Interest Paid | | | - | (71,508) | - | - |
| Payment to gratuity and pension funds | 270 & 273 | 13 & 14 | (678,881) | (735,289) | (676,585) | (731,987) |
| Net Cash Flows from Operating Activities | | | 15,664,206 | 13,962,717 | 15,430,542 | (13,936,599) |
| Note B. | | | | | | |
| Cash and Cash Equivalents at 1st January | | | 238,088 | 100,509 | 271,411 | 93,667 |
| Cash and Cash Equivalents at 31st December | | Note C | (28,347) | 238,088 | 89,953 | 271,411 |
| Increase / (Decrease) in Cash and Cash Equivalents | | | (266,437) | 137,579 | (181,458) | 177,745 |
| Note C | | | | | | |
| Cash at Bank and in Hand | 281 | 20 | 421,856 | 769,939 | 494,350 | 768,553 |
| Bank Overdraft | 281 | 20 | (450,203) | (531,849) | (404,397) | (497,141) |
| | | | (28,347) | 238,088 | 89,953 | 271,411 |

The above Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements on pages 222 to 333 which form an integral part of the Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Entity information

1.1. Reporting Entity

Ceylinco Life Insurance Limited (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 106, Havelock Road, Colombo 05. Additional corporate information is given on the inner back page.

1.2. Nature of Operations and Principal Activities

Descriptions of the nature of operations and principal activities of the Company, its Subsidiaries and Associate are given on page 9. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

The parent of Ceylinco Life Insurance Limited is Ceylinco Insurance PLC, which is incorporated and domiciled in Sri Lanka.

Financial Statements

1.3. Consolidated Financial Statements

The Consolidated Financial Statements of Ceylinco Life Insurance Limited, as at and for the year ended 31 December 2021 encompass the Company, its Subsidiaries (together referred to as the 'Group') and the Group's interest in Associates. All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The financial statements of all the companies in the group have a common financial year which ends on 31 December.

The assets and liabilities presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

1.4. Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of the Financial Statements of the Group/ Company as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards. The responsibility of the Directors in relation to the Financial Statements is set out in detail in the Statement of Directors' Responsibility Report in on page 203.

These Financial Statements include the following components:

- Income Statement and Statement of Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review (refer pages 217 and 218)
- Statement of Financial Position (SOFP) providing the information on the financial position of the Group and the Company as at the year end (refer page 215 to 216).
- Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company (refer page 219).

- Statement of Cash Flows providing the information on the ability of the Group and the Company to generate cash and cash equivalents and utilisation of those cash flows (refer page 220 to 221).
- Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information (refer page 222 to 333).

1.5. Approval of Financial Statements

The Consolidated Financial Statements of Ceylinco Life Insurance Limited and its Subsidiaries (collectively, the Group) for the year ended 31 December 2021 were authorised for issue by the Directors on 21st February 2022.

2. Basis of Accounting

2.1. Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/ LKAS) promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act, No. 07 of 2007 and the requirements of the Regulation of Insurance Industry Act, No. 43 of 2000, amendments there to, and rules and regulation of the Insurance Regulation Commission of Sri Lanka (IRCSL).

2.2. Basis of Measurement

The Financial Statements, except for information on cash flows, have been prepared on accrual basis under the historical cost convention except for the following:

| Item | Basis of Measurement |
|---|---|
| Land and buildings – LKAS 16 | Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation |
| Investment property – LKAS 40 | Fair value |
| Financial assets at fair value through profit or loss and available-for-sale financial assets – LKAS 39 | Fair value |
| Policyholder liabilities – SLFRS 4 | Actuarial valuation |
| Net defined benefit assets or liabilities – LKAS 19 | Actuarial valuation |

2.3. 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). These Financial Statements are presented in Sri Lankan Rupees (LKR), which is the company's Functional and Presentation Currency. There was no change in the Company's Presentation and Functional Currency during the year under review.

All amounts presented in rupees have been rounded to the nearest rupees thousand (Rs'000), except when otherwise indicated.

2.5. Materiality and Aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted LKAS 1 – "Presentation of Financial Statements".

2.6. Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amount and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenditures are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standard and as specially disclosed in the Significant Accounting Policies of the Group.

2.7. Going Concern

As the pandemic outspreads, the extended safety measures implemented to mitigate the pandemic's spread have made several impacts to the operational and financial aspects of the group. As a result of these measures including travel restrictions imposed by the government, the operations of the Group were temporarily disrupted few times during the year. However, the Group has successfully continued its smooth operations regardless these temporary destructions. The Group is confident that it did not have any significant impact to its financial position or liquidity.

In preparing Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern. The Management has assessed the anticipated implications of possible travel restrictions, low economic growth, increasing foreign currency crisis, import restriction, changes in government physical and monetary policies and movements of equity and money market on the Group and the Company. Sound business continuity plans which already in place and the prudent investment strategy have minimized the impact came with this pandemic.

The Directors have made an assessment of the Company's and the Group's ability to continue as a going concern and is satisfied about the ability to continue in business for the foreseeable future. Furthermore, management has concluded that the range of possible outcomes considered in arriving at this judgement including impacts from COVID-19 pandemic does not give rise to material uncertainties related to the events or conditions that may cast significant doubt on the Group's or the Company's ability continue as going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

2.8. Comparative Information

The Consolidated Financial Statements provide comparative information in respect of the previous financial year. The presentation and classification of assets and liabilities in the financial statements of the previous year have been amended, where relevant for better presentation and to be comparable with those of the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies

Policies disclosed within individual notes

A summary of significant accounting policies have been disclosed along with the relevant individual notes to the Financial Statements. The accounting policies presented within each note have been applied consistently by the Company.

Policies not covered with individual notes

Following accounting policies which have been applied consistently by the company, are considered to be significant but are not covered with individual notes.

(a) Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of the Comprehensive Income.

Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been satisfied.

(b) Cash Flow Statement

The Statements of Cash Flows has been prepared using 'Direct Method' and cash flows from Operating Activities are shown using 'Indirect Method' with the purpose of better comparison. Interest paid is classified as an operating cash flow except interest paid on REPO borrowings. Dividend and interest income are classified as operating cash flows. Dividends paid are classified as financing cash flows. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

4. Use of Judgements, Estimates and Assumptions

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS and LKAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively. Information about significant areas of estimation under uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the following Notes:

| Critical Accounting Judgments, Estimates and Assumptions | Disclosure Reference | |
|--|----------------------|------|
| | Note | Page |
| Insurance Provision – Life | 22 | 285 |
| Revaluation of Property, Plant & Equipment | 7.(i) | 240 |
| Valuation of Investment Property | 9 | 247 |
| Measurement of Defined Benefit Obligation | 13 and 14 | 270 |
| Fair Value Measurement of Financial Instruments | 12.(g) | 263 |
| Income Tax (Current Tax and Deferred Tax) | 16 | 276 |

Impact of COVID-19 Pandemic

The outspread of pandemic, government policy decisions along with economic and market conditions have increased the uncertainty of estimate made in preparation of the financial statements. Management is aware and considered such circumstances when reviewing the estimates and underlying judgements. The estimation uncertainties are associated with:

- the extend and the duration of the disruption to the business operations created from spread of the virus and measures taken by the health authorities
- the effectiveness of the action taken by the government and the Central Bank of Sri Lanka (CBSL) to minimize the disruption to the businesses
- the extend and the duration of expected economic downturn, drying foreign reserves and depreciation of LKR against foreign currencies, impact to capital and money market and other macro-economic factors such as GDP growth rate, unemployment and international trade restriction
- the extent of which the economic downturn & higher inflation affect to purchasing power of the customers and the consumer behavior

The impacts of the COVID-19 pandemic on accounting estimates are discussed further under the relevant notes to these financial statements wherever applicable.

5. Segment Information

ACCOUNTING POLICY

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment, which is subject to risks and returns that are different from those of other segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The activities of the Group are located mainly in Sri Lanka. Consequently, the economic environment in which the Group operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

For management purposes, the Group is organised into business units based on their products and services and has following reportable operating segments as follows:

- The Company offers a wide range of whole life, endowment, anticipated endowment, term insurance, mortgage protection, retirement and group insurance products.
- Healthcare segment includes Healthcare Centre for Cancer Screening and Radiation Treatment Unit.
- Other segment includes retirement resort that caters to both active retirees and those who need assistance.

Transaction between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results include transfers between business segments which will then be eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.(a). Segment Income Statement for the Year Ended 31 December 2021

| | Life Insurance | Ceylinco Healthcare Services Limited | Serene Resort Limited | Adjustments and Eliminations | Total |
|--|---------------------|---|-----------------------------|------------------------------------|---------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Gross Premiums | 25,565,050 | - | - | (237) | 25,564,813 |
| Premiums Ceded to Reinsurers | (308,499) | - | - | - | (308,499) |
| Net Premiums | 25,256,552 | - | - | (237) | 25,256,315 |
| Revenue from Subsidiaries | - | 353,180 | 16,209 | (4,688) | 364,701 |
| Fees and Commission Income | 197,885 | - | - | - | 197,885 |
| Investment Income | 14,314,783 | 28,976 | 23,341 | (168,046) | 14,199,055 |
| Realised Gains/(Losses) | 200,402 | (27) | - | - | 200,376 |
| Fair Value Gains/(Losses) | 388,079 | 5,715 | - | (88,200) | 305,593 |
| Other Operating Revenue | 27,990 | 2,722 | 437 | - | 31,150 |
| Other Revenue | 15,129,139 | 390,566 | 39,988 | (260,933) | 15,298,760 |
| Segment Revenue | 40,385,691 | 390,566 | 39,988 | (261,170) | 40,555,075 |
| Gross Benefits and Claims Paid | (12,927,237) | - | - | - | (12,927,237) |
| Claims Ceded to Reinsurers | 190,929 | - | - | - | 190,929 |
| Gross Change in Contract Liabilities | (11,803,985) | - | - | - | (11,803,985) |
| Net Benefits and Claims | (24,540,294) | - | - | - | (24,540,294) |
| Direct Cost of Subsidiaries | - | (132,243) | (11,167) | - | (143,410) |
| Acquisition Cost | (2,369,754) | - | - | - | (2,369,754) |
| Other Operating and Administrative Expenses | (4,836,630) | (182,081) | (23,832) | (1,453) | (5,043,996) |
| Finance Costs | (93,640) | - | (537) | 439 | (93,738) |
| Other Expenses | (7,300,024) | (314,324) | (35,536) | (1,014) | (7,650,898) |
| Segment Benefits, Claims and Other Expenses | (31,840,317) | (314,324) | (35,536) | (1,014) | (32,191,191) |
| Share of Profit of Associates | - | - | - | 1,068,712 | 1,068,712 |
| Segment Results | 8,545,374 | 76,242 | 4,452 | 806,528 | 9,432,596 |

Segment income statement for the year ended 31 December 2020

| | Life Insurance | Ceylinco Healthcare Services Limited | Serene Resort Limited | Adjustments and Eliminations | Total |
|--|---------------------|---|-----------------------------|------------------------------------|---------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Gross Premiums | 22,076,250 | - | - | (34) | 22,076,216 |
| Premiums Ceded to Reinsurers | (505,463) | - | - | - | (505,463) |
| Net Premiums | 21,570,788 | - | - | (34) | 21,570,754 |
| Revenue from Subsidiaries | - | 277,468 | 7,168 | (750) | 283,886 |
| Fees and Commission Income | 131,025 | - | - | - | 131,025 |
| Investment Income | 13,542,174 | 38,586 | 33,710 | (6,030) | 13,608,440 |
| Realised Gains/(Losses) | 948,287 | - | - | - | 948,287 |
| Fair Value Gains/(Losses) | 280,122 | 3,067 | - | (114,900) | 168,288 |
| Other Operating revenue | 10,594 | 4,198 | 137 | - | 14,928 |
| Other Revenue | 14,912,201 | 323,318 | 41,015 | (121,680) | 15,154,855 |
| Segment Revenue | 36,482,989 | 323,318 | 41,015 | (121,714) | 36,725,608 |
| Gross Benefits and Claims Paid | (12,510,505) | - | - | - | (12,510,505) |
| Claims Ceded to Reinsurers | 243,992 | - | - | - | 243,992 |
| Gross Change in Contract Liabilities | (9,423,994) | - | - | - | (9,423,994) |
| Net Benefits and Claims | (21,690,507) | - | - | - | (21,690,507) |
| Direct Cost of Subsidiaries | - | (171,005) | (5,759) | - | (176,764) |
| Acquisition Cost | (2,123,644) | - | - | - | (2,123,644) |
| Other Operating and Administrative Expenses | (3,823,330) | (120,792) | (26,694) | (1,913) | (3,972,729) |
| Finance Costs | (78,995) | - | (857) | (704) | 80,557 |
| Other Expenses | (6,025,970) | (291,797) | (33,310) | (2,617) | (6,353,694) |
| Segment Benefits, Claims and Other Expenses | 27,716,476 | (291,797) | (33,310) | (2,617) | (28,044,201) |
| Share of Profit of Associates | - | - | - | 702,824 | 702,824 |
| Segment Results | 8,766,512 | 31,521 | 7,705 | 578,493 | 9,384,231 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.(b). Segment Statement of Financial Position as at 31 December 2021

| | Life Insurance | Ceylinco Healthcare Services Limited | Serene Resort Limited | Adjustments and Eliminations | Total |
|--------------------------------|--------------------|---|-----------------------------|------------------------------------|--------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Intangible Assets | 296,448 | 160 | - | - | 296,607 |
| Property, Plant & Equipment | 10,177,018 | 621,060 | 13,819 | 2,618,419 | 13,430,315 |
| Right-of-use Asset | 238,137 | - | 2,177 | (10,159) | 230,155 |
| Investment Property | 4,045,700 | - | - | (2,816,100) | 1,229,600 |
| Investment in Associates | 807,672 | - | - | 4,218,038 | 5,025,710 |
| Investment in Subsidiaries | 1,136,000 | - | - | (1,136,000) | - |
| Financial Instruments | 148,465,748 | 655,020 | 436,990 | 16,071 | 149,573,829 |
| Reinsurance Assets | 392,170 | - | - | - | 392,170 |
| Loans to Policyholders | 1,561,981 | - | - | - | 1,561,981 |
| Premium Receivables | 336,496 | - | - | - | 336,496 |
| Other Assets | 6,305,586 | 18,465 | 12,734 | 168,014 | 6,504,800 |
| Total Assets | 173,762,956 | 1,294,706 | 465,719 | 3,058,283 | 178,581,662 |
| Insurance Contract Liabilities | 120,321,047 | - | - | 2,380 | 120,323,427 |
| Other Liabilities | 9,247,878 | 152,638 | 13,293 | 481,589 | 9,895,398 |
| Total Liabilities | 129,568,924 | 152,638 | 13,293 | 483,969 | 130,218,825 |

Segment Statement of Financial Position as at 31 December 2020

| | Life Insurance | Ceylinco Healthcare Services Limited | Serene Resort Limited | Adjustments and Eliminations | Total |
|--------------------------------|--------------------|---|-----------------------------|------------------------------------|--------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Intangible Assets | 362,838 | 206 | - | - | 363,044 |
| Property, Plant & Equipment | 9,280,573 | 658,138 | 13,461 | 2,530,218 | 12,482,390 |
| Right-of-use Asset | 197,763 | - | 5,079 | (13,061) | 189,781 |
| Investment Property | 3,515,700 | - | - | (2,727,900) | 787,800 |
| Investment in Associates | 807,672 | - | - | 3,107,750 | 3,915,422 |
| Investment in Subsidiaries | 1,136,000 | - | - | (1,136,000) | - |
| Financial Instruments | 128,248,463 | 540,978 | 351,197 | 16,067 | 129,156,705 |
| Reinsurance Assets | 280,009 | - | - | - | 280,009 |
| Loans to Policyholders | 1,282,725 | - | - | - | 1,282,725 |
| Premium Receivables | 288,720 | - | - | - | 288,720 |
| Other Assets | 5,400,922 | 32,735 | 18,266 | 242,961 | 5,694,884 |
| Total Assets | 150,801,386 | 1,232,057 | 388,004 | 2,020,035 | 154,441,483 |
| Insurance Contract Liabilities | 107,394,766 | - | - | 2,380 | 107,397,146 |
| Other Liabilities | 5,261,583 | 161,736 | 13,293 | 620,320 | 6,056,932 |
| Total Liabilities | 112,656,349 | 161,736 | 13,293 | 622,700 | 113,454,078 |

5.(c). Segment Statement of Cash Flows for the year ended 31 December 2021

| For the Year Ended 31 December | Life Insurance | Ceylinco Healthcare Services Limited | Serene Resort Limited | Adjustments and Eliminations | Group |
|---|---------------------|--------------------------------------|-----------------------|------------------------------|---------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Cash Flows from Operating Activities | | | | | |
| Premiums/Revenue received from Customers | 25,547,738 | - | - | (237) | 25,547,501 |
| Reinsurance Premiums (net of Commission) Paid | (203,663) | - | - | - | (203,663) |
| Commission Paid | (2,414,777) | - | - | - | (2,414,777) |
| Claims and Benefits Paid | (12,699,709) | - | - | - | (12,699,709) |
| Reinsurance Receipts in respect of Claims & Benefits | 139,502 | - | - | - | 139,502 |
| Interest and Dividends Received | 11,121,348 | - | - | (168,046) | 10,953,302 |
| Other Operating Cash Payments | (4,543,432) | 129,484 | 71,347 | 201,115 | (4,141,485) |
| Other Income | 108,019 | - | - | - | 108,019 |
| Gratuity/Pension payments | (676,585) | (2,296) | - | 2,296 | (676,585) |
| Income Taxes Paid | (876,569) | - | - | - | (876,569) |
| Interest paid | (71,331) | - | - | - | (71,331) |
| Net Cash Flows from Operating Activities | 15,430,542 | 127,188 | 71,347 | 35,128 | 15,664,206 |
| Cash Flows from Investing Activities | | | | | |
| Acquisition of Investment Property | (311,201) | - | - | - | (311,201) |
| Proceeds from sale of Investment Property | 300,000 | - | - | - | 300,000 |
| Acquisition of Financial Investments | (330,942,767) | (631,758) | (85,793) | (110,129) | (331,770,447) |
| Proceeds from Financial Investments | 313,818,249 | 512,000 | - | - | 314,330,250 |
| Acquisition of Property, Plant & Equipment | (358,574) | (19,989) | (5,123) | - | (383,685) |
| Proceeds from Disposal of Property, Plant & Equipment | 7,811 | 1,700 | - | - | 9,511 |
| Acquisition /Disposal of Intangible Assets | (36,838) | - | - | - | (36,838) |
| Acquisition /Disposal of Lease Buildings | - | - | (3,911) | - | (3,911) |
| Interest Income | - | 12,823 | 23,321 | - | 36,144 |
| REPO borrowings / (settlements) - (net) | (506,180) | - | - | - | (506,180) |
| Net Cash Flows from Investing Activities | (18,029,499) | (125,223) | (71,506) | (110,129) | (18,336,356) |
| Cash Flows from Financing Activities | | | | | |
| Proceeds from short-term borrowing | 3,200,000 | (11,120) | - | - | 3,188,880 |
| Interest Paid | - | (665) | - | - | (665) |
| Dividends Paid to Equity holders | (782,500) | - | - | - | (782,500) |
| Net Cash Flows from Financing Activities | 2,417,500 | (11,785) | - | - | 2,405,715 |
| Increase / (Decrease) in Cash & Cash Equivalents | (181,458) | (9,820) | (158) | (75,001) | (266,436) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| For the Year Ended 31 December | Life Insurance Rs.'000 | Ceylinco Healthcare Services Limited Rs.'000 | Serene Resort Limited Rs.'000 | Adjustments and Eliminations Rs.'000 | Group Rs.'000 |
|--|---------------------------|---|----------------------------------|---|-------------------|
| Note A. | | | | | |
| Reconciliation of Profit before tax with Net Cash Flows from Operating Activities | | | | | |
| Profit before tax | 8,545,374 | 76,242 | 4,452 | 806,528 | 9,432,596 |
| <i>Adjustments for:</i> | | | | | |
| Depreciation | 326,098 | 55,340 | 7,668 | 8,837 | 397,943 |
| Provision for Gratuity & Pension | 642,888 | 2,038 | 291 | - | 645,217 |
| Amortisation of Intangible Assets | 103,228 | 46 | - | - | 103,274 |
| Change in Trade and Other Receivables | (2,848,906) | 30,699 | (17,802) | (13,235) | (2,849,244) |
| Change in Reinsurance Receivable | (112,161) | - | - | - | (112,161) |
| Increase in Life Insurance Funds | 11,803,985 | - | - | - | 11,803,985 |
| Increase in Unit-linked Fund | (10,405) | - | - | - | (10,405) |
| Increase in Takaful Fund | 1,276 | - | - | - | 1,276 |
| Increase in Individual Investment Fund (IFS) | 38,007 | - | - | - | 38,007 |
| Change in Trade and Other Payables | (964,363) | (40,597) | 76,739 | (843,798) | (1,772,019) |
| Change in Reinsurance Payable | 47,158 | - | - | - | 47,158 |
| Realised gain | (200,402) | - | - | 27 | (200,375) |
| Fair value Gain recorded in Income Statement | (388,079) | 5,715 | - | 76,770 | (305,594) |
| Income Tax Paid | (876,569) | - | - | - | (876,569) |
| Payment to gratuity and pension funds | (676,585) | (2,296) | - | - | (678,881) |
| Net Cash Flows from Operating Activities | 15,430,542 | 127,187 | 71,347 | 35,129 | 15,664,206 |
| Note B. | | | | | |
| Cash and Cash Equivalents at 1st January | 271,411 | (33,390) | 68 | - | 238,088 |
| Cash and Cash Equivalents at 31st December | 89,954 | (43,210) | (90) | (75,000) | (28,347) |
| Increase / (Decrease) in Cash and Cash Equivalents | (181,458) | (9,820) | (158) | (75,000) | (266,436) |
| Note C | | | | | |
| Cash at Bank and in Hand | 494,350 | 2,452 | 54 | (75,000) | 421,856 |
| Bank Overdraft | (404,397) | (45,662) | (145) | - | (450,203) |
| | 89,954 | (43,210) | (90) | (75,000) | (28,347) |

Segment Statement of Cash Flows for the year ended 31 December 2020

| For the Year Ended 31 December | Life Insurance | Ceylinco Healthcare Services Limited | Serene Resort Limited | Adjustments and Eliminations | Group |
|---|---------------------|--------------------------------------|-----------------------|------------------------------|---------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Cash Flows from Operating Activities | | | | | |
| Premiums/Revenue received from Customers | 22,272,401 | - | - | (34) | 22,272,367 |
| Reinsurance Premiums (net of Commission) Paid | (702,024) | - | - | - | (702,024) |
| Commission Paid | (2,090,056) | - | - | - | (2,090,056) |
| Claims and Benefits Paid | (12,570,245) | - | - | - | (12,570,245) |
| Reinsurance Receipts in respect of Claims & Benefits | 398,084 | - | - | - | 398,084 |
| Interest and Dividends Received | 12,087,487 | - | - | (6,030) | 12,081,457 |
| Other Operating Cash Payments | (3,876,338) | 45,009 | (11,837) | 2,314 | 3,840,852 |
| Other Income | 50,820 | - | - | - | 50,820 |
| Gratuity/Pension payments | (731,987) | (3,302) | - | - | (735,289) |
| Income Taxes Paid | (842,566) | - | - | - | (842,566) |
| Interest Paid | (58,978) | - | - | - | (58,978) |
| Net Cash Flows from Operating Activities | 13,936,599 | 41,707 | (11,837) | (3,750) | 13,962,718 |
| Cash Flows from Investing Activities | | | | | |
| Investments in/Proceeds from Subsidiaries/Associates | (50,000) | - | - | 50,000 | - |
| Proceeds from sale of Investment Property | (218,431) | - | - | - | (218,431) |
| Acquisition of Financial Investments | (108,543,893) | (121,852) | (64,628) | - | (108,730,374) |
| Proceeds from Financial Investments | 96,298,342 | 38,853 | 33,627 | - | 96,370,821 |
| Acquisition of Property, Plant & Equipment | (418,890) | (18,904) | (6,409) | 3,046 | (441,157) |
| Proceeds from Disposal of Property, Plant & Equipment | 49,756 | 250 | - | - | 50,006 |
| Acquisition /Disposal of Intangible Assets | (99,293) | - | - | - | (99,293) |
| REPO borrowings / (settlements) - (net) | (776,444) | 20,000 | - | - | (756,444) |
| Net Cash Flows from Investing Activities | (13,758,854) | (81,653) | (37,410) | 53,046 | (13,824,871) |
| Cash Flows from Financing Activities | | | | | |
| Proceeds from Issue of Ordinary Shares | - | - | 50,000 | (50,000) | - |
| Interest Paid | - | (267) | (704) | 704 | (267) |
| Net Cash Flows from Financing Activities | - | (267) | 49,296 | (49,296) | (267) |
| Increase / (Decrease) in Cash & Cash Equivalents | 177,745 | (40,213) | 48 | - | 137,580 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| For the Year Ended 31 December | Life Insurance | Ceylinco Healthcare Services Limited | Serene Resort Limited | Adjustments and Eliminations | Group |
|--------------------------------|----------------|--------------------------------------|-----------------------|------------------------------|---------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |

Note A.**Reconciliation of Profit before tax with Net Cash Flows from Operating Activities**

| | | | | | |
|---|-------------------|---------------|-----------------|----------------|---------------------|
| Profit before tax | 8,766,512 | 31,521 | 7,705 | (124,332) | 8,681,406 |
| <i>Adjustments for:</i> | | | | | - |
| Depreciation | 338,947 | 54,514 | 8,878 | 8,728 | 411,067 |
| Provision for Gratuity & Pension | (282,549) | 2,165 | 284 | - | (280,100) |
| Amortisation of Intangible Assets | 86,082 | 47 | - | - | 86,129 |
| Change in Trade and Other Receivables | (685,820) | (4,594) | 3,234 | (96) | (687,276) |
| Change in Reinsurance Receivable | (6,601) | - | - | - | (6,601) |
| Increase in Life Insurance Funds | 9,423,994 | - | - | - | 9,423,994 |
| Increase in Unit-linked Fund | 389 | - | - | - | 389 |
| Increase in Takaful Fund | (4,172) | - | - | - | (4,172) |
| Increase in Individual Investment Fund (IFS) | 78,247 | - | - | - | 78,247 |
| Change in Trade and Other Payables | (975,469) | (57) | 985 | (115) | (974,427) |
| Realised gain | (948,287) | - | - | - | (948,287) |
| Fair value Gain recorded in Income Statement | (280,122) | - | - | 111,833 | (168,289) |
| Income Tax Paid | (842,566) | - | - | - | (842,566) |
| Interest Paid | - | (38,586) | (32,922) | - | (71,508) |
| Payment to gratuity and pension funds | (731,987) | (3,302) | - | - | (735,289) |
| Net Cash Flows from Operating Activities | 13,936,599 | 41,707 | (11,837) | (3,752) | (13,962,717) |

Note B.

| | | | | | |
|---|----------------|-----------------|-----------|----------|----------------|
| Cash and Cash Equivalents at 1st January | 93,667 | 6,823 | 20 | - | 100,509 |
| Cash and Cash Equivalents at 31st December | 271,411 | (33,390) | 68 | - | 238,088 |
| Increase / (Decrease) in Cash and Cash Equivalents | 177,745 | (40,213) | 48 | - | 137,579 |

Note C

| | | | | | |
|--------------------------|-----------|----------|----|---------|-----------|
| Cash at Bank and in Hand | 768,553 | 2,919 | 50 | (1,583) | 769,939 |
| Bank Overdraft | (497,141) | (45,777) | - | 11,069 | (531,849) |
| | 271,412 | (42,858) | 50 | 9,486 | 238,090 |

5.(d). Summarised information of Significant Subsidiaries**Summarised Income Statement**

| | Ceylinco Healthcare Services Limited | |
|--|--------------------------------------|-----------|
| | 2021 | 2020 |
| | Rs.'000 | Rs.'000 |
| Revenue | 353,180 | 277,467 |
| Cost of Sales | (182,362) | (171,005) |
| Other Income | 4,854 | 4,198 |
| Administrative Expenses | (120,904) | (111,581) |
| Selling & Distribution Expenses | (11,058) | (9,209) |
| Finance Income/ (Cost) | 27,482 | 38,586 |
| Change in Fair Value of FVTPL Financial Assets | 5,715 | 3,066 |
| Profit Before Tax | 76,242 | 31,524 |

Summarised Statement of Financial Position

| | 2021 | 2020 |
|------------------------------|-----------|-----------|
| | Rs.'000 | Rs.'000 |
| Current Assets | 673,486 | 573,712 |
| Non-Current Assets | 621,220 | 658,344 |
| Total Assets | 1,294,706 | 1,232,056 |
| Current Liabilities | 69,830 | 74,284 |
| Non-Current Liabilities | 82,809 | 87,540 |
| Total Equity | 1,142,067 | 1,070,232 |
| Total Assets and Liabilities | 1,294,706 | 1,232,056 |

Summarised Statement of Cash Flows

| | 2021 | 2020 |
|--|-----------|-----------|
| | Rs.'000 | Rs.'000 |
| Operating Cash Flows | 127,187 | 41,707 |
| Investing Cash Flows | (125,223) | (101,653) |
| Financing Cash Flows | (11,785) | 19,733 |
| Net Increase /(Decrease) In cash and cash equivalents | (9,820) | (40,213) |
| Cash and Cash Equivalent at the Beginning of the Year | (33,389) | 6,823 |
| Cash and Cash Equivalent at the End of the Year | (43,210) | (33,390) |

6. Intangible Assets**ACCOUNTING POLICY**

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embedded in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Intangible assets with finite useful lives

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

The estimated useful lives for Intangible Assets are as follows:

| Item | Useful Life |
|-------------------|-------------|
| Computer software | 3-5 years |

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at cash generating unit level, irrespective of whether there is an indication of impairment. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Group or the Company does not have intangible assets with indefinite useful life for the year under review.

Derecognition

The carrying amount of an intangible asset is de-recognised on disposal or when no future economic benefits are expected from its use. Gain or loss arising from de-recognition of an intangible asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset as at the date of disposal, and are recognised in the statement of profit or loss when the asset is de-recognised.

| | Page | Note | Group | | Company | |
|--|------|------|-----------------------------|----------------|-----------------------------|----------------|
| | | | Computer Software & License | Total | Computer Software & License | Total |
| | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Cost | | | | | | |
| At 1 January 2020 | | | 715,079 | 715,079 | 703,376 | 703,376 |
| Addition During the Year | | | 99,294 | 99,294 | 99,294 | 99,294 |
| At 1 January 2021 | | | 814,373 | 814,373 | 802,670 | 802,670 |
| Addition During the Year | | | 36,838 | 36,838 | 36,838 | 36,838 |
| At 31 December 2021 | | | 851,211 | 851,211 | 839,508 | 839,508 |
| Accumulated Amortisation and Impairment | | | | | | |
| At 1 January 2020 | | | 365,200 | 365,200 | 353,750 | 353,750 |
| Amortisation for the Year | 298 | 33 | 86,129 | 86,129 | 86,082 | 86,082 |
| At 1 January 2021 | | | 451,329 | 451,329 | 439,832 | 439,832 |
| Amortisation for the Year | 298 | 33 | 103,274 | 103,274 | 103,228 | 103,228 |
| At 31 December 2021 | | | 554,603 | 554,603 | 543,060 | 543,060 |
| Carrying amount | | | | | | |
| At 1 January 2021 | | | 363,044 | 363,044 | 362,838 | 362,838 |
| At 31 December 2021 | | | 296,607 | 296,607 | 296,448 | 296,448 |

6.(a). Acquisition of Intangible Assets during the year

During the year, the Group and the Company acquired intangible assets amounting to Rs. 36.84 Million (2020 - Rs. 99.29 Million).

6.(b). Fully Amortised Intangible Assets in use**Group/Company**

Intangible Assets includes fully amortized Computer software which are in the use of normal business activities having cost amounts of Rs. 330.48 Million (2020 - Rs. 283.28 Million).

6.(c). Title Restriction on Intangible Assets

There were no restrictions that existed on the title of the Intangible Assets of the Group/Company as at the reporting date.

6.(d). Assessment of impairment of Intangible Assets

The Group has assessed potential impairment indicators of intangible assets including impact from COVID-19 as at 31st December 2021. Based on the assessment, no impairment indicators were identified.

6.(e). Capitalisation of Borrowing Costs

There were no capitalised borrowing costs related to the acquisition of Intangible Assets during the year (2020 - Nil).

7. Property, Plant and Equipment**ACCOUNTING POLICY**

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

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 Group and the cost of the asset can be measured reliably in accordance with "LKAS 16 - Property, Plant and Equipment".

Basis of Measurement

Items of property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses.

Initial Measurement

Initially items of property, plant and equipment are measured at its cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are also capitalised.

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

The cost of replacing part of an item of property, plant and 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 Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Revaluation

Revaluation is performed on freehold land and buildings by professionally qualified valuers using the open market value. Land and buildings are revalued with sufficient regularity so that the carrying value does not differ materially from the fair value at the reporting date. The revaluation surplus is recognised on the net carrying value of the asset.

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Any revaluation gain or loss attributable to policyholders is recognised in the Life Insurance Fund, whereas any revaluation gain or loss attributable to shareholders is recognised in revaluation reserve.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The assets are depreciated from the month it is available for use and cease to depreciate from the month of disposal. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives for property, plant and equipment are as follows:

| | 2021 | 2020 |
|--|-------------|-------------|
| Item | Useful Life | Useful Life |
| Buildings | 50-70 years | 50-70 years |
| Furniture and fittings | 5-10 years | 5-10 years |
| Office equipment | 3-10 years | 3-10 years |
| Computer equipment | 2-5 years | 2-5 years |
| Motor vehicles | 4-5 years | 4-5 years |
| Plant and machinery - Medical equipment | 5 years | 5 years |
| Plant and machinery - Electrical equipment | 5 years | 5 years |
| Plant and machinery - Other | 4-33 years | 4-33 years |

After considering disruption to the business from COVID-19, the management is confident that there is no any asset or component of an asset remains idle for a significant period of time and hence, no indication of potential impairment or demonstrate the need to reassess the asset's useful life. Therefore, the Group or the Company have not reassessed the useful life of any assets or components of an asset.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in the Statement of Comprehensive Income.

Impairment

The carrying amounts of the Group's non-financial assets are reviewed at each Reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in Income Statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

For assets excluding goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed 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.

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment.

Capital work-in-progress

Capital work-in-progress is stated at cost. Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital work in progress, whilst the capital assets which have been completed during the year and available to use have been transferred to property, plant and equipment.

Borrowing Cost

Borrowing Cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset as per the Sri Lanka Accounting Standard – LKAS 23 Borrowing Costs. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing cost are recognized in the income statements in the period in which expense incur.

Derecognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in Income Statement in the year the asset is de-recognised. When a previously revalued asset is de-recognised, the revaluation reserve pertaining to such asset is transferred to retained earnings.

| Group | Page | | Freehold Land | Building | Plant & Machinery | Motor Vehicles | Office Equipment | Computer Equipment | Furniture & Fittings | Capital WIP | Total |
|---|------|------|------------------|------------------|-------------------|----------------|------------------|--------------------|----------------------|---------------|-------------------|
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At Cost/Valuation | | | | | | | | | | | |
| At 1 January 2020 | | | 6,147,600 | 2,988,822 | 963,727 | 815,154 | 727,090 | 535,323 | 392,577 | 183,174 | 12,753,467 |
| Additions | | | 60,100 | 93,193 | 16,076 | 71,816 | 66,540 | 80,161 | 8,986 | 44,286 | 441,157 |
| Disposals | | | - | (14,000) | (1,214) | (52,330) | (2,522) | (6,810) | (6) | - | (76,882) |
| Transfers | | | 146,000 | 614,441 | - | - | - | - | - | (32,941) | 727,500 |
| Revaluation | | | 696,000 | 3,123 | - | - | - | - | - | (75,342) | 623,781 |
| At 1 January 2021 | | | 7,049,700 | 3,685,580 | 978,589 | 834,640 | 791,108 | 608,674 | 401,557 | 119,177 | 14,469,023 |
| Additions | | | 51,002 | 202,366 | 20,680 | 28,940 | 73,169 | 38,265 | 14,468 | 69,728 | 498,619 |
| Disposals | | | - | - | (4,266) | (13,383) | (2,093) | (85) | (2,012) | - | (21,838) |
| Transfers | | | - | - | - | - | 4 | - | (4) | (114,933) | (114,933) |
| Written - Off | | | - | - | - | (52,005) | (26,838) | (48,111) | (27,063) | - | (154,017) |
| Revaluation | | | 730,200 | 128,534 | - | - | - | - | - | - | 858,734 |
| At 31 December 2021 | | | 7,830,902 | 4,016,480 | 995,002 | 798,192 | 835,350 | 598,743 | 386,947 | 73,973 | 15,535,589 |
| Accumulated Depreciation at Cost/Valuation | | | | | | | | | | | |
| At 1 January 2020 | | | - | 26,241 | 305,535 | 262,405 | 424,217 | 447,986 | 297,006 | - | 1,763,389 |
| Depreciation | 298 | 33 | - | 62,788 | 49,147 | 91,093 | 62,866 | 46,351 | 18,353 | - | 330,598 |
| Disposals | | | - | (502) | (1,214) | (35,982) | (1,309) | (6,400) | (5) | - | (45,413) |
| Revaluation | | | - | (61,940) | - | - | - | - | - | - | (61,940) |
| At 1 January 2021 | | | - | 26,587 | 353,468 | 317,516 | 485,773 | 487,937 | 315,354 | - | 1,986,634 |
| Depreciation | 298 | 33 | - | 67,905 | 50,753 | 90,996 | 48,419 | 41,536 | 17,780 | - | 317,389 |
| Disposals | | | - | - | (2,539) | (43,836) | (28,574) | (28,336) | (27,559) | - | (130,844) |
| Revaluation | | | - | (67,905) | - | - | - | - | - | - | (67,905) |
| At 31 December 2021 | | | - | 26,587 | 401,681 | 364,677 | 505,618 | 501,136 | 305,575 | - | 2,105,274 |
| Carrying Amount | | | | | | | | | | | |
| At 1 January 2021 | | | 7,049,700 | 3,658,993 | 625,121 | 517,124 | 305,335 | 120,737 | 86,203 | 119,177 | 12,482,390 |
| At 31 December 2021 | | | 7,830,902 | 3,989,893 | 593,321 | 433,516 | 329,733 | 97,608 | 81,370 | 73,973 | 13,430,315 |

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| Company | Page | | Freehold Land Rs.'000 | Building Rs.'000 | Motor Vehicles Rs.'000 | Office Equipment Rs.'000 | Computer Equipment Rs.'000 | Furniture & Fittings Rs.'000 | Capital WIP Rs.'000 | Total Rs.'000 |
|---|------|------|--------------------------|---------------------|---------------------------|-----------------------------|-------------------------------|---------------------------------|------------------------|-------------------|
| | No | Note | | | | | | | | |
| At Cost/Valuation | | | | | | | | | | |
| At 1 January 2020 | | | 5,578,600 | 2,423,843 | 815,154 | 661,272 | 515,892 | 314,304 | 180,295 | 10,489,360 |
| Additions | | | 60,100 | 93,193 | 71,816 | 62,137 | 80,127 | 7,230 | 44,286 | 418,889 |
| Disposals | | | - | (14,000) | (52,330) | (2,522) | (6,810) | (6) | - | (75,668) |
| Transfers | | | (579,000) | 32,941 | - | - | - | - | (32,941) | (579,000) |
| Revaluation | | | 586,600 | (2,377) | - | - | - | - | (75,342) | 508,881 |
| At 1 January 2021 | | | 5,646,300 | 2,533,601 | 834,640 | 720,887 | 589,209 | 321,529 | 116,298 | 10,762,463 |
| Additions | | | 51,002 | 202,366 | 28,940 | 72,699 | 38,201 | 10,571 | 69,728 | 473,507 |
| Disposals | | | - | - | (13,383) | (2,093) | (85) | (2,012) | - | (17,572) |
| Transfers | | | - | - | - | 4 | - | (4) | (114,933) | (114,933) |
| Write off | | | - | - | (52,005) | (26,838) | (48,111) | (27,063) | - | 154,017 |
| Revaluation | | | 663,800 | 106,734 | - | - | - | - | - | 770,534 |
| At 31 December 2021 | | | 6,361,102 | 2,842,700 | 798,192 | 764,659 | 579,214 | 303,025 | 71,094 | 11,719,981 |
| Accumulated Depreciation at Cost/Valuation | | | | | | | | | | |
| At 1 January 2020 | | | - | - | 262,404 | 399,230 | 434,298 | 221,988 | - | 1,317,920 |
| Depreciation | 298 | 33 | - | 50,812 | 91,093 | 57,214 | 44,600 | 14,760 | - | 258,478 |
| Disposals | | | - | (502) | (35,982) | (1,309) | (6,400) | (5) | - | (44,199) |
| Revaluation | | | | (50,310) | - | - | - | - | - | (50,310) |
| At 1 January 2021 | | | - | - | 317,515 | 455,134 | 472,497 | 236,743 | - | 1,481,889 |
| Depreciation | 298 | 33 | - | 56,165 | 90,996 | 44,036 | 39,762 | 14,584 | - | 245,543 |
| Disposals | | | - | - | (43,836) | (28,574) | (28,336) | (27,558) | - | (128,304) |
| Revaluation | | | - | (56,165) | - | - | - | - | - | (56,165) |
| At 31 December 2021 | | | - | - | 364,676 | 470,597 | 483,923 | 223,768 | - | 1,542,963 |
| Carrying Amount | | | | | | | | | | |
| At 1 January 2021 | | | 5,646,300 | 2,533,601 | 517,125 | 265,752 | 116,711 | 84,786 | 116,298 | 9,280,573 |
| At 31 December 2021 | | | 6,361,102 | 2,842,700 | 433,517 | 294,063 | 95,291 | 79,252 | 71,094 | 10,177,018 |

Capital work in progress includes, construction and improvement cost incurred to the branches at Ja-Ela and Matale.

7.(a). Valuation of Freehold Land and Building

The Company performed the valuation as of 31 December 2021 for the freehold land and buildings and significant changes in the market value of the properties as of reporting period have been recognized in revaluation reserve and in life fund.

As at 31 December 2021, the fair values of the freehold land and building are based on valuations performed by an accredited independent value, Mr. Chandrasena Weerasinghe.

The Effective date of valuation of the freehold land and buildings is 31 December 2021.

Valuation models used for valuation include Cost Basis method, Investment Method and Comparison Method are in compliance with the SLFRS/LKAS and also in accordance with the 8th Edition of International Valuation Standards recommended by the International Valuation Standards Committee.

There were no transfers between Levels 1 and 2 or to Level 3 during the year.

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

| Valuation Technique | Significant unobservable valuation inputs | Sensitivity of the fair value measurement to inputs |
|--|--|---|
| <p>Market Comparable Method</p> <p>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 active 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 particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.</p> | <p>Price per perch for Land</p> <p>Price per square foot</p> | <p>Estimated fair value would increase/(decrease) if; Price per perch increases/(decreases)</p> <p>Price per square foot increases (decreases)/Depreciation rate for building (decreases)/increases</p> |
| <p>Contractor's Test method</p> <p>The Contractor's method is a cost method of valuation, and can sometimes be used when comparative, profits or investments methods cannot be used.</p> | <p>Price per perch for Land</p> <p>Price per square foot</p> | <p>Estimated fair value would increase/(decrease) if; Price per perch increases/(decreases)</p> <p>Price per square foot increases/(decreases) Depreciation rate for building (decreases)/increases</p> |
| <p>Replacement method</p> <p>Replacement value method takes into account 'the amount required to replace the existing property' as the valuation of the property</p> | <p>Price per perch for Land</p> <p>Price per square foot</p> | <p>Estimated fair value would increase/(decrease) if; Price per perch increases/(decreases)</p> <p>Price per square foot increases/(decreases) Depreciation rate for building (decreases)/increases</p> |
| <p>Investment Method</p> <p>This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market.</p> | <p>Gross Monthly Rental</p> <p>Years</p> | <p>Estimated fair value would increase/(decrease) if; Gross Annual Rental increases/(decreases) Years Purchase increases/(decreases) Void Period (decrease)/increases</p> |

7.(b) Acquisition of Property, Plant and Equipment's during the year

Group

During the financial year Group has acquired Property, Plant & Equipment to the aggregate value of Rs. 499 million (2020 - Rs. 441 million). Cash payments amounting to Rs. 383 million (2020 - Rs. 441 million) were made during the year for the purchase of Property, Plant and Equipment.

Company

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 473.5 million (2020 - 419 million). Cash payments amounting to Rs. 358.5 million (2020 - Rs. 418.8 million) were made during the year for purchase of Property, Plant and Equipment.

7.(c). Capital Commitments and Assets Pledged

The Company has committed to pay an amount of Rs.155,763,693/- (2020 - Rs.98,920,830/-) as at the reporting date under contract entered into on Capital expenditure projects.

7.(d). Title Restrictions on Property, Plant and Equipment

There are no restriction that existed on the title of the Property, Plant and Equipment of the Group and Company as at reporting date.

7.(e). Temporarily idle Property, Plant and Equipment

There are no temporarily idle Property, Plant and Equipment's as at year ended 31 December 2021.

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7.(f). Assessment of Impairment

The Group has assessed the potential Impairment indicators of Property, Plant and Equipment's as at 31 December 2021 including economic implication from COVID-19. Based on the assessment conducted, no impairment indicators were identified concluded that no impairment is necessary for any of the Group's Property, Plant and Equipments as at the reporting date.

7.(g). Capitalization of Borrowing Cost

There are no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2020 - Nil).

7.(h). Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated property, plant and equipment which are still in use as at reporting date is as follows;

| At 31 December | Group | | Company | |
|------------------------|-----------|-----------|---------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Plant and Machinery | 122,151 | 122,515 | - | - |
| Computer Equipment | 409,097 | 374,488 | 397,010 | 363,913 |
| Office Equipment's | 280,340 | 284,059 | 269,411 | 272,600 |
| Furniture and Fittings | 232,515 | 205,478 | 165,624 | 169,157 |
| Motor Vehicles | 151,272 | 184,722 | 151,272 | 184,722 |
| | 1,195,375 | 1,171,262 | 983,317 | 990,392 |

7.(i). Details of Freehold Land & Buildings of Company

Company

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | 2021 | | | | |
|---|---------------------|-----------------|-----------------------------|---------------------------------------|---|--------------------------------|----------------------------------|---------------------------------|-----------------------------|
| | | | | | Estimation for Unobservable Inputs | Value of Land Rs.'000 | Value of Buildings Rs.'000 | Cost/ Revaluation Rs.'000 | Date of the Valuation |
| No.115, Greens Road, Negombo | 13,169 | A-0-R-0-P-15.00 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,500,000 Rs. 10,000 | 52,500 | 105,350 | 157,850 | 12/31/21 |
| No. 60, Colombo Road, Kaluwella, Galle | 11,385 | A-0-R-0-P-15.00 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 4,000,000 Rs. 7,800 | 60,000 | 57,700 | 117,700 | 12/31/21 |
| No. 54, Dharmapala Mawatha, Anuradhapura | 22,015 | A-0-R-1-P-10.68 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,000,000 Rs. 7,500 | 152,000 | 128,000 | 280,000 | 12/31/21 |
| No. 223, Hambanthota Road, Kachcheriyagama, Tissamaharama | 8,130 | A-0-R-1-P-00.00 | Replacement Cost Method | Price per perch Price per Sq ft | Rs. 650,000 - Rs. 2,050,000 Rs. 9,000 | 54,000 | 62,200 | 116,200 | 12/31/21 |
| No. 45, Dharmapala Mawatha, Rathnapura | 2,560 | A-0-R-0-P-35.50 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,400,000 Rs. 5,500 | 85,200 | 11,250 | 96,450 | 12/31/21 |
| No. 45, Dharmapala Mawatha, Rathnapura (New Building) | 8,102 | - | Contractor's Test Method | Price per Sq ft | Rs. 10,000 | - | 77,000 | 77,000 | 12/31/21 |
| No. 401, Galle Road, Panadura | 7,116 | A-0-R-1-P-4.12 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 4,200,000 Rs. 10,000 | 185,300 | 65,800 | 251,100 | 12/31/21 |
| No. 423, Main Street, Kalutara | 12,000 | A-0-R-0-P-32.75 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,500,000 Rs. 8,750 | 81,800 | 86,600 | 168,400 | 12/31/21 |
| No, 327, Badulla Road, Bandarawela | 8,970 | A-0-R-0-P-17.01 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 1,500,000 Rs. 10,000 | 25,500 | 85,200 | 110,700 | 12/31/21 |
| No. 106, Havelock Road, Colombo 05 | 61,630 | A-0-R-0-P-35.27 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 16,000,000 Rs. 12,750 | 564,300 | 668,000 | 1,232,300 | 12/31/21 |

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | 2021 | | | | Date of the Valuation |
|--|---------------------|-----------------|--------------------------|---------------------------------------|--|--------------------------------|----------------------------------|---------------------------------|-----------------------------|
| | | | | | Estimation for Unobservable Inputs | Value of Land Rs.'000 | Value of Buildings Rs.'000 | Cost/ Revaluation Rs.'000 | |
| No. 32, Mistry Hills, Badulla Road, Katumana, Nuwara Eliya | 5,227 | A-0-R-0-P-26.9 | Contractor's Test Method | Price per perch | Rs. 800,000 | 21,500 | 44,400 | 65,900 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 8,500 | | | | |
| No. 15, Rexdias Mawatha, Wennappuwa | 8,664 | A-0-R-0-P-37.40 | Contractor's Test Method | Price per perch | Rs. 1,200,000 | 44,800 | 65,800 | 110,600 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 8,000 | | | | |
| No. 91, Bauddhaloka Mawatha, Gampaha | 9,458 | A-0-R-0-P-32.5 | Contractor's Test Method | Price per perch | Rs. 3,700,000 | 120,000 | 72,300 | 192,300 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 9,000 | | | | |
| No. 40A, Rajapihilla Road, Kurunegala | 10,485 | A-0-R-0-P-15.5 | Contractor's Test Method | Price per perch | Rs. 3,200,000 | 49,600 | 92,000 | 141,600 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 9,500 | | | | |
| No. 90A, Kurunegala Road, Chilaw | 6,385 | A-0-R-0-P-30.0 | Contractor's Test Method | Price per perch | Rs. 600,000 - Rs. 1,000,000 | 30,000 | 63,850 | 93,850 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 10,000 | | | | |
| No. 509, Galle Road, Rawatawatta, Moratuwa | 6,874 | A-0-R-0-P-39.73 | Contractor's Test Method | Price per perch | Rs. 3,600,000 | 143,000 | 10,300 | 153,300 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 1,400 - Rs. 1,600 | | | | |
| No. 37,39 & 41, Kannarthiddy Road, Jaffna | 4,144 | A-0-R-1-P-7.94 | Contractor's Test Method | Price per perch | Rs. 2,750,000 | 131,800 | 4,150 | 135,950 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 1,000 | | | | |
| No. 22, Lloyd's Avenue, Batticaloa | 12,317 | A-0-R-0-P-23.83 | Contractor's Test Method | Price per perch | Rs. 2,000,000 | 47,600 | 92,400 | 140,000 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 8,350 | | | | |
| No. 2, Gower Street, Colombo-05 | 2,600 | A-0-R-1-P-27.25 | Market Comparable Method | Price per perch | Rs. 16,000,000 | 1,076,000 | 9,300 | 1,085,300 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 6,500 | | | | |
| No. 20, Kandy Road, Trincomalee | 11,310 | A-0-R-1-P-20 | Investment Method | Price per perch | Rs. 1,200,000 | 72,000 | 96,700 | 168,700 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 9,000 | | | | |
| No. 38/B, Rajapilla Road, Kurunegala | - | A-0-R-0-P-23.93 | Market Comparable Method | Price per perch | Rs. 3,000,000 | 71,800 | - | 71,800 | 12/31/21 |
| | | | | | | | | | |
| No. 92, Jampettah Street, Colombo - 13 | 18,480 | A-0-R-1-P-11.22 | Market Comparable Method | Price per perch | Rs. 3,500,000 | 179,200 | 72,000 | 251,200 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 6,500 | | | | |
| No. 70, Park Street, Colombo 02 | 4,510 | A-0-R-1-P-32.4 | Replacement Cost Method | Price per perch | Rs. 16,500,000 | 1,194,600 | 124,250 | 1,318,850 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 29,000 | | | | |
| No. 615, Galle Road, Mount Lavinia | 4,315 | A-0-R-1-P-12.5 | Market Comparable Method | Price per perch | Rs. 5,000,000 | 262,000 | 20,700 | 282,700 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 6,000 | | | | |
| No. 274, Panadura Road, Horana | 5,860 | A-0-R-0-P-25.5 | Contractor's Test Method | Price per perch | Rs. 3,300,000 | 84,000 | 47,300 | 131,300 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 8,500 | | | | |
| No. 65, King Street, Kandy | 14,650 | A-0-R-1-P-1.25 | Contractor's Test Method | Price per perch | Rs. 6,500,000 | 267,300 | 61,900 | 329,200 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 6,500 | | | | |
| No. 45, Anagarika Dharmapala Mawatha, Matara | 7,232 | A-0-R-0-P-26.44 | Replacement Cost Method | Price per perch | Rs. 7,250,000 | 191,700 | 31,800 | 223,500 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 8,000 | | | | |
| No. 213/2, Highlevel Road, Nugegoda | 2,250 | A-0-R-0-P-23.75 | Market Comparable Method | Price per perch | Rs. 3,600,000 | 85,500 | 2,250 | 87,750 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 1,000 | | | | |
| No. 134/C/3, Jaya Mawatha, Kadawatha | 5,914 | A-0-R-0-P-19.5 | Contractor's Test Method | Price per perch | Rs. 1,800,000 | 35,000 | 53,200 | 88,200 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 9,000 | | | | |
| No. 26 Gammedda Road, Jaela | - | A-0-R-0-P-32 | Market Comparable Method | Price per perch | Rs. 1,800,000 | 57,600 | - | 57,600 | 12/31/21 |
| | | | | | | | | | |
| 192, Horana Road, Piliyandala | 3,713 | A-0-R-0-P-25.35 | Market Comparable Method | Price per perch | Rs. 3,200,000 | 81,000 | 59,400 | 140,400 | 12/31/21 |
| | | | | Price per Sq ft | Rs. 16,000 | | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | 2021 | | | | |
|---|---------------------|-----------------|-----------------------------|---------------------------------------|--|--------------------------------|----------------------------------|---------------------------------|-----------------------------|
| | | | | | Estimation for Unobservable Inputs | Value of Land Rs.'000 | Value of Buildings Rs.'000 | Cost/ Revaluation Rs.'000 | Date of the Valuation |
| No. 43, Galle Road, Wellawatta | 12,676 | A-0-R-0-P-25.31 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 16,000,000 Rs. 2,000 - Rs. 7,750 | 405,000 | 41,800 | 446,800 | 12/31/21 |
| No. 388/4, Kaduwela Road, Malabe | 5,600 | A-0-R-0-P-29 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 4,000,000 Rs. 12,500 | 116,000 | 70,000 | 186,000 | 12/31/21 |
| No. 293, point pedro Rd, Nelliady | 9,462 | A-0-R-0-P-44.32 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 550,000 Rs. 10,000 | 24,300 | 94,600 | 118,900 | 12/31/21 |
| Mirigama Road, Wewagedara, Divulapitiya | 5,229 | A-0-R-0-P-40 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 900,000 Rs. 11,500 | 36,000 | 60,000 | 96,000 | 12/31/21 |
| No. 293, Point Pedro Road, Nellyyaddy | | A-0-R-0-P-53.78 | Contractor's Test Method | Price per perch | Rs. 250,000 | 13,400 | - | 13,400 | 12/31/21 |
| No. 37,39 & 41, Kannarthiddy Road, Jaffna (New Building) | 13,710 | | Contractor's Test Method | Price per Sq ft | Rs. 9,000 | | 117,200 | 117,200 | 12/31/21 |
| No. 746/1/1, Trincomalee Street, Madandawela, Matale | | A-0-R-0-P-31 | Contractor's Test Method | Price per perch | Rs. 2,200,000 | 68,200 | | 68,200 | 12/31/21 |
| No. 115, Greens Road, Negombo | 7,345 | A-0-R-0-P-37.5 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,750,000 Rs. 12,000 | 140,600 | 88,000 | 228,600 | 12/31/21 |
| No. 101, Veyangoda Road, Minuwangoda | | A-0-R-0-P-37.23 | Contractor's Test Method | Price per perch | Rs. 1,370,000 | 51,000 | | 51,000 | 12/31/21 |
| Total | | | | | | 6,361,100 | 2,842,700 | 9,203,800 | |

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | 2020 | | | | |
|---|---------------------|-----------------|--------------------------------|---------------------------------------|---|-----------------------------|----------------------------------|---------------------------------|-----------------------------|
| | | | | | Estimation for Unobservable Inputs | Value of Land Rs.'000 | Value of Buildings Rs.'000 | Cost/ Revaluation Rs.'000 | Date of the Valuation |
| No.115, Greens Road, Negombo | 13,169 | A-0-R-0-P-15.00 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,000,000 Rs. 9,500 | 45,000 | 100,000 | 145,000 | 12/31/20 |
| No. 60, Colombo Road, Kaluwella, Galle | 11,385 | A-0-R-0-P-15.00 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,750,000 Rs. 7,400 | 56,000 | 57,000 | 113,000 | 12/31/20 |
| No. 54, Dharmapala Mawatha, Anuradhapura | 22,015 | A-0-R-1-P-10.68 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,500,000 Rs. 7,150 | 126,700 | 122,500 | 249,200 | 12/31/20 |
| No. 223, Hambanthota Road, Kachcheriyagama, Tissamaharama | 8,130 | A-0-R-1-P-00.00 | Replacement Cost Method | Price per perch Price per Sq ft | Rs. 500,000 - Rs. 1,700,000 Rs. 7,250 | 44,000 | 50,000 | 94,000 | 12/31/20 |
| No. 45, Dharmapala Mawatha, Rathnapura | 2,560 | A-0-R-0-P-35.50 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,200,000 Rs. 5,000 | 78,000 | 10,000 | 88,000 | 12/31/20 |
| No. 45, Dharmapala Mawatha, Rathnapura (New Building) | 8,102 | - | Contractor's Test Method | Price per Sq ft | Rs. 8,650 | - | 70,000 | 70,000 | 12/31/20 |
| No. 401, Galle Road, Panadura | 7,116 | A-0-R-1-P-4.12 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,750,000 Rs. 9,000 | 165,500 | 60,500 | 226,000 | 12/31/20 |
| No. 423, Main Street, Kalutara | 12,000 | A-0-R-0-P-32.75 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,200,000 Rs. 8,700 | 72,000 | 86,000 | 158,000 | 12/31/20 |
| No, 327, Badulla Road, Bandarawela | 8,970 | A-0-R-0-P-17.01 | Market Comparable Method | Price per perch Price per Sq ft | Rs. 1,350,000 Rs. 9,600 | 23,000 | 86,000 | 109,000 | 12/31/20 |
| No. 106, Havelock Road, Colombo 05 | 61,630 | A-0-R-0-P-35.27 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 14,000,000 Rs. 11,250 | 493,000 | 680,000 | 1,173,000 | 12/31/20 |

FINANCIAL STATEMENTS

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | 2020 | | | | Date of the Valuation |
|--|---------------------|-----------------|--------------------------------|---------------------------------------|---|-----------------------------|----------------------------------|---------------------------------|-----------------------------|
| | | | | | Estimation for Unobservable Inputs | Value of Land Rs.'000 | Value of Buildings Rs.'000 | Cost/ Revaluation Rs.'000 | |
| No. 32, Mistry Hills, Badulla Road, Katumana, Nuwara Eliya | 5,227 | A-0-R-0-P-26.9 | Direct Comarison Method | Price per perch Price per Sq ft | Rs. 700,000 Rs. 4,800 | 18,800 | 25,000 | 43,800 | 12/31/20 |
| No. 15, Rexdias Mawatha, Wennappuwa | 8,664 | A-0-R-0-P-37.40 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 1,100,000 Rs.7,250 | 41,000 | 62,000 | 103,000 | 12/31/20 |
| No. 91, Bauddhaloka Mawatha, Gampaha | 9,458 | A-0-R-0-P-32.5 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,200,000 Rs. 8,500 | 104,000 | 70,000 | 174,000 | 12/31/20 |
| No. 40A, Rajapihilla Road, Kurunegala | 10,485 | A-0-R-0-P-15.5 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,750,000 Rs. 9,000 | 42,500 | 89,500 | 132,000 | 12/31/20 |
| No. 90A, Kurunegala Road, Chilaw | 6,385 | A-0-R-0-P-30.0 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 500,000 - Rs. 1,300,000 Rs. 8,650 | 27,000 | 55,000 | 82,000 | 12/31/20 |
| No. 509, Galle Road, Rawatawatta, Moratuwa | 6,874 | A-0-R-0-P-39.73 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,300,000 Rs. 4,250 - Rs. 5,200 | 131,000 | 18,000 | 149,000 | 12/31/20 |
| No. 37,39 & 41, Kannarthiddy Road, Jaffna | 4,144 | A-0-R-1-P-7.94 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,250,000 Rs. 6,000 | 107,900 | 15,500 | 123,400 | 12/31/20 |
| No. 22, Lloyd's Avenue, Batticaloa | 12,317 | A-0-R-0-P-23.83 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 1,800,000 Rs. 6,800 | 43,000 | 77,000 | 120,000 | 12/31/20 |
| No. 2, Gower Street, Colombo-05 | 2,600 | A-0-R-1-P-27.25 | Market Comparable Method | Price per perch Price per Sq ft | Rs. 14,000,000 Rs. 5,900 | 941,500 | 8,000 | 949,500 | 12/31/20 |
| No. 20, Kandy Road, Trincomalee | 11,310 | A-0-R-1-P-20 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 1,000,000 Rs. 8,500 | 60,000 | 91,000 | 151,000 | 12/31/20 |
| No. 38/B Rajapilla Road, Kurunegala | - | A-0-R-0-P-23.93 | Market Comparable Method | Price per perch | Rs. 2,750,000 | 65,800 | - | 65,800 | 12/31/20 |
| No. 92, Jampettah Street, Colombo - 13 | 18,480 | A-0-R-1-P-11.22 | Market Comparable Method | Price per perch Price per Sq ft | Rs. 3,000,000 Rs. 6,000 - Rs. 6,800 | 154,000 | 71,000 | 225,000 | 12/31/20 |
| No. 70, Park Street, Colombo 02 | 4,510 | A-0-R-1-P-32.4 | Replacement Cost Method | Price per perch Price per Sq ft | Rs.15,000,000 Rs. 28,000 | 1,086,000 | 126,200 | 1,212,200 | 12/31/20 |
| No. 615, Galle Road, Mount Lavinia | 4,315 | A-0-R-1-P-12.5 | Market Comparable Method | Price per perch Price per Sq ft | Rs. 4,250,000 Rs. 5,500 | 222,500 | 19,000 | 241,500 | 12/31/20 |
| No. 274, Panadura Road, Horana | 5,860 | A-0-R-0-P-25.5 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,000,000 Rs. 8,000 | 76,500 | 46,500 | 123,000 | 12/31/20 |
| No. 65, King Street, Kandy | 14,650 | A-0-R-1-P-1.25 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 6,250,000 Rs. 5,300 | 257,000 | 50,000 | 307,000 | 12/31/20 |
| No. 45, Anagarika Dharmapala Mawatha, Matara | 7,232 | A-0-R-0-P-26.44 | Replacement Cost Method | Price per perch Price per Sq ft | Rs. 6,750,000 Rs. 6,500 | 178,400 | 25,900 | 204,300 | 12/31/20 |
| No. 213/2, Highlevel Road, Nugegoda | - | A-0-R-0-P-23.75 | Market Comparable Method | Price per perch | Rs. 3,500,000 | 83,000 | - | 83,000 | 12/31/20 |
| No. 134/C/3, Jaya Mawatha, Kadawatha | 5,914 | A-0-R-0-P-19.5 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 1,600,000 Rs. 8,500 | 31,000 | 50,000 | 81,000 | 12/31/20 |
| No. 26, Gammedda Road, Jaela | - | A-0-R-0-P-32 | Market Comparable Method | Price per perch | Rs. 1,600,000 | 51,000 | - | 51,000 | 12/31/20 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | 2020 | | | | Date of the Valuation |
|---|---------------------|-----------------|--------------------------------|---------------------------------------|--|-----------------------------|----------------------------------|---------------------------------|-----------------------------|
| | | | | | Estimation for Unobservable Inputs | Value of Land Rs.'000 | Value of Buildings Rs.'000 | Cost/ Revaluation Rs.'000 | |
| 192, Horana Road, Piliyandala | 3,713 | A-0-R-0-P-25.35 | Market Comparable Method | Price per perch | Rs. 3,000,000 | 76,000 | - | 76,000 | 12/31/20 |
| No. 43, Galle Road, Wellawatta | 12,676 | A-0-R-0-P-25.31 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 15,000,000 Rs. 1,765 - Rs. 7,500 | 379,500 | 40,000 | 419,500 - | 12/31/20 12/31/20 |
| No. 388/4 Kaduwela Road, Malabe | 5,600 | A-0-R-0-P-29 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,600,000 Rs. 10,200 | 104,000 | 57,000 | 161,000 | 12/31/20 |
| No. 293, point pedro Rd, Nelliady | 9,462 | A-0-R-0-P-44.32 | Market Comparable Method | Price per perch Price per Sq ft | Rs. 500,000 Rs. 8,150 | 22,000 | 77,000 | 99,000 | 12/31/20 |
| Mirigama Road, Wewagedara, Divulapitiya. | 5,229 | A-0-R-0-P-40 | Market Comparable Method | Price per perch Price per Sq ft | Rs. 800,000 Rs. 10,150 | 32,000 | 53,000 | 85,000 | 12/31/20 |
| No. 293, Point Pedro Road, Nelliady | | A-0-R-0-P-53.78 | Market Comparable Method | Price per perch | Rs. 200,000 | 10,700 | - | 10,700 | 12/31/20 |
| No. 37,39 & 41, Kannarthiddy Road, Jaffna (New Building) | 13,710 | | Contractor's Test Method | Price per Sq ft | Rs. 6,200 | | 85,000 | 85,000 | 12/31/20 |
| No. 746/1/1, Trincomalee Street, Madandawela, Matale | | A-0-R-0-P-31 | Contractor's Test Method | Price per perch | Rs. 2,000,000 | 62,000 | | 62,000 | 12/31/20 |
| No. 115, Greens Road, Negombo | | A-0-R-0-P-37.5 | Market Comparable Method | Price per perch | Rs. 3,600,000 | 135,000 | | 135,000 | 12/31/20 |
| Total | | | | | | 5,646,300 | 2,533,600 | 8,179,900 | |

7.(j). Movement of Revalued Freehold Land & Buildings, if Accounted at Cost.

| | Freehold land | Building |
|---------------------------|------------------|-----------|
| At Cost | | |
| As at 1 January 2020 | 3,282,473 | 2,105,972 |
| Addition during the year | 60,100 | 93,193 |
| Transfers during the year | (393,000) | 32,941 |
| As at 31 December 2020 | 2,949,573 | 2,232,106 |
| Addition during the year | 51,002 | 202,366 |
| As at 31 December 2021 | 3,000,575 | 2,434,472 |
| Depreciation | | |
| As at 1 January 2020 | - | 219,218 |
| Addition during the year | - | 3,886 |
| As at 31 December 2020 | - | 223,104 |
| Addition during the year | - | 56,086 |
| As at 31 December 2021 | - | 279,190 |
| Carrying amount | | |
| As at 31 December 2020 | 2,949,573 | 2,009,002 |
| As at 31 December 2021 | 3,000,575 | 2,155,282 |

8. Right-of-use Assets

ACCOUNTING POLICY

SLFRS 16 superseded LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

Initial Measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Where a subsidiary company has a right-of-use assets and lease liability as result of property rented out by the Company to the subsidiary, such right-of-use asset and lease liability are eliminated in the Consolidated Financial Statements.

Subsequent Measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are 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.

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 Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.(a). Assets hold under lease have been recognized as Right-of Use Assets

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Assets as at 1 January | 189,781 | 229,878 | 197,763 | 229,878 |
| Impact of new leases | 124,139 | 51,574 | 124,139 | 51,574 |
| Removal of right-of-use assets from group | - | (7,982) | - | - |
| Preclosure of leases | (3,212) | (3,220) | (3,212) | (3,220) |
| Amortization charge for the year | (80,553) | (80,469) | (80,553) | (80,469) |
| Asset as at 31 December | 230,155 | 189,781 | 238,137 | 197,763 |

8.(b). Corresponding Liability for the Right-of-use assets has recognized under other liabilities

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Liabilities as at 1 January | 193,144 | 241,908 | 210,890 | 241,908 |
| Impact of new leases | 124,139 | 51,574 | 124,139 | 51,574 |
| Removal of lease liabilities from group | - | (14,700) | - | - |
| Preclosure of leases | (3,195) | (7,894) | (3,195) | (7,894) |
| Accretion of interest | 22,309 | 20,722 | 22,309 | 20,018 |
| Rental paid during the year | (93,467) | (90,055) | (93,467) | (86,305) |
| Rental paid in advance | (9,116) | (8,411) | (9,116) | (8,411) |
| Lease liability as at 31 December | 233,814 | 193,144 | 251,560 | 210,890 |

8.(c). Maturity analysis – contractual undiscounted cash flows

The Company has entered into commercial leases on certain property and equipment. These leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into the leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Within one year | 102,093 | 80,928 | 102,093 | 80,928 |
| After one year but not more than three years | 146,138 | 123,412 | 146,138 | 123,413 |
| After three years but not more than five years | 53,037 | 35,119 | 53,037 | 35,119 |
| More than five years | 2,688 | 3,237 | 2,688 | 3,237 |
| Total operating lease rentals payable | 303,956 | 242,697 | 303,956 | 242,697 |

8.(d). Amounts recognised in profit or loss

| | 2021 | 2020 | 2021 | 2020 |
|----------------------------------|----------|----------|----------|----------|
| | Rs.' 000 | Rs.' 000 | Rs.' 000 | Rs.' 000 |
| Amortization charge for the year | 80,553 | 80,469 | 80,553 | 80,469 |
| Interest on lease liabilities | 22,309 | 20,722 | 22,309 | 20,722 |

8.(e). Impairment of right-of-use assets

The Group does not foresee any impairment of right-of-use assets due to the economic implication of COVID-19 and does not anticipate discontinuation of any assets for which the Group has the right to use.

8.(f). Lease Liability Reassessment

Lease liabilities are not assessed as there are no known moratorium received for the lease payments during the year.

9. Investment Properties**ACCOUNTING POLICY**

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production of supply of goods or services or for administrative purposes.

Initial Measurement

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Where a subsidiary company occupies a significant portion of the investment property of the Company, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements and accounted using Group accounting policy for property, plant and equipment.

Subsequent Measurement

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Income Statement in the year in which they arise.

Fair values are evaluated annually by an accredited external independent valuator applying the relevant valuation models.

Transfers

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes investment property, the Company and the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

Derecognition

Investment properties are de-recognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

| | | | Group | | Company | |
|-----------------------|------|------|------------------|----------------|------------------|------------------|
| | Page | | 2021 | 2020 | 2021 | 2020 |
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1 January | | | 787,800 | 1,164,000 | 3,515,700 | 2,470,500 |
| Additions | | | 311,202 | 218,431 | 311,202 | 218,431 |
| Transfers | | | - | (727,000) | - | 579,000 |
| Disposals | | | (240,000) | - | (240,000) | - |
| Fair Value Gains | 296 | 30 | 370,598 | 132,369 | 458,798 | 247,769 |
| At 31 December | | | 1,229,600 | 787,800 | 4,045,700 | 3,515,700 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Valuation of Investment Properties

As at 31 December 2021 the fair values of the land and building held for investment purpose are based on valuations performed by an accredited independent valuer, Mr. Chandrasena Weerasinghe.

Valuation models used for valuation include Cost Basis method, Investment Method and Comparison Method, which are in compliance with the SLFRS/LKAS and also in accordance with the 8th Edition of International Valuation Standards recommended by the International Valuation Standards Committee.

The Effective date of valuation of the land and building held for investment purpose is 31 December 2021.

There were no transfers between Levels 1 and 2 or to Level 3 during the year.

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

| Valuation Technique | Significant unobservable valuation inputs | Sensitivity of the fair value measurement to inputs |
|--|---|---|
| <p>Market Comparable Method</p> <p>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 active 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 particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.</p> | <p>Price per perch for Land Price per square foot</p> | <p>Estimated fair value would increase/ (decrease) if; Price per perch increases/(decreases) Price per square foot increases/(decreases) Depreciation rate for building (decreases)/increases</p> |
| <p>Investment Method</p> <p>This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market.</p> | <p>Gross Monthly Rental Years</p> | <p>Estimated fair value would increase/ (decrease) if; Gross Annual Rental increases/(decreases) Years Purchase increases/(decreases) Void Period (decrease)/increases</p> |

The fair value measurement for all of the Land and Building held as investment purpose has been categorized as a Level 3 based on the inputs to the valuation techniques used.

9.(b). Temporarily Idle Investment Property

There are no temporarily idle Investment property as at year ended 31 December 2021.

9.(c). Assessment of Impairment

The Group has assessed the potential Impairment indicators of Investment Properties as at 31 December 2021 especially considering possible impacts coming from COVID-19 pandemic on Group's Investment Properties. Based on the assessment, no impairment indicators were identified and concluded that no impairment is necessary for any of the Group's Investment Property as at year end.

9.(d). Capital commitments and assets pledged

There are no capital commitments as at reporting date under contract entered into on Capital expenditure projects.

9.(e). Title restriction on Investment Property.

There are no restriction that existed on the title of the Investment Property of the Group and Company as at reporting date.

9.(f). Capitalization of Borrowing Cost

There are no capitalised borrowing costs relating to the acquisition of Investment Property during the year (2020 - Nil).

9.(g). Details of Investment Properties of Company

| | Building | Land Extent | Method of Valuation | Significant Unobservable Inputs | 2021 | | | | |
|--|----------|-----------------|--------------------------|---------------------------------|------------------------------------|------------------|--------------------|------------------|-----------------------|
| | | | | | Estimation for Unobservable Inputs | Value of Land | Value of Buildings | Cost/Revaluation | Date of the Valuation |
| | Sq. Ft. | | | | Rs.'000 | Rs.'000 | Rs.'000 | | |
| No. 36, Talbot Town, Galle | 6,668 | A-0-R-0-P-20 | Investment Method | Rent per Sq.ft per month | Rs. 135 - Rs. 155 | 120,000 | 18,300 | 138,300 | 12/31/21 |
| No. 24A, New Galle Road, Nambimulla, Ambalangoda | 4,614 | A-0-R-0-P-20 | Investment Method | Rent per Sq.ft per month | Rs. 105 - Rs. 135 | 80,000 | 18,400 | 98,400 | 12/31/21 |
| No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03 | 8,249 | Condominium | Investment Method | Rent per Sq.ft per month | Rs. 45 - Rs. 200 | - | 136,000 | 136,000 | 12/31/21 |
| No. 60, Park Street, Colombo 02 | 34,854 | A-0-R-1-P-2.82 | Investment Method | Rent per Sq.ft per month | Rs. 180 - Rs. 250 | 642,300 | 217,000 | 859,300 | 12/31/21 |
| No. 70, Park Street, Colombo 02 | 4,510 | | Market Comparable Method | Rent per Sq.ft per month | Rs. 125 - Rs. 160 | - | 130,800 | 130,800 | 12/31/21 |
| No. 06, Railway Station Road, Matara | 2,982 | A-0-R-0-P-25.88 | Investment Method | Rent per Sq.ft per month | Rs. 70 - Rs. 120 | 103,500 | 6,300 | 109,800 | 12/31/21 |
| Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (6th Floor) | 11,323 | | Investment Method | Price per Sq.ft | Rs. 26,500 | - | 300,000 | 300,000 | 12/31/21 |
| Ceylinco House, No. 69. Janadhipathi Mawatha, Colombo 01 (7th Floor) | 5,318 | | Investment Method | Price per Sq.ft | Rs. 26,500 | - | 150,000 | 150,000 | 12/31/21 |
| Serene Resorts, Bopitiya Road, Uswetakeiyawa | 38,176 | A-2-R-3-P-30 | Market Comparable Method | Price per perch | Rs. 550,000 | 258,500 | 261,000 | 519,500 | 12/31/21 |
| No. 38 Abdul Gafoor Mawatha Colombo 03 | - | A-0-R-1-P-4.5 | Investment Method | Price per perch | Rs. 16,000,000 | 712,000 | - | 712,000 | 12/31/21 |
| No. 02 Gower Street Colombo 05 | 2,610 | | Investment Method | Price per Sq.ft per | Rs. 6,500 | - | 9,300 | 9,300 | 12/31/21 |
| No. 09 1&9A, Layards Road, Colombo 05 | 4,120 | A-0-R-0-P14.26 | Investment Method | Price per Sq.ft per | Rs. 5,500 - Rs. 6,500 | 213,900 | 24,800 | 238,700 | 12/31/21 |
| 63 Janadhipathi Mawatha Colombo 1 | | A-0-R-0-P-13.84 | Investment Method | Price per perch | Rs. 22,000,000 | 304,000 | | 304,000 | 12/31/21 |
| No. 10, Gower Street, Colombo 05. NEW | 5680 | A-0-R-0-P-20.25 | Investment Method | Price per Sq.ft per | Rs. 5,500 | 324,000 | 15,600 | 339,600 | 12/31/21 |
| Total | | | | | | 2,758,200 | 1,287,500 | 4,045,700 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | Building | Land Extent | Method of Valuation | Significant Unobservable Inputs | 2020 | | | | Date of the Valuation |
|--|----------|-----------------|--------------------------|---------------------------------|------------------------------------|------------------|--------------------|-------------------|-----------------------|
| | | | | | Estimation for Unobservable Inputs | Value of Land | Value of Buildings | Cost/ Revaluation | |
| | Sq. Ft. | | | | Rs.'000 | Rs.'000 | Rs.'000 | | |
| No. 36, Talbot Town, Galle | 6,668 | A-0-R-0-P-20 | Investment Method | Rent per Sq.ft per month | Rs. 100 - Rs. 150 | 100,000 | 18,000 | 118,000 | 12/31/20 |
| No. 24A, New Galle Road, Nambimulla, Ambalangoda | 4,614 | A-0-R-0-P-20 | Investment Method | Rent per Sq.ft per month | Rs. 100 - Rs. 120 | 72,000 | 18,400 | 90,400 | 12/31/20 |
| No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03 | 8,249 | Condominium | Investment Method | Rent per Sq.ft per month | Rs. 90 - Rs. 200 | - | 136,000 | 136,000 | 12/31/20 |
| No. 60, Park Street, Colombo 02 | 34,854 | A-0-R-1-P-2.82 | Investment Method | Rent per Sq.ft per month | Rs. 200 - Rs. 220 | 599,400 | 215,000 | 814,400 | 12/31/20 |
| No. 70, Park Street, Colombo 02 | 4,510 | | Market Comparable Method | Rent per Sq.ft per month | Rs. 125 - Rs. 160 | - | 130,000 | 130,000 | 12/31/20 |
| No. 06, Railway Station Road, Matara | 2,982 | A-0-R-0-P-25.88 | Investment Method | Rent per Sq.ft per month | Rs. 60 - Rs. 130 | 82,800 | 6,300 | 89,100 | 12/31/20 |
| Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (5th Floor) | 11,323 | | Investment Method | Price per Sq.ft per month | Rs. 160 - Rs. 170 | - | 240,000 | 240,000 | 12/31/20 |
| Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (6th Floor) | 11,323 | | Investment Method | Price per Sq.ft per month | Rs. 160 - Rs. 175 | - | 250,000 | 250,000 | 12/31/20 |
| Ceylinco House, No. 69. Janadhipathi Mawatha, Colombo 01 (7th Floor) | 5,318 | | Investment Method | Price per Sq.ft per month | Rs. 160 - Rs. 180 | - | 118,000 | 118,000 | 12/31/20 |
| Serene Resorts, Bopitiya Road, Uswetakeiyawa | 38,176 | A-2-R-3-P-30 | Market Comparable Method | Price per perch | Rs. 500,000 | 235,000 | 242,000 | 477,000 | 12/31/20 |
| No. 38 Abdul Gafoor Mawatha Colombo 03 | - | A-0-R-1-P-4.5 | Investment Method | Price per perch | Rs. 15,000,000 | 667,500 | - | 667,500 | 12/31/20 |
| No. 02 Gower Street Colombo 05 | 2,610 | | Investment Method | Price per Sq.ft per | | - | 8,400 | 8,400 | 12/31/20 |
| No. 09 1&9A, Layards Road, Colombo 05 | 4,120 | A-0-R-0-P14.26 | Investment Method | Price per Sq.ft per | | 206,800 | 16,100 | 222,900 | 12/31/20 |
| 63 Janadhipathi Mawatha Colombo 1 | | A-0-R-0-P-13.84 | Investment Method | Price per perch | Rs. 12,000,000 | 154,000 | | 154,000 | 12/31/20 |
| Total | | | | | | 2,117,500 | 1,398,200 | 3,515,700 | |

The fair value of investment property reflects the actual market value as at reporting date.

No Depreciation/Amortization recognized for the investments properties carried at Fair Value

9.(h). Rental Income

| | Page | Note | Group | | Company | |
|---|------|--------|---------------|---------------|---------------|---------------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | No | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Rental Income Derived from Investment Properties | 295 | 28.(a) | 78,671 | 75,579 | 85,481 | 81,609 |
| Direct operating Expenses Generating Rental Income | | | (5,234) | (5,726) | (5,234) | (5,726) |
| Direct operating Expenses that did not Generating Rental Income | | | (1,848) | (198) | (1,848) | (198) |
| Net Profit Arising From Investment Properties | | | 71,589 | 69,655 | 78,399 | 75,685 |

9.(i). Maturity analysis – contractual undiscounted cash flows

The Company has entered into operating lease agreements with various parties including its subsidiaries. Cash flows from operating leases from subsidiaries are eliminated in the Group figures. The remaining period of these lease arrangements varies between one to ten years.

Future minimum rentals receivable under operating leases as at 31 December are, as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Within one year | 22,398 | 66,339 | 26,838 | 75,868 |
| After one year but not more than three years | 38,130 | 75,983 | 38,130 | 86,242 |
| After three years but not more than five years | 43,653 | 52,096 | 43,653 | 56,501 |
| More than five years | 46,867 | 2,194 | 46,867 | 2,194 |
| | 151,048 | 196,611 | 155,487 | 220,805 |

10. Investment in Subsidiaries**ACCOUNTING POLICY**

Business combinations are accounted for using the purchase method. Transaction costs directly attributable to the acquisition form part of the acquisition costs. Non-controlling interests are measured at the proportionate share of the acquirer's identifiable net assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the Group measures the non-controlling interest in the acquire at fair value or at the proportionate share of the acquirer's identifiable net assets. Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combinations are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in Income Statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in Income Statement or as a change to Other Comprehensive Income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Subsidiary Companies

Serene Resorts Limited
Ceylinco Healthcare Services Limited

Associate Company

Citizens Development Business Finance PLC

As common control business combinations are scoped out in SLRFS 3 – Business Combinations, management used the guidance available in LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and the guidance issued under the Statement of Recommended Practice (“SoRP”) – ‘Merger Accounting for Common Control Business Combinations’ issued by The Institute of Chartered Accountants of Sri Lanka.

In applying merger accounting, Financial Statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the Consolidated Financial Statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

Accordingly, the comparative figures of the Consolidated Financial Statements were restated as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties of Ceylinco Life Insurance Limited.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income expenses arising from intra-group transactions and dividend, are eliminated in preparation of the Consolidated Financial Statements.

Subsidiaries

Subsidiaries are entities controlled by the parent company. Control is achieved when the Group is exposed or has the right, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee. Specially, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., Existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its return

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual agreement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the

Group's accounting policies. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Financial Statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Unquoted Shares

| | % of Direct Holding | | Number of Shares | | Cost | |
|-----------------------------------|---------------------|--------|------------------|------------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | | | | | Rs.'000 | Rs.'000 |
| Serene Resorts Ltd. | 98.65% | 98.65% | 36,500,000 | 36,500,000 | 365,000 | 365,000 |
| Ceylinco Healthcare Services Ltd. | 99.45% | 99.45% | 77,100,000 | 77,100,000 | 771,000 | 771,000 |
| | | | | | 1,136,000 | 1,136,000 |

Transactions with Non-Controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under 'Non-Controlling Interest'. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Assessment of Impairment

Having evaluated the business continuity plans and the cash flows (where necessary) of each subsidiary, the Group determined that no impairment provision is required for investment made in its subsidiaries due to the COVID-19 pandemic as at 31 December 2021.

11. Investment in Associates

ACCOUNTING POLICY

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies. The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The Income Statement reflects the Group's share of the results of operations of the associate. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Financial Statements of the associate is prepared for the same Reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. At each Reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in Income Statement.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

11.(a). Company / Group Investments in Associates

| Company | % Holding | | Number of Shares | | | |
|--|-----------|--------|------------------|------------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | | | | | Rs.'000 | Rs.'000 |
| Quoted Investments | | | | | | |
| Citizens Development Business Finance PLC | | | | | | |
| Cost as at 31 December | 30.80% | 30.80% | 21,498,096 | 21,498,096 | 807,672 | 807,672 |
| Company Investments in Associates (At Cost) | | | | | 807,672 | 807,672 |
| Group | | | | | | |
| Negative Goodwill on Acquisition over Consideration | | | | | | |
| Citizens Development Business Finance Ltd | | | | | 103,749 | 103,749 |
| Group's Share of Associates Companies Retained Assets | | | | | | |
| Citizens Development Business Finance PLC | | | | | | |
| Cumulative Equity Changes | | | | | 3,004,002 | 2,310,982 |
| Share of Profit | | | | | 1,068,712 | 702,824 |
| Share of Other Comprehensive Income | | | | | 103,486 | (9,471) |
| Adjustment in Changes in Equity | | | | | 99,326 | (333) |
| Dividend | | | | | (161,236) | - |
| Group Investment in Associates (Equity Basis) | | | | | 5,025,710 | 3,915,423 |

11.(b). Summarized Financial Information of the Associates

Citizens Development Business Finance PLC

| | Total-Associate | | Share of Associate | |
|--|-----------------|------------|--------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Associate's Statement of Financial Position | | | | |
| Total Assets | 96,873,639 | 94,805,630 | 29,837,080 | 29,200,134 |
| Total Liabilities | 80,556,399 | 82,093,220 | 24,811,370 | 25,284,712 |
| Net Assets | 16,317,240 | 12,712,410 | 5,025,710 | 3,915,422 |

| | Total-Associate | | Share of Associate | |
|---------------------------------------|-----------------|------------|--------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Associate's Revenue and Profit | | | | |
| Revenue | 14,583,821 | 14,811,197 | 4,491,817 | 4,561,849 |
| Profit Before Tax | 4,626,038 | 3,078,978 | 1,424,820 | 948,325 |
| Profit After Tax | 3,469,844 | 2,281,896 | 1,068,712 | 702,824 |
| Other Comprehensive Income | 335,993 | (30,751) | 103,486 | (9,471) |

Above summarized financials includes share of following account balances;

| | Total-Associate | | Share of Associate | |
|-----------------------------------|-----------------|-------------|--------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Cash and Cash Equivalent | 3,727,428 | 4,007,852 | 1,148,048 | 1,234,418 |
| Non Current Financial Liabilities | 19,650,389 | 25,008,671 | 6,052,320 | 7,702,671 |
| Interest Expenses | (5,987,760) | (7,852,617) | (1,844,230) | (2,418,606) |
| Income Tax Expense | (1,156,194) | (797,082) | (356,108) | (245,501) |

Citizens Development Business Finance PLC (CDB) is a public limited liability company incorporated and domiciled in Sri Lanka. Which is also listed in Colombo Stock Exchange. The principle activity of the Company is to provide a vast range of Financial Services including accepting deposits, leasing, hire purchase, and loan facilities etc.

11.(c). Fair Value of the Investment

Fair Value of the Company's investments in the associate as at reporting date Rs. 3,740.67 Mn (2020 - Rs.1,915.48 Mn).

11.(d). Impairment of Investment in Associates

Having evaluated the business continuity plans and the cash flows of the investment in associate, the Group determined that no impairment provision is required for the carrying value of investment in associate due to the COVID-19 pandemic as at 31 December 2021.

12. Financial Instruments and Fair Values of Financial Instruments

ACCOUNTING POLICY

Depending on the intention and ability to hold the invested assets, the Company classifies its non-derivative financial assets into following categories:

- Financial assets at fair value through profit or loss (FVTPL)
- Held-to-maturity (HTM)
- Loans and receivables (L&R) and
- Available-for-sale (AFS) financial assets as appropriate.

Initial Recognition

The Group/Company initially recognises loans and receivables, and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group/Company becomes a party to the contractual provisions of the instrument. In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

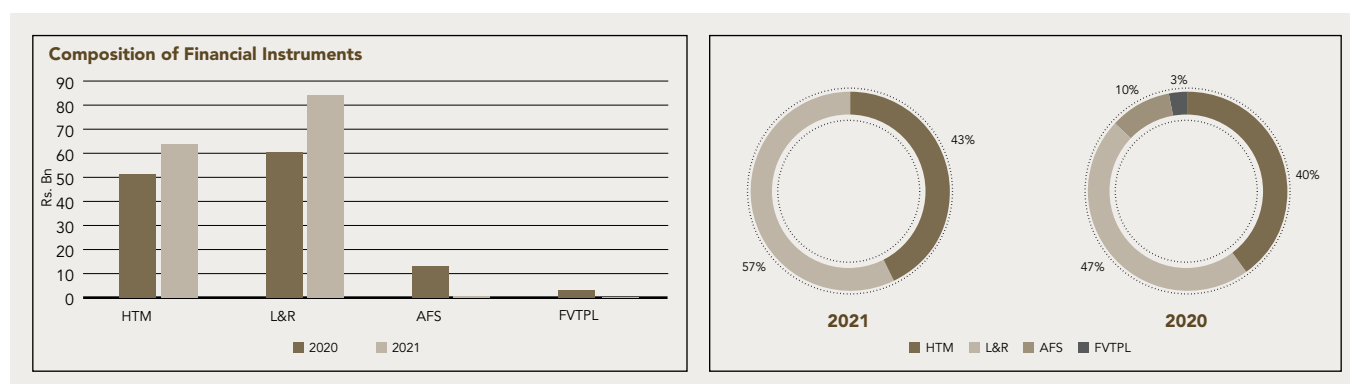
Income and expenses are presented on a net basis only when permitted under SLFRS/LKAS, or for gains and losses arising from a group of similar transactions such as in the Group/Company's trading activity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table consists of the fair values of the financial investments together with their carrying values.

Fair Value through Profit or Loss investments and Available-For-Sale investments are valued at fair value. Held to maturity investments and loans and receivable investments are valued at amortised cost.

| As at 31 December | Page | Note | Group | | Company | |
|---|------|--------|--------------------|--------------------|--------------------|--------------------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Held to maturity financial assets | 258 | 12.(a) | 63,905,377 | 51,485,457 | 63,905,377 | 51,485,457 |
| Loans and receivables | 259 | 12.(b) | 84,883,811 | 61,374,736 | 83,943,190 | 60,633,154 |
| Available-for-sale financial assets | 260 | 12.(c) | 783,568 | 13,198,829 | 616,108 | 13,032,168 |
| Financial assets at fair value through profit or loss | 262 | 12.(d) | 1,073 | 3,097,684 | 1,073 | 3,097,684 |
| Total Financial Instruments | | | 149,573,829 | 129,156,706 | 148,465,748 | 128,248,463 |



The following table compares the fair values of the financial instruments to their carrying values:

| As at 31 December | Group | | | | Company | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Held to maturity financial assets | 63,905,377 | 62,538,104 | 51,485,457 | 63,157,993 | 63,905,377 | 62,538,104 | 51,485,457 | 63,157,993 |
| Loans and receivables | 84,883,811 | 84,883,811 | 61,374,737 | 61,374,737 | 83,943,190 | 83,943,190 | 60,633,154 | 60,633,154 |
| Available-for-sale financial assets | 783,568 | 783,568 | 13,198,829 | 13,198,829 | 616,108 | 616,108 | 13,032,168 | 13,032,168 |
| Financial assets at fair value through profit or loss | 1,073 | 1,073 | 3,097,684 | 3,097,684 | 1,073 | 1,073 | 3,097,684 | 3,097,684 |
| Total Financial Instruments | 149,573,829 | 148,206,556 | 129,156,706 | 140,829,243 | 148,465,748 | 147,098,475 | 128,248,463 | 139,920,999 |

Impairment of Financial Assets

The Group assesses, at each Reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset de-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 expense will not be offset in the Consolidated Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (a) the Group has transferred substantially all the risks and rewards of the asset; or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

12.(a). Held to Maturity Financial Assets

ACCOUNTING POLICY

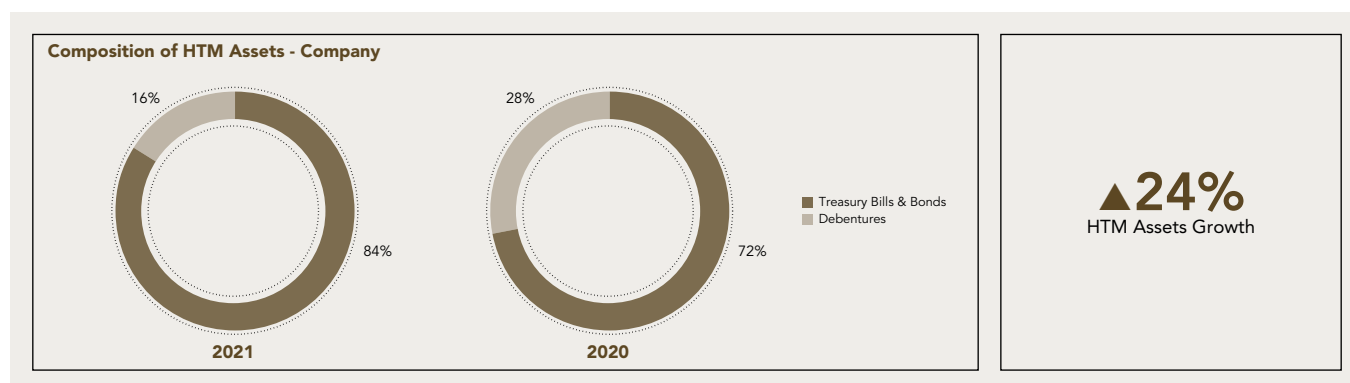
Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included in finance income in the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The losses arising from impairment are recognised as finance cost in the Income Statement.

| As at 31 December | Page | Note | Group | | Company | |
|--|------|------------|-------------------|-------------------|-------------------|-------------------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Fair Value | | | | | | |
| Treasury Bills & Bonds | | | 51,857,391 | 41,795,175 | 51,857,391 | 41,795,175 |
| Debentures - Quoted | | | 10,680,713 | 21,362,819 | 10,680,713 | 21,362,819 |
| Total Held to Maturity Financial Assets at Fair Value | | | 62,538,104 | 63,157,993 | 62,538,104 | 63,157,993 |
| Amortised Cost | | | | | | |
| Treasury Bills & Bonds | | | 53,668,148 | 36,964,353 | 53,668,148 | 36,964,353 |
| Debentures - Quoted | 267 | 12.(j).(1) | 10,237,229 | 14,521,104 | 10,237,229 | 14,521,104 |
| Total Held to Maturity Financial Assets at Amortised Cost | | | 63,905,377 | 51,485,457 | 63,905,377 | 51,485,457 |



12.(a).1. Impairment of Financial Investments at HTM

The Group/ Company has not experienced any indication for impairment in respect of HTM financial assets.

12.(a).2. Re-Classification

During the year, a reclassification of financial instruments from Available for Sale assets (Rs. 7,758 Mn) and Financial Assets at Fair Value Through Profit or Loss (Rs. 5,072 Mn) was done to HTM category (Rs. 12,831 Mn). The basis of reclassification, carrying values and fair value of financial instruments reclassified along with the impact to financial statements if the reclassification was not done, have been disclosed in the relevant financial instruments' categories. Refer note 12.(c).2 & 12.(d).2 for further details on the reclassification.

12.(a).3. Fair Value Measurement

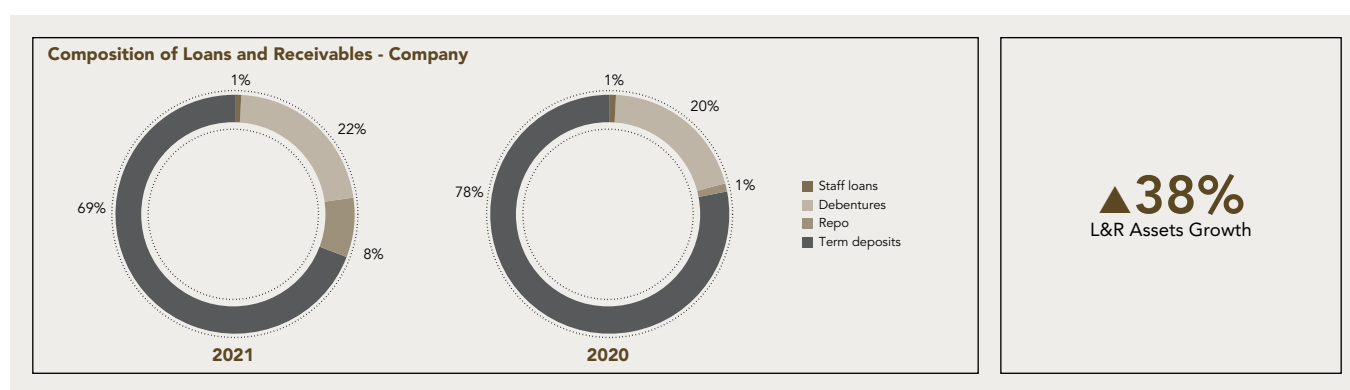
The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12.(g).

12.(b). Loans and Receivables

ACCOUNTING POLICY

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs for loans and in other operating expenses for receivables.

| As at 31 December | | | Group | | Company | |
|--|------|------------|-------------------|-------------------|-------------------|-------------------|
| | Page | | 2021 | 2020 | 2021 | 2020 |
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Staff Vehicle loan | | | 662,522 | 749,906 | 662,522 | 749,906 |
| Staff Loans other than vehicle loan | | | 150,430 | 186,793 | 150,430 | 186,793 |
| Repo Investment | | | 6,371,199 | 395,000 | 6,296,199 | 395,000 |
| Debentures - Unquoted | 267 | 12.(j).(2) | 4,875,489 | 5,430,754 | 4,875,489 | 5,430,754 |
| Quoted Debentures | 267 | 12.(j).(3) | 14,440,646 | 6,703,742 | 14,440,646 | 6,703,742 |
| Term Deposits | 268 | 12.(j).(4) | 58,383,524 | 47,908,541 | 57,517,903 | 47,166,959 |
| Total Loans and Receivables at Amortised Cost | | | 84,883,811 | 61,374,736 | 83,943,190 | 60,633,154 |



The carrying value of the staff loan and the car hire to sales agents have been computed based on the market interest rates prevailed at the time of granting the loan/hire.

12.(b).1. Impairment of Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Income Statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.(b).2. Re-Classification

During the Year Group/Company did not reclassify any financial assets under this category.

12.(b).3. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12.(g).

12.(c). Available-For-Sale Financial Assets

ACCOUNTING POLICY

Available-for-sale financial assets are financial assets that are designated as Available-for-Sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available-for sale equity instruments are recognised in Other Comprehensive Income and presented within equity in the available-for-sale reserve. When an investment is derecognized, the cumulative gain or loss in Other Comprehensive Income is transferred to the Income Statement.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. There classification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

| As at 31 December | Page | Note | Group | | Company | |
|--|------|------------|----------------|-------------------|----------------|-------------------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | No | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Treasury Bills & Bonds | | | 326,876 | 12,661,203 | 326,876 | 12,661,203 |
| Quoted Debentures | 268 | 12.(j).(5) | 164,657 | 266,149 | 164,657 | 266,149 |
| Quoted Share Investment | 268 | 12.(j).(6) | 122,051 | 102,291 | 122,051 | 102,291 |
| Unquoted Share Investment | 269 | 12.(j).(7) | 2,525 | 2,525 | 2,525 | 2,525 |
| Unit Trust Investments | | | 167,460 | 166,661 | - | - |
| Total Available-For-Sale Financial Assets at Fair Value | | | 783,568 | 13,198,829 | 616,108 | 13,032,168 |

12.(c).1. Impairment of Available-for-Sale Financial Investments

The Group assesses at each Reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as Available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement – is removed from Other Comprehensive Income and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the Income Statement; increases in their fair value after impairment are recognised directly in Other Comprehensive Income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates among other factors, the duration or extent to which the fair value of the investment is less than its cost.

12.(c).2. Re-Classification

As at 01 September 2021, the Company reclassified its Treasury Bonds portfolio except the assets held in for Takaful fund and Unit Linked fund from AFS category to HTM category.

As per the guidelines set out in LKAS 39: Financial Instruments Recognition & Measurement, reclassifying the financial instruments out of AFS category is possible if it would have met the definition of L&R category and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

As per the guidance provided in LKAS 39, all the reclassified Treasury Bonds from AFS category were transferred at its fair value on the date of reclassification (i.e. 01 September 2021). Further, previously recognized fair value gain / losses recognized in other comprehensive income were planned to amortized over remaining life of the reclassified Treasury Bond portfolio using effective interest method. Fair value as at 01 September was considered as the cost of reclassified Treasury Bonds in HTM category.

The table below sets out the financial assets reclassified and their carrying value and fair values.

| | Amount Reclassified | Carrying Value | Fair Value |
|--|------------------------|-------------------|---------------|
| | Rs. 000 | Rs. 000 | Rs. 000 |
| Treasury Bonds reclassified from 01 September 2021 | 7,758,166 | 7,758,166 | 7,758,166 |

From 01 September 2021 to 31 December 2021, Company has amortized Rs. 12,820,457/= to the income statement from the previously recognized fair value changes in other comprehensive income of the reclassified Treasury Bond portfolio.

Below table represents the planned amortization using effective interest method for the previously recognized fair value gain / losses recognized in other comprehensive income in respect of AFS instruments reclassified to HTM category.

| | AFS Reserve Balance as at 01-Sep-2021 | Amortized Amount 01-Sep-2021 to 31-Dec-2021 | Remaining AFS Reserve balance to be Amortized |
|--|--|--|--|
| | Rs. 000 | Rs. 000 | Rs. 000 |
| Amortization of previously recognized fair value gain / losses in other comprehensive income | 167,996 | 12,820 | 155,175 |

The table below sets out the amounts were to be recognized in Statement of Other Comprehensive Income if the reclassification from AFS to HTM category has not happened on 01 September 2021.

| | Other comprehensive income |
|---|----------------------------------|
| Fair Value Changes happened after 01 September 2021 for reclassified Treasury Bonds | (715,319) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.(c).3. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12.(g).

12.(d) Financial Assets at Fair Value Through Profit or Loss

ACCOUNTING POLICY

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's investment strategy. Attributable transaction costs are recognised in Income Statement as incurred.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Income Statement. Financial assets designated at fair value through profit or loss comprises quoted equity instruments and Treasury Bonds unless otherwise have been classified as available-for-sale.

| As at 31 December | Page | Note | Group | | Company | |
|--|------|------------|--------------|------------------|--------------|------------------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Fair value | | | | | | |
| Treasury Bills & Bonds | | | - | 3,096,757 | - | 3,096,757 |
| Short Term Investment - Quoted | 269 | 12.(j).(8) | 1,073 | 927 | 1,073 | 927 |
| Total Financial Assets at Fair Value Through Profit or Loss | | | 1,073 | 3,097,684 | 1,073 | 3,097,684 |

12.(d).2. Re-Classification

As at 01 September 2021, the Company reclassified its Treasury bonds portfolio from FVTPL category to HTM category. As per the guidelines set out in LKAS 39: Financial Instruments Recognition & Measurement, reclassifying the financial instruments out of FVTPL category is possible only in "rare circumstances". Along with the on-going challenges due to pandemic situation and trade deficits, Sri Lankan economy has been strained like never before while financial market except for equity have been affected severely. With sudden and seemingly contradictory move made by CBSL by hiking the policy rates by 50 basis points on 19th August 2021, secondary market of Government Securities has come to a complete standstill. The market volumes have dried and turned illiquid, affecting the main function of any financial market (i.e. price discovery). For the first in the recent past, no quotes are available for most Treasury Bond maturities, while very few short-term Bonds are quoted at wide and sporadic yields. After a careful evaluation of this rare and unprecedented turn of events, growing levels of uncertainty and illiquid nature of the markets, management believes that such scenario can be considered as "rare circumstances" as stipulated in LKAS 39.

As per the guidance provided in LKAS 39, all the reclassified Treasury Bonds from FVTPL category were transferred at its fair value on the date of reclassification (i.e. 01 September 2021). Further, previously recognized fair value gain / losses were not reversed and fair value as at 01 September 2021 was considered as the cost of reclassified Treasury Bonds in HTM category.

The table below sets out the financial assets reclassified and their carrying value and fair values.

| | Amount Reclassified | Carrying Value | Fair Value |
|--|------------------------|-------------------|---------------|
| | Rs. 000 | Rs. 000 | Rs. 000 |
| Treasury Bonds reclassified from 01 September 2021 | 5,072,964 | 5,072,964 | 5,072,964 |

The table below sets out the amounts were to be recognized in the Income Statement if the reclassification from FVTPL to HTM category has not happened on 01 September 2021.

| | Income Statement |
|---|---------------------|
| | Rs. 000 |
| Fair Value Changes happened between 01 September 2021 to 31 December 2021 for reclassified Treasury Bonds | (43,138) |

12.(d).3. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12.(g).

12.(e). Accrued Income

| As at 31 December | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Held to Maturity Investments | 1,914,713 | 1,709,268 | 1,914,713 | 1,709,268 |
| Financial assets at fair value through profit or loss | - | 76,591 | - | 76,591 |
| Loans & Receivables | 842,627 | 599,435 | 827,968 | 572,422 |
| Available for sale investments | 8,482 | 272,941 | 8,482 | 272,941 |
| | 2,765,823 | 2,658,235 | 2,751,164 | 2,631,222 |

Accrued Income of Financial Instruments are amalgamated to the each instruments and shown under each class of financial instruments above.

12.(f). Pledged of Financial Instruments

Details of pledged assets held under Financial assets have been disclosed under note 43 in page number 321.

12.(g). Determination of Fair Value and Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at 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 a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. 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 fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair Value Basis – Instrument Wise

| Instrument | Measurement Basis |
|------------------------------------|--|
| Government Securities | |
| Treasury Bonds/ Bills | Average buying yield as per secondary market daily report published by the Central Bank of Sri Lanka plus accrued interest |
| Investment in Listed Shares | Closing Price |
| Corporate Debt | |
| Listed | Last traded price plus accrued interest |
| Unlisted Fixed Rate | Amortized cost |
| Fixed and Term Deposits | Amortized cost |
| REPO Lending | Amortized cost |

The following table shows an analysis of Assets & Liabilities recorded at fair value by level of the fair value hierarchy:

| Company | Page No | Note | 2021 | | | | 2020 | | | |
|---|---------|----------|--------------------|--------------------|--------------------|-----------------------------|--------------------|--------------------|--------------------|-----------------------------|
| | | | Level 1 Rs.'000 | Level 2 Rs.'000 | Level 3 Rs.'000 | Total fair value Rs.'000 | Level 1 Rs.'000 | Level 2 Rs.'000 | Level 3 Rs.'000 | Total fair value Rs.'000 |
| Financial assets | | | | | | | | | | |
| Financial Assets at Fair Value Through Profit/Loss | | | | | | | | | | |
| Equity securities | 269 | 12.(j).8 | 1,073 | - | - | 1,073 | 927 | - | - | 927 |
| Debt securities | | | - | - | - | - | 3,096,757 | - | - | 3,096,757 |
| | | | 1,073 | - | - | 1,073 | 3,097,684 | - | - | 3,097,684 |
| Available-For-Sale Financial Assets: | | | | | | | | | | |
| Equity securities | 268 | 12.(j).6 | 122,051 | - | 2,525 | 124,576 | 102,291 | - | 2,525 | 104,816 |
| Debt securities | | | 491,532 | - | - | 491,532 | 12,927,351 | - | - | 12,927,351 |
| | | | 613,583 | - | 2,525 | 616,108 | 13,029,643 | - | 2,525 | 13,032,168 |
| Held to Maturity Financial Assets | 258 | 12.(a) | 51,857,391 | 10,680,713 | - | 62,538,104 | 41,795,175 | 21,362,819 | - | 63,157,993 |
| Total Financial Assets | | | 52,472,047 | 10,680,713 | 2,525 | 63,155,285 | 57,922,501 | 21,362,819 | 2,525 | 79,287,845 |
| Property Plant and Equipment's | | | | | | | | | | |
| Land | 238 | 7 | - | - | 6,361,102 | 6,361,102 | - | - | 5,646,300 | 5,646,300 |
| Buildings | 238 | 7 | - | - | 2,842,700 | 2,842,700 | - | - | 2,533,600 | 2,533,600 |
| | | | - | - | 9,203,802 | 9,203,802 | - | - | 8,179,900 | 8,179,900 |
| Investment Properties | 247 | 9 | - | - | 4,045,700 | 4,045,700 | - | - | 3,515,700 | 3,515,700 |
| Total Assets | | | 52,472,047 | 10,680,713 | 13,252,026 | 76,404,786 | 57,922,501 | 21,362,819 | 11,698,125 | 90,983,445 |
| Financial Liabilities | | | | | | | | | | |
| Interest Bearing Borrowings | 290 | 23.(a) | - | - | 3,202,054 | 3,202,054 | - | - | - | - |
| Total Financial Liabilities | | | - | - | 3,202,054 | 3,202,054 | - | - | - | - |

* Listed corporate debt has been classified under level two in the above fair value hierarchy as there is no active market for those corporate debts, even though such corporate debts are listed.

12.(h). Carrying Values of Financial Instruments

The movement of carrying value of above financial instruments as of Reporting date is as follows:

| Group | Held to Maturity | Loans and Receivables | Available-For-Sale | Fair value Through Profit or Loss | Total |
|---|------------------|-----------------------|--------------------|-----------------------------------|---------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1 January 2020 | 56,889,866 | 46,413,045 | 7,657,813 | 2,317,923 | 113,278,647 |
| Purchases | - | 69,891,124 | 26,246,158 | 12,593,092 | 108,730,373 |
| Maturities | (5,291,407) | (56,941,438) | - | - | (62,232,845) |
| Disposals | - | - | (22,015,319) | (12,122,657) | (34,137,976) |
| Fair value gains recorded in the income statement | - | - | - | 32,853 | 32,853 |
| Fair value gains recorded in other comprehensive income | - | - | 707,647 | - | 707,647 |
| Interest Accrual Adjustment | 76,618 | 5,784 | (78,210) | (9,667) | (5,474) |
| Amortisation adjustment | (189,620) | 2,006,221 | 680,739 | 286,142 | 2,783,482 |
| At 1st January 2021 | 51,485,457 | 61,374,737 | 13,198,828 | 3,097,684 | 129,156,707 |
| Purchases | 11,803,771 | 306,425,378 | 8,778,738 | 4,762,559 | 331,770,447 |
| Maturities | (11,706,553) | (282,846,240) | (2,973,733) | (50,000) | (297,576,526) |
| Disposals | - | (3,853,000) | (9,762,878) | (3,137,846) | (16,753,724) |
| Fair value gains recorded in the income statement | - | - | - | (70,719) | (70,719) |
| Fair value gains recorded in other comprehensive income | - | - | (572,553) | - | (572,553) |
| Reclassification | 12,831,130 | - | (7,758,166) | (5,072,964) | - |
| Interest accrual adjustment | (205,446) | (255,546) | 264,459 | 76,591 | (119,942) |
| Amortisation adjustment | (302,983) | 4,038,483 | (391,126) | 395,767 | 3,740,141 |
| At 31 December 2021 | 63,905,377 | 84,883,811 | 783,568 | 1,073 | 149,573,828 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Company | Held to Maturity Rs.'000 | Loans and Receivables Rs.'000 | Available-For-Sale Rs.'000 | Fair value Through Profit or Loss Rs.'000 | Total Rs.'000 |
|---|-----------------------------|----------------------------------|-------------------------------|--|------------------|
| At 1 January 2020 | 56,889,866 | 45,769,731 | 7,576,618 | 2,317,921 | 112,554,136 |
| Purchases | - | 69,809,245 | 26,141,557 | 12,593,092 | 108,543,893 |
| Maturities | (5,291,407) | (56,888,094) | - | - | (62,179,501) |
| Disposals | - | - | (21,996,184) | (12,122,657) | (34,118,841) |
| Fair value gains recorded in the income statement | - | - | - | 32,853 | 32,853 |
| Fair value gains recorded in other comprehensive income | - | - | 707,647 | - | 707,647 |
| Interest accrual adjustment | 76,618 | (420) | (78,210) | (9,667) | (11,679) |
| Amortisation adjustment | (189,620) | 1,942,692 | 680,739 | 286,142 | 2,719,953 |
| At 1st January 2021 | 51,485,457 | 60,633,154 | 13,032,167 | 3,097,684 | 128,248,462 |
| Purchases | 11,803,771 | 305,751,198 | 8,778,738 | 4,609,059 | 330,942,767 |
| Maturities | (11,706,553) | (282,478,240) | (2,973,733) | (50,000) | (297,208,525) |
| Disposals | - | (3,853,000) | (9,762,878) | (2,993,846) | (16,609,724) |
| Fair value gains recorded in the income statement | - | - | - | (70,719) | (70,719) |
| Fair value gains recorded in other comprehensive income | - | - | (572,553) | - | (572,553) |
| Reclassification | 12,831,130 | - | (7,758,166) | (5,072,964) | - |
| Interest accrual adjustment | (205,446) | (255,546) | 264,459 | 76,591 | (119,942) |
| Amortisation adjustment | (302,983) | 4,145,623 | (391,925) | 405,268 | 3,855,983 |
| At 31 December 2021 | 63,905,377 | 83,943,190 | 616,108 | 1,073 | 148,465,748 |

12.(I). Assets For Which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

12.(j). Entity wise details of Financial Instruments**12.(j).(1). Held to Maturity Financial Assets -Debentures (Quoted)**

| As at 31 December | Group | | Company | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Carrying Value | Carrying Value | Carrying Value | Carrying Value |
| | (Rs. '000) | (Rs. '000) | (Rs. '000) | (Rs. '000) |
| Bank of Ceylon | 205,941 | 1,305,915 | 205,941 | 1,305,915 |
| Commercial Bank of Ceylon PLC | 517,304 | 1,407,945 | 517,304 | 1,407,945 |
| DFCC Bank PLC | 1,928,735 | 1,928,844 | 1,928,735 | 1,928,844 |
| Hatton National Bank PLC | 2,449,598 | 3,145,894 | 2,449,598 | 3,145,894 |
| National Development Bank PLC | 701,964 | 701,988 | 701,964 | 701,988 |
| Nations Trust Bank PLC | 544,799 | 661,000 | 544,799 | 661,000 |
| Peoples' Leasing & Finance PLC | - | 304,605 | - | 304,605 |
| Sampath Bank PLC | 2,309,224 | 3,485,121 | 2,309,224 | 3,485,121 |
| Seylan Bank PLC | 1,579,664 | 1,579,792 | 1,579,664 | 1,579,792 |
| Total | 10,237,229 | 14,521,104 | 10,237,229 | 14,521,104 |

12.(j).(2). Loans and Receivables -Debentures (Unquoted)

| As at 31 December | Group | | Company | |
|---------------------------|------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Carrying Value | Carrying Value | Carrying Value | Carrying Value |
| | (Rs. '000) | (Rs. '000) | (Rs. '000) | (Rs. '000) |
| Regional Development Bank | 299,405 | 299,438 | 299,405 | 299,438 |
| Nations Trust Bank PLC | 446,292 | - | 446,292 | - |
| National Savings Bank | 4,129,792 | 5,131,315 | 4,129,792 | 5,131,315 |
| Total | 4,875,489 | 5,430,754 | 4,875,489 | 5,430,754 |

12.(j).(3). Loans and Receivables -Debentures (Quoted)

| As at 31 December | Group | | Company | |
|---|-------------------|------------------|-------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Carrying Value | Carrying Value | Carrying Value | Carrying Value |
| | (Rs. '000) | (Rs. '000) | (Rs. '000) | (Rs. '000) |
| ABANS PLC | 175,780 | 175,781 | 175,780 | 175,781 |
| Citizens Development Business Finance PLC | 114,177 | 114,186 | 114,177 | 114,186 |
| Commercial Bank of Ceylon PLC | 9,087,141 | 4,210,638 | 9,087,141 | 4,210,638 |
| DFCC Bank PLC | 2,203,024 | 2,203,137 | 2,203,024 | 2,203,137 |
| Hatton National Bank PLC | 2,860,524 | - | 2,860,524 | - |
| Total | 14,440,646 | 6,703,742 | 14,440,646 | 6,703,742 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.(j).(4). Loans and Receivables - Term Deposits

| As at 31 December | Group | | Company | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) |
| Bank of Ceylon | 14,072,784 | 11,905,904 | 13,779,181 | 11,693,475 |
| Central Finance Company PLC | 500,000 | 500,000 | 500,000 | 500,000 |
| Citizens Development Business Finance PLC | 565,562 | 534,797 | 565,562 | 534,797 |
| Commercial Credit & Finance PLC | 259,012 | 259,055 | 259,012 | 259,055 |
| DFCC Bank PLC | 1,249,982 | 1,177,960 | 1,249,982 | 1,123,966 |
| Hatton National Bank PLC | 160,504 | 32,438 | 27,510 | 27,010 |
| National Development Bank PLC | 11,587,229 | 10,715,155 | 11,587,229 | 10,594,792 |
| National Savings Bank | 7,566,217 | 3,921,251 | 7,463,077 | 3,898,736 |
| Pan Asia Banking Corporation PLC | - | 200,518 | - | 200,518 |
| People's Bank | 9,467,641 | 5,592,447 | 9,131,758 | 5,289,399 |
| People's Leasing & Finance PLC | 1,039,001 | 1,039,084 | 1,039,001 | 1,039,084 |
| Sampath Bank PLC | 10,670,307 | 10,303,075 | 10,670,307 | 10,303,075 |
| Seylan Bank PLC | 1,234,897 | 1,714,773 | 1,234,897 | 1,690,969 |
| Union Bank of Colombo PLC | 10,387 | 12,082 | 10,387 | 12,082 |
| Total | 58,383,524 | 47,908,541 | 57,517,903 | 47,166,959 |

12.(j).(5). Available-for-Sale Financial Assets - Quoted Debentures

| As at 31 December | Group | | Company | |
|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) |
| Bank of Ceylon | 1,047 | 7,272 | 1,047 | 7,272 |
| Commercial Bank of Ceylon PLC | - | 48,080 | - | 48,080 |
| DFCC Bank PLC | 50,676 | 50,676 | 50,676 | 50,676 |
| Hatton National Bank PLC | 57,807 | 58,234 | 57,807 | 58,234 |
| National Development Bank PLC | 55,126 | 50,940 | 55,126 | 50,940 |
| Nations Trust Bank PLC | - | 50,947 | - | 50,947 |
| Total | 164,657 | 266,149 | 164,657 | 266,149 |

12.(j).(6). Available-For-Sale Financial Assets - Quoted Shares

| As at 31 December | Group | | Company | |
|---------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) |
| Blue Diamonds Jewellery Worldwide Ltd | - | 1,920 | - | 1,920 |
| Commercial Credit and Finance PLC | 122,051 | 100,371 | 122,051 | 100,371 |
| Total | 122,051 | 102,291 | 122,051 | 102,291 |

12.(j).(7). Available-For-Sale Financial Assets - Unquoted Shares

| As at 31 December | Group | | Company | |
|--------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) | Carrying Value (Rs. '000) |
| Ceylinco Education Group (Pvt.) Ltd. | 2,525 | 2,525 | 2,525 | 2,525 |
| Total | 2,525 | 2,525 | 2,525 | 2,525 |

12.(j).(8). Financial Assets at Fair Value Through Profit or Loss - Quoted Shares

| As at 31 December | Group | | Company | |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Fair Value (Rs. '000) | Fair Value (Rs. '000) | Fair Value (Rs. '000) | Fair Value (Rs. '000) |
| Banking, Finance and Insurance | | | | |
| National Development Bank PLC | 8 | 9 | 8 | 9 |
| Commercial Bank of Ceylon PLC | 28 | 28 | 28 | 28 |
| DFCC Bank PLC | 114 | 118 | 114 | 118 |
| Central Finance PLC | 20 | 18 | 20 | 18 |
| Manufacturing, Plantations | | | | |
| Chevron Lubricants Lanka PLC | 56 | 54 | 56 | 54 |
| Tokyo Cements Company PLC | 71 | 89 | 71 | 89 |
| Dipped Products PLC | 179 | 122 | 179 | 122 |
| Chemical Industries Colombo PLC | 20 | 15 | 20 | 15 |
| Hayleys PLC | 130 | 41 | 130 | 41 |
| Kotagala Plantation | 1 | 1 | 1 | 1 |
| Service | | | | |
| John Keels Holdings PLC | 63 | 62 | 63 | 62 |
| Aitken Spense PLC | 182 | 129 | 182 | 129 |
| Hemas Holdings PLC | 84 | 126 | 84 | 126 |
| Dialog Axiata PLC | 39 | 43 | 39 | 43 |
| Royal Palms Beach Hotels PLC | 3 | 2 | 3 | 2 |
| Asiri Surgical Hospital Holdings PLC | 52 | 52 | 52 | 52 |
| Ceylon Hospitals PLC | 25 | 17 | 25 | 17 |
| Total | 1,073 | 927 | 1,073 | 927 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13./14. Pensions, Gratuity and Other Post-Employment Benefits

ACCOUNTING POLICY

(a) Pensions and Other Post-Employment Benefits

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method as recommended by LKAS 19 – ‘Employee Benefits’. Actuarial gains and losses are recognised immediately in retained earnings through other comprehensive income (OCI) in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. The Group recognises the changes in the defined benefit liability attributable to the service costs (current service costs and any past service costs) and interest expense in the profit or loss as Income Statement.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment and
- The date that the Group recognises restructuring-related costs.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are expected to be settled directly. Plan assets are assets that are held by a long term employee benefit fund. Plan assets are not available to creditors of the Group nor can they be paid directly to the Group.

Fair value is based on market price information and, in the case of quoted securities, it is the published market price. The value of any defined benefit asset is restricted to the sum of any past service cost and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The amount recognised as defined benefit liabilities has been netted with the fair value of the plan assets of the reporting period. Any surplus in plan assets has been measured based on the requirements of LKAS 19 – ‘Employee Benefits’, Para 58 and IFRIC 14 – ‘The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction’. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity payments to an employee arises on the completion of five years of continued service with the Group. The provision is externally funded.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 13 and 14 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

(b) Short Term 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 Group 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.

13. Gratuity Benefit Liability/(Asset)

The amounts recognised in the income statement are as follows:

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Current service cost | 64,315 | 54,945 | 64,315 | 54,945 |
| Interest cost on benefit obligation | 113,034 | 126,566 | 113,034 | 126,566 |
| Expected return on plan assets | (423,798) | (472,437) | (423,798) | (472,437) |
| | (246,449) | (290,926) | (246,449) | (290,926) |
| Net actuarial gain/ (loss) recognised in other comprehensive income | 261,524 | (424,121) | 261,524 | (424,121) |

The amounts recognised in the statement of financial position at the reporting date are as follows:

| | Page No | Note | Group | | Company | |
|---|------------|--------|-------------|-------------|-------------|-------------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Present value of the defined benefit obligation | 271 | 13.(a) | (1,232,825) | (1,409,404) | (1,232,825) | (1,409,404) |
| Fair value of plan assets | 271 | 13.(b) | 6,249,474 | 5,284,270 | 6,249,474 | 5,284,270 |
| Net defined benefit obligation | 272 | 13.(e) | 5,016,649 | 3,874,866 | 5,016,649 | 3,874,866 |
| Total Net Defined Benefit Asset | | | 5,016,649 | 3,874,866 | 5,016,649 | 3,874,866 |

13.(a) The Movement in the Defined Benefit Liability is as follows:

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Defined Gratuity Benefit obligation of the company | | | | |
| At 1 January | 1,409,404 | 1,237,202 | 1,409,404 | 1,237,202 |
| Current service cost | 64,315 | 54,945 | 64,315 | 54,945 |
| Interest cost | 113,034 | 126,566 | 113,034 | 126,566 |
| Benefits paid | (114,841) | (62,105) | (114,841) | (62,105) |
| Actuarial (gains)/ losses | (239,087) | 52,796 | (239,087) | 52,796 |
| At 31 December | 1,232,825 | 1,409,404 | 1,232,825 | 1,409,404 |
| Gratuity Liability -Subsidiaries | 12,274 | 13,051 | | |

As at 31 December 2021, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) Method by Consultant Actuary Mr K A Pandit as required by Sri Lanka Accounting Standard (LKAS) 19 – 'Employee Benefits'.

According to LKAS 19 - Employee Benefits, the re-measurements of the net defined benefit liability, assets, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

13.(b). The movement in the plan assets is as follows:

| | Group | | Company | |
|--------------------------------|-----------|-----------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1 January | 5,284,271 | 4,618,156 | 5,284,271 | 4,618,156 |
| Contribution Paid by employer | 633,810 | 627,108 | 633,810 | 627,108 |
| Expected return on plan assets | 423,798 | 472,437 | 423,798 | 472,437 |
| Actuarial gains /(Loss) | 22,437 | (371,325) | 22,437 | (371,325) |
| Benefit Paid | (114,841) | (62,105) | (114,841) | (62,105) |
| At 31 December | 6,249,474 | 5,284,270 | 6,249,474 | 5,284,270 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13.(c). Details of Plan Assets:

The distribution of the Plan Assets at the reporting date is as follows:

| | Group | | Company | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| As at 31 December | | | | |
| Investment in Shares | 4,495,489 | 3,956,106 | 4,495,489 | 3,956,106 |
| Fixed Deposits | 1,349,425 | 1,275,232 | 1,349,425 | 1,275,232 |
| Other Assets | 404,560 | 52,933 | 404,560 | 52,933 |
| Total Plan Assets | 6,249,474 | 5,284,270 | 6,249,474 | 5,284,270 |

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

13.(d). Principal Actuarial Assumptions

The principal actuarial assumptions used in determining the gratuity benefit obligation for the Group's plan assets are as follows:

| | 2021 | 2020 |
|--|-------------|-------------|
| Future salary increases | 10.00% | 10.00% |
| Discount rate | 8.02% | 10.23% |
| Expected rate of return on plan assets | 8.02% | 10.23% |
| Retirement Age | 55 Yrs | 55 Yrs |
| Attrition Rate | 1% | 1% |
| Mortality Table | IALM2006-08 | IALM2006-08 |

13.(e). Change in the defined benefit obligation and fair value of the plan assets

Group/ Company

| 2021 | As at 01 January | Service cost | Amounts charged to Profit or Loss | | | Return on plan assets (Excluding amounts included in net interest expenses) | Actuarial changes arising from changes in demographic assumptions | Remeasurement gains/(Losses) in other comprehensive income | | | | As at 31 December |
|-----------------------------|------------------|--------------|-----------------------------------|--------------------------------------|--------------|---|---|---|------------------------|--------------------------|---------------------------|-------------------|
| | | | Net interest | Sub total included in profit or loss | Benefit paid | | | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Actuarial Gains/(Losses) | contribution by employers | |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Defined Benefit Obligation | (1,409,404) | (64,315) | (113,034) | (177,349) | 114,841 | - | (313) | 266,587 | (27,187) | 239,087 | | (1,232,825) |
| Fair value of plan assets | 5,284,270 | | - | - | (114,841) | 423,798 | - | - | 22,437 | 22,437 | 633,810 | 6,249,474 |
| Benefit assets/ (Liability) | 3,874,866 | (64,315) | (113,034) | (177,349) | - | 423,798 | (313) | 266,587 | (4,750) | 261,524 | 633,810 | 5,016,649 |

| 2020 | As at 01 January | Service cost | Amounts charged to Profit or Loss | | | Return on plan assets (Excluding amounts included in net interest expenses) | Actuarial changes arising from changes in demographic assumptions | Remeasurement gains/(Losses) in other comprehensive income | | | | As at 31 December |
|-----------------------------|------------------|--------------|-----------------------------------|--------------------------------------|--------------|---|---|---|------------------------|--------------------------|---------------------------|-------------------|
| | | | Net interest | Sub total included in profit or loss | Benefit paid | | | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Actuarial Gains/(Losses) | contribution by employers | |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Defined Benefit Obligation | (1,237,202) | (54,945) | (126,566) | (181,511) | 62,105 | - | - | (163,317) | 110,521 | (52,796) | | (1,409,404) |
| Fair value of plan assets | 4,618,155 | - | - | - | (62,105) | 472,437 | - | - | (371,325) | (371,325) | 627,108 | 5,284,270 |
| Benefit assets/ (Liability) | 3,380,953 | (54,945) | (126,566) | (181,511) | - | 472,437 | - | (163,317) | (260,804) | (424,121) | 627,108 | 3,874,866 |

Gratuity benefit asset has been in excess of the Gratuity benefit liability due to share investment which has share appreciation annually.

13.(f). A quantitative sensitivity analysis for significant assumptions are as follow:

| Sensitivity level | | Discount Rate | | Future Salary Increment Rate | | Rate of Employee Turnover | |
|---|------|---------------|----------|------------------------------|----------|---------------------------|----------|
| | | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| | | 1% | 1% | 1% | 1% | 1% | 1% |
| Impact on defined benefit obligation (Rs. Mn) | 2021 | (50,223) | 56,401 | 56,902 | (51,496) | 6,911 | (7,628) |
| Impact on defined benefit obligation (Rs. Mn) | 2020 | (79,785) | 91,507 | 88,879 | (79,114) | (10,940) | 12,200 |

13.(g). Following payments are expected contributions to the defined benefit plan obligation in the future years

| | 2021 | 2020 |
|---------------------------|-----------|-----------|
| | Rs.'000 | Rs.'000 |
| Within the next 12 Months | 451,382 | 425,818 |
| 2nd Following Year | 46,490 | 32,848 |
| 3rd Following Year | 121,637 | 96,072 |
| 4th Following Year | 130,781 | 116,996 |
| 5th Following Year | 85,239 | 125,727 |
| Between 5 and 10 Years | 607,850 | 552,580 |
| Sum of Years 11 and above | 1,423,839 | 1,431,205 |

14. Pension Benefit Obligation

The Company has two defined benefit pension plans, both of which require contributions to be made to separately administered funds namely Pension Trust Fund of Ceylinco Insurance PLC and Pension Fund of Ceylinco Insurance PLC.

As at 31 December 2021, and as at the end of the comparative period the pension liability was actuarially valued under the Projected Unit Credit (PUC) method by Consultant Actuary K A Pandit, as required by Sri Lanka Accounting Standard (LKAS) 19 – 'Employee Benefits'.

Pension benefit obligation is valued by K A Pandit Actuarial Valuers.

According to LKAS 19 - Employee Benefits, the re-measurements of the net defined benefit liability, assets, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14.(a). Change in the defined benefit obligation and fair value of the plan asset

Pension benefit asset has been excess over the Pension benefit liability due to share investment which has share appreciation annually.

Group/ Company

| | Remeasurement gains/(losses) in other comprehensive income | | | | | | | | | | | | As at 31 December |
|---|--|----------------------------|--|---|-----------------|---|--|--|--|---------------------------|---------------------------------|------------------------------|----------------------|
| | As at 01 January | Current Service cost | Interest cost on benefit obligation | Sub total Included in Profit/ Loss | Benefit paid | Return on plan assets (excluding amounts in net interest expenses) | Recognised in Income Statement Note | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Actuarial Gains/ (Losses) | Contributions by employer | |
| 2021 | | | | | | | | | | | | | |
| Defined benefit Obligation | (774,136) | (195) | (70,515) | (70,710) | 4,768 | - | (65,942) | - | - | 2,203 | 2,203 | - | (837,875) |
| Fair value of plan assets | 1,287,726 | - | - | - | (4,768) | 103,276 | 98,507 | - | - | 850 | 850 | 42,775 | 1,429,859 |
| Total recognised benefit (liability) / Asset | 513,590 | (195) | (70,515) | (70,710) | - | 103,276 | 32,565 | - | - | 3,054 | 3,054 | 42,775 | 591,984 |

| | Remeasurement gains/(losses) in other comprehensive income | | | | | | | | | | | | As at 31 December |
|---|--|----------------------------|--|---|-----------------|---|--|--|--|---------------------------|---------------------------------|------------------------------|----------------------|
| | As at 01 January | Current Service cost | Interest cost on benefit obligation | Sub total Included in Profit/ Loss | Benefit paid | Return on plan assets (excluding amounts in net interest expenses) | Recognised in Income Statement Note | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Actuarial Gains/ (Losses) | Contributions by employer | |
| 2020 | | | | | | | | | | | | | |
| Defined benefit Obligation | (724,805) | (178) | (60,551) | (60,729) | 4,768 | - | (55,961) | - | (45) | 6,674 | 6,629 | - | (774,136) |
| Fair value of plan assets | 1,224,658 | - | - | - | (4,768) | 125,282 | 120,514 | - | - | (102,239) | (102,239) | 44,793 | 1,287,726 |
| Total recognised benefit (liability) / Asset | 499,853 | (178) | (60,551) | (60,729) | - | 125,282 | 64,554 | - | (45) | (95,565) | (95,610) | 44,793 | 513,590 |

14.(b). Distribution of Plan Asset

The distribution of the Plan Assets at the reporting date is as follows:

| As at 31 December | Group | | Company | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Investment in shares | 787,729 | 700,088 | 787,729 | 700,088 |
| Other Assets | 642,128 | 587,636 | 642,128 | 587,636 |
| Total Plan Assets | 1,429,857 | 1,287,725 | 1,429,857 | 1,287,725 |

Plan Assets include investment in equity shares of Ceylinco Insurance PLC , market value amounting to Rs. 787,729,469 /- at the Reporting date (2020 - 700,088,000 /-).

14.(c). Principal Actuarial Assumptions

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Company's plans are shown below:

| | 2021 | 2020 |
|-------------------------------|-------------|-------------|
| Discount rate | 8.02% | 10.23% |
| Rate of return on Plan Assets | 8.02% | 10.23% |
| Salary Escalation rate | 10% | 10% |
| Attrition rate | 1% p.a | 1% p.a |
| Retirement age | 55Yrs | 55Yrs |
| Mortality Table | IALM2006-08 | IALM2006-08 |

A quantitative sensitivity analysis for significant assumption as at 31 December are as follow:

| Sensitivity level | Discount Rate | |
|--|---------------|----------|
| | Increase | Decrease |
| | 1% | 1% |
| Impact on defined benefit obligation (Rs. '000) 2021 | (14,847) | 15,685 |
| Impact on defined benefit obligation (Rs. '000) 2020 | (20,894) | 22,247 |

15. Reinsurance Receivables**ACCOUNTING POLICY**

Reinsurance receivables consist of short term balances due from reinsurers that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. 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.

Impairment

Reinsurance assets are reviewed for impairment at each Reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group/Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group/Company will receive from the reinsurer. The impairment loss is recorded in the Income Statement.

Derecognition

Reinsurance assets are de-recognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

| | Group | | Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Reinsurance Receivable - Swiss Re | 92,993 | 76,890 | 92,993 | 76,890 |
| Reinsurance Receivable - Munich Re | 219,405 | 105,939 | 219,405 | 105,939 |
| Reinsurance Receivable - RGA | 79,772 | 97,180 | 79,772 | 97,180 |
| Total Reinsurance Receivables | 392,170 | 280,009 | 392,170 | 280,009 |

The carrying amounts disclosed above is in respect of the reinsurance of insurance contracts approximate fair value at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.(a).The age analysis of the reinsurance receivable

| | Group | | Company | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Up to 90 Days | 138,407 | 74,147 | 138,407 | 74,147 |
| 91-180 Days | 45,175 | 64,273 | 45,175 | 64,273 |
| 181- 365 Days | 89,870 | 85,835 | 89,870 | 85,835 |
| More than 365 Days | 118,718 | 55,754 | 118,718 | 55,754 |
| Total | 392,170 | 280,009 | 392,170 | 280,009 |

15.(b). Fair Value Measurement

The carrying value of reinsurance receivables approximate the fair value at the reporting date.

15.(c). Impairment Losses on Reinsurance Receivables

The Company has assessed potential impairment loss of reinsurance receivables as at 31st December 2021 and the Company does not identify any objective evidences which require an impairment to its reinsurance receivable due to the economic implication of COVID-19. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date.

16. Taxation

ACCOUNTING POLICY

Income Tax Expense

Income tax expense comprises current and deferred tax. It is recognised in the Income Statement except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Reporting date and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. The Company is liable to pay income tax in accordance with the provisions of the Inland Revenue Act, No.24 of 2017 and subsequent amendments thereto. Applicable income rates as per the act are stipulated a follows:

1. Surplus distributed to shareholders from Life Insurance business as certified by appointed actuary @ 24%
2. Investment Income of Shareholder fund less any expenses incurred in the production of such income @ 24%
3. Bonus Distributed to policyholders @ 24%

Ceylinco Health Care Services Limited is taxable under concessionary rates at 14% on its business income and under 28% on its investment income.

(ii) Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly-controlled entities to the extent that the Group/ 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;

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group/Company expects, at the end of the Reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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 taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each Reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed.

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws and the amount and timing of future taxable income. Given the long term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Significant Judgment

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Transfer pricing

As prescribed in Inland Revenue Act No. 24 of 2017 and gazette notification on transfer pricing Group and Company have complied with the arm's length principles relating to transfer pricing.

Withholding Tax on Dividends

Withholding tax that arises from the distribution of dividends by the Company is recognized at the time the liability to pay the related dividend is recognized. Deducting WHT on dividend has been removed by Department of Inland Revenue with effective from 01 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16.(a). Movement of Tax Receivable

| | Group | | Company | |
|--------------------------------------|--------------|--------------|-------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1 January | 7,515 | 12,541 | - | - |
| Estimated tax expense for the period | (1,834,398) | (1,789,307) | (1,834,398) | (1,786,883) |
| Tax Payable Recognized | 1,368,353 | 1,196,888 | 1,368,353 | 1,199,489 |
| Notional tax/ WHT recognized | 466,045 | 587,393 | 466,045 | 587,393 |
| Tax Written Off During the Year | (1,139) | - | - | - |
| At 31 December | 6,376 | 7,515 | - | - |

16.(b). Details of Tax Receivables

| | Group | | Company | |
|----------------------------|--------------|--------------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| As at 31 December | | | | |
| Income Tax Paid In Advance | 2,603 | 2,603 | - | - |
| WHT Receivable | 3,773 | 3,773 | - | - |
| ESC Receivable | - | 1,139 | - | - |
| | 6,376 | 7,515 | - | - |

16.(c) Deferred Tax Assets- Group

| | Consolidated Other Comprehensive Income Statement | | Consolidated Income Statement | | Consolidated Statement of Financial Position | |
|---|---|---------------|-------------------------------|---------------|--|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Losses carried forward | - | - | 2,658 | 6,749 | (667) | 1,991 |
| Temporary Difference from Retirement Benefit Liability - Gratuity | 120 | 9 | 80 | 1,703 | (504) | (304) |
| Temporary Difference from Property Plant and Equipment | 23,986 | - | 26,938 | (37,552) | (104,692) | (53,768) |
| Temporary Difference from Investment Properties | - | - | 83,476 | 26,890 | (140,616) | (57,140) |
| Revaluation reserve | (36,569) | 64,218 | - | - | (105,861) | (142,431) |
| Available for sale financial assets | 14,362 | 35,334 | - | - | (54,164) | (39,802) |
| Deferred Tax on Share of profit of Associate | - | - | 90,123 | 97,023 | (525,208) | (435,085) |
| Deferred Tax Expense/(Income) | 1,899 | 99,561 | 203,276 | 94,813 | - | - |
| Deferred Tax Liability | - | - | - | - | (931,714) | (726,540) |

Total Deferred Tax Liability

| | Group | |
|--|----------------|----------------|
| | 2021 | 2020 |
| | Rs.'000 | Rs.'000 |
| At 1 January | 726,539 | 532,165 |
| Amounts recorded in the income statement | 113,153 | (2,210) |
| Amounts recorded in other comprehensive income | 1,899 | 99,561 |
| Deferred Tax on Share of profit of Associate | 90,123 | 97,023 |
| At 31 December | 931,714 | 726,540 |

16.(d). Deferred Tax Asset - Company

| | Other Comprehensive Income Statement | | Income Statement | | Statement of Financial Position | |
|--|--------------------------------------|---------------|------------------|---------------|---------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Temporary Difference from Property Plant and Equipment | - | - | 24,579 | 18,619 | (57,053) | (32,474) |
| Temporary Difference from Investment Properties | - | - | 104,644 | 26,890 | (161,784) | (57,140) |
| Revaluation reserve | (36,569) | 64,218 | - | - | (3,233) | (142,431) |
| Available for sale financial assets | 14,362 | 35,334 | - | - | (156,793) | (39,802) |
| Deferred Tax Expense/(Income) | (22,207) | 99,552 | 129,223 | 45,509 | - | - |
| Deferred Tax Liabilities | - | - | - | - | (378,863) | (271,847) |

Total Deferred Tax Assets/Liability

| | Company | |
|--|----------------|----------------|
| | 2021 | 2020 |
| | Rs.'000 | Rs.'000 |
| At 1 January | 271,847 | 126,787 |
| Amounts recorded in the income statement | 129,223 | 45,509 |
| Amounts recorded in other comprehensive income | (22,207) | 99,552 |
| At 31 December | 378,863 | 271,847 |

17. Loans to Policy Holders**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. Policyholder Loans are reviewed for impairment at each reporting date. Loans receivable as at reporting date as follows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17.(a). Movement of Policy Loans

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as of 1st January | 1,282,725 | 1,335,469 | 1,282,725 | 1,335,469 |
| Loans Granted During the Period | 1,416,462 | 1,163,021 | 1,416,462 | 1,163,021 |
| Repayment During the Period | (1,137,207) | (1,215,765) | (1,137,207) | (1,215,765) |
| Total Policy Holder Loans as at 31 December | 1,561,981 | 1,282,725 | 1,561,981 | 1,282,725 |

17.(b). 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.

17.(c). Concentration risk of loans to life policyholders

There is lower concentration of credit risk with respect to policyholders, as the company has a large number of dispersed receivables. 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.

17.(d). Impairment of loans to life policyholders

The Group has assessed the potential impairment loss of Loans to Life Policyholders as at 31st December 2020 considering economic implication of COVID-19 pandemic. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Loans to Life Policyholders.

17.(e). Number of Policy Loans

Number of policy loans due as at 31 December 2021 was 32,247 (2020 - 33,841).

17.(f). Collateral Details

The company does not hold any collateral as security against potential default by policyholders other than surrender value.

18. Premium Receivables

ACCOUNTING POLICY

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement. Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been satisfied.

| | Group | | Company | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| As at 31 December | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Premium Receivables | 336,496 | 288,720 | 336,496 | 288,720 |
| Total | 336,496 | 288,720 | 336,496 | 288,720 |

18.(a). Premium Receivables from Related Parties

There is no premium receivables from related parties as at the reporting date.

18.(b). Fair value of Premium Receivable

The carrying value of premium receivable approximates Fair Value at the reporting date.

18.(c) Concentration Risk of Premium Receivable

There is lower concentration of credit risk with respect to premium receivables, as the company has a large number of dispersed receivables.

18.(d). Impairment of Premium Receivable

The Group has assessed the potential impairment loss of Premium Receivables as at 31st December 2021 considering economic implication of COVID-19 pandemic. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Premium Receivables.

18.(e). Collateral Details

The company does not hold any collateral as security against potential default by policyholders.

19. Other Assets**ACCOUNTING POLICY - INVENTORIES**

Inventories include all consumable items and are measured at the lower of cost and net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is the estimated market price in the ordinary course of business less any estimated expense to sell. The cost of the inventories include all expenses incurred in bringing inventories to the present location and condition.

| As at 31 December | Group | | Company | |
|----------------------------------|---------|---------|---------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Advances, Deposits & Prepayments | 379,110 | 432,430 | 116,673 | 149,857 |
| Inventories | 35,280 | 24,227 | 32,386 | 21,739 |
| Deferred staff benefits | 53,544 | 72,317 | 53,544 | 72,317 |
| | 467,934 | 528,975 | 202,603 | 243,914 |

Having evaluated the nature of the inventories held by the Group, the Group has assessed whether there is any impact to net realizable value of the inventories due to implications of the COVID-19 and assessed whether it was required to adjust the carrying value of the inventory. The Group has not identified any circumstances where adjustments are required to reduce the carrying value of the inventories.

20. Cash and Cash Equivalents**ACCOUNTING POLICY**

Cash and cash equivalents comprise cash in hand and cash at bank. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

| As at 31 December | Group | | Company | |
|--|-----------------|----------------|---------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Cash in Hand and at Bank | 421,856 | 769,939 | 494,350 | 768,553 |
| Bank Overdraft | (450,203) | (531,849) | (404,397) | (497,141) |
| Total Cash and Cash Equivalents | (28,347) | 238,090 | 89,953 | 271,412 |

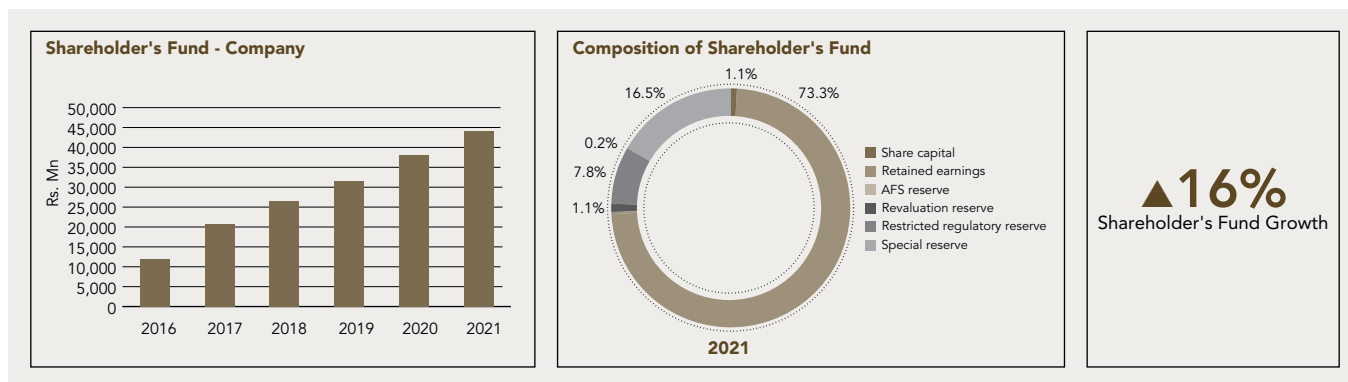
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20.(a). Cash Pledged as Security for Liabilities

The company has obtained a Bank Guarantee facility from Seylan Bank PLC and National Development Bank PLC, being the 25% of sum assessed by the Commissioner General of Inland Revenue (Refer Note 42.(c) for details on Assessment from Department of Inland Revenue.

21. Equity

| As at 31 December | Page No | Note | Group | | Company | |
|--------------------------|---------|--------|-----------------|-----------------|-----------------|-----------------|
| | | | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Ordinary Shares - Voting | 282 | 21.(a) | 500,001 | 500,001 | 500,001 | 500,001 |
| Other Reserves | 283 | 21.(b) | 47,621,933 | 40,480,813 | 43,694,032 | 37,645,035 |
| | | | 48,121,933 | 40,980,814 | 44,194,032 | 38,145,035 |



21.(a). Ordinary Shares - Voting (Stated Capital)

ACCOUNTING POLICY

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

| As at 31 December | Group | | Company | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Balance as at January | 500,001 | 500,001 | 500,001 | 500,001 |
| 50,000,050 Ordinary Shares Voting | 500,001 | 500,001 | 500,001 | 500,001 |

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 – voting are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The holders of ordinary shares – voting are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

21.(b). Other Reserves

| As at 31 December | Page | Note | Group | | Company | |
|-------------------------------|------|--------|-------------------|-------------------|-------------------|-------------------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | No | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Retained Earnings | 283 | 21.(c) | 35,992,934 | 28,984,774 | 32,400,318 | 26,408,326 |
| Available for Sale Reserve | 283 | 21.(d) | 29,368 | 102,622 | 29,368 | 102,622 |
| Revaluation Reserve | 284 | 21.(e) | 831,796 | 625,581 | 496,512 | 366,251 |
| Special Reserve | 284 | 21.(f) | 7,311,651 | 7,311,651 | 7,311,651 | 7,311,651 |
| Restricted Regulatory Reserve | 284 | 21.(g) | 3,456,184 | 3,456,184 | 3,456,184 | 3,456,184 |
| Total | | | 47,621,933 | 40,480,813 | 43,694,032 | 37,645,035 |

21.(c). Retained Earnings

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 1st January | 28,984,774 | 22,012,313 | 26,408,326 | 19,993,934 |
| Profit for the Period | 7,587,159 | 7,499,475 | (6,774,491) | 6,934,121 |
| Other Comprehensive Income for the period | 368,753 | (529,143) | 264,577 | (519,729) |
| Dividend Paid to Equity Holder for Previous Year | (782,500) | - | (782,500) | - |
| Transferred to Long Term Insurance Fund | (264,577) | - | (264,577) | - |
| Adjustment due to Recognition of right to use assets | - | 2,462 | - | - |
| Associate Change in Equity | 99,326 | (332) | - | - |
| Total | 35,992,934 | 28,984,774 | 32,400,318 | 26,408,326 |

21.(d). Available for Sale Reserve

| | Group | | Company | |
|--|---------------|----------------|---------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 1st January | 102,623 | 802 | 102,623 | 802 |
| Other Comprehensive Income for the period | | | | |
| Fair value changes recorded during the year | (523,163) | 672,312 | (523,163) | 672,312 |
| Amortization of previously recognised fair value changes in OCI (Refer Note 12.(c).2) | (12,820) | - | (12,820) | - |
| Transferred to Long Term Insurance Fund | 462,729 | (570,492) | 462,729 | (570,492) |
| Total | 29,368 | 102,622 | 29,368 | 102,622 |

The Available for Sale reserves comprises the cumulative net change in the fair value of Available for Sale financial instrument held by the Group and the Company as at 31 December 2021 and amortization of previously recognised fair value changes in OCI for the AFS assets of which reclassified during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21.(e). Revaluation Reserve

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 1st January | 625,581 | 362,308 | 366,251 | 229,508 |
| Other Comprehensive Income for the period | 888,292 | 621,503 | 812,338 | 494,973 |
| Transferred to Long Term Insurance Fund | (682,077) | (358,230) | (682,077) | (358,230) |
| Total | 831,796 | 625,581 | 496,512 | 366,251 |

The Revaluation Reserve relates to the gain of revaluation of property, plant and equipments recognised in Equity through OCI.

21.(f). Special Reserve

| | Group | | Company | |
|-------------------|------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| As at 31 December | | | | |
| Special Reserve | 7,311,651 | 7,311,651 | 7,311,651 | 7,311,651 |
| Total | 7,311,651 | 7,311,651 | 7,311,651 | 7,311,651 |

The special reserve represents the value (net book value) of net assets transferred from Ceylinco Insurance PLC on 1 June 2015 as a result of the segregation.

21.(g). Restricted Regulatory Reserve

| | Group | | Company | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| As at 31 December | | | | |
| Restricted Regulatory Reserve | 3,456,184 | 3,456,184 | 3,456,184 | 3,456,184 |
| Total | 3,456,184 | 3,456,184 | 3,456,184 | 3,456,184 |

Restricted Regulatory reserve was created as a result of One-Off Surplus generated due to change in valuation method from 'Net Premium Valuation' to 'Gross Premium Valuation' as specified in Direction 16, issued by IRCSL on 20th March 2018, for identification and treatment of One-Off Surplus. Complying with the same, the transfer made from policyholders' to Shareholders' fund is limited to surplus generated from other than participating business, whereas the surplus generated from the participating business will be maintained within the participating fund.

The basis for computation of one-off surplus is in line with Direction 16 issued by IRCSL titled "Directions on the Identification and Treatment of One-off Surplus" dated 20th March 2018.

The Company's One-off Surplus is equal to the minimum One-off Surplus prescribed in the recommendations in the Direction issued by the IRCSL. The basis is same for both participating business and other than participating business.

The One-Off Surpluses in amounts, created for participating business and other than participating business are as follows:

| Line item | One-off Surplus |
|-----------------------------------|------------------|
| | Rs.000 |
| Participating Business | 2,736,685 |
| Other than Participating Business | 3,456,184 |
| Tabarru Reserve | 1,920 |
| Total | 6,194,789 |

Distribution of One-Off Surplus to Shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from IRCSL. The One-Off Surplus in the Shareholders' Fund will remain invested in assets in below note as per directions of IRCSL.

One-off surplus of participating business amounting to Rs. 2,736,685,339/- will be held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the shareholders by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No.43 of 2000".

The composition of the assets, held to support the Restricted Regulatory Reserves (One-off Surplus for other than participating business) as at 31 December 2021 are disclosed below at their market values:

| Assets | Market Value | Market Value |
|--|--------------|------------------|
| | (Rs. 000) | (Rs. 000) |
| Government Debt Securities | | 1,225,458 |
| Deposits with licensed commercial banks | | |
| a) National Development Bank PLC | 822,876 | |
| b) Sampath Bank PLC | 1,534,382 | 2,357,258 |
| Total | | 3,582,716 |

22. Insurance Contract Liabilities

ACCOUNTING POLICY

(a) Classification of 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. The classification of contracts identifies both, the insurance contracts that the Company issues and reinsurance contracts that the Company holds.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or 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 (DPF).

(b) 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 that are contractually based on:
- the performance of a specified pool of contracts or a specified type of contracts;
- realised and or unrealised investment returns on a specified pool of assets held by the issuer; and
- the profit or loss of the Company, fund or other entity that issues the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

(c) Unit-Linked Contracts

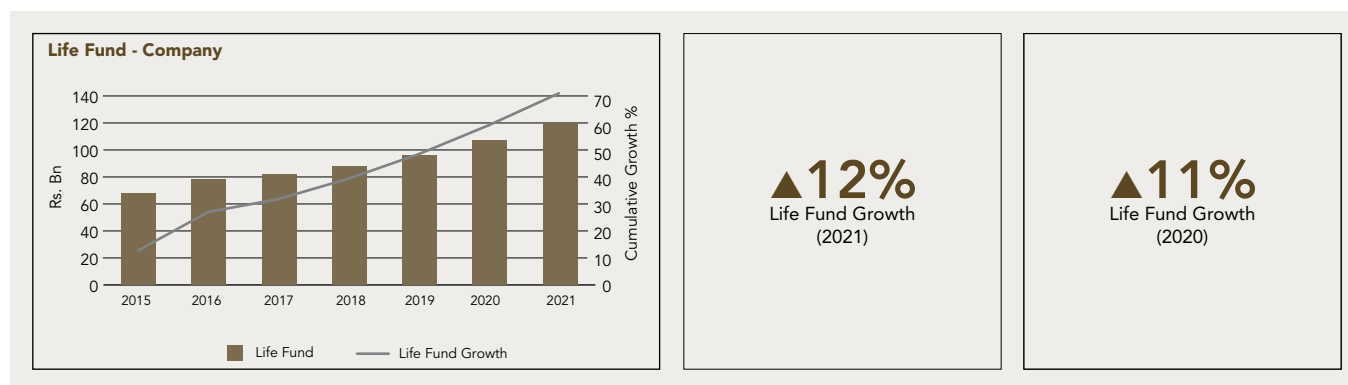
Unit-Linked contracts are those contracts that do not meet the definition of insurance or investment contracts with discretionary participating features. For these Unit-Linked contracts, the liabilities are valued at current unit value, i.e., on the basis of the fair value of the financial investments backing those contracts at the reporting date together with rights to future management fees.

(d) Life Insurance Contract Liabilities

These liabilities are calculated as the total of best estimate liability and a risk margin for adverse deviation. The best estimate liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees, investment income from assets backing such liabilities and investment management expenses, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows, based on the valuation assumptions used, charges and fees. Adjustments to the liabilities at each Reporting date are recorded in the Income Statement in 'Increase in life insurance contract liabilities'.

The liability is released when the contract expires, discharged or cancelled.

At each Reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test in accordance with SLFRS 4.



22.(a). Liability Adequacy Test (LAT)

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. 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.

| As at 31 December | | | Group | | Company | |
|---|------|--------|--------------------|--------------------|--------------------|--------------------|
| | Page | | 2021 | 2020 | 2021 | 2020 |
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Insurance Contract Liability - Long Term | 288 | 22.(b) | 119,637,160 | 106,739,757 | 119,634,780 | 106,737,377 |
| Insurance Contract Liability - Unit Linked | | | 318,852 | 329,257 | 318,852 | 329,257 |
| Insurance Contract Liability - Takaful | | | 15,973 | 14,698 | 15,973 | 14,698 |
| Individual Investment Fund (ISF) | | | 351,441 | 313,434 | 351,441 | 313,434 |
| Total Insurance Contract Liabilities | | | 120,323,427 | 107,397,146 | 120,321,047 | 107,394,766 |

The Company's actuaries have performed Liability Adequacy Test in accordance with SLFRS - 4 Insurance Contracts requirements.

The valuation of the Life Insurance business as at 31 December 2021 was carried out by our Consulting Actuary, Mr Vivek Jalan, FIA, on behalf of Willis Towers Watson. In the opinion of the Consulting Actuary, proper reserves have been provided for all known liabilities in respect of the Life Insurance business and the Company has adequate financial resources to cover its capital requirements in accordance with the Solvency Margin (risk-based capital) Rules 2015 dated 15th December 2015.

Following the actuarial valuation as at 31 December 2021, the Consulting Actuary has approved a transfer of Rs. 4.5 Bn (2020 - Rs.4.1 Bn) from the Life Fund to the Shareholder's Retained Profit Account.

The Company's Capital Adequacy Ratio (CAR) as at 31 December 2021 is 397% (2020- 424%) and is well above the minimum requirement of 120%.

Impact from Covid-19

During 2021, due to COVID-19, 410 death claims of amount Rs. 129.3 Mn and 3,990 hospitalisation claims of amount Rs. 52.6 Mn reported to the Company. Further, it was observed that there was decreasing trend in COVID-19 claims with only 4.4% of the number of claims reported in fourth quarter of the year (October 2021 to December 2021). These claims are not observed to be material and the impacts of these claims are already reflected within the Statement of Financial Position as at 31 December 2021.

The economic impacts of COVID-19 pandemic have been appropriately allowed for in the pragmatic future reinvestment rates assumed for determination of participating fund yield assumptions used for discounting of participating business liabilities (participating business forms 50.1% of the total liabilities of the Company) as at 31 December 2021. The appointed actuary (WTW) believes that the interest rates used for determination of liabilities appropriately covers for economic risks faced by Ceylinco Life due to COVID-19 pandemic.

Further, SLFRS 4 requires an insurer to assess whether its recognized insurance liabilities are adequate at the end of each reporting period. Observed impact of COVID-19 pandemic was considered for the Liability Adequacy Test performed as at 31 December 2021 and the same was conducted to reflect most probable estimates of assumptions (with some degree of prudence) and using professional judgement liaising with company's Appointed Actuaries (Willis Towers Watson India Private Limited). As at the reporting date, liability adequacy test was performed by the Appointed Actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and concluded that, the liability value has been determined on a "going concern" basis and assumes a continuation of current economic, regulatory and legal environment prevailing in Sri Lanka; and are considered sufficient to meet future benefits and expenses under what is believed to be a view of the "most probable" future experience.

Effect of taxation on Surplus/Bonus Transferred to Policyholders

According to the Section 67 (2) of new Inland Revenue Act No. 24 of 2017 which is effective from 1st April 2018, the surplus distributed to the Life Policyholders shall be deemed as gains and profit from the life insurance business and will be taxed at concessionary rate of 14% for three years of assessments commencing from 01 April 2018. However, the Company is liable for tax rate at 24% for bonuses declared during the year 2021 as such concession is now over. For the year, the Company declared and paid a bonus of Rs. 515.7 Mn (2020- Rs. 485.9 Mn) to its Life Policyholders who is participating in the profits of the Life Insurance Business. The Company has charged a tax of Rs. 123.7 Mn (2020 - Rs. 68 Mn) on the said bonus which is payable to the Department of Inland Revenue as of the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Key Assumption

Key Assumptions used for liability adequacy test of life insurance contracts liabilities are discussed under note 22.(a) in page 286.

22.(b). Life Insurance Contract Liabilities

The following tables shows the concentration of life insurance contract liabilities by type of contracts.

| | Insurance Contract Liabilities with DPF Rs.'000 | Insurance Contract Liabilities without DPF Rs.'000 | Total Gross Insurance Contract Liabilities Rs.'000 |
|---|--|---|---|
| At 1 January 2021 | 62,484,450 | 44,252,927 | 106,737,377 |
| Gross Premium Income | 5,925,481 | 19,547,270 | 25,472,751 |
| Net Reinsurance Cost | (23,031) | (284,142) | (307,173) |
| Liabilities paid for death, maturities, surrenders, benefits and claims | (6,456,586) | (7,138,049) | (13,594,635) |
| Investment return | 6,205,489 | 5,574,671 | 11,780,160 |
| Other operating and Admin Expenses Including Income Tax | (1,899,158) | (2,818,970) | (4,718,128) |
| Underwriting and net Acquisition Cost | (596,538) | (1,733,989) | (2,330,527) |
| Net Transfer to Shareholder | (221,050) | (4,278,950) | (4,500,000) |
| Increase in Pension Saver Fund | - | 609,493 | 609,493 |
| Actuarial Gain/ (Losses) from Employee Benefit Assets | 131,971 | 132,606 | 264,577 |
| Revaluation Reserve and AFS Reserve Transferred to Life Fund | 440,190 | (219,306) | 220,884 |
| At 31 December 2021 | 65,991,218 | 53,643,561 | 119,634,780 |

| | Insurance Contract Liabilities with DPF Rs.'000 | Insurance Contract Liabilities without DPF Rs.'000 | Total Gross Insurance Contract Liabilities Rs.'000 |
|---|--|---|---|
| At 1 January 2020 | 57,712,485 | 38,491,604 | 96,204,088 |
| Gross Premium Income | 6,052,857 | 16,023,394 | 22,076,250 |
| Premiums ceded to reinsurers | (3,234) | (502,229) | (505,463) |
| Liabilities paid for death, maturities, surrenders, benefits and claims | (5,564,143) | (6,702,369) | (12,266,513) |
| Investment return | 6,827,355 | 5,328,620 | 12,155,975 |
| Other operating and Admin Expenses Including Income Tax | (2,371,507) | (3,440,255) | (5,811,762) |
| Underwriting and net Acquisition Cost | (624,962) | (1,498,683) | (2,123,644) |
| Net Transfer to Shareholder | (200,849) | (3,900,000) | (4,100,849) |
| Increase in Pension Saver Fund | - | 180,573 | 180,573 |
| Revaluation Reserve and AFS Reserve Transferred to Life Fund | 656,449 | 272,273 | 928,722 |
| At 31 December 2020 | 62,484,450 | 44,252,927 | 106,737,377 |

23. Financial liabilities

ACCOUNTING POLICY

(i) Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as Financial Liabilities at Fair Value through Profit or Loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowing and amounts due to equity accounted investees.

(ii) Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

(a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at Fair Value through Profit or Loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at Fair Value through Profit or Loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the Income Statement.

Financial liabilities designated upon initial recognition at Fair Value through Profit and Loss are so designated at the initial date of recognition, if and only if the criteria of LKAS 39 are satisfied.

(b) Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Income Statement.

(iii) De-recognition of Financial Liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

When 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 the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Income Statement.

(iv) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset de-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 expense will not be offset in the Consolidated Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23.(a). Interest Bearing Borrowings

| As at 31 December | Group | | Company | |
|-------------------------------|------------------|----------------|------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Carrying Value | Carrying Value | Carrying Value | Carrying Value |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Commercial Bank of Ceylon PLC | 951,142 | - | 951,142 | - |
| Hatton National Bank PLC | 2,259,792 | 20,000 | 2,250,912 | - |
| Total | 3,210,934 | 20,000 | 3,202,054 | - |

Company's interest bearing borrowing represent short term loan obtained from commercial banks with clean facility. No assets has been pledged as security for interest bearing loans.

Ceylinco Healthcare Limited has obtained Covid-19 working capital management loan from Hatton National Bank which is payable within one year.

23.(a).1. Interest Bearing Borrowings - Face Value

| As at 31 December | Group | | Company | |
|-------------------------------|------------------|---------------|------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Face Value | Face Value | Face Value | Face Value |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Commercial Bank of Ceylon PLC | 950,000 | - | 950,000 | - |
| Hatton National Bank PLC | 2,258,880 | 20,000 | 2,250,000 | - |
| Total | 3,208,880 | 20,000 | 3,200,000 | - |

23.(a).2. Interest Bearing Borrowings - Movement

| As at 31 December | Group | | Company | |
|----------------------------|-----------|---------|-----------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| As at 1st January | 20,000 | - | - | - |
| Addition During the Year | 3,210,934 | 20,000 | 3,202,054 | - |
| Settlement During the Year | (20,000) | - | - | - |
| As at 31 December | 3,210,934 | 20,000 | 3,202,054 | - |

23.(a).3. Interest Bearing Borrowings - Maturity

All interest bearing borrowings are payable within one year.

24. Reinsurance Payables

ACCOUNTING POLICY

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

| As at 31 December | Group | | Company | |
|----------------------------------|---------|---------|---------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Reinsurance payables - Swiss Re | 49,233 | 148,011 | 49,233 | 148,011 |
| Reinsurance payables - Munich Re | 365,034 | 252,560 | 365,034 | 252,560 |
| Reinsurance payables - RGA | 110,630 | 77,169 | 110,630 | 77,169 |
| | 524,897 | 477,740 | 524,897 | 477,740 |

The carrying amounts disclosed above is in respect of the reinsurance of insurance contracts approximate fair value at the reporting date.

24.(a).The age analysis of the reinsurance Payables

| As at 31 December | Group | | Company | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Up to 180 Days | 325,643 | 301,176 | 325,643 | 301,176 |
| 181 - 365 Days | (81,598) | 108,474 | (81,598) | 108,474 |
| More than 365 Days | 280,852 | 68,090 | 280,852 | 68,090 |
| Total | 524,897 | 477,740 | 524,897 | 477,740 |

25. Trade and other payables

ACCOUNTING POLICY

(a) Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

(b) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| As at 31 December | Page | Note | Group | | Company | |
|------------------------------------|------|----------|-----------|-----------|-----------|-----------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Policyholders payment in advance | | | 918,730 | 863,553 | 918,730 | 863,553 |
| Agency commission payable | | | 359,691 | 404,714 | 359,691 | 404,714 |
| Tax Payable | 292 | 25.(b).I | 1,171,365 | 856,092 | 1,171,365 | 856,092 |
| Trade Creditors & Accrued Expenses | | | 1,368,833 | 1,251,022 | 1,089,564 | 960,379 |
| Unclaimed Death Claim Payable | | | 149,565 | 125,105 | 149,565 | 125,105 |
| Unclaimed Other Benefits Payable | | | 797,190 | 594,121 | 797,190 | 594,121 |
| | | | 4,765,374 | 4,094,608 | 4,486,105 | 3,803,966 |

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

All amounts are payable within one year.

25.(b).1. Tax Payable

| As at 31 December | Page | Note | Group | | Company | |
|------------------------|------|--------------|-----------|---------|-----------|---------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Income Tax Payable | 292 | 25.(b).1.(a) | 1,117,112 | 818,066 | 1,117,112 | 818,066 |
| Other Taxes and Levies | | | 54,253 | 38,027 | 54,253 | 38,027 |
| | | | 1,171,365 | 856,092 | 1,171,365 | 856,092 |

25.(b).1.(a). Movement of Income Tax Payable

| As at 31 December | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| As at 01 January | 818,066 | 397,913 | 818,066 | 397,913 |
| Estimated tax charge in respect of the current year | 1,834,398 | 1,786,883 | 1,834,398 | 1,786,883 |
| Notional Tax / WHT Recovered | (466,045) | (583,957) | (466,045) | (583,957) |
| Payments made on-account during the year | (876,569) | (789,208) | (876,569) | (789,208) |
| WHT adjustment | - | 6,434 | - | 6,434 |
| Reversal of income tax over provision | (192,739) | - | (192,739) | - |
| As 31 December | 1,117,112 | 818,066 | 1,117,112 | 818,066 |

26. Net Premiums**26.(a). Gross Premiums****ACCOUNTING POLICY**

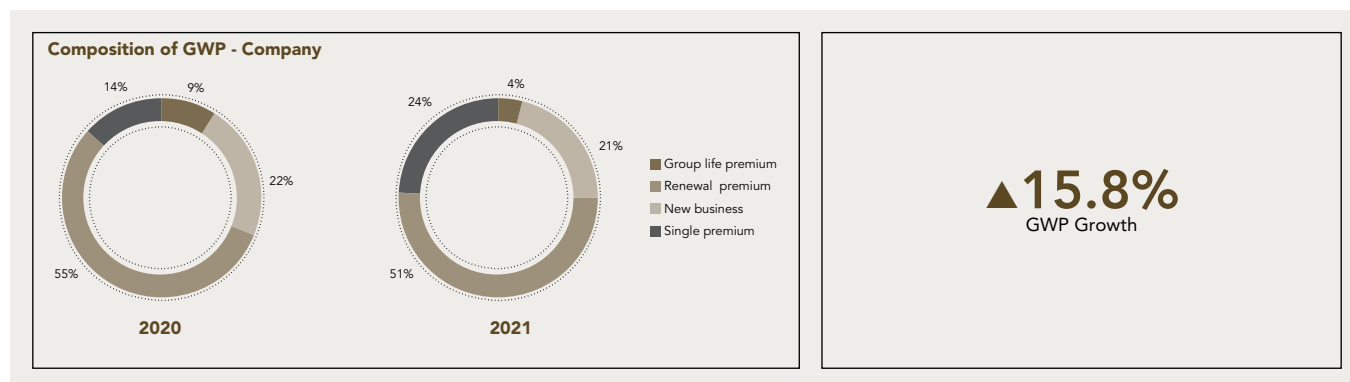
Gross recurring premiums are recognised as revenue when receivable from the policyholder. Premiums received in advance are not recognised as revenue but as a liability until the premiums become due. For single premium business, revenue is recognised on the date on which the policy is effective.

| For the Year Ended 31 December | | | Group | | Company | |
|--------------------------------|------|--------|-------------------|-------------------|-------------------|-------------------|
| | Page | | 2021 | 2020 | 2021 | 2020 |
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Life insurance Premium | 293 | 26.(b) | 25,564,813 | 22,076,215 | 25,565,050 | 22,076,250 |
| Gross Written Premiums | | | 25,564,813 | 22,076,215 | 25,565,050 | 22,076,250 |

All product sold during the reporting period by the Company are insurance contracts and therefore, classified as Insurance Contracts as per SLFRS 4. The Company has not sold pure investment contracts for the Reporting Period.

26.(b). Life Insurance Premium

| For the Year Ended 31 December | Group | | Company | | Change % |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | |
| New Businesses | 5,392,506 | 4,868,611 | 5,392,506 | 4,868,611 | 10.76 |
| Single Premium | 6,061,122 | 2,967,291 | 6,061,122 | 2,967,291 | 104.26 |
| Renewal Premium | 13,137,346 | 12,151,212 | 13,137,583 | 12,151,247 | 8.12 |
| Group Life Premium | 973,840 | 2,089,102 | 973,840 | 2,089,102 | (53.38) |
| Total | 25,564,813 | 22,076,215 | 25,565,050 | 22,076,250 | 15.80 |



26.(c). Premiums Ceded to Reinsurers on Insurance Contracts

Accounting Policy

Gross reinsurance premiums 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 an accrual basis.

| For the Year Ended 31 December | | | Group | | Company | |
|-------------------------------------|------|--------|----------------|----------------|----------------|----------------|
| | Page | | 2021 | 2020 | 2021 | 2020 |
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Life insurance | 294 | 26.(d) | 308,499 | 505,463 | 308,499 | 505,463 |
| Premiums ceded to Reinsurers | | | 308,499 | 505,463 | 308,499 | 505,463 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26.(d). Premiums Ceded to Reinsurers

| For the Year Ended 31 December | 2021 | 2020 | 2021 | 2020 |
|------------------------------------|----------------|----------------|----------------|----------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Reinsurance Receivable - Swiss Re | 129,566 | 268,764 | 129,566 | 268,764 |
| Reinsurance Receivable - Munich Re | 145,472 | 196,814 | 145,472 | 196,814 |
| Reinsurance Receivable - RGA | 33,461 | 39,885 | 33,461 | 39,885 |
| Total | 308,499 | 505,463 | 308,499 | 505,463 |

| | 2021 | 2020 |
|---|----------------------|----------------------|
| 26.(e). Annualised New Business Life Premium - Rs. | 9,017,314,337 | 7,626,838,093 |

26.(f). Revenue From Subsidiaries

| For the Year Ended 31 December | 2021 | 2020 |
|---|----------------|----------------|
| | Rs.'000 | Rs.'000 |
| Ceylinco Healthcare Services Limited | | |
| Revenue from Treatments | 345,436 | 272,840 |
| Medical Tests | 19,629 | 16,241 |
| Registration Fees | 623 | 517 |
| Refunds (Packages and Test) and Discounts | (12,508) | (12,131) |
| | 353,180 | 277,468 |
| Serene Resorts | | |
| Resident Income | 16,209 | 7,168 |
| | | |
| Group Adjustments | (4,688) | (750) |
| Total Revenue from Subsidiaries | 364,701 | 283,886 |

27. Fees and commission income

ACCOUNTING POLICY

Reinsurance Commission Income

Commission received or receivable in respect of premium paid or payable to a Reinsurer. Reinsurance commission income on outwards reinsurance contracts are recognised as revenue when receivable.

| For the Year Ended 31 December | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Reinsurance commission income | 117,855 | 90,798 | 117,855 | 90,798 |
| Other fees | 80,029 | 40,227 | 80,029 | 40,227 |
| Total Fees and Commission Income | 197,885 | 131,025 | 197,885 | 131,025 |

28. Investment Income

ACCOUNTING POLICY

Finance Income

Finance income comprises interest income on funds invested. Interest income is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate method (EIR). 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 effective interest rate of the instrument.

Dividend Income

Dividend income is recognised when the Company's right to receive the payment is established.

Rental income

Rental income from property is recognised in profit or loss on a straight line basis over the term of the lease.

Other Income

Other income comprises fees charged for policy administration services, and miscellaneous income.

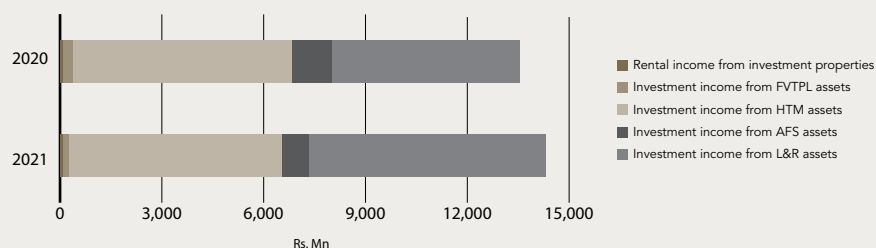
28.(a). Investment Income

| For the Year Ended 31st December | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Rental income from investment properties | 78,671 | 75,579 | 85,481 | 81,609 |
| Financial assets at fair value through profit or loss (held for trading purposes) | | | | |
| Interest income | 178,532 | 298,048 | 178,532 | 298,048 |
| Held to maturity financial assets interest income | 6,274,190 | 6,451,446 | 6,274,190 | 6,451,446 |
| Available-for-sale financial assets | | | | |
| Interest income | 623,742 | 1,161,855 | 623,742 | 1,161,855 |
| Dividend income | 11,112 | 5,555 | 11,112 | 5,555 |
| Loans and receivables interest income | 6,957,071 | 5,539,439 | 6,904,754 | 5,467,143 |
| Interest Income from Staff Loan | 75,736 | 76,517 | 75,736 | 76,517 |
| Investment income Excluding Dividend Income of Associate | 14,199,055 | 13,608,440 | 14,153,547 | 13,542,174 |

28.(b). Dividend Income from Associate

| | Group | | Company | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Dividend Income | - | - | 161,236 | - |
| Total Investment Income | 14,199,054 | 13,608,440 | 14,314,783 | 13,542,174 |

Composition of Investment Income - Company



▲ **5.7%**
Investment Income Growth

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Realised Gains

ACCOUNTING POLICY

Realised gains and losses recorded in the Income Statement include gains and losses on financial assets and on disposal of property, plant and equipment and investment properties. 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.

Gains and losses on disposal of property, plant and equipment and investment properties are calculated as the difference between net sales proceeds and the carrying amount on the date of disposal.

| For the Year Ended 31st December | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Property, Plant and equipment | | | | |
| Realised gains | (13,636) | 18,287 | (13,636) | 18,287 |
| Investment properties | | | | |
| Realised gains | 60,000 | - | 60,000 | - |
| Total realised gains from non financial assets | 46,364 | 18,287 | 46,364 | 18,287 |
| Available-for-sale financial assets | | | | |
| Realised gains | | | | |
| Debt securities | 154,011 | 930,000 | 154,038 | 930,000 |
| Total realised gains from available-for-sale financial assets | 154,011 | 930,000 | 154,038 | 930,000 |
| Total Realised Gains | 200,376 | 948,287 | 200,402 | 948,287 |

30. Fair value gains and losses

ACCOUNTING POLICY

Fair value gains and losses recorded in the Income Statement on investments include fair value gains and losses on financial assets at fair value through profit or loss, and on investment property.

| For the Year Ended 31st December | Page | Note | Group | | Company | |
|---|------|------|----------------|----------------|----------------|----------------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Fair value gains on investment properties | 247 | 9 | 370,598 | 132,369 | 458,798 | 247,269 |
| Fair value gains on financial assets at fair value through profit or loss (held for trading purposes) | | | (65,005) | 35,920 | (70,719) | 32,853 |
| Total fair value gains and losses | | | 305,593 | 168,289 | 388,079 | 280,122 |

31. Net benefits and claims

ACCOUNTING POLICY

Gross Benefits and Claims Expense

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. Death claims and surrenders are recorded on the basis of notifications received. Maturities, annuity payments and interim payments are recorded when due.

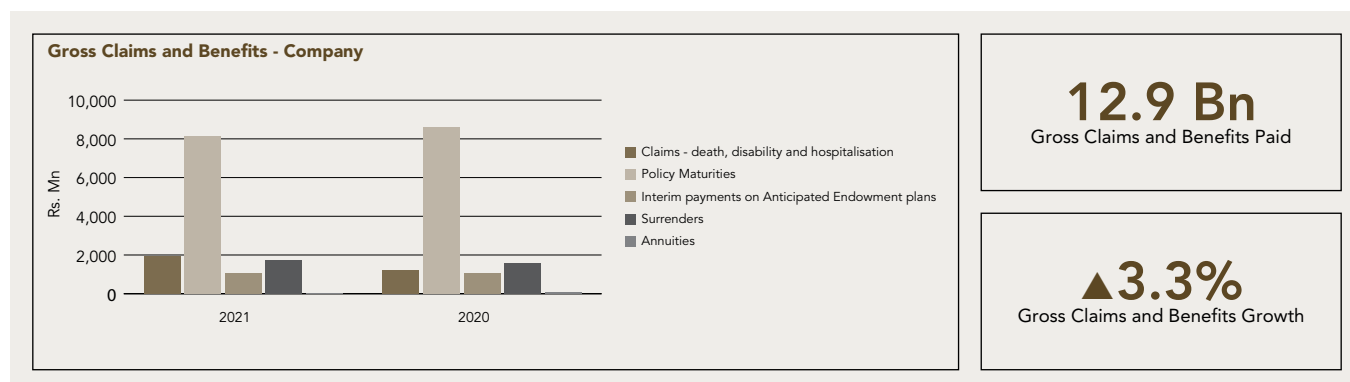
Reinsurance Claims Recoveries

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

| For the Year Ended 31st December | | | Group | | Company | |
|---|------|------|------------|------------|------------|------------|
| | Page | | 2021 | 2020 | 2021 | 2020 |
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 31.(a). Gross benefits and claims paid | 297 | 31.d | 12,927,237 | 12,510,505 | 12,927,237 | 12,510,505 |
| 31.(b). Claims ceded to reinsurers | 297 | 31.d | (190,929) | (243,992) | (190,929) | (243,992) |
| 31.(c). Gross change in contract liabilities | | | 11,803,985 | 9,423,994 | 11,803,985 | 9,423,994 |
| Net benefits and claims | | | 24,540,293 | 21,690,507 | 24,540,293 | 21,690,507 |

31.(d). Gross claims and benefits (Excluding Life fund increase)

| For the Year Ended 31st December | 2021 | 2020 | 2021 | 2020 |
|---|------------|------------|------------|------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Claims - death, disability and hospitalisation | 1,957,709 | 1,196,758 | 1,957,709 | 1,196,758 |
| Policy Maturities | 8,151,949 | 8,611,773 | 8,151,949 | 8,611,773 |
| Interim payments on Anticipated Endowment plans | 1,072,000 | 1,056,412 | 1,072,000 | 1,056,412 |
| Surrenders | 1,722,197 | 1,593,089 | 1,722,197 | 1,593,089 |
| Annuities | 23,383 | 52,473 | 23,383 | 52,473 |
| Total | 12,927,237 | 12,510,505 | 12,927,237 | 12,510,505 |
| Share of Claim | (190,929) | (243,992) | (190,929) | (243,992) |
| Life Insurance Net Claims and Benefits | 12,736,308 | 12,266,513 | 12,736,308 | 12,266,513 |

**32. Acquisition costs****Accounting Policy**

Commission expense is charged to the period in which it is incurred. Commission payable on accrued premium is recognised to the extent that these costs are recoverable out of future premiums. All expenses vary with, and are primarily related to, the acquisition of new insurance contracts.

| For the Year Ended 31 December | Group | | Company | |
|--------------------------------|-----------|-----------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Fees and commission expenses | 2,369,754 | 2,123,644 | 2,369,754 | 2,123,644 |
| Total | 2,369,754 | 2,123,644 | 2,369,754 | 2,123,644 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

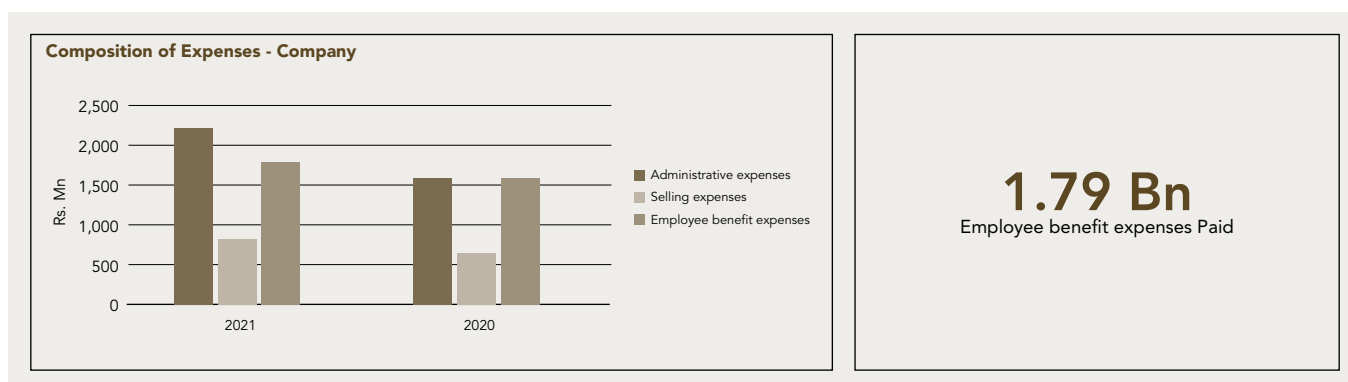
33. Other Operating and Administrative Expenses

ACCOUNTING POLICY

Expenditure Recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

| For the Year Ended 31 December | | | Group | | Company | |
|--|---------|--------|------------------|------------------|------------------|------------------|
| | Page No | Note | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Amortisation of intangible assets | 234 | 6 | 103,274 | 86,129 | 103,228 | 86,082 |
| Depreciation on property and equipment | 237 | 7 | 317,390 | 330,598 | 245,545 | 258,478 |
| Depreciation on Right-to use Assets | 246 | 8.(s) | 80,553 | 80,469 | 80,553 | 80,469 |
| Other operating expenses | | | 1,836,503 | 1,158,955 | 1,764,992 | 1,146,547 |
| Auditors' remuneration | 299 | 33 (b) | 6,695 | 6,397 | 6,183 | 6,063 |
| Employee benefits expenses | 298 | 33 (a) | 1,842,740 | 1,643,785 | 1,790,925 | 1,586,632 |
| Selling expenses | | | 837,525 | 658,897 | 825,867 | 648,687 |
| Legal Expenses | | | 19,316 | 10,401 | 19,338 | 10,371 |
| Total other operating and administrative expenses | | | 5,043,996 | 3,972,729 | 4,836,630 | 3,823,330 |



33.(a). Employee Benefits Expense

| For the Year Ended 31. December | | | Group | | Company | |
|---|---------|------|------------------|------------------|------------------|------------------|
| | Page No | Note | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Wages and salaries including bonus & incentives | | | 1,889,855 | 1,748,576 | 1,846,696 | 1,700,578 |
| Employees' Provident Fund 12% | | | 120,355 | 114,915 | 115,365 | 109,857 |
| Employees' Trust Fund 3% | | | 30,089 | 28,729 | 28,841 | 27,464 |
| Defined gratuity benefit & Pension costs | | | (244,119) | (288,348) | (246,449) | (290,926) |
| Other staff related cost | | | 46,562 | 39,912 | 46,472 | 39,659 |
| Total employee benefits expense | 298 | 33 | 1,842,740 | 1,643,785 | 1,790,925 | 1,586,632 |

33.(b). Auditor's Fee and Expenses

| For the Year Ended 31 December | Page | | Group | | Company | |
|--------------------------------|------|------|-----------------|-----------------|-----------------|-----------------|
| | No | Note | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Audit Fees | 298 | 33 | 6,695 | 6,397 | 6,183 | 6,063 |
| Total | | | 6,695 | 6,397 | 6,183 | 6,063 |

33.(c). Other Operating Expenses In Respect of Investment Properties

The operating expenses incurred in respect of investment property which does not earn rental income is Rs.1,848,455/- (2020 - Rs.198,000/-). The operating expenses incurred in respect of investment property which earns rental income is Rs.5,234,339/- (2020-5,726,000/-).

33.(d). Defined gratuity benefit & Pension costs

Net Gratuity Benefit and Pension Cost shows a negative amount primarily due to expected return on plan assets over current service cost and interest cost on benefit obligations.

34. Finance costs**ACCOUNTING POLICY**

Finance cost mainly includes the charges and commission paid on financial services provided by financial institutions, particularly bank charges.

| For the Year Ended 31 December | Group | | Company | |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Interest expense | 93,738 | 80,557 | 93,640 | 78,995 |
| Total Finance Cost | 93,738 | 80,557 | 93,640 | 78,995 |

35. Income tax expense**ACCOUNTING POLICY**

Income tax expense comprises current and deferred tax. Refer Accounting Policy under Taxation Note 16 in Page 276.

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

(a) Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Reporting date and any adjustment to tax payable in respect of previous years.

35.(a). Current Year Tax Charge

| | Page | | Group | | Company | |
|---|------|--------------|------------------|------------------|------------------|------------------|
| | No | Note | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Current tax | | | | | | |
| Estimated tax charge in respect of the current year | 300 | 35.(c) | 1,834,398 | 1,848,953 | 1,834,398 | 1,848,953 |
| Over/under provision in respect of previous year | | | (192,739) | (59,646) | (192,739) | (62,070) |
| Total current tax | | | 1,641,659 | 1,789,307 | 1,641,659 | 1,786,883 |
| Deferred tax | | | | | | |
| Origination of temporary differences | 278 | 16.(c) & (d) | 203,276 | 94,813 | 129,223 | 45,509 |
| Total tax charge to income statement | | | 1,844,935 | 1,884,120 | 1,770,883 | 1,832,391 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35.(b). Tax Recorded in Other Comprehensive Income

| | Page | Note | Group | | Company | |
|---|------|------|--------------|---------------|-----------------|---------------|
| | | | 2021 | 2020 | 2021 | 2020 |
| | No | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Deferred tax | 303 | 39 | 1,898 | 99,561 | (22,207) | 99,561 |
| Total tax charge to other comprehensive income | | | 1,898 | 99,561 | (22,207) | 99,561 |

35.(c). Basis of computing the estimated tax charge

Company

Basis of computing current year tax charge is as follows;

| | 2021 | | 2020 | |
|---|-----------|------------------|-----------|------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Estimated tax charge relating to shareholders' income | | | | |
| Investment Income from the business | | 3,353,966 | | 2,796,338 |
| Less - Exempted interest income | | (626,094) | | (98,368) |
| Add - Taxable gain | | 64,407 | | 7,521 |
| Less - Management expenses | | (262,703) | | (445,905) |
| Shareholders' taxable income | | 2,529,575 | | 2,259,587 |
| Income tax on shareholders' taxable income @ 24% (2020 @ 28%) | | 607,098 | | 632,684 |
| Estimated tax charge relating to policyholders' income | | | | |
| Income tax for bonuses distributed/declared to policyholders @ 24% (2020 @ 14%) | 515,764 | 123,783 | 485,930 | 68,030 |
| Income tax for surplus distributed to shareholders @ 24% (2020 @ 28%) | 4,500,000 | 1,080,000 | 4,100,849 | 1,148,238 |
| Estimated tax charge relating to capital gains | | | | |
| Capital gain tax on net realized gains @ 10% (2020 @ 10%) | 34,405 | 3,440 | - | - |
| Estimated tax charge relating to dividend tax | | | | |
| Dividend tax @ 14% (2020 @ 14%) | 143,402 | 20,076 | - | - |
| Estimated tax charge in respect of the current year | | 1,834,398 | | 1,848,952 |

The Company is liable to pay income tax in accordance with the provisions of the Inland Revenue Act, No.24 of 2017 and subsequent amendments thereto. Applicable income rates as per the act are stipulated a follows:

1. Surplus distributed to shareholders from Life Insurance business as certified by appointed actuary @ 24%
2. Investment Income of Shareholder fund less any expenses incurred in the production of such income @ 24%
3. Bonuses Distributed to policyholders @ 24%
4. Realisation of capital gains @10%
5. Dividend income @ 14%

Ceylinco Healthcare Services Ltd is liable to pay 24% on its taxable income.

Refer Note 42 Provisions, Commitments and Contingencies for detailed explanation on the tax assessments received by the Company.

36. Non Controlling Interests (NCI)

Non-controlling interest is measured at their proportionate share of the acquires identifiable net assets at the date of acquisition.

The total profit and loss for the year of the Company and its subsidiaries included in consolidation are shown in the Income Statement with the proportion of profit and loss after taxation pertaining to Non-controlling shareholders of subsidiaries being deducted as "Non-controlling Interest". All assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Statement of Financial Position. The interest of Non-controlling shareholders of subsidiaries in the net assets of the Group is indicated separately in the statement of financial position under the heading "Non-controlling interests". Changes in the Group's interest in subsidiary that do not result in loss of controls are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on proportionate amount of the net assets of the subsidiary.

36.(a). Accumulated Balances of Non-Controlling Interest

| Name of Company | 2021 | 2020 | Effective ownership by NCI % |
|--------------------------------|--------------|--------------|------------------------------|
| Ceylinco Healthcare (Pvt) Ltd. | 4,466 | 4,071 | 0.55% |
| Serene Resort Ltd. | 2,626 | 2,519 | 1.35% |
| Total | 7,092 | 6,590 | |

36.(b). Profit Allocated to Non-Controlling Interest

| Name of the Company | 2021 | 2020 |
|-------------------------------|------------|------------|
| Ceylinco Healthcare (Pvt) Ltd | 395 | 450 |
| Serene Resort Ltd | 107 | 185 |
| Total | 502 | 635 |

37. Basic/Diluted Earnings per share

Earnings Per Share (EPS)

ACCOUNTING POLICY

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Basic Earnings per Share has been calculated by dividing profit after taxation attributable to ordinary shareholders of the parent by the weighted average Ordinary Shares in issue at the year end.

37.(a). Earnings Per Share

| For the Year Ended 31 December | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Profit for the year (Rs.'000) | 7,587,159 | 7,499,475 | 6,774,491 | 6,934,122 |
| Weighted Average Number of Ordinary Shares ('000) | 50,000 | 50,000 | 50,000 | 50,000 |
| Basic Earnings per Ordinary Share (Rs.) | 151.74 | 149.99 | 135.49 | 138.68 |

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 above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Dividends paid and proposed

| For the Year Ended 31 December | Group & Company | |
|--|-----------------|----------|
| | 2021 | 2020 |
| | Rs.'000 | Rs.'000 |
| Final Dividend - Paid (Rs.'000) | 782,500 | - |
| Total Dividend (Rs.'000) | 782,500 | - |
| No. of Shares in issue for the year ('000) | 50,000 | 50,000 |
| Dividend per share (Rs.) | | |
| Final Dividend | 15.65 | - |

Final Dividend Paid

The Company has paid a final dividend of Rs. 15.65 per share amounting to Rs. 782.5Mn on 05th April 2021 as previous year final dividend paid in current year.

As required by 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 recommending the final dividend for the year ended 31 December 2020. A statement of solvency was completed and duly signed by the Directors on 24th February 2021 and has been audited by Messrs. Ernst & Young Chartered Accountants.

Proposed dividend

The Board of Directors has proposed a final dividend Rs. 15.75 per share amounting to a Rs. 787.5Mn on 24th February 2022, for the year ended 31 December 2021 subject to the approval of shareholders at the Annual general meeting.

Considering the impact of the COVID-19 pandemic, the IRCSL required insurance companies to consider some critical aspects such as financial results, impact of contingent liabilities, impact of potential risks, additional capital requirements etc. when declaring dividends. The IRCSL also requires the Board of Directors to submit a signed confirmation to the IRCSL that it considered all such aspects prior to declaration of the dividend to shareholders.

The Company has considered all such aspects and submitted a confirmation to the IRCSL as required prior to declaration of dividends for the year ended 31 December 2021.

As required by 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 recommending the final dividend for the year ended 31 December 2021. A statement of solvency was completed and duly signed by the Directors on 24th February 2022 and has been audited by Messrs. Ernst & Young Chartered Accountants.

In accordance with LKAS 10 - "Events after the reporting period", the proposed dividend has not been recognised as a liability in the Financial Statements.

39. Income tax effects relating to other comprehensive income

| Group | 2021 | | | 2020 | | |
|---|-------------------|-----------------------|-------------------|-------------------|-----------------------|-------------------|
| | Before tax amount | Tax (expense) benefit | Net of tax amount | Before tax amount | Tax (expense) benefit | Net of tax amount |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Net gain/(loss) on Available-for-sale financial assets | (572,553) | 36,569 | (535,984) | 707,647 | (35,334) | 672,313 |
| Actuarial gain on defined benefit plans | 265,387 | (120) | 265,267 | (519,663) | (9) | (519,672) |
| Share of other comprehensive income of equity accounted investees | 103,486 | - | 103,486 | (9,471) | - | (9,471) |
| Revaluation surplus/(Deficit) during the year | 926,640 | (38,348) | 888,292 | 685,721 | (64,218) | 621,503 |
| Total | 722,960 | (1,898) | 721,062 | 864,234 | (99,561) | 764,673 |

| Company | 2021 | | | 2020 | | |
|--|-------------------|-----------------------|-------------------|-------------------|-----------------------|-------------------|
| | Before tax amount | Tax (expense) benefit | Net of tax amount | Before tax amount | Tax (expense) benefit | Net of tax amount |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Net gain/(loss) on Available-for-sale financial assets | (572,553) | 36,569 | (535,984) | 707,647 | (35,334) | 672,313 |
| Actuarial gain on defined benefit plans | 264,577 | - | 264,577 | (519,729) | (9) | (519,738) |
| Revaluation surplus/(Deficit) during the year | 826,700 | (14,362) | 812,338 | 559,191 | (64,218) | 494,973 |
| Total | 518,724 | 22,207 | 540,931 | 747,109 | (99,561) | 647,557 |

40. Risk management framework**40.(a). Governance framework**

The primary objective of the Group's financial risk management is to manage financial risks within its risk appetite and provide reasonable assurance on the achievement of financial objectives.

Financial risk management is embedded into the Group's broader Risk Management Framework and spans across the Group with clear objectives, duties and responsibilities specified at each level. The Board of Directors, with the assistance of the Board Risk Committee, bears the overall responsibility for establishment and oversight of the risk management framework. The Executive Risk Management Committee, headed by the Chief Risk Officer, is responsible for developing, facilitating and monitoring the control framework and execution of proper risk management strategies. The line management and staff are responsible for day-to-day risk management and are represented at the Sub-committee level. Regular review of risks and effective risk mitigation strategies ensure consistent corporate performance, while risks are managed within the risk appetite of the Group.

40.(b). Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that return on capital employed meet the requirements of its capital providers

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders

Operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Company maintains capital, investments and solvency as per the regulations prescribed by Insurance Regulatory Commission of Sri Lanka. (IRCSL). New changes in regulations are timely adopted and necessary changes are made to internal processes.

40.(c). Approach to capital management

The Group allocates capital to businesses as required and ensures sufficient returns to shareholders and policyholders. The asset and liability management establishes the required level of liquidity and reduces the risks of the company and achieves the required capital levels of the company.

The primary source of capital used by the Company is equity shareholders' funds.

The return expectations are regularly forecasted and comparisons are made in order to ensure the requirements of stakeholders are achieved.

The Group had no significant changes in its policies and processes relating to its capital structure during the past year from previous years.

Ceylinco Life Insurance Ltd. has following capital resources.

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | Rs.'000 | Rs.'000 |
| Total equity as per the Statement of Financial Position | 44,194,032 | 38,145,035 |
| Adjustments to the capital under the RBC Framework | 27,470,590 | 33,591,988 |
| Available capital resources under the RBC Framework | 71,664,622 | 71,737,023 |

The adjustments onto a regulatory basis Includes the followings:.

1. Adjustment for valuation differences of Assets and Liabilities between SLFRS and RBC frameworks.
2. Unallocated valuation surplus maintained in the insurance funds.
3. 50% of net future bonuses in respect of participating business
4. Value of Inadmissible Assets considered as a deduction from capital under RBC framework.

40.(d). Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group manages its business affairs in a manner that benefits the policyholders. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate Capital Adequacy position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The Company is regulated by Insurance Regulatory Commission of Sri Lanka (IRCSL) with the objective of protecting shareholders and policyholders.

There are various regulations and directives the company is expected to adhere to in order to achieve the expected norms, which leads the company to maintain required solvency and maintain sufficient capital.

Financial risks arise due to movements in market variables. The risks mainly involve interest rate risk and equity price risk. The company manages these risks through various strategies adopted at the Investment Committee and Financial Risk Committee.

The new Risk Based Capital framework or RBC is focused on managing the risks rather than complying with solvency margin rules. The RBC framework was tested and refined since 2011 and full implementation started from January 2016. RBC reporting to the regulator consists of templates and questionnaires developed over the past years. RBC is a flexible framework for maintenance of minimum capital requirements based on riskiness of respective insurance company. It consist of risk factors insurance companies are exposed to such as Credit Risk, Concentration Risk, Market Risk, Operational Risk and Liability Risk. It also includes quantified capital charges for those risk factors and valuation methodology for assets and liabilities of insurance companies. The implementation of RBC was intended to increase transparency and establish appropriate risk management systems. It was expected to create a more stable industry with greater public confidence. This framework helps to develop a culture of risk awareness in the industry while encouraging efficient use of capital to improve returns based on the risk exposure. This will be advantageous to the companies with good risk management practices.

The Company operates according to the requirements set by the Regulator - IRCSL. The Capital Adequacy Ratio of the Company is as follows:

| | | 31st December 2021 | 31st December 2020 |
|---|--------|--------------------|--------------------|
| Total Available Capital (TAC) | Rs. Mn | 71,665 | 71,737 |
| Risk Based Capital Requirement (RCR) | Rs. Mn | 18,048 | 16,918 |
| Risk Based Capital Adequacy Ratio (CAR) | % | 397% | 424% |
| Regulatory Minimum CAR | % | 120% | 120% |

40.(e). Asset Liability Management (ALM) Framework

ALM framework is used to manage the risks arising due to mismatches of asset and liability cash flows. ALM is an ongoing process of formulating, implementing, monitoring and revising strategies related to management of assets and liabilities to achieve an organization's financial objectives, given the organization's risk appetite, tolerance and other constraints.

ALM deals with optimal investment of assets in view of meeting current and future goals as well as liabilities.

Various financial risks arise from open positions in interest rates, currency and equity instruments, all of which are exposed to general and specific market movements.

The Board Investment Committee (BIC), along with inputs from Operational Investment Committee (OIC), identifies the nature of liabilities arising from the product portfolio and evaluates investment options that best suit to hedge/manage the said risks. The Company manages these selected positions prudently, within a strategically crafted and Board approved ALM Policy that has been developed considering the cyclical nature of the domestic interest rates, in order to achieve risk-adjusted investment returns in excess of its obligations, in the long term.

41. Insurance and financial risk

41.(a). Insurance Risk

The principal insurance risk the Company faces 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. Therefore, the objective of the Company is to ensure that sufficient financial and reinsurance protection is available to cover these liabilities.

This risk is mitigated by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company has entered into long term reinsurance treaties with the world's leading reinsurers as a part of its risks mitigation program. The reinsurance program is designed to mitigate the Company's exposure to a single claim as well as to catastrophic losses.

More details on how we mitigate underwriting, claims and reinsurance risk are described under Risk Management Repor on pages 177 to 185.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41.(a).1. Reinsurers Credit Ratings

The following table shows the credit ratings of reinsurance companies with whom the Company has entered in to the reinsurance arrangements as of 31st December 2021.

| Reinsurer | Country of Origin | Ratings | Rating Agency |
|-------------------|-----------------------------|---------|-----------------|
| Munich-Re | Germany | AA | Fitch Rating |
| Munich-Re takaful | Malaysia (Retakaful branch) | AA | Fitch Rating |
| Swiss-Re | Switzerland | AA- | Standard & Poor |
| RGA | Ireland | AA- | Standard & Poor |

The below note shows the re-insurances receivables as of 31 st December, with the respective ratings of each reinsurer, company has engaged with.

| | Ratings | Group | | Ratings | Company | |
|--------------------------------------|---------|----------------|----------------|---------|----------------|----------------|
| | | 2021 | 2020 | | 2021 | 2020 |
| | | Rs.'000 | Rs.'000 | | Rs.'000 | Rs.'000 |
| Reinsurance Receivable - Swiss Re | AA- | 92,993 | 76,890 | AA- | 92,993 | 76,890 |
| Reinsurance Receivable - Munich Re | AA | 219,405 | 105,939 | AA | 219,405 | 105,939 |
| Reinsurance Receivable - RGA | AA- | 79,773 | 97,180 | AA- | 79,773 | 97,180 |
| Total Reinsurance Receivables | | 392,170 | 280,009 | | 392,170 | 280,009 |

41.(a).(2). Life Insurance Contracts

Life insurance contracts offered by the Company include: whole life, term assurance, endowment plans, retirement plans, critical illness benefit, disability insurance, daily hospital cash, and major surgery benefit.

The main risks that the Company is exposed to are as follows:

Mortality risk – risk of loss arising due to policyholder death experience being different than expected

Morbidity risk – risk of loss arising due to policyholder health experience being different than expected

Investment return risk – risk of loss arising from actual returns being different than expected

Expense risk – risk of loss arising from expense experience being different than expected

Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

The Company's underwriting strategy is designed to ensure that risks are properly assessed and correct premium is charged.

The use of scientifically designed proposal forms and medical screening ensures that appropriate data related to the risks to be covered are collected to arrive at a premium which takes into account current health conditions and additional risks of the life to be insured.

The strategy also addresses regular review of actual claim experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

For contracts in which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

Key Assumptions

The company exercises to significant judgment in determining the policy liabilities and in selecting assumptions. The key assumptions for which the liability value can be sensitive are mortality, morbidity, expenses, discount rates, lapse and surrender rates. The choice of assumptions depends on the past and current experience of the Company and other available information. Assumptions on future expenses 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 industry risk free rates. All these assumptions are within the guidelines issued by the IRCSL.

Mortality rate

Mortality assumptions are based on standard mortality tables.

Lapse rates

Lapses occur due to non-payment of premiums before the policy acquires a surrender value. Surrenders occur due to termination of policies by policyholders after acquiring a surrender value.

Risk Free Rate

Risk free discount rate is used to discount the cash flows for corresponding durations for guaranteed benefits of non-participating and participating insurance fund policies. The applicable risk free rates are shared by the Insurance Board of Sri Lanka every quarter.

Fund-based yield

Fund-based yield is used in the participating fund to discount the cash flows for corresponding durations where total benefits are considered.

Management Expenses

The assumptions for management expenses are determined based on the investigation into the expenses of the Company over the last four calendar years. Each expense is classified as acquisition/maintenance/termination and then classified as fixed/variable.

41.(a).3. Sensitivity of the Value of Insurance Liabilities for Changes in Assumptions

| Sensitivity of the Value of Insurance Liabilities as at 12/31/21 | Changes in Assumptions | Impact on the Net Best Estimate Liabilities |
|--|------------------------|---|
| Expenses | +10% | 1.50% |
| Expense | -10% | -1.50% |
| Mortality | +10% | 0.46% |
| Mortality | -10% | -0.46% |
| Morbidity | +20% | 0.37% |
| Morbidity | -20% | -0.39% |
| Withdrawal Rate | +20% | -0.40% |
| Withdrawal Rate | -20% | 0.57% |

41.(b). Credit Risk

Credit risk (in ALM context) is the risk that an issuer or counterparty failing to meet its contractual obligations towards the Company, due to various reasons such as its declining financial strength. The sub-categories of credit risk include;

- i. Default risk: the risk that the issuer failing to make timely interest or principal payments.
- ii. Downgrade risk: the risk that the rating of the issuer/debt instrument will be downgraded.
- iii. Credit spread risk: the risk that credit spreads will widen.

To minimize credit risk, financial investments (such as term deposits, debentures, etc.) are placed, investment transactions (such as government securities purchases and sales, repurchase/reverse repurchase agreements) are entered, strictly adhering to guidelines set by the Board Investment Committee (BIC).

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In addition, individual exposures to such approved counterparties are set and monitored based on Insurance Regulatory Commission of Sri Lanka (IRCSL) determinations as well as internal limits which are set by the BIC. The internal limits and their exposures are monitored regularly by Investment Middle Office on an ongoing basis, and reviewed periodically by the BIC.

- Reinsurance is placed with counterparties that have a good credit rating. At each reporting date, an assessment of creditworthiness of reinsurers are performed and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

More details on how we mitigate Interest rate risk is described under risk management report on pages 177 to 185.

41.(b).1. Credit Risk Exposure

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position and items such as future commitments.

| | Page | Notes | Group | | | | Company | | | |
|--|------|--------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|
| | | | 2021 | | 2020 | | 2021 | | 2020 | |
| | No | | Rs.'000 | % | Rs.'000 | % | Rs.'000 | % | Rs.'000 | % |
| Financial instruments | | | | | | | | | | |
| Held-to-maturity financial assets | 258 | 12.(a) | | | | | | | | |
| Government Securities | | | 53,668,148 | 35.24 | 36,964,353 | 28.05 | 53,668,148 | 35.48 | 36,964,353 | 28.25 |
| Corporate Debts | | | 10,237,229 | 6.72 | 14,521,104 | 11.02 | 10,237,229 | 6.77 | 14,521,104 | 11.10 |
| Loans and receivables | 259 | 12.(b) | | | | | | | | |
| Repo Investments | | | 6,371,199 | 4.18 | 395,000 | 0.30 | 6,296,199 | 4.16 | 395,000 | 0.30 |
| Corporate Debts | | | 19,316,135 | 12.68 | 12,134,496 | 9.21 | 19,316,135 | 12.77 | 12,134,496 | 9.27 |
| Term Deposits | | | 58,383,524 | 38.34 | 47,908,541 | 36.36 | 57,517,903 | 38.03 | 47,166,959 | 36.04 |
| Other | | | 812,952 | 0.53 | 936,699 | 0.71 | 812,952 | 0.54 | 936,699 | 0.72 |
| Available-for-sale financial assets | 260 | 12.(c) | | | | | | | | |
| Equity securities | | | 124,576 | 0.08 | 104,816 | 0.08 | 124,576 | 0.08 | 104,816 | 0.08 |
| Debt securities | | | 491,532 | 0.32 | 13,094,012 | 9.94 | 491,532 | 0.32 | 12,927,351 | 9.88 |
| Unit Trust Investment | | | 167,460 | 0.11 | - | - | - | - | - | - |
| Financial assets at fair value through profit or loss | 262 | 12.(d) | | | | | | | | |
| Equity securities | | | 1,073 | 0.01 | 927 | - | 1,073 | 0.01 | 927 | - |
| Debt securities | | | - | - | 3,096,757 | 2.35 | - | - | 3,096,757 | 2.37 |
| Reinsurance assets | 275 | 15 | 392,170 | 0.26 | 280,009 | 0.21 | 392,170 | 0.26 | 280,009 | 0.21 |
| Loans to Policyholders | 280 | 17.(a) | 1,561,981 | 1.03 | 1,282,725 | 0.97 | 1,561,981 | 1.03 | 1,282,725 | 0.98 |
| Premium Receivables | 280 | 18 | 336,496 | 0.22 | 288,720 | 0.22 | 336,496 | 0.22 | 288,720 | 0.22 |
| Cash and cash equivalents | 281 | 20 | 421,856 | 0.28 | 769,939 | 0.58 | 494,350 | 0.33 | 768,553 | 0.59 |
| Total credit risk exposure | | | 152,286,331 | 100 | 131,778,100 | 100 | 151,250,745 | 100 | 130,868,470 | 100 |

Investments in Government securities consist of Treasury Bonds, Treasury Bills and Repo investments. Treasury Bills and Treasury Bonds are considered as risk free instruments, which are fully backed by the Government of Sri Lanka.

41.(b).2. Industry analysis - Company

| 31 December 2021 | Page | | Financial Services | Government | Services | Manufacturing and Power | Others | Total |
|--|------|--------|--------------------|-------------------|--------------|-------------------------|----------------|--------------------|
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Assets | | | | | | | | |
| Held-to-Maturity Financial Assets | 258 | 12.(a) | | | | | | |
| Debt securities | | | 10,237,229 | 53,668,148 | - | - | - | 63,905,377 |
| | | | 10,237,229 | 53,668,148 | - | - | - | 63,905,377 |
| Loans and Receivables | 259 | 12(b) | | | | | | |
| Term Deposits | | | 57,517,903 | - | - | - | - | 57,517,903 |
| Repo Investments | | | 6,296,199 | - | - | - | - | 6,296,199 |
| Unquoted Debentures | | | 4,875,489 | - | - | - | - | 4,875,489 |
| Quoted Debentures | | | 14,440,646 | - | - | - | - | 14,440,646 |
| Staff and vehicle Loans (Hire Purchase) | | | - | - | - | - | 812,952 | 812,952 |
| | | | 83,130,238 | - | - | - | 812,952 | 83,943,190 |
| Available-for-Sale Financial Assets | 260 | 12.(c) | | | | | | |
| Equity securities | | | 122,051 | - | 2,525 | - | - | 124,576 |
| Debt securities | | | 164,657 | 326,876 | - | - | - | 491,532 |
| | | | 286,708 | 326,876 | 2,525 | - | - | 616,108 |
| Financial Assets at Fair Value through Profit or Loss | 262 | 12.(d) | | | | | | |
| Equity securities | | | 169 | - | 447 | 456 | - | 1,073 |
| | | | 169 | - | 447 | 456 | - | 1,073 |
| Total credit risk exposure | | | 93,654,343 | 53,995,024 | 2,972 | 456 | 812,952 | 148,465,749 |

| 31 December 2020 | Page | | Financial Services | Government | Services | Manufacturing | Others | Total |
|--|------|--------|--------------------|-------------------|--------------|---------------|----------------|--------------------|
| | No | | Rs.000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Held-to-Maturity Financial Assets | 258 | 12.(a) | | | | | | |
| Debt securities | | | 14,521,104 | 36,964,353 | - | - | - | 51,485,457 |
| | | | 14,521,104 | 36,964,353 | - | - | - | 51,485,457 |
| Loans and Receivables | 259 | 12(b) | | | | | | |
| Term Deposits | | | 47,166,959 | - | - | - | - | 47,166,959 |
| Repo Investments | | | 395,000 | - | - | - | - | 395,000 |
| Unquoted Debentures | | | 5,430,754 | - | - | - | - | 5,430,754 |
| Quoted Debentures | | | 6,703,742 | - | - | - | - | 6,703,742 |
| Staff and vehicle Loans (Hire Purchase) | | | - | - | - | - | 936,699 | 936,699 |
| | | | 59,696,455 | - | - | - | 936,699 | 60,633,154 |
| Available-for-Sale Financial Assets | 260 | 12.(c) | | | | | | |
| Equity securities | | | 100,371 | - | 2,523 | 1,920 | - | 104,814 |
| Debt securities | | | 266,149 | 12,661,203 | - | - | - | 12,927,351 |
| | | | 366,520 | 12,661,203 | 2,523 | 1,920 | - | 13,032,166 |
| Financial Assets at Fair Value through Profit or Loss | 262 | 12.(d) | | | | | | |
| Equity securities | | | 173 | - | 432 | 323 | - | 928 |
| Debt securities | | | - | 3,096,757 | - | - | - | 3,096,757 |
| | | | 173 | 3,096,757 | 432 | 323 | - | 3,097,685 |
| Total credit risk exposure | | | 74,584,251 | 52,722,313 | 2,955 | 2,243 | 936,699 | 128,248,463 |

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41.(b).3. Credit Ratings of Financial Instruments - Company

The below table indicates the rating of investments as at 31st December 2021 & 2020

| 31 December 2021 | Page | | AAA | AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB | BBB- | Unrated | Total |
|--|------|--------|-------------------|-----------|----------------|-------------------|-------------------|------------------|----------|----------------|----------------|---------------|----------------|--------------------|
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial instruments | | | | | | | | | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | | | | | | | | | |
| Debt securities | 258 | 12.(a) | 53,668,148 | - | - | 5,482,067 | 2,630,698 | 2,124,463 | - | - | - | - | - | 63,905,377 |
| Loans and Receivables | 259 | 12.(b) | 17,889,069 | - | 175,780 | 45,556,421 | 16,579,236 | 1,681,189 | - | 979,144 | 259,012 | 10,387 | 812,952 | 83,943,190 |
| Available-for-Sale Financial Assets | | | | | | | | | | | | | | |
| Equity securities | 260 | 12.(c) | - | - | - | - | - | - | - | - | 122,051 | - | 2,525 | 124,576 |
| Debt securities | 260 | 12.(c) | 326,876 | - | - | 58,855 | 105,802 | - | - | - | - | - | - | 491,532 |
| Financial Assets at Fair Value through Profit or Loss | | | | | | | | | | | | | | |
| Equity securities | 262 | 12.(d) | 39 | 28 | - | 84 | 141 | - | - | - | - | - | 781 | 1,073 |
| Total | | | 71,884,131 | 28 | 175,780 | 51,097,426 | 19,315,878 | 3,805,652 | - | 979,144 | 381,064 | 10,387 | 816,259 | 148,465,748 |

| 31 December 2020 | Page | | AAA | AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB | BBB- | Unrated | Total |
|--|------|--------|-------------------|-------------------|----------|-------------------|-------------------|------------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| | No | Note | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial instruments | | | | | | | | | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | | | | | | | | | |
| Debt securities | 258 | 12.(a) | 36,964,353 | 5,859,754 | - | 3,485,121 | 2,935,437 | 2,240,792 | - | - | - | - | - | 51,485,457 |
| Loans and Receivables | 259 | 12.(b) | 9,425,051 | 21,220,522 | - | 10,303,075 | 15,460,979 | 1,690,969 | 299,438 | 824,765 | 259,055 | 212,600 | 936,699 | 60,633,154 |
| Available-for-Sale Financial Assets | | | | | | | | | | | | | | |
| Equity securities | 260 | 12.(c) | - | - | - | - | - | - | - | - | 100,371 | - | 4,445 | 104,816 |
| Debt securities | 260 | 12.(c) | 12,661,203 | 113,586 | - | - | 101,615 | 50,947 | - | - | - | - | - | 12,927,351 |
| Financial Assets at Fair Value through Profit or Loss | | | | | | | | | | | | | | |
| Equity securities | 262 | 12.(d) | 43 | 28 | - | 126 | 145 | - | - | - | - | - | 585 | 927 |
| Debt securities | 262 | 12.(d) | 3,096,757 | - | - | - | - | - | - | - | - | - | - | 3,096,757 |
| Total | | | 62,147,408 | 27,193,890 | - | 13,788,323 | 18,498,177 | 3,982,707 | 299,438 | 824,765 | 359,426 | 212,600 | 941,729 | 128,248,463 |

41.(b).4. Corporate Debt Securities by Credit Ratings

The following table shows the credit rating of Investment in Corporate Debt.

Held to Maturity Financial Assets - Debentures (Quoted)

| | Group | | | | Company | | | |
|--------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | (Rs. '000) | % | (Rs. '000) | % | (Rs. '000) | % | (Rs. '000) | % |
| AA+ | - | - | 5,859,754 | 40.35 | - | - | 5,859,754 | 40.35 |
| AA- | 5,482,067 | 53.55 | 3,485,121 | 24.00 | 5,482,067 | 53.55 | 3,485,121 | 24.00 |
| A+ | 2,630,698 | 25.70 | 2,935,437 | 20.21 | 2,630,698 | 25.70 | 2,935,437 | 20.21 |
| A | 2,124,463 | 20.75 | 2,240,792 | 15.43 | 2,124,463 | 20.75 | 2,240,792 | 15.43 |
| Total | 10,237,229 | 100.00 | 14,521,104 | 100.00 | 10,237,229 | 100.00 | 14,521,104 | 100.00 |

The Group/Company has invested 100.00% (2020 -100 %) of its investment in Corporate Debentures (Quoted) held under HTM category in instruments, which are rated A or above by Fitch Ratings Lanka Ltd. or ICRA Lanka Ltd.

Loans and Receivables - Debentures (Quoted)

| | Group | | | | Company | | | |
|------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|
| | 2021 (Rs. '000) | % | 2020 (Rs. '000) | % | 2021 (Rs. '000) | % | 2020 (Rs. '000) | % |
| AA+ | - | - | 4,210,638 | 62.81 | - | - | 4,210,638 | 62.81 |
| AA | 175,780 | 1.22 | - | - | 175,780 | 1.22 | - | - |
| AA- | 11,947,665 | 82.74 | - | - | 11,947,665 | 82.74 | - | - |
| A+ | 2,203,024 | 15.26 | 2,203,137 | 32.86 | 2,203,024 | 15.26 | 2,203,137 | 32.86 |
| BBB+ | 114,177 | 0.78 | 289,967 | 4.33 | 114,177 | 0.78 | 289,967 | 4.33 |
| | 14,440,646 | 100.00 | 6,703,742 | 100.00 | 14,440,646 | 100.00 | 6,703,742 | 100.00 |

The Group/Company has invested 99.21% (2020- 95.67%) of its investment in Corporate Debentures (Quoted) held under Loans and Receivables category in instruments, which are rated A by Fitch Ratings Lanka Ltd or ICRA Lanka Ltd.

Loans and Receivables - Debentures (Unquoted)

| | Group | | | | Company | | | |
|------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|
| | 2021 (Rs. '000) | % | 2020 (Rs. '000) | % | 2021 (Rs. '000) | % | 2020 (Rs. '000) | % |
| AAA | 4,129,792 | 84.71 | 5,131,315 | 94.49 | 4,129,792 | 84.71 | 5,131,315 | 94.49 |
| A | 446,292 | 9.15 | - | - | 446,292 | 9.15 | - | - |
| A- | - | - | 299,438 | 5.51 | - | - | 299,438 | 5.51 |
| BBB+ | 299,405 | 6.14 | - | - | 299,405 | 6.14 | - | - |
| | 4,875,489 | 100.00 | 5,430,754 | 100.00 | 4,875,489 | 100.00 | 5,430,754 | 100.00 |

The Group/Company has invested 93.86 % (2020- 100%) of its investment in Corporate Debentures (Unquoted) held under Loans and Receivables category in instruments, which are rated A or above by Fitch Ratings Lanka Ltd or ICRA Lanka Ltd.

Available for Sale - Debentures (Quoted)

| | Group | | | | Company | | | |
|-----|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|
| | 2021 (Rs. '000) | % | 2020 (Rs. '000) | % | 2021 (Rs. '000) | % | 2020 (Rs. '000) | % |
| AA+ | - | - | 113,586 | 42.68 | - | - | 113,586 | 42.68 |
| AA- | 58,855 | 35.74 | - | - | 58,855 | 35.74 | - | - |
| A+ | 105,802 | 64.26 | 101,615 | 38.18 | 105,802 | 64.26 | 101,615 | 38.18 |
| A | - | - | 50,947 | 19.14 | - | - | 50,947 | 19.14 |
| | 164,657 | 100.00 | 266,149 | 100.00 | 164,657 | 100.00 | 266,149 | 100.00 |

The Group/Company has invested 100% (2020- 100%) of its investment in Corporate Debentures (Quoted) held under Available for Sale category in instruments, which are rated A or above by Fitch Ratings Lanka Ltd or ICRA Lanka Ltd.

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41.(b).5. Fixed Deposits by Credit Ratings

The following table shows the credit rating of Investment in Fixed Deposits

Loans and Receivables -Fixed Deposits

| | Group | | | | Company | | | |
|------|------------|-------|------------|-------|------------|-------|------------|-------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | (Rs. '000) | % | (Rs. '000) | % | (Rs. '000) | % | (Rs. '000) | % |
| AAA | 7,566,217 | 12.96 | 3,921,251 | 8.18 | 7,463,077 | 12.98 | 3,898,736 | 8.27 |
| AA+ | - | - | 17,530,790 | 36.59 | - | - | 17,009,884 | 36.06 |
| AA- | 34,371,237 | 58.87 | 10,303,075 | 21.51 | 33,608,755 | 58.43 | 10,303,075 | 21.84 |
| A+ | 14,376,212 | 24.62 | 13,432,200 | 28.04 | 14,376,212 | 24.99 | 13,257,841 | 28.11 |
| A | 1,234,897 | 2.12 | 1,714,773 | 3.58 | 1,234,897 | 2.15 | 1,690,968 | 3.59 |
| BBB+ | 565,562 | 0.97 | 534,797 | 1.12 | 565,562 | 0.98 | 534,797 | 1.13 |
| BBB | 259,012 | 0.44 | 259,055 | 0.54 | 259,012 | 0.45 | 259,055 | 0.55 |
| BBB- | 10,387 | 0.02 | 212,600 | 0.44 | 10,387 | 0.02 | 212,600 | 0.45 |
| | 58,383,524 | 100 | 47,908,541 | 100 | 57,517,903 | 100 | 47,166,959 | 100 |

The Group has invested 98.57% (2020- 97.90%) of its investment in Fixed Deposits held under Loans and Receivables in instruments, which are rated A or above by Fitch Ratings Lanka Ltd or ICRA Lanka Ltd.

The Company has invested 98.55% (2020- 97.87%) of its investment in Fixed Deposits held under Loans and Receivables in instruments, which are rated A or above by Fitch Ratings Lanka Ltd or ICRA Lanka Ltd.

41.(c). Market Risk

Market risk is the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in market factors which are directly/indirectly related to financial markets.

The sub-categories of market risk include;

- i. Interest rate risk: the risk that market value and/or future cash flows of a financial instrument will fluctuate due to changes in the level of interest rates, credit spreads or shape of the yield curve. This includes reinvestment risk and inflation risk, which eventually impacts the interest rates.
- ii. Currency risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates.
- iii. Equity price risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in equity prices.
- iv. Commodity price risk: the risk that market value or future cash flows of a commodity-linked financial instrument will fluctuate due to changes in commodity prices.

In addition, due to its investments in real estate, the Company is also exposed (albeit on a marginal basis) to changes in real estate values.

More details on how we mitigate Interest rate risk is described under risk management report on pages 177 to 185.

41.(d). Currency Risk

The Company has no significant exposure to currency risk. However, lack of available foreign exchange liquidity in the banking system might impact Company's operations as foreign supplier payments might be delayed.

More details on how we mitigate currency risk is described under risk management report in page 177 to 185.

41.(e) Interest Rate Risk

Interest rate risk is the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in the level of interest rates, credit spreads or shape of the yield curve. This includes reinvestment risk and inflation risk, which eventually impacts the interest rates.

Since financial investments of the Company consist mainly of fixed income securities (such as government securities, term deposits, corporate debt, etc.), interest rate risk is one of the most prominent risks faced by the Company.

Given (a) unavailability of long-term financial instruments with adequate yields, (b) cyclical and volatile nature of domestic interest rates, and (c) frequent changes to taxation and policy decisions, in order to optimize the returns on its investment portfolio, the Company diligently carries a duration gap in its asset-liability management framework.

The Company's Board approved Investment Policy recognizes the cyclical nature of the domestic financial markets. As a part on its investment decision making process, the Company closely monitors the current and future expected shifts in monetary and fiscal policy, changes in inflation expectations, movements in domestic and global interest/exchange rates, balance of payment position, changes in taxation and other key macroeconomic indicators and in turn, fine tune the investment strategies/horizons accordingly.

In addition to internal expertise, to ensure prudence and probity, the Company seeks the views of independent macro research providers in crafting and reviewing its investment strategy.

More details on how we mitigate Interest rate risk is described under risk management report on pages 177 to 185.

41.(e).1 Exposure to Interest Rate Risk

The following table presents the financial assets and liabilities which are subject to interest rate risk.

| 31 December | 2021 | | | | 2020 | | | |
|----------------------------------|------------------------|---------------------|----------------------|-------------|------------------------|---------------------|----------------------|-------------|
| | Variable Interest Rate | Fixed Interest Rate | Non-Interest Bearing | Total | Variable Interest Rate | Fixed Interest Rate | Non-Interest Bearing | Total |
| Group | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets | | | | | | | | |
| Held to Maturity | - | 63,905,377 | - | 63,905,377 | - | 51,485,457 | - | 51,485,457 |
| Loans & Receivables | - | 83,943,190 | - | 83,943,190 | - | 61,374,737 | - | 61,374,737 |
| Available For Sale | - | 658,992 | - | 658,992 | - | 13,094,012 | - | 13,094,012 |
| Fair Value through Profit & Loss | - | - | - | - | - | 3,096,757 | - | 3,096,757 |
| Loans to Life Policyholders | - | 1,561,981 | - | 1,561,981 | - | 1,282,725 | - | 1,282,725 |
| Cash and Cash Equivalent | - | - | 421,856 | 421,856 | - | - | 769,939 | 769,939 |
| Total Assets | - | 150,069,539 | 421,856 | 150,491,395 | - | 130,333,689 | 769,939 | 131,103,627 |
| Financial Liabilities | | | | | | | | |
| Interest Bearing Borrowings | 3,202,054 | 8,880 | - | 3,210,934 | - | 20,000 | - | 20,000 |
| Bank Overdraft | - | - | 450,203 | 450,203 | - | - | 531,849 | 531,849 |
| Total Liabilities | 3,202,054 | 8,880 | 450,203 | 3,661,137 | - | 20,000 | 531,849 | 551,849 |

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| 31 December | 2021 | | | | 2020 | | | |
|----------------------------------|------------------------|---------------------|----------------------|-------------|------------------------|---------------------|----------------------|-------------|
| | Variable Interest Rate | Fixed Interest Rate | Non-Interest Bearing | Total | Variable Interest Rate | Fixed Interest Rate | Non-Interest Bearing | Total |
| Company | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets | | | | | | | | |
| Held to Maturity | - | 63,905,377 | - | 63,905,377 | - | 51,485,457 | - | 51,485,457 |
| Loans & Receivables | - | 83,943,190 | - | 83,943,190 | - | 60,633,154 | - | 60,633,154 |
| Available For Sale | - | 491,532 | - | 491,532 | - | 12,927,351 | - | 12,927,351 |
| Fair Value through Profit & Loss | - | - | - | - | - | 3,096,757 | - | 3,096,757 |
| Loans to Life Policyholders | - | 1,561,981 | - | 1,561,981 | - | 1,282,725 | - | 1,282,725 |
| Cash and Cash Equivalent | - | - | 494,350 | 494,350 | - | - | 768,553 | 768,553 |
| Total Assets | - | 149,902,079 | 494,350 | 150,396,430 | - | 129,425,445 | 768,553 | 130,193,997 |
| Financial Liabilities | | | | | | | | |
| Interest Bearing Borrowings | 3,202,054 | - | - | 3,202,054 | - | - | - | - |
| Bank Overdraft | - | - | 404,397 | 404,397 | - | - | 497,141 | 497,141 |
| Total Liabilities | 3,202,054 | - | 404,397 | 3,606,450 | - | - | 497,141 | 497,141 |

The Company has no significant concentration of Interest rate risk during the reporting period.

41.(f). Equity Price Risk

The equity price risk is relatively negligible due to Company's diminutive exposure to equity market, except for several strategic investments which are of long-term in nature. However, the Company maintains a closer watch on movements in stock prices and indices.

Following table shows diversification of the equity investments of the Group/Company as of 31 December 2021.

| | Group | | | | Company | | | |
|---|------------|--------|------------|--------|------------|--------|------------|--------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | (Rs. '000) | % | (Rs. '000) | % | (Rs. '000) | % | (Rs. '000) | % |
| Fair Value through Profit & Loss | | | | | | | | |
| Banking, Finance and Insurance | 169 | 0.13 | 173 | 0.16 | 169 | 0.13 | 173 | 0.16 |
| Manufacturing, Plantations | 456 | 0.36 | 323 | 0.31 | 456 | 0.36 | 323 | 0.31 |
| Service | 447 | 0.36 | 432 | 0.41 | 447 | 0.36 | 432 | 0.41 |
| Total | 1,073 | 0.85 | 927 | 0.88 | 1,073 | 0.85 | 927 | 0.88 |
| Available for Sale | | | | | | | | |
| Banking, Finance and Insurance | 122,051 | 97.14 | 100,371 | 94.92 | 122,051 | 97.14 | 100,371 | 94.92 |
| Service | 2,525 | 2.01 | 4,445 | 4.20 | 2,525 | 2.01 | 4,445 | 4.20 |
| Total Available for Sale Financial Assets | 124,576 | 99.15 | 104,816 | 99.12 | 124,576 | 99.15 | 104,816 | 99.12 |
| Total | 125,649 | 100.00 | 105,744 | 100.00 | 125,649 | 100.00 | 105,744 | 100.00 |

More details on how we mitigate liquidity risk is described under risk management report on pages 177 to 185.

41.(g). Operational Risks

This is the risk that the Group may not meet its objectives due to failed, inadequate or incomplete internal processes, people, systems, controls, or due to external events. In the context of financial risk management, this involves management of operational risks which could lead to financial losses.

The Group manages operational risks by initiating a rigorous control framework and by monitoring and responding to potential risks.

Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, ethical business practices and standards, staff education, training and assessment processes, including the use of internal audit.

More details on how we mitigate liquidity risk is described under risk management report on pages 177 to 185.

41.(h). Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet both expected and unexpected current and future cash flow and collateral needs, efficiently, without affecting either daily operations or financial condition of the Company firm.

In the context of providing financial protection to policyholders through life insurance, timely settlement of financial commitments such as policyholder benefits and claims is essential. In addition, preserving the confidence of investment counterparties is also vital for continued investment management and operations.

Since a strain on liquidity would lead to fire sale of assets which would adversely affect the profitability and policyholder/investor confidence, zero tolerance is maintained for adverse deviations. The investment strategy of the Company ensures that sufficient liquid assets/credit lines are available to comfortably meet such unforeseen cash outflows, if any.

More details on how we mitigate liquidity risk is described under risk management report on pages 177 to 185.

41.(i). Investment Concentration Risk

Investment Concentration risk is the risk that arises due to excessive concentration of the investment portfolio. Unless the investment portfolio is sufficiently diversified, an excessive concentration in to one or more asset classes, entities (issuers), currencies or markets would create investment concentration risk. Investment Concentration risk can be viewed in two aspects;

1. Entity-wise: the concentration risk arising from an excessive concentration in to one or more issuers.
2. Asset class-wise: the concentration risk arising from an excessive concentration in to one or more asset classes

The company notes that due to nature of domestic financial markets, number of available and regulated high credit quality issuers are limited. Further, diversification for the sole purpose of addressing investment concentration risk introduces unwarranted exposure to credit and liquidity risks. Therefore, BIC has taken a calculated approach to maintain a suitable balance between credit risk and concentration risk.

Further, regular updates are presented to the BIC which identify, quantify and analyze impact on current and expected levels of investment concentration while ensuring that proper limit verifications are documented and available on all investment transactions. Further, all such counterparty/issuer exposures are monitored and reported regularly by Investment Middle Office.

Board Investment Committee monitors the current exposure to approved counterparties individually as well as on a related group basis and ensure compliance with determinations, directions and guidelines issued by IRCSL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41.(j). Maturity Profile

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group/ Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Group

| Asset and Liabilities | Page No | Note | Total Rs. | Less Than 1 Year Rs. | 1 year to 3 Years Rs. | 3 year to 5 Years Rs. | 5 year to 15 Years Rs. | More than 15 Years Rs. |
|--|------------|--------|--------------|----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| As at December 2021 | | | | | | | | |
| Assets | | | | | | | | |
| Financial instruments | | | | | | | | |
| Held-to-maturity financial assets | | | | | | | | |
| Debt securities | 258 | 12.(a) | 63,905,377 | 2,519,034 | 28,254,273 | 8,106,586 | 23,148,417 | 1,877,067 |
| Loans and Receivables | 259 | 12.(b) | 84,883,811 | 27,435,780 | 45,669,186 | 1,412,003 | 10,366,841 | - |
| Available-for-sale financial assets | | | | | | | | |
| Equity securities | 260 | 12.(c) | 124,576 | 124,576 | - | - | - | - |
| Debt securities | 260 | 12.(c) | 658,992 | 295,793 | 292,879 | - | 70,321 | - |
| Financial assets at fair value through profit or loss | | | | | | | | |
| Equity securities | 262 | 12.(d) | 1,073 | 1,073 | - | - | - | - |
| Reinsurance Receivables | 275 | 15 | 392,170 | 392,170 | - | - | - | - |
| Loans to life policyholders | 280 | 17.(a) | 1,561,980 | 192,044 | 247,672 | 226,273 | 703,521 | 192,471 |
| Premium receivables | 280 | 18 | 336,496 | 336,496 | - | - | - | - |
| Cash and Cash Equivalents | 281 | 20 | 421,856 | 421,856 | - | - | - | - |
| | | | 152,286,331 | 31,718,822 | 74,464,010 | 9,744,862 | 34,289,100 | 2,069,538 |
| Liabilities | | | | | | | | |
| Reinsurance Payables | 291 | 24 | 524,897 | 524,897 | - | - | - | - |
| Lease Liabilities | 246 | 8 | 233,814 | 76,659 | 105,254 | 49,578 | 2,323 | - |
| Trade and Other Payables | 292 | 25 | 4,765,374 | 4,765,374 | - | - | - | - |
| Interest Bearing Borrowings | 290 | 23.(a) | 3,210,934 | 3,210,934 | - | - | - | - |
| Bank Overdraft | 281 | 20 | 450,203 | 450,203 | - | - | - | - |
| | | | 9,185,223 | 9,028,068 | 105,254 | 49,578 | 2,323 | - |

| Asset and Liabilities | Page | | Total | Less Than 1 Year | 1 year to 3 Years | 3 year to 5 Years | 5 year to 15 Years | More than 15 Years |
|--|------|--------|-------------|---------------------|----------------------|----------------------|-----------------------|-----------------------|
| | No | Note | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| As at December 2020 | | | | | | | | |
| Assets | | | | | | | | |
| Financial instruments | | | | | | | | |
| Held-to-maturity financial assets | | | | | | | | |
| Debt securities | 258 | 12.(a) | 51,485,457 | 7,157,346 | 14,593,225 | 5,908,316 | 21,946,939 | 1,879,631 |
| Loans and receivables | 259 | 12.(b) | 61,374,736 | 8,053,709 | 41,547,490 | 11,515,604 | 257,933 | - |
| Available-for-sale financial assets | | | | | | | | |
| Equity securities | 260 | 12.(c) | 104,816 | 104,816 | - | - | - | - |
| Debt securities | 260 | 12.(c) | 13,094,012 | 396,631 | 6,655,960 | 4,227,017 | 1,814,405 | - |
| Financial assets at fair value through profit or loss | | | | | | | | |
| Equity securities | 262 | 12.(d) | 927 | 927 | - | - | - | - |
| Debt securities | | | 3,096,757 | 273 | 2,671,776 | 175,017 | 249,691 | - |
| Reinsurance Receivables | 275 | 15 | 280,009 | 280,009 | - | - | - | - |
| Loans to life policyholders | 280 | 17.(a) | 1,282,725 | 105,559 | 212,829 | 170,465 | 618,872 | 175,001 |
| Premium receivables | 280 | 18 | 288,720 | 288,720 | - | - | - | - |
| Cash and Cash Equivalents | 281 | 20 | 769,939 | 769,939 | - | - | - | - |
| | | | 131,778,100 | 17,157,929 | 65,681,281 | 21,996,418 | 24,887,840 | 2,054,632 |
| Liabilities | | | | | | | | |
| Reinsurance Payables | 291 | 24 | 477,740 | 477,740 | - | - | - | - |
| Lease Liabilities | 246 | 8 | 193,144 | 48,354 | 105,737 | 36,408 | 2,645 | - |
| Trade and Other Payables | 291 | 25 | 4,094,608 | 4,094,608 | - | - | - | - |
| Bank Overdraft | 281 | 20 | 531,849 | 531,849 | - | - | - | - |
| | | | 5,297,341 | 5,152,551 | 105,737 | 36,408 | 2,645 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**Company**

| Asset and Liabilities | Page | | Total | Less Than 1 Year | 1 year to 3 Years | 3 year to 5 Years | 5 year to 15 Years | More than 15 Years |
|--|------|--------|-------------|---------------------|----------------------|----------------------|-----------------------|-----------------------|
| | No | Note | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| As at December 2021 | | | | | | | | |
| Assets | | | | | | | | |
| Financial Instruments | | | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | | | |
| Debt securities | 258 | 12.(a) | 63,905,377 | 2,519,034 | 28,254,273 | 8,106,586 | 23,148,417 | 1,877,067 |
| Loans and Receivables | 259 | 12.(b) | 83,943,190 | 26,495,159 | 45,669,186 | 1,412,003 | 10,366,841 | - |
| Available-for-Sale Financial Assets | | | | | | | | |
| Equity securities | 260 | 12.(c) | 124,576 | 124,576 | - | - | - | - |
| Debt securities | 260 | 12.(c) | 491,532 | 128,333 | 292,879 | - | 70,321 | - |
| Financial Assets at Fair Value through Profit or Loss | | | | | | | | |
| Equity securities | 262 | 12.(d) | 1,073 | 1,073 | - | - | - | - |
| Debt securities | | | - | - | - | - | - | - |
| Reinsurance Receivables | 275 | 15 | 392,170 | 392,170 | - | - | - | - |
| Loans to life Policyholders | 280 | 17.(a) | 1,561,980 | 192,044 | 247,672 | 226,273 | 703,521 | 192,471 |
| Premium Receivables | 280 | 18 | 336,496 | 336,496 | - | - | - | - |
| Cash and Cash Equivalents | 281 | 20 | 494,350 | 494,350 | - | - | - | - |
| | | | 151,250,745 | 30,683,236 | 74,464,010 | 9,744,862 | 34,289,100 | 2,069,538 |
| Liabilities | | | | | | | | |
| Reinsurance Payables | 291 | 24 | 524,897 | 524,897 | - | - | - | - |
| Lease Liabilities | 246 | 8.(b) | 251,560 | 73,059 | 126,600 | 49,578 | 2,323 | - |
| Trade and Other Payables | 292 | 25 | 4,486,107 | 4,486,107 | - | - | - | - |
| Interest Bearing Borrowings | 290 | 23.(a) | 3,202,054 | 3,202,054 | - | - | - | - |
| Bank Overdraft | 281 | 20 | 404,397 | 404,397 | - | - | - | - |
| | | | 8,869,015 | 8,690,514 | 126,600 | 49,578 | 2,323 | - |

| Asset and Liabilities | Page | | Total | Less Than 1 Year | 1 year to 3 Years | 3 year to 5 Years | 5 year to 15 Years | More than 15 Years |
|--|------|--------|-------------|---------------------|----------------------|----------------------|-----------------------|-----------------------|
| | No | Note | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| As at December 2020 | | | | | | | | |
| Assets | | | | | | | | |
| Financial Instruments | | | | | | | | |
| Held-to-Maturity | | | | | | | | |
| Financial Assets | | | | | | | | |
| Debt securities | 258 | 12.(a) | 51,485,457 | 7,157,346 | 14,593,225 | 5,908,316 | 21,946,939 | 1,879,631 |
| Loans and receivables | 259 | 12.(b) | 60,633,154 | 7,312,127 | 41,547,490 | 11,515,604 | 257,933 | - |
| Available-for-Sale | | | | | | | | |
| Financial Assets | | | | | | | | |
| Equity securities | 260 | 12.(c) | 104,816 | 104,816 | - | - | - | - |
| Debt securities | 260 | 12.(c) | 12,927,351 | 229,970 | 6,655,960 | 4,227,017 | 1,814,405 | - |
| Financial Assets at Fair Value through Profit or Loss | | | | | | | | |
| Equity securities | 262 | 12.(d) | 927 | 927 | - | - | - | - |
| Debt securities | | | 3,096,757 | 273 | 2,671,776 | 175,017 | 249,691 | - |
| Reinsurance Receivables | 275 | 15 | 280,009 | 280,009 | | | | |
| Loans to life Policyholders | 280 | 17.(a) | 1,282,725 | 105,559 | 212,829 | 170,465 | 618,872 | 175,001 |
| Premium Receivables | 280 | 18 | 288,720 | 288,720 | - | - | - | - |
| Cash and Cash Equivalents | 281 | 20 | 768,553 | 768,553 | - | - | - | - |
| | | | 130,868,470 | 16,248,300 | 65,681,281 | 21,996,418 | 24,887,840 | 2,054,632 |
| Liabilities | | | | | | | | |
| Reinsurance Payables | 291 | 24 | 477,740 | 477,740 | - | - | - | - |
| Lease Liabilities | 246 | 8.(b) | 210,890 | 52,704 | 119,133 | 36,408 | 2,645 | - |
| Trade and Other Payables | 292 | 25 | 3,803,965 | 3,803,965 | - | - | - | - |
| Bank Overdraft | 281 | 20 | 497,141 | 497,141 | - | - | - | - |
| | | | 4,989,736 | 4,831,550 | 119,133 | 36,408 | 2,645 | - |

42. Provisions, Commitments and Contingencies

ACCOUNTING POLICY

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. The expense relating to provision is presented in income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All known provisions have been accounted for in preparing the Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. Contingent liabilities are not recognised in the statement of financial position but disclosed as a note to the financial statements. Contingent assets are disclosed, where inflow of economic benefit is probable.

42.(a). Legal Proceedings and Regulations

There are no any contingencies due to legal proceeding and regulations.

42.(b).(1). Capital Commitments

Capital Commitments relating to the property, plant and equipment's have been disclosed separately in Note 7.(c) on page 239.

42.(b).(2). Financial Commitments

The Company has entered in to a forward purchase agreements to acquire government securities worth of Rs. 600 Mn (Face Value) and transaction value date is on 04 January 2022.

42.(c). Assessments from Department of Inland Revenue

Tax Assessments on Income Tax

The Company received Income Tax Assessments from the Department of Inland Revenue for the years of assessment 2015/16, 2016/17 and 2017/18, which are in contrary to the Inland Revenue Act, No. 10 of 2006.

Assessment relating to 2017/18 is being heard by the office of the Commissioner General of Inland Revenue (CGIR) currently. Determinations of the CGIR for the assessments relating to the Y/A 2015/16 and Y/A 2016/17 were given against the Company. The Company duly appealed to the Tax Appeal Commission against the decisions of the CGIR and the appeals are being heard at the Tax Appeals Commission.

All these Assessments have been issued mainly under Section 92 of the Inland Revenue Act, No. 10 of 2006 and this is a concern for the life insurance industry as a whole.

The Company is of the view that the probability of materializing any of the assessments against the Company is very remote due to the fact that the Company has complied with the requirements of the Inland Revenue Act No. 10 of 2006. Accordingly, no additional provision has been recognized in respect of these Assessments in the Financial Statements.

Tax Assessments on VAT

The Company received Assessments for year 2017 (Q1, Q3 and Q4), 2018 (Q2, Q3 and Q4) and 2019 (Q1) under the Value Added Tax Act, No 14 of 2002 from the Department of Inland Revenue with regard to other income and claimability of input tax.

The Company has duly appealed against all of these Assessments to the Department of Inland Revenue in consultation with the Company's Tax Consultant.

In respect of Assessments relating to 2018 Q2, Q3 and 2019 Q1, the Company has submitted a settlement proposal, on which final confirmation is yet to be received from the CGIR.

Tax Assessments on VAT and NBT on Financial Services

The Company has received two Assessments for year 2016 and 2017 on VAT and NBT on Financial Services under the Value Added Tax Act, No 14 of 2002 from the Inland Revenue Department.

Upon receipt of the assessments, the Company has duly appealed against both of these Assessments to the Inland Revenue Department in consultation with the Company's Tax Consultant. Both of the assessments are being heard by respective Commissioners at the office of CGIR .

The Company is of the view that, it is out of scope of VAT on Financial Services (FS) and NBT on FS as the Company engages in the business of Life Insurance. This stance has been communicated to the CGIR.

Similar assessments have been received by the other players in the industry as well on the same grounds.

The Company is of the view of that the probability of materialization of the above assessments is very remote.

Compliance with IFRIC 23 - Uncertainty over Income Tax Treatments

The Company reviewed its uncertain income tax positions that could have an impact on the financial statements in order to comply with the provisions stipulated under IFRIC 23 interpretation.

Consequently, the Company concluded that the current accounting treatment for uncertain tax positions is in accordance with IFRIC 23.

43. Assets Pledged

The following assets have been pledged as security for liabilities as at end of the reporting period.

| Nature of Assets | Nature of Liability | Carrying Amount Pledged | Included under |
|------------------|--|-------------------------|---------------------|
| | | Rs.'000 | |
| Fixed Deposits | Pledged to Seylan Bank PLC to obtain banking facilities. | 134,000 | Loans & Receivables |

44. Related Party Disclosures

ACCOUNTING POLICIES

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard LKAS 24 – “Related Party Disclosures”.

Terms and conditions of transactions with related parties

The transactions with related parties are made on terms equivalent to those that prevail in arm’s length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group has not recorded an impairment of receivables relating to amounts owed by related parties (2020 – Nil).

According to LKAS 24 - “Related Party Disclosure”, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Company have been classified as Key Management Personnel of the Company. In addition, Chief Executive Officer has also been classified as Key Management Personnel of the Company.

As Ceylinco Insurance PLC (CIPLC) is the ultimate parent of the Company, and the Board of Directors of CIPLC have the authority and responsibility for planning, directing and controlling the activities of the Company, the Directors of CIPLC have also been identified as Key Management Personnel of the Company.

Close Family Members (CFM) of the KMP are those family members who may be expected to influence, or be influenced by, that KMPs in their dealing with the entity. They may include:

- (a) The KMP’s domestic partner and children;
- (b) Children of the KMP’s domestic partner; and
- (c) Dependent of the KMP or the KMP’s domestic partner

CFM are related parties to the entity. There were no transactions with CFM during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | Page | Note | Company | |
|--|------|----------|------------------------|----------------------|
| | | | 2021 | 2020 |
| | | | Rs. | Rs. |
| 44.I. Amounts received from related parties | | | | |
| Subsidiaries | 322 | 44.I.a | 9,191,247 | 8,851,577 |
| Equity accounted investees | 322 | 44.II.b | 273,350,603 | 39,420,159 |
| Other related companies | 322 | 44.I.c | 353,366,021 | 50,369,717 |
| Key management personnel | 322 | 44.I.d | 90,651,712 | 49,711,200 |
| Total | | | 726,559,583 | 148,352,653 |
| 44.II. Amounts paid to related parties | | | | |
| Subsidiaries | 322 | 44.II.a | (79,687,500) | (50,750,450) |
| Equity accounted investees | 322 | 44.II.b | (23,543,856) | (19,494,092) |
| Other related companies | 323 | 44.II.c | (847,942,379) | (67,712,682) |
| Key management personnel | 323 | 44.II.d | (453,731,063) | (429,295,327) |
| | | | (1,479,904,798) | (567,252,551) |
| Transaction with related parties | | | | |
| Amount received from related parties | | | | |
| 44.I.a. Subsidiaries | | | | |
| Ceylinco Health Care Services Ltd. | 324 | 44.IV.a | 4,718,902 | 5,101,577 |
| Serene Resorts Ltd. | 324 | 44.IV.a | 4,472,345 | 3,750,000 |
| | | | 9,191,247 | 8,851,577 |
| 44.I.b. Equity accounted investees | | | | |
| Citizen Development Business Finance PLC | 324 | 44.IV.b | 273,350,603 | 39,420,159 |
| | | | 273,350,603 | 39,420,159 |
| 44.I.c. Other related companies | | | | |
| Ceylinco General Insurance Ltd. | 324 | 44.IV.c | 353,366,021 | 50,369,717 |
| | | | 353,366,021 | 50,369,717 |
| 44.I.d. Key management personnel | | | | |
| Premium Received/(Maturity of Insurance Policies) | 325 | 44.III.d | 90,651,712 | 49,711,200 |
| | | | 90,651,712 | 49,711,200 |
| Amounts paid to related parties | | | | |
| 44.II.a. Subsidiaries | | | | |
| Ceylinco Health Care Services Ltd. | 324 | 44.IV.a | (4,687,500) | (750,450) |
| Serene Resorts Ltd. | 324 | 44.IV.a | (75,000,000) | (50,000,000) |
| | | | (79,687,500) | (50,750,450) |
| 44.II.b. Equity accounted investees | | | | |
| Citizen Development Business Finance PLC | 324 | 44.IV.b | (23,543,856) | (19,494,092) |
| | | | (23,543,856) | (19,494,092) |

| | Page | Note | Company | |
|---|------|----------|----------------------|----------------------|
| | | | 2021 | 2020 |
| | | | Rs. | Rs. |
| 44.II.c. Other related companies | | | | |
| Ceylinco General Insurance Ltd. | 324 | 44.IV.c | (65,442,379) | (67,712,682) |
| Ceylinco Insurance PLC | 324 | 44.IV.c | (782,500,000) | - |
| | | | (847,942,379) | (67,712,682) |
| 44.II.d. Key management personnel | | | | |
| Short-term employee benefits | 325 | 44.IV.d | (382,585,055) | (361,391,299) |
| Post employment benefits | 325 | 44.IV.d | (68,648,508) | (66,824,028) |
| Legal Fees paid | 325 | 44.III.d | (2,497,500) | (1,080,000) |
| | | | (453,731,063) | (429,295,327) |
| 44.III. Transaction with related parties | | | | |
| 44.III.a. Subsidiaries | | | | |
| Premium Received/(paid) | | | 122,345 | 34,050 |
| Rent Received/ (paid) | | | 6,810,000 | 6,030,000 |
| Investment in Shares | | | - | (50,000,000) |
| Medical Fees for staff & Customers | | | (4,687,500) | (750,450) |
| Reimbursement of Expenses | | | 2,144,236 | 2,787,527 |
| Advances | | | (75,000,000) | - |
| | | | (70,610,919) | (41,898,873) |
| 44.III.b. Equity accounted investees | | | | |
| Insurance Premium Received/(paid) | | | 30,644,924 | 36,850,119 |
| Claim (Received)/paid | | | (23,543,856) | (19,494,092) |
| Dividend Received/ (paid) | | | 161,235,720 | - |
| Rent Received/ (paid) | | | 2,719,959 | 2,570,040 |
| Interest Received/ (paid) | | | 78,750,000 | - |
| | | | 249,806,747 | 19,926,068 |
| 44.III.c. Other related companies | | | | |
| Premium paid | | | (60,092,379) | (64,800,182) |
| Premium Received | | | 33,810,098 | 28,348,852 |
| Claim (Received)/paid | | | (534,221) | 586,435 |
| Dividend Received/ (paid) | | | (782,500,000) | - |
| Rent Received/ (paid) | | | 14,740,144 | 18,521,930 |
| Sale of Property | | | 300,000,000 | - |
| | | | (494,576,357) | (17,342,965) |
| 44.III.d. Key management personnel | | | | |
| Premium Received/(Maturity of Insurance Policies) | | | 90,651,712 | 49,711,200 |
| Short-term employee benefits | | | (382,585,055) | (361,391,299) |
| Post employment benefits | | | (68,648,508) | (66,824,028) |
| Legal Fees paid | | | (2,497,500) | (1,080,000) |
| | | | (363,079,351) | (379,584,127) |
| Total | | | (678,459,881) | (418,899,898) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | Company | |
|--|----------------------|---------------------|
| | 2021 | 2020 |
| | Rs. | Rs. |
| 44.IV. Transaction with related parties - Subsidiaries | | |
| 44.IV.a. Ceylinco Health Care Services Ltd | | |
| Premium Received/(paid) | 114,666 | 34,050 |
| Rent Received/ (paid) | 2,460,000 | 2,280,000 |
| Medical Fees for staff & Customers | (4,687,500) | (750,450) |
| Reimbursement of Expenses | 2,144,236 | 2,787,527 |
| | 31,402 | 4,351,127 |
| Serene Resorts Ltd | | |
| Premium Received/(paid) | 122,345 | - |
| Investment In Shares | - | (50,000,000) |
| Rent Received/ (paid) | 4,350,000 | 3,750,000 |
| Advances | (75,000,000) | - |
| | (70,527,656) | (46,250,000) |
| Total | (70,496,253) | (41,898,873) |
| 44.IV.b. Transaction with related parties - Associates | | |
| Citizen Development Business Finance PLC | | |
| Insurance Premium Received | 30,644,924 | 36,850,119 |
| Claim paid | (23,543,856) | (19,494,092) |
| Dividend Received/ (paid) | 161,235,720 | - |
| Rent Received/ (paid) | 2,719,959 | 2,570,040 |
| Interest Received/ (paid) | 78,750,000 | - |
| Total | 249,806,747 | 19,926,068 |
| 44.IV.c. Transaction with related parties - Other Related companies | | |
| Ceylinco General Insurance Ltd. | | |
| Premium paid | (60,092,379) | (64,800,182) |
| Premium Received | 33,810,098 | 28,348,852 |
| Claim paid | (5,350,000) | (2,912,500) |
| Claim Received | 4,815,779 | 3,498,935 |
| Rent Received/ (paid) | 14,740,144 | 18,521,930 |
| Sale of Property | 300,000,000 | - |
| | 287,923,643 | (17,342,965) |
| Ceylinco Insurance PLC | | |
| Dividend paid | (782,500,000) | - |
| Total dividend paid | (782,500,000) | - |
| Total | (494,576,357) | (17,342,965) |

| | Company | |
|--|----------------------|----------------------|
| | 2021 | 2020 |
| | Rs. | Rs. |
| 44.IV.d. Compensation of Key management personnel | | |
| The summary of compensation of key management personnel for the year is, as follows: | | |
| Short-term employee benefits | (382,585,055) | (361,391,299) |
| Post employment benefits | (68,648,508) | (66,824,028) |
| Total | (451,233,563) | (428,215,327) |

The amounts disclosed in the above table are the amounts recognised as an expense during the reporting period related to key management personnel.

No loans have been given to the Directors of the Company.

Investment in Associate

No restrictions are placed on the ability of the associate to transfer funds to the parent company in the form of cash dividends or for the repayment of loans when due.

No guarantees or collaterals were provided to the associate.

45. Events after the reporting date

Events after the reporting period are those events, favorable and unfavorable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue.

Proposed Dividend

The Board of Directors has proposed a final dividend of Rs.15.75 per share amounting to a total of Rs. 787.5 million on 24 February 2022 out of the profit for the year ended 31 December 2021 subject to the approval of shareholder at the Annual General Meeting. As required by 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 recommending the final dividend for the year ended 31 December 2021. A statement of solvency was completed and duly signed by the Directors on 24th February 2022 and has been audited by Messrs. Ernst & Young Chartered Accountants.

In accordance with LKAS 10 - "Events after the reporting period", the proposed dividend has not been recognised as a liability in the Financial Statements.

Proposed Surcharge Tax

The Bill introducing the proposed tax was published after the reporting period and it has not been placed on the Order Paper of the Parliament for its first reading before the date these financial statements were authorized for issue. The proposed tax has not been substantively enacted by the end of the reporting period. Therefore, the financial statements have not been adjusted to reflect the consequences of this proposal.

The Government of Sri Lanka in its Budget for 2022 has proposed a one-time tax, referred to as a surcharge tax of 25% to be imposed on companies that have earned a taxable income in excess of LK Rs. 2,000 million for the year of assessment 2020/2021. The proposed tax should be deemed an expenditure in the financial statements relating to the year of assessment 2020/2021.

Since the enabling legislation for the proposed Surcharge Tax, as announced in the 2022 budget, is not considered to be substantially enacted as per LKAS – 12 as at the reporting date, the Company has not provided for any potential liability that may arise therefrom in the Financial Statements for the period ended 31 December 2021.

Other than mentioned above there have been no material events that occurred after the reporting date that require adjustments or disclosure in these Financial Statements.

46. Employee and industrial relations

There were no material issues pertaining to Employees & Industrial relations during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. Standards issued but not yet effective/ adopted

47.(a). Standards issued but not yet Adopted as at the Reporting Date

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Group and may have an impact on future Financial Statements which is summarised as below.

SLFRS 9 – Financial Instruments

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments classification and measurement which reflects all phases of the financial instruments project and replaces LKAS 39 – Financial Instruments: Recognition and Measurement. The standard introduces new requirements for,

- Classification and measurement
- Impairment
- Hedge Accounting

SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

Temporary Exemption from SLFRS 9

An insurer that meets the criteria in paragraph 20B of SLFRS 4 (amended) provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 – Financial Instruments: Recognition and Measurement rather than SLFRS 9 until annual periods beginning before 1st January 2023.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- (a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at Fair Value Through Profit or Loss and;
- (b) its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date.

Having considering the above criteria, Since Ceylinco Life Insurance Limited is predominantly connected with Insurance activities, management has decided continue to apply LKAS 39 – Financial Instruments: Recognition and Measurement rather than SLFRS 9 until annual periods beginning before 1st January 2023.

However, the Insurance Industry has requested from the Institute of Chartered Accountants of Sri Lanka (CASL), a further extension of effective date of SLFRS 17 with a deferment of SLFRS 9 due to outspread of Covid 19 pandemic and comprehensive actuarial and financial application of the aforesaid standards. Nevertheless, Ceylinco Life has successfully completed two phases out of five phases in SLFRS 17 implementation project and expected to apply SLFRS 17 together with SLFRS 9 from 01 January 2024.

Refer “Ceylinco Life Approach to SLFRS 17 Implementation” in Delivering Financial Value page No 66 for details explanation.

Summary of the Requirements

Classification and Measurement Financial Assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 contains three principal classification categories for financial assets measured at:

- Amortised Cost
- Fair Value Through Other Comprehensive Income (FVTOCI)
- Fair Value Through Profit or Loss

The standard eliminates the existing LKAS 39 categories of Held to Maturity, Loans and Receivables and Available For Sale. Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

Financial Liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in Profit or Loss, whereas under SLFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in the fair value is presented in Profit or Loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

Impairment

SLFRS 9 replaces the 'Incurred Loss' model in LKAS 39 with a forward-looking 'Expected Credit Loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments, and to contract assets.

Under SLFRS 9, loss allowances will be measured on either of the following bases:

12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and;

Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component;

With the consultation of external consultants the Group is in the process of formulating the relevant models for impairment computation.

47.(b). New Accounting Standards Issued But Not Effective as at the Reporting Date

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of financial statements of the Company are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

SLFRS 17 – Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on adoption of local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

However, the Insurance Industry has requested from the Institute of Chartered Accountants of Sri Lanka (CASL), a further extension of effective date of SLFRS 17 with a deferment of SLFRS 9 due to outspread of Covid 19 pandemic and comprehensive actuarial and financial application of the aforesaid standards. Nevertheless, Ceylinco Life has successfully completed two phases out of five phases in SLFRS 17 implementation project and expected to apply SLFRS 17 together with SLFRS 9 from 01 January 2024.

Refer "Ceylinco Life Approach to SLFRS 17 Implementation " in Delivering Financial Value page No 66 for details explanation.

Objective

SLFRS 17 Insurance contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Scope

An entity shall apply SLFRS 17 Insurance contracts to:

- Insurance contract, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features is issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the Standard, unless an entity chooses to apply to them SLFRS 15 Revenue from Contracts with Customers and provided the following conditions are met:

- a) the entity does not reflect an assessment of the risk associated with an individual
- b) customer in setting the price of the contract with that customer;
- c) the contract compensates customers by providing a service, rather than by making cash payments to the customer; and
- d) the insurance risk transferred by the contract arises primarily from the customer's use of service rather than from uncertainty over the cost of those services.

Recognition

An entity shall recognise a group of insurance contracts it issues from the earliest of the following:

- a) the beginning of the coverage period;
- b) the date when the first payment from a policyholder becomes due; and
- c) when the group becomes onerous.

SLFRS – 17 specify three measurement approaches;

1. Building Block Approach (BBA)
2. Premium Allocation Approach (PAA)
3. Variable Fee Approach (VFA)

Building Block Approach (General Approach) Measurement

On initial recognition, an entity shall measure a group of contracts at the total of:

- a) the amount of fulfilment cash flows ("FCF"), which comprise:
 - I. estimates of future cash flows;
 - II. an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows; and
 - III. a risk adjustment for non-financial risk
- b) the contractual service margin ("CSM").

An entity shall include all the cash flows within the boundary of each contract in the group. The entity may estimate the future cash flows at a higher level of aggregation and then allocate the resulting fulfilment cash flows to individual groups of contracts.

The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing and uncertainty of those future cash flows. They should reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices.

Discount Rates

The discount rates applied to the estimate of cash flows shall:

- a) reflect the time value of money (TVM), the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- b) be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts; and
- c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

Risk Adjustment for Non-Financial Risk

The estimate of the present value of the future cash flows is adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contractual Service Margin

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- a) the initial recognition of an amount for the FCF;
- b) the derecognition at that date of any asset or liability recognised for acquisition cash flows; and
- c) any cash flows arising from the contracts in the group at that date.

Subsequent Measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

- a) the liability for remaining coverage comprising:
 - I. the FCF related to future services and;
 - II. the CSM of the group at that date;
- b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

Onerous Contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognised acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

On subsequent measurement, if a group of insurance contracts becomes onerous (or more onerous), that excess shall be recognised in profit or loss. Additionally, CSM cannot increase and no revenue can be recognised, until the onerous amount previously recognised has been reversed in profit or loss as part of a service expense.

Premium Allocation Approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

- a) the entity reasonably expects that this will be a reasonable approximation of the General Model, or
- b) the coverage period of each contract in the group is one year or less

Where, at the inception of the group, an entity expects significant variances in the FCF during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

Using the PAA, the liability for remaining coverage shall be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortisation of acquisition cash flows, minus the amount recognised as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Modification and de-recognition

Modification of an Insurance Contract

If the terms of an insurance contract are modified, an entity shall derecognise the original contract and recognise the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The modification is substantive if any of the following conditions are satisfied:

- a. if, had the modified terms been included at contract's inception, this would have led to:
 - I. exclusion from the Standard's scope;
 - II. unbundling of different embedded derivatives;
 - III. redefinition of the contract boundary; or
 - IV. the reallocation to a different group of contracts; or
- b. if the original contract met the definition of a direct par insurance contracts, but the modified contract no longer meets that definition, or vice versa; or
- c. the entity originally applied the PAA, but the contract's modifications made it no longer eligible for it.

De-recognition

An entity shall de-recognise an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

Presentation in the Statement of Financial Position

An entity shall present separately in the statement of financial position the carrying amount of groups of:

- a) insurance contracts issued that are assets;
- b) insurance contracts issued that are liabilities;
- c) reinsurance contracts held that are assets; and
- d) reinsurance contracts held that are liabilities.

Recognition and presentation in the statement(s) of financial performance

An entity shall disaggregate the amounts recognised in the statement(s) of financial performance into:

- a) an insurance service result, comprising insurance revenue and insurance service expenses; and
- b) insurance finance income or expenses.

Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

Insurance Service Result

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall exclude any investment components. An entity shall not present premiums in the profit or loss, if that information is inconsistent with revenue presented. Insurance Finance Income or Expenses Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts arising from: [SLFRS 17:87]

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of changes in assumptions that relate to financial risk; but
- c) excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

An entity has an accounting policy choice between including all of insurance finance income or expense for the period in profit or loss, or disaggregating it between amount presented in profit or loss and amount presented in other comprehensive income (“OCI”).

Under the general model, disaggregating means presenting in profit or loss an amount determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of contracts. On derecognition of the groups amounts remaining in OCI are reclassified to profit or loss.

Under the VFA, for direct par insurance contracts, only where the entity holds the underlying items, disaggregating means presenting in profit or loss as insurance finance income or expenses an amount that eliminates the accounting mismatches with the finance income or expenses arising on the underlying items. On derecognition of the groups, the amounts previously recognised in OCI remain there.

Disclosures

An entity shall disclose qualitative and quantitative information about:

- a. the amounts recognised in its financial statements that arise from insurance contracts;
- b. the significant judgements, and changes in those judgements, made when applying SLFRS 17; and
- c. the nature and extent of the risks that arise from insurance contracts.

Transition

An entity shall apply the Standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilise reasonable and supportable information and maximise the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. Under this approach the use of hindsight is permitted, if that is the only practical source of information for the restatement of prior periods.

Under the fair value approach, an entity determines the CSM at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date. Using this approach, on transition there is no need for annual groups.

At the date of initial application of the Standard, those entities already applying SLFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the Standard. Entities can choose not to restate SLFRS 9 comparatives with any difference between the previous carrying amount of those financial assets and the carrying amount at the date of initial application recognised in the opening equity at the date of initial application. Any restatements of prior periods must reflect all the requirements of SLFRS 9.

Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to SLFRS 3 Business Combinations : Updating a reference to conceptual framework

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

Amendment to SLFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

Supplementary Information

Annexes

STATEMENT OF SUPPLEMENTARY FINANCIAL POSITION - POLICYHOLDERS

| As at 31 December | 2021 | 2020 |
|---|--------------------|--------------------|
| | Rs.'000 | Rs.'000 |
| Assets | | |
| Property, Plant and Equipment | 7,459,245 | 6,946,652 |
| Right-of-use Asset | 238,137 | 197,763 |
| Investment Properties | 1,646,100 | 1,196,300 |
| Investment in Subsidiaries | 15,000 | 15,000 |
| Investment in Associates | 42,990 | 42,990 |
| Financial Instruments | | |
| Held to Maturity Financial Assets | 55,386,380 | 44,657,932 |
| Loans and Receivables | 59,537,103 | 42,866,021 |
| Available-For-Sale Financial Assets | 613,583 | 11,217,251 |
| Financial Assets at Fair Value Through Profit or Loss | 1,073 | 2,887,708 |
| Employee Gratuity Benefit Asset | 1,141,784 | - |
| Employee Pension Benefit Asset | 78,393 | - |
| Reinsurance Receivables | 392,170 | 280,009 |
| Loans to Life policyholders | 1,561,981 | 1,282,725 |
| Premium Receivables | 336,496 | 288,720 |
| Other Assets | 113,180 | 153,032 |
| Cash and Cash Equivalents | 359,970 | 627,650 |
| Total Assets | 128,923,583 | 112,659,755 |
| Equity and Liabilities | | |
| Liabilities | | |
| Insurance Contract Liabilities - Life | 119,634,780 | 106,737,377 |
| Insurance Contract Liabilities - Unit Linked | 318,852 | 329,257 |
| Insurance Contract Liabilities-Family Takaful | 15,973 | 14,698 |
| Individual Investment Fund - ISF | 351,441 | 313,434 |
| Reinsurance Payables | 524,897 | 477,740 |
| Trade and Other Payables | 4,219,629 | 4,079,217 |
| Lease Liabilities | 251,560 | 210,890 |
| Interest Bearing Borrowings | 3,202,054 | - |
| Bank Overdraft | 404,397 | 497,141 |
| Total Liabilities | 128,923,583 | 112,659,754 |
| Total Equity and Liabilities | 128,923,583 | 112,659,755 |

INSURANCE REVENUE ACCOUNT

| For the Year Ended 31st December, | Page | | 2021 | 2020 | % |
|---|------|---------------|--------------|--------------|----------|
| | No | Glossary item | Rs. '000 | Rs. '000 | Change |
| Gross Written Premium | 344 | 22 | 25,565,050 | 22,076,250 | 15.80 |
| Net Written Premium (Net of Premiums ceded to reinsurers) | 345 | 38 | 25,256,552 | 21,570,788 | 17.09 |
| Investment and Other Income Attributable to Policyholders | | | 11,781,627 | 12,155,975 | (3.08) |
| Net Benefits Paid | 345 | 39 | (12,736,308) | (12,266,513) | 3.83 |
| Increase in Long Term Insurance Fund | | | (11,803,985) | (9,423,994) | 25.25 |
| Acquisition Cost | | | (2,369,754) | (2,123,644) | 11.59 |
| Operating and Administrative Expenses Attributable to Policyholders | | | (4,496,968) | (4,553,974) | (1.25) |
| Interest Expense | | | (91,414) | (76,292) | 19.82 |
| Tax Expenses | | | (1,039,749) | (1,181,496) | (12.00) |
| Surplus from Life Insurance Business | 345 | 33 | 4,500,000 | 4,100,849 | 9.7 |
| Surplus From Life Insurance Business | | | 4,500,000 | 4,100,849 | 9.73 |
| Investment & Other Income not Attributable to Policyholders | | | 3,347,512 | 2,756,226 | 21.45 |
| Operating and Administrative Expenses not Attributable to Policyholders | | | (339,662) | 730,644 | (146.49) |
| Interest Expense | | | (2,229) | (2,703) | (17.68) |
| Tax Expenses | | | (731,130) | (650,895) | 12.28 |
| Profits From Operations After Interest and Tax Expenses | | | 6,774,490 | 6,934,121 | (2.30) |

QUARTERLY ANALYSIS 2021

Company Statement of Income

(values are to the nearest rupees thousand)

| | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter | Total |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|
| | Jan - Mar | Apr - Jun | Jul - Sep | Oct - Dec | Jan - Dec |
| Gross written premiums | 5,729,595 | 5,878,272 | 5,662,658 | 8,294,526 | 25,565,050 |
| Premiums ceded to reinsurers | (155,103) | (111,047) | (160,311) | 117,961 | (308,499) |
| Net written premiums | 5,574,492 | 5,767,225 | 5,502,347 | 8,412,487 | 25,256,552 |
| Net change in Reserve for unearned premium | | | | - | |
| Net Earned premium | 5,574,492 | 5,767,225 | 5,502,347 | 8,412,487 | 25,256,552 |
| | | | | | - |
| Investment and Other Income | 3,559,540 | 3,544,076 | 3,751,308 | 4,274,215 | 15,129,139 |
| Net Income | 9,134,033 | 9,311,301 | 9,253,655 | 12,686,703 | 40,385,691 |
| | | | | | |
| Net benefits and claims | (2,977,147) | (3,067,987) | (3,467,537) | (3,223,636) | (12,736,308) |
| Gross Change in Contract Liabilities | (3,011,010) | (3,295,489) | (2,726,889) | (2,770,598) | (11,803,985) |
| Change in Contract Liabilities Due to Transfer of One-Off Surplus | - | - | - | - | - |
| Acquisition cost | (646,143) | (512,097) | (558,568) | (652,946) | (2,369,754) |
| | | | | | - |
| Other operating and administrative expenses | (1,065,593) | (1,037,004) | (1,120,019) | (1,614,015) | (4,836,630) |
| Finance cost | (19,408) | (17,265) | (32,135) | (24,831) | (93,640) |
| | | | | | |
| Total benefits, claims and other expenses | (7,719,302) | (7,929,842) | (7,905,148) | (8,286,026) | (31,840,317) |
| Profit before tax | 1,414,731 | 1,381,459 | 1,348,507 | 4,400,677 | 8,545,373 |
| Income tax expense | (305,371) | (305,371) | (68,030) | (1,092,111) | (1,770,883) |
| Profit for the year | 1,109,360 | 1,076,088 | 1,280,477 | 3,308,566 | 6,774,490 |

QUARTERLY ANALYSIS 2020

Company Statement of Income

(values are to the nearest rupees thousand)

| | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter | Total |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|
| | Jan - Mar | Apr - Jun | Jul - Sep | Oct - Dec | Jan - Dec |
| Gross written premiums | 4,727,225 | 5,210,320 | 5,600,962 | 6,537,744 | 22,076,250 |
| Premiums ceded to reinsurers | (119,016) | (80,062) | (165,344) | (141,041) | (505,463) |
| Net written premiums | 4,608,208 | 5,130,258 | 5,435,618 | 6,396,703 | 21,570,787 |
| Net change in Reserve for unearned premium | | | | - | |
| Net Earned premium | 4,608,208 | 5,130,258 | 5,435,618 | 6,396,703 | 21,570,787 |
| | | | | | - |
| Investment and Other Income | 3,377,919 | 3,817,394 | 3,630,955 | 4,085,932 | 14,912,201 |
| Net Income | 7,986,128 | 8,947,652 | 9,066,573 | 10,482,635 | 36,482,988 |
| | | | | | - |
| Net benefits and claims | (2,808,830) | (3,081,487) | (3,218,965) | (3,157,231) | (12,266,513) |
| Gross Change in Contract Liabilities | (1,809,441) | (2,552,841) | (2,379,659) | (2,682,053) | (9,423,994) |
| Change in Contract Liabilities Due to Transfer of One-Off Surplus | - | - | - | - | - |
| Acquisition cost | (473,906) | (460,233) | (542,441) | (647,063) | (2,123,644) |
| | | | | | - |
| Other operating and administrative expenses | (1,121,312) | (1,065,454) | (1,152,747) | (483,817) | (3,823,330) |
| Finance cost | (9,112) | (16,584) | (13,466) | (39,834) | (78,995) |
| | | | | | - |
| Total benefits, claims and other expenses | (6,222,602) | (7,176,599) | (7,307,277) | (7,009,998) | (27,716,476) |
| Profit before share of associates | 1,763,526 | 1,771,053 | 1,759,296 | 3,472,637 | 8,766,512 |
| Share of profit of associates | - | - | - | - | - |
| Profit before tax | 1,763,526 | 1,771,053 | 1,759,296 | 3,472,637 | 8,766,512 |
| Income tax expense | (427,068) | (366,778) | (309,659) | (728,886) | (1,832,391) |
| Profit for the year | 1,336,458 | 1,404,275 | 1,449,637 | 2,743,751 | 6,934,121 |

TEN YEAR SUMMARY

Statement of Financial Position

| Company | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Assets | | | | | | | | | | |
| Intangible Assets | 296,448 | 362,838 | 349,626 | 37,358 | 56,950 | 2,759 | 645 | 2,198 | 4,609 | 15,105 |
| Property, plant and equipment | 10,415,154 | 9,478,336 | 9,401,318 | 7,567,806 | 7,371,782 | 7,068,634 | 5,343,752 | 4,760,395 | 4,596,053 | 3,906,294 |
| Investments | 154,455,119 | 133,707,835 | 116,918,311 | 103,744,945 | 92,264,065 | 84,220,630 | 67,139,575 | 57,209,653 | 50,751,773 | 44,198,752 |
| Other assets | 8,596,232 | 7,252,377 | 6,542,149 | 6,709,280 | 6,402,008 | 5,166,066 | 7,751,193 | 9,096,076 | 8,593,577 | 4,771,500 |
| Total Assets | 173,762,956 | 150,801,386 | 133,211,403 | 118,059,390 | 106,094,805 | 96,458,089 | 80,235,164 | 71,068,323 | 63,946,012 | 52,891,651 |
| Liabilities | | | | | | | | | | |
| Insurance provision - Life | 119,634,780 | 106,737,377 | 96,204,089 | 88,049,202 | 81,723,759 | 77,925,144 | 68,011,535 | 60,021,879 | 52,765,411 | 45,110,789 |
| Unit Linked Fund and other funds | 686,266 | 657,389 | 582,925 | 519,695 | 427,146 | 333,129 | 268,062 | 228,872 | 190,135 | 157,657 |
| Equity and Other Liabilities | 53,441,910 | 43,406,620 | 36,424,389 | 29,490,493 | 23,943,900 | 18,199,816 | 11,955,567 | 10,817,572 | 10,990,466 | 7,623,205 |
| Total Liabilities | 173,762,956 | 150,801,386 | 133,211,403 | 118,059,390 | 106,094,805 | 96,458,089 | 80,235,164 | 71,068,323 | 63,946,012 | 52,891,651 |
| Investor Information | | | | | | | | | | |
| Return on net assets (%) | 15.33 | 18.18 | 21.19 | 21.93 | 45.87 | 25.85 | 21.81 | | | |
| Return on Total Assets (%) | 3.90 | 4.60 | 5.01 | 4.91 | 8.67 | 3.19 | 2.57 | | | |
| Net assets per share Rs. | 883.88 | 762.90 | 629.84 | 528.51 | 412.94 | 238.24 | 188.93 | | | |
| Earnings per share Rs. | 135.49 | 138.68 | 133.43 | 115.89 | 199.35 | 61.58 | 38.03 | | | |
| Dividend per share Rs. | 15.65 | - | 13.40 | 11.90 | 9.00 | 7.50 | 6.25 | | | |
| Dividend Cover (Times) | 8.66 | - | 9.96 | 9.74 | 21.04 | 8.21 | 6.08 | | | |
| Dividend Payout Ratio (%) | 11.55 | - | 10.04 | 10.27 | 4.75 | 12.18 | 16.44 | | | |

Note: Company Financial information has been disclosed for the Life insurance business, including the operation of Ceylinco insurance PLC up to year 2015.

Further Financial information for the years 2009 to 2011 are based on SLAS and balance years are based on LKAS/SLFRS.

Statement of Comprehensive Income

| Company | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Gross written Premium | 25,565,050 | 22,076,250 | 18,718,553 | 17,812,774 | 15,765,484 | 15,027,600 | 13,456,828 | 12,002,524 | 11,122,906 | 10,829,470 |
| Net written premium | 25,256,552 | 21,570,788 | 18,168,431 | 17,355,265 | 15,343,267 | 14,653,771 | 13,146,773 | 11,715,219 | 10,866,904 | 10,576,066 |
| Investment income and other income | 15,129,139 | 14,912,201 | 13,392,554 | 11,394,234 | 10,280,547 | 8,780,689 | 6,740,775 | 6,826,012 | 6,706,341 | 4,825,823 |
| Net claims and benefit | (12,736,308) | (12,266,513) | (10,604,066) | (9,803,550) | (6,686,980) | (6,651,682) | (5,956,745) | (4,893,847) | (4,757,321) | (3,990,881) |
| Acquisition Cost | (2,369,754) | (2,123,644) | (1,962,792) | (1,926,454) | (1,782,479) | (1,693,985) | (1,610,178) | (1,389,842) | (1,353,905) | (1,427,626) |
| Increase in Long Term Insurance fund | (11,803,985) | (9,423,994) | (7,189,811) | (6,457,292) | (7,258,502) | (8,397,889) | (7,135,304) | (7,256,468) | (7,654,622) | (6,765,658) |
| Change in Contract Liabilities Due to Transfer of One-Off Surplus | - | - | - | - | 3,456,184 | - | | | | |
| Operating & Administrative expenses | (4,836,630) | (3,823,330) | (3,550,209) | (3,384,487) | (3,532,496) | (2,937,262) | (2,994,099) | (2,673,594) | (2,517,219) | (2,213,918) |
| Finance Expenses | (93,640) | (78,995) | (42,170) | (20,328) | (12,005) | (9,915) | (10,214) | (29,394) | (9,817) | (7,974) |
| Profit Before Tax | 8,545,373 | 8,766,512 | 8,211,938 | 7,157,388 | 9,807,535 | 3,743,727 | 2,181,009 | 2,298,086 | 1,280,361 | 995,832 |
| Taxation | (1,770,883) | (1,832,391) | (1,540,269) | (1,363,100) | (340,109) | (667,686) | (120,963) | (935,099) | (39,973) | - |
| Profit After Tax | 6,774,490 | 6,934,121 | 6,671,669 | 5,794,288 | 9,467,426 | 3,076,041 | 2,060,046 | 1,362,987 | 1,240,388 | 995,832 |
| Employee Information | | | | | | | | | | |
| Revenue per employee Rs.Mn | 50.80 | 44.82 | 37.39 | 33.31 | 28.79 | 25.75 | 21.22 | | | |
| Net profit per employee Rs.'000 | 10,748.90 | 10,769.67 | 9,729.78 | 8,294 | 11,020 | 4,114 | 2,328 | | | |
| Number of employees Nos. | 795 | 814 | 844 | 863 | 890 | 910 | 937 | | | |

Note: Company Financial information has been disclosed for the Life insurance business, including the operation of Ceylinco Insurance PLC up to year 2015.

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GLOSSARY OF KEY TERMS

1. Acquisition Cost

All expenses which vary with and are primarily related to, the acquisition of new insurance contracts and renewal of existing insurance contracts (e.g. commissions).

2. Actuarial Valuation

A determination by an actuary at a specific date of the value of a life insurance company's liabilities. The purpose of a valuation is to determine if the Company holds adequate assets to fund the Company's liabilities.

3. Actuary

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

4. Admissible Assets

Assets that are included in determining an insurer's statutory solvency, specified under the rules made by the IRCSL under the regulation of Insurance Industry Act No. 43 of 2000.

5. 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 life time of the policyholder or a fixed period if less. If the payment starts at the outset of the contract, it is an immediate annuity. If it starts at some point in the future, it is a deferred annuity.

6. Beneficiary

The person or financial institution (for e.g. a trust fund) named by the policyholder in the policy as the recipient of the sum assured and other eligible benefits due in the event of the policyholder's death.

7. 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.

8. Sales Agent

A broker Sales agent is an intermediary between a prospective policyholder and a life insurance company.

9. Claims

The amount payable under a contract of life insurance arising from the occurrence of an insured event such as death, disability, injury, hospital or medical claims etc.

10. Claims Incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses.

11. Claims Payable

The amounts provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the reporting date, being the amounts due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

12. Commission

Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition cost.

13. Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

14. Credit Life Insurance

Term life insurance issued through a lender or lending agency to cover payment of a loan, installment purchase or other obligation, in case of death of the policyholder.

15. Credit Risk

The potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour another predetermined financial obligation.

16. Dividend per Share

Total dividend declared for the financial year, divided by the number of ordinary shares entitled to received that dividend.

17. Dividend Cover

Profits after tax divided by dividend, which measures the number of times dividends are covered by distributable profits for the period.

18. Earnings per Share

Net profits of the Company after tax, divided by the number of ordinary shares in issue.

19. Endowment

Life insurance payable to the policyholder if he or she is living on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

20. Ex-gratia Payment

A payment made to an insured where there is no liability to pay under the terms of the policy.

21. Financial Risk

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

22. Gross Written Premium (GWP)

Premium to which the insurer is contractually entitled and receivable in the accounting period.

23. Global Reporting Initiative (GRI)

A leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development allied with the UN Global Compact.

24. Insurance Contract

An insurance contract 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, the insured sum of money or its equivalent in kind, upon the occurrence of a specified event that is contrary to the interest of the insured.

25. Insurance Provision – Long-Term

The fund to be maintained by an insurer in respect of its life insurance business in accordance with the Regulation of the Insurance Industry Act No. 43 of 2000.

26. Insurance Risk

Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or, the time when claims payments will fall due.

27. Insurance Revenue Account

A statement which shows a financial summary of the insurance related revenue and expenditure transactions for the accounting period.

28. Interim Payments

Periodic payments to the policyholders on a specific type of policy Investment contract A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance.

29. Lapsed Policy

A policy lapses from the due date of the first unpaid premium, if the premium is not paid within the days of grace.

30. Liability Adequacy Test

An annual assessment of the sufficiency of insurance and/or investment contract with liabilities, to cover future insurance obligations.

31. Life Fund

Fund maintained to meet the obligation towards Life Policyholders.

32. Life Insurance Business

Insurance (including reinsurance) business falling within the classes of insurance specified as Long-term Insurance Business under the Regulation of Insurance Industry Act No. 43 of 2000.

33. Life Fund Surplus

The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders.

34. Market Risk

The potential for a negative impact on the statement of financial position and/or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

35. Maturity

The time at which payment of the sum insured under a life insurance policy falls due at the end of its term.

36. 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.

37. Net Assets per Share

Net assets attributable to shareholders' equity divided by the number of ordinary shares issued.

38. Net Written Premium

Gross written premium less reinsurance payable.

39. Net Claims Incurred

Claims incurred less reinsurance recoveries.

40. Operational Risk

The potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

41. Participating Business

Life Insurance business where the policyholders are contractually entitled to share in the surplus of the relevant life fund.

42. Policy schedule/booklet

The printed document issued to the policyholder by a life insurance company stating the terms of the insurance contract.

43. Policy Loan

Under an insurance policy, the amount that can be borrowed 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.

44. Premium

The payment, or one of the periodic payments, a policyholder agrees to make for an insurance policy. Depending on the terms of the policy, the premium may be paid in single payment or a series of regular payments.

45. Reinsurance Commission

Commission received or receivable in respect of premium paid or payable to a reinsurer.

46. Reinsurance Premium Ceded

The premium payable to the reinsurer.

47. Retention

That part of the risk assumed which the insurer/reinsurer does not reinsure/ retrocede, i.e. retained net for own account.

48. Return on Shareholders' Equity

Profits after tax divided by total equity attributable to shareholders' as at the reporting date.

49. Return on Total Assets

Profits after tax divided by total assets attributable to shareholders.

50. Rider

An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.

51. Risk Based Capital (RBC)

An amount of capital based on an assessment of risks that a company should hold to protect policyholders against adverse developments.

52. Surrender

Termination of an insurance policy by the insured before the expiry of its term.

53. Surrender Value

The sum payable by an insurance company upon the surrender of a life insurance policy before it has run its full course.

54. Total Available Capital (TAC)

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

55. Underwriter

Member of an insurance company that acts on behalf of his or her employer to negotiate, accept or reject the terms of an insurance contract. They are responsible for ensuring the quality and reliability of risk-transfer solutions. Their job is to develop products that best reflect the characteristics of the risks and clients' needs.

56. 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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eighth (08) Annual General Meeting of the shareholders of Ceylinco Life Insurance Limited will be held at the Board Room of Ceylinco Life Insurance Limited, No. 106, Havelock Town, Colombo 05, on Wednesday, 23rd March 2022 at 3.00p.m. to conduct the following business:

1. To read the Notice convening the Meeting.
2. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Audited Financial Statements for the year ended 31st December 2021 together with the Report of the Auditors thereon.
3. To declare a first and final dividend of Rs.15.75 per share for the year ended 31st December 2021, to the shareholders of the Company, as recommended by the Board of Directors, subject to the regulatory requirements of the IRCSL.
4. To re-elect Mr. D H J Gunawardena, who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution:

"Resolved that Mr. D H J Gunawardena who will be 73 years in December 2022 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D H J Gunawardena."
5. To re-elect Dr. B G S De Silva, who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and

211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution:

"Resolved that Dr. B G S De Silva who will be 71 years in December 2022 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Dr. B G S De Silva."

6. To re-elect the following Directors who in terms of the Company's Articles of Association retire by rotation as given below;
 - To re-elect Mr. J Durairatnam who retires by rotation in terms of Article 18B of the Article of Association
 - To re-elect Mr. R S W Senanayake who retires by rotation in terms of Article 18B of the Article of Association
 - To re-elect Mr. H S B Caldera who retires by rotation in terms of Article 18B of the Article of Association
7. To elect as a Director, Mr. W W L R A Fernando who was appointed as an Independent Non-Executive Director on 30th June 2021, in terms of Rule A.8.2 of the Code of Best Practice on Corporate Governance 2017.
8. To re-appoint Messers. Ernst & Young, Chartered Accountants as recommended by the Board of Directors as the Company's Auditors for the ensuing year and authorize the Directors to determine their remuneration.
9. To authorize the Directors to determine contributions to charities and other donations for the year ending 31st December 2022.

By order of the Board,
Ceylinco Life Insurance Limited,



K I Weththasinghe
Company Secretary

28th February 2022

Note:

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote his/ her behalf.
2. A proxy so appointed need not be a member of the Company.
3. A form of proxy accompanies this notice.

FORM OF PROXY

I/We*, (Please indicate full name) bearing
NIC No./Company registration No. of being a member/*members of
Ceylinco Life Insurance Limited, do hereby appoint Mr./Ms.
(Please indicate full name) bearing NIC No. of or failing him/her;

| | | | |
|-----------------------|---------------------------|------------------------------|---------------------------|
| Mr. R Renganathan | of Colombo or failing him | Prof. W M M De Silva | of Colombo or failing him |
| Mr. E T L Ranasinghe | of Colombo or failing him | Dr. B G S De Silva | of Colombo or failing him |
| Mr. P D M Cooray | of Colombo or failing him | Mr. W M P J K Wickramasinghe | of Colombo or failing him |
| Mr. P A Jayawardena | of Colombo or failing him | Mr. H S B Caldera | of Colombo or failing him |
| Mr. S R Abeynayake | of Colombo or failing him | Ms. A K Seneviratne | of Colombo or failing her |
| Mr. D H J Gunawardena | of Colombo or failing him | Mr. J Durairatnam | of Colombo or failing him |
| Mr. R S W Senanayake | of Colombo or failing him | Mr. W W L R A Fernando | of Colombo |
| Mr. J A Setukavalar | of Colombo or failing him | | |

as my/*our proxy to represent me/us * and vote as indicated below on my/our* behalf at the Eighth (08) Annual General Meeting of the Company to be held on 23rd March 2022 at 3.00 p.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting;

| | For | Against |
|--|--------------------------|--------------------------|
| 1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Audited Financial Statements for the year ended 31st December 2021 together with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To declare a first and final dividend of Rs.15.75 per share for the year ended 31st December 2021 | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To pass the ordinary resolution as set out in the Notice of the Meeting under item 04 for the re-election of Mr. D H J Gunawardena. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To pass the ordinary resolution as set out in the Notice of the Meeting under item 05 for the re-election of Dr. B G S De Silva. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect the following Directors who in terms of the Company's Articles of Association are retiring by rotation as given below; | | |
| ■ To re-elect Mr. J Durairatnam who retires by rotation in terms of Article 18B of the Article of Association | <input type="checkbox"/> | <input type="checkbox"/> |
| ■ To re-elect Mr. R S W Senanayake who retires by rotation in terms of Article 18B of the Article of Association | <input type="checkbox"/> | <input type="checkbox"/> |
| ■ To re-elect Mr. H S B Caldera who retires by rotation in terms of Article 18B of the Article of Association | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To elect as a Director, Mr. W W L R A Fernando who was appointed as an Independent Non-Executive Director on 30th June 2021, in terms of Rule A.8.2 of the Code of Best Practice on Corporate Governance 2017 | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To re-appoint Messrs. Ernst & Young, Chartered Accountants as the Company's Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To authorize the Board of Directors to determine donations for the year ending 31st December 2022 | <input type="checkbox"/> | <input type="checkbox"/> |

Executed on this day of 2022

.....
Signature of Shareholder

Note:

Instructions as to completion are given below. Please delete the inappropriate words and mark 'X' in the appropriate cages to indicate your instructions as to voting.

FORM OF PROXY

INSTRUCTIONS TO COMPLETE THE FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 106, Havelock Town, Colombo 05, not less than 48 hours before the time appointed for holding the meeting.
4. If the Form of Proxy is signed by an attorney, the relative 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.

STAKEHOLDER FEEDBACK FORM

Your opinion matters, please share your views with us.

Which stakeholder group you belong to?

| | | | |
|-------------------|--------------------------|-----------|--------------------------|
| Employee | <input type="checkbox"/> | Supplier | <input type="checkbox"/> |
| Shareholder | <input type="checkbox"/> | Community | <input type="checkbox"/> |
| Investor Customer | <input type="checkbox"/> | NGO | <input type="checkbox"/> |
| Analyst | <input type="checkbox"/> | Other | <input type="checkbox"/> |

Does the report address issues of greatest interest to you?

| | | | | | |
|-----------------|--------------------------|-----------|--------------------------|------------|--------------------------|
| Comprehensively | <input type="checkbox"/> | Partially | <input type="checkbox"/> | Not at all | <input type="checkbox"/> |
|-----------------|--------------------------|-----------|--------------------------|------------|--------------------------|

Please identify any additional matters that you think should be reported on?

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.....

What was your overall impression of the report in terms of:

| | | Excellent | Good | Fair | Poor |
|----|-------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. | Content and scope | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | Design and Layout | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Do you have any additional comment on the report?

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To request information or submit a comment / query to the Company, please provide the following details and return this page to;

The Company Secretary,
Ceylinco Life Insurance Limited,
No. 106, Havelock Road,
Colombo 05, Sri Lanka

Name :

Permanent Mailing Address :

Contact Numbers :

Tel :

Fax :

E-mail :

Name of the Company (if applicable) :

Designation (if applicable) :

Company address (if applicable) :

CORPORATE INFORMATION

Registered Office

No. 106, Havelock Road, Colombo 05,
Sri Lanka

Company Registration Number

PB 5183

Legal Form

A Public Company with limited liability incorporated on 22nd April 2014, Licensed as a Company authorized by the Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka) to carry-on long term insurance business under the Regulation of Insurance Industry Act No. 43 of 2000.

Main Place of Business :

No. 106, Havelock Road,
Colombo 05, Sri Lanka
Telephone : +94 11 4261000
Call Centre : +94 11 2461461 (Hotline)
Fax : +94 11 2437613, +94 11 2555959
Email : service@ceylife.lk
Website : www.ceylincolife.com

Principal Activities

Underwriting all classes of life insurance

Subsidiaries

Ceylinco Healthcare Services Limited
Serene Resorts Limited

Associate Company

Citizen Development Business
Finance PLC

Auditors

Ernst & Young
Chartered Accountants
No. 201, De Saram Place, Colombo 10

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
National Savings Bank

Nations Trust Bank PLC
National Development Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Union Bank of Colombo PLC
Standard Chartered Bank (Custodian Bank)
Cargills Bank Ltd
Housing Development Financial Corporation Bank
State Mortgage and Investment Bank
Regional Development Bank

Consulting Actuaries

Willis Towers Watson India Private Ltd.,
Unitech Business Park, 2nd floor,
Tower - B, South City - 1, Sector 41
Gurgaon -122002, India.

Accounting Year End

31 December

Board of Directors

R Renganathan
Executive Chairman

E T L Ranasinghe
Managing Director/CEO

P D M Cooray
Head of HR and Training -
Executive Director

P A Jayawardena
Chief Financial Officer -
Executive Director

S R Abeynayake
Deputy Chief Financial Officer -
Executive Director

D H J Gunawardena
Non - Executive Director

Gen. C S Weerasooriya - (Retired)
Non-Executive Director
(Retired w.e.f.30.06.2021)

R S W Senanayake
Non-Executive Director

J A Setukavalar
Independent – Non-Executive Director

Prof. Emeritus W M M De Silva
Independent – Non-Executive Director

Dr. B G S De Silva
Independent – Non-Executive Director

W M P J K Wickramasinghe
Senior Independent Director

H S B Caldera
Independent – Non-Executive Director

Ms. A K Seneviratne
Independent – Non-Executive Director

J Durairatnam
Independent – Non-Executive Director

W W L R A Fernando
Independent - Non-Executive Director
(Appointed w.e.f. 30.06.2021)

Company Secretary
K I Weththasinghe

Compliance Officer
S R Abeynayake

