MATERIAL MATTERS ASSESSMENT

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1. PURPOSE AND SCOPE

This section presents the Material Matters Assessment of Softlogic Life for the financial year ended 31 December 2025. The assessment identifies and prioritises matters that substantively Softlogic Life's ability to create value over the short, medium and long term, in line with leading global best practice.

The outcome of this process is considered as a core management tool that informs strategy formulation, risk appetite setting, capital allocation, performance management and Board decision-making.

2. FRAMEWORKS AND REFERENCES APPLIED

The materiality assessment has been designed and executed with reference to the following:

- Integrated Reporting Framework (2021) – guiding principles, content elements and definition of materiality
- SLFRS Sustainability Disclosure Standards (SLFRS S1 and SLFRS S2)
- Softlogic Life prior year material matters and identification process
- Integrated risk management framework of Softlogic Life
- Peer disclosures and best practices observed in the insurance sectors

The IR Framework has been adopted as the primary compliance framework, ensuring that material matters are clearly linked to value creation, the business model, the capitals, and risks and opportunities.

3. APPROACH TO MATERIALITY

3.1 Concept of Materiality and Value Creation

A matter is considered material if it substantively affects Softlogic Life's ability to create, preserve or erode value over the short, medium or long term. Materiality is therefore assessed through the lens of Softlogic Life's strategy, business model and use of, and impact on, the capitals. The assessment explicitly recognises that value creation for Softlogic Life is interdependent with value creation for customers, advisors, employees, regulators, investors and wider society.

3.2 Application of Double Materiality

Softlogic Life applies a double materiality perspective to enhance the robustness of its assessment. This includes:

- **Financial materiality** – sustainability-related and climate-related risks and opportunities that could reasonably be expected to affect the Group's cash flows, financial position, solvency, cost of capital or access to funding; and
- **Impact materiality** – The Group's impacts on stakeholders and the environment that, over time, influence reputation, trust, regulatory outcomes and long-term value creation.

3.3 Integration with Risk Management and Strategy

Material matters are directly linked to Sustainability-Related Risks and Opportunities (SRROs) and Climate-Related Risks and Opportunities (CRROs). Outputs from the materiality assessment are embedded into:

- the enterprise risk register and risk appetite framework.
- capital management and solvency assessments.
- the three-year strategic and financial planning cycle; and
- Management performance monitoring.

This integration reinforces integrated thinking across the organisation and ensures that material matters influence decision-making in a consistent and disciplined manner.

4. MATERIALITY ASSESSMENT PROCESS

The materiality assessment is conducted annually and follows a structured, multi stage process, overseen by executive management and the Board.

Step 1: Analysing the Operating Environment

Softlogic Life evaluates internal and external factors influencing its business model, including macro economic conditions, regulatory developments, industry trends, technological change, demographic shifts and climate related factors. A comprehensive PESTEL analysis is undertaken to identify SRROs and CRROs.

Step 2: Stakeholder Engagement

Stakeholder concerns and expectations are identified through ongoing engagement with key stakeholder groups, including customers, advisors, employees, shareholders, regulators, suppliers and business partners. Feedback channels include surveys, management interactions, complaints analysis, advisor forums and regulatory engagements. See page 58 for more information.

Step 3: Material risks monitored within the risk register

Matters associated with net risk scores of Upper Medium and High were identified as material through the risk assessment process. Net risk scores were determined after considering existing controls and mitigation measures. These risks were assessed for their potential impact on strategy, performance, stakeholder interests, and long-term value creation.

Step 4: Identification of Potential Material Matters

Issues emerging from the operating environmental analysis and stakeholder engagement are consolidated into a long list of potential material matters. These issues are assessed for their relevance to Softlogic Life's strategy, business model and value creation process.

Step 5: Prioritisation

Each issue is evaluated based on:

- **Impact on value creation** (financial, strategic, operational, reputational and capital impacts), and
- **Likelihood of occurrence** over the short, medium and long term.

The prioritisation process results in a materiality matrix reflecting the relative significance of each matter.

Step 6: Strategic and Business Model Alignment

Priority material matters are reviewed to determine implications for strategy, resource allocation and, where necessary, business model adjustments.

Step 7: Board Oversight and Approval

The executive management team incorporates material matters into the corporate planning cycle, including the three year financial projections. The Board reviews, challenges and approves the final set of material matters and their integration into strategy and risk management.

5. KEY MATERIAL MATTERS FOR 2025

Based on the assessment, the following matters have been identified as material for the reporting period. Other matters identified through the process is monitored and evaluated for impacts within the business process but not disclosed in this annual report. Following matters represent the most significant drivers of value creation and risk for Softlogic Life These matters are monitored continuously and reviewed annually to reflect changes in the external environment, strategy and stakeholder expectations.

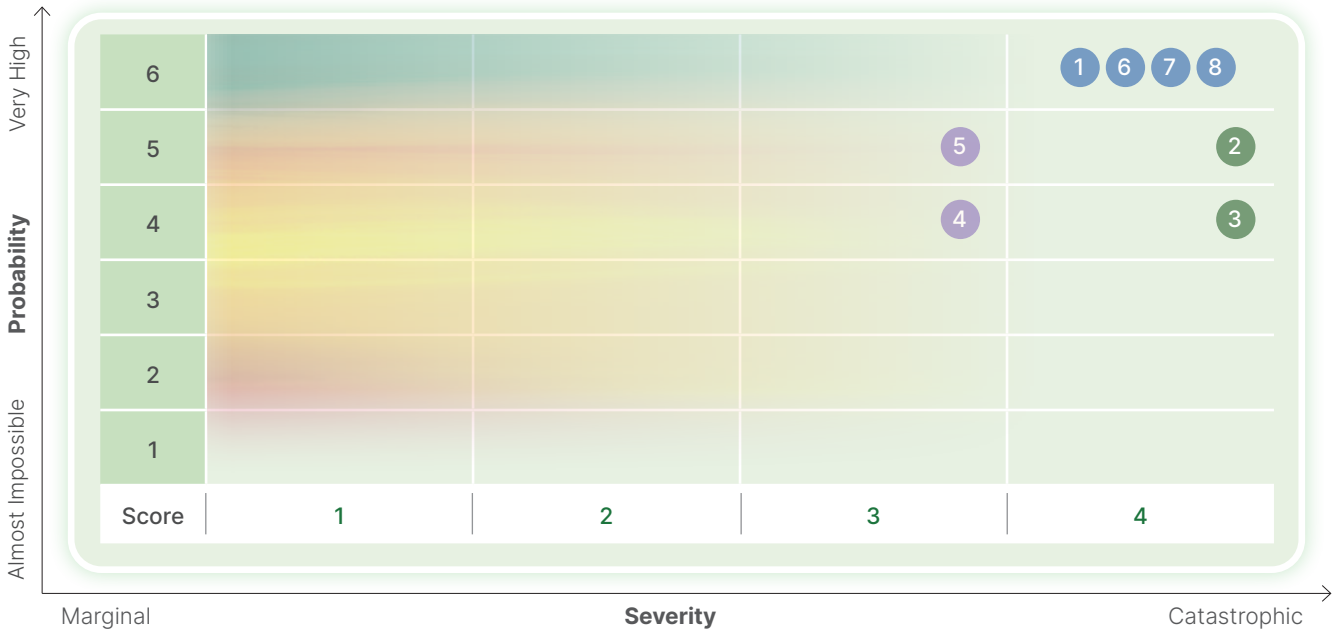
Table 16: Material Matters for 2025

No	Material Matter	Relevance to capital	GRI /SASB discussed	Our discussion of the matter
1	Sustainable business performance		**GRI** - 2 / 3 / 201 / 207 **SASB** -FN-IN-110a.1	130-137
2	Rising customer expectations for faster claims turnaround, easy digital access, and relevant products		**GRI** - 2 / 3 / 418 **SASB** - FN-IN-230a.1 / FN-IN-270a.1	157-181
3	Employee expectations around fair pay and benefits, safe working conditions, continuous learning and development		**GRI** - 2 / 3 / 401 / 403 / 404 / 405 / 406/ 202 / **SASB** - FN-IN-330a.1 / FN-IN-330a.2	138-156
4	Sales force expectation a competitive income structure that rewards performance and recognition framework.		**GRI**- 2 / 3 /401 / 404 / 405	157-181
5	Technology-related risks, including impairment of existing IT infrastructure, high transition costs to new technologies, and increased cyber risk		**GRI** - 2 / 3 / 418 **SASB** - FN-IN-550a.1 / FN-IN-550a.2	182-189
6	Increasing regulatory compliances		**GRI** - 2 / 3 / 205 / 207 / 302 / 305 /306 / 408 **SASB** - FN-IN-510a.1 / FN-IN-510a.2	157-181
7	Value creation to our community		**GRI** – 2 / 3 / 202 / 204 / 205 / 405 / 303	157-181
8	Managing key insurance risks arising due to sustainability and climate related impacts	All capitals excluding MC	**GRI** - 2 / 3 / 201 **SASB** - FN-IN-110a.1 / FN-IN-110a.2 / FN-IN-450a.1	Reported under SLFRS S1 and S2 disclosures on page 71-119
9	Managing market risks arising due to sustainability and climate related impacts	All capitals excluding MC	**GRI** - 2 / 3 / 201 / 207 **SASB** - FN-IN-450a.2	

MATERIAL MATTERS ASSESSMENT

5.1 Prioritisation of Key Material Matters for 2025

Material issues are prioritised based on the severity and likelihood of their potential impact, with particular attention given to capital providers in guiding stakeholder decisions. This stakeholder-inclusive approach ensures that disclosures address matters most critical to investment and financing decisions. Risk scoring is conducted through a detailed assessment utilising four levels of severity and six levels of probability, enabling accurate calculation of risk scores for comprehensive risk evaluation. This systematic methodology allows the organisation to distinguish between emerging risks, moderate concerns, and critical priorities requiring immediate Board attention. The resulting risk matrix informs resource allocation, internal controls, and mitigation strategies, reinforcing the robustness of the enterprise risk management framework while ensuring alignment with strategic objectives and stakeholder expectations.



6. LINKAGE TO VALUE CREATION AND CAPITALS

These material matters formed the core of our strategic discussions throughout 2025. The strategies we formulated and the actions we implemented are detailed within the respective capital reports on pages 130 to 199, demonstrating how each matter translates into value creation. To ensure a comprehensive stakeholder perspective, these discussions have been mapped to the applicable GRI Standards. Furthermore, specific risks relating to insurance and market dynamics are addressed in our IFRS S1 and S2 disclosures, ensuring alignment with evolving financial reporting requirements.

7. CHANGES IN PRESENTATION COMPARED TO PREVIOUS YEAR

These material matters formed the core of our strategic discussions throughout 2025, serving as the foundation for Board-level deliberations and management decision-making. The strategies we formulated and the actions we implemented are detailed within the respective capital reports on pages 130 to 199, demonstrating how each matter translates into value creation across the six capitals. To ensure a comprehensive stakeholder perspective, these discussions have been systematically mapped to the applicable GRI Standards, reinforcing our commitment to global best practices in sustainability reporting. Furthermore, specific risks relating to insurance, investment volatility, and emerging market dynamics are comprehensively addressed in our IFRS S1 and S2 disclosures, ensuring alignment with evolving financial reporting requirements and enhancing transparency for investors and regulators. This integrated approach reinforces the connectivity between stakeholder concerns, strategic response, and long-term value creation.

STRATEGY AND RESOURCE ALLOCATION

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STRATEGIC INTENT AND VALUE CREATION

Our strategy defines where we aim to go (Our next BIG MOVE) and how we will create, preserve and enhance value (Our next BIG IMPACT)over the short, medium and long term in a rapidly evolving operating environment. It is purpose driven, risk-informed and anchored in integrated thinking, ensuring that decision making balances financial performance with the sustainable use of all capitals.

The Board and Executive Management collectively set the strategic direction through an annual corporate planning cycle, ensuring alignment with our vision and mission while responding proactively to material risks, opportunities and stakeholder expectations. This integrated approach enables disciplined capital allocation, resilience in execution and sustained value creation.

STRATEGY SETTING PROCESS

The Group follows a structured and forward-looking strategy setting process covering a rolling three year planning horizon. This process integrates: Strategic risk management outputs, including sustainability-related risks and opportunities (SRROs) and climate-related risks and opportunities (CRROs) Stakeholder concerns and emerging market trends Macroeconomic, regulatory, social, technological and environmental developments

Climate-related risks, which often extend beyond traditional financial planning horizons, are explicitly embedded into strategy formulation. Actions required to meet climate commitments and manage transition and physical risks are incorporated into business plans and resource allocation decisions, ensuring long-term resilience.

STRATEGIC PILLARS AND TIME HORIZONS

To strengthen focus and adaptability, Softlogic Life has refined its strategic pillars, ensuring each directly contributes to value creation across different time horizons:

Short term: Operational efficiency, customer engagement, risk mitigation and execution discipline

Medium term: Portfolio optimisation, digital enablement, data-driven personalisation and capital productivity

Long term: Sustainable growth, climate resilience, innovation leadership and stakeholder trust

Each pillar is supported by clearly defined initiatives, measurable KPIs and accountable ownership, ensuring strategic intent is translated into execution.

RESOURCE ALLOCATION FRAMEWORK

Resource allocation decisions are guided by integrated thinking that prioritises initiatives based on their strategic importance, risk profile and contribution to long-term value creation. Allocation decisions consider following aspects.

Trade-offs between capitals are actively assessed to ensure that short-term financial outcomes do not compromise long-term sustainability. Resources required to execute strategic initiatives are embedded within the approved financial plans for 2026–2028, ensuring availability and execution certainty.

STRATEGY EXECUTION, MONITORING AND GOVERNANCE

Execution accountability is embedded across the organisation. Strategic objectives and KPIs approved by the Board are cascaded to Heads of Departments and integrated into operational plans.

- Monthly performance reviews track progress against KPIs and financial targets
- Quarterly Board and Committee reviews assess strategic alignment, emerging risks and corrective actions

Continuous feedback loops enable refinement of strategy in response to performance outcomes and external developments. This governance framework ensures transparency, timely decision-making and alignment between strategy, performance and accountability.

Capital	What we consider in resource allocation
Financial	• Funding requirements, return expectations and capital adequacy
Human	• Capability development, leadership depth and workforce productivity
Intellectual	• Data, digital platforms, process innovation and technology investments
Social and relationship	• Customer trust, partner ecosystems and stakeholder engagement
Natural	• Climate resilience, environmental impact and responsible resource use

STRATEGY AND RESOURCE ALLOCATION

RESPONDING TO VALUE CHAIN IMPACTS THROUGH FOUR STRATEGIC PILLARS

Softlogic Life's strategy is designed to proactively respond to financial, operational, regulatory, competitive and climate-related impacts arising across its value chain. Each strategic pillar addresses specific risk clusters while strengthening our ability to create sustainable value across all capitals

DIGITAL TRANSFORMATION AND INSURTECH

Strategic Objective:

To embed digital capabilities, advanced analytics and intelligent automation across the life insurance value chain, enabling superior risk management, seamless customer journeys, resilient operations and scalable growth.

SHORT TERM	MEDIUM TERM	LONG TERM
Strengthen operational efficiency through expanded automation and digital distribution while building employee capabilities in AI and advanced digital tools.	Expand digital distribution through strategic partnerships and leverage data analytics to enhance customer insights and personalised offerings and strengthened cyber security.	Establish leadership in digital transformation by developing an integrated, AI enabled ecosystem that revolutionises underwriting capabilities, delivering faster risk assessments, enhanced pricing accuracy, and sustainable long-term value creation.

STRATEGIC SUB PILLAR	Digital Resilience & Cybersecurity	Intelligent Underwriting & Fraud Analytics	Digital Customer & Advisor Enablement	Operational Automation & Efficiency
Strategic Focus:	Strengthening infrastructure, data governance and cybersecurity to protect service continuity and customer trust.	Deploy AI-driven underwriting validation and fraud detection to reduce disputes and leakage.	Enhancing engagement to reduce lapses and strengthen advisor productivity.	Embedding automation to reduce cost inefficiencies and processing delays.
VALUE PROTECTED				
KPIS LINKED	• System down time ratio • Data breach incidents • Regulatory Noncompliance	• Claims ratio (excluding maturity) • Complaints to claim ratio	• Persistency ratio • Advisor productivity ratios • Customer satisfaction/ NPS	• Expense ratio • One-day proposal acceptance ratio • Auto-underwriting ratio • One day claims settlement ratio
UNSDGs contributed				

PERSONALISATION AND CUSTOMER-CENTRIC PRODUCTS & SERVICES

Strategic Objective:

To design and manage a customer centric life insurance portfolio that integrates transparent product structures, climate responsive pricing, responsible distribution and lifecycle engagement ensuring financial resilience, regulatory alignment and sustainable long term value creation.

SHORT TERM	MEDIUM TERM	LONG TERM
Identify untapped market segments and introduce tailored products while strengthening customer feedback mechanisms to enhance service quality.	Leverage data analytics and digital platforms to deliver personalised offerings and strengthen continuous customer engagement.	Develop a holistic customer engagement ecosystem incorporating preventive health, wellness programmes, and AI driven insights to enhance long term customer relationships and value creation.

STRATEGIC SUB PILLAR	Transparent & Simplified Product Design	Risk-Responsive Pricing & Benefit Structures	Customer Retention & Financial Flexibility	Claims Excellence & Service Quality
Strategic Focus:	Reducing complexity and misinterpretation risk.	Incorporating climate trends, morbidity patterns and economic stress into actuarial and underwriting models.	Improve customer retention through data analysis while allowing financial flexibility of products.	Enhancing claims governance and turnaround time.
VALUE PROTECTED				
KEY INITIATIVES TAKEN	• Micro Insurance products • Policy book revision	• Regular mortality and morbidity trend analysis • Periodical review of pricing	• Financial underwriting	• Automated claims settlement through Artificial Intelligence
KPIS LINKED	• No of complaints	• VONB margin • Capital adequacy ratio • ANBP growth	• Persistency ratio • GWP growth	• One day claims settlement ratio • Customer satisfaction/ NPS
UNSDGs contributed				

SUSTAINABILITY (EESG)

Strategic Objective:

To embed Economic, Environmental, Social and Governance (EESG) principles across our financial management, operations and investment portfolio safeguarding long-term solvency, strengthening resilience and ensuring responsible, sustainable value creation.

SHORT TERM	MEDIUM TERM	LONG TERM
Strengthen stakeholder engagement and integrate ESG considerations into investment management product development, supply chain management and strategic decision making.	Establish a companywide platform to monitor climate related data and track progress towards climate targets. Expand sustainability monitoring dash boards to cover wider organisational value chain	Develop granular climate and sustainability risk management strategies using data driven insights to enhance resilience and adaptation to climate related challenges.

STRATEGIC SUB PILLAR	Sustainable Financial Position and Performance	Sustainable Operations	Sustainable Investment Portfolio	Sustainable Governance
	Strategic Focus: Maintaining capital adequacy and liquidity amid economic volatility.	**Strategic Focus:** Ensuring responsible distribution, cost discipline and advisor sustainability.	**Strategic Focus:** Diversified, ESG-integrated portfolio aligned with ALM discipline.	**Strategic Focus:** Strengthening oversight, risk appetite clarity and ethical conduct.
VALUE PROTECTED				
KEY INITIATIVES TAKEN	• Capital adequacy ratio • Solvency margin • Return on equity	• Advisor retention rate • ANBP growth • Expense ratio	• Credit rating exposure mix • Portfolio mix	• Board attendance & review frequency
UNSDGs contributed				

PREVENTIVE HEALTH AND WELLNESS

Strategic Objective:

To embed preventive health, climate-responsive risk management and behavioural engagement across the life insurance value chain - strengthening long-term portfolio sustainability, customer well-being and financial resilience.

SHORT TERM	MEDIUM TERM	LONG TERM
Expand AI enabled preventive health solutions and promote customer awareness to encourage healthier lifestyles.	Integrate preventive health requirements into underwriting processes to enhance risk assessment and portfolio quality.	Provide wellness-based incentives that encourage proactive health management and strengthen long-term customer engagement.

STRATEGIC SUB PILLAR	Proactive Health Risk Monitoring	Climate-Responsive Portfolio Management	Behavioural Engagement & Incentivisation	Risk-Integrated Underwriting and Portfolio Optimisation
Strategic Focus:	AI-enabled screening and preventive engagement.	Geographic risk mapping and catastrophe modelling.	Incentivising healthy behaviour to improve long-term portfolio quality	Embedding preventive health insights and climate-linked morbidity data into underwriting, pricing and portfolio management decisions.
VALUE PROTECTED				
KEY INITIATIVES TAKEN	• Claims ratio • Mortality variance vs assumptions	• Exposure concentration ratios • Reinsurance coverage ratio	• Persistency ratio	• Claims ratio • VONB margin • Net RI cost % GWP
UNSDGs contributed				

STRATEGY AND RESOURCE ALLOCATION

ACTION TAKEN DURING THE YEAR 2025

Strategy execution and its out comes detailed under performance review on page 65 to 70.

EVALUATION OF KEY PERFORMANCE INDICATORS

Because this annual report follows Integrated Reporting principles and complies with SLFRS S1 and S2, we have included the strategic KPIs for six years (three past and three future) below and metrics required by SLFRS S1 and S2 have been provided on page 115 and 116. This approach improves clarity and eliminates repetition.

CONNECTIVITY TO PERFORMANCE AND OUTLOOK

Performance against strategic objectives is evaluated not only through financial outcomes but also through impacts on the capitals. The insights gained from performance monitoring inform future resource allocation, strategic refinements and outlook assessments.

Looking ahead, Softlogic Life remains focused on navigating economic uncertainty, technological disruption and climate-related challenges while leveraging opportunities arising from digital transformation, personalised customer solutions and sustainable business practices.

SIX YEAR KPIS

To measure our strategic progress over the short and medium term, we monitor a core set of six-year KPIs. These metrics are formally reviewed during monthly management meetings and quarterly board sessions to maintain effective strategic control.

Table 17 : Six year KPIs

		Strategic pillar	2028	2027	2026	2025	2024	2023
System down time	%		0%	0%	0%	0%	0%	0%
Data breach incidents	no		nil	nil	nil	nil	nil	nil
Regulatory Non compliance	no		nil	nil	nil	nil	nil	nil
Claims ratio (excluding maturity)	%		30	31	30	34	35	39
Complaints to claim ratio	no		<0.10	<0.10	0.10	0.10	0.09	0.11
Persistency ratio - year one	%		85	85	85	86	83	83
Advisor productivity ratios	Mn		2.2	2.2	2.1	1.9	2.1	2.1
Customer satisfaction/ NPS	no		>57	>57	>57	57	68	42
Expense ratio	%		14.9	15.9	16.9	17.2	18.5	20.3
One-day proposal acceptance	%		79	78	77	76	78	77
Auto-underwriting	%		71	70	69	68	70	69
One day claims settlement ratio	%		>90	>90	>90	95	98	75
Capital adequacy ratio	%		>160	>160	>160	245	298	367
ANBP growth	%		>20	>20	>20	39	8	2
GWP growth	%		>20	>20	>20	27	20	14
Return on equity	%		>20	>20	>20	39.0	38.2	23.5
Net RI cost % GWP	%		1.6	1.7	1.6	1.1	0.9	1.2
Female Senior Management (Non sales)	%		>30	>30	>30	28	28	29
Female Staff (Non sales)	%		>45	>45	>45	64	45	46
Female Sales Recruitment Initiatives	No.		>1	>1	>1	-	-	-
4Her Programme Activities	No.		>1	>1	>1	1	1	1

OUR RISK MATRIX AND OPPORTUNITIES AHEAD

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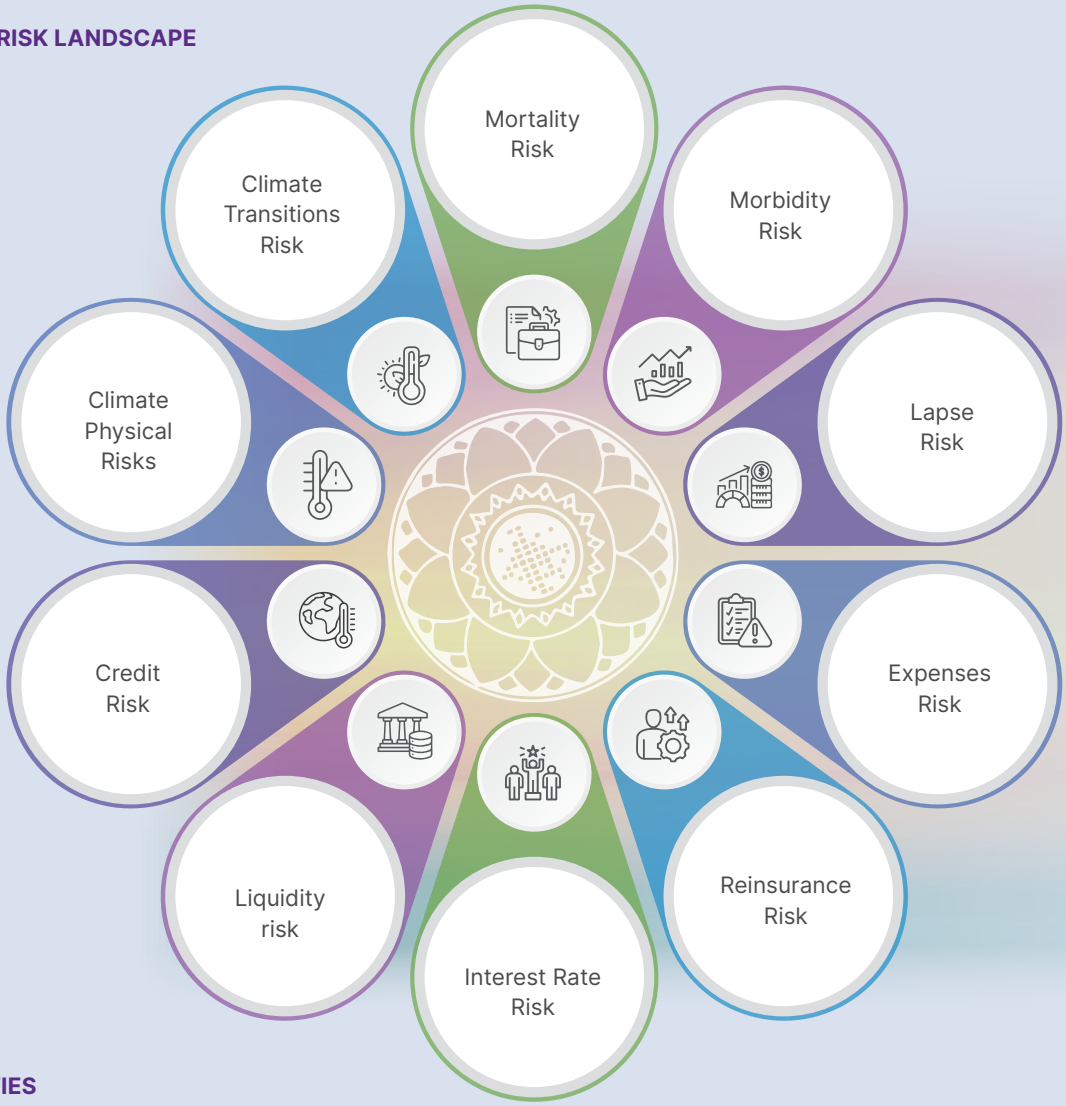
Our risk and opportunity landscape has been shaped through a structured assessment of the operating environment, extensive stakeholder engagement and evaluation of our business model across the insurance value chain. This process ensures alignment with our long-term strategy, capital stewardship responsibilities and climate-related commitments. The detailed assessment of climate and sustainability-related risks and opportunities is presented under "Managing Climate and Sustainability Related Risks and Opportunities" (pages 71 to 119). The summary below outlines the principal risk exposures and strategic opportunities influencing our forward outlook.

ENTERPRISE RISK LANDSCAPE



OPPORTUNITIES

- Economic growth and rising middle class
- Ageing population
- Preventive health and wellness trends
- Increasing customer demand for protection covers
- Low-carbon and climate-aligned investments

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

This report provides a comprehensive account of Softlogic Life Group's sustainability-related financial disclosures in accordance with SLFRS S1 and S2 requirements. The Group voluntarily adopted these standards in the previous year and has made significant progress in 2025 to enhance and expand quantitative and qualitative disclosures.

1. BASIS OF PREPARATION

This report covers Sustainability related risk and opportunities (SRROs) and Climate related risk and opportunities (CRROs) of Softlogic Life Insurance PLC (Parent) and its subsidiary Softlogic Life Insurance Lanka Limited. The group operate only in Sri Lanka.

The disclosures focus on sustainability-related risks and opportunities that could reasonably be expected to affect the Group's cash flow, access to finance, or cost of capital over the short, medium, and long term. Information has been prepared using the same reporting entity, reporting period, and consolidation basis as the Group's consolidated financial statements for the year ended 31 December 2025.

Sustainability-related risks and opportunities have been identified through the Group's enterprise risk management framework and materiality assessment process, incorporating impacts across the value chain where relevant. The report integrates financial and sustainability information to support an understanding of how sustainability matters influence the Group's strategy, business model, financial position, performance, and prospects.

1.1 Statement of compliance

This sustainability-related financial disclosure report has been prepared in accordance with SLFRS Sustainability Disclosure Standards S1 and S2, as issued by the CA Sri Lanka.

1.2 Connectivity

This report makes connections with other reports, including the financial statements, to present a cohesive view of how relevant SRROs could impact the Group's financial position, performance and cash flows over the short, medium and long term. Where applicable, quantitative sustainability-related metrics are directly connected and cross-referenced to relevant financial statement line items.

1.3 Functional and presentation currency

Sustainability-related financial information is presented in Sri Lankan Rupees (Rs). All amounts have been rounded to the nearest thousand, unless otherwise stated.

1.4 Sources of guidance

In preparing its sustainability-related financial information, the Group has referred to, and considered, the applicability of disclosure topics and metrics in the SASB Standard for Insurance and Managed Care.

Where relevant, the Group has also used other sources of guidance such as the GRI Standards, industry norms and best practices.

1.5 Assumptions, judgement and estimates

The preparation of sustainability-related financial disclosures requires the use of assumptions, judgements, and estimates, particularly where forward-looking information or incomplete data exists. Key assumptions relate to the assessment of material sustainability-related risks and opportunities, determination of time horizons, selection of climate scenarios, estimation of financial impacts, and measurement of greenhouse gas emissions, including financed emissions.

These assumptions are based on management's best available information, historical experience, external data sources, and expert judgement. Where estimates are used, management prioritises completeness and consistency with financial reporting assumptions. Key areas of judgement and estimation uncertainty are disclosed in Sections 1.7 and 1.8 of this report.

1.6 Transition reliefs

Given the two-year relief from the mandatory adoption date of the standard, the group has chosen not to conduct a climate resilience assessment for this reporting period. In making this decision, management considered the availability and credibility of climate-related information in Sri Lanka, as well as a cost-benefit analysis. However, the group is actively exploring all viable options to meet the requirement and remains optimistic that future developments will address the current gaps.

The group has performed a sensitivity analysis on each material risk factor to assess their potential financial impact on the entity's performance, cash flows, and financial position. Details can be found on page 99.

1.7 Judgements

Preparing and presenting the sustainability report requires judgement to identify relevant, reliable, and useful information. This involves interpreting requirements and making decisions where standards permit flexibility. Key judgements are summarised in the table below.

Table 18: Judgement used in preparing sustainability report

Topic	Description
Materiality assessment (Refer page 62)	Judgement was applied in evaluating impacts and dependencies throughout the value chain to identify pertinent risks, opportunities, and material information. These considerations were assessed for their potential to reasonably affect the Group's strategy, business model, or financial position and performance.
GHG emissions (Refer note no 5.4.2.8)	Judgement was exercised when selecting • appropriate emission factors; and • proxy activity data for Scope 3 emissions when actual data was unavailable.
Determination of Time Horizons (Refer note no 3.4)	Judgement was applied in defining the time horizons used in the assessment of sustainability-related risks and opportunities
Assessment of Value Chain Boundaries	Management applied judgement in determining the extent of the value chain included in the disclosures, particularly where data availability was limited or reliance was placed on third party information.
Selection of Climate Scenarios (Refer note no 3.7)	Management selected climate scenarios that are relevant to the entity's business and geographic footprint. This required judgement in: • Choosing scenarios that represent a range of plausible climate outcomes • Determining the relevance of global scenarios to local operations • Interpreting scenario outputs for use in financial impact analysis

1.8 Measurement uncertainty

The sustainability report contains measurement uncertainty due to missing data, use of proxy information, outside influences, and forward-looking statements. The following table outlines the primary sources of measurement uncertainty that impact on the figures presented in the sustainability report.

Table 19: Measurement uncertainty involved in sustainability disclosure

Topic	Description
GHG emissions (Refer note no 5.4.2.8)	GHG emissions quantification is inherently subject to significant limitations due to the methodologies used to determine emission factors and the availability of data. The selection by management of different but acceptable emission factors or measurement techniques could have resulted in materially different GHG emissions being reported. As part of our ongoing commitment to continuous improvement, the group obtained membership with Partnership for Carbon Accounting Financials (PCAF) this year and began calculating financed emissions using PCAF emission factors. To enhance comparability, the group also elected to restate last year's financed emissions according to PCAF emission factors.
Climate related futuristic disclosures (Refer note no 3.6)	Forward-looking statements regarding transition and physical risks depend on predictions about future climate effects, which carry significant uncertainty and may differ substantially from the projections outlined in these reports.
Anticipated future impact	The anticipated impacts disclosed throughout this report are based on management's assessment of future events using currently available data. Such assessments involve significant inherent uncertainty, and actual outcomes may differ materially from the projections and evaluations presented herein.

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

1.9 Materiality determination

The Group applies a financial materiality lens in determining the sustainability-related information disclosed in this report, consistent with SLFRS S1. Information is considered material if its omission, misstatement, or obscuring could reasonably be expected to influence decisions made by primary users of general purpose financial reporting.

Material sustainability related risks and opportunities are identified through the Group's enterprise risk management process, informed by internal risk assessments, stakeholder engagement, industry analysis, regulatory developments, and external benchmarks. These risks and opportunities are evaluated based on their potential impact on the Group's strategy, business model, financial performance, financial position, and prospects over the short, medium, and long term.

2. GOVERNANCE

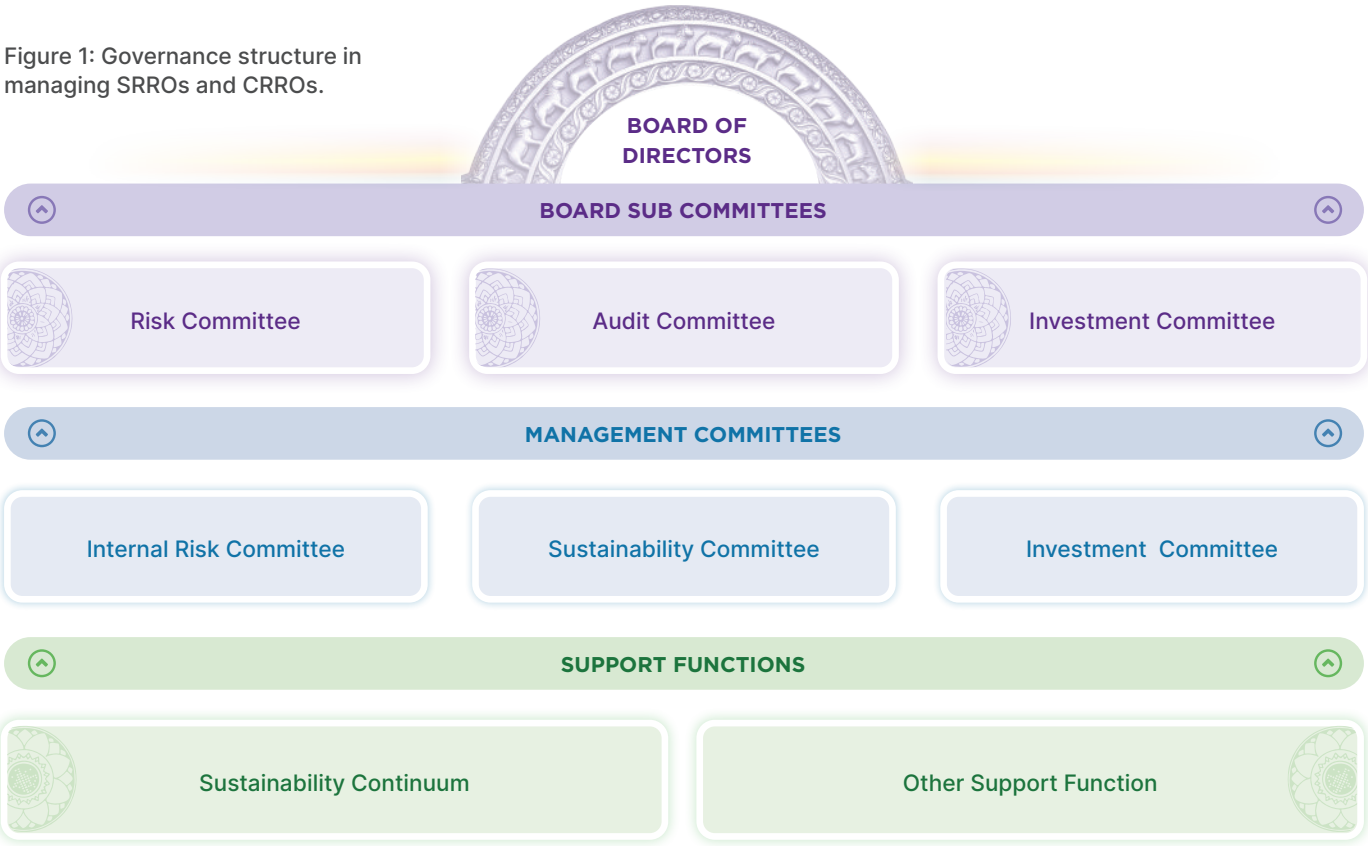
2.1 Overview

This section addresses governance disclosures as outlined in SLFRS S1 and S2. For a thorough understanding of the Group's governance framework, this report should be reviewed alongside the detailed governance report on pages 210 to 304, which has been prepared in accordance with both mandatory and voluntary requirements applicable in Sri Lanka.

2.2 The role of the board of directors

The board of directors holds primary responsibility for the governance and strategic oversight of the Group. Key duties include defining the overall strategic direction and long term objectives, monitoring risk exposure, ensuring strict compliance with applicable laws and regulations, upholding financial accountability, and advancing sustainability initiatives. The board also oversees organisational performance, evaluates and addresses sustainability related risks and opportunities, and protects the interests of investors. The Board is regularly informed of sustainability related risks and opportunities through quarterly Board and Board Committee reporting, including updates on the risk register, climate-related developments, sustainability KPIs, and progress against strategic initiatives. Sustainability considerations are explicitly incorporated into the approval of corporate plans, capital allocation decisions, investment strategy, and major business initiatives, ensuring that sustainability-related matters are integrated into overall strategic oversight. To discharge this responsibility below governance structure has been implemented.

Figure 1: Governance structure in managing SRROs and CRROs.



2.3 The role of nominated board sub-committees

2.3.1 Role of Board Risk Committee (BRC)

The Risk Committee oversee the Group's risk management framework and provide independent oversight of current and potential business risks, including risks associated with EESG. The Risk Committee's terms of reference include oversight of EESG risks specific to the Group.

It oversees identifying risks (SRRs and CRRs), developing strategies, and monitoring risks by management via Enterprise Risk Management Framework. It assists the Board in fulfilling its responsibilities relating to risk, ensuring that management effectively identifies, assesses, and mitigates its risks. The Risk Committee meets quarterly and is responsible for approving and overseeing the identified risks and the proposed risk mitigation strategies.

For additional details, refer to the Risk Committee Report on page 275.

- No of meetings and attendance
- Charter of the committee
- Authority
- Objectives
- Activities in 2025
- Outlook

2.3.2 Role of Board Audit Committee (BAC)

The Committee, empowered by the Board, ensures effective financial reporting, oversees accounting policies and statutory compliance, and evaluates risk management and internal controls. It ensures business practices align with legal, regulatory, and company policies, upholds strong corporate governance and ethical standards, and monitors internal and external audits.

The Committee reviews interim and annual financial statements before Board submission, ensures proper disclosure of new accounting and sustainability standards, and assesses the activities, independence, and objectivity of all auditors. Its work aims to protect stakeholders' interests by maintaining transparency, accountability, and integrity in all financial and governance matters.

For additional details, refer to the Audit Committee Report on page 269.

- No of meetings and attendance
- Charter of the committee
- Objectives
- Activities in 2025

2.3.3 Role of Board Investment Committee (BIC)

The Committee is responsible for recommending investment policies to the Board, ensuring investments follow approved guidelines, and monitoring their performance quarterly. It meets every quarter to review strategic investment decisions, market trends, and economic conditions, while defining objectives, asset allocations, and expected returns. The Committee examines reports from the Investment Team and, when necessary, issues instructions to the Treasury, Fund Management, or executive management regarding investment activities. These responsibilities support the Committee's role in effective oversight of Softlogic Life's investment strategy and execution, contributing to strong financial governance and alignment with overall business objectives.

For additional details, refer to the Investment Committee Report on page 281.

- No of meetings and attendance
- Charter of the committee
- Objectives
- Activities in 2025
- Outlook

2.3.4 Role of Nomination Committee

The Board Nominations Committee assists the Board with overseeing matters in relation candidate succession planning and determining criteria required for Board membership, which includes experience and skills relating to effectively managing Group's risk profile including CRROs and SRROs.

2.4 Board oversight of sustainability-related risks and opportunities

The Board oversees the Group's strategy, including the management of SRROs, and approves strategic plans to ensure alignment with Softlogic Life's purpose, values, and long-term objectives. Following the Board's strategic direction, management prepares annual three-year projections on financial performance, position, and cash flow, along with the resources needed to execute these strategies. Key KPIs, critical to achieving these projections, are identified and assigned to relevant Heads of Departments—for example, managing the Claim Ratio is entrusted to the Head of Life Operations. After the corporate plan is approved by the Board, both management and Board members meet quarterly to review progress and monitor key KPIs against their targets. The Board provides further strategic guidance to address any gaps found, ensuring SRROs and CRROs are promptly evaluated and acted upon. Oversight of sustainability-related risks is delegated to the Board Risk Committee (see page 275), which meets quarterly with management to review the risk register and assess SRROs, offering insights for effective risk management.

2.5 The role of Management

Controls and Procedures Supporting Oversight

The Chief Risk Officer (CRO) has primary responsibility for ensuring Softlogic Life's risk register is updated to reflect SRR and CRR. This process is informed by triggers identified and reported by all Heads of Departments (HODs), including the Managing Director, within their respective areas of responsibility. The CRO further enhances this process by providing forward looking assessments of changes in the operating environment including emerging macroeconomic trends, social trends and physical climate impacts to ensure the risk register captures the latest climate and sustainability related exposures facing Softlogic Life.

Integration with Other Internal Functions

Sustainability and climate related controls and procedures are fully integrated with the Group's broader Enterprise Risk Management (ERM) framework. As a key control mechanism, a monthly Internal Risk Committee meeting is convened, bringing together representatives from across the business to:

- Identify emerging SRR and CRR alongside other risk categories
- Review the effectiveness of implemented mitigation actions
- Assess the overall risk profile, including climate-related exposures
- Recommend adjustments to risk appetite or controls as needed

This integration ensures climate and sustainability considerations are embedded within regular management processes rather than addressed in isolation. The involvement of HODs from diverse functions including finance, operations, investments, and product development ensures that climate and sustainability related risks and opportunities are assessed from multiple perspectives and that mitigation actions are coordinated across the organisation.

Oversight and Escalation

The outcomes of monthly Internal Risk Committee meetings, including any significant sustainability and climate related risk exposures or proposed actions, are formally presented to the Board Risk Committee. This escalation process enables robust oversight from the highest governance level, facilitates informed decision making. The Board Risk Committee reviews the effectiveness of management's controls and procedures and provides direction on any enhancements required to strengthen resilience over SRR and CRR. Through this structured approach, management ensures that SRR and CRR are systematically identified, monitored, and managed within a framework of strong governance and integration across internal functions.

2.5.1 Management Structure

EXECUTION OF SUSTAINABILITY STRATEGY

The implementation of the sustainability strategy is entrusted to the Sustainability Management Committee. This committee, chaired by the Managing Director, provides strategic leadership and supervision for all sustainability-related activities across the Group. In addition, the committee is responsible for regularly reviewing and monitoring sustainability KPIs, ensuring that initiatives are aligned with overall business objectives and driving continuous improvements in sustainability performance.

2.6 Role of support function

The Sustainability Continuum is a working group made up of senior employees from key departments who are responsible for carrying out management's sustainability strategy and directives. The team meets regularly to ensure effective implementation and collaborates with other support functions as needed. During the Year the continuum met 12 times and key ideas and discussions or deliberations were

- Gathering data on how climate change affects human health to support informed decisions
- Organising community awareness programmes centred on health and safety

The following are some material outcomes achieved during the year:

- A comprehensive sustainability KPIs dashboard was developed, covering GRI, SASB, and internal KPIs. It was reviewed by the sustainability management committee, which advised actions regarding reported material deviations.
- Softlogic Life's sustainability targets are actively monitored and discussed with the management committee.
- The sustainability strategy has been broadened, with appropriate actions identified for each strategic pillar and actioned accordingly.
- A comprehensive sustainability roadmap was developed and approved by management for implementation.

2.7 Board skills and training

The Board of Directors has vast amount of experience in various subject matters such as Insurance, risk management, IT, economics etc. which ensure the ability to effectively oversee Group's functions. Refer to page 230-231 for more information.

Below table highlight the composition of BRC, BAC and BIC with their skills and expertise. The combined skills of the committee fully compliment to effectively identify, assess strategies and respond to SRROs and CRROs.

Table 20: Board skill and competencies

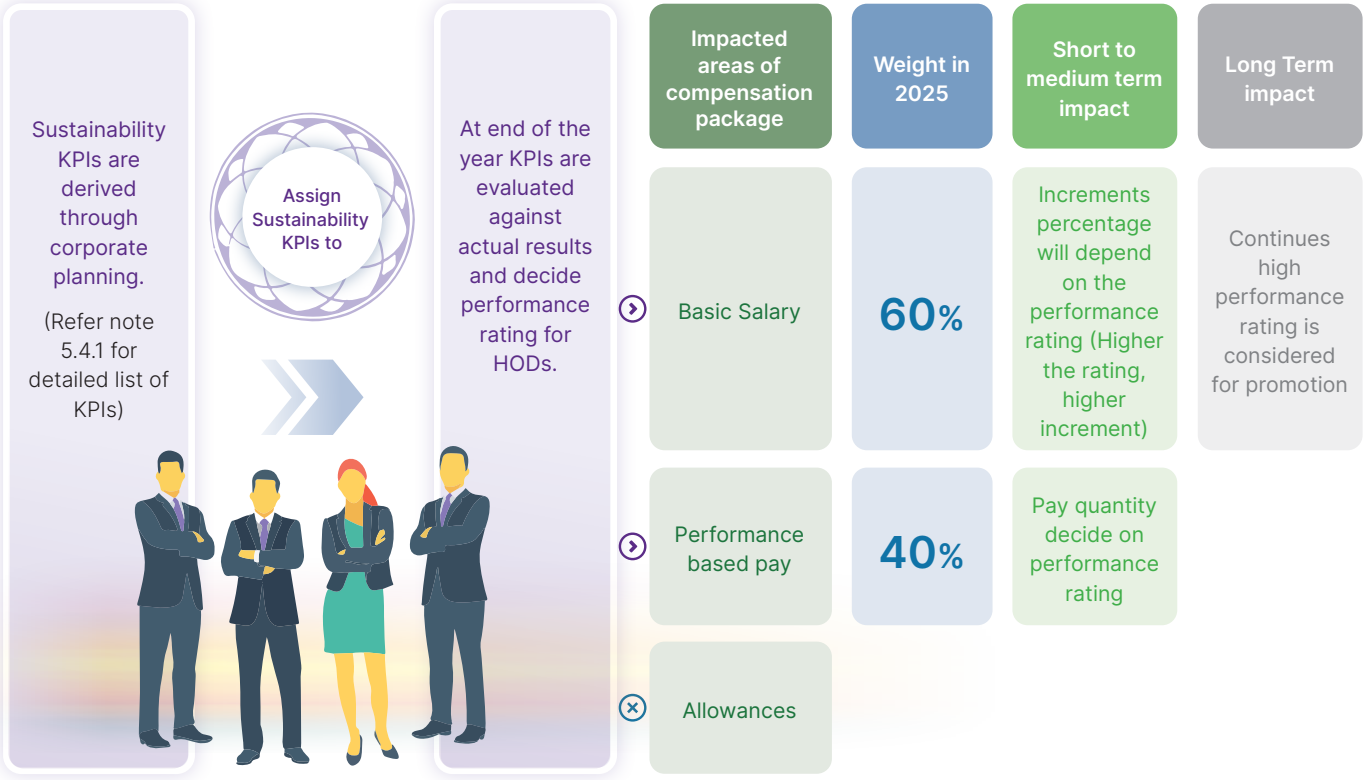
Director	BRC	BAC	BIC	Expertise
Mr Raimund Snyders	✓	✓	✓	Over 30 years of expertise in insurance and financial industry with qualifications in commerce, Law and executive leadership
Ms Fernanda Lima	✓		✓	Over 20 years of expertise in financial and private equity investment with qualifications in Environmental science and business administration
Mr Lalith Withana	✓	✓		A member (FCA) of CA Sri Lanka and FCMAwith extensive knowledge on reporting standards (SLFRSs)
Mr. V. Govindasamy		✓	✓	Qualification in Science and Engineering with managerial capabilities over 25 years experience in banking, manufacturing and trading sector
Mr. Ashok Pathirage			✓	A visionary leader and managing diversified investment portfolio in several sectors
Mr. Iftikar Ahamed			✓	Over 30 years of expertise in financial service industry.
Mr. Sanjaya Mohottala			✓	Expertise in strategy, merger and acquisition and investment restructuring etc.

See page 210 to 212 for full profiles of above directors. Chairmen of the Committee

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

2.8 Remuneration linked to sustainability performance metrics

Sustainability related KPIs that are assessed as material to the Group's strategy and financial performance are incorporated into performance evaluation frameworks for senior management and relevant functional heads. These KPIs are established through the annual planning process and include metrics related to claims performance, persistency, investment yield, expense efficiency, customer satisfaction, and sustainability initiatives. Performance against these KPIs influences variable remuneration and annual performance ratings of HODs. Non-executive directors receive fixed fees that are not linked to sustainability metrics, consistent with governance practices and regulatory requirements. (At SLI out of eight board members seven are non-executive directors)



3. STRATEGY

The Group's business strategy is centred on developing a distinctive model that delivers unique stakeholder value while ensuring sustained shareholder returns. In addition, the Group seeks to capitalise on expansion opportunities through diversification across business verticals and geographic regions. To achieve these objectives, the Group has conducted a thorough assessment of its SRROs and CRROs, establishing strategies for their effective management. The process and its outcomes are detailed in this section.

3.1 Assessing significant sustainability risks and opportunities

The group conducted materiality assessments to identify SRROs and CRROs that could be materially impact on the strategy, business model and Group's prospects. Materiality assessment process is described in note 4 of this report as detailed on page 62-63.

To determine the SRROs (including CRROs) material to investors creditors and providers of capital, we applied a structured assessment process, as outlined below.

Step 01

- Defining the primary user
- Providers of capital

Step 02

- Understanding primary users expectation
- Sustainable financial results
- Securing License to operate

Step 03

- Deciding matters to be discussed under SLFRS S1 and S2 requirements

Insurance performance (Surplus from life fund)

Surplus is the change in actual results compared to the original pricing assumptions of Expense, mortality, morbidity, lapse and investment income.

Therefore, the following risks have been classified as key risks and should be communicated to capital providers

Mortality Risk / Morbidity Risk / Lapse Risk / Expenses Risk / Reinsurance Risk

Investment performance

Investment performance is driven primarily by fluctuations in interest rates, which affect the value of existing bonds and the yield on new purchases, as well as by the volatility of public and private equity markets, which influence the overall return on the asset portfolio. Therefore, the following risks have been classified as key risks

Interest Rate Risk

Liquidity of the business

Regulatory capital requirements serve as a critical buffer, ensuring Softlogic Life remains solvent. Simultaneously, strict liquidity measures mandate that the firm can quickly convert assets to cash, safeguarding against sudden withdrawal demands or unforeseen claim spikes

Liquidity Risk / Credit Risk

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

3.2 Sustainability Related Risk

The analysis above has identified key risks, which are discussed in detail to assess their impact on the value chain.

Key Risk	Source of Information	Time Horizon
Mortality Risk	Risk register / Industry norms	● ● ●
Morbidity Risk		● ● ●
Lapse Risk		● ● ●
Expenses Risk		● ● ●
Reinsurance Risk		● ● ●
Interest Rate Risk		● ● ●
Liquidity risk		● ● ●
Credit Risk		● ● ●

- Impact to Short term financial planning cycle (Next Year – 2026)
- Impact to Medium term financial planning cycle (2027 & 2028)
- Impact to long term decisions

In note 3.3, we have provided a comprehensive explanation outlining the nature of each key risk, its potential impact on our operations and stakeholders, SLI's specific response measures, and our methods for ongoing risk monitoring and reporting. This detailed disclosure is designed to enhance transparency and enable stakeholders to assess both the risk landscape and the resilience of our management strategies. Our actions in managing these risks always align with the overall strategies embedded throughout our organisation, ensuring that risk considerations are not treated in isolation but integrated into everyday decision making. For greater clarity, we have mapped each risk to its corresponding strategic pillar, demonstrating how risk mitigation directly supports the achievement of our long term objectives. A detailed discussion of the overall company strategy, including the strategic pillars referenced, is provided on page 65, offering stakeholders a holistic view of how strategy and risk management function as interdependent drivers of sustainable value creation. This integrated approach reinforces the discipline and foresight embedded in our governance framework.

3.3 Current and future effects of identified risks on the Group's business model and value chain

3.3.1 Mortality and morbidity risk

a) Why is it a risk?

Our business model is fundamentally built upon a foundation of actuarial assumptions regarding when people die (mortality) and how often they become ill or injured (morbidity). These assumptions are not merely technical inputs; they represent the core scientific basis upon which our entire value creation mechanism rests. They directly determine the pricing of our products, ensuring that premiums are both competitive for customers and sufficient to cover future obligations. Simultaneously, these assumptions govern the calculation of our insurance liabilities, which represent the present value of promises made to policyholders.

When actual mortality or morbidity experience aligns closely with our assumptions, the business performs as expected, generating predictable returns for shareholders while honouring all policyholder claims. However, if actual experience deviates significantly from our assumptions, the financial impact flows directly to our bottom line. Adverse deviations, such as higher-than-expected claims frequency or severity, can erode profitability and strain capital reserves. Conversely, more favourable experience creates surplus that may be shared with policyholders or retained to strengthen the balance sheet.

Given the long-term nature of our contracts spanning decades, even small deviations compound over time, making continuous monitoring and refinement of these assumptions essential. Our actuarial function therefore conducts regular experience analyses, comparing actual outcomes against pricing assumptions to identify emerging trends and adjust future pricing or liability

b) What risks could arise?

Change in mortality and morbidity ratios create longevity risk, pandemic risk (a sudden spike in deaths leading to concentrated claim payments), deterioration in population health (rising chronic illness or lifestyle disease rates increasing morbidity claims), and basis risk (differences between the experience of our specific policyholder pool versus broader population assumptions). These risks can adversely impact product pricing adequacy, insurance liability valuations, capital adequacy, reinsurance costs, policyholder dividends, and the company's competitive position if not effectively monitored and managed.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by mortality and morbidity risk.

Value chain Impact from mortality and morbidity risk

F - Financial **NF** - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Upstream / Own Operations					
Data Management & Actuarial Analytics Inadequate monitoring of risk indicators may delay the timely identification of adverse experience.	**F:** Underestimation of mortality rates leads to higher claims payout, increased reserve requirements, reduced profitability. **NF:** Poor risk management perception among stakeholders.	Inaccurate mortality assumptions, incomplete historical data, inadequate predictive models.	• Regular review of mortality tables and assumptions • Advanced analytics to monitor emerging mortality trends • Collaboration with reinsurers for benchmark data		• Mortality Ratio • Gross regular claim ratio
Own Operations					
Underwriting Weak underwriting controls may result in the acceptance of higher-risk policyholders, increasing risk exposure and potential financial impacts.	**F:** Poor risk selection results in adverse mortality experience, higher claim payouts. **NF:** Loss of customer confidence due to perceived unfair underwriting.	Incomplete health disclosure by customers, weak medical assessment process, inconsistent underwriting decisions.	• Automated underwriting with AI-assisted risk scoring • Enhanced medical and lifestyle information collection • Periodic underwriter training on emerging risk factors	 	• Gross regular claim ratio • Auto underwriting ratio
Product Design & Development Gaps in product design and development processes may result in inappropriate pricing, leading to increased financial risk.	**F:** Products not aligned with mortality trends can cause mispricing and lower profitability. **NF:** Customer dissatisfaction if products fail to meet coverage expectations.	Outdated product assumptions, inflexible policy terms, misalignment with emerging mortality trends.	• Regular review and update of product pricing based on mortality studies • Incorporate flexible riders for longevity/ mortality protection		• Persistency ratio • Value of new Business (VONB)
Downstream					
Sales & Distribution Limitations in sales and distribution processes may result in the acceptance of higher-risk policyholders, contributing to adverse mortality and morbidity experience	**F:** Mis-selling high-risk policies can increase claim payouts and regulatory scrutiny. **NF:** Brand damage due to perceived unfair policy terms.	• Agents unaware of mortality implications • Inadequate risk disclosure	• Training agents on mortality risk and target customer profiling • Structured monitoring of high-risk policies	 	• FN-IN-270a.2 - Complaints-to-claims ratio • Persistency ratio

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

F - Financial **NF** - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Claims settlement Inefficiencies in claims assessment and settlement processes may result in inaccurate claim evaluations and potential operational and business impacts.	**F:** High volume of death claims may strain reserves and operational capacity. **NF:** Delays in claims settlement can harm customer trust.	Poor documentation, insufficient fraud detection, delayed claims processing.	• Automated claims processing • AI based Fraud detection models for claims • Regular review of high-volume claim trends		• One day claim settlement ratio • Gross regular claim ratio • SASB / FN-IN-270a.2

3.3.2 Lapse Risk

a) Why is it a risk?

Policy lapses and surrenders represent a critical risk to business performance and financial stability, as they directly reduce expected future premium income while simultaneously requiring immediate surrender payouts, thereby disrupting carefully modelled cash flow projections. Early lapses particularly undermine the persistence of the in-force book our primary revenue-generating asset and hinder the recovery of substantial upfront acquisition costs, including commissions, underwriting expenses, and policy issuance costs. When actual lapse experience deviates unfavourably from pricing assumptions embedded in product design, the consequences are far-reaching: profitability is eroded, revenue predictability is compromised, and the long-term value of new business written is diminished. Furthermore, elevated lapse rates can signal potential dissatisfaction with product features or service levels, necessitating deeper analysis of root causes. Effective lapse management therefore remains integral to preserving policyholder value, maintaining pricing discipline, and safeguarding the sustainability of our business model against persistency volatility.

b) What risks could arise?

Key lapse related risks include revenue volatility (loss of expected future premium income), acquisition cost strain (inability to recover upfront expenses on policies that lapse early), adverse selection (healthier policyholders lapsing while less healthy policyholders persist, worsening the risk pool), and liquidity pressure. These risks can adversely impact earnings stability, new business strain, capital efficiency, product pricing adequacy, and the overall valuation of our insurance liabilities if not effectively monitored and managed.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by lapse Risk.

Value chain Impact from lapse risk

F - Financial **NF** - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Upstream / Own Operations					
Data Management & Analytics – Inadequate monitoring of persistency trends across customer segments may delay early intervention.	**F:** Loss of future premium income, strain on profitability and embedded value. **NF:** Reduced investor confidence due to unstable earnings.	Weak predictive analytics, lack of lapse trend analysis by product/channel, poor data integration.	• Develop lapse prediction models • Monthly persistency monitoring dashboards • Segment-based retention strategy		• Persistency ratio
Own Operations					
Product Design & Development – Products not aligned with customer affordability and flexibility increase early policy surrender.	**F:** Higher acquisition cost strain, negative new business margins. **NF:** Customer dissatisfaction due to perceived inflexibility.	Complex product structure, high premium escalation, inadequate product market fit.	• Introduce flexible premium options • Periodic product review based on lapse studies • Customer affordability assessment at onboarding		• SASB / FN-IN-410b.2
Underwriting – Inadequate affordability assessment may result in policies sold beyond customer capacity.	**F:** Increased early lapses impacting commission recovery and cash flow. **NF:** Customer frustration and reputational risk.	• Over-reliance on aggressive sales targets • Limited income verification.	• Strengthen financial underwriting • AI-based affordability checks (Traffic light system) • Monitoring high-risk lapse segments		• SASB / FN-IN-270a.3
Downstream					
Sales & Distribution – Mis-selling or insufficient disclosure of long-term commitment requirements.	**F:** Commission clawbacks, reduced renewal income. **NF:** Brand erosion and regulatory scrutiny	• Sales-driven culture • Weak disclosure process • Poor customer education.	• Enhanced training on need-based selling • Clear communication of surrender charges and policy benefits • Persistency-linked advisor incentives		• SASB / FN-IN-270a.4

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

F - Financial **NF** - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Customer Service & Engagement – Weak follow-up and limited engagement in post policy issuance.	**F:** Loss of renewal premiums, reduced lifetime value per customer. **NF:** Low customer loyalty and satisfaction	• Poor reminder systems, • Lack of proactive engagement, limited digital touch points	• Automated premium reminders (SMS/App) • Dedicated team to followup renewal and customer engagement • Digital self-service platforms		• SASB / FN-IN-270a.3 • Net promoter score
Claims & Policy Administration – Delays in endorsements or service requests may frustrate policyholders, triggering surrender.	**F:** Increased policy surrender and administrative costs. **NF:** Negative word-of-mouth and trust erosion.	Operational inefficiencies, manual processes.	• Auto underwriting • Defined service level agreements (SLAs) • Regular service quality monitoring		• Auto underwriting ratio • One day claim settlement ratio

3.3.3 Expense risk

a) Why is it a risk ?

Our expense assumptions directly impact product pricing and liability valuations. If actual administration, acquisition, or maintenance costs exceed our assumptions, profit margins compress. Given the long-term nature of our contracts, even small expense overruns can accumulate significantly, affecting competitiveness and shareholder returns.

b) What risks could arise?

Changes in expense ratio includes unit cost escalation (rising per-policy administration costs), expense inflation exceeding pricing allowances, inefficient scale (fixed costs spread over shrinking policy count), and acquisition cost overruns. These risks can adversely impact profitability, dividend capacity, product affordability, and operational sustainability if not actively managed.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by expense risk.

Value chain Impact from expense risk

F - Financial **NF** - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Upstream / Own Operations					
IT & Digital Infrastructure – Inefficient or legacy systems increase operational costs and duplication of work.	**F:** Higher operating expenses, reduced profit margins, capital strain. **NF:** Reduced operational agility and competitiveness.	System inefficiencies, cyber incidents causing remediation costs, underutilised automation.	• Digital transformation initiatives • Process automation (RPA / AI)		• Expense ratio

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Data Management & Analytics – Weak cost monitoring and budgeting controls lead to expense overruns.	**F:** Variance from expense assumptions in pricing models. **NF:** Poor cost governance perception.	Inadequate expense allocation, lack of real-time cost dashboards.	• Activity-based costing framework • Monthly variance analysis vs budget • Zero base forecasting models		• Expense variance ratio
Own Operations					
Product Design & Development – Products priced with unrealistic expense assumptions may erode margins.	**F:** Negative new business margins, reduced embedded value. **NF:** Investor concern over sustainability of earnings.	Underestimation of acquisition and servicing costs, complexity-driven admin costs.	• Regular review of pricing assumptions • Cost benchmarking studies • Simplified product structures		• Value of new business (VONB) margin
Underwriting & Policy Administration – Manual processes and rework increase servicing cost per policy.	**F:** Increased per-policy servicing cost. **NF:** Lower service efficiency and longer turnaround times.	High manual intervention, duplication of tasks, weak workflow controls.	• Auto underwriting • Workflow automation • Digital proposal submission		• Auto underwriting ratio • Digital proposal submission ratio
Downstream					
Sales & Distribution – High acquisition costs due to excessive commissions or inefficient channels.	**F:** Increased expense strain, pressure on profitability. **NF:** Channel conflict and reduced long-term sustainability.	Over-reliance on high-cost distribution channels, aggressive incentive structures.	• Channel productivity analysis • Optimised commission structures • Expansion of digital sales channels		• Acquisition cost ratio • Channel mix
Claims Management – Inefficient claims handling increases operational and legal expenses.	**F:** Higher claim handling cost, fraud-related losses. **NF:** Customer dissatisfaction due to delays.	Weak fraud detection, high manual review workload.	• AI base claims settlement process • AI base fraud detection mechanism		• SASB / FN-IN-270a.2 • One day claims settlement ratio
Customer Service & Engagement – Poor digital platforms increase reliance on call centres and manual servicing.	**F:** Higher customer servicing costs. **NF:** Lower customer satisfaction and retention.	Limited self-service tools, high inbound service demand.	• Introduction of "Lifeup" app • Introduction of "Lifey" chatbot		• Persistency ratio • SASB / FN-IN-270a.3

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

3.3.4 Reinsurance Risk

a) Why is it a risk?

We use reinsurance to mitigate exposure to large claims, stabilise underwriting results, and manage capital requirements. Our reliance on reinsurers means their creditworthiness and claims-paying ability directly affect our financial resilience. If reinsurers fail to meet obligations, the risk reverts to us, potentially causing significant earnings volatility and balance sheet strain.

b) What risks could arise?

Key reinsurance risks include counterparty default, pricing and coverage availability (increased costs or reduced capacity at renewal), retention misalignment (inadequate cover relative to exposure), and basis risk (reinsurance recoveries not matching underlying claims). These risks can adversely impact solvency, earnings stability, capital adequacy, and catastrophe resilience if not carefully managed.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by reinsurance risk.

Value chain Impact from reinsurance risk

F - Financial **NF** - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Upstream / Own Operations					
Reinsurance Strategy & Structuring – Inadequate reinsurance coverage or inappropriate treaty structure may expose Softlogic Life to excessive mortality or catastrophe losses.	**F:** Higher net claims volatility, capital strain, reduced solvency margin. **NF:** Reduced stakeholder confidence in risk management framework.	• Inadequate retention limits • Misaligned treaty terms • Concentration risk	• Annual review of reinsurance programme • Stress testing of retention levels • Diversification of reinsurance panel		• Capital adequacy ratio
Counter party Risk Management – Failure of re-insurer to honour obligations	**F:** Recoverability risk, liquidity strain, increased credit loss provisions. **NF:** Reputation damage and regulatory scrutiny	• Re-insurer downgrade • Concentration with single re-insurer • Delayed recoveries	• Selection of highly rated re-insurers • Regular credit rating monitoring • Counter party exposure limits		• Credit exposure by re-insurer
Own Operations					
Underwriting & Risk Assessment – Poor alignment between underwriting practices and treaty terms may result in declined recoveries.	**F:** Claims not recoverable from re-insurers, higher net loss ratio. **NF:** Internal process inefficiencies	• Non-compliance with treaty conditions • Inaccurate data submission to re-insurer.	• Alignment of underwriting guidelines with treaty terms • Regular training for underwriting and reinsurance teams • Automated Bordeaux reporting	 	• RI recovery ratio to GWP

F - Financial NF - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Data & Reporting – Inaccurate or delayed reporting to re-insurers affects recoverability and settlement speed.	**F:** Delayed cash inflows, working capital pressure. **NF:** Strained re-insurer relationships.	Data quality gaps, manual reporting errors	• Automated reinsurance reporting systems • Periodic reconciliation of reinsurance accounts		• Reinsurance settlement turnaround time
Downstream					
Claims Management – Large or catastrophic claims requiring reinsurance support.	**F:** Volatility in net profit if reinsurance programme is inadequate. **NF:** Policyholder confidence affected if claims settlement is delayed.	• Disputes over claim admissibility • Delays in re-insurer approval	• Early notification to re-insurers • Clear documentation standards		• RI recovery ratio to GWP
Capital & Liquidity Management – Heavy reliance on reinsurance recoveries to maintain liquidity.	**F:** Liquidity stress if recoveries are delayed. **NF:** Negative perception by regulators and rating agencies.	Timing mismatch between gross claims payment and reinsurance recovery.	• Maintain adequate liquidity buffer • Regular liquidity stress testing including reinsurance delay scenarios		• Capital adequacy ratio

3.3.5 Interest Rate Risk

a) Why is it a risk?

Interest rate movements fundamentally influence our investment returns, liability valuations, and the relative attractiveness of our product portfolio to customers. Because our assets and liabilities carry distinct durations and cash flow patterns, the resulting mismatch creates inherent sensitivity to rate fluctuations. This sensitivity directly impacts solvency margins through shifts in the valuation of technical provisions, affects profitability via investment income volatility, and determines the market positioning of our savings and protection products. In a changing rate environment, maintaining competitive returns for policyholders while preserving pricing discipline requires dynamic asset liability management and continuous monitoring of interest rate risk exposures.

b) What risks could arise?

Changes in interest rates present multifaceted risks, including asset-liability mismatches where duration gaps create economic value volatility, spread compression when reinvestment yields fall below actuarial assumptions, and shifts in policyholder behaviour such as surrenders to seek higher returns elsewhere. These interconnected risks, if not actively managed, can adversely impact capital adequacy by eroding buffer reserves, destabilise earnings through investment income fluctuations, constrain product pricing competitiveness, and ultimately threaten long term business sustainability. Proactive asset liability management and dynamic hedging strategies remain essential to mitigating these exposures and preserving stakeholder confidence.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by interest rate risk.

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

Value chain Impact from interest rate risk

F - Financial NF - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Upstream / Own Operations					
Asset Liability Management (ALM) – Mismatch between asset duration and liability duration exposes the Company to changes in discount rates.	**F:** Reduction in economic value of equity, reserve volatility, capital strain. **NF:** Earnings volatility impacting investor confidence.	• Duration gap • Reinvestment risk • Yield curve shifts	• Regular duration gap analysis • Interest rate sensitivity testing		• Duration gap • Cash flow matching ratio • Liquidity coverage ratio
Investment Portfolio Management – Rising rates reduce bond market value; falling rates reduce reinvestment yields.	**F:** Unrealised losses on fixed income portfolio, reduced investment income. **NF:** Pressure on reported profitability.	• Concentration in long-term fixed income assets • Lack of diversification	• Diversified fixed income portfolio • Staggered maturity profile • Periodic interest rate stress testing		• Surplus sensitivity ratio • Ratio of fixed income assets • Investment yield variance
Own Operations					
Product Pricing & Valuation – Guaranteed products are sensitive to long-term interest rate assumptions.	**F:** Margin compression when market yields fall below guaranteed rates. **NF:** Reduced competitiveness if repricing is delayed.	• High guaranteed rates • Outdated pricing assumptions.	• Regular review of pricing assumptions • Sensitivity testing under multiple rate scenarios		• Value of new business (VONB) margin
New Business Growth & Capital Planning – Rapid growth in low-rate environment may lock in lower future returns.	**F:** Reduced long-term profitability. **NF:** Capital efficiency concerns.	Underpricing due to optimistic yield assumptions.	• Align pricing with forward rate expectations • Capital strain monitoring		• Investment yield
Downstream					
Policyholder Behaviour (Lapse/ Surrender) – Rising rates may trigger higher surrenders as customers seek better returns elsewhere.	**F:** Unexpected cash outflows, asset liquidation losses. **NF:** Reduced persistency levels.	Interest rate driven lapse spikes.	• Monitor surrender elasticity to rate changes • Liquidity stress testing • Customer retention initiatives		• Persistency ratio • Lapse ratio
Claims & Benefit Payments – Discount rate changes affect actuarial liability valuation.	**F:** Increase in actuarial reserves under declining interest rates. **NF:** Volatility in reported results.	Sharp rate cuts, long-term yield decline.	• Regular actuarial assumption updates • Regulatory capital buffer maintenance		• Liability sensitivity to rate change, • Solvency ratio

3.3.6 Liquidity risk

a) Why is it a risk?

Our policyholder obligations require ready access to cash for claims, surrenders, and maturities. Simultaneously, our investment portfolio contains assets with varying degrees of marketability. A mismatch between cash inflow timing and payment obligations could force asset sales at depressed prices, eroding capital and undermining policyholder confidence.

b) What risks could arise?

Inadequate liquidity could impact to cash flow mismatches (timing differences between asset proceeds and liability payments), market dislocation (inability to sell assets without material loss), contingent calls (unexpected surrender spikes), and funding concentration (over-reliance on specific cash sources). These risks can adversely impact solvency, reputation, operational resilience, and regulatory compliance if not prudently managed.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by Liquidity risk.

Value chain Impact from liquidity risk

F - Financial **NF** - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Upstream / Own Operations					
Treasury & Asset Liability Management (ALM) – Mismatch between asset cash inflows and liability outflows may create short term funding gaps.	**F:** Forced asset sales at loss, increased borrowing costs, capital strain. **NF:** Negative perception from regulators and rating agencies.	• Duration mismatch • Concentration in illiquid assets • Market volatility	• Robust ALM framework • Liquidity gap analysis (short, medium, long term) • Maintain high-quality liquid asset buffer		• Capital adequacy ratio • SASB / FN-IN-550a.3
Investment Management – Excess exposure to illiquid or long-term assets may restrict cash availability.	**F:** Inability to liquidate assets without loss. NF: Reduced financial flexibility.	• High allocation to property • Private assets, declining market liquidity	• Diversified investment portfolio • Defined limits on illiquid asset exposure • Periodic stress testing		• Approved assets • Investment in government securities as ratio to life fund
Own Operations					
Product Design & Pricing – Products with surrender guarantees or high early withdrawal features may increase unexpected cash outflows.	**F:** High surrender payouts, liquidity strain **NF:** Earnings volatility affecting investor confidence.	• Mass lapses during economic downturn • Guaranteed surrender values	• Surrender pattern analysis • Prudent product design with liquidity considerations	 	• Persistency ratio

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

F - Financial **NF** - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Underwriting & New Business Growth – Rapid business growth without adequate capital planning may strain liquidity.	**F:** High acquisition cash outflows exceeding inflows. **NF:** Pressure on working capital.	• Aggressive expansion strategy • Front-loaded commission structures.	• Cash flow forecasting for new business • Align growth targets with liquidity planning		• Value of new business (VONB)
Downstream					
Claims Management – Sudden spike in mortality or catastrophe claims increases immediate cash outflows.	**F:** Short-term liquidity pressure, need for asset liquidation. **NF:** Reputational risk if claim payments are delayed.	• Pandemic • Natural disasters • Large claim events.	• Reinsurance programme to reduce net outflows • Liquidity contingency planning • Dedicated catastrophe response plan		• Net claims ratio, • One day claim settlement ratio • SASB / FN-IN-450a.1
Reinsurance Recoveries – Delay in reinsurance recoveries may create temporary funding gaps.	**F:** Working capital strain. **NF:** Operational stress and reputational impact.	• Counter party delay • Documentation gaps.	• Early claim notification to re-insurers • Regular reconciliation of recoverable • Counter party credit monitoring		• Reinsurance recoverable ageing
Customer Service & Policy Administration – Mass withdrawals or policy surrenders during economic downturn.	**F:** Large unexpected cash outflows. **NF:** Loss of market confidence.	Economic instability, loss of customer confidence.	• Active customer engagement during economic stress • Monitor surrender trends weekly • Liquidity buffer above regulatory minimum		• Persistency ratio, • Capital adequacy ratio

3.3.7 Credit Risk

a) Why is it a risk?

Our investment portfolio, comprising bonds, loans, and other debt instruments, exposes us to potential losses if issuers or counterparties fail to meet their obligations. Given that fixed income securities form a significant portion of our assets backing policyholder liabilities, credit quality directly influences our solvency, investment income, and ability to meet guaranteed returns.

b) What risks could arise?

Low credit quality of assets include default risk, downgrade risk (credit rating deterioration impacting asset and concentration risk These risks can adversely impact capital adequacy, investment returns, liquidity, and policyholder confidence if not prudently managed.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by Credit Risk

Value chain Impact from credit risk

F - Financial NF - Non-Financial

Value Chain Stage	Financial and Non-Financial Impact	Key Risks to consider	Our Action	Relevant Strategic Pillar	Related KPI
Upstream / Own Operations					
Investment Management – Exposure to bonds, debentures, deposits, and other fixed income instruments subject to issuer default or downgrade.	**F:** Impairment losses, reduced investment income, capital erosion. **NF:** Reduced investor and regulator confidence.	Concentration in single issuers/sectors, economic downturn, rating downgrades.	• Diversified investment portfolio • Defined credit exposure limits • Continuous credit rating monitoring • Expected Credit Loss (ECL) assessment		• Credit exposure by investment category
Treasury & Bank Deposits – Exposure to banking counterparties for deposits and cash management.	**F:** Loss of deposits or restricted access to funds. **NF:** Liquidity strain and reputational risk.	• Bank downgrade • Concentration with few financial institutions	• Placement with highly rated banks • Counter party exposure limits • Periodic counter party review		• Bank exposure concentration ratio
Own Operations					
Reinsurance Counterparty Exposure – Failure of reinsurer to honour recoveries.	**F:** Increased net claims cost, liquidity pressure. **NF:** Regulatory concern over recoverability.	• Re insurer credit downgrade • Concentration risk	• Selection of strong-rated reinsurers • Diversified reinsurance panel • Ongoing credit assessment	 	• Reinsurance recoverable ageing, • Reinsurance credit rating • Exposure by reinsurer rating
Premium Receivables Management – Delay or default in premium payments from policyholders or intermediaries.	**F:** Increased receivable impairment, cash flow gaps. **NF:** Operational inefficiencies and customer disputes.	High outstanding premiums, weak collection processes.	• Strict credit control policies • Automated premium reminders • Monitoring ageing analysis	 	• Premium receivable ageing ,
Downstream					
Sales & Distribution (Intermediary Risk) – Credit exposure to agents for advance commissions or clawbacks.	**F:** Bad debt expense from unrecovered commissions. **NF:** Channel relationship strain.	• High advance commissions • Poor monitoring of agent balances	• Commission offset mechanism • Limit advance commissions • Periodic reconciliation of agent balances	 	• Commission recovery ratio

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

3.4 Climate related risks

Climate change presents significant risks to the life insurance industry, potentially disrupting both business operations and the fundamental insurance business model. These risks has been summarised below.

Risk Category		Risks	Note No	Time Horizon
Climate Physical Risk	Chronic Risks	Rising temperatures and shifts in rainfall patterns lead to increased rates of vector-borne diseases such as dengue, chikungunya, and malaria, thereby affecting both mortality and morbidity.	3.5.1	● ●
	Acute Risks	Increasing frequency and severity of acute events (Eg: Cyclones, flash floods due to heavy rain etc:) disrupt the business operation.	3.5.2	● ● ●
Climate Transitions Risk		Risks associated with non-compliance with emerging laws, regulations, and evolving stakeholder expectations related to global initiatives toward a low-carbon economy.	3.5.3	● ●

- ● Impact to Short term financial planning cycle (Next Year – 2026)
- ● Impact to Medium term financial planning cycle (2027 & 2028)
- ● Impact to long term decisions

3.4.1 Climate Chronic risks

3.4.1.a Rising temperature

Rising temperature risk refers to the financial and operational impacts arising from sustained increases in average temperatures and more frequent heatwaves due to climate change. For the Group, this represents a physical climate-related risk, with potential implications for morbidity, mortality, claims experience, pricing assumptions, and long-term business resilience.

a) Why is it a risk?

Rising temperatures can adversely affect population health, increase the incidence and severity of heat-related illnesses and exacerbating chronic conditions. For a life insurer, this can translate into higher claims frequency and severity, experience deviations from actuarial assumptions, and increased volatility in insurance service results. Given the Company's scale of operations, even small climate-driven shifts in claims experience can have a material financial impact.

b) What risks could arise?

- **Claims risk** from increased morbidity and mortality rates.
- **Pricing and reserving risk** if assumptions do not adequately reflect emerging climate-related trends.
- **Reinsurance dependency risk** due to higher claims volatility.
- **Capital and solvency risk** from sustained deterioration in claims ratios over time.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by rising temperature

Value chain Impact from temperature risk

F - Financial **NF** - Non-Financial

Value Chain Stage	Impacted Value Chain Activity and How	Financial and Non Financial Impact	Key Risks to consider	Mitigation Actions	Relevant Strategic Pillar	KPIs to Monitor
Upstream						
Reinsurance & Capital Management	Greater reliance on reinsurance to manage volatility due to heat related mortality and morbidity	**F:** Higher reinsurance costs; **NF:** Counterparty concentration		• Optimised reinsurance structures and diversified counterparties.		• Net Reinsurance cost ratio • Solvency ratios
Own Operations						
Product Design & Pricing	Actuarial pricing and benefit design may not fully reflect increased heat-related morbidity and mortality trends	**F:** Margin compression due to underpricing; **NF:** Reduced product sustainability	 	• Regular review of pricing assumptions with current experience	 	• Value of new business (VONB) margin • Claims ratios
Underwriting	Increased exposure to vulnerable lives and geographies affected by rising temperatures	**F:** Higher future claims; **NF:** Underwriting discipline risk	 	• Underwriting guidelines have build based on the actual experience • Digitalized U/W platform	 	• Loss ratios by key segment
Enterprise Risk Management	Long-term sustainability and solvency planning	**F:** Impact on future cash flows and capital adequacy **NF:** Business resilience		• Regular monitoring of CAR ratio		• Capital adequacy ratio
Downstream						
Claims Management	Higher frequency and severity of health and death claims during heat events	**F:** Increased claims outgo **NF:** Customer service strain	 	• Strengthen claims monitoring, early-warning indicators, and reinsurance protection	 	• Net claim ratio • Claims frequency and severity trends

3.4.1.b Shifting rainfall patterns

Shifting rainfall patterns refer to changes in the intensity, frequency, and seasonality of rainfall, including prolonged droughts and increased incidence of floods, associated with climate change. For SLI, this constitutes a physical climate-related risk. Such changes can adversely affect public health, economic stability, and infrastructure resilience, with potential implications for morbidity, mortality, policy persistency, claims experience, and long-term financial performance.

a) Why is it a risk?

Shifting rainfall patterns can lead to increased prevalence of water-borne and vector-borne diseases, disruptions to livelihoods, and heightened socio-economic stress, particularly in vulnerable communities. For SLI, these impacts may result in higher claims incidence, increased policy lapses due to affordability pressures, and deviations from expected mortality and morbidity assumptions. Over time, these effects can introduce greater volatility into insurance service results and cash flows.

b) What risks could arise?

- **Claims risk** arising from increased morbidity and mortality linked to floods, droughts, and disease outbreaks.
- **Persistency and lapse risk** due to income disruption and reduced policy affordability in affected regions.
- **Pricing and reserving risk** if rainfall-related health and mortality impacts are not adequately reflected in assumptions.
- **Capital and solvency risk** from sustained adverse experience and increased claims volatility.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by shifting rainfall patterns

Value chain Impact from rainfall patterns shifting

F - Financial **NF** - Non-Financial

Value Chain Stage	Impacted Value Chain Activity and How	Financial and Non Financial Impact	Key Risks to consider	Mitigation Actions	Relevant Strategic Pillar	KPIs to Monitor
Downstream						
Claims Management	Increased claims frequency following extreme rainfall events and disease outbreaks	**F:** Increased claims outgo impacting insurance service results **NF:** Service capacity pressure		• Event-based claims monitoring, fast-track settlement processes, and reinsurance support		• Net claim ratio
Policy Servicing & Persistency	Disruption to customer income leading to premium payment challenges and lapses	**F:** Reduced premium income **NF:** Customer retention challenges		• Flexible premium options, customer outreach, and digital servicing		• Persistency rates • Lapse experience studies
Own Operations						
Product Design & Pricing	Actuarial pricing and benefit design may not fully reflect morbidity and mortality impacts related to decease outbreaks due to floods and draught	**F:** Margin compression due to underpricing **NF:** Product sustainability risk		• Periodic review of pricing and assumptions		• Value of new business (VONB) margin

F - Financial NF - Non-Financial

Value Chain Stage	Impacted Value Chain Activity and How	Financial and Non Financial Impact	Key Risks to consider	Mitigation Actions	Relevant Strategic Pillar	KPIs to Monitor
Underwriting	Higher exposure to lives in flood- or drought-prone regions	**F:** Higher future claims **NF:** Risk concentration	N/A	• Stringent underwriting controls		• Claim ratio
Upstream						
Reinsurance & Capital Management	Increased reliance on reinsurance to manage event-driven claims volatility	**F:** Higher reinsurance costs **NF:** Counterparty dependence		• Optimised reinsurance programmes and diversified counterparties		• Reinsurance cost ratio • Solvency margin

3.4.2 Climate acute risks

3.4.2.a Increasing frequency and severity of acute events

Increasing frequency and severity of acute events refer to the rising occurrence and intensity of sudden climate-related events such as floods, cyclones, landslides, extreme storms, and heatwaves. Acute events can lead to sudden spikes in mortality and morbidity, disrupt economic activity, and affect customer behaviour, with potential implications for claims experience, persistency, operational continuity, and overall financial performance.

a) Why is it a risk?

Acute climate events can cause immediate loss of life, injury, and health deterioration, resulting in sharp increases in claims within a short period. They can also disrupt livelihoods and access to healthcare, increasing lapse risk and placing pressure on customer service and claim-processing capacity. For a life insurer, the sudden and correlated nature of these events increases claims volatility and heightens reliance on reinsurance, thereby introducing earnings and capital management challenges.

b) What risks could arise?

- **Catastrophic claims risk** arising from event-driven spikes in mortality and morbidity.
- **Operational risk** due to disruption of business continuity, claims processing, and customer service.
- **Persistency and lapse risk** stemming from economic disruption following acute events.
- **Reinsurance and capital risk** are due to higher reinsurance costs and potential stress on solvency metrics.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by acute events

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Value chain Impact from climate acute risk

F - Financial **NF** - Non-Financial

Value Chain Stage	Impacted Value Chain Activity and How	Financial and Non Financial Impact	Key Risks to consider	Mitigation Actions	Relevant Strategic Pillar	KPIs to Monitor
Downstream						
Claims Management	Sudden surge in death and health claims following acute events	**F:** Short-term spikes in claims outgo impacting insurance service results; **NF:** Claims service capacity strain		• Maintaining catastrophic insurance cover		• Claim ratio
Own Operations						
Product Design & Pricing	Actuarial pricing and benefit structures may not fully reflect increasing event-driven claims volatility	**F:** Margin compression and pricing inadequacy; **NF:** Product sustainability risk		• Impacts from catastrophic events are being captured through regular experience studies		• Value of new business (VONB) margin
Underwriting	Concentration of exposure in regions prone to floods, cyclones, or landslides	**F:** Elevated claims exposure **NF:** Risk concentration		• Geographic diversification, exposure not yet considered in underwriting stage		• Persistency ratio
Business Continuity & Operations	Disruption to offices, systems, staff availability, and distribution networks	**F:** Operational downtime costs **NF:** Service disruption and reputational impact		• Robust disaster recovery, remote working capability, and continuity testing		• Business continuity test
Upstream						
Reinsurance & Capital Management	Increased dependence on reinsurance to absorb event-driven claims volatility	**F:** Higher reinsurance premiums and retentions; **NF:** Counterparty reliance		• Optimised catastrophe reinsurance programmes and diversified counterparties		• Reinsurance cost ratio • Solvency margin

3.4.3 Climate transition risks

Climate transition risk refers to the financial and operational risks arising from the transition to a low-carbon and climate-resilient economy. These risks stem from changes in climate-related regulation, government policy, market preferences, technology, and stakeholder expectations. For SLI, climate transition risk is relevant primarily through its potential impact on the investment portfolio, product design and pricing, operating costs, and long-term business strategy.

a) Why is it a risk?

As Sri Lanka and global markets progressively align with climate-related commitments and sustainability objectives, SLI may face evolving regulatory requirements, increased disclosure obligations, and shifts in customer and investor expectations. Transition-related policy measures, such as enhanced environmental regulations, sustainability-linked capital requirements, could affect asset valuations, investment income, and compliance costs. In addition, reputational considerations and stakeholder scrutiny may influence demand for insurance products and capital allocation decisions.

b) What risks could arise

- **Investment risk** arising from re-pricing of assets exposed to carbon-intensive sectors or transition-sensitive industries.
- **Regulatory and compliance risk** due to increased climate-related reporting, governance, and risk management requirements.
- **Strategic and reputational risk** if products, investments, or business practices are perceived as misaligned with sustainability expectations.
- **Operational and cost risk** from investments required to enhance systems, data, and governance frameworks to meet transition-related requirements.

c) Where is the risk impact and what impact does it create?

The following areas of the value chain could be impacted by climate transition risk

Value chain Impact from climate transition risk

F - Financial **NF** - Non-Financial

Value Chain Stage	Impacted Value Chain Activity and How	Financial and Non Financial Impact	Key Risks to consider	Mitigation Actions	Relevant Strategic Pillar	KPIs to Monitor
Upstream						
Investment Management	Exposure to transition-sensitive sectors within the investment portfolio	**F:** Potential asset value volatility and investment income impact **NF:** ESG perception risk		• Gradual integration of ESG and climate considerations into investment decision-making		• Financed Emissions
Own Operations						
Product Design & Pricing	Need to align products with evolving customer and regulatory expectations	**F:** Pricing and margin pressure **NF:** Product relevance		• Review product features and pricing to reflect sustainability trends		• Product Mix
Regulatory Compliance & Reporting	Increased climate-related disclosure and governance requirements	**F:** Higher compliance and implementation costs **NF:** Governance complexity		• Strengthened governance, controls, and internal reporting aligned to mandatory reporting requirements		• No of non compliance

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

F - Financial **NF** - Non-Financial

Value Chain Stage	Impacted Value Chain Activity and How	Financial and Non Financial Impact	Key Risks to consider	Mitigation Actions	Relevant Strategic Pillar	KPIs to Monitor
Operations & Technology	Investments required to improve data, systems, and reporting capabilities	**F:** Incremental operating and capital expenditure **NF:** Operational readiness		• Phased enhancement of systems and climate-risk data capabilities	 	• IT investment spend
Downstream						
Capital & Stakeholder Management	Increased scrutiny from regulators, investors, and policyholders	**F:** Cost of capital implications **NF:** Reputation and trust		• Transparent communication and stakeholder engagement		• Stakeholder feedback • Capital adequacy metrics

3.4.4 Considering climate and sustainability risk in strategy and decision making

The Group's medium-term strategy is built upon four strategic pillars that guide our business direction, resource allocation, and value creation efforts:

1. Digital Transformation and InsurTech
2. Personalisation and Customer-Centric Products & Services
3. Sustainability (EESG)
4. Preventive Health and Wellness

The mitigation actions outlined in sections 3.2 to 3.4 have been consolidated into a strategic plan for medium-term implementation. For example, initiatives such as automated claims processing and AI-based fraud detection models proposed under mortality and morbidity risks analysis have been incorporated under the digital transformation and insurtech strategic pillars. The management action to respond those includes deploying AI-driven underwriting validation and fraud detection solutions to minimise disputes and reduce leakage, as described under strategy and resource allocation on page 65.

Management places significant focus on setting measurable targets under each pillar, supported by defined key performance indicators (KPIs). Progress against these targets is monitored regularly through management reviews and governance forums, enabling timely course correction and informed decision-making. This structured approach enhances the likelihood of successful strategy execution by ensuring accountability, visibility, and continuous oversight.

The specific targets established under each strategic pillar, along with our performance against them, are discussed in detail within the Business Review on page 15.

3.4.5 Climate transition plan

The Group is in the process of developing a climate-related transition plan that will primarily focus on integrating ESG considerations into its investment policy and establishing the operational processes required for effective implementation. As part of this process, the Group is reassessing its climate-related targets, including greenhouse gas emissions targets, to reflect the recent acquisition of a new subsidiary and to ensure that any updated targets remain achievable and aligned with the Group's overall transition strategy

3.5 Tradeoff between SRROs and CRROs

Sustainability-related risks and opportunities are often interrelated and may amplify or mitigate each other. For example, adverse economic conditions may increase lapse risk, reduce investment returns, and heighten expense pressures simultaneously.

Similarly, Climate-related physical risks may increase morbidity and mortality risks, influencing claims experience, reinsurance costs, and capital requirements. Below table summarise interdependence between climate and sustainability related risks.

Further there are trade off within the sustainability risks such as on cost versus opportunity on risk versus growth, the management balance everyday life decisions. Accordingly, we accept prudent reinsurance costs to protect against catastrophic losses while retaining economic value; we balance underwriting rigour with inclusive product design to manage claims without sacrificing market reach;

Table 21: Tradeoff between SRROs and CRROs

	Mortality Risk	Morbidity Risk	Lapse Risk	Expenses Risk	Reinsurance Risk	Interest Rate Risk	Liquidity Risk	Credit Risk
Climate chronic risks	●	●	●	●	●	●	●	●
Climate acute risk	●	●	●	●	●	●	●	●
Climate transition risk	●	●	●	●	●	●	●	●

● High Impact ● Medium Impact ● Low Impact

and we invest in service quality to enhance retention while controlling expense growth through digital automation. We also design products that balance persistency with competitive returns; we pursue higher investment yields within conservative credit standards and maintain adequate liquid buffers for claims-paying ability while optimising portfolio yield

The board and management considers these interdependencies when assessing overall risk exposure, developing mitigation strategies, and evaluating financial impacts, particularly within scenario and sensitivity analyses. This integrated perspective supports more robust strategic planning and risk management.

3.6 Current and future financial effect of SRRO and CRRO

The current financial effects of sustainability and climate related risks are assessed by analysing movements in key financial and operational metrics during the reporting period, relative to the prior year. This assessment reflects the aggregated impact of SRRO and CRROs on the Group's financial performance, cash flows, and financial position for the year ended 31 December 2025.

Where impacts cannot be isolated with precision, management has used reasonable and supportable assumptions, consistent with internal management reporting and financial planning processes. Forward-looking financial impacts are assessed separately through sensitivity and scenario analyses, as disclosed in Note 3.7.

Table 22: Current financial effect of SRROs and CRROs

Key risk	2025			2024		
	Performance (PBT impact) Rs. Mn	Cash Flow Rs. Mn	Financial Position (Equity impact) Rs. Mn	Performance (PBT impact) Rs. Mn	Cash Flow Rs. Mn	Financial Position (Equity impact) Rs. Mn
Interest rate risk	(3,012.9)	(3,278.4)	(2,109.0)	1,586.5	1,312.5	1,110.6
Claim Risk*	590.3	424.5	413.2	1,661.1	1,309.5	1,162.8
Liquidity risk	(274.8)	(283.4)	(192.4)	27.8	49.7	19.5
Reinsurance risk	255.2	190.9	178.6	643.1	564.0	450.2
Lapse risk	(29.4)	118.3	(20.6)	(43.8)	62.3	(30.7)
Expense risk	(268.1)	541.5	(187.7)	468.7	558.7	328.1
Credit risk	No credit risk exposure during the year			No credit risk exposure during the year		

Most significant risk exposures have been further analysed below to show the trend analysis and to support future financial impact assessment

* Mortality and morbidity risks have a direct impact on the claim risk. Accordingly, while these risks are subject to ongoing monitoring within our actuarial valuation frameworks, the claim ratio itself is also closely tracked within business operations to support responsive risk management.

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FUTURE FINANCIAL EFFECT

(Based on 3 year corporate plan from 2026 to 2028)

INVESTMENT YIELD

Expectation: Slide increase over next 3 years

Three year average financial impact estimated to PBT negative impact of Rs 0.8 Bn, cashflow decrease of Rs 0.1 Bn and Impact on financial position Rs 1.3Bn.

CLAIM RATIO

Forecast : Stable

Three year average financial impact estimated to PBT positive impact of Rs 2.2 Bn, cashflow increase of Rs 9.3 Bn and Impact on financial position Rs 1.6 Bn.

REINSURANCE RATIO

Forecast : Stable

Three year average financial impact estimated to PBT negative impact of Rs 0.2 Bn, cashflow negative of Rs 0.2 Bn and Impact on financial position Rs 0.1 Bn.

EXPENSE RATIO

Forecast : Reduce

Three year average financial impact estimated to PBT positive impact of Rs 0.7 Bn, cashflow increase of Rs 1.4 Bn and Impact on financial position Rs 0.5 Bn.

Future financial effect

Based on internal scenario analysis, the Group expects increasing temperatures and changing rainfall patterns across all climate scenarios, with material implications for value creation.

Key Impact Areas:

Mortality, morbidity, laps, and expenses are expected to increase, driving higher claims outgo and potential adverse changes in policyholder liability assumptions Moderate interest rate increases may arise from economic volatility linked to acute climate events Credit and liquidity risks could intensify due to market volatility affecting asset valuations

Mitigating Factors:

Growing customer awareness of climate-related vulnerability is expected to increase demand for life insurance protection Improved policyholder uptake will enhance cash inflows and enable broader portfolio risk diversification

Overall Assessment:

On an aggregate basis, the Group expects:

Key Financial Indicators	Expected Impact
Financial performance	Moderate
Cash flows	Moderate
Financial position	High

The Group continues to monitor these evolving risks and adapts its strategy accordingly through pricing adjustments, product innovation, preventive health initiatives, and prudent investment management.

Based on the corporate plan approved for the period 2026–2028, management does not anticipate any material adjustments to the carrying value of assets and liabilities during 2026.

3.6.1 Direct mitigation effort to CRR and SRR

As part of the Group's current mitigation and mitigation strategy, management has secured comprehensive catastrophic reinsurance coverage to protect the business from significant financial losses arising from extreme climate-related events and other catastrophes.

The cover is structured as a blanket arrangement that does not specify

individual events but rather responds when aggregate financial losses exceed a predetermined threshold. This approach ensures that the Group is protected against the accumulated financial impact of multiple claims that could arise from climate-related catastrophes, such as floods, cyclones, or other severe events.

3.6.2 Indirect mitigation effort to CRR and SRR

Sustainable Investment Allocation

As part of its indirect climate mitigation strategy, the Group has commenced a strategic allocation of its investment portfolio towards green bonds. The pace of this transition is guided by market availability of suitable instruments and the availability of free cash flows, ensuring that investment decisions remain prudent while progressively aligning the portfolio with sustainability objectives.

Preventive Health as a Strategic Pillar

Recognising the interconnections between health outcomes and climate resilience, the Group has elevated preventive health to one of its core strategic pillars. This focus addresses both climate adaptation (by building healthier communities better able to withstand climate-related health shocks) and broader sustainability goals.

During the year 2024, Softlogic Life introduced "Health Score," an innovative face scan technology that enables policyholders to assess their health conditions conveniently. This tool facilitates early detection of diseases, promoting timely intervention and better health outcomes. By leveraging technology to encourage preventive healthcare, the Group contributes to reduced morbidity claims while enhancing policyholder well-being—demonstrating the integration of sustainability into product innovation and customer engagement.

3.7 Scenario and resilience assessment

3.7.1 Introduction and Objective

The Group conducted a climate scenario analysis to evaluate the resilience of our strategy and business model to climate-related changes over the short-term (up to 2030), medium-term (2030–2050), and long-term (beyond 2050). This assessment enables users to understand how climate-related risks could affect our enterprise value and how we are positioned to respond.

3.7.2 How and When the Analysis Was Carried Out

The analysis was carried out during 2025 by the Risk Management function in collaboration with Actuarial, Underwriting, and Strategy teams, drawing on historical claims data, meteorological trends, and publicly available climate projections.

Due to limited climate data availability in Sri Lanka and lack of local expertise, direct financial quantification was not performed. The Group has utilised the exemption available under the standards as stated in Note 1.6 To provide directional insights, sensitivity analyses for each key risk are included in page 72.

3.7.3 Climate Scenarios Used

The Group selected the Shared Socioeconomic Pathways (SSPs) developed by the IPCC:

Scenario Category	Pathways	Description
Low-emissions	SSP1-1.9 / SSP1-2.6	Aligned with Paris Agreement goals; sustainable development
Middle emission	SSP2-4.5	Intermediate mitigation efforts
High-emissions	SSP3-7.0 / SSP5-8.5	Limited mitigation; high fossil fuel reliance

These scenarios encompass both physical risks (heat related illness, vector borne diseases, extreme events) and transition risks (regulatory changes). The low-emissions pathways align with the latest international climate agreement. These scenarios are relevant because they directly influence policyholder health and claims experience.

3.7.4 Key Assumptions

Assumption Category	Key Assumptions
Climate policies	Current Sri Lankan regulatory frameworks remain substantially unchanged
Macroeconomic trends	Economic growth, inflation, employment follow SSP narratives
National/regional variables	Weather patterns become more variable; demographics stable; healthcare capacity responds proportionally to disease burden
Energy usage	Not material to direct operations; national energy transition considered via macroeconomic effects

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3.7.5 Outcomes of the Scenario Analysis

Impact on Value Creation and Strategy

Climate Hazard	Low Emission			Medium Emission			High Emission		
Rising temperatures	L	M	H	L	M	H	L	M	H
Changing rainfall patterns	M	M	H	M	H	M	M	H	H
Extreme events (SSP2-4.5 only)	M	H	H						

High Medium Low L = Low Impact M = Medium Impact L = High Impact

Key Implications:

- Rising temperatures increase heat-related and vector-borne diseases
- Changing rainfall patterns directly correlate with dengue, chikungunya, and viral fever outbreaks
- Extreme events cause claims spikes and operational disruptions and economic impact resulting low assets valuation, increasing credit risk and liquidity pressures due to high claims etc.

3.7.6 Implications for Strategy and Business Model

Following implications are expected within the value chain and business model

Area	Implications
Product Strategy	Develop products addressing emerging disease patterns; integrate climate-adjusted morbidity assumptions
Underwriting	Enhance guidelines to assess climate-related health risks
Customer Engagement	Scale preventive health initiatives (Health Score, wellness programmes)
Investment Strategy	Progressively allocate to green bonds
Reinsurance	Ensure adequate cover for correlated climate-related claims
Pricing	Integrate climate considerations into pricing assumptions

3.7.7 How the Group Would Respond

Groups expected responses over short to long term time span summarised in below table

Time Horizon	Potential Responses
Short-term	Enhance claims monitoring; scale preventive health; review reinsurance; conduct customer awareness campaigns
Medium-term	Adjust pricing and underwriting; develop specialised products; expand green bond allocation
Long-term	Review insurability and pricing models; potentially adjust risk appetite for highly exposed segments

3.7.8 Significant Areas of Uncertainty

We see following areas as significant areas of uncertainty of our study

Uncertainty	Description
Climate-health quantification	Lack of precise data to distinguish climate attributable claims
Scenario pathway	Unknown which emissions pathway will materialise
Timing of impacts	Speed of climate-related health effect emergence
Policyholder behaviour	Claims, persistency, and purchase decisions under climate stress
Regulatory response	Future climate-related regulations
Adaptation effectiveness	Public health measures may mitigate impacts

3.7.9 Capacity to Adapt Strategy and Business Model

The Group leverages its core strengths to build resilience against the impacts of different climate scenarios

Time Horizon	Capacity	Key Factors
Short-term	Strong	Existing risk monitoring, pricing flexibility; reinsurance protection, digital platforms
Medium-term	Moderate-Strong	Product redesign capability, preventive health investments, green portfolio alignment
Long-term	Moderate	Strategic pillars provide foundation, of responding emerging diverse risk landscape

3.7.10 Availability and Flexibility of Financial Resources

The Group is confident in its access to the financial resources required to address the impacts anticipated across a range of climate scenarios as outlined below

Resource	Flexibility
Capital buffers	Strong CAR provides capacity to absorb elevated claims
Liquidity	Prudent management ensures ability to meet claims surges
Reinsurance	Catastrophic cover protects against significant losses
Investment flexibility	Progressive reallocation to green bonds as market permits
Pricing flexibility	Ability to adjust pricing over time, subject to competition

3.7.11 Ability to Adapt Assets

To ensure long-term resilience, the following assets were specifically assessed for their ability to adapt to climate impacts

Asset Type	Ability to Adapt
Financial assets	Strong ability to redeploy towards sustainability aligned instruments based on maturity profile
Technology platforms	Digital infrastructure can be upgraded for climate monitoring and remote operations
Human capital	Can redeploy resources through training and capability building
Physical assets	Operations can shift to digital channels based on the market acceptability
Distribution network	Remote tools reduce dependency on physical mobility

3.7.12 Effect of Current and Planned Investments

Assessing future capital requirements to mitigate the effects of anticipated climate scenarios are summarised below

Investment	Current Effect	Planned Effect
Green bonds	Progressive portfolio alignment	Enhanced resilience to transition risks
Preventive Health (Health Score)	Early disease detection, potential claims reduction	Expanded wellness ecosystem; climate health data insights
Digital transformation	Climate risk monitoring; remote servicing	Advanced analytics; AI-driven early warning
Sustainability strategic pillar	Embedded climate considerations	Formalised climate strategy; integration into actuarial assumptions

3.7.13 Assessment of Resilience by key risk

Key risk	Adaptive Capacity
Mortality & Morbidity	Strong resilience through actuarial frameworks, prudent pricing, reinsurance, diversification, wellness initiatives
Lapse Risk	Moderate resilience through diversified channels, customer engagement, predictive analytics
Expenses Risk	Strong resilience through cost management, digital platforms, automation
Reinsurance Risk	Strong resilience through diversified panel, credit assessments, catastrophe cover
Interest Rate Risk	Moderate resilience through ALM framework, duration monitoring, diversified investments
Liquidity Risk	Strong resilience through cash flow management, liquid assets, contingency funding
Credit Risk	Strong resilience through conservative policy, issuer assessments, diversification

3.8 Sustainability (Non – climate) resilient assessment

Below table analyses the business model resilience to sustainability related risks.

Risk Theme	Softlogic Life – Adaptive Capacity
Mortality Risk and Morbidity Risk	Softlogic Life demonstrates strong resilience to mortality risk through robust actuarial valuation frameworks, prudent pricing assumptions, and comprehensive reinsurance protection. Regular experience studies ensure assumptions remain aligned with emerging policyholder experience. Diversification across health product lines and customer segments reduces susceptibility to single-disease trends or localised health events. Continued enhancement of medical underwriting protocols, wellness initiatives, and early intervention programmes will further reinforce resilience against emerging health risks.
Lapse Risk	Softlogic Life maintains moderate resilience to lapse risk through diversified distribution channels, persistent customer engagement strategies, and product designs that encourage long-term retention. Softlogic Life large and diversified policyholder base provides natural stabilisation against lapse volatility. However, economic pressures affecting policyholder affordability remain a key dependency. Ongoing investment in predictive analytics, personalised servicing, and persistency-focused incentives will further strengthen adaptive capacity.
Expenses Risk	Softlogic Life demonstrates strong resilience to expense risk through disciplined cost management, scalable digital platforms, and regular monitoring of expense ratios against pricing assumptions. Automation of administration and servicing functions supports efficient unit cost management despite inflationary pressures. Continued focus on process digitisation, procurement optimisation, and regular expense assumption validation will further enhance resilience.
Reinsurance Risk	Softlogic Life exhibits strong resilience to reinsurance risk through a diversified panel of reputable reinsurers, robust counterparty credit assessments, and regular review of reinsurance treaty terms. Reinsurance arrangements are structured to provide effective risk transfer while maintaining flexibility for business growth. Ongoing monitoring of reinsurer financial strength, diversification of reinsurance partners, will further strengthen adaptive capacity.
Interest Rate Risk	Softlogic Life maintains moderate resilience to interest rate risk supported by a disciplined asset-liability management framework, regular duration gap monitoring, and diversified investment strategies. Investment in longer-duration assets is carefully calibrated against policyholder liability profiles. Further integration of rate sensitivity into product pricing will reinforce long-term resilience under evolving market conditions.
Liquidity Risk	Softlogic Life demonstrates strong resilience to liquidity risk through prudent cash flow management, a diversified portfolio of liquid assets, and established contingency funding arrangements. Maintenance of adequate liquid buffers and expansion of access to diverse funding sources will further strengthen adaptive capacity.
Credit Risk	Softlogic Life exhibits strong resilience to credit risk through a conservative investment policy, rigorous issuer credit assessments, and diversification across counterparties, sectors, and instruments. Regular portfolio monitoring and compliance with regulatory investment limits mitigate exposure to credit events.

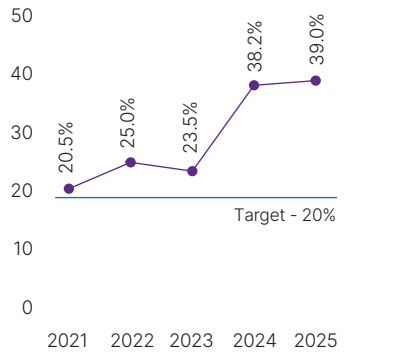
3.9 Our resilience over last 10 years

Over the last decade, Sri Lanka has faced a series of profound economic and social challenges that have tested the resilience of all organisations operating within the country. Beginning with the 2019 Easter Sunday attacks, which disrupted social stability and economic activities, the nation soon encountered the global COVID-19 outbreak, causing unprecedented public health and economic disruptions. These shocks were followed by a severe economic crisis, marked by currency devaluation, inflation, supply shortages, and widespread protests, further exacerbated by government mismanagement and policy failures. Most recently, the country was hit by a major cyclone, underscoring the increasing frequency and severity of natural disasters. As a Sri Lankan company, Softlogic Life has weathered these multiple significant external shocks, demonstrating robust resilience and adaptability in the face of adversity.

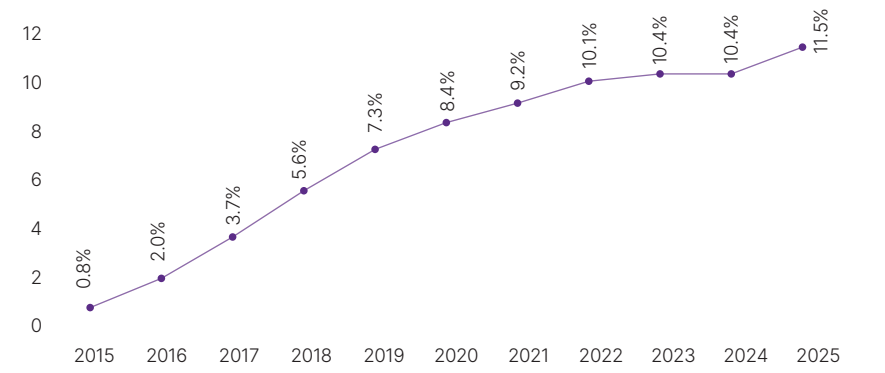
Proven track record of Resilience

The graphs below illustrate how, over the years, the group has consistently exceeded regulator and investor expectations in financial strength, performance, and market competitiveness.

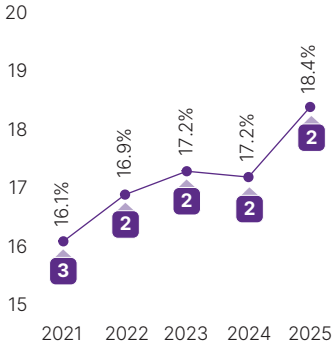
RETURN ON EQUITY



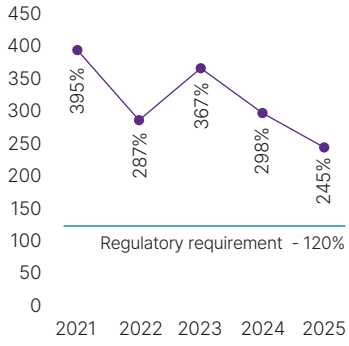
CUMALATIVE MARKET SHARE GAIN OVER LAST 10 YEARS



MARKET SHARE



CAPITAL ADEQUACY RATIO



10 year CAGR

3.10 Social scenario analysis

As a life insurer, SLI is significantly influenced by its social environment, which primarily includes customers, advisors, employees, and the general public. The responses of these stakeholders to environmental and social changes are crucial for maintaining the Softlogic business model. When individuals actively pursue preventive health measures, both customers and the company benefit: customers may enjoy longer, healthier lives, while Softlogic Life experiences reduced claims, thereby enhancing the profitability of the overall business model. As fist step Softlogic Life has engage to assess the overall social health impact through scientific method call “Disability Adjusted Life Years” (refer page 201 foe more details). We will focus on social scenarios also on voluntary basis in near future to assess the impact created by social factors on our business model.

3.11 Sustainability and climate related opportunities

The Group has identified the following sustainability-related and climate-related opportunities that could reasonably be expected to affect our enterprise value over the short, medium, and long term. For each opportunity, we disclose its effect on our business model and value chain, strategic implications, and associated financial effects.

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

	Description	Effect on Business Model and Value Chain	Strategic Implications	Financial Effects
Sustainability-related	**Economic growth and rising middle class** Sustained economic growth and increasing disposable incomes expand the addressable market for life insurance, savings, and protection products	• Enables expansion into underserved customer segments • Requires distribution channels and affordable product designs • To capture market potential require the development of products, supported by new distribution models designed to engage emerging customer segments.	• Prioritise development of micro-insurance and entry-level products • Invest in agency network expansion in emerging areas • Allocate marketing resources to financial literacy	• Increased premium revenue from new customer segments • Improved revenue diversification • Potential for higher new business volumes
	Ageing population An ageing population increases demand for retirement planning, annuities, pension products, and long-term health protection	• Shifts product mix toward long-duration savings and protection • Requires specialised advisory capabilities • Creates more predictable, long-term liability profiles	• Expand retirement and pension product suite • Train advisors in retirement planning • Develop post-retirement healthcare solutions	• Stable, recurring premium streams • Improved asset-liability matching • Higher persistency and customer lifetime value
	Preventive health and wellness trends Growing awareness of preventive healthcare creates opportunities to shift from reactive risk coverage to value-added health-linked solutions	• Integrates wellness services into insurance value proposition • Shifts from transaction-based to engagement-based customer relationships • Reduces claims incidence over time	• Launch wellness-linked products with premium incentives • Invest in Health Score and digital wellness platforms • Partner with healthcare providers	• Lower morbidity claims expense • Improved policyholder persistency • Enhanced customer acquisition and retention
Climate-related	**Increasing customer demand for protection and resilience** Heightened climate risks increase customer awareness of financial vulnerability, driving demand for life and health protection products	• Expands market penetration for protection products • Creates opportunities for climate-responsive product features • Strengthens relevance of insurance in household financial planning	• Develop affordable protection products addressing climate-related health risks • Enhance customer education on climate vulnerability • Leverage digital channels for broad reach	• Increased protection product sales • Higher insurance penetration in climate-exposed segments • Improved brand perception and trust
	Low-carbon and climate-aligned investments The transition to a low-carbon economy creates investment opportunities in sustainable and climate-resilient assets	• Diversifies investment portfolio into new asset classes • Aligns investment strategy with long-term climate trends • Responds to evolving stakeholder and regulatory expectations	• Develop ESG investment criteria and screening framework • Increase allocation to green bonds as market permits • Monitor climate-related investment performance	• Potential for risk-adjusted returns from growing green sectors • Improved portfolio resilience to transition risks • Enhanced reputation with ESG-focused investors

4. RISK MANAGEMENT

4.1 Approach to risk management

Sustainability and Climate risk management is integrated into Softlogic Life risk management framework, influencing effective performance through the identification and control of SRR and CRR. The Groups Enterprise Risk Management Framework (ERMF) aligns with ISO 31000:2018 Guidelines to ensure effective management of risks.

The group takes a comprehensive approach to sustainability by categorising risks as Economic, environment, Social, and Governance within its risk register. This process ensures that the most critical SRRs are clearly classified so that appropriate actions can be taken. The Group maintains a risk register that includes SRRs and CRRs as part of an extensive list of risks to which Softlogic Life is being exposed.

We establish clear limits to assess each risk, assigning a score based on severity and likelihood. This enables us to prioritise risks as low, medium, or high. For the purpose of this report, risks arising from primary business activities that are rated medium or higher are disclosed

Potential SROs and CROs are identified during strategic planning, where management thoroughly evaluates options, sets strategies, and allocates resources to take advantage of these opportunities.

The Group maintains a comprehensive risk management policy that details the procedures for effective risk management. This policy is reviewed and approved by the Board on an annual basis to ensure all emerging risks are appropriately addressed.

During the year there were no significant change in the risk management process other than the scope being extended to the subsidiary company.

4.2 Risk management process

The Group has established a robust and comprehensive risk management process that ensures the effective identification, assessment, mitigation, and monitoring of risks that could impact the Group's strategic objectives

4.2.1 Risk Identification

The process of identifying risks is a fundamental component of the risk management framework, ensuring that all potential risks whether internal or external are systematically recognised. Risks may be identified through various methodologies, including;

A) direct observations,

B) incident analysis,

C) scenario analysis, and

D) structured "What-If" analysis.

This process is undertaken by both individual risk owners and the dedicated Risk Unit, ensuring a thorough approach that addresses risks unique to specific business units as well as those affecting the organisation as a whole. The procedure involves gathering data from internal sources, such as incident reports, internal audits, process reviews, and operational performance metrics, and consulting external sources including market trends, regulatory updates, industry reports, and peer benchmarking. Additionally, stakeholder engagement is facilitated through meetings, interviews, workshops, and other collaborative activities.

4.2.2 Risk measurement and prioritisation

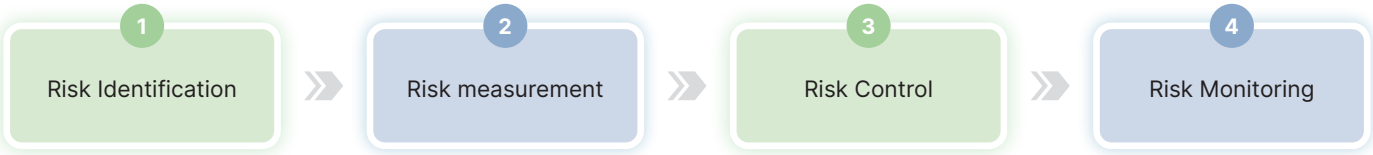
Each identified risk is assessed based on its severity of impact and probability of occurrence, facilitating a structured decision-making process. A predefined Risk Matrix as depicted in following figure serves as a guiding tool for evaluating risks based on these parameters.

Severity of Impact:- Decide based on the level of impact created on Profit before tax, Equity, Market share and other active operation of critical departments. This classify risks in to Marginal, Significant, Critical, and Catastrophic.

Probability of Occurrence:- The likelihood of a risk materialising is determined based on historical trends and prevailing market conditions. Risks are categorised into six probability levels, ranging from Very High (occurring in less than a week) to Almost Impossible (occurring once in a hundred years).

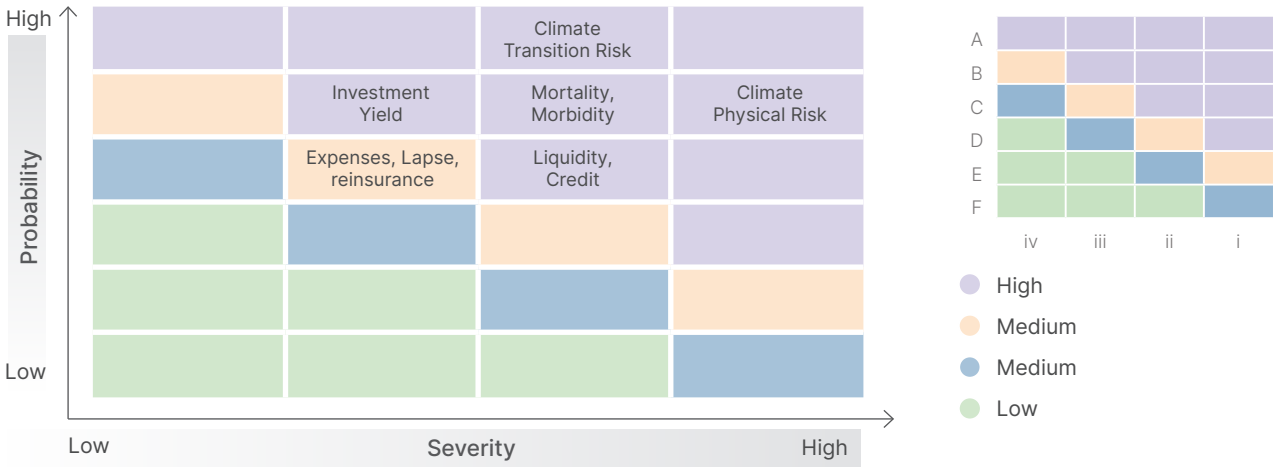
Above traffic light system is used to categorise the risks high, upper medium, Min medium and low. This structured assessment methodology ensures that decision-making is based on data-driven insights, allowing for proactive risk mitigation strategies.

Figure 2:- Risk management process



MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

Figure 3: Risk traffic light matrix



4.2.3 Risk control

The risks labelled as high risk are immediately discussed within the internal risk committee which includes Managing Director and all the heads of the departments. The mitigation actions are collectively agreed and the responsibility for mitigating risks rests with the respective department heads, who are accountable for developing and executing action plans to address high-rate risks. Risk governance mechanism is explained under note no 2 in the page 74.

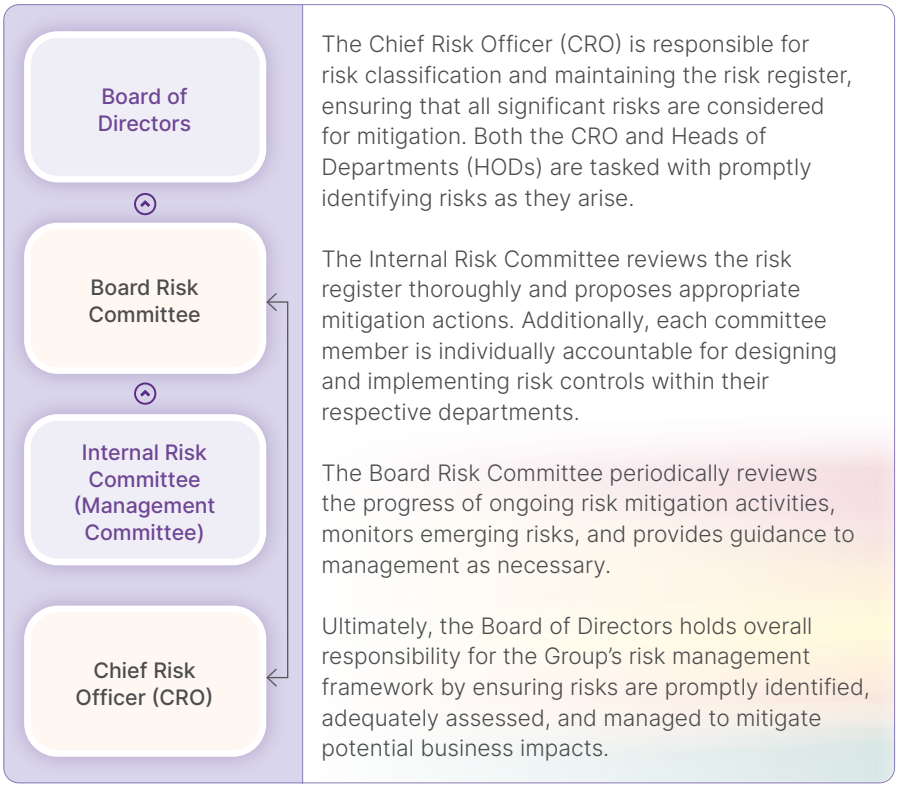
4.2.4 Monitoring and Reporting

Dedicated risk management unit is available within the Group where Chief Risk Officer holds responsibility of regular monitoring and reporting of risks as per the governance structure stated on page no 74. Risk reporting follows a structured three-tier escalation framework, categorising risks as Marginal, Significant, or Critical. Each category has a tailored response mechanism, ensuring that risks are managed at the appropriate level of governance.

4.3 Risk governance process

The group has established a structured risk governance process with clear roles and responsibilities to ensure effective risk management process within the group as illustrated below.

Figure 4:- Risk governance process



For additional details on risk committee and its activities refer following pages

- Composition and statistics – Page 239
- Profile of committee members - Page 239
- Risk committee report - Page 275

4.4 Risk analysis

The primary risk highlighted in the assessment of risk themes in Note 3.8 (page 104), and summarised in the table under Note 3.1.1, is examined further below to identify the nature of the risk, its potential financial impact, and the management actions implemented to mitigate it.

4.4.1 Investment yield risks

This section discusses how the Group actively manages Investment yield risk to protect policyholder benefits and shareholder value. It outlines the strategies and controls employed to navigate market volatility and interest rate fluctuations. Additionally, a detailed analysis of the Group's current exposure to Investment yield risk is provided

Risk exposure to financial statement

Investment yield risk may impact the following financial statement line items:

FS line items (Rs Mn)	FS note	Page no	2025	Assessing significance
Net investment income	9,10,10.3,11,12	332,334,335	**7,539**	19% of total income
Change in insurance contract liabilities	40	381	**46,611**	85% of total liabilities
Fair value of financial assets	30	361	**59,644**	87% of total assets
Profit before tax	21	342	**6,616**	Sensitivity to yield movements

Monitoring and Managing the risks

A sustained decline in Investment yields may increase insurance contract liabilities, particularly for products with guaranteed returns or long-duration savings components, and reduce reported profits.

At Softlogic Life, Investment yield risk is primarily monitored using the Investment yield / investment yield KPI, which measures actual returns earned on policyholder and shareholder funds against pricing and actuarial assumptions. This KPI is reviewed by management to identify early signs of yield compression or asset-liability mismatches. To ensure effective oversight, this has been established as a key KPI for Softlogic Life fund manager, and compensation are linked to this KPI.

Following table analyse groups net interest rate exposure of total net financial assets.

Rs Mn	FS Note	Page No	Variable Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total
Financial Assets	49.4.4.1	424	7,524	48,276	1,163	56,962
Financial Liabilities	49.4.4.1	424	(387)	-	-	(387)
Exposure to Interest Rate Risk			7,136	48,276	1,163	56,575
Proportion to total net exposure			13%	85%	2%	100%

13% of total financial assets are subject to variable interest rates, reflecting prudent management of interest rate risk alongside a focus on profitability.

4.4.2 Liquidity risks

This section discusses how the Group actively manages liquidity risk to ensure all financial obligations are met as they fall due. It outlines the strategies and buffers maintained to withstand periods of market stress or unexpected cash flow demands. Additionally, a detailed analysis of the Group's current liquidity position and exposure is provided.

Risk exposure to financial statement

Liquidity risk may impact the following financial statement line items:

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

(Rs Mn)	FS note	Page no	2025	Assessing significance
Cash and cash equivalents	35	378	**3,100**	5% of total assets
Net cash flow from operating activities		320	**7,308**	79% of total cash flow
Insurance contract liabilities	40	381	**46,611**	85% of total Liabilities
Borrowings / payables	43	390	**721**	1% of total Liabilities

Monitoring and Managing the risks

At Softlogic Life, liquidity risk is primarily monitored using the Capital Adequacy Ratio (CAR) and internal liquidity coverage metrics, including short-term liquidity ratios and projected cash flows. These KPIs enable Softlogic Life to assess its ability to meet near-term obligations. The regulator monitors the liquidity positions of all life insurers in Sri Lanka by setting a minimum compliance ratio of 120% for the CAR. SLI has consistently maintained an additional buffer above this minimum requirement.

The table below examines net financial assets across three duration categories to assess the position of excess assets.

Rs Mn	FS Note	Page No	No Maturity	Less than 1 Year	1-3 Years	More than 3 Years	Total
Financial Assets	49.4.3.1	420	1,921	20,813	5,201	32,077	60,012
Financial Liabilities	49.4.3.1	420	-	7,005	5,235	28,617	40,857
Excess Assets / (Liabilities)	49.4.3.1	420	1,921	13,807	(33)	3,460	19,155

4.4.3 Mortality and Morbidity risks

This section discusses how the Group actively manages mortality and morbidity risks to ensure the long-term sustainability of its life insurance portfolio. It outlines the underwriting practices, pricing strategies, and reinsurance arrangements employed to mitigate the impact of adverse experience. Additionally, a detailed analysis of the Group's current exposure to mortality and morbidity risks is provided

Risk exposure to financial statement

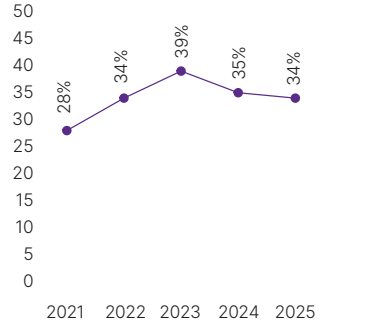
Following financial statement items will have impact due to mortality and morbidity risks.

FS line items (Rs Mn)	FS note	Page no	2025	Assessing significance
Gross claims paid	13.3	336	**13,589**	34% of GWP
Change in insurance claims outstanding	14.2	337	**48**	0% of GWP
Insurance contract liabilities	40	381	**46,611**	85% of total liability

Monitoring and Managing the risks

At Softlogic Life, actuaries routinely evaluate mortality and morbidity risks to ensure the validity of pricing assumptions, cash flow forecasts, and other relevant financial data as well as projections. Within business operations, these risks are primarily tracked using the gross claims ratio (excluding surrenders and maturities). This key performance indicator concentrates on claims related to death, health, critical illness, and disability benefits, enabling Softlogic Life to measure risk performance accurately. Claim ratio will be a crucial KPI for determining salary increases and variable pay for the Chief Technical Officer, and will be applied to lower designation levels as appropriate.

GROSS CLAIM RATIO



4.4.4 Re-insurance risks

The following section outlines the Group's approach to managing reinsurance risk, a key consideration within our overall risk framework. It details the policies and criteria governing reinsurer selection, ongoing credit assessments, and concentration limits. Furthermore, it presents a comprehensive analysis of the Group's exposure to reinsurer counterparty risk

Risk exposure to financial statement

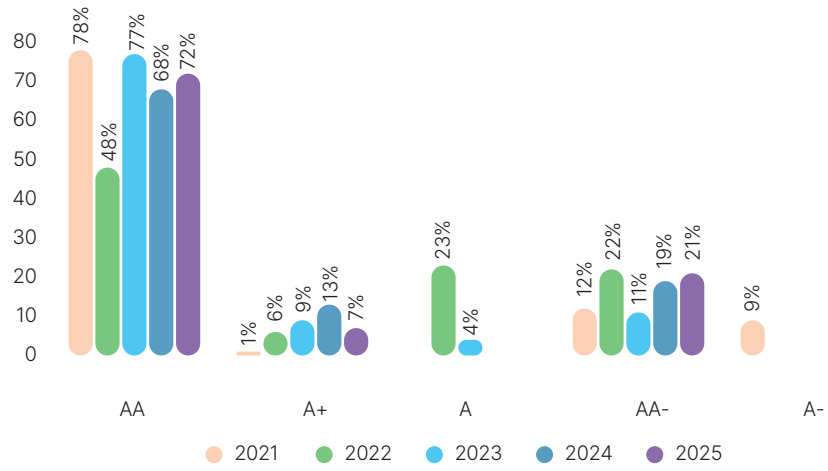
Following financial statement items will have impact due to Re-insurance risks.

FS line items (Rs Mn)	FS note	Page no	2025	Assessing significance
Gross claims paid	13.3	336	**13,589**	34% of GWP
Reinsurance recoveries	14.3	337	**731**	2% of GWP
Net insurance service results			**10,702**	27% of GWP
Reinsurance assets	32	376	**525**	1% of total Assets
Insurance contract liabilities	40	381	**46,611**	85% of total liability

Monitoring and Managing the risks

At Softlogic Life, reinsurance risk is mainly tracked using net insurance service results and net claims ratios. Softlogic Life reviews reinsurance retention levels annually during contract renewals, assessing actual portfolio performance to determine how effectively reinsurance arrangements mitigate mortality, morbidity, and catastrophe risks. Key performance indicators related to reinsurance have been assigned to the Chief Technical Officer, and these metrics are considered when determining variable compensation and annual salary adjustments.

CREDIT RATING WISE REINSURENCE RECIVABLE



4.4.5 Lapse risks

This section discusses how the Group manages lapse risk to protect policyholder value and ensure portfolio stability. It outlines the strategies employed to improve policy retention, including customer engagement initiatives and product design features that encourage persistency. Additionally, a detailed analysis of the Group's current exposure to lapse risk across its insurance portfolio is provided

Risk exposure to financial statement

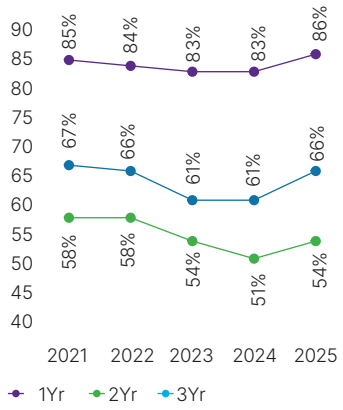
Following financial statement items will be impacted due to Lapse risks.

FS line items (Rs Mn)	FS note	Page no	2025	Assessing significance
Gross Written Premium	6	331	**40,075**	100% of GWP
Premiums ceded to re-insurers	7	331	**2,738**	7% of GWP
Maturity and surrender benefits paid	14.3	337	**6,489**	16% of GWP
Change in insurance contract liabilities	15.3	338	**4,293**	11% of GWP
Underwriting results			**10,702**	27% of GWP
Insurance contract liabilities	40	381	**46,611**	85% of total liability

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

Monitoring and Managing the risks
At SLI, policy lapses are tracked across various product portfolios to validate the actuarial assumptions applied in pricing and financial projections. Premium persistency is also closely monitored within the operational context. To effectively manage this risk, persistency requirements have been made mandatory for all Agents and sales management staff as a condition for earning commissions and incentives.

PREMIUM PERSISTENCY RATIO YEAR 1,2&3



4.4.6 Expense risks

This section discusses how the Group manages expense risk to maintain operational efficiency and protect policyholder value. It outlines the cost monitoring frameworks and regular expense analysis conducted to ensure premiums remain competitive and sufficient to cover future costs. Additionally, a detailed analysis of the Group's current exposure to expense risk is provided

Risk exposure to financial statement
Following financial statement items will have impact due to expenses risks.

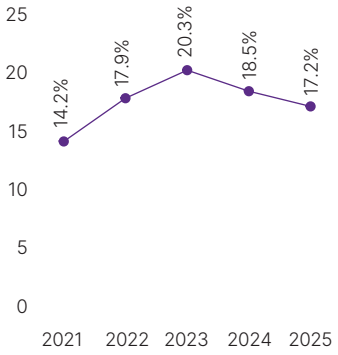
FS line items (Rs Mn)	FS note	Page no	2025	Assessing significance
Acquisition costs	16.2	339	**7,691**	19% of GWP
Operating expenses	17.2	339	**7,013**	17% of GWP
Profit before tax	21	342	**6,616**	17% of GWP
Insurance contract liabilities	40	381	**46,611**	85% of total liability

Monitoring and Managing the risks
The group conducts an annual expense study to assess the cost per policy and compare it with pricing and valuation assumptions. Any discrepancies are adjusted within the valuation model and reflected in policy liabilities. Management implements measures to improve expense efficiency, leading to increased profitability and providing a buffer against market fluctuations such as changes in interest rates or persistency. Expense efficiency, digitalisation, and automation have been established as key management KPIs, which are evaluated when determining variable compensation and annual salary increases.

4.4.7 Credit Risk

This section discusses how the Group manages credit risk to protect asset values and ensure policyholder obligations can be met. It outlines the credit assessment frameworks, exposure limits, and monitoring processes applied to our investment portfolio and counterparty relationships. Additionally, a detailed analysis of the Group's current credit risk exposure, including concentration risk and credit quality, is provided.

OPERATIONAL EXPENSES



Risk exposure to financial statement
The following financial statement items will have impact due to credit risks.

FS line items (Rs Mn)	FS note	Page no	2025	Assessing significance
Financial assets	30	361	**56,962**	83% of total assets
Reinsurance Receivable	32	376	**525**	1% of total assets
Premiums and other receivables	33, 37	376,377	**4,115**	6% of total assets

Monitoring and Managing the risks

At Softlogic Life, credit risk is primarily monitored using credit quality indicators and concentration limits, including counterparty credit ratings, exposure limits by issuer and sector.

FS line items	FS note	Page no	2025	%
Financial Investment (Note 01)	49.4.2.1	408	55,799	91%
Premium Receivable	49.4.2.1	408	1,992	3%
Cash at Bank	49.4.2.1	408	2,736	4%
Reinsurance Receivable	49.4.2.1	408	525	1%
Loans to Life Policyholder	49.4.2.1	408	413	1%
Receivable and Other Assets	49.4.2.1	408	120	0%
Total	49.4.2.1	408	61,585	100%

Note 01 – Breakdown of Financial Investments by Credit Rating

Rs Mn	2025 Exposure	
	Rs Mn	%
Government Securities	43,332	78%
Debt instruments having credit ratings		
AAA	-	0%
AA+ to AA-	2,480	4%
A+ to A-	4,986	9%
BBB+ to BBB-	1,281	2%
Below BBB-	605	1%
Unit trust		
AAA to A-	2,137	4%
BBB+ to BBB-	979	2%
Total	55,799	100%

5. METRICS AND TARGETS

In accordance with SLFRS S1 and SLFRS S2, Softlogic Life has established a structured approach to identifying, monitoring, and reporting sustainability related metrics and targets. These metrics and targets are designed to support effective governance, risk management, and strategic decision making, and to enable users of the financial statements to assess performance, progress, and resilience in relation to SRROs and CRROs.

5.1 Identifying metrics and targets

Softlogic Life identifies sustainability related metrics and targets through a disciplined process that integrates strategic planning, operational realities, industry practices, and reporting standard requirements. This approach ensures that selected metrics are decision useful, comparable, and aligned with long-term objectives.

5.1.1 Through annual corporate planning cycle

Metrics and targets are identified and reviewed as part of the annual corporate planning and budgeting cycle. During this process, management evaluates key sustainability related risks and opportunities that may reasonably be expected to affect Softlogic Life's business model, cash flows, access to finance, or cost of capital over the short, medium, and long term.

The planning cycle incorporates:

- Assessment of prior year performance against established metrics and targets
- Forward looking analysis of strategic priorities, regulatory developments, and market trends
- Scenario analysis and stress testing, where relevant
- Alignment of sustainability objectives with financial plans and capital allocation decision

This ensures that metrics and targets are embedded within core business planning rather than treated as standalone disclosures. (Eg: GWP growth, Claim ratio etc.)

5.1.2 Set metrics based on the nature of the operation

Softlogic Life selects metrics that reflect the nature, scale, and complexity of its operations. These include metrics linked to:

- Core underwriting, investment, and operational activities (Eg: Percentage of Auto u/w of policies etc.:)

- Key risk exposures, including environmental, social, and governance-related factors (Eg: Employee retention ratio, investment yield etc.)
- Operational efficiency, resource utilisation, and resilience (Eg: Expense ratio etc.)

Metrics are designed to capture both performance outcomes and management actions.

5.1.3 Aligning with Industry specific metrics

To enhance comparability and relevance for investors and other stakeholders, Softlogic Life aligns its metrics, where appropriate, with commonly used industry-specific indicators. These metrics reflect prevailing market practices and emerging expectations within the financial services and insurance sector, including:

- Risk-adjusted performance measures (Eg: Capital Adequacy Ratio)
- Customer, distribution, and claims-related service quality measures (Eg: Annualised new business growth)

Softlogic Life monitors peer disclosures and industry guidance to ensure its metrics remain consistent with evolving best practices.

5.1.4 Metrics proposed by reporting standards

Softlogic Life has considered the metrics and targets referenced in SLFRS S1 and SLFRS S2 GRI and SASB standards when determining its disclosures. This includes:

- Metrics required to assess exposure to, and management of, sustainability-related risks and opportunities
- Climate-related metrics including greenhouse gas emissions
- Cross-referencing metrics to financial statement impacts, where sustainability matters are linked to recognised assets, liabilities, income, or expenses

Where a prescribed metric is not currently applicable or data is not yet sufficiently reliable, Softlogic Life provides qualitative explanations and outlines plans for future enhancement.

5.2 Monitoring of metrics and targets

The monitoring of sustainability related metrics and targets is integrated into governance and risk management framework. Performance against metrics is tracked through regular management reporting and reviewed by senior management and relevant committees at defined intervals.

Key features of the monitoring process include:

- Periodic review of actual performance against targets and thresholds
- Identification of variances, underlying drivers, and emerging trends
- Strategise material deviations by senior management and report to board / sub committee

This ongoing monitoring enables timely corrective actions and supports informed decision-making.

5.3 Reporting of metrics and targets

Softlogic Life reports sustainability related metrics and targets in a manner that is consistent, transparent, and decision useful. Disclosures are prepared using methodologies that are applied consistently across reporting periods, with any changes clearly explained.

Reported information includes:

- Current year performance against established metrics and targets
- Comparative information for prior periods, where available
- Explanations of significant movements, assumptions, and limitations
- Linkages between sustainability metrics and financial performance, where relevant

5.4 Key Sustainability Metrics and Targets Monitored Internally

In accordance with SLFRS S1 and S2 requirements, Softlogic Life must disclose its exposure to sustainability-related risks and opportunities using the SASB standards applicable to the insurance industry. A concise summary of these disclosures, including material metrics and performance data, is presented in the table below to provide stakeholders with a clear overview. For a more comprehensive understanding of how these metrics connect directly to value creation, a detailed discussion is included within the relevant capital reports and operational review sections. This integrated approach ensures transparency regarding the financial implications of climate related matters and other sustainability factors, reinforcing the connectivity between emerging disclosure requirements and the Group's long term strategic objectives.

5.4.1 Sustainability related metrics

Below table include SASB quantitative disclosures SLI track within the business process

SASB quantitative disclosures	Measure	Metrics			Further discussion
		2025	2024	2023	
FN-IN-270a.2 - Complaints-to-claims ratio	%	**0.10**	0.09	0.11	164
FN-IN-270a.3 - Customer retention rate	%	**88.7**	85.4	81.9	165
FN-IN-270a.1 - Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers	Rs Mn	**nil**	nil	nil	180
FN-IN-550a.1 - Exposure to derivative instruments	Rs Mn	**nil**	nil	nil	-
FN-IN-550a.2 - Total fair value of securities lending collateral assets.	Rs Mn	**11,285**	1,298	1,205	411
FN-IN-000.A - Number of policies in force	no	**880,706**	748,101	733,002	161
HC-MC-230a.2 - (1) Number of data breaches, (2) percentage involving.	no	**nil**	nil	nil	159
HC-MC-240a.1 - Percentage of total health care insurance premiums spent directly on medical claims and efforts to improve the quality of care	%	**63.4**	58.9	62.6	165
HC-MC-230a.3 - Total amount of monetary losses as a result of legal proceedings associated with data security and privacy	Rs Mn	**nil**	nil	nil	159

The table below presents the qualitative disclosures required under SASB standards. For improved clarity, these disclosures are discussed in greater detail within the relevant topics throughout this report, where corresponding references have been provided.

SASB qualitative disclosures	Disclosure provided on	Page no
FN-IN-270a.4 - Description of approach to informing customers about products	SRC - Customers	162
FN-IN-410a.2 - Description of approach to incorporation of environmental, social and governance (ESG) factors in investment management processes and strategies	NC - Natural Capital	195
FN-IN-410b.2 - Discussion of products or product features that incentivise health, safety or environmentally responsible actions or behaviours	SRC - Customers	161
FN-IN-550a.3 - Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities.	SRC - Customers	161
HC-MC-230a.1 - Description of policies and practices to secure customers' personal health data records and other personal data.	Intellectual Capital	159
HC-MC-240a.4 - Description of policies and practices regarding customer access to coverage	SRC - Customers	162
HC-MC-260a.4 - Discussion of initiatives and programmes to maintain and improve enrollee health	SRC - Customers	161

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISK AND OPPORTUNITIES

Following SASB have not reported and reason is provided.

SASB Exclusions	Reason for exclusion
FN-IN-410b.1	These indicators are not relevant SLI as it is not part of our business activity
FN-IN-450a.1	Softlogic Life has computed probable maximum loss based on the stress testing of capital adequacy. Due to unavailability of data weather-related natural catastrophes have not considered for the assessment.
FN-IN-450a.2	This assessment not carried out due to unavailability of data
FN-IN-450a.3	Environmental risk is not integrated to underwriting. However the Group is in the process of integrating preventive health assessments in to underwriting which has direct link to environment impact on human health. Capital adequacy is monitored regularly through the stress scenarios but not linked direct correlation with environmental impact due to data limitation
HC-MC-450a.1	These indicators are not relevant SLI as it is not part of our business activity
HC-MC-250a.2	
HC-MC-250a.3	
HC-MC-250a.4	
HC-MC-250a.5	
HC-MC-260a.1	
FN-IN-450a.3	
HC-MC-000.A	

Climate related metrics have been disclosed in below table.

SASB Exclusions	Reason for exclusion
Amount and percentage of assets/business activities exposed to physical risk	These items will be a part of climate transition strategy currently Group is working on and will be measured and reported in future reporting period.
Amount and percentage of aligned assets/business activities with climate related opportunities	Climate aligned investments reported to Rs 205 million at end of the year reflecting the Group's progressive allocation to green bonds as market conditions and our free cashflow availability permits.
Capital deployment toward climate related risks and opportunities	During the year, the Group deployed Rs 16.6 million toward climate related initiatives, comprising preventive health programmes and digital infrastructure supporting climate resilience.
Internal carbon price	Not applicable

5.4.2 Climate related metrics

The group calculate emission intensity ratio as primary metric to measure climate impact it create and below we discuss the process of calculating scope 1,2 and 3 emission

5.4.2.1 Our Sources of Emissions

The Group's greenhouse gas (GHG) emissions arise from a combination of direct operational activities, indirect energy consumption, and indirect emissions associated with our value chain, including financed emissions. In line with SLFRS S2, emissions are classified and disclosed under Scope 1, Scope 2, and Scope 3 to provide a comprehensive view of our climate-related impacts and risks.

5.4.2.2 Key Changes During the Year

During the reporting period, there were significant changes to the Group's structure and measurement approach that materially affected the scale and composition of reported emissions.

5.4.2.2.a Acquisition of Allianz Life Insurance Lanka Ltd. (Softlogic Life Insurance Lanka Ltd.) as a Fully Owned Subsidiary

During the year, the Group acquired Allianz Life (Softlogic Life Insurance Lanka Ltd.) as a fully owned subsidiary. As a result, the reporting boundary expanded to include the subsidiary's operational footprint, including branch operations, energy consumption, and financed activities. This acquisition increased absolute emissions across all scopes, particularly Scope 2 and Scope 3, due to the enlarged operational and investment base.

5.4.2.2.b Partnership with PCAF to Compute Financed Emissions

In the current year, the Group partnered with the Partnership for Carbon Accounting Financials (PCAF) to measure and disclose financed emissions in line with internationally recognised methodologies. This resulted in a more robust, transparent, and standardised assessment of emissions associated with the Group's investment and lending activities, which form a material component of Scope 3 emissions for our business.

Due to the above changes, current year's emissions are not directly comparable with those reported in the prior year. To improve comparability, prior-year financed emissions have been restated in line with the PCAF methodology. However, differences in scale arising from the acquisition, coupled with the ongoing integration of systems, processes, and data sources, may continue to result in significant variances between periods.

5.4.2.3 Reporting Boundary

The emissions inventory is prepared based on the operational control approach. Accordingly, the reporting boundary includes operations over which the Group has operational control, comprising:

- 123 locations of Softlogic Life Insurance, and
- 10 branches of Softlogic Life Insurance Lanka Ltd., a fully owned subsidiary.

This boundary covers all material activities within the Group's direct operations and value chain, consistent with SLFRS S2 disclosure requirements.

5.4.2.4 Methodology

The Group tracks activity data across its operations and value chain and applies appropriate emission factors to calculate GHG emissions. Emissions are calculated by multiplying activity data (such as fuel consumption, electricity usage, and relevant value-chain indicators) by corresponding emission factors.

Emission factors are sourced from the Intergovernmental Panel on Climate Change (IPCC), UK Department for Environment, Food & Rural Affairs (DEFRA), and the Sri Lanka Sustainable Energy Authority. Priority is given to Sri Lanka–specific emission factors where available. In the absence of local data, regional or other internationally recognised sources are used to derive appropriate intensity factors. Financed emissions for the year ended 31 December 2025 are calculated using 2024 investee data, as investee disclosures are not available within the same reporting cycle. This one-year lag is applied consistently across all asset classes in accordance with the PCAF Standard.

5.4.2.5 Verification

The Group's emissions data has been independently verified by Sri Lanka Climate Fund (Pvt) Ltd. in accordance with ISO 14064-1:2018 and ISO 14064-3:2019, providing assurance over the accuracy, completeness, and consistency of reported emissions.

5.4.2.6 Exclusions

Any exclusions from the emissions inventory are disclosed in the emissions verification certificate issued by Sri Lanka Climate Fund (Pvt) Ltd.

5.4.2.7 Restatement of Prior Year Financed Emissions

Prior year financed emissions have been restated following a methodology change from research-based emission factors to PCAF-prescribed emission factors, applied across all asset classes and industries. The restatement does not represent an actual change in the underlying investment portfolio or investee emissions. Comparative figures have been restated accordingly to ensure consistency

5.4.2.8 Our Emissions

GHG emissions are disclosed on a gross basis, without the use of offsets, and are presented in metric tonnes of carbon dioxide equivalent (tCO_2e).

Table 23: Organisational Emission

Total Emission		2025	2024
Carbon footprint (Scope 1 + 2 + 3) (tC02-e)		**14,334.33**	12,485.56
Carbon footprint intensity (tC02-e per GWP Rs Mn)		**0.36**	0.40
Emission contribution from Scope 1,2 and 3		**(tC02-e)**	
Emission contribution from Scope 1.2 and 3		**(tC02-e)**	
		2025	**2024**
Scope I: Direct GHG Emissions	On-site generators	**3.16**	0.47
	Emission from AC Machines	**71.84**	62.48
	Company owned vehicles	**14.83**	11.89
	Fire Extinguisher	**0.03**	0.01
	Employee commuting (paid)	**963.45**	106.22
Total – Scope 1		**1,053.31**	**181.07**
Scope 2: Indirect GHG Emissions	Grid Connected Electricity	**972.26**	945.52
Total - Scope 2		**972.26**	**945.52**
Scope 3: Other Indirect GHG Emissions	Purchased goods and services	**948.05**	504.76
	Capital Goods	**141.76**	50.27
	Fuel and energy related activities	**361.16**	143.15
	Waste Generated in Operations	**7.33**	6.53
	Business Travels	**35.08**	37.50
	Employee commuting (not paid)	**592.00**	1,274.38
	Financed emission	**10,223.39**	9,342.38
Total - Scope 3		**12,308.76**	11,358.97

5.4.2.9 Financed Emissions

Financed emissions represent the GHG emissions associated with the Group's investment portfolio and are classified under Scope 3. As a life insurance company, financed emissions constitute a material source of climate-related exposure and transition risk.

The Group calculates financed emissions using the PCAF methodology, which attributes emissions based on the proportion of capital provided to investee entities and projects. This approach enhances transparency and enables alignment with global best practices, supporting compliance with IFRS S2 requirements for climate-related risk disclosure.

Table 24: Financed emission

Industry	GICS Code	Finance Emission t CO2e				Gross Exposure
		Sovereign Debt	Listed Equity and Corporate Bonds	Business Loans and Unlisted Equity	Total Emission	
Banks	401010	-	611	154	765	14%
Capital Markets	402030	-	403	-	403	6%
Consumer Finance	402020	-	257	-	257	3%
Diversified Telecommunication Services	501010	-	776	-	776	1%
Financial Services	402010	-	96	-	96	1%
Food Products	302020	-	146	-	146	0%
Health Care Providers & Services	351020	-	156	-	156	1%
Industrial Conglomerates	201050	-	2,054	-	2,054	2%
Specialty Retail	255040	-	60	-	60	0%
Country	N/A	5,512	-	-	5,512	68%
Total		**5,512**	**4,558**	**154**	**10,223**	**96%**
Data Quality		2	2	4	-	-

5.4.2.10 Exclusions from Financed Emissions Calculation

Deposits and repurchase agreements (Repos) have been excluded from the financed emissions calculation on the basis that these instruments do not represent the provision of capital to investees. As these transactions reflect short-term cash movements rather than financing activities, they are considered out of scope in accordance with the PCAF Standard.

5.4.2.11 Climate Target

(SASB/ FN-IN-410a.2)

While the Group has previously set a target to reduce emissions intensity by 20% by 2030, due to significant structural and methodological changes during the year (as described above), the continued relevance and achievability of this target requires reassessment upon establishing a revised baseline the Group will develop a revised target for the future

As the Group has only six months of operational experience with the newly acquired subsidiary, using the current year as a baseline would not provide a fair or representative view of emissions performance. Accordingly, the Group will revalidate its emissions target during the next reporting cycle and disclose an updated target once a stable and comparable baseline has been established.

Further there were no climate related targets required to be met by law or regulations.

5.4.2.12 Our Actions to Reduce Emissions

The Group has initiated several actions to manage and reduce its emissions and climate-related risks:

- Progressing amendments to the investment policy to incorporate climate-related considerations, where practicable, into investment decision-making.

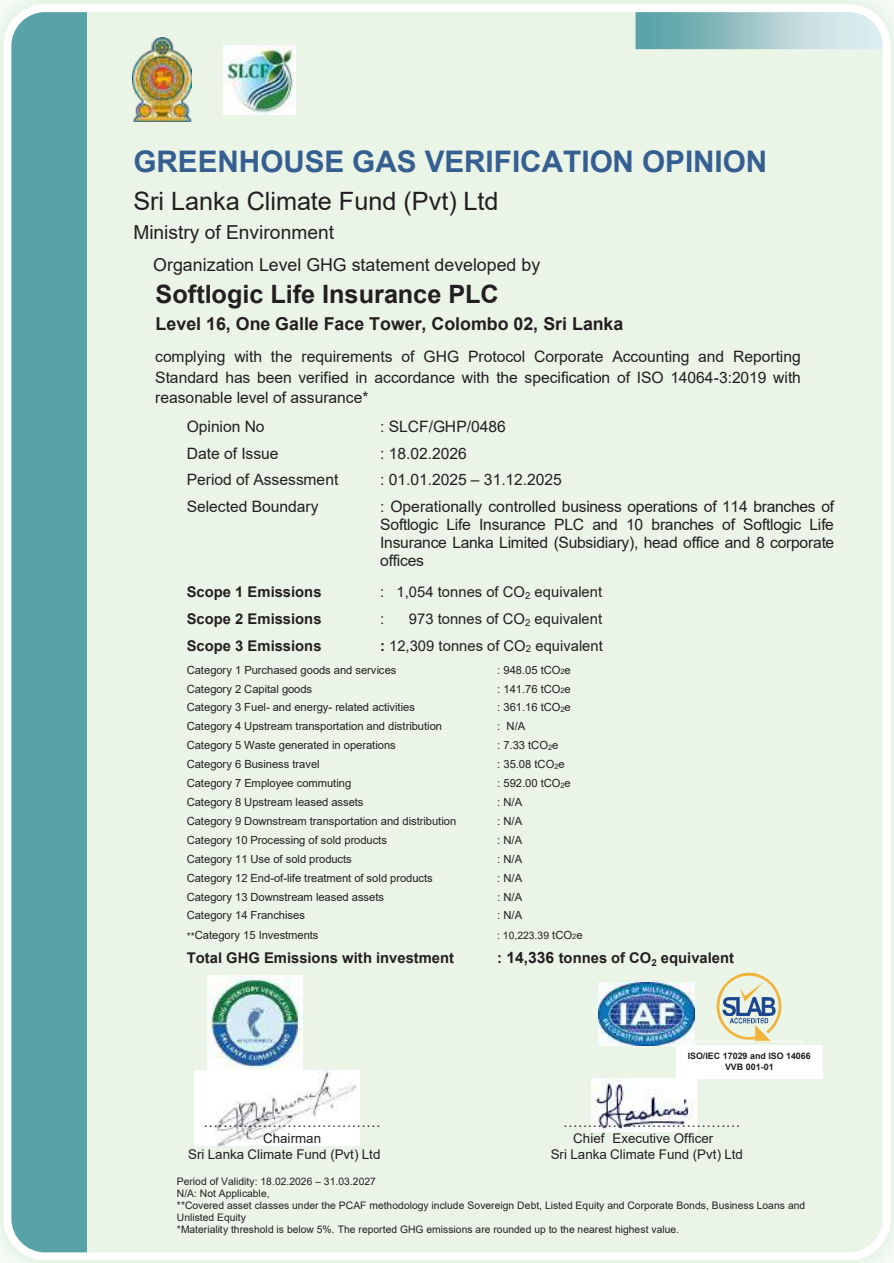
- Increasing focus on green and sustainable investments, while balancing fiduciary responsibilities, required yield expectations, market availability of suitable instruments, timing of cash flows, and asset–liability maturity matching requirements in the best interests of policyholders.

5.5 Key limitations and future improvements

While the Group has made significant progress in enhancing sustainability-related disclosures, certain limitations remain. These include data availability constraints, particularly for climate-related impacts in the Sri Lankan context, reliance on proxy data for selected Scope 3 emissions, and challenges in quantifying forward-looking financial impacts under climate scenarios.

The Group is committed to continuous improvement and plans to enhance data quality, expand scenario based financial quantification. Under the climate transition plan, which is proposed for finalisation during the next financial year, a key change will be the integration of ESG considerations into the Group's investment portfolio management. Accordingly, all investment decisions will be evaluated against defined ESG criteria to determine whether an opportunity qualifies as a suitable investment for Softlogic Life.

GREENHOUSE GAS EMISSIONS VERIFICATION CERTIFICATE



GREENHOUSE GAS VERIFICATION OPINION

Sri Lanka Climate Fund (Pvt) Ltd

Ministry of Environment

Organization Level GHG statement developed by

Softlogic Life Insurance PLC

Level 16, One Galle Face Tower, Colombo 02, Sri Lanka

complying with the requirements of GHG Protocol Corporate Accounting and Reporting Standard has been verified in accordance with the specification of ISO 14064-3:2019 with reasonable level of assurance*

Opinion No	: SLCF/GHP/0486
Date of Issue	: 18.02.2026
Period of Assessment	: 01.01.2025 – 31.12.2025
Selected Boundary	: Operationally controlled business operations of 114 branches of Softlogic Life Insurance PLC and 10 branches of Softlogic Life Insurance Lanka Limited (Subsidiary), head office and 8 corporate offices
Scope 1 Emissions	: 1,054 tonnes of CO_2 equivalent
Scope 2 Emissions	: 973 tonnes of CO_2 equivalent
Scope 3 Emissions	**:** 12,309 tonnes of CO_2 equivalent

Category 1 Purchased goods and services	: 948.05 tCO_2e
Category 2 Capital goods	: 141.76 tCO_2e
Category 3 Fuel- and energy- related activities	: 361.16 tCO_2e
Category 4 Upstream transportation and distribution	: N/A
Category 5 Waste generated in operations	: 7.33 tCO_2e
Category 6 Business travel	: 35.08 tCO_2e
Category 7 Employee commuting	: 592.00 tCO_2e
Category 8 Upstream leased assets	: N/A
Category 9 Downstream transportation and distribution	: N/A
Category 10 Processing of sold products	: N/A
Category 11 Use of sold products	: N/A
Category 12 End-of-life treatment of sold products	: N/A
Category 13 Downstream leased assets	: N/A
Category 14 Franchises	: N/A
**Category 15 Investments	: 10,223.39 tCO_2e
Total GHG Emissions with investment	**: 14,336 tonnes of CO_2 equivalent**

ISO/IEC 17029 and ISO 14066
VVB 001-01

Chairman
Sri Lanka Climate Fund (Pvt) Ltd

Chief Executive Officer
Sri Lanka Climate Fund (Pvt) Ltd

Period of Validity: 18.02.2026 – 31.03.2027
N/A: Not Applicable,
**Covered asset classes under the PCAF methodology include Sovereign Debt, Listed Equity and Corporate Bonds, Business Loans and Unlisted Equity
*Materiality threshold is below 5%. The reported GHG emissions are rounded up to the nearest highest value.