Message from the Chair of the Board and the 2022 Financial Statements

Summary

Message from the Chair of the Board

The coming together of SSQ Insurance and La Capitale to create Beneva paved the way to merge the SSQ and La Capitale mutuals. The Board of Directors continued its work in this respect in 2022, while SSQ Mutual continued to record good financial results.

Work done by the Board and the committees

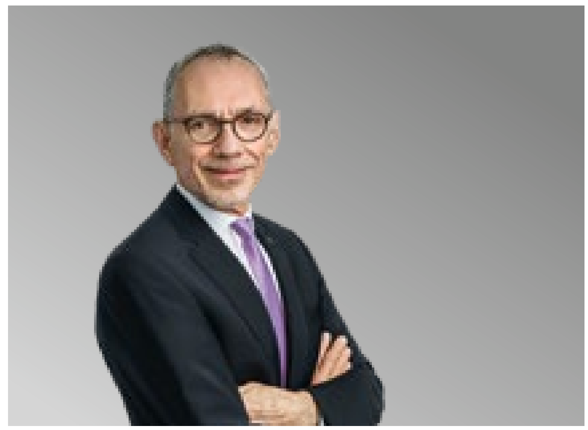
In 2022, in addition to the annual meeting in April, SSQ Mutual's Board of Directors held five meetings. The Audit, Risk Management and Investment Committee and the Governance, Human Resources and Ethics Committee met on three occasions respectively. They ensured full coverage of the regular activities and responsibilities set out in the governance program.

The Board of Directors also monitored with great interest the progress of the work to combine and integrate the SSQ and La Capitale insurance companies under Beneva. The end of 2022 marked a major step. To this end, the majority of La Capitale and SSQ Insurance operations are legally under Beneva as of January 1, 2023. The operation was a success in every aspect.

SSQ Mutual's financial results

The financial results of SSQ Mutual represent the percentage of its holdings in SSQ, Financial Corporation Inc., in addition to the results of its own operations. These results reflect its participation in Beneva Group Inc. and its subsidiaries.

SSQ Mutual's net income for the year ended December 31, 2022, is $18.6 million. Thus, total equity attributable to members was $290.1 million, an increase of 4.6% over the previous year. The Mutual is pleased with these good results, which were obtained while balancing the interests of its members, its solid financial position and expectations for reasonable returns.



René Hamel

The Mutual's community involvement

SSQ Mutual is very active in our communities. The money donated by the Mutual is in addition to the other charitable efforts by La Capitale Civil Service Mutual, their respective foundations and by Beneva. In total, over $3.3 million was provided in philanthropic support across Canada in 2022, demonstrating the importance placed on giving back to the community.

We continue to actively support SOCODEVI, whose mission is to improve the living conditions of families in developing countries through mutualism and cooperation. As a founding member of the organization, SSQ Mutual, along with Beneva, provides technical and financial support to SOCODEVI projects and is represented at various levels of its decision-making bodies.

In order to support SOCODEVI in its growth, the SSQ and La Capitale mutuals, together with Beneva, committed to significantly increase their financial support to SOCODEVI to $300,000 per year for 2023 and 2024. This commitment speaks to how much we value implementing mutualism and cooperation to improve living conditions for families in developing countries.

Promoting mutualism

A task force made up of Beneva executives and board members of SSQ Mutual and La Capitale Civil Service Mutual was created in 2021 to focus on promoting mutualism. In fact, one of the main orientations of Beneva's strategic plan is promoting mutualism. The work carried out by the task force led to the development of several strategies. The work in 2022 focused mainly on the member and customer voice, a shared understanding by employees of what mutualism means and the development of a positioning with regard to environmental, social and governance (ESG) issues.

Merging of the mutuals

The preliminary work for merging the two mutuals made great strides in 2022. Both mutuals' Board of Directors made progress during their discussions. Beneva's Corporate Secretariat department has been accompanying them and is working hard to make this project a success. One thing is certain, the mutualist values that are so dear to each of the mutuals will remain at the forefront of the new entity.

We intend to hold an Extraordinary Meeting by the end of 2023 to adopt a merger project that would go into effect on January 1, 2024. This stage will allow us to complete the union of the SSQ and La Capitale entities. This mutual will then be the majority shareholder of Beneva, thereby giving mutualism a strong voice for promoting an economic system that simultaneously brings material prosperity, the well-being of people and a healthy environment.

Changes to the Board

In March 2022, Nadine Lambert joined SSQ Mutual's Board of Directors. Ms. Lambert has been working for years as a critical care nurse, mainly at the CHU Ste-Justine. During her career, she held several union-related positions. Since 2016, she has taken on the position of secretary general and treasurer on the *Fédération de la santé et des services sociaux* executive committee. We are pleased to welcome her to the Board.

A few months later, to fill the position vacated by the passing of Michel Nadeau, the Board of Directors welcomed Bernard Tanguay among its ranks. A fellow of the Canadian Institute of Actuaries and the Society of Actuaries as well as a Certified Corporate Director, Mr. Tanguay worked more than 20 years for SSQ in various strategic positions. He has a wealth of experience as member and president of committees and boards of directors. We are very pleased to welcome him as well.

Acknowledgments

First, I'd like to thank the delegates who, by coming to meetings, help keep the mutualist spirit alive.

The directors of SSQ Mutual were quite busy in 2022. Their contribution is even more commendable given the integration of insurers and the merger of mutuals project. I thank them all wholeheartedly.

I also want to thank our members and partners and all Beneva employees, as they, too, uphold the values embraced by SSQ Mutual.

Sincerely,

René Hamel
Chair of the Board

SSQ Mutual

Financial Statements

As at December 31, 2022

Together with independent auditor's report

Independent auditor's report

To the members of
SSQ Mutual

Opinion

We have audited the financial statements of **SSQ Mutual** (the "Mutual"), which comprise the statement of financial position as at December 31, 2022, and the statements of net income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Mutual as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Mutual in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Mutual's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Mutual or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Mutual's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mutual's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Mutual's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Mutual to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP[1]

Quebec City, Canada
March 14, 2023

1. CPA auditor, public accountancy permit No. A133737

STATEMENT OF INCOME
For the year ended December 31,
(in thousands of dollars)

	2022	2021
	$	$
REVENUES		
Share in the net income of the Associate (Note 6)	18,624	33,138
Gain on disposal of participating shares in the Associate (Notes 6 and 8)	463	—
Investment income (Note 4)	—	72
	19,087	33,210
EXPENSES		
General expenses	469	638
Financial expenses	63	14
	532	652
NET INCOME	18,555	32,558

STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31,
(in thousands of dollars)

	2022	2021
	$	$
NET INCOME	18,555	32,558
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on available-for-sale financial assets of the Mutual and the Associate (includes an income tax expense of $6,106, 2021 – ($1,287))	(16,997)	3,452
Items that will not be reclassified to net income		
Share in the remeasurement of net defined benefit liability of the Associate (includes an income tax expense of ($3,923), 2021 – ($6,717))	10,754	18,601
	(6,243)	22,053
COMPREHENSIVE INCOME	12,312	54,611

The accompanying notes are an integral part of the financial statements.

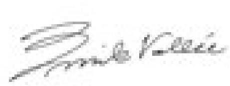
STATEMENT OF FINANCIAL POSITION
As at December 31,
(in thousands of dollars)

	2022	2021
	$	$
ASSETS		
Investments (Note 4)		
Cash and cash equivalents	**1,835**	214
Debt securities	**1,123**	1,015
Equity securities	**164**	359
Mutual funds	**288**	285
Account receivable from the Related Company	**18**	—
Investment income due and accrued	**7**	4
Prepaid expenses	**—**	5
Interest in the Associate (Note 6)	**286,687**	277,426
TOTAL ASSETS	**290,122**	279,308
LIABILITIES		
Accounts payable (Note 4)	**46**	41
Amounts payable to related companies (Note 4)	**25**	321
Advances from the Related Company (Note 4)	**—**	1,562
TOTAL LIABILITIES	**71**	1,924
EQUITY		
Retained earnings (Note 2)	**315,391**	285,727
Accumulated other comprehensive income (loss) (Note 2)	**(25,340)**	(8,343)
TOTAL EQUITY	**290,051**	277,384
TOTAL LIABILITIES AND EQUITY	**290,122**	279,308

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

René Hamel
Chair of the Board



Émile Vallée
Vice-Chair of the Board

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31,
(in thousands of dollars)

	2022	2021
	$	$
Retained earnings		
Balance, beginning of year (Note 2)	**285,727**	234,334
Net income	**18,555**	32,558
Remeasurement of net defined benefit liability (Note 2)	**10,754**	18,601
Transfer from participating contract holders to shareholder (Note 6)	**355**	234
Balance, end of year	**315,391**	285,727
Accumulated other comprehensive income (loss)		
Balance, beginning of year (Note 2)	**(8,343)**	(11,795)
Other comprehensive income (loss)[1]	**(16,997)**	3,452
Balance, end of year	**(25,340)**	(8,343)
TOTAL EQUITY	**290,051**	277,384

1. *These amounts consist of the Mutual's and the Associate's share of unrealized net gains (losses) for the year on available-for-sale financial assets. Other comprehensive income excludes the amount of the remeasurement of net defined benefit liability recycled through retained earnings.*

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the year ended December 31,
(in thousands of dollars)

	2022	2021
	$	$
OPERATING ACTIVITIES		
Investment income	**64**	41
Amounts paid to creditors	**(437)**	(721)
Cash flows from operating activities	**(373)**	(680)
INVESTING ACTIVITIES		
Acquisitions related to investments	**(449)**	(2,349)
Sales, maturities and repayments of investments	**392**	693
Dividend received (Note 6)	**2,259**	—
Disposal of shares in the Associate (Notes 6 et 8)	**3,333**	—
Cash flows from investing activities	**5,535**	(1,656)
FINANCING ACTIVITIES		
Advances from the Related Company	**2,005**	1,550
Net capital injections[1]	**(1,916)**	(1,093)
Repayment of advances from the Related Company	**(3,630)**	(1,738)
Cash flows from financing activities	**(3,541)**	(1,281)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,621**	(3,617)
CASH AND CASH EQUIVALENTS, beginning of year	**214**	3,831
CASH AND CASH EQUIVALENTS, end of year	**1,835**	214

1. *As at December 31, 2022, an amount of $18 related to principal repayments is included in the account receivable from the Related Company (2021 – account payable of $321).*

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements

For the year ended December 31, 2022

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

1. Governing statutes and nature of activities

SSQ Mutual (the "Mutual") was incorporated under the *Act respecting Quebec Health Services*. The Mutual's main activity is to hold an investment in SSQ, Financial Corporation Inc. (the "Associate"), which has an interest in Beneva Group Inc. (formerly Beneva Inc., as at January 1, 2022) together with La Capitale Financial Group Inc. SSQ, Life Insurance Company Inc., affiliate of Beneva Group Inc., is therefore a "Related Company" for the Mutual. The Mutual and the Associate are headquartered at 2525 Laurier Blvd., Quebec City, Quebec, Canada.

The Mutual's financial statements were approved by the Board of Directors on March 14, 2023.

2. Significant accounting policies

Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable as at December 31, 2022, as issued by the *International Accounting Standards Board* ("IASB"). The Mutual's financial statements are presented in Canadian dollars, which corresponds to its functional currency.

The Mutual has not presented its statement of financial position on a current and non-current basis, generally presenting it by order of liquidity instead. Assets and liabilities that are expected to be realized and settled, respectively, within the Mutual's normal operating cycle are considered to be current. Non-current assets include the interest in the Associate presented in Note 6 whereas total liabilities are considered to be current.

Use of estimates and Management's judgments

The preparation of financial statements in accordance with IFRS requires Management to rely on best estimates and assumptions that are described in the significant accounting policies and notes to the financial statements set out below. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting year. Actual results may differ from these estimates. Those estimates are periodically reviewed, and adjustments are made, if needed, to the year's results in which they are known. Management uses its judgment to prepare the financial statements.

Interest in the Associate

The Mutual accounts for its interest in the Associate using the equity method, as it exercises significant influence over it. Significant influence is defined as the power to participate in decisions relating to the financial and operating policies of an entity without exercising control or joint control over these policies. Its interest amounted to 18.58% as at December 31, 2022 compared to 18,69% as at December 31, 2021. Under the *Insurers Act*, Beneva Group Inc., a life and health insurance company incorporated as a corporation, can transfer a portion of the overall results attributed to participating contract holders to shareholders' retained earnings in the normal course of business. The Mutual must recognize this transfer from the shareholder to participating contract holders in the interest in the Associate.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

2. Significant accounting policies (cont'd)

Interest in the Associate (cont'd)

In order to standardize accounting policies between the Associate and Beneva Group Inc., the Mutual carried out a reclassification that did not impact equity from retained earnings to accumulated other comprehensive income in the statement of financial position. This reclassification is related to the recycling of accumulated gains (losses) from the remeasurement of net defined benefit liability through retained earnings. The following table shows the amounts that were reclassified as at January 1, 2021.

	As at January 1, 2021		
	Balance before reclassification	Reclassification	Balance after reclassification
	$	$	$
Retained earnings	235,487	(1,153)	234,334
Accumulated other comprehensive income (loss)	(12,948)	1,153	(11,795)

Impairment is recognized in respect of this interest if there is objective evidence of an impairment loss as a result of one or more loss events that have occurred after initial recognition and have had an impact on the estimated future cash flows of this interest. At the end of each financial reporting period, the Mutual determines whether there is any objective evidence that this interest has been impaired. As at December 31, 2022 and 2021, no impairment loss was recognized in respect of this interest.

The Mutual does not have any contingent liabilities related to its investment in the Associate, nor does it have any capital or other commitments toward Beneva Group Inc. as at December 31, 2022 and 2021. The Associate does not have any significant contingent liabilities or commitments outside of the normal course of business as at December 31, 2022 and 2021.

Financial instruments

Financial assets and liabilities – classification and recognition

A financial instrument is a contract that gives rise to a financial asset or a financial liability. When financial instruments are initially recognized, the Mutual records them at their fair value. The subsequent measurement of financial instruments depends on their classification.

The Mutual has adopted a model for classifying and measuring financial assets, which aims to determine whether an asset should be classified at amortized cost, at fair value through profit or loss, or at fair value through other comprehensive income. This model is based on the Mutual's business model for managing its assets as well as the cash flow characteristics of these assets. The classification of debt instruments for which cash flows are solely payments of principal and interest ("SPPI") will be determined, on initial recognition, based on the business model for managing these financial assets, i.e., to collect contractual cash flows, to collect contractual cash flows and sell financial assets or to be held for trading.

The Mutual determines whether a financial liability should be classified at amortized cost or at fair value through profit or loss based on its characteristics and management's intentions at the time of initial recognition.

The Mutual uses trade date accounting for regular way purchases and sales of financial assets; the trade date is the date that the Mutual commits itself to purchase or sell the assets. Transaction costs of assets classified at fair value through profit or loss are recognized in income. Transaction costs for assets classified at amortized cost as well as fair value through comprehensive income are capitalized and amortized using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

2. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial assets and liabilities – classification and recognition (cont'd)

a) Cash and cash equivalents

Amortized cost

Cash is made up of bank account balances held with financial institutions for the purpose of collecting contractual cash flows that are solely SPPI. It is classified and recorded at amortized cost using the effective interest rate method. Due to their short-term nature, the carrying amount of cash approximates its fair value. Interest income and impairment losses are recognized in income. Upon derecognition, all profits or losses are also recorded in income.

b) Debt securities

Fair value through other comprehensive income

Debt securities are measured at fair value through other comprehensive income when they are held to collect contractual cash flows and for sale and whose cash flows are SPPI. Such debt securities classified and recorded at fair value through other comprehensive income comprise bonds. Unrealized profits and losses are recorded in other comprehensive income and interest income is recognized in income using the effective interest method. Upon disposal, accumulated realized gains and losses are reclassified to income.

c) Equity securities and mutual funds

Fair value through profit and loss

Assets not classified as measured at amortized cost or fair value through other comprehensive income are classified at fair value through profit or loss. Equity securities and mutual funds classified at fair value through profit or loss comprise preferred shares and fund units. Interest income generated from these financial assets as well as dividends received are recorded in income.

d) Other financial assets and liabilities

The other financial assets and other financial liabilities are classified and accounted for at amortized cost using the effective interest rate method. The carrying amount of the other financial assets and other financial liabilities approximates fair value due to their characteristics or short-term maturities.

The other financial assets include the account receivable from the Related Company and investment income due and accrued. Other financial liabilities include accounts payable, amounts payable to related companies and advances from the Related Company.

Fair value

Fair values for bonds and stocks are determined with reference to bid prices observed in active markets when available. When bid prices cannot be obtained, fair value is determined using valuation techniques that factor in the interest rate particular to each security and discounted cash flows and are based on indirectly observable market data. The fair value of mutual funds is determined using the value published by the fund. If no value is available, the mutual funds' underlying instruments are measured using the fair value method based on discounted future cash flows.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

2. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Securities lending

The Mutual carries out securities lending to generate additional revenues, which are recognized in income under investment income. The Mutual receives collateral, as cash or securities, for at least 102% of the fair value of the loaned securities. This collateral is deposited by the borrower with a custodian where it is kept until the loaned securities have been returned to the Mutual. The fair value of the loaned securities is monitored daily. Additional collateral is required or a portion of the collateral provided is refunded based on changes in the value of the underlying loaned securities. The loaned securities are not derecognized, as the Mutual retains the risk and rewards of ownership. Income generated from securities lending is reported under "Investment income" in the statement of income.

Financial assets and liabilities – impairment

The Mutual is required to account for the expected credit losses relating to cash flows from its financial assets classified at amortized cost or at fair value through other comprehensive income. The Mutual has adopted a three-stage impairment model to determine its expected credit losses:

- Stage 1: An allowance for expected credit losses for the next 12 months should be recognized for financial instruments in respect of which no credit issues were identified upon initial recognition or where credit has not deteriorated significantly since initial recognition.

- Stage 2: An allowance for lifetime expected credit losses should be recognized for financial instruments in respect of which credit has deteriorated significantly since initial recognition, but where no credit loss as such has been incurred.

- Stage 3: An allowance for lifetime expected credit losses should continue to be recognized in respect of financial instruments for which credit losses are incurred. Financial instruments in respect of which credit losses are incurred are those for which payment is in default, taking both quantitative and qualitative factors into account.

To classify the financial instruments in one of the aforementioned stages, the change in the instrument's credit risk between the reporting date and the date of initial recognition is compared, in addition to analyzing the risks of default.

The allowance for expected credit losses requires management to exercise judgment. This allowance is determined by discounting the difference between cash flows that are due and the cash flows that the Mutual actually expects to receive. The Mutual considers information based on past events as well as current and future circumstances.

As at December 31, 2022 and 2021, the allowance for expected credit losses on the financial assets held by the Mutual is negligible.

3. Changes in accounting policies

Application of new accounting standards

First-time adoption of International Financial Reporting Standards

In May 2020, the IASB issued Annual Improvements to IFRS 2018–2020, resulting in an amendment to IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). This amendment provides practical expedients for the application of IFRS 1 regarding the measurement of cumulative translation differences for a subsidiary that becomes a first-time adopter of IFRS later than its parent. The provisions of this amendment apply retrospectively to financial statements for annual reporting periods beginning on or after January 1, 2022. The amendments to this standard had no impact on the Mutual's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

3. Changes in accounting policies (cont'd)

Application of new accounting standards (cont'd)

Business combination

In May 2020, the IASB issued an amendment to IFRS 3, *Business Combinations*. The amendment updates a reference to the *Conceptual Framework for Financial Reporting*. The provisions of this amendment apply prospectively to financial statements for annual reporting periods beginning on or after January 1, 2022. The amendments to this standard had no impact on the Mutual's financial statements.

Financial instruments

In May 2020, the IASB issued *Annual Improvements to IFRS Standards 2018-2020*, resulting in an amendment to IFRS 9, *Financial Instruments*. This amendment clarifies which fees an entity includes when it applies the 10 per cent test in assessing whether to derecognize a financial liability. The provisions of this amendment apply prospectively to financial statements for annual reporting periods beginning on or after January 1, 2022. The amendments to this standard had no impact on the Mutual's financial statements.

Provisions, contingent liabilities and contingent assets

In May 2020, the IASB issued an amendment to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The amendment specifies which costs are to be included in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The provisions of this amendment apply retrospectively to financial statements for annual reporting periods beginning on or after January 1, 2022. The amendments to this standard had no impact on the Mutual's financial statements.

Future accounting standards

IFRS 17 Insurance contracts

Beneva Group Inc. will apply IFRS 17, *Insurance Contracts*, ("IFRS 17") as of January 1, 2023. This first-time adoption date for IFRS 17 is mandatory. Fiscal 2022 comparative information will be restated as of the transition date of January 1, 2022, when a restated consolidated statement of financial position will be prepared by Beneva Group Inc.

IFRS 17 is a comprehensive overhaul of the principles applicable for the recognition, measurement, presentation and disclosures of insurance contracts within its scope, including reinsurance contracts. It will replace the current IFRS 4, *Insurance Contracts*, ("IFRS 4") which permitted the use of valuation practices of local jurisdictions. The objective of IFRS 17 is to enable users of financial statements to better assess the effect that insurance contracts have on the financial position, financial performance and cash flows of a reporting entity. It sets out principles that will enable entities to provide relevant information that more faithfully represents insurance contracts. The Mutual is currently assessing the impact of this standard on its interest in the Associate. The Mutual must consider these accounting changes that apply to the interest that the Associate holds in Beneva Group Inc. according to the equity method, which requires uniform accounting policies.

IFRS 9 Financial instruments – temporary exemption for investments in an associate

The Mutual already applies IFRS 9, *Financial instruments*, ("IFRS 9") but benefits from a temporary exemption for the accounting of the interest the Associate holds in Beneva Group Inc. according to the equity method until the initial adoption of IFRS 9 by Beneva Group Inc. By meeting certain criteria, Beneva Group Inc. has benefited from the optional temporary exemption allowing entities whose predominant activity is to issue insurance contracts to defer the first-time adoption date to January 1, 2023. This first-time adoption date for IFRS 9 is mandatory for Beneva Group Inc.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

3. Changes in accounting policies (cont'd)

Future accounting standards (cont'd)

IFRS 9 Financial instruments – temporary exemption for investments in an associate (cont'd)

IFRS 9 sets out the reporting principles for financial reporting that is relevant and useful for assessing the amounts, timing and uncertainty of an entity's future cash flows in relation to its financial assets and liabilities. It will replace the current IAS 39, *Financial instruments: Recognition and Measurement* ("IAS 39"). In particular, IFRS 9 introduces new requirements for the classification and measurement of financial assets that reflect the entity's business model for managing them and their cash flow characteristics.

It also establishes new measurement requirements, namely those relating to impairment based on an expected credit loss model.

Beneva Group Inc. has elected, under the optional temporary exemption, not to restate the comparative information for fiscal 2022 in its 2023 annual consolidated financial statements to reflect the IFRS 9 provisions on classification and assessment, including impairment. Instead, the effect of these provisions will be recognized as of the transition date, January 1, 2023.

For financial assets classified as loans and receivables or available for sale, an amount of $1,050,700 as at December 31, 2022 (2021 — $919,500) did not meet the contractual cash flow characteristics tests under IFRS 9. In addition, Beneva Group Inc. plans to use the low credit risk exemption in calculating expected credit losses for bonds. The Mutual is currently assessing the impact of this standard on its interest in the Associate. The Mutual must consider these accounting changes applicable to the interest that the Associate holds in Beneva Group Inc. according to the equity method, which requires uniform accounting policies.

Presentation of financial statements

In January 2020, the IASB issued an amendment to IAS 1, *Presentation of Financial Statements* ("IAS 1"). The amendment clarifies the criteria for the right to defer settlement of a liability for at least twelve months after the year end to be taken into account when classifying liabilities as current or non-current in the statement of financial position. The date of application of this amendment was initially January 1, 2022. In July 2020, the IASB issued an amendment to IAS 1 postponing the effective date of this amendment to financial statements for periods beginning on or after January 1, 2023. The provisions of this amendment will apply retrospectively on this date. Early application is permitted.

In February 2021, the IASB issued an amendment to IAS 1. The amendment clarifies the disclosures on accounting policy by requiring entities to disclose their material accounting policies rather than their significant accounting policies. The amendment will apply prospectively to financial statements for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

The Mutual is currently assessing the impact of these amendments on its financial statements.

Accounting policies, changes in accounting estimates and errors

In February 2021, the IASB issued an amendment to IAS 8, Accounting Policies, Changes to Accounting Estimates and Errors. The amendment introduces a definition of accounting estimates and clarifies the distinction between a change in accounting estimate and a change in accounting policy. The provisions of this amendment will apply prospectively to financial statements for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Mutual is currently assessing the impact of this amendment on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

4. Financial instruments

a) Financial assets and liabilities

Assets and liabilities recorded at fair value in the statement of financial position or whose fair values are disclosed in the notes to the financial statements are classified using a three-level hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – A measurement based on inputs observable in markets for the asset or liability, obtained either directly or indirectly;
- Level 3 – A measurement based on inputs other than inputs observable in markets for the asset or liability.

The following table shows the classification of assets and liabilities recorded at fair value based on the fair value hierarchy:

								2022
	Book value				Fair value			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	$	$	$	$	$	$	$	$
Investments								
Cash, bearing interest at prime rate less 1.90% (2021 – 1.90%) and cash equivalents	—	—	1,835	1,835	1,835	—	—	1,835
Debt securities								
Bonds								
Municipalities, school boards and hospitals	—	235	—	235	—	235	—	235
Corporate	—	888	—	888	—	888	—	888
	—	1,123	—	1,123	—	1,123	—	1,123
Equity securities								
Preferred shares	164	—	—	164	164	—	—	164
Mutual funds	288	—	—	288	—	288	—	288
Account receivable from the Related Company	—	—	18	18	—	18	—	18
Accounts payable	—	—	46	46	—	46	—	46
Amounts payable to related companies	—	—	25	25	—	25	—	25

As at December 31, 2022, the value of securities loaned by the Mutual presented in investments was $364 (2021 – $307).

The fair value hierarchy levels are assessed at the end of each annual reporting period. During the year ended December 31, 2022 and 2021, there were no transfers between levels.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

4. Financial instruments (cont'd)

a) Financial assets and liabilities (cont'd)

								2021
	Book value				Fair value			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	$	$	$	$	$	$	$	$
Investments								
Cash, bearing interest at prime rate less 1.90% (2021 – 1.90%) and cash equivalents	—	—	214	214	214	—	—	214
Debt securities								
Bonds								
Municipalities, school boards and hospitals	—	249	—	249	—	249	—	249
Corporate	—	766	—	766	—	766	—	766
	—	1,015	—	1,015	—	1,015	—	1,015
Equity securities								
Preferred shares	359	—	—	359	359	—	—	359
Mutual funds	285	—	—	285	—	285	—	285
Accounts payable	—	—	41	41	—	41	—	41
Amounts payable to related companies	—	—	321	321	—	321	—	321
Advances from the Related Company, prime rate, without repayment terms	—	—	1,562	1,562	—	1,562	—	1,562

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

4. Financial instruments (cont'd)

b) Income from financial instruments

				2022
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total
	$	$	$	$
Cash and cash equivalents				
Interest	—	—	16	16
Debt securities				
Interest	—	23	—	23
Realized net losses	—	(16)	—	(16)
Equity securities				
Dividends	11	—	—	11
Realized net gains	7	—	—	7
Change in fair value	(44)	—	—	(44)
Mutual funds				
Distributed income	12	—	—	12
Change in fair value	(9)	—	—	(9)
	(23)	7	16	—

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

4. Financial instruments (cont'd)

b) Income from financial instruments (cont'd)

	2021			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total
	$	$	$	$
Cash and cash equivalents				
Interest	—	—	6	6
Debt securities				
Interest	—	13	—	13
Realized net losses	—	(2)	—	(2)
Equity securities				
Dividends	13	—	—	13
Realized net gains	8	—	—	8
Change in fair value	30	—	—	30
Mutual funds				
Distributed income	6	—	—	6
Change in fair value	(2)	—	—	(2)
	55	11	6	72

5. Financial instruments risk management

The Mutual adopted control policies and procedures to manage risks related to financial instruments. The Board of Directors approves the investment policy whose objective is to guide investment decision-making. The procedures arising from this policy ensure sound management of the risks related to investments.

Risks related to Mutual's financial instruments consist of credit risk, concentration risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of financial loss, despite realization of principal or collateral security or property, resulting from the failure of a debtor to honour its obligations to the Mutual.

Credit risk management is the means of containing the impact of credit risk events on the Mutual. It includes identifying, understanding and assessing the risk of loss and taking appropriate action.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

5. Financial instruments risk management (cont'd)

Credit risk (cont'd)

The Mutual is exposed to credit risk on bonds and term preferred shares. It manages this risk by applying the following control procedures:

- Utilization guidelines that set minimum and maximum limits are established for each class of investment to meet the specific needs of each business sector;
- The guidelines set out a bond allocation including a range of quality Canadian with credit ratings from recognized sources of BB or higher at trade date;
- An overall limit is set for each credit rating quality level;
- An overall limit is also set for investments of a related issuer or group of issuers to mitigate concentration risk;
- The Investment Committee of the Board of Directors carries out regular reviews of the investment portfolio and its transactions;

Exposure to credit risk is mainly mitigated by the minimum quality levels for bond issuers imposed by the investment policy and the financial strength of counterparties to derivative financial instruments. In addition, the Mutual's cash is invested with Canadian chartered banks and recognized financial institutions with superior credit ratings.

Maximum credit risk exposure

	2022	2021
	$	$
Cash and cash equivalents	1,835	214
Debt securities		
Bonds	1,123	1,015
Equity securities — Preferred shares	164	359
Account receivable from the Related Company	18	—
	3,140	1,588

Bond and private debt portfolio quality

	2022		2021	
	$	%	$	%
Bonds				
Municipalities, school boards and hospitals	235	20.9	249	24.5
Corporates				
Canadian, by credit rating				
BBB	888	79.1	766	75.5
	1,123	100.0	1,015	100.0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

5. Financial instruments risk management (cont'd)

Credit risk (cont'd)

Preferred share portfolio quality

	2022		2021	
	$	%	$	%
P1	—	—	50	13.9
P2	38	23.2	92	25.6
P3	126	76.8	217	60.5
	164	100.0	359	100.0

Concentration risk

The Mutual's management sets limits for each portfolio to ensure that the investment portfolios are diversified by asset class. Management monitors actual positions and market and credit risk exposures.

The Mutual mainly limits the amount of its investment in a company by applying specific restrictions to each asset class, including limits per issuer.

Corporate bonds by sector

The following table shows the sector breakdown of the corporate bond portfolio.

	2022		2021	
	$	%	$	%
Energy	88	7.8	—	—
Consumer staples and discretionary	282	25.1	293	38.2
Financials	69	6.2	98	12.8
Communications	260	23.1	167	21.8
Public services	235	20.9	—	—
Other	189	16.9	208	27.2
	1,123	100.0	766	100.0

The following table shows the sector breakdown of the preferred share portfolio.

	2022		2021	
	$	%	$	%
Energy	46	27.8	51	14.2
Materials	71	43.3	157	43.7
Financials	—	—	50	13.9
Communications	47	28.9	101	28.2
	164	100.0	359	100.0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
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5. Financial instruments risk management (cont'd)

Liquidity risk

Liquidity risk refers to the risk that the Mutual may have difficulty generating sufficient cash flows to cover its financial liabilities. The Mutual manages liquidity risk by matching cash flows resulting from advances from the Related Company to honour commitments and meet an immediate cash requirement.

The following tables present contractual maturities of the cash flows of the Mutual's financial liabilities:

					2022
	Payable on demand	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Accounts payable	**—**	**46**	**—**	**—**	**46**
Amounts payable to related companies	**—**	**25**	**—**	**—**	**25**
	—	**71**	**—**	**—**	**71**

					2021
	Payable on demand	Less than 1 year	From 1 to 5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable	—	41	—	—	41
Amounts payable to related companies	—	321	—	—	321
Advances from the Related Company	1,562	—	—	—	1,562
	1,562	362	—	—	1,924

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to market factors.

The Investment Committee is responsible for monitoring the investment policy, which is reviewed periodically. The Board of Directors approves amendments, if any. Investment policy limits are set prudently to mitigate the Mutual's risk exposure.

Market risk includes two types of risk: interest rate risk and market price risk.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

5. Financial instruments risk management (cont'd)

Market risk (cont'd)

a) Interest rate risk

The Mutual is exposed to interest rate risk through its advances from the Related Company bearing interest at variable rates. Therefore, the Mutual incurs an interest rate risk depending on the fluctuation of the prime interest rate.

For financial assets held to collect contractual cash flows and for sale and whose cash flows are SPPI, the Mutual estimates that a 1% increase in the interest rate curve would result in a $37 decrease in other comprehensive income (2021 – $24).

The maturities of the Mutual's investments are detailed in the following table.

						2022
	Repayable on demand	**Under 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Debt securities						
Bonds	**—**	**—**	**706**	**417**	**—**	**1,123**
	—	**—**	**706**	**417**	**—**	**1,123**

						2021
	Repayable on demand	Under 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
	$	$	$	$	$	$
Debt securities						
Bonds	—	—	652	363	—	1,015
	—	—	652	363	—	1,015

As at December 31 2022, the effective rate for bonds ranges from 4.8% to 5.6% (2021 – 1.7% to 2.8%).

b) Market price risk

The Mutual is exposed to market price risk through its investments on preferred shares.

Changes in the fair value of these investments are recognized in profit or loss. A sudden 10% decrease in the value of such investments would result in an estimated decrease of $16 in profit or loss (2021 – $36).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
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6. Interest in the Associate

	2022	2021
	$	$
Balance, beginning of year	**277,426**	220,702
Change in investment related to net capital injections	**1,577**	1,271
Share in net income	**18,624**	33,138
Share in other comprehensive income (loss)	**(6,166)**	22,081
Transfer from participating contract holders to shareholder	**355**	234
Dividend received	**(2,259)**	—
Disposal of interest (Note 8)	**(2,870)**	—
Balance, end of year	**286,687**	277,426

The following tables present the summarized financial information for the Associate, SSQ, Financial Corporation Inc., as at December 31:

	2022	2021
	$	$
Statement of financial position		
Cash	**82**	91
Total assets	**1,572,706**	1,516,168
Total liabilities[1]	**386**	341
Total equity	**1,572,320**	1,515,827
Statement of income		
Interest income	**2**	1
Total revenues	**99,875**	177,775
General expenses	**14**	12
Financial expenses	**8**	9
Net income	**99,853**	177,754
Statement of comprehensive income		
Other comprehensive income (loss)	**(33,100)**	118,330
Comprehensive income	**66,753**	296,084

1. *Corresponds to financial liabilities.*

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022
(in thousands of dollars, unless otherwise indicated)

7. Capital management

In terms of capital management, the Mutual's objective is to preserve its assets. The Mutual defines its capital as equity. The Mutual achieves its objective through careful management of the capital generated by internal growth and by making optimal use of low-cost capital.

Composition of the capital

	2022	2021
	$	$
Equity	290,051	277,384
	290,051	277,384

8. Related party transactions

In the normal course of operations, the Mutual carries out transactions with the Related Company. These transactions are measured at the exchange amount, which is the amount agreed upon by the parties.

During the year, the Mutual capitalized interest of $63 (2021 – $14) to the advances from the Related Company, which constitutes a non cash transaction. Additionally, during fiscal 2022, the Mutual sold participating shares held in the Associate's share capital to the primary shareholder of the Associate. A gain of $463 from this sale was recognized through income.

BOARD OF DIRECTORS

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Chair of the Board

VICE-CHAIR

Émile Vallée
Vice-Chair of the Board
Retiree
Fédération des travailleurs et
travailleuses du Québec (FTQ)

DIRECTORS

Patrick Audy
Vice-President
Syndicat de la fonction publique et
parapublique du Québec (SFPQ)

Normand Brouillet
Retiree
Confédération des syndicats nationaux (CSN)

Marie-Josée Dutil
Real Estate Director
Centrale des syndicats du Québec (CSQ)

Eddy Jomphe
Retiree
Canadian Union of Public Employees
(CUPE) – FTQ

Nadine Lambert
Corporate Secretary and Treasurer
Fédération de la santé et des services sociaux (CSN)

Josée Lamontagne
Retiree
Cadres des secteurs public et parapublic
du Québec

Andrée Poirier
Retiree
Alliance du personnel professionnel et technique
de la santé et des services sociaux (APTS)

Bernard Tanguay
Retiree
Actuary and Corporate Director

CORPORATE SECRETARY

Pierre Marc Bellavance

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Eddy Jomphe, Chair
Patrick Audy
Nadine Lambert
Josée Lamontagne
Bernard Tanguay

GOVERNANCE, HUMAN RESOURCES AND ETHICS COMMITTEE

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Marie-Josée Dutil
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SSQ mutual