Message from the Chair of the Board and the 2020 Financial Statements

Summary

Message from the Chair of the Board

The work to bring about the union of equals between La Capitale and SSQ Insurance, which was announced in a press conference in January 2020, was a fundamental component of 2020 for SSQ Mutual. At the same time, the Board of Directors continued its work with respect to mutualism and governance.

Union of equals

On March 3, 2020, at an extraordinary meeting, delegates unanimously adopted a new private bill respecting the incorporation of SSQ Mutual that was ratified by the National Assembly on June 5, 2020. The act made it possible for SSQ Insurance and La Capitale to combine operations in July under the name Beneva.

We also confirmed La Capitale's insureds as members of SSQ Mutual. La Capitale Civil Service Mutual did the same for SSQ Mutual's insureds.

The union of equals was confirmed on July 1 and employees from both companies immediately began working together to bring about this union. I cannot understate the phenomenal work done by the executive management team and all SSQ Insurance and La Capitale employees who, having to work together virtually, got the union of equals on track while maintaining high quality customer service during a global pandemic.

René Hamel

Work done by the Board of Directors

While working on various aspects of the union, our directors continued with their usual responsibilities as well as being ever more proactive on our members' behalf.

To help them, SSQ Mutual's Board of Directors created two committees:

- The Governance, Human Resources and Ethics Committee
- The Audit, Risk Management and Investment Committee

The governance program includes a code of ethics and various policies on matters like sustainable development and societal responsibility as well as personal information protection.

While promoting mutualist values and remaining consistent with Beneva's mission, the board is developing democratic practices and means to maintain a bond with its members. This work is also feeding into the current thinking on the projected fusion of SSQ Mutual and La Capitale Civil Service Mutual.

Board Changes

In June 2020, Carolle Dubé stepped down from the SSQ Mutual Board of Directors. An active unionist, she retired in 2019 after serving as president of the *Alliance du personnel professionnel et technique de la santé et des services sociaux*, representing 60,000 individuals. Known for her engagement and leadership, Carolle quickly put her experience and skills to work for SSQ and we thank her dearly for it.

A few months later, in December 2020, the current president of the Alliance du personnel professionnel et technique de la santé et des services sociaux, Andrée Poirier, joined SSQ Mutual's Board of Directors. We welcome her aboard.

The Mutual's community involvement

The company, through its Foundation and its donations policy, is very active in the community. Remember that the funds donated by the SSQ Foundation are in addition to the other charitable work it does. Over the last two years, we have donated nearly two million dollars to the community.

SSQ Mutual actively participates in the *Conseil québécois de la coopération et de la mutualité*. The CQCM represents the interests of its members on a national scale as a member of Co-operatives and Mutuals Canada.

Furthermore, SSQ Mutual has supported SOCODEVI projects for 35 years now. A founding member of SOCODEVI, SSQ participates in the growth of developing nations by helping their citizens take their health, insurance and financial needs in hand, through mutualism and cooperation.

SSQ Mutual's financial results

The financial results of SSQ Mutual represent the percentage of its holdings in SSQ, Financial Corporation Inc. The first half-year results reflect its participation in SSQ, Life Insurance Company Inc. and its subsidiaries, whereas those of the second half-year reflect its participation in Beneva Inc., which has included, since July 1, 2020, SSQ, Life Insurance Company Inc. and La Capitale Civil Service Insurer Inc. and their respective subsidiaries. The accumulation of these results over the years constitutes the consolidated equity attributable to members.

The net income attributable to SSQ Mutual members for the year that ended on December 31, 2020, is $45.5 million dollars. As at December 31, 2020, the total changes in equity attributable to members is $222.5 million dollars, which is 25.3% more than last year. The Mutual is pleased with the results, while balancing the interests of its members, the company's financial position and shareholders' expectations for reasonable returns.

Acknowledgements

I would like to thank all members of the Board of Directors, incoming and outgoing, for their invaluable contribution. The major decisions made over the last few years are a testament to their leadership.

I would also like to acknowledge the work done by the delegates who embody the mutualist spirit.

Finally, I want to thank Beneva's members, partners and employees who exemplify the values of SSQ Mutual.

Sincerely,

René Hamel
Chair of the Board

SSQ Mutual
(Formerly SSQ, Mutual Management Corporation)

Consolidated Financial Statements

As at December 31, 2020

Together with
Independent Auditor's Report

Independent Auditor's Report

To the Members of SSQ Mutual (formerly SSQ, Mutual Management Corporation)

Opinion

We have audited the consolidated financial statements of SSQ Mutual (the "Mutual"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Mutual as at December 31, 2020, and its financial performance and its 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 ("Canadian GAAS"). 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 GAAS 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 GAAS, 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Mutual to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Deloitte LLP[1]

Quebec, Quebec
April 27, 2021

[1] *CPA auditor, CA, public accountancy permit No. A121501*

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

	2020	2019
	$	$
REVENUES		
Share in the net income of the Associate (Note 6)	45,710	29,438
Interest income (Note 7)	11	82
	45,721	29,520
EXPENSES		
General expenses	187	—
Financial expenses	35	121
	222	121
NET INCOME	45,499	29,399
NET INCOME ATTRIBUTABLE TO:		
Non-controlling interests	—	12,454
Members	45,499	16,945

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

	2020	2019
	$	$
NET INCOME	45,499	29,399
Share in the other comprehensive income (loss) of the Associate (Note 6)		
Items that may be reclassified subsequently to net income (includes an income tax expense of ($1,847), 2019 – ($2,544))	4,953	6,981
Items that will not be reclassified to net income (includes an income tax expense of $1,814, 2019 – $3,845)	(5,072)	(10,694)
	(119)	(3,713)
COMPREHENSIVE INCOME	45,380	25,686
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Non-controlling interests	—	10,882
Members	45,380	14,804

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

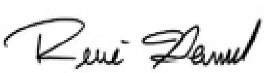
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31,
(in thousands of dollars)

	2020	2019
	$	$
ASSETS		
Cash (Note 7)	**3,831**	101
Account receivable from the Related Company (Note 7)	**—**	26
Prepaid expenses	**6**	—
Interest in the Associate (Note 6)	**220,702**	331,348
TOTAL ASSETS	**224,539**	331,475
LIABILITIES		
Accounts payable (Note 7)	**42**	—
Amounts payable to the Related Company (Note 7)	**222**	—
Advances from the Related Company (Note 7)	**1,736**	1,132
TOTAL LIABILITIES	**2,000**	1,132
EQUITY		
Attributable to members		
Retained earnings	**235,487**	190,470
Accumulated other comprehensive loss	**(12,948)**	(12,829)
	222,539	177,641
Attributable to non-controlling interests	**—**	152,702
TOTAL EQUITY	**222,539**	330,343
TOTAL LIABILITIES AND EQUITY	**224,539**	331,475

Subsequent events (Note 12)

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

On behalf of the Board,



René Hamel
Chair of the Board

Émile Vallée
Vice-Chair of the Board

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

	2020	2019
	$	$
MEMBERS		
Retained earnings		
Balance, beginning of year	190,470	173,525
Net income	45,499	16,945
Transfer from participating contract holders to shareholder (Note 6)	(482)	—
	235,487	190,470
Accumulated other comprehensive loss		
Balance, beginning of year	(12,829)	(10,688)
Other comprehensive income (loss)	(119)	(2,141)
	(12,948)	(12,829)
Total equity attributable to members, end of year	222,539	177,641
Non-controlling interests		
Balance, beginning of year	152,702	142,034
Net income	—	12,454
Other comprehensive income (loss)	—	(1,572)
Net capital injections	—	(214)
Transfer from Subsidiary to Associate following a change of control (Notes 2 and 6)	(152,702)	—
Total equity attributable to non-controlling interests, end of year	—	152,702
TOTAL EQUITY	222,539	330,343

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

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

	2020	2019
	$	$
OPERATING ACTIVITIES		
Interest received	**11**	93
Interest paid (Note 10)	**—**	(96)
Amounts paid to creditors	**(72)**	—
Cash flows from operating activities	**(61)**	(3)
INVESTING ACTIVITIES		
Proceeds from the note	**—**	900
Disposal of shares in the Associate (Note 2)	**3,800**	—
Decrease in cash following a change in control in a subsidiary (Note 2)	**(99)**	—
Cash flows from investing activities	**3,701**	900
FINANCING ACTIVITIES		
Advances from the Related Company	**816**	147
Net capital injections [1]	**(726)**	(146)
Repayment of the chattel mortgage	**—**	(900)
Cash flows from financing activities	**90**	(899)
NET INCREASE (DECREASE) IN CASH	**3,730**	(2)
CASH, beginning of year	**101**	103
CASH, end of year	**3,831**	101

[1] *As at December 31, 2020, an amount of $143 related to capital repayments is included in the amounts payable to the Related Company (2019 – account receivable of $26).*

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

Notes to the consolidated financial statements

For the year ended December 31, 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(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 Inc. together with La Capitale Financial Group Inc. The Mutual and the Associate are headquartered at 2525 Laurier Blvd., Quebec City, Quebec, Canada.

The Mutual's consolidated financial statements were approved by the Board of Directors on April 27, 2021.

2. Corporate changes

Corporate restructuring

On January 1, 2020, the Associate at that date, SSQ, Life Insurance Company Inc., merged with its subsidiary, SSQ Insurance Company Inc., as part of phase 2 of the corporate restructuring whose objective was essentially to simplify the corporate structure and provide for synergy between business lines. This transaction had no impact on the Mutual's consolidated results and financial position.

On January 1, 2020, the Fonds de solidarité des travailleurs du Québec, a minority shareholder in SSQ, Mutual Holding Inc. (the Mutual's subsidiary at that date) transferred all of its Class B participating shares in SSQ, Life Insurance Company Inc. to SSQ, Mutual Holding Inc. in exchange for additional Class B participating shares in that company. Following the share transfer, the Fonds de solidarité des travailleurs du Québec now holds most of the shares as well as a controlling interest in SSQ, Mutual Holding Inc. while the Mutual has become a minority shareholder. The Mutual now exercises significant influence over SSQ, Mutual Holding Inc. (the "Associate"). After losing control of its subsidiary, the Mutual derecognized the non-controlling interests as well as the assets and liabilities of the subsidiary. Accordingly, since January 1, 2020, it recognizes its investment in the Associate using the equity method. The Associate held all of the shares of SSQ, Life Insurance Company Inc. until July 1, 2020, making it the parent company. This transaction was carried out in a way to maintain shareholders' initial direct and indirect ownership interest in SSQ, Life Insurance Company Inc.

On January 29, 2020, the Associate, SSQ, Mutual Holding Inc., changed its name to SSQ, Financial Corporation Inc.

On July 1, 2020, the Mutual, SSQ, Mutual Management Corporation, changed its name to SSQ Mutual.

On July 1, 2020, SSQ, Life Insurance Company Inc. paid a dividend of $2.03 per share, for a total amount of $145,000, to the Associate on its Class A and B shares, allowing it to redeem some of its Class A and B shares held by certain shareholders, including the Mutual, which disposed of 184,281 Class A shares in exchange for $3,800.

Business combination

On July 1, 2020, the Associate and La Capitale Financial Group Inc. subscribed for voting shares in Beneva Inc., conferring each entity 50% of voting rights. In addition, the Associate transferred all of its shares held in the capital stock of SSQ, Life Insurance Company Inc. to Beneva Inc. in exchange for participating shares in that company. As of that date, SSQ, Life Insurance Company Inc. is a "Related Company" for the Mutual.

Therefore, on July 1, 2020, the Associate and La Capitale Financial Group Inc. combined their wholly owned subsidiary with Beneva Inc. As of that date, Beneva Inc. holds all of the voting and participating shares of the Related Company and La Capitale Civil Service Insurer Inc. This business combination was carried out in accordance with the agreement signed by the stakeholders on January 28, 2020 and after obtaining the necessary approval from the appropriate authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(in thousands of dollars, unless otherwise indicated)

3. Significant accounting policies

Presentation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable as at December 31, 2020, as issued by the *International Accounting Standards Board* ("IASB"). The comparative financial information presented in these consolidated financial statements includes the accounts of the Mutual and SSQ, Financial Corporation Inc., which was a 57.70% owned subsidiary as at December 31, 2019. The Mutual's consolidated financial statements are presented in Canadian dollars, which correspond to its functional currency.

The Mutual has not presented its consolidated 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.

The non-controlling interests refer to the share of net income and of net assets not held by the Mutual. These interests are identified separately in the Mutual's consolidated financial statements and correspond to the non-controlling interests in the subsidiary represented by SSQ, Financial Corporation Inc. as at December 31, 2019.

Use of estimates and Management's judgments

The preparation of consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

Revenue recognition

The share in the net income of the Associate is recognized when it is earned, i.e., when the Associate recognizes its operating revenues and expenses in its own accounting books. The interest income on a note is calculated using the effective interest rate method.

Interest in the Associate

The Mutual accounts for its interest in the Associate using the equity method. This 18.60% interest as at December 31, 2020 was 16.68% as at June 30, 2020, i.e., before the business combination on July 1, 2020 (Note 2). On December 31, 2019, SSQ, Financial Corporation Inc., which was a Mutual subsidiary at that date, held a 28.91% ownership interest in SSQ, Life Insurance Company Inc. Of this total stake, 16.68% was attributable to members at that date. Under the *Insurers Act*, Beneva 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 investment in the Associate.

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, 2020 and 2019, no impairment loss was recognized in respect of this interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(in thousands of dollars, unless otherwise indicated)

3. Significant accounting policies (cont'd)

Interest in the Associate (cont'd)

An amendment to IFRS 4, "*Insurance Contracts*," issued by the IASB on September 12, 2016 sets out measures giving companies whose business model is predominantly to issue insurance contracts the option to defer the effective date of IFRS 9 until January 1, 2021, which is the initial effective date of IFRS 17, "*Insurance Contracts*" ("IFRS 17"). In June 2020, the IASB issued an amendment to IFRS 17, postponing the effective date of IFRS 17 until January 1, 2023, which also serves to postpone the exemption from adopting IFRS 9 until this date. Beneva Inc. is eligible for this postponement since the percentage of the total carrying amount of the insurance-related liabilities versus the total carrying amount of all its liabilities was greater than 80% at the time of the temporary exemption as at December 31, 2015 and since Beneva Inc. does not carry on any significant non-insurance-related activity. Beneva Inc. expects to avail itself of the postponement for as long as permitted. The amendment also sets out certain measures to allow investors who hold an investment in an associate and who are able to use the postponement not to adjust the application of the equity method to make the associate's accounting practices uniform with those of the investor, as would be required by IAS 28, "*Investments in Associates and Joint Ventures*." The Mutual is eligible for this temporary exemption and plans to apply it until IFRS 9 comes into effect for Beneva Inc., which is assessing the impact of this new standard on its consolidated financial statements. For financial assets classified as loans and receivables or available for sale, an amount of $983,000 as at December 31, 2020 does not meet contractual cash flow characteristics test under IFRS 9. In addition, Beneva Inc. plans to use the low credit risk exemption in calculating the expected credit losses in respect of the bonds.

Financial instruments – 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.

a) Cash

Amortized cost

Cash is made up of bank account balances held with financial institutions. It is classed 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.

b) Other financial assets and liabilities

The other financial asset 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 asset and other financial liabilities approximates fair value due to their characteristics or short-term maturities.

The other financial asset includes the account receivable from the Related Company. Other financial liabilities include accounts payable, amounts payable to the Related Company, and advances from the Related Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(in thousands of dollars, unless otherwise indicated)

3. Significant accounting policies (cont'd)

Financial instruments – 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 as well as from certain off-balance-sheet items, if applicable. 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, 2020 and 2019, the allowance for expected credit losses on the financial assets held by the Mutual is negligible.

4. Changes in accounting policies

Application of new accounting standards

Conceptual framework for financial reporting

In March 2018, the IASB issued an overhaul of the *Conceptual Framework for Financial Reporting*. This conceptual framework helps entities to develop their accounting policies when no IFRS apply in particular circumstances. A new section was issued on measurement. Guidance for reporting financial performance and improved definitions for assets and liabilities have also been included. The provisions apply prospectively to financial statements for periods beginning on or after January 1, 2020. This amendment had no impact on the Mutual's consolidated financial statements.

Business combinations

In October 2018, the IASB issued an amendment to IFRS 3, "*Business Combinations*," entitled "*Definition of a Business*." This amendment clarifies the definition of a business to determine whether a transaction is a business combination or an acquisition of assets. The provisions of this standard apply to transactions for which the acquisition date is on or after January 1, 2020. This amendment had no impact on the Mutual's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(in thousands of dollars, unless otherwise indicated)

4. Changes in accounting policies (cont'd)

Application of new accounting standards (cont'd)

Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued an amendment to IAS 1, "*Presentation of Financial Statements*," and IAS 8, "*Accounting Policies, Changes in Accounting Estimates and Errors*." The amendment clarifies the definition of material in IAS 1, provides explanations regarding this definition and aligns the definitions used in the various IFRS. The provisions of this amendment apply prospectively to financial statements for periods beginning on or after January 1, 2020. This amendment had no impact on the Mutual's consolidated financial statements.

Financial instruments related to the interbank offered rate reform

In September 2019, the IASB issued an amendment to IFRS 9, "*Financial Instruments*," IAS 39, "*Financial Instruments: Recognition and Measurement*" and IFRS 7, "*Financial Instruments: Disclosures*." This amendment is an initial response to the potential impact of the interbank offered rate reform on financial reporting. The amendment includes some temporary exceptions for applying certain provisions of IFRS 9 and IAS 39 for hedge accounting. Interest rate risk hedging relationships impacted by the interbank rate reform must also be simplified. The provisions apply retrospectively to financial statements for periods beginning on or after January 1, 2020. This amendment had no impact on the Mutual's consolidated financial statements.

Future accounting standards

Presentation of financial statements

The IASB issued an amendment to IAS 1, "*Presentation of Financial Statements*" in January 2020. This amendment clarifies the criterion for the right to defer settlement of a liability for at least 12 months after the reporting period, to be considered when classifying liabilities as either current or non-current in the statement of financial position. The requirements for this amendment will apply retrospectively to financial statements for periods beginning on or after January 1, 2022, with earlier application permitted.

In July 2020, the IASB issued an amendment to IAS 1, "*Presentation of Financial Statements*" postponing the effective date of this amendment to financial statements for periods beginning on or after January 1, 2023.

The Mutual is currently assessing the impact of this amendment on its consolidated financial statements.

Business combination

In May 2020, the IASB issued an amendment to IFRS 3, "*Business Combinations*" which updates a reference to the "*Conceptual Framework for Financial Reporting*". The requirements for this amendment will apply prospectively to financial statements for periods beginning on or after January 1, 2022, with earlier application permitted. The Mutual is currently assessing the impact of this amendment on its consolidated 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*." This amendment clarifies the costs to be included when establishing the cost of fulfilling a contract in order to determine whether this contract is onerous. The requirements for this amendment will apply retrospectively to financial statements for periods beginning on or after January 1, 2022, with earlier application permitted. The Mutual is currently assessing the impact of this amendment on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(in thousands of dollars, unless otherwise indicated)

4. Changes in accounting policies (cont'd)

Future accounting standards (cont'd)

First-time adoption of International Financial Reporting Standards

In May 2020, the IASB issued "*Annual Improvements to IFRS Standards 2018-2020*," resulting in an amendment to IFRS 1, "*First-time Adoption of International Financial Reporting Standards*" ("IFRS 1"). This amendment simplifies the application of IFRS 1 by a subsidiary that is a first-time adopter of IFRS when these standards have already been adopted by the parent company to measure the amount of cumulative translation adjustments. The requirements for this amendment will apply to financial statements for periods beginning on or after January 1, 2022, with earlier application permitted. The Mutual is currently assessing the impact of this amendment on its consolidated financial statements.

Interest rate benchmark reform – phase 2

In August 2020, the IASB issued an amendment to IFRS 9, "*Financial Instruments*," IAS 39, "*Financial Instruments: Recognition and Measurement*", IFRS 7, "*Financial Instruments: Disclosures*", IFRS 4, "*Insurance Contracts*" and IFRS 16, "*Leases*". The amendments provide relief when accounting for the modifications required by the interest rate benchmark reform and hedge accounting. Moreover, additional disclosures must now be made regarding this reform. The requirements for this amendment will apply retrospectively to financial statements for periods beginning on or after January 1, 2021, with earlier application permitted. The Mutual is currently assessing the impact of this amendment on its consolidated financial statements.

5. Impacts of the COVID-19 pandemic

In March 2020, the World Health Organization declared that the 2019 coronavirus disease ("COVID-19") constituted a global pandemic. To fight the pandemic, governments adopted a number of measures to reduce the spread of the virus, resulting among other things in restrictions on non-essential travel, border closures, the cancellation of major cultural and sporting events, lockdown measures and the closure of non-essential businesses. These measures have had significant adverse impacts on the global economy and financial markets. To mitigate the negative impacts on the economy and financial markets, as well as provide a certain degree of stability, governments and central banks have introduced various programs to support people and businesses as well as various fiscal and monetary measures. Beneva Inc. offered certain rebates on general and group insurance to support its insureds. It has also put in place some key security measures to protect the health of its employees while continuing with its daily operations.

Given the considerable uncertainty as to how the COVID-19 pandemic will progress, it is impossible to reliably assess its duration and total impact on the Mutual's future financial results. The estimates and assumptions used by the Mutual reflect this uncertainty relating to the COVID-19 pandemic. Actual results may differ from these estimates and assumptions.

The COVID-19 pandemic mainly had an impact on the following consolidated financial statement items.

Investment in an Associate

The estimates and assumptions were analyzed and addressed for Beneva Inc.'s consolidated financial statements. Given that the Mutual accounts for this investment using the equity method, via the Associate, the proportionate share reflects the impacts of the COVID-19 pandemic. Moreover, no objective evidence of impairment exists as at December 31, 2020 requiring the recognition of impairment of the investment in the Associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(in thousands of dollars, unless otherwise indicated)

6. Interest in the Associate

	2020	2019
	$	$
Balance, beginning of year	**331,348**	305,623
Loss of control of the subsidiary on January 1, 2020 (Note 2)		
Net impact of the change in Associate	**(148)**	—
Non-controlling interests	**(152,702)**	—
Disposal of investment on July 1, 2020 (Note 10)	**(3,800)**	—
Change in investment related to net capital injections	**895**	—
Share in net income	**45,710**	29,438
Share in other comprehensive income (loss)	**(119)**	(3,713)
Transfer from participating contract holders to shareholder	**(482)**	—
Balance, end of year	**220,702**	331,348

The following tables present the summarized financial information for the Associate as at December 31, 2020 (SSQ, Financial Corporation Inc.) and the Associate as at December 31, 2019 (SSQ, Life Insurance Company Inc.):

	2020
	$
Consolidated statement of financial position	
Cash	**99**
Total assets	**1,218,752**
Total liabilities [1]	**261**
Total equity	**1,218,491**
Consolidated statement of income	
Interest income	**1**
Total revenues	**263,902**
Financial expenses	**7**
Net income	**263,888**
Consolidated statement of comprehensive income	
Other comprehensive income (loss)	**(3,516)**
Comprehensive income	**260,372**

[1] *Corresponds to financial liabilities.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(in thousands of dollars, unless otherwise indicated)

6. Interest in the Associate (cont'd)

	2019
	$
Consolidated statement of financial position	
Cash and equivalents	340,000
Total assets	13,419,600
Total liabilities [1]	12,358,800
Total equity	1,060,800
Consolidated statement of income	
Interest income	138,700
Total revenues	2,524,300
Amortization of intangible assets and depreciation of fixed assets and investment properties	35,500
Financial expenses	9,800
Income taxes	33,100
Net income	101,800
Consolidated statement of comprehensive income	
Other comprehensive income (loss)	(12,800)
Comprehensive income	89,000

[1] *Includes a financial liability in the amount of $544,200.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(in thousands of dollars, unless otherwise indicated)

7. Financial instruments

a) Carrying value and fair value of financial assets and liabilities

	2020		2019	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Financial assets				
Cash, bearing interest at prime rate less 1.78% (2019 – 1.78%)	**3,831**	**3,831**	101	101
Account receivable from the Related Company	**—**	**—**	26	26
	3,831	**3,831**	127	127
Financial liabilities				
Accounts payable	**42**	**42**	—	—
Amounts payable to the Related Company	**222**	**222**	—	—
Advance from the Related Company, 3.08%, without repayment terms repaid during the year	**—**	**—**	247	247
Advances from the Related Company prime rate, without repayment terms	**1,736**	**1,736**	885	885
	2,000	**2,000**	1,132	1,132

As at December 31, 2020 and 2019, no financial instrument is recognized at fair value in the Consolidated Statement of Financial Position and no financial instrument has a fair value that differs from its carrying amount.

b) Interest income

	2020	2019
	$	$
Note	**—**	79
Cash	**11**	3
	11	82

8. 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 and its objective is to supervise 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, interest rate risk and liquidity risk.

Credit risk corresponds to the risk of financial loss for the Mutual if a debtor does not respect its commitments. The Mutual is exposed to credit risk, primarily in terms of the account receivable, which is classified in stage 1 of the impairment hierarchy. This risk is mitigated by the fact that the account receivable is issued to the Related Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(in thousands of dollars, unless otherwise indicated)

8. Financial instruments risk management (cont'd)

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.

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:

					2020
	Payable on demand	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Accounts payable	**—**	**42**	**—**	**—**	**42**
Amounts payable to the Related Company	**—**	**222**	**—**	**—**	**222**
Advances from the Related Company	**1,736**	**—**	**—**	**—**	**1,736**
	1,736	**264**	**—**	**—**	**2,000**

					2019
	Payable on demand	Less than 1 year	From 1 to 5 years	Over 5 years	Total
	$	$	$	$	$
Advances from the Related Company	1,132	—	—	—	1,132

9. Capital management

In terms of capital management, the Mutual's objective is to preserve its assets. The Mutual defines its capital as the members' 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

	2020	2019
	$	$
Member's equity	**222,539**	177,641
	222,539	177,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(in thousands of dollars, unless otherwise indicated)

10. 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 2019, the Mutual received interest of $79 from the Related Company.

During the year, the Mutual capitalized interest of $35 (2019 – $36) to the advance from the Related Company, which constitutes a non-cash transaction.

During the year, the Mutual disposed of some of its Class A shares (184,281 shares) in the Associate for a total amount of $3,800.

The Related Company offers an opportunity to participate in an investment fund to some of its employees. This investment fund owns a non-controlling interest in the Associate.

11. Interests in the Subsidiary

The following table presents the impact of consolidating SSQ, Financial Corporation Inc., the Mutual's subsidiary, as at December 31, 2019, in which a significant non-controlling interest is held:

	2019
	$
Statement of financial position	
Total assets	331,447
Total liabilities	247
Statement of income	
Revenues	29,520
Net income	29,428
Statement of comprehensive income	
Other comprehensive income (loss)	(3,713)
Comprehensive income	25,715

12. Subsequent events

On January 15, 2021, the Mutual's board of directors approved the repayment of advances from the Related Company totalling $1,738.

BOARD OF DIRECTORS

CHAIR

René Hamel
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
IT and Technical Director
Centrale des syndicats du Québec (CSQ)

Eddy Jomphe
Retiree
Syndicat canadien de la fonction publique
(SCFP) – FTQ

Michel Nadeau
Finance and governance specialist

Denyse Paradis
Retiree
Fédération de la santé et des services sociaux
(FSSS) – CSN

Jean Perron
Corporate Director

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

CORPORATE SECRETARY

Pierre Marc Bellavance

AUDIT, RISK MANAGEMENT AND INVESTMENT COMMITTEE

Eddy Jomphe, Chair
Patrick Audy
Michel Nadeau
Denyse Paradis

GOVERNANCE, HUMAN RESOURCES AND ETHICS COMMITTEE

René Hamel, Chair
Normand Brouillet
Michel Nadeau
Jean Perron

SSQ mutual