Message from the Chair of the Board and the 2021 Financial Statements

Summary

Message from the Chair of the Board

SSQ Mutual and its present-day partners, the *Fonds de solidarité FTQ* and La Capitale Civil Service Mutual, in 2020 approved the union of the SSQ and La Capitale insurers to create Beneva. This union opens the door to combining the SSQ and La Capitale mutuals. Work is ongoing to create a single mutual that would be the majority shareholder of Beneva.

René Hamel

Work done by the Board of Directors

The Board of Directors of SSQ Mutual and its committees were very active in 2021. In addition to the extraordinary meeting in January and the annual meeting in April, the Board held nine meetings during the year. The Audit, Risk Management and Investment Committee and the Governance, Human Resources and Ethics Committee each met three times. Between them, they covered all the regular activities and responsibilities set out in the governance program.

In addition, the Board of Directors closely monitored the work to combine the SSQ and La Capitale insurance companies under Beneva. While a lot remains to be done to integrate the two organizations, the Board is satisfied with the progress made to date and commends the growth that has accompanied Beneva's excellent financial results. It is especially pleased with the quality of service that has been maintained for its members.

Promoting mutualism

In its 2021–2025 strategic plan, Beneva identified five main orientations, including one on the topic of promoting mutualism. A task force made up of Beneva executives and board members for SSQ Mutual and La Capitale Civil Service Mutual examined this orientation in detail, ultimately developing several strategies. Beneva will propose targets and initiatives for executing these strategies, which will become an integral part of Beneva's strategic plan and be monitored by the appropriate bodies.

The Mutual's community involvement

Through its foundation and its donations policy, SSQ is very active in our communities. The money donated by the SSQ Foundation is in addition to the other charitable work Beneva does. A total of $3.2 million was provided in philanthropic support in 2021, demonstrating the importance placed on giving back to the community.

SSQ Mutual continues to play an active role in the *Conseil québécois de la coopération et de la mutualité* (CQCM). This organization represents the interests of its members on a national scale as a member of Co-operatives and Mutuals Canada.

The Mutual continues to support the activities of 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 provides technical and financial support to SOCODEVI projects and is represented at various levels of its decision-making bodies.

Changes to the Board

In May 2021, Jean Perron resigned from his position on SSQ Mutual's Board of Directors, which he had held since April 2012. We are grateful to him for his involvement and contribution over the years.

The Board of Directors has confirmed the appointment of Josée Lamontagne to fill the vacant position. After starting her career as a political attaché, Ms. Lamontagne later held a number of management positions, including general manager of the *Coalition de l'encadrement en matière de retraite et d'assurance*, a position she held for about 12 years before retiring in 2020. We wish her a very warm welcome.

The year ended on a sad note for the SSQ family, with the passing of two of its Board members.

Michel Nadeau left us in October. For more than 50 years, Mr. Nadeau played a key role in the evolution of Quebec society, and he served on the SSQ Board of Directors since 1990. We will remember him for his extensive governance expertise and for keeping a sharp eye on the financial world.

Denyse Paradis passed away two months later, in December. Ms. Paradis served on the SSQ Board of Directors for close to 20 years. Through her commitment to defending workers' rights, Ms. Paradis contributed to the visibility of the *Fédération de la santé et des services sociaux*. We will remember her as a dedicated team player with a great sense of humour.

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 Inc., created by the union of SSQ, Life Insurance Company Inc. and La Capitale Civil Service Insurer Inc. and their respective subsidiaries.

Net income attributable to members of SSQ Mutual for the year ended December 31, 2021, is $32.6 million. As at December 31, 2021, total equity attributable to members was $277.4 million, an increase of 24.6% 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.

Acknowledgments

SSQ Mutual owes its successes and achievements to many individuals.

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 2021. Their contribution is even more commendable given the ongoing pandemic and the passing of two of their own. To them, I extend my sincere gratitude.

I also want to thank Jean-François Chalifoux and the Beneva management team, who have shown unwavering commitment in masterfully guiding the company.

Lastly, I want to thank all of our members and partners and all Beneva employees, who also uphold the values embraced by SSQ Mutual.

Sincerely,

René Hamel
Chair of the Board

SSQ Mutual

Financial Statements

As at December 31, 2021

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, 2021, 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, 2021, 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.

Other matter

The Mutual's financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on April 27, 2021.

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]

Québec, Canada
March 15, 2022

[1] *CPA auditor, CA, public accountancy permit No. A133737*

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

	2021	2020
	$	$
REVENUES		
Share in the net income of the Associate (Note 8)	**33,138**	45,710
Investment income (Note 6)	**72**	11
	33,210	45,721
EXPENSES		
General expenses	**638**	187
Financial expenses	**14**	35
	652	222
NET INCOME	**32,558**	45,499

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

	2021	2020
	$	$
NET INCOME	**32,558**	45,499
Items that may be reclassified subsequently to net income (includes an income tax expense of ($1,287), 2020 – ($1,847))	**3,448**	4,953
Items that will not be reclassified to net income (includes an income tax expense of ($6,717), 2020 – $1,814)	**18,605**	(5,072)
	22,053	(119)
COMPREHENSIVE INCOME	**54,611**	45,380

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

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

	2021	2020
	$	$
ASSETS		
Investments (Note 6)		
Cash and cash equivalents	214	3,831
Debt securities	1,015	—
Equity securities	359	—
Mutual funds	285	—
Investment income due and accrued	4	—
Prepaid expenses	5	6
Interest in the Associate (Note 8)	277,426	220,702
TOTAL ASSETS	279,308	224,539
LIABILITIES		
Accounts payable (Note 6)	41	42
Amounts payable to the Related Company (Note 6)	321	222
Advances from the Related Company (Note 6)	1,562	1,736
TOTAL LIABILITIES	1,924	2,000
EQUITY		
Retained earnings	268,279	235,487
Accumulated other comprehensive income (loss)	9,105	(12,948)
	277,384	222,539
TOTAL EQUITY	277,384	222,539
TOTAL LIABILITIES AND EQUITY	279,308	224,539

Subsequent event (Note 11)

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)

	2021	2020
	$	$
MEMBERS		
Retained earnings		
Balance, beginning of year	**235,487**	190,470
Net income	**32,558**	45,499
Transfer from participating contract holders to shareholder (Note 8)	**234**	(482)
	268,279	235,487
Accumulated other comprehensive income (loss)		
Balance, beginning of year	**(12,948)**	(12,829)
Other comprehensive income (loss)	**22,053**	(119)
	9,105	(12,948)
Total equity attributable to members, end of year	**277,384**	222,539
Non-controlling interests		
Balance, beginning of year	**—**	152,702
Transfer from Subsidiary to Associate following a change of control (Notes 2 and 8)	**—**	(152,702)
Total equity attributable to non-controlling interests, end of year	**—**	—
TOTAL EQUITY	**277,384**	222,539

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)

	2021	2020
	$	$
OPERATING ACTIVITIES		
Investment income	41	11
Amounts paid to creditors	(721)	(72)
Cash flows from operating activities	(680)	(61)
INVESTING ACTIVITIES		
Acquisitions related to investments	(2,349)	—
Sales, maturities and repayments of investments	693	—
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	(1,656)	3,701
FINANCING ACTIVITIES		
Advances from the Related Company	1,550	816
Net capital injections[1]	(1,093)	(726)
Repayment of advances from the Related Company	(1,738)	—
Cash flows from financing activities	(1,281)	90
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,617)	3,730
CASH AND CASH EQUIVALENTS, beginning of year	3,831	101
CASH AND CASH EQUIVALENTS, end of year	214	3,831

[1] *As at December 31, 2021, an amount of $321 related to capital repayments is included in the accounts payable to the Related Company (2020 – account payable of $143).*

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

Notes to the financial statements

For the year ended December 31, 2021

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
(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 financial statements were approved by the Board of Directors on March 15, 2022.

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 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 FINANCIAL STATEMENTS
For the year ended December 31, 2021
(in thousands of dollars, unless otherwise indicated)

3. 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, 2021, as issued by the *International Accounting Standards Board* ("IASB"). The Mutual's financial statements are presented in Canadian dollars, which correspond 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 8 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 financial statements and correspond to the non-controlling interests in the subsidiary represented by SSQ, Financial Corporation Inc. as at December 31, 2019, that is, before the restructuring of January 1, 2020.

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 18.69% as at December 31, 2021 compared with 18.60% as at December 31, 2020. 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, 2021 and 2020, no impairment loss was recognized in respect of this interest.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
(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 financial statements. For financial assets classified as loans and receivables or available for sale, an amount of $1 180 200 as at December 31, 2021 (2020 – $983 000) 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
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, 2021
(in thousands of dollars, unless otherwise indicated)

3. 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 method. 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 asset 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 investment income due and accrued. Other financial liabilities include accounts payable, amounts payable to the Related Company and advances from the Related Company.

Fair value

Fair values for bonds and stocks are determined with reference to bid prices observed in active market where available. Where 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, 2021
(in thousands of dollars, unless otherwise indicated)

3. Significant accounting policies (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, 2021 and 2020, the allowance for expected credit losses on the financial assets held by the Mutual is negligible.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
(in thousands of dollars, unless otherwise indicated)

4. Changes in accounting policies

Application of new accounting standards

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. The amendments to these standards had no impact on the Mutual's 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.

In February 2021, the IASB issued an amendment to IAS 1, "*Presentation of Financial Statements*". 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 fiscal years 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.

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 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 financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
(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 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 amendment will apply prospectively to financial statements for fiscal years 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.

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. As at December 31, 2020, Beneva Inc. offered certain rebates on general and group insurance to support its insureds. Beneva Inc. will also continue to put in place some key security measures to protect the health of its employees while continuing with its daily operations.

The pandemic continues to create a high degree of uncertainty as to future developments, making it 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 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, 2021 and 2020 requiring the recognition of impairment of the investment in the Associate.

Investments

Changes in equity markets and interest rates affected the fair value of financial instruments held by the Mutual. As at December 31, 2021, there was no evidence of impairment requiring the recognition of an impairment loss on investments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
(in thousands of dollars, unless otherwise indicated)

6. Financial instruments

a) Financial assets and liabilitites

Assets and liabilities recorded at fair value in the statements 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:

								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% (2020 – 1.78%) 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 the Related Company	—	—	321	321	—	321	—	321
Advances from the Related Company, prime rate, without repayment terms	—	—	1,562	1,562	—	1,562	—	1,562

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
(in thousands of dollars, unless otherwise indicated)

6. Financial instruments (cont'd)

a) Financial assets and liabilitites (cont'd)

								2020
	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 1.78% (2019 – 1.78%) and cash equivalents	—	—	3,831	3,831	3,831	—	—	3,831
Accounts payable	—	—	42	42	—	42	—	42
Amounts payable to the Related Company	—	—	222	222	—	222	—	222
Advances from the Related Company, prime rate, without repayment terms	—	—	1,736	1,736	—	1,736	—	1,736

As at December 31 2020, no financial instrument is recognized at fair value in the statement of financial position and no financial instrument has a fair value that differs from its carrying amount.

b) Income from financial instruments

			2021
	Fair value through profit or loss	**Fair value through other comprehensive income**	**Total**
	$	**$**	**$**
Cash and cash equivalents			
Interest	**6**	**—**	**6**
Debt securities			
Interest	**—**	**13**	**13**
Realized net gains	**—**	**(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)**
	61	**11**	**72**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
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6. Financial instruments (cont'd)

a) Income from financial instruments (cont'd)

			2020
	Fair value through profit or loss	Fair value through other comprehensive income	Total
	$	$	$
Cash and cash equivalents			
Interest	11	—	11
	11	—	11

7. 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 the 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.

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;

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
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7. Financial instruments risk management (cont'd)

Credit risk (cont'd)

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

	2021
	$
Cash and cash equivalents	214
Debt securities	
Bonds	1,015
Equity securities - Preferred shares	359
	1,588

Bond and private debt portfolio quality

	2021	
	$	%
Bonds		
Municipalities, school boards and hospitals	249	24.5
Corporates		
Canadian, by credit rating		
BBB	766	75.5
	1,015	100.0

Preferred share portfolio quality

	2021	
	$	%
P1	50	13.9
P2	92	25.6
P3	217	60.5
	359	100.0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
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7. Financial instruments risk management (cont'd)

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.

	2021	
	$	%
Consumer staples and discretionary	293	38.2
Financials	98	12.8
Communications	167	21.8
Other	208	27.2
	766	100.0

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

	2021	
	$	%
Energy	51	14.2
Materials	157	43.7
Financials	50	13.9
Communications	101	28.2
	359	100.0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
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7. 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:

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

					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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
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7. Financial instruments risk management (cont'd)

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.

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 $24 decrease in other comprehensive income.

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

						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

The effective rate for bonds ranges from 1.7% to 2.8%.

b) Market price risk

The Mutual is exposed to market price risk through its placements 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 $36 in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021
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8. Interest in the Associate

	2021	2020
	$	$
Balance, beginning of year	**220,702**	331,348
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 2)	**—**	(3,800)
Change in investment related to net capital injections	**1,271**	895
Share in net income	**33,138**	45,710
Share in other comprehensive income (loss)	**22,081**	(119)
Transfer from participating contract holders to shareholder	**234**	(482)
Balance, end of year	**277,426**	220,702

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

	2021	2020
	$	$
Statement of financial position		
Cash and equivalents	**91**	99
Total assets	**1,516,168**	1,218,752
Total liabilities[1]	**341**	261
Total equity	**1,515,827**	1,218,491
Statement of income		
Interest income	**1**	1
Total revenues	**177,775**	263,902
General expenses	**12**	7
Financial expenses	**9**	7
Net income	**177,754**	263,888
Statement of comprehensive income		
Other comprehensive income (loss)	**118,330**	(3,516)
Comprehensive income	**296,084**	260,372

[1] *Corresponds to financial liabilities.*

NOTES TO THE FINANCIAL STATEMENTS
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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

	2021	2020
	$	$
Member's equity	**277,384**	222,539
	277,384	222,539

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 the year, the Mutual capitalized interest of $14 (2020 – $35) to the advances 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 offered to certain employees membership in the Fonds du régime d'investissement des employés de SSQ. This investment fund has a non-controlling interest in the Associate. On December 11, 2020, the Board of Directors approved an amendment to the fund that, effective this date, no new units may be issued to a member.

11. Subsequent event

On January 1, 2022, Beneva Inc. changed its name to Beneva Group Inc.

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
Technical Director
Centrale des syndicats du Québec (CSQ)

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

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)

CORPORATE SECRETARY

Pierre Marc Bellavance

AUDIT, RISK MANAGEMENT AND INVESTMENT COMMITTEE

Eddy Jomphe, Chair
Patrick Audy
Josée Lamontagne
Andrée Poirier

GOVERNANCE, HUMAN RESOURCES AND ETHICS COMMITTEE

René Hamel, Chair
Normand Brouillet

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