

Great-West Lifeco introduces updated Supplemental Information Package (SIP) for 2023

Great-West Lifeco (Lifeco or the Company) has adopted IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* accounting standards effective January 1, 2023.

The new IFRS 17 standard will change the measurement and timing of the recognition of insurance contract earnings and the corresponding presentation and disclosures in the Company's financial statements; however, it does not impact the underlying economics of the business, nor does it impact the Company's business strategies. Similarly, the adoption of IFRS 9 has not resulted in a material change in the level of the Company's invested assets.

2022 unaudited comparative results under IFRS 17 and IFRS 9

The Company has prepared unaudited comparative results for 2022 on a restated basis to reflect the impacts of adopting IFRS 17. For IFRS 9 impacts, the Company has chosen to not restate comparative results, but instead has elected to present comparative information on financial assets as if the classification and measurement requirements of IFRS 9 had been applied during the comparative period (classification overlay approach). The 2022 restated comparative results will form part of the year-end 2023 audited financial statements.

With the adoption of the new standards, the Company has experienced an increase in net earnings volatility, as expected. Insights from analysis of 2022 comparative results may not be fully representative of future results under IFRS 17 and IFRS 9 as the Company was not yet fully managing asset and liability portfolios under the new standards.

The effects of market movements were significant in 2022 given the heightened interest rate and market volatility experienced throughout the year. Quarterly sensitivities have been updated to reflect the new standards and current ALM approaches and can provide insight into the potential impact of financial risks on net earnings. Please refer to the Company's Q1 2023 consolidated interim financial statements and notes for additional information.

New - Presentation of results by value driver

As the company is advancing its business strategy and driving momentum across the portfolio, it is enhancing its reporting to provide greater insight into the drivers of value creation.




The presentation of results by value driver is being introduced to support the users' understanding of the results for key Lifeco strategies that extend across multiple operating segments. This provides a supplemental view of base earnings and other key performance indicators at the consolidated Lifeco level.

Key Changes to Supplemental Information Package for 2023
May 1, 2023

The three key drivers of value creation at Lifeco are:

- **Workplace Solutions:** These businesses serve the needs of customers primarily through plan sponsor-enabled relationships. This includes Group Life & Health, Group Retirement, pension administration / record keeping and other group businesses (e.g., ASO).
- **Wealth & Asset Management:** These businesses focus on advice enabled wealth management solutions for retail customers. This includes retail savings and wealth products in Canada and Europe as well as Empower Personal Wealth and U.S. Asset Management.
- **Insurance & Risk Solutions:** This includes life insurance, disability, and critical illness coverage for individuals, and payout annuities for individuals and pension plans. Reinsurance includes traditional mortality & longevity covers, P&C Catastrophe covers, as well as customized capital & risk management solutions for institutional clients.

The following table displays how the various business units in each operating segment have been aligned with value drivers at the consolidated Lifeco level. Accordingly, the Company has updated how it refers to the business units within the Canada, Europe and U.S. operating segments.

		Operating Segments			
Value Drivers		Canada	Europe	U.S.	Capital and Risk Solutions
	Workplace Solutions	<ul style="list-style-type: none"> • Group Life & Health • Group Retirement 	<ul style="list-style-type: none"> • Group Life & Health • Group Retirement 	<ul style="list-style-type: none"> • Empower Defined Contribution 	
	Wealth & Asset Management	<ul style="list-style-type: none"> • Individual Wealth Management 	<ul style="list-style-type: none"> • Individual Wealth & Asset Management 	<ul style="list-style-type: none"> • Empower Personal Wealth • Asset Management 	
	Insurance & Risk Solutions	<ul style="list-style-type: none"> • Insurance & Annuities 	<ul style="list-style-type: none"> • Insurance & Annuities 		<ul style="list-style-type: none"> • Reinsurance

Key changes to the 2023 Lifeco Supplemental Information Package (SIP)

The structure and composition of the Lifeco SIP has been refined to concentrate on disclosures deemed most useful to help understand the Company's businesses. Certain enhancements to disclosures have been made reflecting the additional presentation of results by value driver as well as to highlight new IFRS 17 and IFRS 9 key performance measures.

Business-driven updates:

Update	Description	SIP page reference
Reporting periods	For Q1 2023, five quarters of financial results (i.e., Q1 2022 - Q1 2023) and fiscal year 2022, will be provided on an IFRS 17/9 basis. Each successive reporting period in 2023 will add an additional quarter's results until eight consecutive quarters' results are shown at Q4 2023. This eight consecutive quarter view of IFRS17/9 results will continue in Q1 2024 and onward.	Page 4
Value Drivers	To supplement users' understanding and analysis of our base earnings and other key performance indicators at the consolidated Lifeco level, reporting across three value drivers has been introduced (i) Workplace Solutions, (ii) Wealth & Asset Management and (iii) Insurance & Risk Solutions.	Page 6

IFRS 17 and IFRS 9 updates:

Update	Description	SIP page reference
Contractual service margin (CSM) continuity	CSM is a measure of unearned profit that will be recognized into earnings in future periods. The CSM continuity provides quarterly drivers of changes in the CSM balance, excluding participating and segregated fund products, for the Canada, Europe and Capital and Risk Solutions segments.	Page 18, 25, 27
LICAT	LICAT will be calculated under the 2023 OSFI LICAT Guideline which includes recognition of CSM in available capital. IFRS 4 2022 quarters will be shown as disclosed under the 2019 LICAT Guideline. In addition, proforma estimates of the 2022 LICAT Ratios on an IFRS 17/9 basis will be disclosed and are based on the retrospective application of the 2023 LICAT Guideline to restated IFRS 17/9 2022 comparative financial results.	Page 4, 8
Financial leverage ratio	The calculation for financial leverage ratio will include the CSM balance in the denominator. This update reflects that the CSM represents unearned profit and is consistent with the composition of available capital under LICAT. The CSM will be included on an after-tax basis.	Page 5
Drivers of earnings analysis	Industry-consistent non-IFRS view of earnings, highlighting drivers of common shareholders' base and net earnings for Lifeco and each of its operating segments.	Page 10, 16, 19, 23, 26, 28

Refined base earnings (loss) definition

The Q1 2023 financial results will include an updated definition of base earnings (loss), a non-IFRS financial measure. This is applicable as of January 1, 2023 and to the unaudited restated 2022 comparative periods. Overall, the Company's principles in defining base earnings (loss) have remained consistent. Base earnings (loss) continues to represent management's view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings.

Base earnings (loss) will continue to adjust for the following impacts that are included in IFRS reported net earnings:

- Market-related impacts, where actual market returns in the current period are different than longer-term expected returns on assets and liabilities;
- Assumption changes and management actions that impact the measurement of assets and liabilities;
- Acquisition transaction costs;
- Restructuring and integration costs;
- Material legal settlements, material impairment charges related to goodwill and intangible assets, impacts of income tax rate changes and other tax impairments, net gains, losses or costs related to the disposition or acquisition of a business; and
- Other items that, when removed, assist in explaining the Company's underlying business performance.

The definition of base earnings (loss) will be refined to also exclude the following impacts that are included in IFRS reported net earnings:

- Realized gains (losses) on the sale of assets measured at fair value through other comprehensive income (FVOCI);
- The direct equity and interest rate impacts on the measurement of surplus assets and liabilities; and
- Amortization of acquisition related finite life intangible assets¹.

¹ Amortization of acquisition related finite life intangible assets has been excluded from base earnings for consistency and comparability with financial services industry peers. The amortization of other intangible assets such as software continues to be included in base earnings.