10 x FWD

Celebrate living
fwd.com

FWD Group Holdings Limited

2023 Annual Report

Celebrating 10 years young

Celebrating 10 years young in 2023

FWD is a fast-growing pan-Asian insurer with a vision of changing the way people feel about insurance

FWD Group is a pan-Asian life insurance business with more than 13 million customers across 10 markets, including some of the fastest growing insurance markets in the world.

Our current business portfolio comprises life and health insurance, employee benefits and Shariah and family takaful products. Our regional footprint spans across Hong Kong SAR and Macau SAR, Thailand, Japan, Vietnam, the Philippines, Indonesia, Singapore, Malaysia and Cambodia.

Established in 2013, FWD is focused on making the insurance journey simpler, faster and smoother, with relevant, distinctive and personalised propositions and easy-to-understand products, supported by digital technology.

FWD is committed to changing the way people feel about insurance.

For more information, please visit www.fwd.com

Note:
In this document, the terms “FWD”, “the Group”, “FWD Group” and “the Company” refer to FWD Group Holdings Limited.

Strong and growing presence in Asia[1]

FWD operates in
10 markets

29
bancassurance partnerships

9
of which exclusive with over
4,000
bank branches

More than
13 million
customers

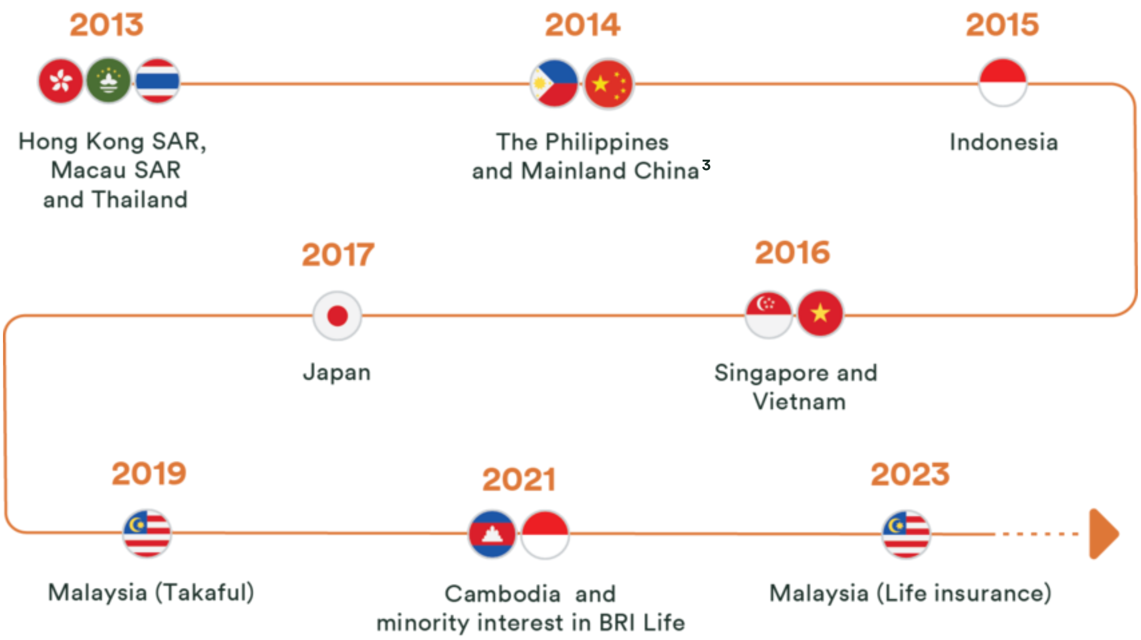
More than half of new individual policyholders are millennials

7,469
employees

Top 6 MDRT[2]
global ranking for multinational insurers

68,400
contracted agents

Our history...10 years young in 2023



Notes:
1. Approximate as at 31 December 2023.
2. Million Dollar Round Table, a global professional trade association that recognises significant sales achievements while working to develop professional and ethical sales practices.
3. Representative Office in Shanghai.

Our values

Proactive
Perform with passion

Innovative
Dare to be different

Committed
Succeed together

Caring
Everyone matters

Open
Do the right thing

2023 highlights

Growth

New business sales[1,2]	US$1,646m	↑ 18%	(2022: US$1,408m)
Value of new business[1]	US$991m	↑ 22%	(2022: US$823m)
New business CSM[1,3]	US$1,349m	↓ (6)%	(2022: US$1,409m)

Profitability

Operating profit after tax[1]	US$372m	↑ 27%	(2022: US$299m)
Net loss	US$717m	na	(2022: US$320m)
Contractual service margin (CSM)[1,4]	US$5.0bn	↓ (4)%	(2022: US$5.4bn)

Risk and Capital

Group LCSM cover ratio - Prescribed Capital Requirement basis	292%	↑ 4 pps	(2022: 288%)
Leverage ratio[5]	27.2%	↑ 3.6 pps	(2022: 23.6%)
Adjusted net underlying free surplus generation[1,6]	US$786m	↑ 28%	(2022: US$625m)

Value

Embedded value[1]	US$5.7bn	↓ (4)%	(2022: US$6.1bn)
Comprehensive tangible equity[1,7]	US$7.2bn	↓ (12)%	(2022: US$8.3bn)
Return on equity[8]	5.7%	↑ 1.6 pps	(2022: 4.1%)

Non-financial metrics

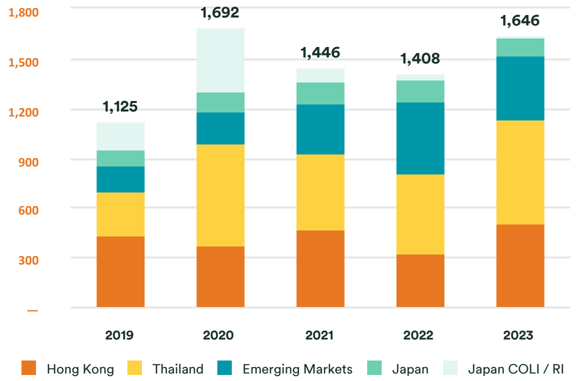
Number of customers[9]	13.2m	↑ 25%	(2022: 10.6m)
Agency force	68.4k	↑ 41%	(2022: 48.4k)
Digital purchase %	78%	—	(2022: 78%)
Claims paid in 3 days	67%	↑ 9 pps	(2022: 57%)
Claims NPS score	62	↑ 14	(2022: 48)
eSubmission[10]	100%		

Notes:
1. Financial metrics presented growth rate is on a constant exchange rate basis except solvency ratio and leverage ratio.
2. New business sales are calculated on an annual premium equivalent (APE) basis.
3. New business CSM presented excludes Athene Reinsurance and includes BRI Life.
4. CSM balance presented on a net of reinsurance and gross of tax basis.
5. Debt divided by the sum of debt and adjusted total equity attributable to Shareholders of the Company plus 100 per cent of net CSM (i.e. CSM after allowing for reinsurance and taxes).
6. Net underlying surplus generation excluding one off opening adjustments, non economic assumption changes and expense variance.
7. Adjusted total equity attributable to Shareholders of the Company, plus the net CSM, minus the intangible assets.
8. Operating profit after tax divided by average of the balances of adjusted total equity attributable to Shareholders of the Company as of the beginning and end of such period.
9. Approximate as at 31 December 2023. Our customers include individual policyholders, insured, beneficiaries, master policyholders, group members and FWD MAX members.
10. eSubmission relates to electronic submission. 100 per cent eSubmission refers to the Philippines, Indonesia, Vietnam, Singapore and Malaysia.

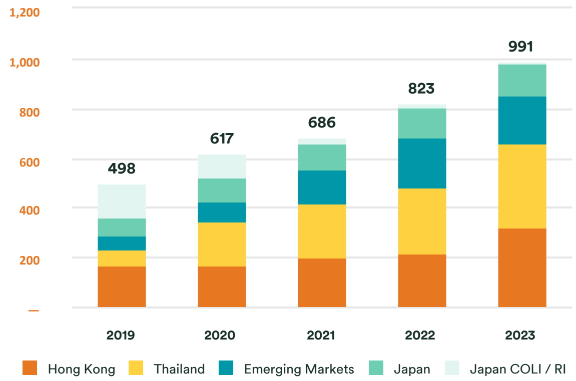
Results at a glance

Figures in US$m

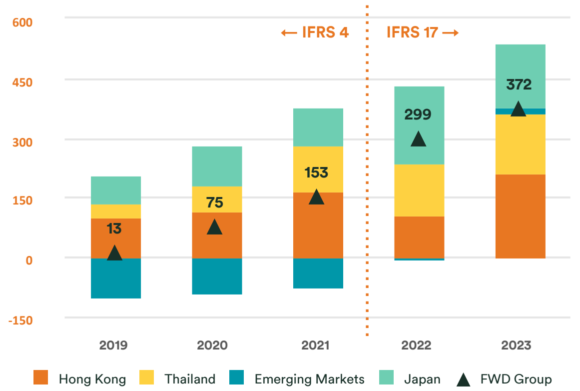
New business sales



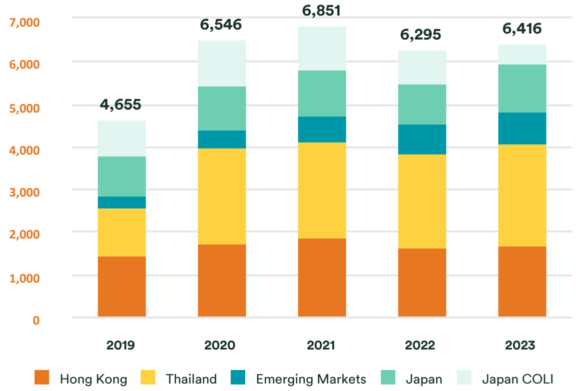
Value of new business



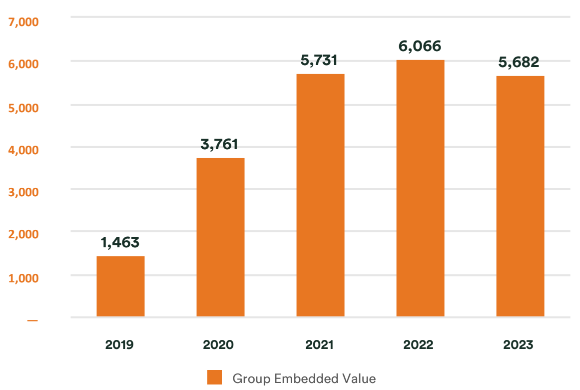
Operating profit after tax



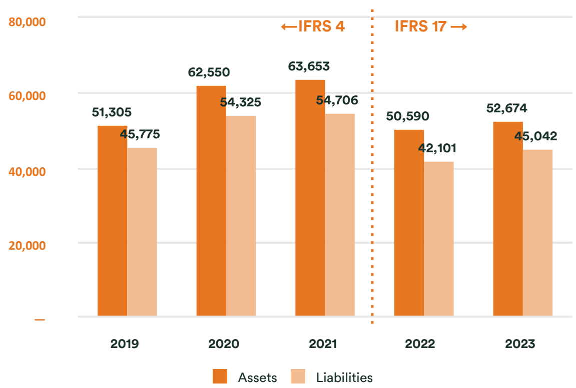
Total premiums



Embedded value



Total assets & liabilities

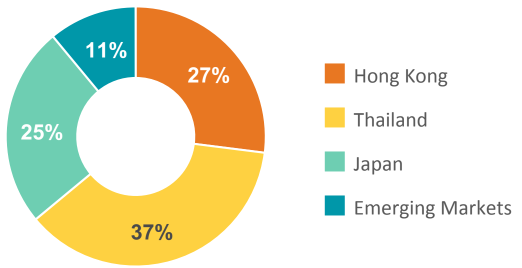


Notes:
1. Hong Kong includes Macau.
2. Thailand includes Cambodia.
3. Emerging Markets include the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

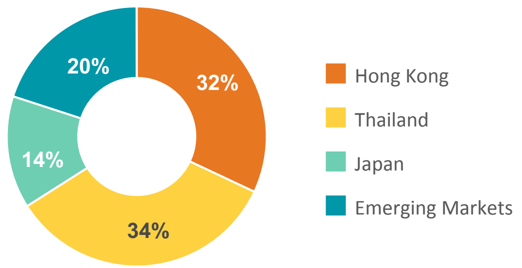
Diversified geographic mix and distribution channels

2023 by market and distribution channel

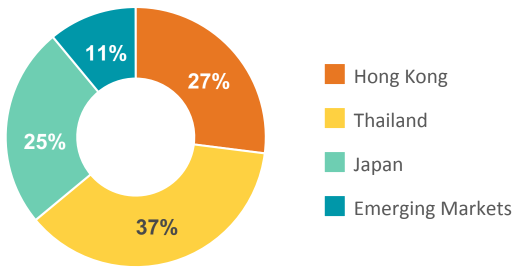
New business sales by segment



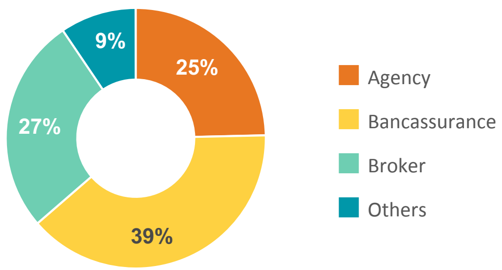
Value of new business by segment



Total premiums by segment

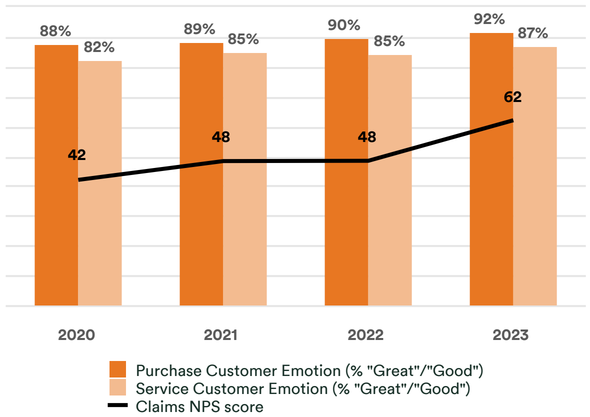


Value of new business by distribution channel

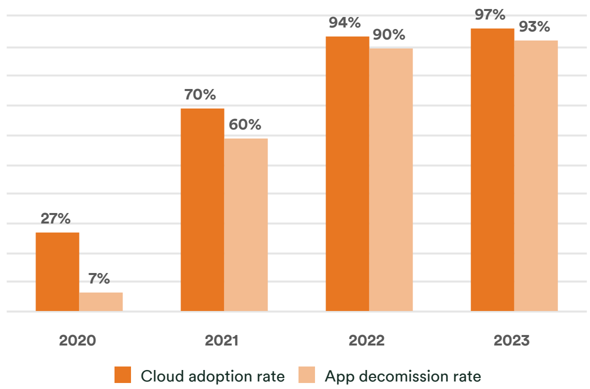


Customer experience and digital metrics

Customer experience



Cloud adoption



Chairman's statement

Professor Ma Si Hang, Frederick

Chairman of the Board, FWD Group

"Good governance remains at the forefront as we steward the company into its next decade."

Dear Shareholders and Bondholders,

FWD Group marked a significant milestone in 2023, as we celebrated our 10th anniversary. The company has certainly come a long way in a short period of time. From being a new brand in the market in 2013, today FWD is well recognised as a leader in the Asian life insurance market.

From our headquarters in Hong Kong, FWD Group has expanded in the last 10 years to span 10 markets in the region. This includes some of the fastest-growing insurance markets in the world, mostly in Southeast Asia.

Our growth and relevance for policy holders in these markets was underlined in July 2023 with the company's participation in a Hong Kong delegation to Singapore, Malaysia, and Indonesia. The delegation was led by The Chief Executive, Hong Kong Special Administrative Region of the People's Republic of China, The Hon Mr John KC Lee, GBM, SBS, PDSM, PMSM and organised by the Hong Kong Trade Development Council.

I was honoured to represent FWD Group as part of the business delegation, alongside our majority shareholder, Mr Richard Li Tzar Kai, Chairman of Pacific Century Group. Together, we were delighted to personally receive the delegation at our PT FWD Insurance Indonesia offices in Jakarta and tell the story of what FWD Group has achieved in its expansion from Hong Kong during the last decade.

Corporate governance and ESG

Good governance remains at the forefront for the FWD Group Board as we steward the company into its next decade. Our second annual review on the effectiveness of our board, following our first formal Group Board review in 2022, indicated the board worked well together to carry out our responsibilities during 2023.

The company continued to progress its environmental initiatives, as part of our ESG strategy, to support the transition toward a lower carbon economy. In 2023, FWD Group also significantly expanded its Community Care programmes in areas such as financial literacy, benefiting more than 74,000 people. For example, our signature JA SparktheDream programme, developed by Junior Achievement together with FWD, grew from two to seven markets across Asia. This initiative acquaints students with essential financial literacy skills and encourages engagement with parents and peers to apply the concepts for social good.

Financial strength

FWD Group further bolstered its financial foundations and strong liquidity position, with our group-wide solvency ratio[1] at 292 per cent at the end of 2023, an improvement from 288 per cent in 2022.

We attained our inaugural credit ratings in August 2023 for FWD Group Holdings Limited. Fitch affirmed FWD Group's core life insurance operating entities' insurer financial strength rating of "A", while Moody's assigned a notional insurance financial strength rating of "A3", to the FWD Group's major life insurance operating entities. As we execute our growth strategy, these developments will underpin more effective and efficient access to the credit markets overall.

FWD Group also continued its consistent track record of strong financial results in 2023. Operating profitability accelerated to US$372 million on an adjusted after tax basis, up 27 per cent on 2022. The company also successfully implemented international financial reporting standard ("IFRS") 17, which replaced IFRS 4 globally in accounting for insurance contracts.

Regulatory developments

In January 2023, FWD Group was named as an Internationally Active Insurance Group ("IAIG") – one of only eight in Asia, among more than 50 insurance companies globally. This is another recognition of the scale, size and importance for policyholders that FWD Group has achieved in its 10 years young history. The IAIG identification aligns with our Group Wide Supervision designation from the Hong Kong Insurance Authority.

Acknowledgments and appreciation

I would like to extend my appreciation and gratitude to the many stakeholders who defined the success of the FWD Group in its first 10 years. In particular, thank you to all of our investors, employees, agents and distributors for believing in our vision and values of being proactive, innovative, committed, caring and open.

Outlook

Looking ahead, FWD Group will continue with its customer-led approach and focus primarily on organic growth and profitability. The company will also further boost its operating leverage with continued investment in digitalisation, increasingly powered by artificial intelligence. Most importantly, FWD Group will continue to progress its vision of changing the way people feel about insurance in Asia.

With best wishes for the year ahead,

Professor Ma Si Hang, Frederick GBS, JP

Chairman of the Board, **FWD Group**

22 April 2024

Note: (1) Prescribed Capital Requirement ("PCR") Basis.

Chief Executive Officer's report

Huynh Thanh Phong
Group Chief Executive Officer

> **"The rapid development of generative artificial intelligence will be a defining feature of our next decade."**

Dear shareholders and bondholders

FWD celebrated its '10 years young' birthday in 2023. We began the FWD journey with a vision of changing the way people feel about insurance, by putting customers at the centre of everything we do, leveraging the latest technology.

Since then, we've built a company that aims to make insurance an easy journey for our customers – easy to know, buy, claim, engage and love. These are the guiding principles for our product design, purchasing experience, claims process, customer engagement and brand.

However, at a personal level, I always measure the success of a life insurance company on the many lives we touch. Our company now serves more than 13 million customers across 10 markets in Asia, reflected in US$6.4 billion in total weighted premiums in 2023. Additionally, we reach more than 20 million customers through BRI Life in Indonesia, where we have a strategic investment that we increased to 44 per cent in March 2024.

Strategic developments

During 2023, we completed our entry into the Malaysian life insurance market, with our acquisition, with local investors, of an investment in Gibraltar BSN Life Berhad, since renamed to FWD Insurance Berhad. This means we now have a full-service offering in Malaysia, with both family takaful and life insurance solutions, in a rapidly growing market with tremendous long-term potential for growth. The investment also substantially completed our footprint across key Southeast Asia markets. More recently, in March 2024, we also increased our existing investment in FWD Takaful in Malaysia, which we established in 2019, to become the majority 70 per cent shareholder.

In Thailand, we extended our long-term exclusive bancassurance agreement with Siam Commercial Bank Public Company Limited ("SCB") in 2023 to meet the growing insurance and protection needs of an increasingly affluent and digital Thai population. The agreement builds on the successful collaboration between FWD Thailand and SCB, which has driven significant growth in recent years and propelled us to the number one position in the bancassurance channel.

Business focus

Our strategic pillars span five key areas: customer-led propositions; digital-driven experience and engagement; quality and digitally-enabled distribution; leadership in digital commerce; and fostering a nimble organisation.

Everything we do at FWD aims to empower our customers to celebrate living, knowing they have the protection they need, at the moments that matter in their lives, from a strong and innovative company. In 2023, examples of new product propositions included providing critical illness coverage to an insured's parents and children without medical underwriting questions in Hong Kong, introducing the first insurance plan in Singapore with access to alternative investments from a globally renowned asset manager, and providing depression and anxiety related mental health support in Indonesia, Malaysia and Vietnam.

For our customers' insurance journey, making a claim with us is often a major moment of truth. We are proud that our claims net promoter score was +62, highlighting sustained satisfaction on how we take care of our customers. We've invested significantly in digital technology since inception, as we see this as a key driver in making the insurance journey faster, simpler and smoother for customers in all aspects. In year ended 31 December 2023, 78 per cent of submissions were made digitally and 67 per cent of claims were paid within three days of submission. Almost half (48 per cent) of customer onboarding was completed in two days and 92 per cent of customers rated us "great" or "good" after completing the onboarding process.

The quality of our distribution footprint is another critical component underpinning our vision of changing the way people feel about insurance. We spend a great deal of time focused on the performance and professionalism of our distribution network, supported by ongoing investments in professional development and our digital capabilities.

In 2023, we were proud that FWD Group retained its number six rank in the Million Dollar Round Table ("MDRT") Top 10 Multinational Companies list. The MDRT is a global professional trade association that recognises significant sales achievements, while working to develop standards of excellence in sales practices in the life insurance and financial services industries. In Thailand and the Philippines, FWD ranked number two for MDRT membership. Vietnam ranked number three and in Hong Kong, FWD ranked number four.

2023 financial results

FWD posted solid 2023 financial results, thanks to the trust our customers place in us, and the commitment of our employees, as well as our bancassurance partners, distributors, and agents.

We continued our strong growth trajectory, with value of new business ("VNB") up 22 per cent to US$991 million in 2023. Meeting the health and protection needs of our customers remains a key core strategic focus for us, with our protection VNB up 15 per cent to US$473 million. This also contributed to improving our new business margin by 2 percentage points to 60.2 per cent.

We also continued to build increased scale, which is reflected in total weighted premium income of US$6.4 billion for 2023. The continued maturation of our business drove our operating profit after tax up 27 per cent to US$372 million.

Outlook

FWD was established as a digitally-enabled company for the digital era, and we believe that the emergence of generative artificial intelligence ("AI") will be a defining feature of our next decade. It's clear that AI, and generative AI in particular, has enormous potential to accelerate the already rapid pace of digital transformation in the world around us. We will stay focused on harnessing the power and possibilities of generative AI in a responsible and considered way.

While we remain positive on the outlook for the pan-Asian markets where we operate, we expect that global macroeconomic and geopolitical headwinds will continue into 2024. Our business strategy remains focused on the longer-term trends: growing Asian economies, emerging middle-classes, continued wealth creation, increased insurance demand and digital adoption acceleration.

As we look ahead to our next 10 years, deepening FWD's footprint and enhancing our leadership presence across the 10 markets we operate in across Asia will be a top priority as we continue to build scale in our business. Overall, we are committed to ensuring that the purpose of life insurance - pooling the risk to take care of each other - is successful and sustainable for our many stakeholders over the long term.

Huynh Thanh Phong OBE

Group Chief Executive Officer

22 April 2024

10 x FWD insurance

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Financial and Operating review

Strategy and business model

To support our vision of changing the way people feel about insurance, we are building a customer-led and digitally driven company, that provides propositions and experiences that are easy to know, easy to buy, easy to claim, easy to engage and easy to love.

Our strategic priorities span five key focus areas:

1. Customer-led propositions
2. Digital-driven experience and engagement
3. Quality and digitally-enabled distribution
4. Leadership in digital commerce
5. Nimble organisation

1. Customer-led propositions

Our strategy

FWD is committed to understanding and solving customers' pain points, to help them close the health and mortality protection gap. We are driven by the passion to improve what we do everyday and to give our customers a seamless customer experience, that is easy to know, easy to buy, easy to claim, easy to engage and easy to love.

Since our inception, we have implemented compelling customer-led propositions across our customer experience. Spotlight on key initiatives implemented are outlined below:

Easy to know: We believe that it is important for our customers to easily understand the insurance they buy and the scope of coverage. To achieve this, we have sought to make our product offerings transparent, personalised and simple. We have re-written and simplified our policies across our markets. We have also reduced policy exclusions substantially, allowing customers to celebrate living without worrying about uncovered exclusions.

Easy to buy: We have simplified the purchase journey by introducing paperless sales, enabling purchases via user-friendly mobile applications and streamlined underwriting questions for certain products. We have also extended our reach to potential customers with the goal to meet them wherever and whenever they choose, online or offline. To this end, we equip our partners with a range of analytical tools for customer insights

Easy to claim: We aim to provide our customers peace of mind in their claims experience. Our newly launched AI Claims 2.0 application can generate instant decisions for low risk claims and reduce the average assessment time to as little as two minutes from two days historically. We aim to provide a smooth and swift digital claims process to ensure our customers are covered and paid in their time of need.

Easy to engage: We provide seamless, intuitive customer experiences with increasing automation. For example, customers seeking to engage with us can utilise our Artificial Intelligence ("AI") chatbots, which are capable of handling inquiries on a 24/7 basis. Our engagement with customers goes beyond insurance, with offerings extending to rewards, lifestyle experiences, post-claim recovery and other services.

Easy to love: Our modern brand is recognised for being "Different", according to Blackbox Research's Brand Tracking Survey. We strive to introduce new products which provide relevant and affordable protection for individuals and families, as well as providing support post claims through our FWD Care recovery plan.

2. Digital-driven experience and engagement

Our strategy

We put customers at the centre of everything we do and we are focused on providing them with a seamless and desirable journey wherever they want through a combination of digitalised and human services. To maximise customer touch points and extend our reach, in addition to our digitally empowered face-to-face channels, we have also developed a series of systems and tools to optimise customer engagement and help our customers learn and purchase our products, submit claims and stay engaged in an easy and seamless manner. In 2023, we launched 638 AI monetisation campaigns across all of our markets, which include cross-sell, up-sell, renewal, reinstatement and win-back campaigns.

Our customers can purchase our insurance products without human assistance through our FWD eCommerce Platform, which provides quick quote, O2O lead generation, plug and play functions and fully automated underwriting capability. This appeals to customers who prefer to self-manage their insurance needs at times that are most convenient to them by providing a simple, fast and seamless user experience that is available 24-hours a day on both desktop and mobile devices.

We also engage our customer base through our customer engagement platforms, which provide value-added services, promotions and content driven by customer preferences. By enhancing the use of data we collect, we aim to achieve higher customer retention rates and new sales through these platforms, while remaining in compliance with the applicable laws and regulations.

Our operations are supported by robust technology capabilities and digital infrastructure, which is cloud-based and seamlessly integrated across business functions and with external partners. Cloud technology has positively impacted software development and deployment, expediting time-to-market and enhancing customer experiences. Additionally, we have retired legacy applications and unified our applications through platform technology. As a result, as of 31 December 2023, we have migrated 97 per cent of our applications to the cloud and decommissioned over 93 per cent of applications that we had targeted for retirement.

Data analytics and AI architecture serve as our central building blocks and empower our entire operations and functions, from customer engagement, distribution and partner enablement to operation automation and intelligent management of our customers' policies. With AI analytics implemented in eight out of our ten markets, we are committed to using data analytics to gain insights into our customers' experience and support various aspects of our business operations. As of 31 December 2023, we had 199 active AI models applied across our business.

At the heart of our technologies is our proprietary cloud-based Data Platform, a data ecosystem that manages customer data collected from multiple source systems in different markets and provides real-time streaming data processing to support upstream and downstream front-end applications and backend services. Launched in 2019, our Data Platform supported all of our markets as of 31 December 2023.

Our Data Platform processes and analyses data underpinned by our proprietary AI and machine learning algorithms, providing us with quick access to time-sensitive data to gain customer insights, design and deploy new products and services, and launch automated and targeted marketing campaigns, thereby allowing us to meet the evolving customer needs in a timely manner. For example, we were able to use our Data Platform to identify customers who were about to lapse on their policies with approximately 80 per cent accuracy in 2023, enabling the operations to take timely actions to follow up with such customers.

Additionally, our Data Platform is the central and foundational infrastructure that enables us to build other additional technological capabilities with ease and speed. Its real-time data insights are fed into our applications and services across all stages of the insurance value chain.

3. Quality and digitally-enabled distribution

Our strategy

We put customers at the heart of everything we do, adopting a digitally-enabled, multi-channel distribution model based on the pillars "Enhance, Extend and Empower".

Enhance: We have enhanced traditional face-to-face channels with a host of new technologies that help our bank partners, agents and brokers / Independent Financial Advisers ("IFAs") to engage and serve their customers in flexible, dynamic and digital ways. By blending our digital tools with a human touch, we combine offline and online channels to allow customers to engage with us however, wherever and whenever they choose.

Extend: We have extended our reach to individuals underserved by traditional channels. We provide multi-device mobile access so that customers can determine their protection needs, understand our propositions, purchase our products and services and submit claims. Our distribution leverages our digital commerce channels for online D2C sales and we have extended our agency channel with our social media engagement platform, FWD Affiliates.

Empower: We have empowered our customers to celebrate living by providing them with information to help them to choose the right protection whenever, wherever and however through all our channels with simple propositions, advanced data analytics and high-quality sales leads. We use AI algorithms to supply our distribution channels with the customer insights they need to offer tailored solutions. We have streamlined underwriting, simplified the language used in the policies and reduced the number of exclusions, thereby allowing our channels to better help all customers to understand insurance and buy the protection they need.

We aim to widen our touch points with customers by offering them a choice of how to engage with us based on their protection needs and interaction preferences. Digitalisation of our distribution channels is a key element of this strategy.

We distribute our products through multiple distribution channels, including bancassurance, agency, brokerage/IFA, as well as other channels, which include D2C distribution via digital commerce channels.

Bancassurance channel

We are a leading bancassurer, particularly in Southeast Asia, both in terms of the breadth and depth of our bancassurance partnerships, as well as our demonstrated track record of delivering value through our bancassurance channel. As of 31 December 2023, our bancassurance channel contributes 39 per cent of our total value of new business.

As of 31 December 2023, we had 29 ongoing bancassurance partnerships, including 9 exclusive bancassurance partnership in Southeast Asia.

Our strategy for our bancassurance channel has been to partner both exclusively and non-exclusively with leading local banks in each of our markets, promote digital transformation as a means of enhancing our bank partners' sales efforts and productivity, and improve portfolio margins by selling protection-focused products to optimise our value of new business.

Agency channel

Our agency force, contributing 25 per cent of our total value of new business in 2023, is a key channel for accessing our customers. Our total number of agents increased to approximately 68,400 as of 31 December 2023; 59 per cent of which were millennials. With our digitally native agency force, we believe that we can effectively foster long-term relationships with millennial customers with significant lifetime value.

As part of our "FWD Elite" agency vision, we cultivate a professional and digitally-enabled team of agents of the highest quality who can take advantage of their social network connectivity and our digital tools to enrich their relationships with our customers. Attaining MDRT qualification by meeting the required high level of premiums, commissions or income during the year can be a long and difficult process for many agents during their careers. Therefore, we have created an additional segmentation of agents, known as FWD Elite agents, which can be attained by meeting at least 50 per cent of MDRT requirements.

Our FWD Elite programme has significantly contributed to our business growth. The teams led by our FWD Elite leaders in the programme significantly outperformed the overall channel. As a result of our investments in our agency force and our focus on expanding and improving our distribution capabilities, a large portion of our agents have attained and continue to maintain MDRT status. We were ranked sixth in 2023 among multi-national insurers globally in terms of the number of MDRT-registered members, up from tenth in 2021.

Broker/IFA channel

The brokerage and IFA channels, which contributes 27 per cent of our total value of new business in 2023, consist of insurance distributors that employ a number of brokers and IFAs and sell the products of multiple insurers on a non-exclusive basis. We believe that we are able to offer a well-balanced and diversified distribution platform by supplementing our main distribution channels with our brokerage and IFA channels in certain markets. As of 31 December 2023, we had over 2,900 brokerage and IFA partners across our various markets.

We have undertaken a number of initiatives to support our brokerage and IFA partners, including establishing dedicated relationship management teams that meet regularly with the management of these partners and providing dedicated sales and underwriting support and customised products where needed.

Other distribution channels

As of 31 December 2023, our other channels comprise our digital commerce channel, affinity partnerships in Thailand (where our products are distributed through these partners), our employee benefits business in certain markets, as well as direct marketing and telemarketing channels. These distribution channels contribute 9 per cent of our total value of new business as of 31 December 2023.

4. Leadership in digital commerce

Our strategy

Our digital commerce channel focuses on our eCommerce initiatives through which we distribute simpler, smaller-ticket products to our customer base. Our digital commerce pillars include:

Digital direct to customer: Our API enabled e-commerce platform, which forms the core, foundational D2C platform allows us to plug-and-play into our bancassurance and affinity's partners' ecosystems. It also powers our D2C Channel.

Partnership with banks: By integrating into our bancassurance partners' direct digital channels, we are able to offer our products to the customers through our entirely digital process. We are transforming our bancassurance partnerships with our NextGen Bancassurance strategy through integrated front- and back-end systems and customer interface, simple propositions tailored to digital platform, digital marketing to better engage target customers and drive traffic, and implementation of analytics-driven customer segmentation.

Ecosystem platforms and emerging plays: Our ecosystem partnerships provide access to more than 150 million addressable customers with fintech, lifestyle retail, consumer finance and e-commerce companies. We integrate insurance propositions into our partners' offerings to offer relevant and convenient insurance solutions to our customers. Ecosystem platforms and emerging plays: Our ecosystem partnerships provide access to more than 150 million addressable customers with fintech, lifestyle retail, consumer finance and e-commerce companies. We integrate insurance propositions into our partners' offerings to offer relevant and convenient insurance solutions to our customers. As of 31 December 2023, our partners included Traveloka, HKTIA, Lazada, and Klook. Our partnerships with such businesses typically involve agreements to collaborate on digital implementation and integration, analysing customer data, and streamlining the sales process to increase customer acquisition and facilitate value creation. We also serve customers through collaboration and distribution agreements with our affiliates, bolttech, which is an insurtech platform operator and operates across 30 countries.

We have the core capabilities that enables us to scale our digital ambition across markets and partnerships by broadening the funnel to expand total addressable market and delivering customised products, propositions and delivery models with speed.

Ecosystem of digital partnership

Tailored propositions quickly to fit partner needs and growth, with rapid integration.

Productive digital marketing

Leverage targeted data analytics and online marketing to drive sales.

Superior product and proposition

Quick in developing a broad profile of simple, flexible products tailored to online offerings.

IT and sales operational excellence

Develop a reliable back-end systems to support speed and flexibility of partner integration.

5.

Nimble organisation

Our strategy

We have been building a nimble organisation, underpinned by our people strategy and corporate culture, which in turn is helping us deliver towards our financial goals.

Thailand began the implementation of a more efficient and digitised target operating model. The Japan business successfully pivoted to individual business and made good progress on its transformation and efficiency plans. Hong Kong has embarked on its own transformation and digitisation in 2023.

In 2023, we have refreshed and rolled out our overall Human Resource ("HR") strategy that is designed to attract, engage, deploy and retain talent, develop leaders, and instil a unique FWD culture. We are building world-class people organisation through:

Talent and leadership development programme that is aimed at attracting, engaging and retaining top talent.

Performance management that helps employees clarify goals, seek regular and timely feedback, and continuously improve their performance.

Employee wellbeing strategy that promotes improvements in employees' physical and emotional health, financial wellness, social connectedness, and provides purpose and meaning.

Diversity, equity and inclusion strategy offers policies and procedures to embed a culture of inclusion in our organisational structure; celebrates different backgrounds, personalities and accessibilities; creates a level playing field with diversity present at every level of our organisation; and makes way for different styles of working in an open talent economy.

Chief Financial Officer's report

We've reached an inflection point, boosting capital and free surplus generation, alongside sustainable and profitable growth.

Siddhartha Sankaran
Group Chief Financial Officer

In 2023, FWD Group reached an inflection point as all four geographic reporting segments posted operating profitability for the first time ever. The company made significant progress to boost capital and free surplus generation, alongside sustainable and profitable growth which delivered the largest dividend upstream from our major operating entities to date.

Our balance sheet was reinforced by several key developments in 2023. On 24 August 2023, FWD Group Holdings Limited was assigned its inaugural investment grade credit ratings from Fitch Ratings Limited ("Fitch") and Moody's Investors Service Limited ("Moody's"). Fitch assigned an insurer financial strength rating of "A" to FWD Group's core life insurance operating entities, while Moody's assigned a notional insurance financial strength rating of "A3", to the FWD Group's major life insurance operating entities.

In November 2023, FWD Japan executed a block reinsurance transaction with Athene Annuity Re Ltd. to reinsure an in-force block of whole life insurance policies in Japan. This transaction delivered significant capital and risk management benefits to FWD. However, under International Financial Reporting Standards ("IFRS") timing differences exist between the recognition of any future IFRS profits and a one-time impact to 2023 net profits as the financial assets transferred to fund the transaction were deemed realised.

We also issued a US$325 million ten year senior bond in December 2023, to refinance a US$325 million bond due September 2024. In December 2023, we entered into a US$500 million committed revolving credit facility which was subsequently upsized to US$685 million in February 2024. The Group now has access to US$1,185 million of undrawn credit facilities. Most recently, in April 2024, FWD Group Holdings Limited issued a US$900 million five-year subordinated note, to refinance debt due in July 2024.

This was also the first year that FWD Group reported results under IFRS 17, which replaced IFRS 4 for the industry globally and materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures.

We also reviewed our operating assumptions in 2023 to better reflect the post-COVID experience emergence and market disruption in Vietnam. This impacted persistency, morbidity and mortality assumptions. The revised operating assumptions set a robust foundation for 2024 onwards, as we pivot towards further generation of organic embedded value growth.

Key financial highlights

US$ millions, unless otherwise stated	2023	2022	CER %
Profitability			
Segmental adjusted operating profit after tax (OPAT)	**372**	299	27 %
Net profit/(loss)	**(717)**	(320)	na
Contractual service margin (CSM)[1]	**5,046**	5,400	(4)%
Growth			
New business sales (APE)[2]	**1,646**	1,408	18 %
Value of new business (VNB)	**991**	823	22 %
New business contractual service margin (NB CSM)[3]	**1,349**	1,409	(6)%
Total premium (TWPI)[2]	**6,416**	6,295	4 %
Risk and Capital			
Adjusted net underlying free surplus generation (Adjusted net UFSG)[4]	**786**	625	28 %
Group LCSM tier 1 cover ratio (MCR basis)[5]	**336 %**	327 %	na
Group LCSM cover ratio (PCR basis)[5]	**292 %**	288 %	na
Leverage ratio[6]	**27.2 %**	23.6 %	na
Profitability			
Group embedded value (Group EV)	**5,682**	6,066	(4)%
Comprehensive tangible equity[7]	**7,172**	8,331	(12)%
Return on equity[8]	**5.7 %**	4.1 %	na

Notes:
1. CSM balance presented on a net of reinsurance and gross of tax basis.
2. New business sales are calculated on an annual premium equivalent (APE) basis and total premium are total weighted premium income (TWPI) basis, which are based on 100 per cent annual premiums and 10 per cent single premiums.
3. New business CSM presented excludes Athene Reinsurance and includes BRI Life.
4. Net underlying surplus generation excluding one off opening adjustments, non economic assumption changes and expense variance.
5. FWD Group's Local Capital Summation Method ("LCSM") tier 1 cover ratio (under minimum capital requirement basis) and LCSM cover ratio (on the prescribed capital requirement basis).
6. Debt divided by the sum of debt and adjusted total equity attributable to Shareholders of the Company plus 100 per cent of net CSM (i.e. CSM after allowing for reinsurance and taxes).
7. Adjusted total equity attributable to Shareholders of the Company, plus the net CSM, minus the intangible assets.
8. Segmental adjusted operating profit after tax for a specified period divided by average of the balances of adjusted total equity attributable to Shareholders of the Company as of the beginning and end of such period.

Profitability

- **Segmental adjusted operating profit after tax ("OPAT")** increased by 27 per cent to US$372 million in 2023 and all four market segments (Hong Kong & Macau, Thailand & Cambodia, Japan and Emerging Markets) generated operating profit.
- **Net losses** of US$717 million in 2023 were mainly due to adverse capital market movements and from investment losses on the disposal of financial investments related to the Athene reinsurance transaction in Japan, which accounted for US$505 million of the loss before tax.
- **Contractual service margin ("CSM")** balance was US$5.0 billion as at 31 December 2023 with positive contribution on organic growth, before operating assumption changes.

Growth

- **New business sales ("APE")** increased by 18 per cent from 2022 to US$1,646 million in 2023, primarily due to the recovery from the impact of COVID-19 and reopening of Hong Kong border with Mainland China.
- **Value of new business ("VNB")** increased by 22 per cent from 2022 to US$991 million in 2023, which was primary driven by an increase in APE growth, coupled with higher VNB margins as a result of changes in re-pricing and higher interest rates. Hong Kong & Macau VNB increased by 49 per cent with the return of Mainland Chinese visitors in 2023. Thailand (including Cambodia) VNB increased by 23 per cent, driven by strong growth in both our agency channel and our bancassurance sales through Siam Commercial Bank. Our Japan business continued its strategic pivot toward the individual insurance segment, with an increase in individual business VNB of 17 per cent from 2022 to 2023. Whilst Vietnam was impacted by market disruption, other Emerging Markets countries showed steady growth in VNB.
- **New business CSM ("NB CSM")** declined by 6 per cent in 2023 to US$1,349 million, driven by higher expense attribution assumptions and changes in interest rates, partly offset by the higher volume of new business sold.
- **Total premium ("TWPI")** was up 4 per cent in 2023 to US$6.4 billion, primarily driven by higher new business sales. It was partially offset by the lower single premium sales in Hong Kong, continued run-off of our scaled back corporate-owned life insurance business in Japan and market disruption in Vietnam.

Risk and Capital

- **Adjusted net underlying free surplus generation** was US$786 million in 2023, primarily due to our growing in-force business and decrease in new business strain as we scale up our business. In addition, 2023 also marked the largest dividend upstream from our major operating entities to date.
- FWD Group's **Local Capital Summation Method ("LCSM") cover ratio (on the prescribed capital requirement basis) and LCSM tier 1 cover ratio (under minimum capital requirement basis)** reached 292 per cent and 336 per cent, respectively, as at 31 December 2023. The increase from the prior year was mainly due to the in-force business free surplus generation, a change in the statutory reserving basis for FWD Reinsurance and capital benefits from the Athene reinsurance transaction.
- **Leverage ratio** under IFRS 17 was 27.2 per cent in 2023, with the increase from 2022 primarily due to the pre-financing of US$325 million medium-term notes due in September 2024. The leverage ratio was 25.6 per cent when the impact from pre-financing is excluded.

Value

- **Embedded value** was US$5.7 billion as at 31 December 2023 which decreased 4 per cent from 2022 mainly due to operating variances and strengthened operating assumptions.
- **Comprehensive tangible equity** was US$7.2 billion as at 31 December 2023, higher than embedded value, which reinforces prudent EV.

Regulatory capital

The Hong Kong Insurance Authority ("HKIA") introduced a Group Wide Supervision (GWS) framework in 2021, which includes a capital adequacy assessment. The Group has been subject to the HKIA's GWS framework since 14 May 2021, and FWD Group Holdings Limited was identified as the reference company under GWS. In addition, our operating subsidiaries are subject to solvency and capital adequacy requirements in the jurisdictions where they operate and are incorporated and/or domiciled.

Under the GWS framework, the Group capital requirements are determined in accordance with the Insurance (Group Capital) Rules. As at 31 December 2023, the group available capital includes US$2,584 million of Group Tier 2 capital, of which US$2,556 million are financial instruments. Under transitional arrangements, these instruments receive full capital credit up to the 10th anniversary of the designation of FWD Management Holdings as the DIHC. The capital credit will reduce from after the 10th anniversary date at a rate of 20 per cent per annum until the 15th anniversary.

These requirements are based on the HKIA's prescribed "summation approach" and are referred to as the Local Capital Summation Method ("LCSM"). Under the LCSM, the group available capital and group required capital are calculated as the sum of the available capital and minimum and prescribed required capital requirements respectively for each entity within the Group according to the respective local regulatory requirements, subject to any variation considered necessary by the HKIA.

The group minimum capital requirement ("GMCR") is the sum of the minimum capital requirements of each entity within the Group. The group prescribed capital requirement ("GPCR") is the sum of the prescribed capital requirements of each entity within the Group, and represents the level below which the HKIA may intervene on grounds of capital adequacy.

The Group LCSM cover ratios are calculated as the ratios of the group available capital to our capital requirements on the PCR bases, while the tier 1 cover ratio (MCR basis) is calculated as the ratio of the Group Tier 1 capital to our GMCR.

FWD Group LCSM cover ratios

US$ millions, unless otherwise stated	2023	2022
Group available capital	**6,022**	5,406
of which Tier 1 capital	**3,438**	2,834
Group minimum capital requirement (GMCR)	**1,022**	868
Group prescribed capital requirement (GPCR)	**2,062**	1,877
Group LCSM free surplus (PCR basis)	**3,961**	3,529
Group LCSM tier 1 cover ratio (MCR basis)[1] %	**336 %**	327 %
Group LCSM cover ratio (PCR basis)[2] %	**292 %**	288 %

Our Group LCSM cover ratio (PCR basis) and LCSM tier 1 cover ratio (MCR basis) increased in 2023 mainly due to in-force business free surplus generation, change in statutory reserving basis for FWD Re from IFRS4 to IFRS17 basis and the Athene reinsurance transaction which is capital accretive.

Capital requirements developments

The International Association of Insurance Supervisors ("IAIS"), of which HKIA is a member, adopted the Common Framework for the Supervision of Internationally Active Insurance Groups ("ComFrame" and "IAIGs") on 14 November 2019. ComFrame establishes supervisory standards and guidance focusing on the effective group-wide supervision of IAIGs. Insurance groups are identified as IAIGs according to the criteria set out in ComFrame. On 13 January 2023, FWD Group was identified as an IAIG by its group supervisor, the HKIA.

Notes: 1) Also defined as the 'tier 1 group capital coverage ratio'. 2) Also defined as the 'eligible group capital resources coverage ratio'.

Operational highlights – geographical markets

Hong Kong & Macau

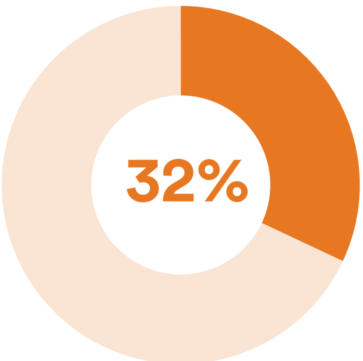
Key highlights

Operating profit after tax
US$210 million ↑ 93%
(2022: US$109 million)

New business sales
US$512 million ↑ 57%
(2022: US$327 million)

Value of new business
US$323 million ↑ 49%
(2022: US$216 million)

Value of new business contribution to Group



Market and strategy overview

We commenced our life insurance business in Hong Kong and Macau in 2013, when we acquired ING's life insurance business. We grew our presence in Hong Kong by acquiring MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in 2020.

While Hong Kong is a mature insurance market, the demand for life insurance products continues to grow, driven by solid demographic and macroeconomic tailwinds. With favourable demographic trends, there is growing demand for retirement and health products, as well as untapped potential in medical protection products.

The expanding affluent class in recent years has also contributed to an expanding high net worth ("HNW") individual population providing further potential for future growth in this sector.

Benefited by geographical proximity, it is popular among mainland Chinese visitors ("MCVs") to seek additional insurance protection in Hong Kong and Macau.

Historically, insurance sales to MCVs have contributed a significant portion of total industry sales, although it slowed down due to travel restrictions as a result of the COVID-19 pandemic. The Hong Kong-mainland China border reopened in early 2023, resulting in strong recovery in MCV sales during 2023.

We believe that, as a starting point, the proposed Hong Kong regulatory changes to implement Insurance Connect will allow us to capitalise on the significant potential in the Greater Bay Area region in China, and we believe that we are well-positioned to tap into the accessible customer base upon its implementation, which is a valuable opportunity for our Hong Kong business.

Business highlights

FWD operates a multi-channel distribution model in Hong Kong and Macau, including tied agents, bancassurance, brokerage and digital commerce.

Our agency distribution channel has grown significantly in recent years. Our MDRT-registered agent force ranked the fourth largest in Hong Kong. Our agency recruitment strategy mainly focuses on organic recruitment. We have been investing in our in-house agency leaders to recruit and build up our sales force.

For our bancassurance channel, we cooperate with banks including Bank of Communications, China Construction Bank, E.Sun Commercial Bank, Industrial and Commercial Bank of China, Nanyang Commercial Bank, CMB Wing Lung Bank-Macau Branch and China CITIC Bank International Limited Macau Branch under a non-exclusive, preferred banking partnership model where we align our product proposition with the banks' segmentation strategy, provide tailored training programmes for banks and deploy digital tools to help us and our banking partners to enhance the sales and customer journey.

Additionally, our long-term partnerships with the Hong Kong-incorporated bank subsidiaries of leading PRC banks allow us to tap into the vast population across the Greater Bay Area.

For our brokerage/IFA channel, brokers in Hong Kong strategically target MCVs and HNW individuals and we believe that our brokers are well-positioned to take advantage of the forecasted market growth and potential insurance opportunities in the Greater Bay Area. We also revamped the self-service portal for our brokers and rolled out a digital onboarding system with one of our bancassurance partners to enhance sales and customer experience.

Through our bancassurance partners and brokers, we are able to present diverse and tailored product solutions to a wide group of HNW and mass affluent customers. In 2023, we have launched FWD Private, a new brand proposition exclusively dedicated to serving HNW individuals. It offers insurance solutions that cater to our customers' needs for global asset allocation, diversification, and wealth appreciation, as well as their desire for legacy planning.

Financial highlights

FWD Hong Kong and Macau overall new business sales increased by 57 per cent compared to last year, to US$512 million, primarily due to the increase in offshore sales from MCV as the border with Hong Kong reopened.

Value of new business grew 49 per cent in 2023 to US$323 million, primarily driven by growth in MCV new business sales.

Operating profit after tax has increased by 93 per cent to US$210 million, primarily due to the continued growth of our new business and in-force portfolio, coupled with improving expense overrun position.

Strategic focus

Our key strategies in the Hong Kong and Macau markets focus on profitability improvement by accelerating protection growth and eliminating expense overrun by:

- Further strengthening our multi-channel strategy, including expanding our agency force, driving digital adoption by our agency force to enhance productivity, promoting the preferred partner model for our bancassurance channel and brokerage channel to deepen penetration in HNW and targeted customers, and further broadening our customer reach and deepening customer engagement through our digital commerce channel;
- Product revamps and launches to enhance value creation, such as enhancing core critical illness and medical products with new features and enriching the packaging of savings products to differentiate ourselves from our peers;
- Pursuing digital advancement to achieve operational excellence, through technologies and initiatives such as our cloud computing, automated underwriting, digitalised sales and services platform, and AI chatbots;
- Continuing to focus on growing our sales volumes to MCVs via our multiple channels following the Hong Kong-mainland China border re-opening in early 2023; and
- Tapping into strong growth of HNW individuals across Asia through the FWD Private brand.

Thailand & Cambodia

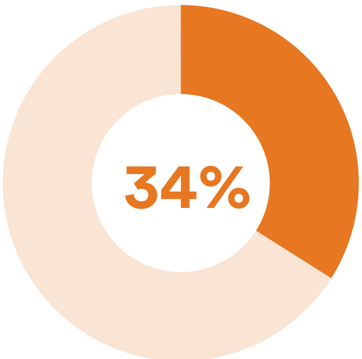
Key highlights

Operating profit after tax
US$151 million ↑ 17%
(2022: US$127 million)

New business sales
US$619 million ↑ 27%
(2022: US$485 million)

Value of new business
US$335 million ↑ 23%
(2022: US$270 million)

Value of new business contribution to Group



Market and strategy overview

We commenced our life insurance business in Thailand in 2013. In 2019, we acquired the life insurance entity of The Siam Commercial Bank Public Company Limited ("SCB") and entered into an exclusive long term distribution partnership with the bank, which is the largest bank in Thailand by market capitalisation.

On a new business sales basis[1], we are the second largest life insurance company in Thailand. We operate under a multi-channel distribution model in Thailand, including bancassurance, agency, brokerage and other partnerships as well as digital commerce channels. We ranked as the leading insurer in three out of these four channels by new business sales[1] in 2023.

We launched our operations in Cambodia in September 2021, leveraging our digital capabilities and operational excellence in Thailand enabling an efficient capital structure.

We believe that there is significant untapped potential within the Thailand life insurance market as the population remains substantially under insured. In addition, Thailand's aging population has increased the demand for protection, medical and pension products.

Business highlights

Our acquisition of SCB Life in September 2019 significantly enhanced our business scale, distribution reach and brand visibility. By leveraging our partnership with SCB, we have continued to grow our business in Thailand significantly, being the largest bancassurer in Thailand on a new business sales[1] basis.

We extended our long term exclusive distribution partnership with SCB for a further two years in April 2023. This extension demonstrates the strength and breadth of our partnership with SCB and the SCBx group and will allow us to deliver on our strategy of enhancing our bancassurance channel and distribution reach in Thailand.

Note:
1. Based on FY23 statistics from the Thai Life Assurance Association.

We have worked closely with SCB to build data analytics models, including Propensity to Buy and Next Best Offer, which analyse a customer's life stage, coverage gap, persona and purchase behaviour to predict what is the next best appropriate product for the customers, prompting customised recommendations that are tailored to cover the customer's specific protection needs.

Our second largest distribution channel in Thailand is the agency channel, with approximately 14,800 agents in Thailand, among whom approximately 780 are MDRT qualifiers and Elite agents as of 31 December 2023. To meet evolving customer needs, we are offering more riders through the agency channel. Riders are insurance policy provisions that add benefits to amend the terms of a base insurance policy to provide additional options and coverage.

We ranked as the largest life insurer in digital sales in Thailand on a new business sales[1] basis, and have introduced a number of new products and tools. We offer products such as life insurance, personal accident and health products through our eCommerce platform on a D2C basis.

Financial highlights

FWD Thailand new business sales grew 27 per cent relative to 2022, as we grew across all our key distribution channels, with strong growth in agency and bancassurance.

Value of new business increased 23 per cent relative to 2022, due to top line growth rates as we continue to expand our reach in all key channels across Thailand with strong growth in agency and bancassurance.

Operating profit after tax has increased by 17 per cent to US$151 million in 2023, primarily due to increase in CSM amortisation, higher investment returns from increased bond yields and lower non-attributable expenses.

Strategic focus

Our key strategies for continued growth in Thailand are to:

- Continuing digital customer engagement and servicing ecosystems to enhance operational efficiency, eliminate manual processes, support sales and strengthen our multi-channel distribution capability;
- Sustain leadership in bancassurance sales by increasing penetration in the SCB customer base through further digital integration and customer insights and expand health and protection growth through the SCB Protect direct sales force;
- Continue to drive continued quality growth and improvement in our agency channel through increased recruitment, campaigns and training;
- Promote sales of protection products and riders to provide customers with relevant protection cover and improve our VNB margins; and
- Launch new, simple and personalised customer-facing products and platforms based on our AI data analytics and interconnected technology backbone.

Note:
1. Based on FY23 statistics from the Thai Life Assurance Association.

Japan

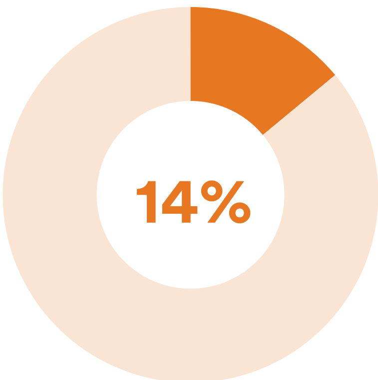
Key highlights

Operating profit after tax
US$164 million ↓ (10)%
(2022: US$196 million)

New business sales
US$125 million ↓ (19)%
(2022: US$167 million)

Value of new business
US$136 million ↑ 5%
(2022: US$138 million)

Value of new business contribution to Group



Market and strategy overview

FWD entered Japan with the acquisition of AIG Fuji Life in 2017, which was subsequently rebranded FWD Japan.

Our product strategy in Japan is to focus on individual protection products. We have repriced and updated our individual protection product offerings and introduced eight new products in 2020 to 2022.

We believe that we operate a competitive and sustainable business model focused on the specialised but large individual protection market. We aim to gain market share and believe that there is ample room to grow in this market segment.

Our value of new business from individual protection business grew 17 per cent to US$132 million from 2022, aided by the successful launch of our high margin medical product, and accounted for 97 per cent of our value of new business in 2023.

Overall, in 2023, our value of new business increased by 5 per cent to US$136 million from 2022.

Our distribution model in Japan is primarily focused on the IFA channel, supplemented by our digital commerce channel. In Japan, IFAs distribute products using various avenues, including shop-type agencies with retail-style outlets and case agencies, which sell insurance products to small- to mid-size enterprise (SME) and HNW customers in person or by mail. We regularly refresh our IFA solicitor force to capture the top nationwide IFA partners in the market while reducing the number of IFAs with low productivity.

Our D2C distribution also allows customers to purchase our insurance products directly through our website or by mail.

Business highlights

We operate with a relatively small sales force in Japan, but in the post-COVID-19 environment we have hired and trained new sales staff with the intention of strengthening our ability to make proposals to IFAs. In addition, we have begun efforts to improve productivity through the use of digital tools. As a result of our efforts to improve the capacities and capabilities of our sales staff as specialists in protection, we believe that our sales force has been able to maintain higher productivity than most of our competitors, and allowed us to strengthen our relationships with our IFAs.

In addition, we have invested heavily in research and development in accordance with our digitalisation strategy. Our operations are supported by robust technology capabilities and digital infrastructure which is cloud-based and seamlessly integrated across our business functions.

As part of our business digitalisation, we have introduced multiple technologies and initiatives that cover key areas of our operation. For example, we have increased our operational efficiency and business scalability through digitalisation of our operations and utilisation of cloud infrastructure to host our applications and servers. We have also enhanced customer satisfaction in claims processing through automation. Our Straight-Through Processing (STP) and AI Claims 2.0 systems have increased processing speed, reduced error ratios and reduced processing time by employing analytics-driven software.

Financial highlights

FWD Japan reported 2023 new business sales of US$125 million down 19 per cent from 2022, primarily impacted by scaled back COLI business as we continued to pivot away from lower margin but higher sales volume COLI products, towards individual products.

Our value of new business was US$136 million in 2023, up 5 per cent from 2022 due to the continued shift towards more profitable individual protection products, while COLI business continued to run off.

Operating profit after tax was US$164 million in 2023, down 10 per cent from US$196 million from 2022, primarily due to lower CSM release as a result of persistency experience and strengthening of operating assumptions to reflect the latest experience.

Strategic focus

Our key strategies for continued growth in Japan are to:

- Maintain an agile and capital efficient business model to adapt to any changes in customer, product and regulatory trends in the Japanese insurance market; to achieve this, we have reengineered our approach to product development and delivery which we believe will lead to faster turnaround time for new products;
- Focus on the sales of individual product offerings such as medical, cancer and critical illness and income protection via IFA and digital commerce to further increase our market share in our target segments;
- Accelerate the digitalisation of our operations and products, including the introduction of paperless and automated processes, customer self-service portals and enhanced integration with our distribution partners to become a digitally-oriented insurance company; and
- Enhance our operational efficiency, including by promoting digitalisation and optimising our workforce structure.

Emerging Markets

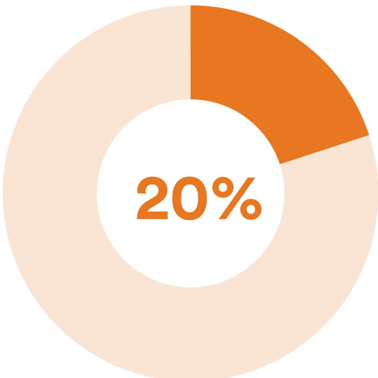
Key highlights

Operating profit after tax
US$17 million na
(2022: US$(4) million)

New business sales
US$390 million ↓ (8)%
(2022: US$429 million)

Value of new business
US$197 million —
(2022: US$198 million)

Value of new business contribution to Group



Strategy and business highlights

Emerging Markets include our businesses in the Philippines, Indonesia, Singapore, Vietnam and Malaysia. Apart from the Philippines, FWD entered in these markets via small acquisitions of legacy platforms and has in the last few years invested in expanding distribution and digitalisation, resulting in reaching critical growth.

We aim to transform our newly formed exclusive partnerships with leading banks in respective markets, accelerate FWD Elite agency growth, establish new ecosystem partnerships for direct strategy, and drive superior customer service through digital end-to-end customer journeys.

Except for Singapore, these markets share features such as a large and expanding labour force, robust economic growth underpinning a growing middle class with wealth accumulation, improving financial inclusion across socio-economic classes accelerated by increased access to technology, and an under-penetrated and underserved population.

Growing health and protection awareness in these markets is expected to increase per capita spending on insurance.

Emerging Markets have been a key growth engine for us. We believe that we are well-positioned to capture the substantial and dynamic opportunities in these markets, leveraging our digitally empowered and diverse distribution channels and customer propositions.

As of 31 December 2023, we had over 49,000 agents, 15 bancassurance partners, as well as various brokerage/IFA partners, digital commerce platforms and eCommerce partners in the Emerging Markets. Among our Business Units, our digital adoption is most progressed in Emerging Markets with a 100 per cent agency digital adoption ratio and 100 per cent eSubmission in all markets and fully automated underwriting available in the Philippines, Indonesia, Singapore, and Malaysia.

Vietnam

We commenced our operations in Vietnam in 2016 following our acquisition of Great Eastern Life (Vietnam) Company Limited. We have an exclusive bancassurance long term partnership with Vietcombank ("VCB"), the leading commercial bank in Vietnam. During 2023, the insurance market in Vietnam experienced a significant slowdown of new business.

FWD Vietnam offers products ranging from universal life, unit-linked, endowment, to a suite of riders serving as add-on protection products as well as standalone protection products such as cancer care, critical illness, Medicare, term life and credit life. We design our products under a customer-led approach. We have also been simplifying our contract wording to be reader-friendly and easy-to-understand for customers and offering more products online. We believe that our higher rider attachments drive an increased protection ratio, serve customer needs and improve our profit margin.

We operate a multi-channel distribution model in Vietnam, including tied agency, bancassurance, IFA, and digital commerce channels.

FWD Vietnam's operations in Vietnam is among the most digitally-advanced of our business. Our agency force can utilise a variety of digital tools including eRecruit, eLearning, FWD Ezi (our electronic application submission system) and FWD Cube (our mobile-driven agent tool to streamline their journey from recruitment and onboarding, to sales and servicing). We are also transforming our bancassurance partnerships with NextGen Banca, under which we utilise data and customer analytics to better serve our customers. In addition to adopting a cashless and paperless sales model, we have also implemented other initiatives such as eClaims, ePolicy, eCash withdrawal to enhance the customer experience.

The Philippines

Since entering the market in 2014 under a new licence, we have and continue to develop new products and services to meet the protection and investment needs of our target customers, including tech-savvy customers, mass affluent, HNW and overseas foreign workers segments.

We continue to develop a trusted and digitally-literate agency force through recruitment and MDRT development. We also forged a successful long-term exclusive bancassurance partnership with Security Bank in 2015, through which we effectively utilise both bank staff and our insurance specialists to optimise sales productivity. We also operate a direct digital channel and have proactively integrated our online and offline offerings to increase our sales.

We were the first insurance provider in the country to launch in-market 24-hour customer service, to obtain approvals from the regulators to offer remote insurance sales through the use of electronic signatures and to conduct remote recruitment by self-certifying agents during the COVID-19 pandemic. The Philippines was also among the first markets where we launched AI^2, our AI-driven financial planning tool.

Indonesia

FWD Indonesia, which is our regulated insurance subsidiary operating our insurance business in Indonesia, received a Shariah-compliant life insurance license in 2015 and launched its first Shariah product in 2016 aimed at the majority Muslim population in the country. We completed the acquisition of PT Commonwealth Life in 2020 and integrated the two companies under one platform with unified products and systems.

In March 2021, we subscribed for 29.9 per cent of the issued share capital in BRI Life. We also agreed to provide additional capital contribution to BRI Life, which has increased our stake in BRI Life to 44.0 per cent as of March 2024. Concurrently with our initial subscription into BRI Life, BRI Life entered into a 15-year distribution partnership with Bank BRI, one of the largest banks in Indonesia by market capitalisation as of 31 December 2023. As such this collaboration strategically complements our own agency channel and our partnership with PT Bank Commonwealth.

FWD Indonesia operates both through agency and bancassurance channels. Our bancassurance channel comprises an exclusive bancassurance partnership with PT Bank Commonwealth and a non-exclusive bancassurance partnership with PT Bank Mestika Dharma Tbk.

Since the inception of the business, FWD Indonesia has operated on a paperless and cashless basis, including eSubmission, electronic signature as well as electronic policy issuance and delivery. We have also recently launched an eClaims process and an ePolicy assistant to allow our customers to complete a substantial amount of their transactions with us online by themselves. For our distribution channels, we have automated our agency recruitment process and provide eTraining through our eLicensing platform to onboard our new agents.

Singapore

We acquired a controlling stake in Shenton Insurance Pte. Ltd. in 2016. Subsequently, we acquired the entire remaining stake in the company, and it became our wholly owned subsidiary in 2019.

While our API-enabled D2C platform focuses on mass customers as a primary target segment in Singapore, we are increasingly focused on expanding our reach to penetrate affluent and HNW individuals through the fast-growing IFA channel given Singapore's status as one of the largest offshore wealth management hubs in the world.

In 2024, the Monetary Authority of Singapore granted us a licence to set up a Singapore branch of FWD Life Insurance Company (Bermuda) Limited, which targets the HNW client segment. The establishment of this branch is part of our launch of FWD Private in Hong Kong in 2023. We expect this branch to commence operations in the second quarter of 2024.

FWD Singapore currently distributes our products in Singapore digital commerce, IFA and international broker channels. Under our digital commerce channel, we acquire customers on a D2C basis through our website, search engines and affiliate partnerships as well as O2O cross-selling opportunities. Our IFAs can leverage various digital tools, such as our platform that allows remote sales, transactions and customer consultation.

Our customers in Singapore enjoy a seamless and paperless purchase journey through our fully digital platform and technology-enabled IFA channel. We are automating our underwriting process, which is integrated along with other digital tools into our sales support application FWD Smart. Since 2020, all of our new insurance applications and most service requests in Singapore were submitted online.

Malaysia

We commenced operations in Malaysia with our acquisition of HSBC's 49 per cent stake in HSBC Amanah Takaful in 2019. We subsequently increased our stake in FWD Takaful in March 2024 to 70 per cent. FWD Takaful's product portfolio covers unit-linked products, traditional products, premium-paying riders, advisory and other individual and group products. In general, we are shifting our focus away from savings to protection products, including term life, critical illness, cancer, hospital cash benefit and medical. We are also extending the coverage of many of our products to the insured's family and children.

FWD Takaful operates a multi-channel distribution model, including (i) a bancatakaful partnership with HSBC Amanah Malaysia Berhad, (ii) an agency channel with over 4,300 agents who have access to FWD Affiliates, (iii) a digital commerce channel for online D2C sales, and (iv) other channels that provide takaful protection for government servants.

In April 2023, we acquired, with local investors, a 70 per cent effective interest in Gibraltar BSN Life Berhad (now rebranded as FWD Insurance Berhad), an insurance company in Malaysia. This acquisition has enabled our Group to enter into the life insurance market in Malaysia alongside our existing takaful presence, and has allowed us to create a full-service offering in Malaysia to offer both family takaful and life insurance solutions in a rapidly growing market with long-term potential for growth, as well as to benefit from FWD Insurance Berhad's existing exclusive life insurance distribution partnership with Bank Simpanan Nasional.

We utilise various digital tools to manage and enhance the performance of our distribution channels. We use our FWD Cube tool to monitor sales through our agents. We allow our agents to use our AI² application to analyse customer data and provide better services.

Emerging Markets financial highlights

Emerging Markets new business sales down 8 per cent in 2023, comparing with the previous year, due to the market disruption in Vietnam, offset by steady growth in other Emerging Market countries.

Value of new business flat in 2023, comparing with previous year, primarily due to lower new business sales impacted by market disruption in Vietnam, partially offset by product mix shifts toward higher margin products. Excluding Vietnam, value of new business increased by 39 per cent in 2023 comparing with prior year.

The Emerging Markets segment made an operating profit after tax of US$17 million in 2023, improving from an operating loss of US$4 million in 2022, highlighting strong progress of scaling up our operations in the relevant countries.

Emerging Markets strategic focus

Our key strategies for continued growth in the Emerging Markets are to:

- Optimise our product mix with a focus on individual protection products to target the needs of middle class, upper-middle class and HNW customers;
- Enhance our exclusive partnerships with leading banks in the respective markets, accelerate FWD Elite agency growth, establish new ecosystem partnerships for digital commerce strategy, and drive superior customer service through digital end-to-end customer journeys;
- Achieve larger business scale through sustainable organic growth and enhanced profitability;
- Build a team of talented employees to challenge industry traditions and create a unique and engaging work environment; and
- Further promote digital differentiators in line with our overall Group strategy to attract digitally native customers and enhance our productivity and operational efficiency.

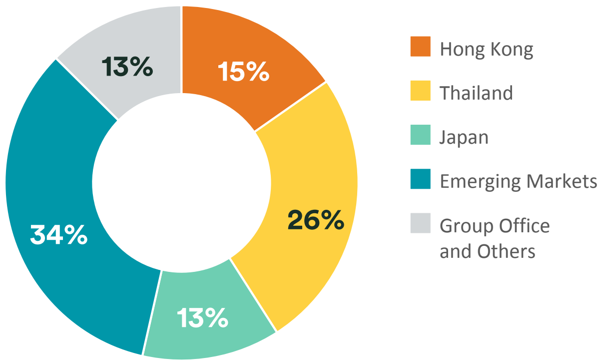
Our people

People are the essence of our success story.
We aim to make FWD a better workplace for everyone, everywhere.

Overview

As of 31 December 2023, FWD had a total workforce equivalent to 7,469 employees. Our main locations of employment were Hong Kong, Thailand and Japan with 4,001 employees across these three markets, with other employees located in five different markets across Asia. As a fast-growing company, we are working to build a suitable environment with an aim to enable our colleagues to realise their potential as well as attracting new talent to fuel the future growth of our business.

Employees by location[1]



Employee engagement

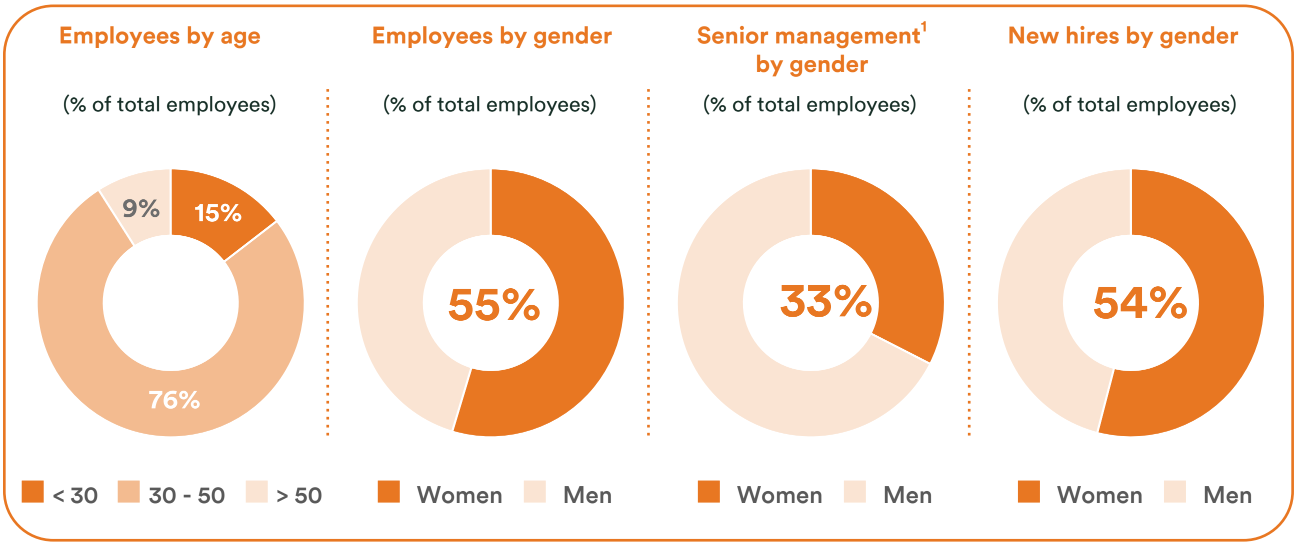
As part of our ongoing efforts to create a positive and engaging workplace, and to ensure we understand what is important to our employees, we seek feedback and insights from our employees on how we are doing as an employer through participating in the Annual Employee Engagement Survey. In 2023, FWD was awarded a Gallup Exceptional Workplace Award Winner for our 2022 engagement score. In 2023, we achieved our highest ever engagement score of 4.40 since the survey started in 2014. This places FWD in the 91st percentile in the financial and insurance industry.

Note:
1. Hong Kong includes Macau and Thailand includes Cambodia.

Employee retention

Across the Group, our employee turnover has reduced from 15 per cent in 2022 to 12 per cent in 2023. This was achieved through the implementation of various strategies aimed at improving employee retention. These strategies include talent development, learning platform and programmes, a wellbeing strategy and initiatives, a Diversity, Equity and Inclusion strategy, community care, among others. The reduction in employee turnover rate has enabled us to maintain a more stable, experienced, productive and engaged workforce, while also reducing recruitment and training costs.

2023 Group snapshot



Turnover by gender (% of total employees[2])		Promotions by gender (% of total employees)	
6% of total women	5% of total men	5% of total women	5% of total men

Notes:
1. Senior management is defined as assistant vice president or above.
2. Excludes employees on fixed term contracts and involuntary turnover.

Talent management

The evolution of digital technology and a rapidly changing world has created the need for diverse and experienced talent and perspectives.

The rise of digital financial tools in insurance is enhancing rather than replacing the agency channel. And the need for data scientists, actuaries, analysts and other specialists demands new ways to attract and retain talent.

Financial incentives as well as career development opportunities are now expected by employees. Interesting and varied career paths within organisations, supported by professional training, are becoming essential to retain and develop talent.

A growing focus on building a collaborative, supportive and respectful environment ensures diversity of perspectives and experience for more robust decision-making. It also can increase engagement and participation of all employees.

Performance review

We conduct annual performance reviews to facilitate constructive dialogue between managers and their team members. Regular feedback on performance is essential for guiding employees to excel in their current roles, and to fulfil their future potential. All permanent employees undergo performance reviews. In 2023, 97 per cent of total female employees and 97 per cent of total male employees completed year-end reviews.

To support the annual year-end review, we have quarterly check-ins between employees and their managers to provide feedback on meeting goals, as well as informal conversations every month; we encourage feedback at anytime through an internal ‘anytime feedback’ tool that is accessible to all employees.

Our CEOs and functions heads get together every six months for ‘talent dialogues’, an initiative we introduced in 2020. We also use this opportunity to evaluate how we’re doing at attracting, retaining and promoting women and local hires.

Learning and development

FWD values our employees in every role and in every area of our business by rewarding their contributions and supporting their career development. The Company’s learning and development framework is designed to meet the needs of our people at different stages of their careers, including onboarding training, professional development, on-the-job training and leadership development programmes. FWD has successfully launched Anytime Learning with the LinkedIn Platform to all our employees.

We are focused on maintaining a strong talent pipeline and effective management of the senior talent succession planning and senior executive transitions. We have Talent Management in place to ensure we have both internal and external talent pipelines to key roles. We have also launched Talent Marketplace across FWD to enhance internal job rotations and career opportunities.

We continue to invest and expand the Digital Graduate Programme which aims to attract young talents with a passion for digital technology and exposure to Asia. This programme offers the candidates with three six-month rotation experiences across a range of different departments with the flexibility to spend rotations in different locations. We believe this programme will help us identify the next-generation digital leaders and further evolve our digital focused strategy.

Leadership programmes

We have strong ambitions for leadership development and succession planning, combining formal training, immersive cultural experiences, mentoring, coaching and tailored on-the-job challenges.

Futurewise Foundation and Future University are two comprehensive programmes to develop the next tier of FWD leaders, focused on increasing collaboration and challenging assumptions about oneself and others. They are blended programmes with online learning and in person workshops —through individual learning, teamwork and coaching, gaming and simulations.

Manager Essentials and Manager Experience programmes targets to help our people managers to build essential managerial skills to lead our people capabilities into building next generation talent. We have trained over 1,100 people managers as at 31 December 2023.

Our leadership programmes focus on:

- Growth mindset;
- Drive change and innovation;
- Communicating with influence and impact;
- Strategic, lateral and holistic thinking;
- Translating strategy into action; and
- Coaching for success.

We continue to significantly invest in our senior leaders with 125 leaders attending Forum 55 twice annually for leadership development and strategy alignment.

Anytime Learning

We provide holistic training and development opportunities for all employees. In terms of professional development, we have education sponsorship schemes in different markets to sponsor employees pursuing professional qualifications and examinations required for their roles. In order to ensure all our employees maintain a high level of knowledge on regulatory and compliance obligations, FWD develops our own mandatory courses which are delivered to all employees.

On top of that, we are one of the few organisations that provides enterprise-wide digital learning access to Linkedin Learning library which has more than 16,000 courses ranging from professional, technical, soft skills to leadership skills for all employees. This provides them with an in-depth development into their specialisation and a wide scope for cross development into other career interest areas. Role based curriculum has been built to further focus employees' learning. Since the launch of Anytime Learning in October 2022, FWD's employees have completed more than 84,000 courses online as at 31 December 2023, and there are over 6500 active learners in 2023.

We continue to create new development opportunities for our employees. Individual development goals are embedded as part of the quarterly conversation between manager and employee.

Digital Graduate Programme (DGP)

We aim to attract young talent with fresh perspectives. Graduates who bring a start-up mindset, passion for technology and creative approaches to solving problems. We also strive for gender balance. Over 18 months, participants in the DGP learn our business from the ground up. Working with experienced mentors, participating in 'shadow' boards and networking with industry experts through a series of three 6-month rotations in various functions.

Enable our employees to improve customer experience

As a customer-led organisation, we empower all our employees to embrace our vision of changing the way people feel about insurance. We champion this by using the global Customer Experience Excellence (CXi) that informs our people of our strengths and opportunities to better serve our customers. We have also embraced an outside-in approach to get Customer Journeys defined and drive the future "best-in-class" experiences that continue to evolve with further customer understanding.

Remuneration policy

Our remuneration philosophy is consistent with our business strategy and capital management strategy, and aims to align the achievement of our business results with individual remuneration outcomes, while also recognising individual contributions. Our remuneration policy is to ensure that the total remuneration packages we offer enable us to attract, motivate and retain highly talented individuals that our business needs, and who enable the future success of FWD Group. We also seek to promote sound and effective risk management measures in relation to remuneration practices that align to our culture and values as an organisation. We use short term incentives and long-term incentives to ensure our employee and senior management are aligned with our strategy.

Environmental, social and governance

FWD aspires to create a better and more sustainable future through our vision of changing the way people feel about insurance. By embedding environmental, social, and governance ("ESG") values into our culture, we are changing the way we think and operate to build stronger relationships with our stakeholders, and to do our part in creating a more prosperous future for all.

For more information, please visit www.fwd.com/esg/

About this section

This section is dedicated to providing information on our ESG performance that matters to us and our stakeholders for the financial year ended 31 December 2023. We outline our approach to addressing ESG issues and reflect activities and initiatives in all business units over which we have operational control in 10 markets across Asia - Hong Kong, Macau, Thailand, Japan, Vietnam, the Philippines, Indonesia, Singapore, Malaysia (including FWD Insurance Berhad since April 2023) and Cambodia, as well as our representative office in mainland China.

Our ESG data excludes our distribution channels – agents and bancassurance partners – unless otherwise stated.

We measure and voluntarily disclose our ESG performance with reference to the Global Reporting Initiative ("GRI") Universal Standards, the Sustainability Accounting Standards Board ("SASB") Standard for the Insurance sector, the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), and the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX ESG Guide").

In preparation of this section, we followed the Reporting Principles as set out in the HKEX ESG Guide. These include:

Materiality	A structured process reflecting the views of our stakeholders was used to identify and validate key material ESG topics to our business.
Quantitative	ESG metrics, referencing the requirements of the HKEX ESG Guide, have been provided within our report with notes and description about the standards and methodologies used in calculating the data, where appropriate.
Consistency	We adopted a consistent approach to prepare and disclose information to allow for meaningful comparisons of our ESG performance to 2022.
Balance	We report information in a transparent and unbiased manner that provides fair representation of both our positive and negative impacts.

Selected ESG KPIs have been independently reviewed by our external auditors Deloitte Touche Tohmatsu in Hong Kong ("Deloitte"). Please refer to page 75 for more information.

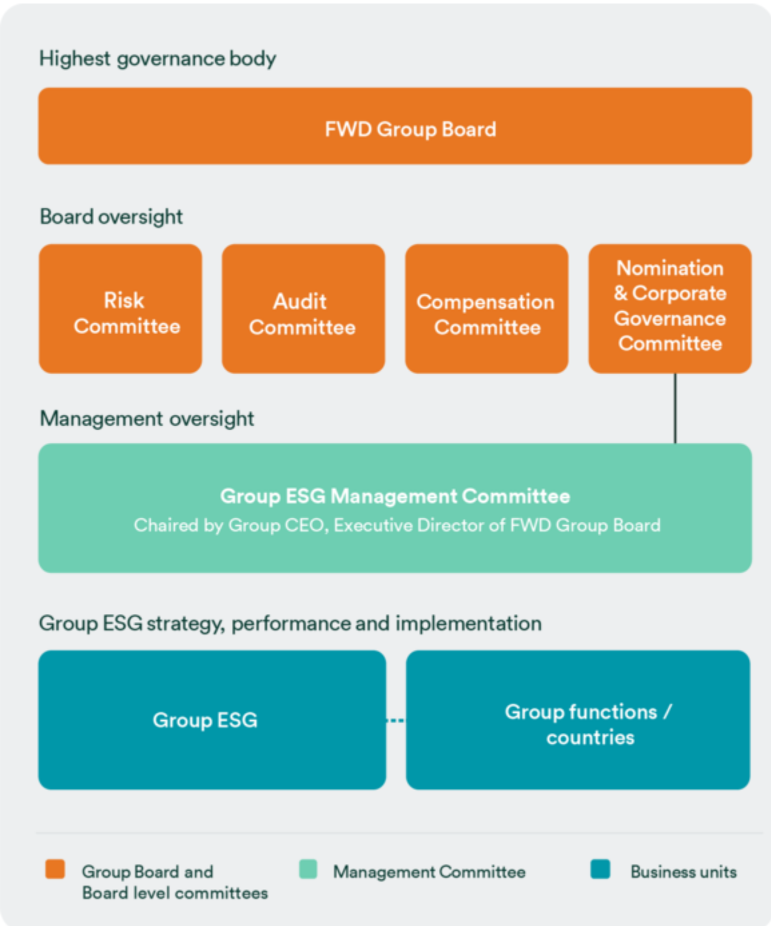
ESG strategy and governance

Our first Group ESG strategy was developed in 2020, representing the start of our journey to understand and prioritise the ESG issues that are most important to our business and those impacted by our decisions. It focuses on six megatrends that are shaping the insurance industry and defines our role within it. Our ESG strategy strives to help us achieve the positive change we want to see, not only for our existing stakeholders, but all those we intend to reach in the future.

For more information on our Group ESG strategy 2021 - 2024, please visit our website.

ESG governance

We have established a governance structure with clear roles and responsibilities for managing FWD's ESG agenda. The Board of Directors is ultimately responsible for our ESG strategy and provides oversight on the work of the ESG Committee. Led by the Group CEO, the Group ESG Committee is responsible for providing direction, approving, monitoring and reviewing the Group ESG strategy and its performance. As at 31 December 2023, membership of the ESG Committee also include the Group Head of Investor Relations as the Executive ESG Sponsor, and senior management representatives with diverse skill sets including leaders of our investment, human resources and operations divisions, and other functions across the organisation. The ESG Committee reports to the Board of Directors at least twice every year via the Board level Nomination & Corporate Governance Committee ("N&CGC").



Group ESG Committee 2023 membership
(as at 31 December 2023)

ESG Committee Chair —
Group CEO and Executive Director

Executive ESG Sponsor —
Group Head of Investor Relations

Senior level representation from across the business including —

- Group Chief Commercial Officer
- Group Chief Compliance Officer
- Group Chief Human Resources Officer
- Group Chief Investment Officer
- Group Chief Operating Officer
- Group Chief Strategy Officer
- Regional CEO, Emerging Markets
- Regional CEO, Thailand and Cambodia

Group ESG Lead and Secretary
Head of Group ESG

A dedicated group-wide ESG function ("Group ESG") supports the ESG Committee in implementing our Group ESG strategy and initiatives across FWD. Group ESG works with other teams and functions to track and monitor material ESG issues through our ESG value creation scorecard, provide advice on ESG-related issues and progress ESG reporting and disclosure. To facilitate ESG integration across each of our markets, we have established an ESG Working Group, comprising of senior management representatives from all our markets who are responsible for driving the ESG agenda within their regions. Group ESG leads ESG Working Group meetings every month to facilitate our markets in sharing knowledge and experiences.

Issues that matter to FWD

Listening to our stakeholders is integral to understanding and addressing their priorities, needs and expectations. Through continuous stakeholder engagement, we gain insights on the issues that are important to our stakeholders, enabling us to continually improve our strategy and to inform our approach to addressing their expectations. At FWD, we regularly interact with our key internal and external stakeholders through a variety of channels, including but are not limited to, the methods described below:

Key Stakeholder Groups	Key ongoing engagement channels
Bondholders and investors	• Announcements, circulars, presentations and media releases • Annual and interim reports • Investor meetings and response to enquiries
Employees	• Annual employee engagement survey and performance review • Feedback channels, including townhalls and grievances mechanisms • Internal events, including team building activities, trainings, and volunteering events • Internal newsletters, emails and posts on the intranet
Customers	• Customer satisfaction surveys • Customer service hotlines, live chats and email communications • Social media and corporate website • Mobile app for customers
Distribution Partners	• Meetings and conferences • Trainings
Regulators	• Meetings and conferences • Public consultations
Non-governmental organisations ("NGOs")	• Community care programmes and volunteering activities • Meetings and conferences • Membership and networking events

A materiality assessment was initiated in 2020 and has subsequently been refreshed regularly to identify and validate ESG issues that are most important to our business and key stakeholders. The assessment follows a structured process which reflects on the views of our leadership through discussions with key decision makers, the ESG Committee and the Board of Directors. It also incorporates the feedback from discussions and forums with internal and external stakeholders.

Our 2023 materiality assessment refresh exercise was reviewed and approved by the ESG Committee.

Our ESG value creation

Our ESG strategy is aligned to our corporate vision of changing the way people feel about insurance and will help us in continuing to strengthen our social license to operate while creating value for the people and communities we serve.

Our ESG strategy comprises six strategic pillars: Governance and risk management, Trust, Talent, Closing the protection gap, Sustainable investment and Climate resilience. It aligns with seven United Nations Sustainable Development Goals ("SDG"), covering areas where we can make the greatest contributions: SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action).

1. Governance and risk management

We continue to strengthen our culture of integrity and hold ourselves accountable to the highest standards. Transparent decision making and a robust enterprise risk management framework is crucial to the success and resilience of our business. During 2023, we have enhanced the incorporation of material ESG factors into our risk management, including climate-related topics.

2. Trust

We continue to build and maintain strong relationships with our customers and gain their trust. We do that through our commitment to understanding and addressing their needs and pain points while adhering to our responsible selling practices and responsible use of customer data. We design customer journeys through the eyes of our customers to improve their experience and deliver the protection they need by offering simpler and more inclusive products. Customer experience, satisfaction and engagement are built into our business strategy to help us in serving our customers better.

3. Talent

We have been working hard to attract, develop and retain people who share our vision of changing the way people feel about insurance. FWD is committed to fostering a vibrant workplace culture where everyone has a sense of belonging. Through promoting inclusive leadership, creating a diverse workforce, taking care of our employees' health and wellbeing, and offering flexible work arrangements, we aim to create a future-proof workforce and build up business resilience. Our Group Board Diversity Policy sets an example from the top with an aim to enhance the overall effectiveness of our leadership. As at 31 December 2023, women make up 27 per cent of our Board, and 33 per cent of assistant vice president or above. We are currently working on refreshing our Group Diversity, Equity and Inclusion strategy.

4. Closing the protection gap

We stay committed to helping people achieve the protection they need, especially younger customers in Asia who have traditionally been underserved. Our goal is to make our products accessible and attractive to them, invest in educating the next generation to improve financial literacy across the region, and make real impact to creating a brighter financial future.

5. Sustainable investment

We have been a signatory to the Principles for Responsible Investment ("PRI") since December 2020 and have submitted our first voluntary asset owner PRI Transparency report. We continue to embed our responsible investment practices to ensure the long-term sustainability of our investments. We also invest in our local communities to support their sustainable developments and have expanded our community care initiatives in this landmark 10th anniversary year for FWD.

6. Climate change resilience

The impact of climate change is already felt by many. We recognise the importance of action in response to climate change and support the transition towards a low-carbon economy. We have carried out carbon footprint screening of our investment portfolio and enhanced our climate-related disclosures in alignment with the TCFD recommendations.

Through the six strategic pillars of our ESG strategy, we are constantly assessing and reviewing the impact we create and by making adjustments along the way, we can continue to create value for our stakeholders.

FWD ESG strategy

Governance and risk management

- Strengthen our culture of integrity and risk management
- Ensure robust and transparent decision-making
- Incorporate material ESG factors into risk management

Trust

- Build customer trust in our company and industry
- Offer customer journeys that is designed and evaluated from our customers' perspectives
- Deliver simpler and more inclusive products, while ensuring responsible use of data

Talent

- Attract, develop and retain people who will change the insurance industry
- Foster a vibrant workplace culture through inclusive leadership, promoting diversity and flexible working

Closing the protection gap

- Help people achieve the protection they need
- Make our products accessible to underserved customers
- Educate the next generation to help increase financial literacy and improve financial inclusion

Sustainable investment

- Incorporate ESG factors into the investment process to ensure the long-term sustainability of our investments
- Invest in local communities to support their sustainable developments

Climate resilience

- Support the transition to a low-carbon economy
- Manage and disclose climate-related risks and opportunities through alignment with the TCFD recommendations

Impact we create

Economic

Direct contributions through remuneration and tax
- New business sales of US$1.6 billion
- US$6.4 billion in total premiums

Environment

Support transition to a low-carbon economy via decarbonising our own operations and manage the carbon risk of our investment portfolio
- Responsible investment
- Efficient operations

Social

Bringing positive change to the society through actions
- Reaching 13.2 million customers
- Contributed 4,551 employee volunteering hours

Innovation

Enhancing customer experience through digitalisation
- over 90 per cent customer satisfaction rate for FWD Care
- 97 per cent of applications migrated to the cloud

1. Governance and risk management

Our approach to corporate governance is key to the effective management and long-term success of our business. We have developed a strong and robust corporate governance framework that enables us to comply with applicable laws and regulations in addition to upholding high ethical standards across all our operations.

For more detailed information on corporate governance at FWD, please refer to page 107. Information on our sustainability governance and climate risk management can be found on page 43 and within our TCFD section on page 68 respectively.

Ethics and business conduct

All FWD employees, including permanent, part-time, temporary and contract employees and contingent workers, are expected to maintain the highest level of ethics and integrity. Our Code of Ethics and Business Conduct (the "Code") sets forth a clear standard of employee behaviour, encompassing five principles that guide our everyday work and decision making. We also expect all our agents, distribution partners and third-party business partners such as suppliers and contractors to abide by the standards set forth in the Vendor Code of Ethics and Business Conduct (the "Vendor Code") when performing services on behalf of FWD. The Code and the Vendor Code is published on the staff intranet and the company website for easy access.

All our employees are required to complete a mandatory annual recertification training on the Code and relevant compliance policies. Training on the Code is also part of the on-boarding process for new-joiners across the Group. In 2023, 100 per cent of our employees completed the Code of Ethics and Business Conduct annual recertification training.

Policy areas	FWD's position	Our policies/guidelines
Guiding principle 1 - Honesty and integrity		
Rejecting bribery and corruption ● Political and charitable contributions ● Gifts and entertainment	Our success is the result of the hard work and dedication of our people. We reject bribery and corruption as a way of building our business.	● FWD Group Anti-Bribery and Corruption Policy
Avoiding conflicts of interest ● Personal conflicts of interest ● Corporate opportunities ● Disclosing conflicts of interest	Fulfilling our clients' needs require our full attention. We must avoid conflicts of interest that could limit our ability to carry out our responsibilities for FWD.	● FWD Group Conflicts of Interest Policy
Respecting intellectual property ● Gathering information about competitors properly ● Respecting copyrights	Respecting intellectual property rights mean we only access information and materials that we have a right to use through legal and ethical means.	● FWD Group Brand and Marketing Governance Policy ● FWD Group Communications Policy ● FWD Group Inside Information Disclosure Policy
Guiding principle 2 - Be informed and act responsibly		
Combating financial economic crime ● Anti-Money Laundering Counter-Terrorism Financing ● Economic sanctions ● Know Your Customer ("KYC")	To guard against our products and services being used for illegitimate reasons, we gain information about our customers and make responsible decisions as to who we are comfortable working with.	● FWD Group Anti-Money Laundering/Counter Terrorist Financing and Sanctions Policy ● FWD Group Corporate Dealing Compliance Policy
Competing fairly in the marketplace ● Price fixing ● Insider dealing	We do not engage in anti-competitive activities that would harm customers and endanger our long-term success.	● FWD Group Personal Insider Dealing and Market Misconduct Policy
Guiding principle 3 - Open and clear		
Confidentiality and data privacy ➔ Trust	We take great care in protecting essential information in order to maintain our competitiveness in the market and demonstrate to customers that we are a trustworthy and valuable partner.	● FWD Group Information Security Governance Policy ● FWD Group Information Technology and Digital Policy ● FWD Group AI and Data Governance Policy ● FWD Group Data Privacy Policy ● FWD Group Facilities Physical Security Procedure
Fair sales and marketing practices ➔ Trust	We always present our products accurately; taking time to describe the key features, benefits, exclusions and risks.	● FWD Group Customer Complaints Policy ● FWD Group Treating Customers Fairly Policy ● FWD Group Social Media Policy ● FWD Group Anti-Fraud Policy ● FWD Group Distribution and Sales Quality Policy
Guiding principle 4 - Professionalism and respect		
Employee health and safety	We provide a strong work environment to promote employee safety and wellbeing.	● FWD Group Staff Handbook ● FWD Group Non-Discrimination, Anti-Harassment and Anti-Bullying Policy ● FWD Group Discipline and Grievance Policy ● FWD Group Whistleblower Policy ● FWD Group Investigation Policy ● FWD Group Investigation Procedure Manual
Harassment and discrimination ➔ Talent	We do not tolerate any form of discrimination, harassment or bullying towards each other, our customers, business partners, agents or candidates interested in joining FWD.	
Guiding principle 5 - Socially and environmentally responsible		
Environmental stewardship ➔ Climate resilience	We are integrating environmental considerations into our investment processes in a robust and systematic way at every stage of decision-making.	● FWD Group Human Rights Guidelines ● FWD Group Community Care Guidelines ● FWD Group Community Care Volunteering Leave Guidelines ● FWD Group Procurement Policy ● FWD Group Board Diversity Policy ● FWD Group Climate Risk Management Policy ● FWD Group Sustainable Investment Guidelines
Social responsibility ➔ Sustainable investment	We aim to be a positive source for change in the communities in which we do business.	

Reporting ethical concerns

We strive to develop a culture of honesty and integrity, including our ability to speak up when we feel that something is wrong. The Group has a whistleblowing policy that establishes dedicated channels in every country we operate in for confidential reporting if a misconduct within FWD is suspected or observed. An online Speak Up channel and dedicated hotlines managed by an independent third-party operator are available and the identity of the whistleblower can remain anonymous to encourage reporting without fear of retaliation, as well as to safeguard the confidentiality of the issue raised.

All whistleblower reports or complaints received will be handled in accordance with the Group Investigation Procedure Manual to ensure proper arrangements are in place for fair and independent investigations and for appropriate follow-up action to be taken. The Group Chief Compliance Officer regularly reports the progress and results of the investigations to the Group Audit Committee.

Risk management

Owing to the nature of our business, our activities are highly regulated across all the markets in which we operate. FWD maintains a robust and comprehensive risk management framework to identify, assess, manage, monitor and communicate risks. We have established controls and processes in place to safeguard our business and our customers' assets.

The Group's Enterprise Risk Management ("ERM") Framework and associated policies are applied to each of our Group Offices and business units. A risk assessment process covering financial and non-financial risks is undertaken and monitored. Reviews are conducted at least annually to ensure our ERM Framework and associated policies remain fit for purpose.

For more detailed information on our risk management, please refer to page 87.

We strive to build a strong risk culture within the Group to enable staff across our organisation to proactively manage risks. In addition to regular training and communication, risk management and the promotion of risk culture were themes of our 10th Anniversary Compliance Fun Fair 2023. A dedicated webinar on what risk culture means was attended by about 600 participants in 10 markets across FWD.

2. Trust

Customer expectations are ever evolving. As a life insurer operating in Asia where 60 per cent of the world's population[1] lives and where a large protection gap exists, we put our customers at the heart of everything we do so we can understand and serve them better. We are focused on solving our customers' pain points and constantly challenging the traditional insurance business model, to create new, simple and relevant products together with intuitive experiences in delivering greater value to our customers to build trust and loyalty.

Our innovation-driven insurance approach offers more opportunities for us to create touchpoints and engage with our customers. By investing in robust technology capabilities and digital infrastructure while maintaining high standards on data governance, we strive to pin-point our customers' needs and respond to them in a more personalised and efficient manner. From buying a policy swiftly to enabling faster claims, our customers can take control of their insurance journey while having a peace of mind that their data is handled responsibly.

For more information about building customer trust please refer to page 15.

2.1 Customer experience, satisfaction and engagement

Through our vision of changing the way people feel about insurance and improving customer experiences, we have sought to give customers more confidence in their insurance and trust that their needs will be covered. This has been achieved in the product and services we design, such as offering a critical illness plan that is not bound by a pre-determined list of illnesses but pays out if the customer requires major medical treatment for any illness or injury (for example, intensive care unit admission or major organ surgery). We provide support to families through a medical plan that can be shared with family members if their medical coverage is insufficient. For customers going through major illness, injury or grief, we offer a free recovery support plan that provides a dedicated nurse as a companion and guide, and support services that can be personalised to the individual's recovery journey.

We want our customers to find it easy to love our brand and overall customer proposition. Our innovative teams craft best-in-class experiences for our customers to make it easy to engage with us and easy to claim.

For more information, please refer to page 16 of our strategy section and customer experience metrics on page 6.

Note:

1. Source: https://asiapacific.unfpa.org/en/populationtrends

Dealing with complaints

FWD endeavours to meet customers' expectations while providing and maintaining high level of services. Our Group Customer Complaints Policy guides how we handle customer complaints in a timely and fair manner. Under the oversight of the Group Compliance and Operational Risk Committee ("CORC"), our business units establish their own complaint handling procedure which aligns with the Group Customer Complaints Policy and applicable local regulatory requirements.

We have established dedicated channels, including telephone hotlines, email, live-chats, and via social media, that are accessible and transparent for our customers to raise their concerns. Feedback received is promptly acknowledged by designated departments and handled in accordance with our guidelines to ensure fair outcomes for the customers. We also investigate root causes of complaints and perform trend analysis to identify common themes to continuously improve our products and services.

We strive to reduce the number of customer complaints overall through regular training and awareness raising. Between 2020 and 2022, we have maintained an annual complaints ratio of less than 0.2 per cent. This year, our complaints ratio increased slightly, but was maintained at 0.2 per cent.

2.2 Digital inclusion

Technology is a key part of our business strategy to create seamless experiences in transforming the insurance journey for our customers. Our Group Digital team works closely with all our markets to innovate the use of technology. We built a digital ecosystem in Asia through close collaboration with ecosystem partners, bancassurance partners and affiliated insurtech companies which not only enables us to extend our reach to wider audiences, including underserved populations, by traditional channels, but also allows our customers to easily access a wide selection of insurance products online. For example, we are now able to offer our customers an option of applying for short-term micro personal accident protection or credit protection insurance as an add-on service through digital platforms operated by our business partners.

In 2023, we have reached wider audiences with the launch of innovative products in Thailand and Hong Kong through partnerships with local telecommunication service providers. In our partnership with True Group in Thailand, Term Life insurance coverage is embedded into mobile service packages. Designated customers receive free life insurance coverage that increases incrementally each month with True Group services. In Hong Kong, we partnered with Hong Kong Telecom ("HKT") to launch the Club Care online insurance platform, offering online insurance experiences through HKT's extensive network. Customers can apply for different insurance products, including life, medical and accident insurance, while earning Club points in the form of premium rebates to redeem health awards under HKT's loyalty programme, The Club. Additionally, in partnership with Mobile Legends: Bang Bang, we launched a product specific to gamers in the Philippines. The plan is fully customisable to adapt to the needs of gamers so they can overcome challenges in life and pursue their passion. FWD will continue to invest and embrace a digitally enabled customer journey to provide more convenient protection through digital innovation.

For more information about our proprietary digital system, please refer to page 17.

2.3 Data privacy

Protecting the personal data our customers, employees, business partners, and other third parties, entrusted to us is our utmost priority. We continue to invest and refine our approach to protect the confidentiality and integrity of sensitive data within our systems.

The Board of Directors is supported by the CORC and Group Compliance to oversee the adherence to data privacy requirements and implementation of management measures within FWD. Each FWD entity has delegated a Data Protection Officer and established their own Privacy Compliance Programme to ensure compliance to relevant local data privacy laws and regulations, such as the Hong Kong Personal Data (Privacy) Ordinance and the Singapore Personal Data Protection Act, as well as internal requirements. We also have established assessment programmes to ensure our agency and distribution partners comply with our requirements on data privacy protection.

Our Group Data Privacy Policy sets out the principles and provides guidance on data privacy measures, including how we collect, use, store, transfer and dispose sensitive information. The Group Data Privacy Policy is applicable to all FWD employees, contractors, and other parties that process personal data on behalf of FWD. Execution of these policies relies on our colleagues and our contractors, and mandatory training is provided regularly to educate them on the key concepts relating to data privacy and how to protect the Group's information and systems.

Information security

FWD acknowledges cybersecurity risks as a potential threat as we continue to embark on digital initiatives and expand our business. Our Board of Directors oversees information security across FWD and is supported by our Chief Information Security Officer ("CISO") and BU Information Security Officers in identifying, assessing and managing cyber risks.

Led by our CISO, FWD Group Office operates as a centralised function for information security services to the business units, allowing us to standardise and optimise information technologies and processes used across all of our markets. Group Office and business units are required to follow the requirements as set out in our internal policies and standards, including our Group Information Security Policy.

We actively work to maintain and strengthen data governance and security to safeguard the confidentiality and integrity of our IT infrastructure and systems. Our risk-based approach is aligned with the National Institute of Standards and Technology ("NIST") and periodic assessments are conducted to identify vulnerabilities and seek opportunities for improvement.

To raise awareness on information security and cyber security, all FWD employees are required to participate in our information security training programmes comprising of a mandatory annual information security awareness training, and other awareness campaigns. Regular news and updates on cyber risks are communicated through newsletters, email and the staff intranet to enhance the understanding of our employees and enable them to build knowledge on concepts relating to information security.

2.4 Treating customers fairly

Conduct risks are inherent in the insurance business and may occur at any point in our customer journey - from development and marketing of insurance solutions, right through to sales, servicing, claims and handling of complaints.

Our corporate strategy in putting customers first helps us manage and mitigate conduct risk by ensuring our products and services are aligned with customers' expectations. We have established governance structures in place to ensure departments adhere to policies and procedures to uphold good business conduct in a manner that treats customers fairly throughout the customer journey. This includes the FWD Group Treating Customers Fairly Policy that has been integrated into the compliance frameworks of all FWD companies and is overseen by the Board of Directors. The FWD Group Treating Customers Fairly Policy clearly outlines the role of our business units in delivering positive customer experiences and sets the standard behaviour guideline for all FWD employees and distribution partners to ensure fair outcomes are achieved for our customers.

All FWD employees, relevant contractors and sales force are required to attend training to understand their responsibilities with regards to fair customer outcomes. In 2023, 100 per cent of employees completed the annual Treating Customers Fairly refresher training.

To ensure our products and services are based on the principles of being customer-led, a product due diligence process is in place to provide a holistic view of all the relevant factors being assessed during product approval and review cycles. For example, we will assess if the products and services are well designed for the target market, aligned to our FWD values and risk appetite, and we continue to monitor the products regularly after launch.

A new method that we have implemented to help ensure this alignment, is using behavioural-science based research at the beginning as well as at the end of our product development. This type of research provides us with an accurate read of customers' decision making process and helps us align our offerings to meet their expectations.

2.5 Responsible selling practices

Selling our products in a manner that is fair, clear and not misleading to our potential or existing customers is in line with our belief that customers should be able to easily understand the insurance they buy. This includes knowledge of receiving fair treatment throughout the entire lifecycle of our products and services.

To ensure our employees and business partners will not be remunerated in any way that could detract from our customers' best interests, FWD Group Distribution and Sales Quality Policy was established to set and monitor expected behaviours in the sales and distribution of our products. This policy is applicable to all FWD operating entities and business units, specifically the distribution departments and sales force (including agents, financial advisors and telemarketers). We expect other distribution partners, such as bancassurance partners, brokers and third-party call centres, to abide by the spirit of this policy, and must comply with regulatory reporting requirements.

Each FWD business unit defines the criteria for vulnerable customers in line with local regulations, principles and standards and are required to establish appropriate processes to safeguard vulnerable customers. For example, a Financial Needs Analysis must be completed for certain insurance products, such as those with long-term contribution commitments, in order to understand our customers' needs prior to signing any contract. In our product approval process, we would check for fairness to mitigate risks that may arise in the sales and distribution process.

In addition, Project Clarity is a priority transformation initiative that has been ongoing since 2015. Aimed at making insurance clearer and easier for customers to make decisions, this initiative has now become the “official language” of FWD, and is applied to a number of use cases including our policy contracts, collaterals, and communication, and even in distributor training. Significant progress has been achieved in this space, an example being the transformation project for our new Malaysian business FWD Insurance Berhad, where StyleWriter scores for the policy contracts went from primarily “Poor-Fair” to “Good-Excellent”, indicating how much easier it is to read and understand.

Our CORC oversees our practices, key risks indicators and any misconduct matters and reports to the Group Risk Committee (“GRC”) on a quarterly basis.

3. Talent

We seek to create an ethical and inclusive working environment to empower our colleagues to achieve personal and professional growth in order to drive long-term success for our company and communities. Our dedicated team brings together diverse experiences and perspectives to help us adapt to the challenges of an evolving world.

For more information on our workforce, how we engage our employees, and nurture our talents, please refer to the Our people section on page 37.

3.1 Diversity, equity and inclusion

At FWD, we recognise the importance of diverse talent, experiences and perspectives in contributing to the success of our business. We value diversity in all its forms. These include gender, age, cultural background, ethnicity, special needs, religion, sexual orientation and family status, as well as professional and life experiences, and interpersonal or professional skills. We are creating a culture that is diverse, equitable, inclusive and collaborative. That is because we need diverse talent, experiences and perspectives in order to achieve our vision.

Our people are what make our workplace vibrant and dynamic, and it is only when we celebrate and harness their unique strengths that we can take the lead in changing the way people feel about insurance.

By being more inclusive, we can improve employee engagement; attract and retain talented people; and foster an environment where everyone can do their best work for FWD. We provide our people with a flexible and inclusive employee experience at all levels – and we encourage them to use their talents to do the things they love, both professionally and personally.

As such, we are fostering a vibrant workplace culture with inclusive leaders. We are committed to achieving 40-60 per cent gender balance at senior management positions and across our company.

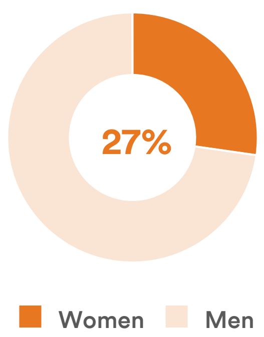
Our Group DEI strategy focuses on four key areas

Everyone belongs	Diverse talent	Inclusive leadership	FWD Anywhere
Policies and procedures to embed a culture of inclusion in our organisational structure.	Celebrating different backgrounds, personalities and accessibility.	Creating a level playing field with diversity present at every level of our organisation.	Making way for different styles of working in an open talent economy.
• Policies: Non-discrimination, Anti-harassment and Anti-bullying, and Discipline & Grievance resolution • Inclusive benefits • Channel and mechanism for employee communication and feedback	• Inclusion of working styles, personality types and accessibility requirements • Aspiration for 40-60% gender balance in executive and senior management positions across FWD • Specific local priorities	• Create a level playing field by interrupting conscious and unconscious bias • Inclusive recruitment, performance assessment, promotion and professional development guidelines and practices	• Embrace different ways to get the job done well. Flexible ways of working for all employees • Implement a Cloud First strategy to support flexible ways of working • Inclusive and accessibility policies for office and activity-based working
We monitor progress by:			
• Number of employees completed annual Code of Ethics and Business Conduct training • Employee engagement • Cases reported through grievance channels	• Number of women in executive and senior management positions • Specific local priority metrics • Employee voluntary turnover	• Completion of conscious and unconscious bias training • New hires by gender • Key roles filled by internal talent by gender • Promotions by gender	• Employees with mobile, laptop and table devices with agnostic single sign on access • Employee applications that are Cloud First

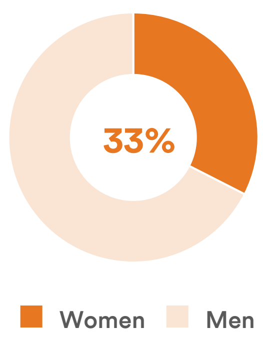
For more information on our DEI data, please refer to Page 37 and 2023 Datasheet on page 82.

Gender mix of Directors and employees

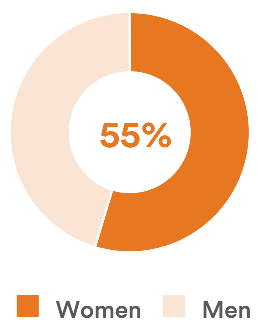
Board of Directors by gender



Senior management[1] by gender



Total employees by gender



Notes:
1. Senior management is defined as assistant vice president or above.

3.2 Flexible organisation and modernising the way we work

We believe fostering work-life flexibility and inclusiveness helps us to attract and retain talent and keeps our business resilient. We believe this goes hand-in-hand with embracing the power of technology in our work environment on a day-to-day basis.

We acknowledge that our people need to adopt a flexible work approach to enable them to unleash their potential while achieving a work-life balance. At the same time, in-person interactions play a critical role in the development of our people as it encourages the sharing of knowledge, expertise and experience. It also strengthens our connectivity and sense of belonging, while enhancing communication and efficiency. We maintained our work from home practice in 2023 which offers both flexibility and in-person interaction to our employees.

3.3 Wellbeing - FWD LiveLife

At FWD, our greatest asset is our people. That is why we launched #FWDLiveLife, our company-wide wellbeing initiative in 2021 to help our colleagues lead healthy and fulfilling lives – both inside and outside of the workplace. When our people are healthy and fulfilled, both at work and in other aspects of their lives, they are more productive and ultimately more successful. FWD LiveLife takes a holistic, proactive and preventative approach to employee wellbeing. Over the last few years, we continue to improve the programme and embed wellbeing into our culture. In its third year in 2023, we organised a range of exciting programmes across the five pillars of wellbeing which are the heart of FWD LiveLife: emotional health, physical health, financial wellness, social connectedness, and purpose and meaning, all underpinned by our brand promise to Celebrate living. A series of wellbeing activities took place throughout the year including:

- Signature events and health talks for each pillar;
- Virtual coffee corners with tips to foster wellbeing and connections;
- 10x FWD Step it up challenge engagement activity;
- #FWDMovesTogether Weekly Sessions;
- Monthly FWD LiveLife newsletter; and
- Launch of Wellbeing for Managers sessions and FWD LiveLife Manager Digest.

We measure the effectiveness of FWD LiveLife through the annual FWD LiveLife feedback survey. The overall wellbeing rating score of the 2023 survey has increased from 7.29/10 in 2022 to 7.62/10 in 2023. 90 per cent of respondents said FWD LiveLife has helped them feel that FWD cares about their wellbeing and FWD is a better place to work. 89 per cent believed that FWD LiveLife has helped them become more engaged as an employee of FWD. The overall helpfulness and satisfaction of FWD LiveLife activities have increased to 7.8/10 and 7.9/10 respectively. These scores have continuously increased since 2021.

3.4 Organisational Health Index

Sustained performance requires employees to share a common set of goals and priorities. The Organisational Health Index ("OHI") measures how well FWD aligns around a common direction, adapts to external shifts, executes with excellence, and renews ourselves to sustainably achieve performance aspiration by comparing to peers across 37 Management Practices.

We had a response rate of 85 per cent in the 2023 OHI survey, as compared to the Asian Financial Services benchmark of 65-70 per cent. The high participation rate means we have a more accurate picture of how leaders feel about the overall health of our organisation.

Our 2023 OHI score persists at 81, showcasing stability in comparison to 2022 and positioning itself at the elevated spectrum of the second quartile among the Asian Financial Institutions. Overall, 8 out of 9 outcomes are above the median which indicates a healthy base on organisational health.

Building our organisational health is a journey and the results will help us to focus on priority practices that will sustain and build further momentum.

4. Closing the protection gap

Shifting socio-economic patterns within Asia, including rapid ageing in the population and a rising middle class, are driving up insurance needs while insurance penetration rates remain low in the region. Projections suggest that by 2030, Asia's mortality protection which is defined as the shortfall between the financial protection required by individuals and their actual coverage, is set to reach US$199 trillion dollars[1]. Closing this protection gap requires equalising access to relevant insurance products and services as well as improving overall financial literacy to increase awareness for better financial protection.

4.1 Inclusive and accessible products

Gaining access to suitable insurance products and services can enhance protection coverage for individuals or families when and where they need it most. We consider three important aspects of product accessibility: affordability, where we provide options of insurance that is affordable to different economic segments of society; awareness, on ensuring our customers are aware of their needs and how insurance can help them; and availability, making appropriate product available whenever and wherever they want.

To achieve this, we continue to expand our product range to offer more inclusive products that take into account underserved communities, including the low-income segment, disabled segment and populations at high risk of diabetes. We cover mental health conditions and provide easy access to mental health expert support through our innovative digital solutions. We consider emerging health trends which may affect our customers, such as providing coverage for infectious diseases like dengue fever, that are expected to rise as a result of changing climatic conditions.

To provide our customers with more flexibility on their insurance products, we continue to develop products with modular designs that allow them to customise their coverage based on their evolving needs. In 2023, we launched our health modular series allowing customers to customise their health insurance coverage.

In 2023, we also introduced a liquidity fund for our investment linked products that can serve as a parking fund where customers can temporarily place their investments during volatile market conditions allowing them to maintain their protection under times of uncertainty.

Elite, tailored and tech-enabled multi-channel distribution

We distribute our products through multiple distribution channels. To effectively reach out to more customers, digitalisation of our distribution channels is a key element of our corporate strategy. To support this, we continue to expand and develop our team of tech-enabled sales force seeking to meet customers' demands with optimum touchpoints and services to help close the protection gap. Additionally, we have strengthened our digital commerce platform, offering fully digitalised insurance products and services, to effectively reach out to prospective underserved customers and empower all channels with relevant propositions, products and skill sets.

For more information on our digital distribution partnerships and tech-enabled sales force, please go to pages 18 and 19 respectively.

Note:
1. Global Insurance Report 2023: A paradigm shift in Asia life insurance, McKinsey & Company, November 2023

Project Exclusion

Project Exclusion is an initiative to reduce long and convoluted exclusions in our insurance policies to offer our customers more protection, increase the transparency of our products and make it easier for customers to claim and obtain payments.

We focus on removing exclusions that were based on outdated medical data and unsupported judgements. Through the initiative, we are able to better gauge our risk exposure to certain activities, which has helped us improve our underwriting process. For products which we have been able to make significant improvement to exclusions, we have seen the reduction in number of exclusions of up to 86 per cent across different markets and products. We believe that, as a result of these initiatives, we have enabled our customers to feel more confident about their insurance coverage and their ability to make insurance claims.

Fulfilling the protection and financial needs of future families

An essential element of our customer-led strategy is developing lifetime partnerships, particularly people under 40 years old who face an unpredictable future with rapid changes of life today, but also have the advantage of accessing modern solutions that are continually emerging.

As a result, we are creating more inclusive products with the expansion of our family-focused product portfolio that comes with features designed for families of the future, including extended family members. Catered to the needs and characteristics of families in Asia, our protection products provide benefit coverage that has been extended to protecting multiple generations of family members in a single plan. We have also introduced savings products which allow customers to transfer their savings insurance to the next generation, so the policy values continue to grow through generations.

The mental health of families is also an area of focus, given the challenges of the current times. Hence, we introduced the FWD Mind Strength proposition in 5 markets in 2022/23, which is aimed at eliminating the stigma and taboos around mental health by reframing it into a more positive and inspiring action (we renamed mental health to Mind Strength and have engaged Key Opinion Leaders ("KOLs") to lead the change). We also offer digital mental health solutions as a 'stepping stone' for those who may have mild conditions but are hesitant to get treated. We have bundled mental health benefits into different products where we foresee the need. Mind Strength Protection Plan launched in Hong Kong has also received industry recognition for its innovativeness, it was one of the three finalists for the Most Innovative Product/ Service Award - Health in the Hong Kong Insurance Award 2023.

FWD Care

We created the FWD Care recovery plan to bridge the recovery services gap with support for customers and their family members that meet their physical and emotional needs. The plan goes beyond financial benefits to aid customers and their families through critical life events, like a major illness or the death of a loved one. FWD Care covers a wide range of professional services and immediate care, ranging from consultation services to home assistants and transportation services. Offered in the majority of our markets, FWD Care has already provided recovery support to over 1,000 customers.

4.2 Financial education and literacy

An integral part of our Group ESG strategy is improving financial education to increase financial literacy. Gaining this early in life helps to build better money habits and, in turn, supports a brighter future. This is why we want to equip children and young people with the skills to become financially capable, and at the same time inspire them to be their own agents of change.

So far, we have helped more than 74,000 individuals through our financial education programmes, which include:

- *JA SparktheDream* (Hong Kong, Indonesia, Japan, Philippines, Singapore, Thailand and Vietnam) - our signature financial literacy programme with Junior Achievement ("JA") Asia Pacific equips students across Asia with the skills and tools they need to take charge of their financial future.
- Fun(d) for Life (Malaysia) - our experiential-learning financial literacy programme in partnership with Arus Academy.
- FWD Bebas Berbagi (Indonesia) - a flagship programme that targets women, youth, small-medium enterprises, as well as people with disability with activities which focus on financial literacy and social, environmental, and risk and governance aspects.
- Pinoy Money Master (Philippines) - the first-ever gameshow in the Philippines that promotes financial literacy.
- 10 grants in 10 markets - our 10-year anniversary initiative to support charitable programmes with a focus on financial inclusion in each of the 10 markets where FWD operates, which are outlined in more detail in Section 5.3.

JA SparktheDream - Educating the next generation for a brighter financial future

JA SparktheDream, developed in partnership with JA, is a programme that integrates financial, social and life skills education for students to help boost financial literacy in Asia.

In 2023, the programme expanded to cover seven markets in Asia, with the aim of impacting the lives of around 25,000 students by 2024. The programme has reached more than 14,000 students with the support of more than 300 FWD volunteers in Hong Kong, Indonesia, Philippines, Singapore, Thailand and Vietnam as at 31 December 2023.

Led by FWD colleagues, the multi-year initiative brings volunteers and students together in local schools. Through fun games and interactive quizzes that leverage both in-class and digital platforms, the students learned about managing budgets, making sound financial choices and solving their communities' needs in a creative way. As part of *JA SparktheDream*, students also participate in a social innovation showcase, where they work with FWD volunteers, parents, teachers and each other to identify and address a local social issue in their communities.

For more information, please visit www.jasparkthedream.org

Fun(d) for Life — Shaping a financially-smart generation

Our experiential-learning financial literacy programme, Fun(d) for Life; developed and implemented by our team in Malaysia in partnership with Arus Academy, has expanded to involve students, teachers, parents and young people.

In 2023, we empowered more than 34,000 Malaysian students, with the support of more than 1,700 educators and other organisations across Malaysia. During Global Money Week in March 2023, Fun(d) for Life hosted various online and physical workshops, quizzes and webinars for youths, parents and teachers; and screened its documentary: “Fun(d) for Life’s Untold Stories: Of Dreams & Money”, a story of nine youths across Malaysia.

The programme consists of guided online courses, innovation competition, and three-day student camps with simulation-based learning, team collaboration and ideas pitching to build awareness on financial habits, skills in financial planning and responsibility to empower others.

For more information, please visit www.fundfor.life/en/

5. Sustainable investments

As key institutional investors in the global financial system, insurance companies seek to manage assets and liabilities with a geographic and long-term view within heavily regulated environments.

Over the past few years, we observed shifts in social and environmental expectations from stakeholders including customers, regulators, investors and even the general public, who demand higher transparency and accountability for the environmental and social impacts of decisions made by brands, boards and senior executives. This is leading to a widespread recognition and movement to drive the transformation of the global financial system to becoming more sustainable through global scale partnerships and collaboration.

5.1 Global partnerships

FWD became a signatory to the PRI, the world's leading proponent of responsible investment in 2020. Launched in 2006, the PRI is a voluntary framework that has been endorsed by over 5,000 signatories.

Like all its signatories, we are committed to the PRI's six principles:

Principle 1	**Principle 2**	**Principle 3**
We will incorporate ESG issues into investment analysis and decision-making processes.	We will be active owners and incorporate ESG issues into our ownership policies and practices.	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4	**Principle 5**	**Principle 6**
We will promote acceptance and implementation of the Principles within the investment industry.	We will work together to enhance our effectiveness in implementing the Principles.	We will each report on our activities and progress towards implementing the Principles.

5.2 Embedding ESG across our portfolio and into investment decision-making

We invest the premiums and income generated from our insurance businesses to generate investment returns. Our investment philosophy is to maintain a balanced asset portfolio that generates relatively stable investment returns. We focus on investment grade fixed income securities. We also invest in riskier assets, such as equities, real estate and alternative investment to deliver longer term higher returns for the portfolio.

Our general account assets of US$41.0 billion are invested to generate predictable and stable income, allowing us to deliver steady returns and claims to customers. The majority of our investment portfolio is composed of fixed income investments, mainly sovereign and corporate bonds. A large proportion of our fixed income is invested in markets in Asia in which we operate. It is therefore important for us to understand and consider country-specific dynamics and circumstances when we seek to implement and integrate our ESG practices.

We believe embedding ESG into our investment process will help promote sustainable financial performance commensurate with our long term investment horizon. Our sustainable investment guideline was launched in 2021 under the oversight of our Group Board, Group ESG Committee and Group Investment Committee. The document along with relevant updates are available on our website.

We conduct sustainable investment practices by focusing on a few key elements:

We integrate ESG considerations into our investment process in a robust and systematic way

In 2023, we built upon our 2022 milestones, continuing to streamline and strengthen the process of implementing sustainable investment reporting practices with our fund managers. In September 2023, we submitted our first voluntary asset owner PRI Transparency report, presenting our responsible investment practices and achievements.

We aim to periodically review and enhance our approach to sustainable investment to incorporate policies and guidelines addressing evolving systematic sustainability issues, such as human rights, proxy voting, climate change and biodiversity. During 2023, we made several updates to our sustainable investment guideline to reflect these.

One of the updates in our sustainable investment guideline highlights the importance to factor in human rights and labour rights in our investment analysis where these factors are most material. We monitor our investee companies for compliance with the Global Compact of the United Nations ("UNGC"), a non-binding United Nations pact to encourage businesses to adopt sustainable and socially responsible policies, and to report on their implementation. The ten principles of the UNGC are derived from international agreements on four topics: human rights, labour, environment and anti-corruption. We escalate companies violating (UNGC 'fails') one or more of the ten principles of the UNGC based on data from an external data provider. FWD has detailed reporting requirements, engagement criteria, engagement frequency, expected outcome, follow-up actions and recommendations.

In 2023, 91 per cent of our portfolio went through ESG screening[1] through an external ESG data provider.

We are active owners of our investments through engagement

In 2022, we developed our ESG reporting requirements, incorporating ESG considerations in the investment mandates with our largest fund managers. In 2023, we enhanced our reporting requirements and approach to engagement by developing two separate engagement initiatives – one is focused on managing ESG risk highlighted by a number of key ESG risk indicators, the other engagement strategy prioritises highest portfolio emitters and forms part of our decarbonisation strategy (discussed under 'Climate Resilience' section). Our engagement methodology includes detailed reporting requirements, engagement criteria, engagement frequency, expected outcome, follow-up actions and recommendations.

Companies flagged as ESG laggards, UNGC violators and palm oil producers could pose higher ESG risk. These themes are not exclusive but are established as guidance for our business units and external fund managers on how to consider ESG factors across existing and new investments. Once potential companies are identified, we either engage with these companies via our external portfolio managers or engage directly with the companies in question and/or seek to engage collaboratively with investor organisations in the case of internally managed assets. We encourage discussions with companies at Board or senior management level with the objective of increasing awareness of ESG underperformance and changing behaviour.

Note:
1. Fixed income and listed equities screened through MSCI

We steer clear of investments in companies or sectors that we perceive to be high risk from an ESG perspective

We have done that by establishing sector-specific approaches and considerations to manage investment decisions related to such sectors. Accordingly, we have developed sector specific considerations for controversial weapon manufacturers and tobacco manufacturers, and we are committed to phasing out investments in thermal coal by 2030. Our thermal coal exposure[1] has reduced from US$129 million invested in 2021 to US$80 million in 2022 and further reduced to US$45 million in 2023.

5.3 Community Care

Caring has long been one of our values here at FWD and that extends to the communities where we live, work, and serve customers. Our Community Care programmes focus on financial inclusion, educating the next generation for a brighter future and empowering people with disabilities to live fulfilled lives.

As we continue to scale our Community Care efforts, we want to empower our people to share their skills, experience and passion with our existing community partners, as well as other charitable organisations in the local community, to make an even greater impact.

In 2023, we launched the new FWD Community Care platform for colleagues to find meaningful volunteering opportunities to give back to the communities that they are in. We believe as a volunteer, employees can benefit from unique learning and development opportunities to understand and positively impact the societal issues that they are passionate about, and to broaden their networks and experience. Aside from the signature financial education and literacy programmes, *JA SparktheDream* and Fun(d) for Life, outlined in Section 4.2, our volunteering activities aim to foster financial literacy, environmental protection and sustainable livelihoods in our communities.

The Group's Community Care team works with Community Care leads in the business units, to implement programmes and activities locally. The Group ESG Committee has oversight for the efficacy and integrity of our Community Care programmes in accordance with our Community Care guidelines.

All partnerships with NGOs must undergo the necessary due diligence assessments, including legal and compliance review, in line with the Code of Ethics and Business Conduct and all relevant Group Compliance and Risk Management policies and standards.

Note:

1. Listed equity and fixed income in companies with >5 per cent revenue from thermal coal mining and extraction.

10th anniversary charitable initiative

We marked the 10th anniversary of FWD by announcing our '10 grants in 10 markets' charitable initiative to further boost financial inclusion in local communities. These meaningful projects include:

- Hong Kong: Supporting CareER to enhance its job-matching services for highly-educated persons with disabilities and special educational needs;
- Macau: Supporting Caritas Macau to develop an online sales platform and physical store for handicrafts handmade by people with disabilities, with vocational skills training;
- Thailand: Sponsoring 10 student scholarships for professional hospitality training with the Pimali Foundation;
- Japan: Partnering with NPO Welfare Beauty and Barber Training Association to develop a support programme for young caregivers;
- Cambodia: Sponsoring a financial literacy focused radio show with the Women's Media Centre of Cambodia;
- Indonesia: Launching the InnovateHer Academy programme in partnership with KUMPUL.ID to support 10 female entrepreneurs to kick-start their businesses;
- Malaysia: Partnering with NGOhub to deliver financial awareness and digital marketing programmes to 10 lower income families to improve financial and digital literacy;
- Philippines: Further expansion of the *JA SparktheDream* programme to provide out of school youths with entrepreneurship and certified financial literacy training;
- Singapore: Partnering with The Simple Sum to develop and distribute financial literacy e-comic book to beneficiaries through local non-governmental organisation partners; and
- Vietnam: Further expansion of the *JA SparktheDream* programme to create cartoon videos which educate on financial literacy.

6. Climate resilience

As a pan-Asian life insurer, we believe we have a role to play in building climate resilience across the region. With extensive coastlines and low-lying territories, Asia's topography makes it susceptible to physical climate risks such as intensified floods and storms. Higher temperature also negatively affects human health and food security through impacts such as decreased agricultural productivity and increased prevalence of vector-borne diseases. At the same time, policy makers and business leaders across the region have begun to formulate adaptation strategies to address these challenges. As the world moves towards a lower carbon economy, transition risks, including those associated with policy, legal, technological and market disruptions, may arise for our business.

FWD has launched our climate action strategy in 2022 to guide our actions in managing and adapting to climate-related risks. Through understanding potential risks and prioritising actions, not only do we build climate resilience across our business, but we also support our customers and communities in adapting to climate induced events that may affect their livelihoods.

This chapter outlines our climate strategy, our management of climate risks, our targets, and how we measure our performance.

6.1 Task Force on Climate-related Financial Disclosures

Building on our efforts from 2022, we continue to refine our climate disclosures referencing the TCFD recommendations, underpinned by climate scenario analysis and the identification of climate risks and opportunities. The TCFD recommendations are structured around four core elements on how companies operate - governance, strategy, risk management, and metrics and targets.

Governance

The Board of Directors has ultimate accountability for our overall approach towards climate change. Embedded within our ESG governance structure, the Board is supported by board-level committees and the Group ESG Committee in providing oversight of climate-related issues, including establishing the overall direction and performance of our climate strategy as well as proper management of climate-related risks and opportunities. Each function is delegated with specialised responsibilities that assists the Board in managing climate-related issues across the organisation. For example, the GRC advises the Board on the identification, measurement, monitoring and management of material climate risks while the N&CGC is responsible for integrating climate-related considerations into the director nomination process, ensuring that the Board has the necessary expertise and skills to oversee climate-related risks and opportunities. The Group ESG Committee provides regular updates to the Board on the progress of implementing the Group's ESG strategy, which includes climate actions, through the N&CGC at least twice a year.

To ensure Board awareness on the latest trends and issues on climate change, regular training is provided to our directors and senior management. In 2023, we partnered with external parties to conduct climate risk and sustainable finance trainings for our Board and relevant functions in the Group Office and business units.

Climate-related risk considerations are incorporated into FWD's ERM process and our Climate Risk Management Policy sets out the framework for key principles on management of climate risks. It also defines the roles and responsibilities for management of climate risk across FWD. The GRC has delegated authority from the Board to oversee the identification, measurement, monitoring and management of material ESG risks, including climate risks. The GRC is supported by our Group Risk function who is responsible to establish climate risk management methodologies and processes. Group Risk is also responsible for assessing and developing appropriate mitigation action in response to material climate risks in line with the Group ERM Framework. The GRC reports to the Board on such matters at least four times a year.

Please refer to page 47 for more information on FWD's ESG governance and page 87 for more information on FWD's Risk Management governance and Three Lines of Defence approach to risk management, including climate risk management.

6.2 Climate strategy

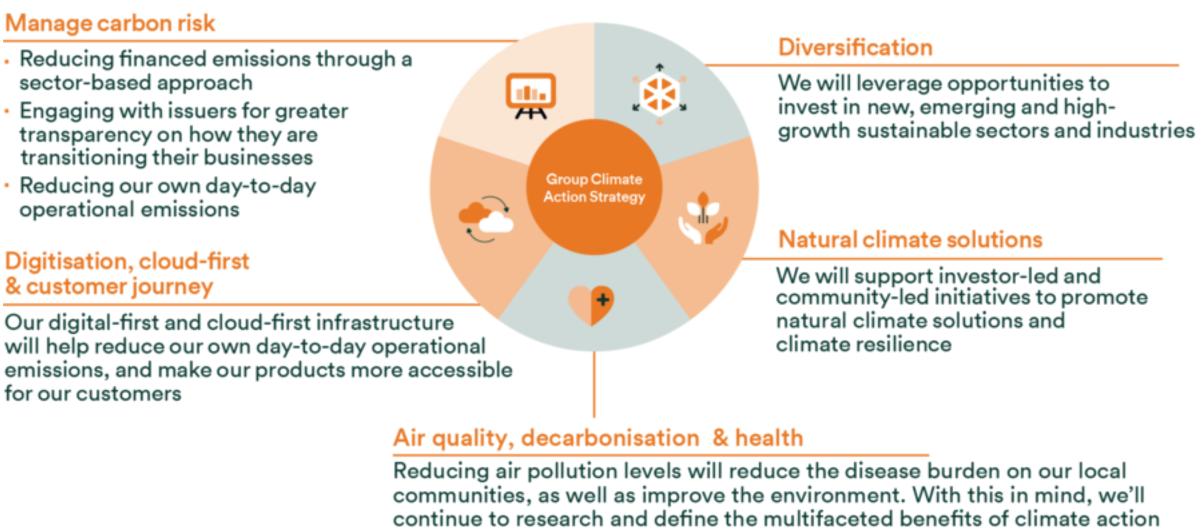
FWD is committed to reducing our environmental footprint and align our climate action strategy with achieving the goals of the 2015 Paris Agreement. We adopt a holistic approach on developing decarbonisation strategy and targets that are in-line with the latest climate science.

Our climate action strategy, guides our decarbonisation efforts around five areas: managing carbon risk in our investment portfolio and our everyday operations; diversification into new and emerging opportunities in high growth sustainable sectors and industries; adopting a digital-first and cloud-first infrastructure to reduce our carbon footprint and enhance product accessibility for our customers; supporting initiatives to promote natural climate solutions and climate resilience; and supporting research that will benefit our customers and communities under a changing climate.

In 2023, we completed our first Group-wide climate risk assessment as well as greenhouse gas emission screening of our investment portfolio. For our own operational emissions, we developed a Sustainable Offices Framework ("SOF") with the help of a third-party consultant to control our office emissions and will be working closely with our business units to implement the framework.

Going forward, we will continue to monitor developments on climate change at both a global and a local level to take appropriate actions in response.

Our climate action strategy focuses on five areas



6.3 Climate risk management

We are continuing to develop the way we identify, assess and manage climate-related risks. The management of climate risk is part of the overall Group ERM Framework.

Please see more on FWD's risk management approach and process on page 87.

Climate-related risks and opportunities

As a growing pan-Asian insurer, it is likely that climate risks will be an increasing consideration impacting our strategy, business and operations. In anticipating the emerging climate-related risks and potential impacts, we have actively conducted a climate risk assessment to identify and assess our exposure to the related physical, transition and liability risks.

Climate change risks emerge over a longer time frame than is reflected in traditional reporting. In assessing the longer-term risks of climate change, we categorise the time periods during which specific risks may emerge into the following categories:

- Short-term: 0 to 1 year
- Medium term: 1 to 5 years
- Long term: 5 years and beyond

While climate change will lead to a wide range of related risks, our process identified the following risks which we consider most relevant for life and health insurers:

Risk from regulatory, legislative and disclosure expectations: The pace and volume of new climate-related regulation could pose compliance and operational challenges. For example, these may impact us through additional compliance costs, impacts of the financial performance of investments we hold, requirements on products we sell or through resource allocation. We are closely monitoring the regulatory development across the region. (Short, Medium and Long Term)

Risk to our Investment portfolio: Our investment portfolio is exposed to transition risk that can result in increased uncertainty in our investment portfolio performance, due to increased price volatility and reduced liquidity. We continually monitor our exposures within the investment portfolio and manage our investment risks in a way that is aligned with our ESG strategy and policyholder interests. (Medium and Long term)

Risk to our policyholders and products: Extreme weather events and long-term change in climate patterns may negatively impact the health and livelihood of our customers, potentially resulting in changes in mortality, morbidity and persistency of our portfolio. Changing customer expectations influenced by climate change may also impact the demand for products and the perception of the brand. As we continue to enhance our understanding of climate-related risks, the longer-term impact of climate change will be considered when developing products and adjusting our pricing structures. (Long term)

Risk to our daily operations: In some of our markets, extreme weather events could have physical impacts or disruptions to our branches and offices. We have undertaken an assessment on the exposure of our offices and branches to severe flooding or typhoons and the immediate risk exposure is not significant. We also have appropriate business continuity plans in place to maintain our ability to service our customers. (Long term)

We assess climate-related opportunities on an ongoing basis in line with our broader business strategy. We proactively monitor market conditions, regulatory developments, consumer needs and consider these in our business plans.

Scenario analysis and stress testing

This year, we undertook a company-wide climate-related scenario analysis of our business, making reference to the Network for Greening the Financial System ("NGFS") scenarios.

As a result, we identified that a warming climate would increase acute hazards, such as floods and typhoons, and chronic hazards, such as long-term shifts in rain patterns and droughts. These physical impacts of climate will increasingly influence the risk assessments for our life insurance products. Currently, there is not enough conclusive data to determine the financial impact to our business. However, this is something we will continue to monitor as we mature our climate approach.

One of the main transition risks lies in the development of new climate-related regulations and issuers' ability to transition, and how this may impact our investment portfolio which this assessment identified as our greatest climate-related impact area. Our investment portfolio has some exposure to the energy and utilities sector, which potentially are subject to increasing regulatory, investor and activist pressure. Accordingly, transition risks and opportunities are key focus areas for our sustainable investment guideline and climate risk approach.

We continue to adapt the Climate Risk Scenario, and included it as one of our Group Prescribed Scenarios for our Group Own Risk and Solvency Assessment ("ORSA") and Business Planning Stress and Scenario Testing processes. This scenario references various climate stress testing exercises of regulators/ climate related organisations, which have been adapted for FWD Group entities.

This scenario considers both transition and physical risks. Through the scenario analysis, we gain an understanding of the impact of climate risks on our business, and we develop further strategies to mitigate the risks, which paves the road towards a low-carbon and more sustainable society.

Targets and milestones: transitioning towards a low-carbon economy

FWD's approach towards climate change is set out in our climate action strategy. We support the global transition towards a low-carbon economy to help achieve net-zero by 2050 in an orderly, just and inclusive manner. In 2023, we studied our greenhouse gas ("GHG") emission profile across both our investment portfolio and our operations. The findings have provided a better picture of where we are and what we can do better.

As an asset owner, we recognise the impact we have through the investments we make and actively engage our investee companies to drive progress towards decarbonising our investment portfolio. At the same time, we maintain a relatively low office footprint due to the nature of our business and our digitally-enabled infrastructure. We will continue to find ways to be more energy-efficient and embed low-carbon practices into our operations.

We measure and monitor environmental performance through our value creation scorecard and work closely with our business units to build operational resilience to climate change impacts. We monitor our own operational emissions, which include, scope 1 (direct emissions from natural gas and mobile combustion from own mobile vehicles) and scope 2 (indirect emissions from the purchase of electricity) GHG emissions. We calculate these emissions using the GHG Protocol Corporate Accounting Standards, and report our scope 2 emissions using both location and market-based methods in line with the GHG Protocol Scope 2 Guidance. In 2023, we screened our scope 3 (indirect emissions that occur in the value chain) GHG emissions across our investment portfolio and in relation to business air travel. FWD will continue to align with best practices and work towards disclosing and managing our scope 3 GHG emissions.

In 2023, electricity consumption continues to be the largest contributor to our scope 1 and 2 emissions, accounting for 90 per cent of our reported GHG emissions, and the remaining 10 per cent arises from mobile fuel usage. An increase in our emissions in 2023 were due to operations returning to business-as-usual following the pandemic restrictions in the markets we operate in.

Group snapshot	2023	2022
Scope 1 (MT CO2e)	**518**	493
Scope 2 (MT CO2e) location based	**4,994**	4,652
Scope 2 (MT CO2e) market based	**4,847**	4,578
Total GHG emissions (Scope 1, & 2))	**5,512**	5,145
Total GHG emissions intensity (MT CO2e/employee)	**0.737**	0.733

Reduce our own day-to-day emissions

During 2023, we carried out a study to understand our asset-related carbon footprint and developed a carbon reduction pathway to assist us in planning practical actions to decarbonise throughout our office lifecycle. From the study, we identified our emission hotspots to help us prioritise actions for reduction in line with our climate strategy, one of which was the development of our Group SOF. The SOF outlines a consistent approach to the integration of sustainability and wellness elements into our office spaces, from site selection and lease negotiation to fit-out as well as ongoing operations. We will be piloting the SOF in Thailand and Malaysia with an aim to implementing it across all our markets.

We continued to accelerate our cloud adoption strategy. In 2023, we achieved a 97 per cent cloud adoption rate across all our markets. As we progressively move away from on-site data centres, we work closely with our two key partners, AWS and Microsoft, to reduce our carbon emissions through their commitments to operate their data centres using 100 per cent of electricity from renewable energy sources.

In 2023, we conducted a review of our business air travel, including collecting travel data from third-party agents, where this is available, and understanding current processes undertaken by our business units. This exercise provided valuable insights into our travel practices and the opportunity for us to raise internal awareness. Going forward, we will continue to explore ways to improve our data collection process and proactively reduce GHG emissions arising from business air travel.

Phase out thermal coal by 2030

When we developed our sustainable investment guideline in 2021, we committed to work towards phasing out thermal coal in our investment portfolio and exit by 2030[1]. Through engaging with investee companies, we have assessed that all outstanding corporate bonds in our investment portfolio issued by thermal coal companies mature before the 2030 target. In 2023, we had remaining exposure against one company, for which we continue to seek opportunities to fully divest. Currently, we had divested 66 per cent of our thermal coal investments held at 31 December 2021.

Note:
1. The thermal coal exclusion strategy is applied across listed equities and fixed income asset classes and excludes companies that generate more than 5 per cent revenue from thermal coal mining and extraction.

Reduce financed emissions

We recognise the advantages of a comprehensive investment portfolio carbon footprint calculation as an important measure for assessing climate transition risks and facilitating sustainable decarbonisation strategies. In 2023, we partnered with an external consultant to strengthen our financed carbon footprint calculations, aligning the process with the Partnership for Carbon Accounting Financials calculation methodology. We have also built an automated platform to integrate carbon emissions data into FWD's proprietary investment management system after validating and enhancing data from multiple vendors. In this way, we are able to reliably track and monitor our investment portfolio carbon footprint and how we progress towards future targets.

Based on the portfolio analysis undertaken, we have developed a stewardship prioritisation framework to facilitate engagement with high emitters. At this stage, we focus on highest portfolio emitting companies to accelerate portfolio decarbonisation objectives. The stewardship prioritisation framework aims to assess issuers posing highest risk from non-alignment to net-zero. We do this by setting out a net-zero criteria and alignment levels categorisation. The categorisation system approach allows us to track progress over time. We have referred to the Institutional Investors Group on Climate Change ("IIGCC") Net Zero Stewardship Toolkit to develop our net-zero alignment engagement tracker.

We operate and have investments in Asian markets which are disproportionately affected by climate change, but haven't received the quantum of capital required to decarbonise. Given the complexities of Asian energy transition, we realise that a comprehensive decarbonisation will take time and action will be required from all stakeholders across both the private and public sectors. To support sustainable development, we need to balance our decarbonisation practices and make provision for a just and inclusive transition. This is why our preferred approach to facilitate portfolio decarbonisation objectives is through engagement practices.

Eliminate commodity-driven deforestation

We have stated in our 2022 Annual Report that we would endeavour to eliminate commodity driven deforestation from our investments by 2025. To help put in place the right set of guidelines to achieve this, we had participated in the PRI Sustainable Commodities Practitioners Group since its inception in 2021. In 2023, we joined the newly formed PRI's Nature Reference Group, which aims to build investor capacity for addressing nature and biodiversity loss, by providing a forum for signatories to advance their awareness of nature-related impacts, dependencies, risks and opportunities.

We will continue to support initiatives for sustainable development and energy transition in all our markets through suitable collaborative and collective engagement.

Deloitte.

德勤

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Independent Practitioner's Limited Assurance Report

To the Board of Directors of FWD Group Management Holdings Limited

We have been engaged by the Directors of FWD Group Management Holdings Limited ("FWD") (the "Company") to perform a limited assurance engagement in relation to certain Environmental, Social & Governance ("ESG") data points (the "Data Points") to be included in the ESG section of the Company's Annual Report for the year-ended 31 December 2023 (the "ESG Report") and as selected by FWD.

Data Points

The Data Points are as follows:

Environmental

Climate

- Absolute Greenhouse Gas ("GHG") emissions
  - Scope 1 GHG emissions (MT CO2e)
  - Mobile combustion (owned vehicles)
  - Stationary combustion (natural gas)
  - Scope 2 GHG emissions (MT CO2e) (market and location based)
  - Purchased electricity
  - Total Scope 1 + 2 (MT CO2e)
- Intensity GHG emissions (by employee)
  - Scope 1 GHG emissions (MT CO2e/employee)
  - Scope 2 GHG emissions (MT CO2e/employee)
  - Total Scope 1 + 2 (MT CO2e/employee)
- Intensity GHG emissions (by office space)
  - Scope 1 Stationary combustion (natural gas) GHG emissions (MT CO2e/m2)
  - Scope 2 GHG emissions (MT CO2e/m2)

Energy

- Absolute energy use
  - Fuel (L)
  - Owned fleet: diesel (L)
  - Owned fleet: petrol/gasoline (L)
  - Sub-total (L)
  - Sub-total fuel use (MWh)
  - Natural gas (m3)
  - Natural gas (MWh)
  - Purchased electricity (MWh)
  - Total energy use (MWh)
- Intensity energy use (by employee)
  - Fuel (L/employee)
  - Owned fleet: diesel (L/employee)
  - Owned fleet: petrol/gasoline (L/employee)
  - Sub-total (L/employee)
  - Sub-total (MWh/employee)
  - Natural gas (m3/employee)
  - Natural gas (MWh/employee)
  - Purchased electricity (MWh/employee)
- Intensity energy use (by office space)
  - Natural gas (m3/m2)
  - Purchased electricity (MWh/m2)

Social

Diversity, equity and inclusion

- Gender profile (%)
  - Senior management
  - Middle management
  - Junior managers
  - Officers and clerical
  - Not categorised
- Age and gender profile (%)
  - < 30
  - 30 – 50
  - > 50
  - Group total
- Corporate governance
  - Independent directors %
  - Female directors %

The Data Points are identified with the symbol [R] in the 2023 Datasheet in the ESG Report.

Our limited assurance was with respect to Data Points for the year ended 31 December 2023 only and we have not performed any procedures with respect to earlier periods or any other elements included in the ESG Report. We therefore do not express a conclusion on any other information or in relation to any other period, other than in respect of the Data Points in the ESG Report.

Reporting Criteria

The Company prepared and presented the Data Points in accordance with the criteria set out in the sections "Corporate governance assured data", “Diversity, equity and inclusion assured data” and “GHG and energy assured data” (the "Reporting Criteria") in the ESG Report.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Management 1, "*Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance or Related Services Engagements*" and, accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities

Deloitte Touche Tohmatsu

It is our responsibility to express a limited assurance conclusion on the Data Points based on our work performed and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility or accept liability to any other person for the contents of this report.

FWD Group Management Holdings Limited

The Directors of FWD are responsible for the preparation and presentation of the Data Points in accordance with the Reporting Criteria. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Data Points, applying an appropriate basis of preparation, making estimates that are reasonable in the circumstances and ensuring the accuracy and completeness of the Data Points.

Reporting Framework

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised), "*Assurance Engagements other than Audits or Reviews of Historical Financial Information*", and the International Standard on Assurance Engagements 3410, "*Assurance Engagements on Greenhouse Gas Statements*", issued by the International Auditing and Assurance Standards Board (together, the "Standards").

The Standards require that we comply with ethical requirements, and plan and perform the engagement to obtain limited assurance as to whether any matters that come to our attention cause us to believe that the Data Points do not comply in any material respects with the Reporting Criteria.

Objectives

The overall objectives of our procedures were to assess whether the Data Points were prepared, in all material respects, in accordance with the Reporting Criteria.

Procedures Performed

Our work comprised the following limited procedures:

- Interviews with relevant management and personnel involved in providing information relating to the Data Points for inclusion in the ESG Report;
- Sample testing of documentary evidence at FWD's corporate level;
- Reviewing, on a sample basis, whether calculations had been performed with reference to the methodologies outlined in the Reporting Criteria;
- Reviewing, on a sample basis, the arithmetical accuracy of the calculations performed, including assumptions and estimates made, in relation to the Data Points; and
- Analytical procedures regarding the Data Points and enquiring with FWD management as to the reasons for any material variances.

Our work performed was not for the purposes of expressing an opinion on the effectiveness of FWD's internal controls and so we did not perform tests of internal controls, including in relation to information technology systems, to the extent that would be required to provide such an opinion.

The procedures performed in a limited assurance engagement vary in nature and timing from those associated with, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and did not provide all the evidence that would be required to provide a reasonable level of assurance.

Inherent Limitations

Non-financial performance information, including the Data Points, is subject to more inherent limitations than financial information, given both its nature and the methods used for determining, calculating, sampling and estimating such information. This could have a material impact on comparability. Qualitative interpretations of relevance, materiality and the accuracy of such information are subject to individual assumptions and judgements.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Data Points have not been prepared, in all material respects, in accordance with the Reporting Criteria.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 April 2024

2023 Datasheet

This datasheet summarises our performance on key Environmental, Social, Governance (ESG) indicators.

Limited independent assurance was conducted on selected ESG KPIs on a voluntary basis by our external auditors Deloitte in accordance with the International Standard for Assurance Engagement ("ISAE") 3000 (Revised) and ISAE 3410 Standards. The scope of the independent assurance is based on 2023 data as at 31 December 2023 across all ten markets in which we operate and our representative office in mainland China. Unless otherwise stated, our ESG data excludes our distribution channels - agents and bancassurance partners. Independently assured data are presented in the following tables subtitled: Corporate governance; Diversity, equity and inclusion; Climate; and Energy.

Firm foundations: Strong corporate governance and risk management

	2023			2022	
	Female	Male		Female	Male
Corporate governance					
Executive directors	**0**	**2**		0	2
Non-executive directors	**0**	**2**		0	3
Independent non-executive directors	**3**	**4**		3	3
Total	**3**	**8**		3	8
Independent directors %		**64 %**	**R**		55 %
Female directors %		**27 %**	**R**		27 %
Business ethics and responsible conduct					
Annual completion % in relation to Code of Ethics and Business Conduct training[1]		**100 %**			100 %

Note:

1. All new joiners have 30 days to complete the training. New joiners who joined with less than 30 days until 31 December 2023 have been excluded.
2. R - denotes this Data Point was limited assured by Deloitte Touche Tohmatsu. Please refer to the Independent Limited Assurance Report for further details.

Corporate governance assured data

The total numbers of executive directors, non-executive directors and independent non-executive directors as well as the percentage split of independent and female directors for FWD Group Holdings Limited as at 31 December 2023 have been independently assured by Deloitte.

Data was collected and validated by Group Legal.

Trust: Building customer trust in our company and industry

	2023	2022
Customer experience, customer satisfaction		
Customer claims advocacy (Net Promoter Score)	**62**	48
First contact resolution (FCR) - voice	**94 %**	90 %
Claim paid in three days	**67 %**	57 %
Complaints ratio	**0.232 %**	0.151 %
Annual completion % in relation to Treating Customers Fairly training[1]	**100 %**	99 %

Talent: Attracting and developing people who will change insurance

			2023			2022
	Female	**Male**	**Total**	Female	Male	Total
Employees (headcount)						
Type						
Full Time	**4,087**	**3,390**	**7,477**	3,820	3,190	7,010
Part time	**1**	**1**	**2**	6	1	7
Group total	**4,088**	**3,391**	**7,479**	3,826	3,191	7,017
Employment contract						
Permanent	**3,705**	**3,157**	**6,862**	3,404	2,928	6,332
Contract	**377**	**232**	**609**	420	260	680
Temporary	**6**	**2**	**8**	2	3	5
Group total	**4,088**	**3,391**	**7,479**	3,826	3,191	7,017
Region						
Group - Hong Kong, Malaysia, Singapore	**374**	**567**	**941**	304	504	808
China	**13**	**7**	**20**	16	7	23
Hong Kong & Macau	**551**	**577**	**1,128**	524	527	1,051
Japan	**430**	**514**	**944**	392	454	846
Thailand & Cambodia	**1,241**	**671**	**1,912**	1,297	757	2,054
Emerging markets[2]	**1,479**	**1,055**	**2,534**	1,293	942	2,235

Note:
1. All new joiners have 30 days to complete the training. New joiners who joined with less than 30 days until 31 December 2023 have been excluded.
2. Emerging Markets include the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

Talent: Attracting and developing people who will change insurance (continued)

	2023 Female	2023 Male	2023 Total	2022 Female	2022 Male	2022 Total
Talent attraction and retention						
New hires (% of total employees)						
< 30	**3.4 %**	**2.6 %**	**5.9 %**	4.3 %	2.9 %	7.2 %
30 - 50	**6.3 %**	**5.5 %**	**11.8 %**	7.5 %	7.0 %	14.4 %
> 50	**0.4 %**	**0.5 %**	**0.9 %**	0.3 %	0.3 %	0.6 %
Group total	**10.1 %**	**8.6 %**	**18.6 %**	12.1 %	10.1 %	22.2 %
Voluntary turnover (% of total employees)[1]						
<30			**2.5 %**			3.4 %
30-50			**8.1 %**			11.2 %
>50			**0.9 %**			0.8 %
Group total	**6.3 %**	**5.3 %**	**11.6 %**	8.1 %	7.3 %	15.4 %
Promotions (% of total employee)						
< 30	**0.7 %**	**0.8 %**	**1.5 %**	0.5 %	0.5 %	1.0 %
30 - 50	**3.7 %**	**3.8 %**	**7.4 %**	2.5 %	2.5 %	5.0 %
> 50	**0.3 %**	**0.6 %**	**0.9 %**	0.1 %	0.2 %	0.3 %
Group total	**4.7 %**	**5.2 %**	**9.9 %**	3.1 %	3.1 %	6.2 %
Skills and training[2]						
Year end reviews						
Employees that completed year end reviews	**97.5 %**	**97.3 %**	**97.4 %**	95.4 %	94.6 %	95.1 %
Employees that have not completed year end reviews	**2.5 %**	**2.7 %**	**2.6 %**	4.6 %	5.4 %	4.9 %
Employee engagement						
Gallup engagement - participation rate			**98 %**			97 %
Gallup engagement - grand mean score			**4.40**			4.31
Gallup engagement - actively engaged employees			**66 %**			61 %
FWD Elite agents[3]						
< 40	**760**	**543**	**1,303**	796	600	1,396
≥ 40	**760**	**355**	**1,115**	621	335	956
Subtotal	**1,520**	**898**	**2,418**	1,417	935	2,352

Notes:
1. Excludes involuntary turnover and fixed term contracts.
2. All permanent employees as at 1 October 2023 undergo annual performance reviews. China, Japan, Indonesia, Philippines, Thailand and Vietnam also conduct performance reviews of contract employees. Business units may also conduct performance reviews for employees who join after 1 October at their own discretion.
3. FWD Elite agents are a segment of the agents that has met at least 50% of MDRT requirements.
4. Values may not add to the total due to rounding.

Talent: Diversity, equity and inclusion

	2023				2022	
	Female		**Male**		Female	Male
Diversity, equity and inclusion						
Gender profile (%)						
Senior management	**33 %**	**R**	**67 %**	**R**	31 %	69 %
Middle management	**44 %**	**R**	**56 %**	**R**	44 %	56 %
Junior managers	**58 %**	**R**	**42 %**	**R**	59 %	41 %
Officers and clerical	**68 %**	**R**	**32 %**	**R**	67 %	33 %
Not categorised[1]	**69 %**	**R**	**31 %**	**R**	39 %	61 %
Age and gender profile (%)						
< 30	**58 %**	**R**	**42 %**	**R**	58 %	42 %
30 - 50	**55 %**	**R**	**45 %**	**R**	55 %	45 %
> 50	**46 %**	**R**	**54 %**	**R**	45 %	55 %
Group total	**55 %**	**R**	**45 %**	**R**	55 %	45 %

Note:
1. Employees that did not have a compensation grade as at 31 December 2023 due to M&A integration.
2. R - denotes this Data Point was limited assured by Deloitte Touche Tohmatsu. Please refer to the Independent Limited Assurance Report for further details.

Diversity, equity and inclusion assured data

The percentage of headcount by gender, employee category and age group as at 31 December 2023 have been independently assured by Deloitte. Total headcount include permanent, contract and temporary workers and exclude contingent workers, interns and all Group Board of Directors with exception of our Group CEO who is an employee of FWD.

Total numbers were provided by each of the businesses and office in scope through a centralised system. The numbers has been validated and consolidated by Group Human Resources.

We define employee categories according to an internal compensation grading framework. Senior management include assistant vice presidents and above; middle management are defined as managers, senior managers and directors; junior managers includes assistant managers and supervisors; officers and clerical include receptionists, office assistants and administrators. Employees that did not have a compensation grading as at 31 December 2023 due to merger and acquisition integration were classified as “not categorised”.

Closing the protection gap: Helping people achieve the protection they need

	2023	2022
Financial inclusion		
Total customers[1]	**13.2 million**	10.6 million
# individuals supported by financial education & literacy	**74,176**	14,877
Digital inclusion (digitalisation)		
Purchase digital submission rate	**78 %**	78 %

Community investment: Sharing our passion for a life worth celebrating by investing in local communities

	2023	2022
Community investment		
Time Contributions (hours)	**4,551**	3,429

Climate resilience: Transitioning towards a low-carbon economy

	2023		2022
Climate			
Absolute GHG emissions			
Scope 1 GHG emissions (MT CO2e)			
Mobile combustion (owned vehicles)	**518**	R	493
Stationary combustion (natural gas)	**0.053**	R	0.080
Sub-total	**518**	R	493
Scope 2 GHG emissions (MT CO2e)			
Purchased electricity (Location-based)	**4,994**	R	4,652
Purchased electricity (Market-based)	**4,847**	R	4,578
Group total Scope 1 + 2 (MT CO2e)	**5,512**	R	5,145
Intensity GHG emissions (by employee)			
Scope 1 GHG emissions (MT CO2e/employee)	**0.069**	R	0.070
Scope 2 GHG emissions (MT CO2e/employee)	**0.668**	R	0.663
Group total Scope 1 + 2 (MT CO2e/employee)	**0.737**	R	0.733
Intensity GHG emissions (by office space)			
Scope 1 Stationary combustion (natural gas) GHG emissions (MT CO2e/m²)	**0.0003**	R	0.0004
Scope 2 GHG emissions (MT CO2e/m²)	**0.044**	R	0.042

Note:
1. Approximate as at 31 December 2023. Our customers include individual policyholders, insured, beneficiaries, master policyholders, group members and FWD MAX members.

Climate resilience: Transitioning towards a low-carbon economy (continued)

	2023		2022
Energy			
Absolute energy use			
Fuel (L)			
Owned fleet: diesel (L)	**79,691**	**R**	80,811
Owned fleet: petrol / gasoline (L)	**151,438**	**R**	132,253
Sub-total (L)	**231,129**	**R**	213,064
Sub-total fuel use (MWh)	**2,145**	**R**	1,980
Natural gas (m3)	**138**	**R**	207
Natural gas (MWh)	**1**	**R**	2
Purchased electricity (MWh)	**8,585**	**R**	7,910
Total energy use (MWh)	**10,732**	**R**	9,891
Intensity energy use (by employee)			
Fuel (L/employee)			
Owned fleet: diesel (L/employee)	**11**	**R**	12
Owned fleet: petrol / gasoline (L/employee)	**20**	**R**	19
Sub-total (L/employee)	**31**	**R**	30
Sub-total (MWh/employee)	**0.287**	**R**	0.282
Natural gas (m^3/employee)	**0.018**	**R**	0.030
Natural gas (MWh/employee)	**0.0002**	**R**	0.0003
Purchased electricity (MWh/employee)	**1.148**	**R**	1.127
Intensity energy use (by office space)			
Natural gas (m^3/m^2)	**0.748**	**R**	1.122
Purchased electricity (MWh/m^2)	**0.075**	**R**	0.072
Water			
Absolute water use			
Purchased water (m^3)	**8,234**		6,417
Intensity water use (by employee)			
Purchased water (m^3/employee)	**1.10**		0.91
Intensity water use (by office space)			
Purchased water (m^3/m^2)	**0.23**		0.20

Note:

1. R - denotes this Data Point was limited assured by Deloitte Touche Tohmatsu. Please refer to the Independent Limited Assurance Report for further details.

GHG and energy assured data

Information on data collection, scope, methodologies, assumptions and source of conversion factors used, for the reporting of emissions and energy consumption:

- GHG data included in the scope of assurance includes scope 1 and 2 emissions during 1 January to 31 December 2023.
- FWD uses operational control to consolidate GHG emissions and follows the Greenhouse Gas (GHG) Protocol Corporate Accounting Standard ("GHG Protocol").
- FWD has operational control over an operation (e.g. business unit or office facility) if FWD has full authority to introduce and implement operating policies. This includes corporate offices that FWD manages and operates for own use, offices that FWD owns, agency offices where FWD determines the office location and establishment. Operations that do not fall under this scope include general agency, bancassurance partners, co-working spaces and premises leased to tenants.
- Scope 1 GHG emissions include direct emissions that occur from energy sources that are owned or controlled by the company, such as combustion of fuels in stationary sources (i.e. natural gas to generate heat) and mobile sources (i.e. motor vehicles).
- Scope 2 GHG emissions include indirect GHG emissions from the generation of purchased electricity consumed by our office operations.
- Carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O) are included in our GHG calculations.
- The global warming potential rates used also follow GHG Protocol which refers to IPCC Fifth Assessment Report (AR5). FWD uses GHG emissions conversion factors for fuel combustion from the United Kingdom's Department for Environment, Food and Rural Affairs ("DEFRA"). FWD uses both location-based and market-based GHG emissions factors for purchased electricity. International Energy Agency (IEA) is used for FWD location-based emission factors for both purchased electricity and natural gas. As for market-based emissions, emission factors from the following local or national sources were used where available: CLP Holdings, HK Electric, Singapore's Energy Market Authority, and Thailand's Ministry of Energy, or the IEA.
- Lower heating values (LHV) were referenced from DEFRA and used for net calorific values of diesel, petrol / gasoline and natural gas conversion to MWh.
- Where possible, actual consumption data, supported through primary data sources are used to calculate emissions, a small amount of consumption data were estimated using a proxy based methodology since reporting was established. In 2023, some of December data were estimated in this report as actual consumption data were unavailable at the time of reporting.
- Where estimations are required, the following methodology would be used:
  - If actual data exist for previous month, pro-rated daily consumption will be used to estimate consumption for the following month based on number of days to be accrued that month.
  - If actual data did not exist for a premise for more than 2 months, are unavailable because there are no independent meters or have been included in rental costs, the intensity ratio by square meter from the same month of similar premises in the same region would be used to estimate monthly consumptions.
  - Where the above could not be applied, the intensity ratio by square meter of the same month of the previous year's data would be used.
  - A small amount of mobile fuel purchase records for December 2023 were unavailable in some of our markets at the time of reporting, as such the annual monthly average was used to estimate December mobile fuel consumption where data was unavailable.

GHG and energy assured data (continued)

- Location based GHG emissions are used to calculate the GHG intensity ratio for scope 2 emissions by headcount and total floor area.
- All employee intensity ratio include all employees (full time and part time).
- Floor space intensity figures only include the offices that provided natural gas and purchased electricity consumption data. Where possible, actual consumption data, supported through primary data sources are used to calculate emissions and energy consumption. A small amount of consumption data were estimated using a proxy-based methodology since reporting was established.

Water consumption

- Water consumption data are reported for offices in seven of our markets where measurement records or utility bills are available and excludes offices where we do not have independent water meters or where it is included in rental costs.
- Floor space intensity figures only include the offices that provide water consumption data. Where possible, actual consumption data, supported through primary data sources are used to calculate emissions and water consumption, a small amount of consumption data were estimated using a proxy-based methodology since reporting was established.

Risk management

At FWD, our vision is changing the way people feel about insurance. To accomplish this, it is essential that everyone maintains the highest standards of integrity, in compliance with laws and regulations that govern our activities.

These are our guiding principles. We call them 'Doing the Right Things Right' and they form the basis of our Code of Ethics and Business Conduct.

We have developed an enterprise risk management framework, which also incorporates our strategic objectives. This clearly defines our risk appetite – and the reliable practices to support a mindful risk culture at each level of the Group.

Because we know that when managing risk, it's important to have a common language for everyone. That means every director, officer, employee, agent or contractor.

FWD enterprise risk management framework

Incorporating our risk culture, our Code of Ethics and Business Conduct, the FWD Enterprise Risk Management Framework consists of the following components:

- Risk governance;
- Risk appetite;
- Risk management process; and
- Own Risk and Solvency Assessment ("ORSA")

Risk culture – and a tone from the top at FWD

Risk culture refers to the shared values and behaviours of all staff who are in a position to influence risk decisions. At FWD, we aim to maintain a risk culture that enables proactive risk management by everyone.

And we believe this starts with a 'tone from the top' leadership model. Therefore, robust communication initiatives are an imperative. Because a visible focus on risk management (at the highest level) will encourage Group-wide risk awareness, and accountability.

This is demonstrated through our Three Lines of Defence risk governance model – along with our senior management's participation in the risk committees.

Our Risk and Compliance Key Performance Indicator tool

We also have tools in place including a survey to measure the effectiveness of our risk culture. Our Risk and Compliance Key Performance Indicator ("RCKPI"), set up to encourage all staff to demonstrate proper behaviours, to manage risk within the approved tolerance, and escalate issues accordingly.

Examples of this include ensuring our staff adhere to business policies and that they produce timely notifications of any incidents or issues, as soon as they become aware.

The annual calculation and final results of the RCKPI is approved by the Group Risk Committee and Group Compensation Committee.

Risk governance

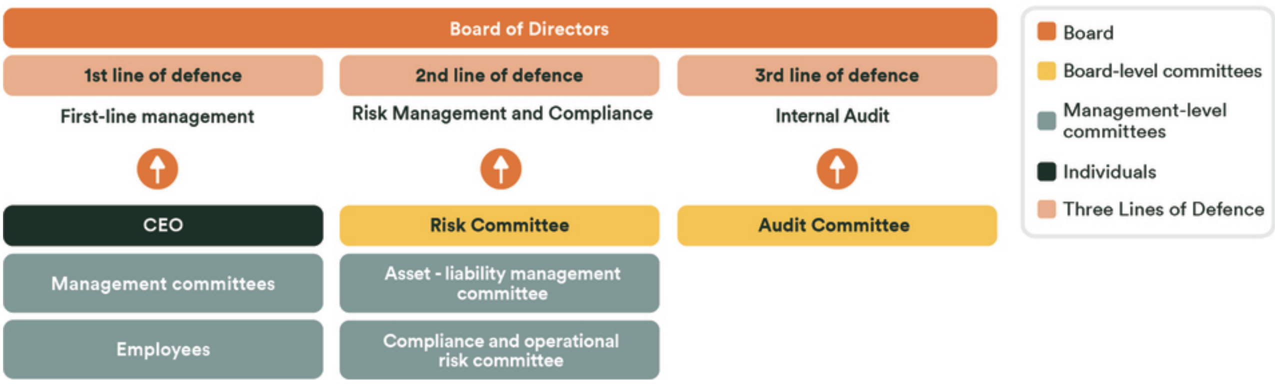
As part of the Group's overall approach to maintaining robust corporate governance, our risk governance is organised around the following principles:

- Clearly established responsibility and accountability;
- Independent and properly resourced risk management and compliance functions; and
- Our Three Lines of Defence.

Refer to the corporate governance report for further details in relation to our overall corporate governance arrangements.

Three Lines of Defence

Our Three Lines of Defence are illustrated as follows:



The Group Board

The Group Board of Directors (the "Group Board") takes ultimate responsibility for the risk management activities of FWD Group. It is responsible for reviewing and approving strategies, plans, policies and our risk appetite. It therefore plays a critical role in ensuring sound and prudent policies and practices are in-effect for ensuring good governance – and has continuous oversight of risk management, internal controls and compliance matters.

To support the Group Board in carrying out these responsibilities, the following committees have been established:

Group Risk Committee

The Group Risk Committee ("GRC") oversees the risk management of the Group. Its primary functions are: (i) to provide advice to the Group Board relating to risk appetite; enterprise risk management framework; and ORSA results; (ii) to approve the strategic asset allocation; and (iii) to monitor the risks associated with the implementation of the Group's strategies.

Group Audit Committee

The Group Audit Committee is charged with responsibility to independently review the effectiveness of the Group's financial reporting processes and internal control framework.

Group Compensation Committee

The Group Compensation Committee is responsible to oversee implementation of appropriate remuneration practices across the Group, including a Group Remuneration Policy and appropriate compensation schemes in line with risk appetite and the long-term interests of the Group's relevant stakeholders.

Group Nomination and Corporate Governance Committee

The Group Nomination and Corporate Governance Committee is responsible for identifying and nominating suitable candidates for the appointment of Directors.

Further details on the work of the committees can be found in the Corporate Governance Report, starting on page 125.

Management committees

Convened by the GRC to support its oversight of the group enterprise risk management framework, including:

Group Investment Committee

The Group Investment Committee ("GIC") oversees the investment of assets (other than operating assets) of the Group. Its primary duties and responsibilities are: (i) to review and approve formulation and execution of investment strategy; (ii) to review and approve investment mandate and guidelines; new classes of investments; and significant hedging programmes; (iii) to monitor and review investment performance; and (iv) to monitor and review the liquidity and investment exposures of business units and Group.

Group Asset Liability Management Committee

The Group Asset Liability Management Committee ("ALMCO") is a sub-committee of the GRC. It assists the GRC with financial and insurance risk oversight and asset liability management ("ALM"). The primary duties and responsibilities of the ALMCO are: (i) to review and recommend major business unit's Strategic Asset Allocation and Tactical Asset Allocation for GRC approval; (ii) to monitor the effectiveness and implementation of the Group's policies and related procedures for asset-liability management; (iii) to immediately report and escalate financial and insurance risk issues to the GIC and GRC as appropriate; and (iv) to provide advice on financial and insurance risk management – to the GRC and the Group Board.

Group Compliance and Operational Risk Committee

The Group Compliance and Operational Risk Committee ("GCORC") is also a sub-committee of the GRC. Its primary duties and responsibilities are: (i) to provide direction, policies and oversight on management of non-financial risks, including but not limited to IT, Cyber, Outsourcing Risk, in line with the risk appetite set by the Group Board; (ii) to immediately report and escalate non-financial risk related issues to the GRC; and (iii) to provide advice on non-financial risk management to the GRC and the Group Board.

Three Lines of Defence

The Three Lines of Defence structure aims to oversee, challenge and offer assurance across all business matters in relation to risk. It ensures our control functions operate independently – and are properly resourced. The roles and responsibilities of each are as follows:

First Line of Defence

The First Line represents the business operations, the management and employees who manage risk day-to-day in accordance with the strategies and policies set by the Group Board. The First Line develops and implements risk mitigation actions – including monitoring and reporting any risks incurred in the course of business.

Senior management team

This is our executive management and this team is responsible for effective internal controls and risk management. They regularly monitor and evaluate our overall risk profile to ensure that we operate within our risk tolerance. The team takes an active role in managing risk by assessment, challenging where appropriate, providing resolution plans as necessary, and capturing the results.

Functional units

Key personnel and management across functional units serve as process owners and risk takers responsible for operating the business, managing risks. This includes identifying, assessing, measuring and monitoring and reporting risks associated with their business processes or functions, as well as executing business controls so the overall business processes achieve their common objectives. The functional units translate the business risk appetite into methodologies and policies to monitor business management's control of risk.

Financial control function

Whilst the FWD Group does not establish a distinct financial control function, the responsibilities for ensuring robust control over financial matters (e.g. investments, accounting and financial reporting) is assumed by the Group Chief Financial Officer and undertaken by multiple teams under his control. The responsibilities are assigned to ensure that: (i) suitable policies are developed, implemented and reviewed to govern financial reporting and accounting practices; (ii) robust processes are designed, implemented and reviewed to comprehensively manage financial transactions, financial reporting, protect financial resources and reduce exposure to potential fraud; and (iii) adequate financial reporting systems and tools are established, with integrated controls to identify any errors, inconsistencies or other accounting issues.

Actuarial function

The Actuarial function is established to provide advice to the Group Board and Group senior management regarding matters on technical provisions, premium and pricing activities, actuarial modelling, capital adequacy, reinsurance and compliance with related statutory and regulatory requirements, at a minimum.

Second Line of Defence

The Second Line comprises our risk management and compliance functions. These provide independent oversight of risk exposures, risk management practices and compliance matters.

Risk management

Risk management function is responsible for facilitating functional units in managing their risks and coordinating risk management across the Group. Risk Management works collaboratively with other Second Line functions to provide objective challenge and support and escalate matters when necessary – to help optimise the trade-off between risk and reward.

Risk management function has responsibility for providing support and opinion to the Group Board, GRC and senior management team. This is to establish and implement appropriate policies and procedures in relation to the Group Enterprise Risk Management ("ERM") Framework. Risk management function and the Group Chief Risk Officer are responsible for the preparation of the ORSA report and actively liaise with the broader business and executives to enable its timely delivery. The Group Chief Risk Officer has direct access to the GRC for all risk matters independently and has a reporting line to the Chair of the GRC.

Compliance

Compliance function advises and assists functional units to manage compliance risk, ensuring compliance with all applicable laws, regulations and ethical standards. Compliance (i) partners with legal to identify laws, regulations and standards and identify areas of compliance risk within the business; (ii) works closely with all functional units to identify activities to mitigate compliance risk based on the Group Board's approved risk appetite; (iii) monitors the First Line's control of compliance risk and advises management on significant compliance risk management matters; (iv) works collaboratively with risk management to provide objective challenge and to support and escalate matters when necessary to help optimise the trade-off between risk and reward; and (v) is an adviser to the business as it designs, implements and embeds business procedures, tracks internal mitigation activities, designs and delivers training and executes other framework activities. The Group Chief Compliance Officer has direct access to the GRC for all compliance matters independently and has a reporting line to the Chair of the GRC.

Third Line of Defence

The Third Line comprises the internal audit function. It provides independent assurance on the design and effectiveness of our risk management and internal control system. Internal audit provides independent assurance on the design and effectiveness of our overall system of risk management and internal control. Internal Audit is independent of both the First and Second Line functions and reports directly to the Group Audit Committee.

Risk Appetite Framework

The Risk Appetite Framework ("RAF") organises the Group's overall approach to selecting the risks it wishes to seek, retain, transfer and/or avoid in the pursuit of its strategic objectives and guides key business activities accordingly. The RAF is comprised of the risk philosophy, Risk Appetite Statements and risk metrics and limits. Each of these components are further supported by robust governance – i.e. roles, responsibilities and escalation mechanisms.

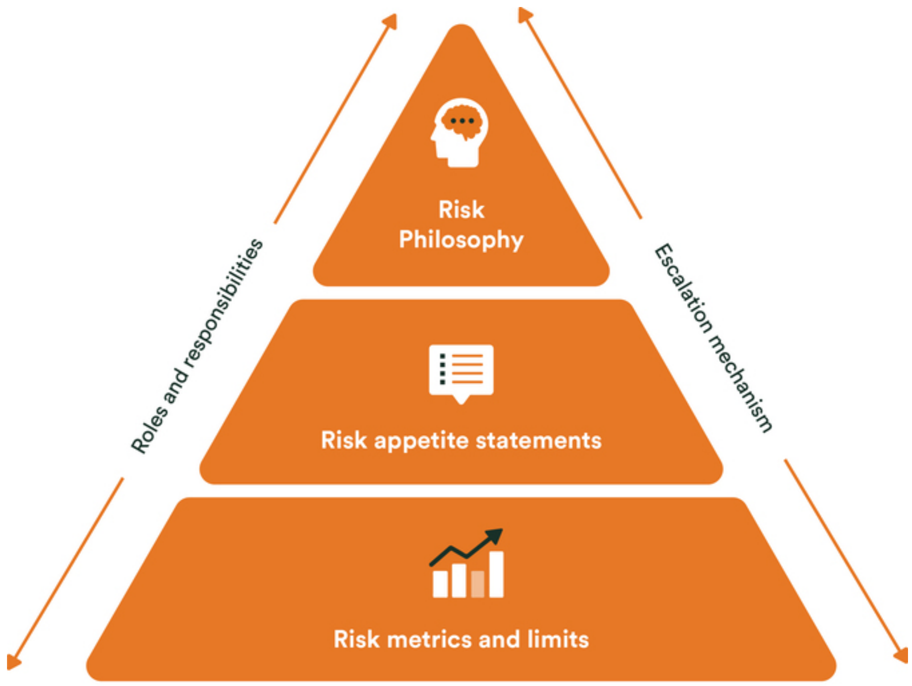
Risk philosophy: FWD Group's risk philosophy defines the Group's overall attitude towards risk, with consideration of our vision, corporate strategy and the expectations of key stakeholders. The risk philosophy therefore demonstrates a critical linkage between FWD's business objectives and its approach to risk management.

Risk Appetite Statements: FWD Group's Risk Appetite Statements ("RAS") determines the extent of risk that the Group Board is willing to accept in the pursuit of its strategic objectives ("core RAS") and to define their attitude towards each of the risks to which the Company is exposed ("risk type RAS").

Risk metrics and limits: FWD Group's risk metrics and limits provide the capability for FWD to measure its actual exposures relative to the Group's RAS, evaluate the extent to which day-to-day business activities are within the bounds of risk appetite and determine whether any mitigation action is required.

Risk Appetite Framework

Our risk appetite is illustrated as follows:



Risk philosophy

The Group's risk philosophy is as follows:

"FWD's vision is changing the way people feel about insurance, from which the Group's business strategy and risk philosophy are derived. FWD aims to realise this vision through accelerated growth (both inorganic and organic), simple products and relevant solutions, and best-in-class customer experiences. We focus on maintaining financial stability and creating long term sustainability through achieving scale and effective risk and capital management."

Core Risk Appetite Statements

The Group has expressed the core RAS as follows:

Strategy	FWD aims to achieve its Group's vision and strategic objectives, in particular from adoption of disruptive technologies, increasingly data-driven decision making and testing of distribution channels to strengthen customers' experience and enhance competitive advantage.
Financial	FWD aims to manage its business to ensure it maintains sufficient capital for the Group to support the Group regulatory capital requirements and the Group economic capital after defined stresses, and sufficient funding to support the business activities and capital needs of operating units, whilst creating sustainable value and earnings consistent with stakeholder's expectations and achieving a minimum of an investment grade credit rating for the Group.
Non-financial	In the pursuit of its vision and strategic objectives, FWD aims to maintain its operational resilience and its commitments to customers and other external stakeholders, and to avoid material adverse impact on its reputation, thereby building long-term trust and demonstrating itself as a responsible firm amongst its key stakeholders and the local communities within which the Group operates.

Risk Appetite Statements

Corresponding to each key business objective, the Group has expressed the risk appetite statements as follows:

Strategy:

	Appetite Statement	Actionable Statement
Strategy risk	• FWD accepts strategic risk as part of its business planning process and pursue of its vision and strategic objectives. • FWD has no appetite for business activities or decisions that knowingly lead, or are likely to lead, to negative impacts on FWD's brand value or customer outcome. • FWD accepts the long term risks posed by climate change (e.g. physical and transition risk) where it is identified, assessed and incorporated into the business planning process.	• We adhere to our vision and continue employing technologies to innovate our distribution, products and services that enable the improvement in customer experiences. • In the implementation of our growth strategy, we use a balanced approach to risks and controls that employs sound risk management principles, whilst considering the interest of all stakeholders. • FWD continues to monitor internal and external events that can negatively influence stakeholders' perception of its strategy or can adversely impact FWD's brand value or customer outcome. • FWD have identified the risks posed by climate changes and incorporates climate-related assessments into key strategic planning processes and decisions. We will continue to monitor climate-related risks and concentrations, and assess and mitigate the impacts to the Group's long term strategy.

Financial:

	Appetite Statement	Actionable Statement
Market risk (ex-Credit)	• FWD accepts market risk exposure where it has ample understanding and is able to manage its position as a long-term investor to generate adequate and sustainable risk-adjusted returns for the benefit of its policyholders and shareholders. • FWD has a low appetite for concentration risk from market risk. • FWD has no appetite for complex market risks for which the Group has no knowledge.	• To avoid excessive and complex exposures to market risks, FWD ensures market risk taken within market risk appetite and the limits. • To avoid excessive concentration risk, FWD sets concentration limits on single names, group of related names, sector, cross-border and third-party managed funds investments. • To mitigate excessive exposures to interest rate risks, FWD ensures effective asset-liability management, including prudent use of derivatives for risk management purposes, and to mitigate excessive exposures. • FWD does not speculate in foreign exchange exposures. Where exposures arise as part of business activities, the risk should be hedged (or otherwise) as deemed appropriate.
Credit risk	• FWD has a low appetite for credit risk arising from a default by an insurance, reinsurance or investment counterparty (except the credit investments) to fulfil its obligations to the Group. • FWD has a low appetite for concentration risk.	• To mitigate the exposure to credit risk, FWD seeks to engage in transactions with highly rated counterparties and requires that the average credit rating on a portfolio basis remains above investment grade. • To avoid excessive concentration risk, FWD sets concentration limits on single issuers, group of related issuers, sector, cross-border and third-party managed funds investments.
Insurance risk	• FWD accepts insurance risk exposure that the Group has the experience to understand, ability to measure and reasonable expectation to price and derive value for shareholders and customers.	• To reduce excessive exposure to insurance risk (e.g. in the absence of relevant experience and knowledge), FWD makes use of reinsurance or other forms of risk transfer when deemed necessary. • FWD seeks to ensure that insurance risk acceptance and valuations are based upon robust operating assumptions to reduce risk of deviation in actual experience, and reviews the operating assumptions regularly.

Liquidity risk	• FWD has a low appetite for liquidity risk arising from group operating expenses, debt servicing, external dividends, and capital support to business units. Within each business unit, the liquidity need arises from insurance business activities and planned remittance to the Group.	• FWD ensures that sufficient financial resources are available at the business unit level and at the holding company level to meet the financial obligations. • FWD sets liquidity risk limits in both business-as-usual and defined stress scenarios.

Non-financial:

	Appetite Statement	Actionable Statement
Operational and compliance risk	• FWD accepts operational risk (including technology and cyber security) is an inherent part of business operations and has varying appetite and tolerance levels for different types of operational risk, nevertheless we will proactively take steps to mitigate the risks and minimize the impact. • FWD has no appetite for behaviours and decisions that knowingly lead, or are likely to lead, to unfair customer outcomes, regulatory intervention, breach of code of conduct or reputational damage. • FWD has low appetite for adverse business resilience and no appetite for control deficiencies that result in material losses (direct or indirect).	• To remain within the risk appetite and avoid material adverse impact, FWD aims to manage operational risk including technology and cyber security effectively to maintain operational resilience, reputation and commitments to customers and other external stakeholders (including but not limited to shareholders and regulators) and the wider financial system stability, and escalates any high or extreme operational risk events to the Risk Committee and Board, which requires immediate mitigation actions. • FWD will always act with good faith and intention for fair customer outcome and regulatory compliance, and requires its employees and third parties to adhere to its Code of Ethics and Business Conduct. • FWD has a robust and effective risk-based control environment to mitigate the risk of unfair customer outcome and adverse business resilience, while minimising financial losses arising from operational failures and control deficiencies.

Risk management process

FWD has defined the risk management process in five steps:

(i) Risk identification;

(ii) Risk assessment;

(iii) Risk response;

(iv) Risk monitoring and review; and

(v) Communication and improvement.

The risk management process enables FWD group to identify risks it is exposed to and provides guidance on how the risks are to be mitigated or transferred.

Risk identification: We undertake risk identification to systematically and comprehensively identify any risks in our process, leveraging our people, tools and capabilities to capture the risks that FWD Group is exposed to.

Risk assessment: Risk assessment is performed by classifying risks into different levels. We then assess the impacts against their inherent, residual and expected risks – considering the current control environment and future mitigation actions.

Risk response: Based on the results of risk assessment, response measures are determined to manage risk in accordance with our risk appetite.

Risk monitoring and review: Risk monitoring describes our process of assessing whether the FWD Group is in control of its risks. Risk monitoring is a continuous process to measure and evaluate the effectiveness of our internal controls; to determine whether any risks are within our risk appetite and in line with our desired levels; and whether policies, minimum standards and regulations continue to be adhered to.

Communication and improvement: Risk information is gathered, analysed and communicated in a structured way within our governance structures to ensure the relevant personnel are made aware of risks and can support them in taking responsibility for managing risks.

Own Risk and Solvency Assessment ("ORSA")

The Group Board and senior management team are responsible for the ORSA. This includes adopting a rigorous process for setting, approving, and overseeing implementation of the ORSA. The Group Board and senior management team are accountable for the ORSA report by reviewing and challenging its results – including the identification and assessment of risks and the underlying assumptions for capital calculations.

Classification of Risks

As shown in the table below, all risks the business is exposed to are classified into four major risk categories. These are in turn broken down into a number of lower level risk factors or risk issues.

Enterprise risk management

Strategic risks

- Group
- Channel
- Reputation
- Business intelligence
- Technological strategy risk
- Political and social
- Environmental and climate

Insurance risks

- Mortality
- Morbidity
- Persistency
- Expense
- Underwriting
- Claim
- Pricing
- Model[1]

Operational risks

- People
- Fraud
- Physical security and safety
- Business continuity
- Transaction processing & execution
- Technology
- Conduct
- Legal
- Financial crime
- Regulatory compliance
- Privacy
- Third party
- Information security (including cyber)
- Statutory reporting and tax
- Data management
- Model[2]

Investment, ALM & capital risks

- Liquidity
- Market
- Credit
- Asset concentration
- Asset liability matching
- Capital management

Notes:
1. Focus purely on the non-operational risk aspect of model risk (e.g. appropriateness of assumptions setting, risk selection criteria that aligning assumptions)
2. Focuses purely on the operational risk aspect of model risk

Strategic risks

Strategic risks cover corporate level issues the FWD Group faces, particularly those related to the competitiveness and sustainability of the FWD Group. Strategic risks also address issues that involve the long term direction of the FWD Group.

Group risk

Group risk refers to risks arising from being a member of a group. This considers the risks of an event/s to a group as a whole or to individual members which can adversely impact other members of the group. Group risk considers the inter-relationships between members of the group including control, influence and interdependencies. As a group operating in 10 markets with more than 50 subsidiaries, every entity within the Group is exposed to group risk.

The Group also maintains a central record to monitor intra-group transactions and other arrangements. The central record is subject to continued review to ensure its accuracy and completeness, with a risk assessment undertaken as part of the Group's regular risk management process to identify material transactions and implement suitable controls accordingly.

The Group's business units operate independently and, overall, there is limited interconnectedness across the Group. Intra-group transactions are overseen by the relevant Group Office functions to ensure adherence with the relevant Group policies. In this regard, the Group has adopted processes to identify and assess material systematic intra-group transaction risks, ensuring that risks assumed are within the Group's Risk Management Framework. During the year ended 31 December 2023, material intra-group transactions included: intra-group funding and dividend payments managed as part of the Group's capital management activity (please refer to Note 6.1 of the Notes to the consolidated financial statements and material accounting policies in this report for details of the net capital flows between the Group's operating segments); intra-group recharges based on inter-company service agreements; intra-group reinsurance agreements within the Hong Kong segment; intra-group loans and intra-group guarantees in support of the obligations of non-insurance entities; and an internal perpetual capital security issued by the Company to the Japan segment. All intra-group transactions are non-complex and carried out as part of the normal course of business for an insurance group.

In 2023, intra-group revenue for recharges, dividends from operating subsidiaries, and intra-group receivables / payables for recharges eliminations amounted to US$196 million, US$331 million and US$274 million respectively (2022: US$153 million, Nil and US$198 million).

Channel risk

Channel or sales channel is the primary contact point between FWD Group and its customers or policyholders. Channel risk is highly associated with the ability to attract and retain customers through the product offerings. To some extent, channel risk also deals with the quality and competitiveness of its contact with customers which often lead to many related risks, particularly those related to operational risks.

Reputation risk

Reputation risk refers to risks arising from any potential negative perception from customers, regulators, or counterparties regarding its business practices, regulatory compliance, and current and prospective financial status and/or solvency, including any indirect negative perception from its shareholders, investors or major business partners that could impair its ability to maintain/establish its existing/new relationship or service. Reputation risk could be caused by systemic or industry-wide factor in which FWD Group operates. Reputation risk usually results from other risk issues and cannot be quantitatively assessed in isolation. A complaint policy is in place to handle customer complaints. A Crisis and Business Continuity Management Policy is in place to minimise the negative influence of a crisis event. The Group has no appetite for material reputational damage.

Business intelligence risk

Business intelligence risk refers to risks arising from a failure to adequately define, gather, analyse, and distribute intelligence about products, customers, competitors, and any aspect of the environment needed to support FWD Group executives and managers making strategic decisions. It is the organisational function responsible for the early identification of risks and opportunities in the market before they become obvious.

Technological strategy risk

Technological strategy risk refers to risks arising from a failure to leverage technology to provide solutions that meet new requirements, inarticulate needs, or existing market needs. This is accomplished through innovative products, processes, services and technologies. FWD is exposed to the risk due to our vision to create fresh customer experience supported by leading digital technologies. However, the risk is not easy to be assessed nor quantified. The Group keeps abreast of the development of technologies and customer needs and ensures adequate resources to support relevant technological initiatives.

Political and social risk

The risk FWD Group faces because of political and social changes or instability in a jurisdiction, country or region.

Environmental and climate risk

Environmental risk refers to the risk posed by the exposure of the Company to activities that may potentially cause or be affected by environmental degradation.

Climate risk refers to the risk posed by the exposure of the Company to physical, transition or liability risks caused by or related to climate change.

The changing business and economic landscape require the integration of climate and environmental risk into insurers' risk management and measurement to address increasingly material risk exposures. FWD uses the Taskforce for Climate-related Financial Disclosures ("TCFD") as guidance for the assessment and disclosure of climate-related risks and to establish a strategy to address these. Climate and environmental risk is overseen by the Group Nomination and Corporate Governance Committee and Group ESG Management Committee. A Group-wide climate risk assessment and climate related scenario analysis have been performed. This will result in Key Risk Indicators being defined and formally integrated into Enterprise Risk Management ("ERM") and the establishment of targets and metrics to monitor these exposures on an ongoing basis.

The physical risks of climate change to the Group's life insurance products are low as there are insufficient links between disease-related life insurance claims and climate change, however this will continue to be monitored. The risk (and opportunity) is primarily in the transition to a low carbon economy, which may adversely impact the valuation of investments held. To manage these risks, the Group is shifting to a sector-based approach to assess and potentially reduce carbon risk exposure, prioritising heavy emitters, as well as reducing the Group's own day-to day emissions. Finally, FWD will support investor-led and community-led initiatives to promote natural climate solutions and climate resilience.

Insurance risks

FWD Group is exposed to insurance risks as we provide protection and wealth management products and services to customers. More specifically the risk exists where the actual experience is different from the assumptions adopted when designing the products.

Indicators are monitored to assess the risk level, which include the actual to expected ratios and combined ratios. To manage the risk, the Group also utilises several benchmarks to assess the pricing adequacy of a new product and the ongoing appropriateness of an existing product. Where these benchmarks do not meet the internal criteria, the product is subject to review.

We are also exposed to failure of reinsurers due to the reinsurance arrangements across business units.

Many insurance related risk parameters are characterised by the following three risk components.

- Volatility: The risk that actual value differs from expected, assuming the best-estimate parameter is true. Volatility is the result of the randomness of the risk process.
- Calamity: The risk of a one-time claim of extreme proportions due to a certain major event, which is not caused by a change of the parameters. The event can be viewed as a one-year shock. Examples of calamity risk are epidemics, earthquakes, big flood, terrorist attack, etc.
- Uncertainty: The risk of parameter estimation as a result of statistical estimation errors and changes of parameter over time.

Mortality risk

Mortality risk is associated with life expectancy. There are two types of mortality risk

- Positive mortality risk: the case where more insured die than expected, leading to higher claims than expected (typical in traditional whole life, endowment and term products), and
- Negative mortality risk or longevity risk: the case where insured's live longer than expected, leading to higher claims than expected (typical in pure endowment, annuity and pension products).

Mortality within one year (volatility and calamity) can impact the profitability of FWD Group in the year and future cash flows. The uncertainty component of mortality could lead to potential shortage of liabilities.

Morbidity risk

Morbidity risk is associated with health events where FWD Group is exposed to indemnifying or reimbursing losses caused by illness, accident or disability, or for expenses of medical treatment necessitated by illness, accident or disability. Morbidity risk comprises of the risk of variability of size, frequency and time to payment of future claims, development of outstanding claims and allocated loss adjustment expenses for morbidity product lines over the remaining contract period.

Persistency risk

Persistency risk is the risk associated with adverse variations in persistency rates of policyholders from those in the best estimate assumptions. In all life insurance business the policyholder has the (one-sided) option to end the contract before the maturity date.

Expense risk

Expense risk is the risk that actual operational expenses in the future exceed the expected costs assumed in the pricing assumptions.

Underwriting risk

Underwriting risk arises from evaluating, assessing and accepting business or risks (insurance policy application) by underwriters which could result in poor or different portfolio behaviours than those assumed by pricing and reserving process.

Claim risk

Claim risk is the risk that the claim payment exceeds the claim reserve due to poor claim assessment and claim management, payment is made to invalid claims, including fraudulent claims.

Pricing risk

The Company's products usually have a very long maturity. Therefore, inadequate pricing of a product due to inaccurate assumptions, model or other calculation error can expose the Company to long term problems, e.g. loss, capital, which can't be easily resolved.

Model risk

The risk of adverse consequences (e.g. financial loss, poor decision making or damage to reputation) arising from the improper design, development, implementation and/or use of a model. The risk can originate from, among other things, incorrect parameter estimates; flawed hypotheses and/or assumptions; inaccurate, inappropriate or incomplete data; and inadequate monitoring and/or controls.

Operational Risks

The risk of loss resulting from inadequate or failure in internal processes, people and systems or from external events is defined as operational risk, including Compliance Risk. To mitigate this risk, a comprehensive internal control framework is implemented with responsibilities assigned across the Group's Three Lines of Defence governance structure.

Compliance risk the risk of losses from damage to reputation, legal or regulatory sanctions, financial loss or loss of license to operate which flow from failure or perceived failure to meet the Company's compliance obligations. Compliance obligations arise from mandatory requirements such as applicable laws and regulations or voluntary commitments such as organisational and industry standards and codes, contractual relationships, principles of good governance and community and ethical standards. Breaches of regulations can lead to penalty ranging from fine to suspension of license, thus the impact cannot be easily quantified. Risk appetite has been set for compliance risk in which the Group has no appetite for the risk of regulatory intervention resulting from breaches of law or regulation. Compliance risk includes but not limited to Anti-Money Laundering, Anti-Bribery and Corruption and Conduct Risk.

People

Employment practice risk is the risk of loss due to acts inconsistent with employment, health laws, safety, or agreements. The Group faces challenges in recruiting and retaining quality staff under keen industry competition. At the same time, FWD's business plans create demand for experienced staff. The risk is qualitative in nature. Human Resources of both Group and BUs address the risk through reviewing employee benefits (versus respective market), talent management plans and employee engagement events.

External fraud risk

External fraud risk is the risk of loss from dishonesty of individuals outside the company, intended to defraud, misappropriate property or circumvent the law.

Internal fraud risk

The risk of loss from dishonesty of personnel within the company to defraud, misappropriate property or circumvent regulations, the law or company policy.

Physical security and safety

Losses arising from damage to physical assets from accidents.

Business continuity

Losses arising from inability to recover due to business disruption or system failure.

Transaction processing & execution

Losses from failed transaction processing or process management due to relations with trade counterparties and vendors.

Technology

Losses arising from technology failures, inadequate or failure in the management of technology systems and associated processes.

Conduct

Losses arising or adverse consequences due to conducting insurance business in a way that does not ensure the fair treatment of customers, fair outcomes, or results in harm to customers.

Legal

Losses arising from legal proceedings due to contractual or intellectual property disputes. Non-compliance with legislative requirement that lead to regulatory penalties or customer litigations.

Financial crime

Financial Crime Compliance (“FCC”) - Loss from any offence involving handling money or property that is from the proceeds of crimes or financing terrorism; the abuse of entrusted power for gain by offering (or promising to offer) or receipt of anything of value; failing to report the tax residence status; from any misconduct in or misuse of information related to a financial market.

Regulatory compliance

Losses arising or adverse impact to business operations from breach of regulation or industry practices and codes, ineffective and non-transparent relationship with regulators or failure to effectively implement regulatory changes.

Privacy

Loss arising from inappropriate management of personal data.

Third Party

Losses from failed transaction processing or process management due to relations with outsourcing vendors or suppliers.

Information security (including cyber)

Losses arising from failure to safeguard company and customer information.

Statutory reporting & tax

Losses arising from penalties or other financial penalties due to failure to meet regulator obligations in report tax filings.

Data management

Losses arising from poor data management, inadequate data analysis, unavailability of data, poor data quality, inadequate data architecture/ IT infrastructure, inadequate data storage/retention and destruction management.

Model

Losses arising from errors in design, methodology, implementation or application. Failure to detect changes, error inputs and outputs. Model risk is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Model risk can lead to financial loss, poor business and strategic decision making, or damage to a reputation. Operational risk component includes misuse or errors in implementation, model governance breach, etc.

Investment, asset liability management & capital risks

As an insurance group, investment and asset and liability management ("ALM") risks are among the principal risks of FWD Group and are the key drivers of capital requirements. FWD Group is exposed to market risk as the business units sell insurance and investment products where liabilities are set up while assets backing liabilities are held. Since both assets and liabilities are sensitive to interest rate movement, we are exposed to interest rate risk where there are mismatches.

FWD Group manages its assets and liabilities according to its ALM and market risk related policies, which address risks arising from market exposures, asset-liability mismatches, liquidity management, currency exposures and fund segregation.We manage our investments in accordance with our investment management framework, which seeks to ensure that our investment functions are effective and compliant with relevant laws and regulations. It also requires that our investment functions adhere to our ethical standards and risk management policies.

Market risk

Market risk is defined as the risk of adverse impact due to movements in equity and commodity prices, residential and commercial real estate values, foreign exchange, inflation and their respective levels of volatility.

Market risk may also exist in life insurance companies as a result of selling products with guarantees or options (guaranteed crediting rates, surrender options, profit sharing, etc.) that cannot be hedged given the assets available in the market.

Credit risk

Credit risk is the risk related to failure (i.e. actual default) by the issuer, guarantor, reinsurer, or counterparty associated with a financial instrument or transaction to meet its obligations to pay principle or interest, settle claims, or make any other obligated pay-off as well as deterioration of an obligor's credit worthiness short of default, including migration risk, and spread risk due to defaults.

Liquidity risk

Liquidity risk occurs when FWD Group is unable to realise investments and other assets in order to settle its financial obligations, including collateral needs, when they fall due. Liquidity risk is an asset and liability concern; it is neither solely an asset nor a liability risk. Liquidity requirements have to be met under different stress scenarios, such as sudden boost in surrender under a rising yield market resulted in unexpected significant cash outflows from policyholders' voluntary termination of their policy before its maturity.

Asset concentration risk

A concentrated position refers to the significant presence of a single security, securities of a single issuer or a certain asset class or market segment relative to FWD Group's overall portfolio. Concentrated positions prevent diversification. A concentrated portfolio exposes FWD Group to the risks of portfolio underperformance, portfolio volatility, reduction in income and capital loss if forced to exit at wrong time.

The greatest aggregate concentration of fair value to direct holding of an individual issuer (excluding all government related fixed income assets) is less than 1 per cent of the total equity and debt investments as at 31 December 2023.

Asset liability matching risk

Asset liability management is the practice of managing risks that arise due to mismatches between the assets and liabilities of an insurance company. A clearly defined ALM strategy should be articulated for each fund or segment and for the company as a whole. In most cases, the strategy will take the form of a target SAA that sets out target allocations for each asset class.

The Group and its BUs have specific ALM related goals and objectives, whilst these differ depending upon their individual circumstances and environment, there are some overarching principles that are applied. These principles ensure that any local legislation that may apply to the treatment of assets and liabilities is considered and that asset cash flows are managed in relation to liability cash flows in a manner that is within the agreed limits and risk appetite of the Group. Additionally, only asset classes permitted by FWD Group can be invested in and any financial derivative instruments must never be used for speculative purposes.

Assets and liabilities are considered to be well matched if their changes in value in response to market movements are highly correlated and within predefined risk metric limits. In assessing its asset-liability mismatch, each BU determines the appropriate metrics and respective risk thresholds and have approvals for these from the Group or BU ALM Committee. These typically include mismatches between the asset and liability cashflows, duration, dollar duration, liquidity and currency.

The duration of interest-bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities at segment-level.

In order to reduce exposure to changes in interest rates, the Group seeks to match, to the extent possible and appropriate, the duration of assets and related liabilities. However, the availability of assets of suitable duration may be restricted by applicable insurance laws, rules and regulations, and other market factors.

Specific governance processes and procedures are in place for ALM to ensure any breaches or errors are identified quickly and to govern the process for escalating any of these breaches to the appropriate parties.

Capital management risk

FWD aims to manage its business to ensure it maintains sufficient capital for the Group to support the Group Minimum Capital Requirement ("GMCR"), Group Prescribed Capital Requirement ("GPCR") and the Group Economic Capital ("GIECA") after a 1-in-20 stress event over a one year time horizon, and sufficient funding to support the business activities and capital needs of operating units, whilst creating sustainable value and earnings consistent with stakeholder's expectations and achieving a minimum of an investment grade credit rating for the Group.

Other risk exposures

Emerging risks

Emerging risks are risks which may develop or which already exist and are continuously evolving. As these risks have often not emerged yet, data which would help to adequately assess the frequency and severity may not even exist.

Intra-group transactions

The Group's business units operate independently and, overall, there is limited interconnectedness across the Group. Intra-group transactions are overseen by the relevant Group Office functions to ensure adherence with the relevant Group policies. In this regard, the Group has adopted processes to identify and assess material systematic intra-group transaction risks, ensuring that risks assumed are within the Group's Risk Management Framework. During the year ended 31 December 2023, material intra-group transactions included: intra-group funding and dividend payments managed as part of the Group's capital management activity (please refer to Note 6.1 of the Notes to the consolidated financial statements and significant accounting policies in this report for details of the net capital flows between the Group's operating segments); intra-group recharges based on inter-company service agreements; intra-group reinsurance agreements within the Hong Kong segment; intra-group loans and intra-group guarantees in support of the obligations of non-insurance entities; and an internal perpetual capital security issued by the Company to the Japan segment. All intra-group transactions are non-complex and carried out as part of the normal course of business for an insurance group.

Corporate Governance

Group Board of Directors

Professor Ma Si Hang, Frederick (馬時亨)

GBS, JP

Chairman and Independent Non-Executive Director

Appointed as Director: 23.09.2021 Appointed as Chairman: 07.07.2022

Aged 72, Professor Ma Si Hang, Frederick (馬時亨), GBS, JP, has served as our Independent Non-Executive Director since September 2021 and in July 2022 was appointed as Chairman. Professor Ma served as our Deputy Chairman from January 2022 to July 2022. He has also served as a Director of our subsidiaries, FGL and FL, since December 2013 and as an Independent Non-Executive Director of FWD Management Holdings since May 2021.

Professor Ma has held different senior positions at various local and overseas banks, financial institutions and companies, including Chase Manhattan Bank, Royal Bank of Canada Dominion Securities, JP Morgan Chase, Kumagai Gumi (HK) Limited and Pacific Century Cyberworks Limited. In 2002, he joined the Hong Kong Government as the Secretary for Financial Services and the Treasury and assumed the post of Secretary for Commerce and Economic Development in 2007. In October 2008, he was appointed as an Honorary Professor of the School of Economics and Finance at the University of Hong Kong. In July 2009, Professor Ma was appointed as a member of the International Advisory Council of China Investment Corporation. In December 2011, he was appointed as a Permanent Honourable President of Hong Kong Special Schools Council. In 2013, he was appointed as an Honorary Professor of the Faculty of Business Administration at the Chinese University of Hong Kong and as a member of the Board of Governors of Lui Che Woo Prize Limited. From 2017 to 2020, he was appointed as the Council Chairman of The Education University of Hong Kong. In July 2019, he was appointed as a member of International Advisory Council of Investcorp. In March 2023, he was appointed as a member of the Chief Executive's Council of Advisers. He also serves as an Independent Non-Executive Director of HKEX listed COSCO Shipping Holdings Co., Ltd. and BOC Hong Kong (Holdings) Limited and New York Stock Exchange listed HH&L Acquisition Co. He is also an Independent Non-Executive Director of Unicorn II Holdings Limited. Previously, he was the Chairman and Non-Executive Director of HKEX listed MTR Corporation Limited, a Director of Husky Energy Inc. and COFCO Corporation and an Independent Non-Executive Director of HKEX listed Agricultural Bank of China Limited and Guangshen Railway Company Limited and New York Stock Exchange listed New Frontier Health Corporation.

Professor Ma graduated with a Bachelor of Arts (Honours) degree from the University of Hong Kong in November 1973, majoring in Economics and History.

Huynh Thanh Phong (alias 黃清風)

Executive Director and Group Chief Executive Officer

Appointed: 26.05.2021

Aged 57, Huynh Thanh Phong (alias 黃清風) is our Group Chief Executive Officer, a position he has held since March 2014, with responsibility to lead our regional business, operations and strategic development. Mr. Huynh has served as a Director of our subsidiaries, FGL and FL, since March 2014 and was appointed as an Executive Director of FWD Management Holdings in May 2021. Mr. Huynh is an insurance professional with more than 30 years of experience in the insurance industry, spanning North America, Asia and the Middle East.

Before joining our Group, he worked with Argyle Street Management, a Hong Kong-based investment fund, in an advisory role from 2013 to 2014. From 2010 to 2013, Mr. Huynh was Regional Chief Executive for the AIA Group ("AIA"), responsible for leading its business operations in Singapore, Indonesia, Malaysia, Vietnam, India, Thailand and Sri Lanka. From 2009 to 2010, he served as Executive Vice President for Insurance at Fullerton Financial Holdings, a wholly owned subsidiary of Temasek Holdings, where he was responsible for building the insurance business in Indonesia, Malaysia, Vietnam, China, India, Pakistan and the Middle East. He also worked for 12 years at Prudential plc, where he held a number of senior level positions including the founding Chief Executive Officer of Prudential Vietnam and Managing Director for Prudential Corporation Asia, responsible for managing its operations in East Asia, Southeast Asia and the Middle East. He started his career in Canada with Crown Life, and moved to Manulife Financial, where he was appointed as Manulife's Appointed Actuary for the Greater China Region in 1992.

Mr. Huynh is a qualified actuary and a Fellow of the Society of Actuaries (USA). He was awarded the title of Officer of the Order of the British Empire by Queen Elizabeth II in June 2005 in recognition of his contribution in promoting UK financial services in Vietnam. Mr. Huynh graduated in June 1986 with a Bachelor of Science degree from the University of Alberta, Canada.

Li Tzar Kai, Richard (李澤楷)

Executive Director

Appointed: 10.11.2020

Aged 57, Li Tzar Kai, Richard (李澤楷) was appointed to our Board in November 2020 and serves as our Executive Director. Mr. Li has also served as a Director on the boards of our subsidiaries, FGL and FL, since November 2020 and as an Executive Director of FWD Management Holdings since March 2024.

Mr. Li is the founder and serves as the Chairman of PCG. Mr. Li founded PCG in 1993 to invest in the financial services, technology, media & telecommunications and property industries.

Presently, Mr. Li is the Executive Director and Chairman of HKEX listed PCCW, an information and communications technology company that PCG acquired in 1999. He is also the Chairman and an Executive Director of HKEX listed HKT, a telecommunications company that PCCW acquired in 2000. He also serves as Chairman and Executive Director of Singapore Exchange listed Pacific Century Regional Developments Limited, as Executive Director of HKEX listed Pacific Century Premium Developments Limited and as Chairman of bolttech Holdings. In 2010, he acquired the asset management business of AIG through PCG, which was subsequently renamed as PineBridge. Mr. Li is a Non-Executive Director of PineBridge.

Mr. Li is a member of the Center for Strategic and International Studies' International Councillors Group in Washington, D.C. He was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

John Dacey

Non-Executive Director

Appointed: 15.12.2022

Aged 63, John Dacey has served as our Non-Executive Director since December 2022. He has also served as a Director of our subsidiaries, FGL and FL, since December 2022.

Mr. Dacey is the Group Chief Financial Officer at Swiss Re Ltd, which is listed on SIX Swiss Exchange, a position he has held since April 2018. He joined Swiss Re in October 2012 and was appointed Group Chief Strategy Officer and member of the Group Executive Committee in November 2012. He also served as Chairman of Admin Re® from November 2012 to May 2015. Mr. Dacey is a Non-Executive Director of HKEX listed China Pacific Insurance (Group) Co., Ltd.

Mr. Dacey started his career in 1986 at the Federal Reserve Bank of New York. From 1990 to 1998, he was a consultant and subsequently Partner at McKinsey & Company. He joined Winterthur Insurance in 1998 and was its Chief Financial Officer from 2000 to 2004 as well as member of its Group Executive Board until 2007. From 2005 to 2007, he was Chief Strategy Officer and member of its Risk and Investment Committees. He joined AXA in 2007 as Group Regional Chief Executive Officer and Group Vice Chairman for Asia-Pacific as well as member of their Group Executive Committee.

Mr. Dacey graduated with a Bachelor's degree in Economics from Washington University in August 1982, and received a Master's degree in Public Policy from Harvard University in November 1986.

Walter Kielholz

Non-Executive Director

Appointed: 23.09.2021

Aged 73, Walter Kielholz has served as our Non-Executive Director since September 2021. Mr. Kielholz has also served as a Non-Executive Director of FWD Management Holdings since July 2023.

Mr. Kielholz was named Honorary Chairman of Swiss Re Group in April 2021. After graduating in finance and accounting, he began his career at General Reinsurance Corporation, Zurich, in 1976. In 1986 he joined Credit Suisse, where he was responsible for banking relationships with large insurance groups. He joined reinsurer Swiss Re Group in 1989, becoming an Executive Board member in 1993, and served as Swiss Re Group's Chief Executive Officer from 1997 to 2002. He became Vice Chairman of Swiss Re Group's board in 2003 and served as Chairman from 2009 until April 2021, when he took up his present honorary role. He has served on a number of Swiss Re Group Committees throughout his long and distinguished career at Swiss Re Group, including the Finance and Risk Committees and the Chairman's and Governance Committee.

Mr. Kielholz's positions outside of Swiss Re Group include tenure on the board of Credit Suisse (1999 to 2014, Chairman from 2003 to 2009). He was elected to the International Insurance Society's Hall of Fame in March 2005 and awarded with the Honorary Citizen Award in Singapore in August 2022. Mr. Kielholz graduated in October 1975 with a Business, Finance and Accounting degree from the University of St. Gallen, Switzerland.

The Honourable John Baird

Independent Non-Executive Director

Appointed: 23.09.2021

Aged 54, The Honourable John Baird, P.C. has served as our Independent Non-Executive Director since September 2021. He has also served as a Director of our subsidiaries, FGL and FL, since 2015 and as an Independent Non-Executive Director of FWD Management Holdings since November 2021. Mr. Baird has also been a Non-Executive Director of our affiliated company, PineBridge, since 2015.

Mr. Baird is a former Senior Cabinet Minister in the Government of Canada and serves as a Senior Advisor to various enterprises. An instrumental figure in bilateral trade and investment relationships, Mr. Baird has played a leading role in the Canada-China dialogue and worked to build ties with ASEAN countries. In addition, Mr. Baird has worked closely with international leaders to strengthen security and economic ties with the United States and Middle Eastern countries. A native of Ottawa, Mr. Baird spent three terms as a Member of Parliament and four years as Foreign Minister. He also served as President of the Treasury Board, Minister of the Environment, Minister of Transport and Infrastructure, and Leader of the Government in the House of Commons. In 2010, he was selected by Members of Parliament from all parties as Parliamentarian of the Year. Prior to entering federal politics, Mr. Baird spent ten years in the Ontario Legislature where he served as Minister of Community and Social Services, Minister of Energy, and Government House Leader.

Mr. Baird has served as a Senior Business Advisor with Bennett Jones LLP, a Canadian law firm, since 2015. In addition, Mr. Baird holds positions on the Advisory Board of New York Stock Exchange listed Barrick Gold Corp. and Corporate Boards of Canadian Pacific Kansas City and Canadian Forest Products (Canfor) where he serves as Chair. He serves as a Senior Advisor at Eurasia Group, a global political risk consultancy. Mr. Baird also volunteers his time with Community Living Ontario, an organisation that supports individuals with developmental disabilities, and is a board member of the Friends of Israel Initiative.

Mr. Baird graduated in May 1992 with an Honours Bachelor of Arts degree in Political Studies, and was conferred an Honorary Doctor of Laws in June 2018, from Queen's University at Kingston.

Chung Kit Hung, Martina (鍾傑鴻)

Independent Non-Executive Director

Appointed: 29.10.2020

Aged 65, Chung Kit Hung, Martina (鍾傑鴻) was appointed to our Board in October 2020 and serves as our Independent Non-Executive Director. She currently serves as an Independent Non-Executive Director of FWD Management Holdings. She has also served as a Director of our subsidiaries, FGL and FL, since 2013. She also acted as a Director in other companies affiliated with, or in, our Group, including in FWD Financial Services from September 2017 to February 2024 and in FWD Group Management from July 2013 to January 2024. Previously, Ms. Chung served as a Director of PCGI and FWD Pension Trust (renamed to Sun Life Pension Trust Limited in 2017).

Ms. Chung's experience in the Asian life insurance industry spans more than three decades. She joined PCG in October 2011 and was responsible for business development and strategy as its Executive Vice President, Business Development. Prior to joining PCG, Ms. Chung spent 21 years with AIA, where she held a number of management positions, including as Head of Group Corporate Planning, executive oversight for Finance & Actuarial and Group Chief Actuary. She was also a member of the AIA Executive Committee.

Ms. Chung is a Fellow of both the Society of Actuaries (United States) and the Canadian Institute of Actuaries. She graduated from the University of Toronto with a Bachelor of Arts degree in November 1980.

Kyoko Hattori

Independent Non-Executive Director

Appointed: 23.09.2021

Aged 49, Kyoko Hattori has served as our Independent Non-Executive Director since September 2021. She has also served as a Director of our subsidiaries, FGL and FL, since 2017 and of FWD Life Japan since December 2017. She has been an Independent Non-Executive Director of FWD Management Holdings since May 2021.

Ms. Hattori holds the position of Regional Director at Phillips Auctioneers Limited in Japan. She started their Tokyo office in 2016 and is responsible for the management of client relationships and development of the collector base. From 2013 to 2015, Ms. Hattori was a Consultant at Spencer Stuart & Associates, where she led executive searches for both Japanese and global clients in the consumer industry. Between 2004 and 2013, she rose from Associate to Director at Aetos Japan, where she was in charge of deal origination and management of client relationships and transactions including hard assets, non-performing loans and mergers & acquisitions, with a focus on Japanese and foreign financial institutions, and spearheading the company's marketing efforts. From 2002 to 2004, she worked at Space Design, a property developer, as a Manager and subsequently an Executive Officer, overseeing their business planning, marketing and project management. Ms. Hattori started her career in 1998 with a four-year stint as a business analyst and an associate at McKinsey & Company, providing consulting services to clients in the banking, insurance, pharmaceutical and FMCG industries.

She graduated from University of Tokyo with a degree in Economics in March 1998.

Dirk Sluimers

Independent Non-Executive Director

Appointed: 26.05.2021

Aged 71, Dirk Sluimers has served as our Independent Non-Executive Director since May 2021. He has also served as a Director of our subsidiaries, FGL and FL, since 2016 and as an Independent Non-Executive Director of FWD Management Holdings since May 2021.

From 2008 to 2016, Mr. Sluimers was the Chief Executive Officer of APG Group, which provides asset management, administration and fiduciary services for pension funds. Between 2016 and 2021, he was an Extraordinary State Councillor for the Council of State, which is the main advisory body of the Dutch government under chairmanship of King Willem Alexander of the Netherlands. Mr. Sluimers also serves as Vice Chairman of the Supervisory Board of Euronext Paris listed Euronext NV, Chairman of the Supervisory Board of Euronext Amsterdam NV, Chairman of the Supervisory Board of NIBC Bank and a member of the Supervisory Board of Euronext Amsterdam listed AkzoNobel NV. Mr. Sluimers is a member of the Advisory Boards of Quore Capital and Spencer Stuart Executive Search. Additionally, he is an advisor to Bank of America, Arrow Global Ltd and Equitix Ltd. He currently serves on a number of cultural and educational boards, including as a member of the Board of Governors of the State Academy for Finance and Economics, member of the Royal Dutch Society of Science and he is Chairman of the Thorbecke Fund. In September 2017, he was appointed to the Electoral Committee of the Dutch Liberal Party, having previously served in this Committee for the elections in 2010 and 2012. From 2003 to 2008, Mr. Sluimers was Chairman of the Board of Directors and Chief Financial Officer of ABP, the pension fund. Between 1991 and 2003, he held various positions at the Dutch Ministry of Finance, lastly as Director General of the Budget. Between 1987 and 1991, he was Deputy Director General at the Ministry of Public Health, and from 1979 to 1987, he held senior positions at the Ministry of Social Affairs and the Ministry of Finance. Previously, he was also a member of the Supervisory Boards of Atradius NV, Fokker NV, the National Investment Bank NV, Inter Access NV and ABP Insurance NV. He has also served on the Board of Trustees of the IFRS Foundation, the supervisory body of the International Accounting Standards Board and the Advisory Board of Rabobank. He was also the Chairman of the Board of Governors of the Postgraduate Programme for Treasury Management at the University of Amsterdam.

He graduated in April 1980 with a Master's degree in Economics from the Erasmus University Rotterdam and is an Officer in the Order of Orange Nassau.

Yijia Tiong (張怡嘉)

Independent Non-Executive Director

Appointed: 28.05.2021

Aged 39, Yijia Tiong (張怡嘉) has served as our Independent Non-Executive Director since May 2021. She has also served as an Independent Non-Executive Director of FWD Management Holdings since January 2022.

Ms. Tiong has been the Chief Strategy Officer at Ming Pao Newspapers Limited, a Hong Kong-based newspaper publication, since 2017. She has extensive experience in business development, sales and marketing, media operations and corporate management. She also serves as an Executive Director and is a member of the Group Executive Committee and Sustainability Committee of Media Chinese International Limited, which is dual-listed on HKEX and Bursa Malaysia Securities Berhad. As well, Ms. Tiong is a Director of Ming Pao Holdings Limited and WAW Creation Limited (formerly known as MCIL Digital Limited).

She graduated from the University of Melbourne with a Bachelor of Arts degree in Art History and Politics and a Bachelor of Commerce degree in Economics and Management in December 2007. She obtained the Pearson SRF BTEC Level 7 Advanced Professional Diploma for The Financial Times Non-Executive Director in May 2023.

Sun Po Yuen (孫寶源)

JP

Independent Non-Executive Director (since 06.10.2023)

Appointed: 18.10.2022 as a Non-Executive Director

Aged 63, Sun Po Yuen (孫寶源), JP, has served as our Non-Executive Director since October 2022 and was re-classified as an Independent Non-Executive Director with effect from October 2023. He also served as a Non-Executive Director of FWD Management Holdings since October 2022 and was re-classified as an Independent Non-Executive Director with effect from October 2023.

Mr. Sun had been an audit partner with PricewaterhouseCoopers in Hong Kong for 25 years until July 2021. He held various leadership positions in different assurance business units, including the institutional group for Hong Kong and Macau, the entrepreneurial group for Hong Kong and southern China and the capital markets services group for Hong Kong and Mainland China. He acted as Lead Director of both governance boards of PricewaterhouseCoopers China and PricewaterhouseCoopers Asia Pacific and was a member of the global board of PricewaterhouseCoopers.

Mr. Sun was a member of the Listing Committee of the Hong Kong Stock Exchange from 2009 to 2014. He was a Director of the Hong Kong Science and Technology Parks Corporation and Chairman of its Audit Committee from 2012 to 2018, a Director of the Hong Kong Applied Science and Technology Research Institute Company Limited and Chairman of its Audit Committee from 2007 to 2012 and a Director of the Estate Agents Authority and a member of its Disciplinary Committee and Finance and Strategic Development Committee respectively from 2006 to 2010. Mr. Sun previously served as Chairman in 2001/02 of the Association of Chartered Certified Accountants (ACCA), Hong Kong Branch. He was appointed by the Government of Hong Kong as a Justice of the Peace in 2012.

Mr. Sun has been appointed as an Independent Non-Executive Director of Bank of Shanghai (Hong Kong) Limited since April 2023, which is a restricted license bank in Hong Kong and wholly owned subsidiary of Bank of Shanghai whose A shares are listed on the Shanghai Stock Exchange. He is a Governing Committee member of the Hong Kong Polytechnic University Foundation and previously Vice-Chairman of the Outstanding PolyU Alumni Association from 2020 to 2022. He was awarded the Outstanding PolyU Alumni Award in 2013 and was conferred a university fellowship by the Hong Kong Polytechnic University in 2018. Mr. Sun obtained Professional Diploma in Accountancy from Hong Kong Polytechnic University (formerly known as The Hong Kong Polytechnic) in November 1984 and he became a member of Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since June 1988 and a fellow member of ACCA since May 1993.

Group Executive Team

Huynh Thanh Phong (alias 黃清風)

Group Chief Executive Officer and Executive Director

Aged 57, Huynh Thanh Phong (alias 黃清風) is our Group Chief Executive Officer, a position he has held since March 2014. Mr. Huynh has served as a Director of our subsidiaries, FGL and FL, since March 2014 and was appointed as an Executive Director of FWD Management Holdings in May 2021. A full biography of Mr. Huynh is set out above.

Siddhartha Sankaran

Managing Director and Group Chief Financial Officer (from 01.09.2023)

Aged 46, Siddhartha Sankaran joined the Group as a Senior Advisor in June 2023 and has served as our Managing Director and Group Chief Financial Officer since September 2023. He heads our finance, actuarial, investment and governance functions, overseeing its financial direction and strategy. Mr. Sankaran has over 25 years of insurance industry experience. Previously, Mr. Sankaran was the Chairman and CEO of SiriusPoint Ltd. from the company's inception and listing in February 2021 until May 2022, having served as the Chairman of the Board of Directors of Third Point Reinsurance Ltd. from August 2020 to February 2021 (and as a Director from August 2019 to February 2021), during its acquisition of Sirius Group. Prior to this, Mr. Sankaran was Chief Financial Officer of New York Stock Exchange listed Oscar Health from March 2019 to March 2021 and also acted as interim Chief Financial Officer from December 2022 to August 2023. Mr. Sankaran joined the Board of Directors of Oscar Health in February 2021. Earlier in his career, Mr. Sankaran worked from November 2010 until December 2018 at AIG, first as Chief Risk Officer and later as Chief Financial Officer. Prior to joining AIG, Mr. Sankaran was a Partner in the Finance and Risk practice of Oliver Wyman Financial Services, where he led the company's Toronto office. Mr. Sankaran graduated with distinction from the University of Waterloo with a Bachelor of Mathematics majoring in Actuarial Science in June 1999.

Jon Nielsen

Managing Director and Group Chief Financial Officer (until 31.08.2023)

Aged 51, Jon Nielsen served as Managing Director and Group Chief Financial Officer of our Group from October 2019 until September 2023. Mr. Nielsen has more than 25 years of insurance industry experience, with more than 15 years of experience in Asia, bringing extensive international and regional experience from within the insurance sector, undertaking senior financial management positions at both group and regional leadership levels. Prior to joining our company, Mr. Nielsen was the Group Chief Risk Officer and a member of the Group Executive Committee of AIA, overseeing the group's risk and compliance functions. Previously, he served as Regional Chief Financial Officer at AIA, as a listed company. Mr. Nielsen also held a number of senior roles at AIG in New York, Allianz in Munich, and Deloitte & Touche in the US and Hong Kong. Mr. Nielsen graduated with a Bachelor of Science in Business Administration degree in May 1995 and received a Master of Professional Accountancy degree in August 1996 from the University of Nebraska-Lincoln.

Simeon Preston

Managing Director and Group Chief Operating Officer

Aged 54, Simeon Preston has served as our Managing Director and Group Chief Operating Officer since March 2020. He leads our customer, operations, technology, Omne and transformation teams, and manages our business in Japan. He also holds Director positions on the boards of companies in our Group. He has over 24 years of experience in growth markets with over 20 years of insurance experience in Asia. Prior to joining our company, Mr. Preston held the position of Chief Executive Officer, International Markets for Bupa where he led the business' operations in Asia, Middle East and most of the Americas. Previously, he was Group Chief Operations Officer for AIA. Mr. Preston graduated with a Bachelor of Science degree in Geography from the London School of Economics in August 1991 and obtained a Master of Science degree in Geographic Information Systems from Leicester University in July 1992, a Master of Science degree in Transportation Policy and Planning from the University of Newcastle-upon-Tyne in December 1993 and a Master of Business Administration degree from INSEAD in July 1999.

Binayak Dutta

Managing Director, Emerging Markets

Aged 51, Binayak Dutta has served as the Managing Director, Emerging Markets since February 2018 and joined the Group as Group Chief Distribution Officer in November 2016. He oversees our life insurance companies in Emerging Markets, growth and development of our accident and health business, and leads the Group's brand and marketing team. He has over 20 years of experience in the insurance industry in Asia. He holds various board positions within our Group, including in Indonesia, Malaysia, Singapore and Vietnam. Prior to joining us, he served as the Chief Executive Officer of Prudential Life Assurance (Thailand) Public Company Limited and has a track record in leading multi-national insurers through diverse phases from start-up to acquisition, merger and realignment. Mr. Dutta graduated with a Bachelor of Economics degree from Jadavpur University in August 1994 and obtained a Master of Business Management degree from the Institute of Management Technology in India in June 1996.

Jeremy Porter

Group Chief Risk Officer

Aged 56, Jeremy Porter has served as our Group Chief Risk Officer since February 2023. He now leads the Group's risk and compliance functions. Mr. Porter has extensive experience in the insurance industry, gained from leadership experience in finance, risk and actuarial roles. He also has 10 years of direct experience in risk management. Prior to joining our Group, Mr. Porter held the position of Chief Risk Officer for AXA Hong Kong and Macau from October 2019 to January 2023. Previously, he was Group Chief Risk Actuary for HSBC Insurance. Mr. Porter graduated with a Bachelor of Arts degree in Mathematics in June 1989 from the University of Cambridge. Mr. Porter is a Fellow of the Institute of Actuaries (UK).

Azim Mithani

Group Chief Commercial Officer (until 31.03.2024)

Aged 53, Azim Mithani served as our Group Chief Commercial Officer and had been with the Group from April 2020 until March 2024. He has over 30 years of insurance experience gained from a range of leadership roles across Asia and the UK, and, prior to joining our Group, was most recently Executive Vice President at Singlife. Prior to this, Mr. Mithani was Chief Operating Officer for Prudential Corporation Asia, a role he assumed in July 2015 after serving as Chief Executive Officer of Prudential BSN Takaful in Malaysia for six years. Mr. Mithani graduated with a 1st Class Honours degree in Physics from Durham University in June 1991 and also holds a Diploma in Islamic Finance from the Chartered Institute of Management Accountants (CIMA) which he obtained in January 2014. He has also been a Fellow of the Institute and Faculty of Actuaries of the UK since 1995.

Chow Hun Chi, Julie (周幸子)

Group Chief Human Resources Officer (from 01.03.2023)

Aged 50, Chow Hun Chi, Julie (周幸子) joined the Group in October 2017, has served as our Group Chief Human Resources Officer since March 2023 and leads our people, organisation and human resources strategy, driving a well-being strategy to foster a caring and performance driven culture across the Group, as well as our property and facilities management team. Ms. Chow has more than 25 years of experience in the human resources industry, gained from leading diverse teams across Asia Pacific with companies including Zurich Insurance, the Royal Bank of Scotland Group, HSBC and Cathay Pacific Airways. Ms. Chow has broad experience across a range of human resources areas including total rewards, employee wellbeing, performance management, talent acquisition and management, and HR business partnering. Ms. Chow graduated with a Bachelor's degree of Commerce and Business Administration with a major in Accounting from the University of British Columbia in May 1995 and she successfully passed the Certified Public Accountant examination in February 1999.

Lau Chi Kin (柳志堅)

Managing Director, Greater China, and Chief Executive Officer, Hong Kong

Aged 56, Lau Chi Kin (柳志堅) has served as the Managing Director, Greater China and Chief Executive Officer, Hong Kong, since March 2018. He manages our business in Hong Kong and Macau, spearheading a technology-driven, customer-led strategy, and is responsible for driving our expansion plans into Greater China. He also serves as a Director on the board of FWD Philippines. Mr. Lau has more than 30 years of experience in the insurance industry in Asia, having held a number of senior management positions, including as the Chief Executive Officer of Union Life and as President of Ping An Life in China. Mr. Lau graduated from the University of Hong Kong with a Bachelor of Science degree in December 1989 and is a Fellow of the Society of Actuaries.

Peter Grimes

Regional Chief Executive Officer, Thailand and Cambodia

Aged 64, Peter Grimes has served as Regional Chief Executive Officer, Thailand and Cambodia, since January 2020 and is responsible for driving growth and providing leadership oversight for Thailand and Cambodia. Previously, Mr. Grimes was the Executive Director, President and Chief Executive Officer of FWD Philippines from November 2014 to December 2019 and was responsible for growing our business in the Philippines under his leadership. Mr. Grimes is also a Director of FWD Cambodia and certain other companies in our Group. Mr. Grimes has well over 20 years of experience in the insurance industry in Asia. Formerly, Mr. Grimes held various senior positions at Prudential including the President and Chief Executive Officer at Pru Life Insurance Corporation of U.K. in the Philippines.

Ho Lee Yen

Group Chief Distribution and Proposition Officer (from 02.01.2024)

Aged 53, Ho Lee Yen has served as our Group Chief Distribution and Proposition Officer since January 2024 and leads our agency, partnership, independent financial advisor, proposition, and digital commerce functions. She has over 30 years' experience in the insurance industry including in actuarial, distribution, marketing and customer solutions roles. Prior to joining our company, Ms. Ho was the Chief Executive Officer of HSBC Life Singapore where she completed the acquisition of AXA Singapore and legally integrated HSBC Life and AXA Singapore within one year post completion of the acquisition. Before joining HSBC Life Singapore, she worked for AIA Singapore for over 10 years where she held various senior positions including Chief Distribution Officer, Chief Customer and Marketing Officer and Chief Partnership Officer. As Chief Customer and Marketing Officer, she was instrumental in the launch of AIA Vitality, a science-backed health and wellness programme, and initiated the development of innovative solutions to strengthen customer propositions. Ms. Ho graduated with a Bachelor of Business degree in Actuarial Science in May 1993 from the Nanyang Technological University. She is Fellow of Institute of Actuaries and Fellow of the Life Management Institute.

Kim Jong Hoon

Group Chief Digital Officer

Aged 44, Kim Jong Hoon has served as our Group Chief Digital Officer since May 2019. He leads our digital, artificial intelligence, data and innovation initiatives. Mr. Kim has more than 20 years of experience in the digital and technology sector and more than 12 years of experience in the financial services industry in Asia. Before joining FWD, Mr. Kim was the Managing Director and Regional Head of Digital for Greater China & North Asia at Standard Chartered Bank from 2017 to 2019, where he managed the digital strategy, various digital alliance and marketing initiatives, and drove digital innovation in the business transformation for the bank. Before that, he held various leadership roles at Standard Chartered Bank as the head of segment for retail banking in Korea, the program director for bank digitisation and as a management consultant at Accenture. Mr. Kim graduated with a Bachelor of Information Systems from Monash University in October 2003 and a Master of Business Administration degree from The University of Chicago Booth School of Business in March 2015.

Corporate governance report

Doing the right things right at FWD

Besides our people, our reputation is our most important asset. Good governance protects both. That's why we do the right things right. We've developed structures and processes that guide us daily as we identify, manage and report risks. Our approach is driven by the same core values that drive everything else we do: putting customers first, using technology, and empowering our people.

This report sets out our corporate governance practices and the activities the Group Board performed in respect of the year ended 31 December 2023 and afterwards to enable shareholders to understand these practices and how the business of the Group is managed to deliver value to shareholders.

Corporate governance framework

FWD defines corporate governance as "the structures, operating models, individuals and other mechanisms that allow for robust management and control over the business operations, with due consideration to long-term shareholder value and the interests of key stakeholders (including customers, regulators and other partners)".

Effective corporate governance enables the Group to achieve its strategic objectives in accordance with its risk philosophy and risk appetite. Our corporate governance framework is implemented across the Group, with business units expected to align local practices with Group expectations and report any instances of non-compliance in accordance with our robust escalation mechanisms.

More details about the corporate governance structure, principles and practices which the Group has adopted, are available on www.fwd.com/about-us/corporate-governance/

The Group Board

Composition

We are proud that the members of the Group Board bring a wide and global range of skills, expertise and diversity. In turn, this enhances all areas of our Group strategy – including good governance.

Executive Directors

Non-Executive Directors

Independent Non-Executive Directors

The Group Board is currently made up of eleven Directors, of which two are Executive Directors (including the CEO), two are Non-Executive Directors and seven are Independent Non-Executive Directors (including the Chairman). Biographies of our Directors are in the Group Board of Directors and Group Executive Team sections of this Annual Report.

Roles and responsibilities of the Group Board and management

The Group Board is ultimately responsible for directing the Group as a going concern and is collectively responsible to the shareholders for the long-term success of the Group. Their roles and responsibilities include (either by itself or through delegation to the Group Audit Committee, Group Risk Committee, Group Compensation Committee and Group Nomination and Corporate Governance Committee):

- Formulating the long-term strategy of the Group, and monitoring the implementation of its strategic objectives with appropriate focus on value creation and risk management;
- Monitoring the Group's operating and financial performance;
- Ensuring that effective governance and sound risk management and internal control systems are in place;
- Shaping and monitoring the Company's culture;
- Leading, directing and supervising an issuer's affairs to enable the long term success of the issuer;
- Setting long-term strategic objectives and strategic policies;
- Ensuring appropriate and adequate reporting in the Annual Reports, including financial statements, ESG, disclosures of the Board's practices (e.g., the terms of references of its Board committees), and various policies (e.g., shareholder communication, remuneration, nomination, dividend and diversity policies);
- Being accountable – the Directors should be held accountable for their actions or inactions and, where appropriate, take the shareholders' and stakeholders' views into account in their decisions;
- Ensuring adequacy of resources, qualifications and experience, especially for the issuer's accounting, internal audit and financial reporting functions; and
- Ensuring the fullest communication with shareholders and the Company's recognition of their interest.

The Group Board delegates authority to the CEO who further delegates authority to members of senior management responsible for carrying out the day-to-day operations of the Group in line with the Group's overall strategy and within the confines of policies set by the Group Board. Senior management is also responsible for ensuring the Group Board remains appraised of matters through providing adequate and timely reporting for its consideration.

Senior management are accountable for ensuring day-to-day business operations and related activities are performed in accordance with all relevant internal and external expectations, including that risk taking is aligned with risk appetite. Only individuals with the appropriate skills, experiences and credentials are appointed to senior management roles.

Group Board meetings

The Group Board held nine meetings during 2023. The number of meetings of the Group Board and its committees throughout 2023 is set out below:

	Group Board	Group Audit Committee	Group Risk Committee	Group Compensation Committee	Group Nomination and Corporate Governance Committee	General Meeting
Number of meetings	9	5	4	5	4	na

Group Board effectiveness

The Group Board conducts an annual review of its performance, including the performance of the Group Board committees, and conducted its second such evaluation in the fourth quarter of 2023.

Board independence

Seven members of the Group Board (64 per cent) are Independent Non-Executive Directors and they met the independence guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"). None of the Independent Non-Executive Directors have any business with or significant financial interests in the Company or its subsidiaries. Therefore, the Group Board considers all the Independent Non-Executive Directors to be independent. The Independent Non-Executive Directors constitute a majority of the Group Board and provide appropriate challenge and views for the benefit of the Group Board as a whole.

Chairman and Chief Executive Officer

Professor Ma Si Hang, Frederick was appointed as the Chairman of the Group Board on 7 July 2022. Professor Ma was appointed as our Independent Non-Executive Director on 23 September 2021 and has been an Independent Non-Executive Director of the Group since 10 December 2013. Key responsibilities of the Chairman include:

- To provide leadership to the Group Board;
- To steer the development of corporate governance practices, and to ensure continued good governance;
- To promote effective communication to and from the Group Board and, among the Group Board members, to ensure all Directors are properly briefed on issues arising at Group Board meetings and that all Directors make a full and active contribution to the Group Board;
- To ensure effective communication with the shareholders; and
- To maintain orderly conduct of general meetings, allow the business of the meeting to properly and effectively dealt with, while allowing shareholders a reasonable opportunity to express their views.

Mr. Huynh Thanh Phong is the CEO of the Group. He was appointed as an Executive Director on 26 May 2021 and has been our Group Director and Group CEO since 5 March 2014. Key responsibilities of the CEO include:

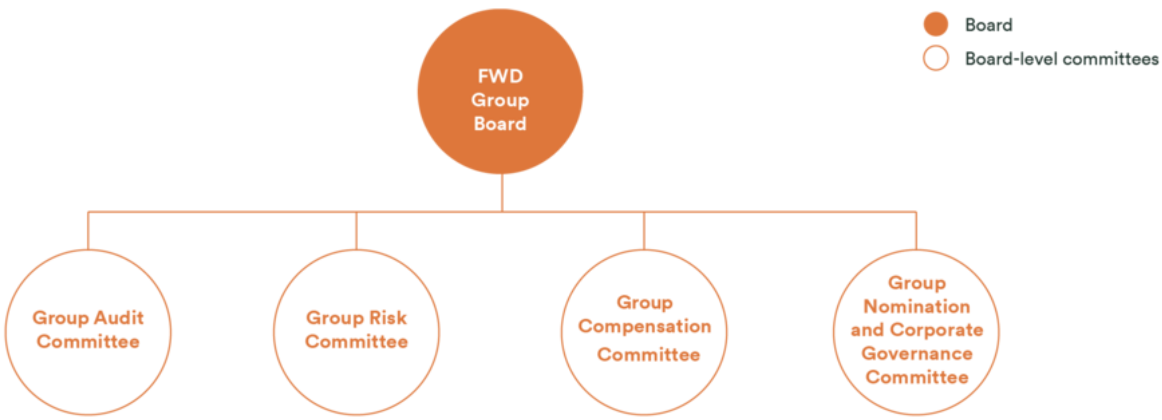
- Strategy and management: developing business plans, budgets and strategies and managing the Group against internal and external expectations on a day-to-day basis;
- Financial control: ensuring robust control over financial and material reporting mechanisms, tracking the Group's performance against budget and proposing suitable actions as appropriate;
- Risk management and compliance: ensuring the business is managed in line with the Group's risk appetite, frameworks and policies, with sufficiently resourced control functions to support effective oversight and control; and
- Communication: maintaining transparent reporting and escalation to the Group Board and stakeholders such as regulators, policyholders and shareholders.

The Group's corporate governance framework sets out details of the Chairman's and CEO's role and responsibilities and of other key members of the management team.

The Group Board Chairman, the Group CEO and other Directors do not have any financial, business, family or other relevant relationships with each other.

Group Board committees

The Group Board has established four Group Board committees, depicted in the chart below.



Group Audit Committee

	Chair	Committee members	No. of meetings
Committee membership	Ma Si Hang, Frederick (Independent Non-Executive Director)	Walter Kielholz Dirk Sluimers (Independent Non-Executive Director) Sun Po Yuen (Independent Non-Executive Director) Yijia Tiong (Independent Non-Executive Director)	5

Committee functions

On 19 February 2022, the Group Board established the Group Audit Committee, appointed its members and adopted its Terms of Reference.

The Group Audit Committee had five members as at 31 December 2023, including four Independent Non-Executive Directors and one Non-Executive Director. Professor Ma Si Hang, Frederick, who has the appropriate financial management expertise serves as Chair of the Committee. A majority of the Group Audit Committee constitutes a quorum for the transaction of business and the act of a majority of those present at any meeting at which there is a quorum qualifies as an act of the Committee.

The Group Audit Committee has delegated authority from the Group Board to independently review the effectiveness of the Group's financial reporting processes, risk management and internal control system. Prior to the establishment of the Group Audit Committee, the functions of the Committee were undertaken by the Audit Committee of FWD Limited and FWD Group Limited.

The Group Audit Committee mandate includes:

- Overseeing the integrity of the Group's accounts, financial statements and reports and other financial disclosures, reviewing annual, semi-annual and any quarterly results, reviewing significant financial reporting judgements contained within and any significant financial reporting issues identified;
- Reviewing the adequacy and effectiveness of the Group's risk management, budgetary and financial control and internal control systems;
- Reviewing and approving the Group's internal audit charter, three year audit workplan and ensuring that adequate resources are provided to carry out the Group's internal activities effectively; and
- Making recommendations in relation to the appointment, re-appointment, resignation and removal of external auditors. And approving external auditor's remuneration and terms of engagement.

Key activities during the year

- Monitoring the integrity of the Group's accounts, financial statements and reports, and reviewing significant financial reporting judgements contained in them;
- Reviewing the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- Oversight over internal control system: reviewing and approving the annual internal audit charter and three-year internal audit work plan, and discussing the results of work and reported findings of the Group's internal audit;

- Oversight over whistleblowing arrangements and approving the Whistleblower Policy;
- Monitoring adequacy of resources for and effectiveness of the internal audit function;
- Oversight over the relationship with Group's external auditor: Assessing and monitoring the external auditor independence and objectivity, including overseeing the external auditor in the performance of non-audit services, and its performance and the effectiveness of the audit process;
- Making recommendations to the Group Board on the reappointment of the external auditor, and approving its remuneration and terms of engagement; and
- Meeting with the Chief Compliance Officer, internal and external auditors without the presence of the Group Executive Team on a quarterly basis.

Group Risk Committee

	Chair	Committee members[2]	No. of meetings
Committee membership	John Dacey (with effect from 15 June 2023)[1]	John Baird (Independent Non-Executive Director) Ma Si Hang, Frederick (Independent Non-Executive Director) Dirk Sliumers (Independent Non-Executive Director)	4

Committee functions

On 19 February 2022, the Group Board established the Group Risk Committee, appointed its members and adopted its Terms of Reference.

The Group Risk Committee had four members as at 31 December 2023, including three Independent Non-Executive Directors and one Non-Executive Director. Ms. Chung Kit Hung, Martina, served as Chair of the Committee from 15 December 2022 to 18 January 2023 and, following her resignation as Chair of the Committee, Mr. Dirk Sluimers was appointed as Chair of the Committee with effect from 18 January 2023. Mr. John Dacey then replaced Mr. Dirk Sluimers as Chair on 15 June 2023. A majority of the Group Risk Committee constitutes a quorum for the transaction of business and the act of a majority of those present at any meeting at which there is a quorum qualifies as an act of the Committee.

The Group Risk Committee has delegated authority from the Group Board to oversee the establishment and operation of an effective ERM Framework across the Group.

The Group Risk Committee mandate includes:

- Advising the Group Board on the risk profile and risk management strategy of the Group and on the appropriateness of, and performance against, the Group's risk appetite as well as key risk management policies and procedures;
- Independently reviewing the identification, measurement, monitoring and management of material risks (including ESG risks) and any areas of material non-compliance with the Group ERM Framework;

Notes:

1. Ms. Chung Kit Hung, Martina resigned and Mr. Dirk Sluimers was appointed as chairman of the Group Risk Committee with effect from 18 January 2023. Mr. John Dacey then replaced Mr. Dirk Sluimers as chairman on 15 June 2023.
2. Ms. Chung Kit Hung, Martina was appointed as member of the Group Risk Committee with effect from 29 February 2024.

- Reviewing and approving the Group's Strategic Asset Allocation ("SAA") and universe of asset classes;
- Advising the Group Board as to the adequacy and effectiveness of the Group ERM Framework and overseeing any significant issues of non-compliance; and
- Reviewing key risk management and corporate governance policies and procedures.

Key activities during the year

- Monitoring the implementation of ERM Framework and Policies;
- ORSA development;
- Risk Appetite Framework;
- Economic capital development;
- SAA (Group and local);
- Monitoring of key financial and non-financial risk exposures; and
- Major incident and issues resolutions.

Group Compensation Committee

	Chair	Committee members	No. of meetings
Committee membership	John Baird (Independent Non-Executive Director)	John Dacey Kyoko Hattori (Independent Non-Executive Director) Li Tzar Kai, Richard Ma Si Hang, Frederick (Independent Non-Executive Director) Yijia Tiong (Independent Non-Executive Director)	5

Committee functions

On 19 February 2022, the Group Board established the Group Compensation Committee, appointed its members and adopted its Terms of Reference. The Group Compensation Committee has delegated authority from the Group Board to oversee the implementation of appropriate remuneration practices across the Group.

The Group Compensation Committee had six members as at 31 December 2023, including four Independent Non-Executive Directors, one Executive Director and one Non-Executive Director; and Mr. John Baird serves as Chair of the Committee following the resignation of Ms. Chung Kit Hung, Martina, on 18 January 2023. A majority of the Group Compensation Committee constitutes a quorum for the transaction of business and the act of a majority of those present at any meeting at which there is a quorum qualifies as an act of the Committee.

The Group Compensation Committee mandate includes:

- Advising the Group Board on the Group Remuneration Policy and practices which are aligned with the corporate culture, business objectives, risk appetite and long-term interests of the Group and other relevant stakeholders;

- Advising the Group Board on remuneration for the Group Board, Directors, senior management and key persons in control functions considering both performance (where appropriate) and risk management; and
- Reviewing and approving compensation payable to Executive Directors and senior management for any loss or termination of office in accordance with any applicable contractual terms.

Group Nomination and Corporate Governance Committee

	Chair	Committee members	No. of meetings
Committee membership	Ma Si Hang, Frederick (Independent Non-Executive Director)	John Baird (Independent Non-Executive Director) Kyoko Hattori (Independent Non-Executive Director) Walter Kielholz Sun Po Yuen (Independent Non-Executive Director) Yijia Tiong (Independent Non-Executive Director)	4

Committee functions

On 19 February 2022, the Group Board established the Group Nomination and Corporation Governance Committee, appointed its members and adopted its Terms of Reference. Prior to that date the Company's nomination policy and practices were determined by the Board.

As at 31 December 2023, the Group Nomination and Corporate Governance Committee had six members, including five Independent Non-Executive Directors and one Non-Executive Director. Professor Ma Si Hang, Frederick serves as Chair of the Committee. A majority of the Group Nomination and Corporate Governance Committee constitutes a quorum for the transaction of business and the act of a majority of those present at any meeting at which there is a quorum qualifies as an act of the Committee.

The Group Nomination and Corporation Governance Committee has delegated authority from the Group Board to identify and nominate suitable candidates to become Directors and senior management of the Group to take a leadership role in shaping the corporate governance of the Company and overseeing the Company's ESG and sustainability strategy, initiatives, policies and performance.

The Group Nomination and Corporate Governance Committee mandate includes:

- Reviewing the structure, size and composition (including the balance of skills, knowledge and experience and diversity of perspective) of the Group Board and annually reviewing and reporting to the Board on the Board's diversity policy;
- Identifying suitably qualified candidates to become Group Board members and recommending members of the Group Board to serve on Group Board committees based on merit and having due regard for the Group Board diversity policy and other factors which are relevant to the Company;
- Assessing the independence of Independent Non-Executive Directors;
- Overseeing the evaluation of the Board;
- Recommending members of the Board to serve on committees of the Board;

- Making recommendations to the Group Board on the appointment or re-appointment of Directors and succession planning for Directors;
- Overseeing the process for the resolution of conflicts of interest and approval of connected party transactions;
- Overseeing the Company's ESG and sustainability strategy, initiatives, policies and/or practices and performance; and
- Developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board, including oversight of the Group's corporate governance framework, and otherwise taking a leadership role in shaping the corporate governance of the Company.

Key activities during the year

- Overseeing the Group Board's effectiveness review, as described in the section "Group Board effectiveness";
- Recommending changes to the composition of the Board committees;
- Recommending the re-classification of Mr. Sun Po Yuen as an Independent Non-Executive Director of the Group;
- Assumption of responsibility for review of the Group's corporate governance framework from the Group Risk Committee and approval of changes to the framework; and
- Approval of the Group's ESG materiality assessment.

External auditor

The external auditor of the Group is Ernst & Young. The Group Audit Committee is responsible for making recommendations to the Group Board on the appointment, reappointment and removal of the external auditor, which is subject to approval by the Group Board and by the shareholders.

The Group Audit Committee evaluates the auditor's independence and objectivity, and the effectiveness of the audit process. The Group Audit Committee was satisfied with the work of the external auditor, its independence, and its objectivity, and therefore recommended the reappointment of Ernst & Young (which has indicated its willingness to continue in office) as the Group's external auditor for 2023.

Accountability and audit

Financial reporting

The Directors acknowledge their responsibility for preparing the Group's financial statements. The Group Board has prepared the financial statements for the year ended 31 December 2023 on a going-concern basis and in accordance with applicable accounting standards.

The statement of the Group's auditor stating its reporting responsibilities related on the Group's consolidated financial statements is set out on page 147 of this Annual Report.

Risk management and internal control

The Group Board, supported by the Group Audit and Risk Committees, is responsible for the supervision of the risk management and internal control systems as well as ensuring the effectiveness of the risk management and internal controls of the Group. Through its regular review of these systems, the Group Board covers all material controls, including financial, operational and compliance controls.

The Group's ERM framework is designed to manage rather than eliminate risks, and can only provide reasonable and not absolute assurance against material misstatement or loss. The main features of the ERM framework and the process to identify, evaluate and manage risks are set out in the risk management section of this Annual Report.

FWD's internal control system is the primary means by which the Group mitigates inherent risk exposures to yield a residual and expected risk exposure that is aligned with its risk appetite. In particular, Operational Risk Management and Internal Controls Policy is in place to ensure that the key controls within key business processes are subject to regular review by key process owners and the risk management function. The internal audit function performs an independent assessment on the design and operating effectiveness of the internal control system and reports results to the Group Audit Committee and the Group Board.

The Group Audit Committee or the Group Risk Committee review the effectiveness of risk management and internal controls, in particular, the relevant committee reviews:

- The adequacy of resources in the internal audit function, including skills and capabilities to perform its duties;
- Outcomes of internal and external audits, related to internal controls;
- The scope and quality of ongoing risk and internal control monitoring, carried out by management, and the communication of monitoring results to the Group Board;
- The changes in the nature and extent of risks, and the Group's ability to respond to changes in its business and the external environment;
- Whether significant control failings or weaknesses have occurred, and their potential impact on the Group; and
- The effectiveness of processes in the area of financial reporting and compliance with regulatory requirements.

Inside information

The Group has set up procedures and internal controls concerning the safeguarding of inside information. These include:

- The Group's Communication Policy has established a control process for the management of communications with various internal and external stakeholders. Named spokespersons are authorised to provide information about the Group to relevant stakeholders; and
- The Company's Code of Conduct prohibits the unauthorised use of confidential or non-public information.

Engagement with shareholders and bondholders

The Group Board recognises the importance of maintaining an ongoing dialogue with the Company's shareholders and bondholders and does so through general meetings, press releases, announcements and corporate communications such as the Annual Report. The Group Board is committed to the timely disclosure of information. The latest information regarding the Group's activities, announcements and corporate communications is made available on the Company's website at www.fwd.com

Group Board diversity

FWD is committed to building a diverse, equitable, inclusive and collaborative culture. We recognise and embrace the importance of having a diverse Group Board, which we believe is an essential element in maintaining an effective Group Board and contributing to the sustainable development of the Company.

We believe that a Group Board should represent a diversity of perspectives and experiences, which can be achieved through a number of factors, including, but not limited to: professional experience, skills, expertise, knowledge, independence, composition (including gender identity, age, disability, race, ethnicity, sexual orientation, education and cultural background), tenure on the Group Board and other factors relevant and applicable to achieving a diverse Group Board, as well as to the effectiveness of the Group Board and requirements of our business from time to time.

We are committed to increasing female representation and are working towards an ultimate goal of female Group Board members comprising at least 30 per cent of our Group Board. During 2023, we maintained Group Board female representation at 27 per cent.

The Group Nomination and Corporate Governance Committee is responsible for reviewing the structure, size and composition of the Group Board, selecting the individuals to be nominated as Directors, reviewing and monitoring the implementation of our Group Board Diversity Policy and ensuring our Group Board Diversity Policy is implemented in an effective and practical manner, reviewing the succession plan of Directors and making recommendations on these matters to the Group Board for approval. This helps ensure that the Group Board has a balanced composition of skills, experience, expertise, independence and knowledge appropriate to the requirements of the businesses of FWD, with due regard for the benefits of diversity on the Group Board.

For employees of the Group, there is a separate diversity, equity and inclusion strategy.

On behalf of the Group Board

Professor Ma Si Hang, Frederick GBS, JP

Chairman of the Board, FWD Group

22 April 2024

Group Board evaluation

The FWD Group Board undertakes a formal assessment of its own and its committees' performance on a regular basis to assess their effectiveness in discharging their respective roles and responsibilities, and to identify areas and opportunities for enhancements or improvements.

The evaluation in 2023 was undertaken through the following activities for the review period Q2 2022 to Q3 2023:

- Conducting a tailored self-assessment questionnaire covering a comprehensive range of evaluation criteria (including Group Board composition, Board dynamics, relationship with management and stakeholders, Board committees, Board learning and meeting logistics, etc.) and analysing responses from each Group Board member;
- Review of relevant governance documentation, such as Group Board and committee meeting agendas, minutes, reports and associated processes; and
- Comparison of the 2023 findings with those of 2022.

The evaluation criteria used in the Group Board effectiveness review are aligned with the evaluation criteria set out in the HKEx Corporate Governance Code for assessing Board effectiveness.

The review was led by Professor Ma Si Hang, Frederick in his capacity as the Chair of the Group Nomination and Corporate Governance Committee who, in combination with the Group Company Secretariat, presented the findings to the Group Nomination and Corporate Governance Committee in December 2023 and to the Group Board during the Group Board meeting on 13 December 2023 for discussion.

The overall assessment, derived from the self-assessment questionnaires responses and review of relevant governance documentation, indicates that the Group Board was generally effective during the review period. The Group Board's relationship with management, board materials, board training and board compensation were identified as the main areas of focus to further enhance the overall effectiveness of the Group Board. Actions will be formulated for these areas of focus in order to address these findings. The Chairman's leadership of the Group Board and the operation of the Board committees were identified as areas of particular strength.

Statement of the Chairman of the Group Compensation Committee

The Group Compensation Committee presents its report for the year ended 31 December 2023.

In 2023, the Group Compensation Committee continued its work to ensure the appropriateness of remuneration for our senior management considering both performance, risk management and competitiveness in the market to be able to attract and retain talents. The Group Compensation Committee also continued to ensure FWD's remuneration framework supports our business and talent objectives for enabling future success that is aligned to our strategy.

The Group Compensation Committee believes that the existing framework is effective in achieving alignment to our shareholders, regulatory requirements, and greater sophistication in how we reward our executives and talents in order to drive outperformance and the Committee will continue to oversee our policies and practices to ensure they are effective and competitive to motivate and reward our talents.

The Honourable John Baird

Chairman, Group Compensation Committee

22 April 2024

Group Compensation Committee

Role of the Group Compensation Committee

The main role of the Group Compensation Committee is to assist and advise the Group Board on the remuneration of the Group Board and the senior management. In so doing, the Group Compensation Committee should have a formulated strategy and policy on all Directors and senior management, as well as a set of formal and transparent procedures to implement the policy. The aim is to motivate, retain and attract the best talent for the Company in order to maximise shareholder value.

The Committee is established to oversee the implementation of appropriate remuneration practices across the Group. This includes ensuring the:

- Establishment of a remuneration policy and remuneration practices aligned with the corporate culture, business objectives, risk appetite and long-term interests of the Group and its stakeholders;
- Appropriateness of remuneration for Group Directors and senior management considering both performance and risk management; and
- Suitability of compensation payable to Directors and senior management for any loss or termination of office in accordance with contractual terms.

Key activities of the Group Compensation Committee

The Group Compensation Committee performed the following major activities in 2023:

Area	Summary of work performed by the Group Compensation Committee
Remuneration decisions for senior management	• Reviewed and approved the 2023 remuneration packages of the senior management at the start of the year and during the year. • Reviewed and approved the 2023 fixed pay increase for senior management and across the Group.
Board Chairman and Non-Executive Directors Design and operation of the Group's incentive schemes	• Reviewed the Group Director's Fee Framework. • Reviewed and approved the 2022 short-term incentive plan pay-outs and the vesting of the 2020 long term incentive plan for senior management, and all other plan participants. • Reviewed and approved the performance measures and targets for the 2023 short-term and long-term incentive plans. • Reviewed and approved grants under the long-term incentive plan, including setting the performance measures and targets for the 2023 to 2025 performance cycle.

Executive Remuneration Policy

Objectives of the Executive Remuneration Policy

The remuneration of our senior management is designed to provide equitable, motivating and competitive incentive to align with shareholders' interest and foster the long-term sustainable growth of the business within overall risk management framework. The remuneration mainly comprises base salary, allowance, short-term incentives and long-term incentives. The variable remunerations are linked to achievement of certain key performance indicators with substantial weight afforded to VNB, which accounts for 30-35 per cent of the incentive indicators in the year ended 31 December 2023. The current weightings of key performance indicators reflect our business strategies with a focus on sustainable and value-focused growth.

Components of our Executive Remuneration Policy

The table below summarises the Company's remuneration elements and their application to the Executive Committee Members and the senior employees for the year ended 31 December 2023 and will continue to apply in 2024.

Element	Purpose	Coverage and frequency
Annual base salary	Recognises the daily contribution of our people and the skills, experience and knowledge they bring to FWD	All employees and paid monthly
Short-term incentive	Recognises the annual performance of our people and allows us to collectively share and celebrate in FWD's short-term successes	All permanent employees (not on sales incentive plan) with varying levels of opportunities. Annual measurement and payment.
Long-term incentive	Share-based awards (in the form of RSUs and/or PSUs) granted to senior individuals of the FWD Group, to align them with the long-term goals of the FWD Group and our shareholders	Eligible senior employees by invitation. Measured and paid over no less than a three year period, depending on grade.
Allowances	Provides to recognise specific skills or circumstances	Individual or role based entitlement and paid monthly

Further details on the operation of our short and long-term incentives are provided on the following pages.

Variable remuneration

Variable remuneration opportunities are designed to motivate employees to deliver on key short-term and long-term objectives. Depending on business and individual performance results, such incentives may result in award levels above or below target, reflecting superior performance and performance below expectations, respectively.

FWD's short-term and long-term incentive plans are described below.

Short-term incentive plan

Our short-term incentive plan recognises the contribution of all permanent employees to FWD's short-term success, and to incentivise the achievement of specific annual performance objectives that are aligned to our strategy. It also provides a means to reward the individual and collective performance of our people.

2023 short-term incentive plan target and maximum opportunities were determined by the Group Compensation Committee and approved by the Group Board, and communicated to the country Chief Executive Officers at the beginning of the financial year ended 31 December 2023.

Performance measures and awards

For 2023, the performance measures used in the short-term incentive plan were as follows:

Metrics	Weighting	Description
Value of new business ("VNB")	35%	VNB is the main valuation driver for the FWD Group at this stage of our development and therefore remains the most important metric in terms of weighting
Operating profit before tax ("OBPT")	15%	OPBT growth is key to demonstrate progress and path towards profitability over the medium term
New business strain ("NBS") as % of VNB	10%	NBS measures the capital consumption of our new business and is a key driver of cash flow over the medium term
Excess embedded value growth ("EEVG")	10%	EEVG measures operating performance (expenses, persistency, and claim) against our actuarial assumptions and is critical to demonstrate the underlying cash flow generation of our in-force business
Strategic metrics	30%	Drive medium term performance enhancement through key actions during 2023. As agreed by the Group Board every year

Consistent with prior years, an individual's performance contribution was also considered when determining the amounts to be paid to the individuals.

The total value of short-term incentive paid to the senior management for the year ended 31 December 2023 is US$7.9 million.

Additional incentive as a form of short-term incentive

To celebrate our 10 years' young milestone, a special 10xFWD Anniversary Reward was provided to our eligible employees. The reward is directly linked to our 10xFWD Group wide targets. It was one FWD Group-wide scorecard with three to four targets per quarter, measured quarterly. There were two payouts. The first payment for quarter one and quarter two achievements was in August 2023 and the second payment for quarter three and quarter four achievements would be paid in April 2024.

Long-term incentive plan

The FWD long-term incentive (LTI) is a long-term share incentive plan offered to senior employees of the FWD Group. The purpose of the plan is to recognise our people who can influence, and contribute towards, the achievement of FWD's long-term goals and success, and drive retention of key talent. Eligible senior individuals may receive an annual grant of either time-based or time-based and performance-based share awards, which vest over periods of either three or four years.

2023 long-term incentive plan target and maximum opportunities were determined by the Group Compensation Committee and approved by the Group Board, and communicated to the country Chief Executive Officers at the beginning of the financial year ended 31 December 2023.

Metrics	Weighting	Description
Cumulative value of new business ("VNB")	30%	VNB is the main valuation driver for the FWD Group at this stage of our development and therefore remains the most important metric in terms of weighting
Cumulative operating profit before tax ("OBPT")	20%	OPBT growth is key to demonstrate progress and path towards profitability over the medium term
Cumulative new business strain ("NBS") as % of VNB	10%	NBS measures the capital consumption of our new business and is a key driver of cash flow over the medium term
Cumulative excess embedded value growth ("EEVG")	10%	EEVG measures operating performance (expenses, persistency, and claim) against our actuarial assumptions and is critical to demonstrate the underlying cash flow generation of our in-force business
Strategic and organisational health	30%	Drive long-term performance enhancement through critical strategic and organisational health metrics

During the year ended 31 December 2023, 242,237 RSUs and 262,688 PSUs were granted in respect of FL and FGL under the 2023 long-term incentive plan. The number of RSUs and Options outstanding were 887,728 and 109,037 respectively.

Information on the accounting policy for share awards granted is provided in Note 29 to the consolidated financial statements.

Directors' report

This is our Directors' submission of our Annual Report together with our audited financial statements for the year ended 31 December 2023.

Principal place of business

FWD Group Holdings Limited (the Group) is a company incorporated in the Cayman Islands and has its registered office at P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and principal place of business at 13/F, 14 Taikoo Wan Road, Taikoo Shing, Hong Kong.

Principal activities and business review

The Group is a financial services provider of life insurance operating across 10 markets within Asia. Through its various operating entities, the Group's principal activity is to provide individual life insurance, individual accident and health insurance and savings plans. The Group also distributes Group insurance, Sharia and family takaful products in a number of its markets. Further discussion and analysis of these activities (including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business) are in the Financial and Operating Review section. Details of the activities and other particulars of the Company's principal subsidiaries are set out in Note 33 to the consolidated financial statements.

Dividend

Our company has not declared or made any dividend or other distribution to its shareholders in the past and it does not have any present plan to declare or pay any dividends on its ordinary shares in the foreseeable future. The Group currently intends to retain most, if not all, of available funds and any future earnings to operate and expand the business. Any other future determination to pay dividends will be made at the discretion of our Group Board and subject to our constitutional documents and applicable laws and regulations.

The Group may also be subject to certain covenants in outstanding indebtedness which may restrict its ability to declare or pay any dividend on its ordinary shares. If we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Group Board may deem relevant.

Share capital

Details of the movements in share capital of the Company during the year are set out in Note 25 to the financial statements. Shares were issued during the year on exercise of share options and bonus issue. Details about the issue of shares are also set out in Note 25 to the financial statements.

Directors

The Directors during the financial year were:

Independent Non-Executive Chairman

Ma Si Hang, Frederick

Executive Directors

Huynh Thanh Phong, Chief Executive Officer
Li Tzar Kai, Richard

Non-Executive Directors

John Dacey
Walter Kielholz

Independent Non-Executive Directors

John Baird
Chung Kit Hung, Martina
Kyoko Hattori
Dirk Sluimers
Sun Po Yuen (with effect from 6 October 2023)[1]
Yijia Tiong

Indemnity of Directors

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout this year.

The Directors and Officers ("D&O") Liability Insurance undertaken by the Company provides such indemnities to the Directors of the Company and its subsidiaries. The relevant provisions in the Groups' Articles of Association and the D&O Insurance were in force during the financial year ended 31 December 2023.

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at are set out in Note 23 to the financial statements.

Note:
1. Mr. Sun Po Yuen was redesignated as an Independent Non-Executive Director with effect from 6 October 2023 and was previously designated as a Non-Executive Director.

Five year summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 7 the Annual Report.

Properties

Particulars of the major properties and property interests of the Group are shown in Notes 14 and 15 to the financial statements.

Retirement schemes

The Group operates both defined benefit plans and defined contribution plans. Particulars of these retirement schemes are set out in Note 28 to the financial statements.

Auditors

The financial statements for the year ended 31 December 2023 have been audited by Ernst & Young.

By order of the FWD Group Board

Professor Ma Si Hang, Frederick GBS, JP

Independent Non-Executive Chairman

22 April 2024

Note:
Any references in this part of the Annual Report (Directors' report) to other sections, parts of or notes in the Annual Report, form part of the Directors' report.

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Financial Statements

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Independent auditor's report

To the shareholders of FWD Group Holdings Limited 富衛集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 (the "Company") and its subsidiaries (the "Group") set out on pages 154 to 329, which comprise the consolidated statement of financial position as at 31 December 2023, 31 December 2022 and 1 January 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 31 December 2022 and 1 January 2022, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards) (the "IESBA Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Hong Kong, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matters (continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter #1	How our audit addressed the key audit matter
Recognition and measurement of insurance contract liabilities and contractual service margin ("CSM")	
The Group recorded a contractual service margin ("CSM") of US$5,250 million at 31 December 2023 in its consolidated statement of financial position and recognised a release of CSM of US$784 million for services provided in its consolidated statement of comprehensive income for the year ended 31 December 2023. At initial recognition, the Group measures a group of insurance contracts as the total of: (a) fulfilment cash flows, which comprise of estimates of future cash flows, adjusted to reflect the time value of money and financial risks, and a risk adjustment for non-financial risk; and (b) a CSM, which represents the estimate of unearned profit the Group will recognise as it provides service under the insurance contracts. The projection of future cash flows for these insurance contract liabilities involved the use of best estimate assumptions and actuarial models. Judgement is involved in setting economic assumptions, particularly discount rates (including the illiquidity premium adjustment); and in determining non-economic assumptions in respect of mortality and morbidity. The actuarial models used to determine the fulfilment cash flows is also complex due to the complexity in building the IFRS 17 logics into the models. Release of CSM is a key component of insurance revenue under IFRS 17 and the calculation of coverage units on which the release of CSM is based involves significant management judgement. Auditing the valuation of these insurance contract liabilities and release of CSM were complex and required the application of significant auditor judgment due to the complexity of the cash flow models, the selection and use of assumptions, and the interrelationship of these variables in measuring insurance contract liabilities. The audit procedures involved specialised skill and knowledge to assist in evaluating the audit evidence obtained. The Group's disclosures about insurance contract liabilities and CSM are included in Notes 2.3, 3.1, 3.2, 7 and 16 which explain the movements of insurance contract liabilities and the CSM impacting profit or loss for the year and shareholders' equity.	In conjunction with our internal specialists, the procedures we performed to address the key audit matter included: **Assumptions** • Obtained an understanding of management's process for setting economic and non-economic assumptions and assessed the design and operating effectiveness of key controls; • For economic assumptions: – Tested that discount rates and investment return assumptions have been set appropriately by reference to yield curves and economic scenario generators ("ESG"); – Confirmed that the information used to determine the illiquidity premium is appropriate and consistent with the characteristics of the liabilities and the asset portfolios; • For non-economic assumptions: – Tested that the key assumptions set by management are consistent with management's experience studies, and assessed whether individual changes were errors or refinements of estimates; **Model** • Understood and evaluated the governance processes in respect of model design and model maintenance; • Tested the methodology and calculation of the fulfilment cash flows through reviewing the calculation logic within the models, and through calculating an independent estimate of the fulfillment cashflows for a sample of insurance contracts and comparing the results to the Group's results; **CSM** • Obtained an understanding of management's processes and assessed the design and operating effectiveness of controls over the determination of coverage units and CSM movements during the period, including release of CSM; • For a sample of group of contracts, validated the accuracy of the CSM calculation, including the appropriateness of coverage units and release of CSM through independent model reperformance testing; • Performed analytical review procedures over the movements in the CSM during the period; • For a sample of contracts issued during the year, we tested the calculation of the initial CSM and the identification of onerous contracts; • Tested the CSM movement disclosures in the financial statements to the output of the CSM calculation model.

Key audit matters (continued)

Key audit matter #2	How our audit addressed the key audit matter

Transition to IFRS 17

On 1 January 2023, the Group adopted IFRS 17 'Insurance Contracts' which replaced IFRS 4 'Insurance Contracts'. The Group applied the full retrospective approach to all contracts issued on or after 1 January 2021, and applied the modified retrospective approach or the fair value approach for contracts issued prior to this date.

Auditing the Group's transition to IFRS 17 was complex as it related to the measurement of the Group's insurance contract liabilities including the transition CSM included therein. This required the application of significant auditor judgment due to the complexity of the management's models, and in the determination of key assumptions, specifically the discount rate and risk adjustment relating to the measurement of the insurance contract liabilities, and the development of fair value assumptions used in the determination of the transition CSM. The audit procedures involved specialised skills and knowledge to assist in evaluating the audit evidence obtained.

The Group's disclosures about the adoption of IFRS 17 are included in Note 2.1, which give details of the recognition, measurement, presentation and transition of insurance contracts.

In conjunction with our internal specialists, the procedures we performed to address the key audit matter including:

- Obtained an understanding of management's process for the transition to the new standard for insurance contract liabilities including the transition CSM
- Understood and evaluated the governance processes in respect of accounting policies and the related determination of the transition approach, as well as in relation to the development of fair value and actuarial models, the integrity of data used, implementation of new systems and models, and assumption setting and implementation processes.

To audit the impact of the Group's adoption of IFRS 17 on the insurance contract liabilities including the transition CSM, with assistance from our internal specialists, we:

- Evaluated the related accounting policies, the elections involved in transition, and to assess the appropriateness of the determination of where the Full Retrospective Approach was impracticable;
- Assessed the appropriateness and consistency of key assumptions used in the measurement of the insurance contract liabilities including the transition CSM by comparing to publicly available market data, our knowledge of the products and the requirements of IFRS 17;
- Evaluated the methodology and calculations of the IFRS 17 insurance contract liabilities and transition CSM either through review of the calculation logic within the newly implemented models, or through calculating an independent estimate of the insurance contract liability for a sample of groups of contracts ("GoC") and comparing the results to the Group's results.
- Assessed the adequacy of the disclosures related to the adoption of IFRS 17.

Key audit matters (continued)

Key audit matter #3	How our audit addressed the key audit matter
Goodwill impairment assessment	
At 31 December 2023, the Group recorded goodwill of US$1,535 million. The Group's impairment assessment of goodwill is performed by comparing the carrying amount of the cash generating unit ("CGU"), including goodwill, to the recoverable amount of that CGU. If the recoverable amount of the CGU exceeds the carrying amount of the CGU, the goodwill allocated to that CGU shall be regarded as not impaired. The recoverable amount is the value in use of the CGU unless otherwise stated. The value in use is calculated as an actuarially determined appraisal value, based on the embedded value with respect to the in-force business together with the value of future new business ("VNB"). The estimation of recoverable amounts required management to make significant estimates and assumptions. Auditing the Group's impairment assessment of goodwill required significant auditor judgment due to the high degree of subjectivity applied by management in determining the VNB multipliers and discount rates. Changes in these assumptions could have a significant impact on the carrying value of goodwill, the amount of any impairment charge, or both. The Group's disclosures about goodwill related intangible asset are included in Notes 2.9, 2.10, 3.5 and 12, which give details of the accounting policies, the amounts of the recognised goodwill and the corresponding impairment assessment.	In conjunction with our internal specialists, the procedures we performed to address the key audit matter including: • Evaluated the methodology applied by management; • Assessed significant assumptions such as discount rates and VNB multipliers used by management by comparing these assumptions to current industry and economic trends; • Reviewed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in recoverable amounts that would result from reasonably possible changes in the assumptions; and • Compared historical actual results to those budgeted to assess the quality of management's forecasting process.

Key audit matters (continued)

Key audit matter #4	How our audit addressed the key audit matter
Impairment assessment of distribution rights intangible assets	
At 31 December 2023, the Group recorded US$1,473 million of acquired distribution rights related intangible assets. Distribution rights represent contractual relationships for exclusive access to distribution networks. The distribution rights intangible is amortized over the life of the relevant contracts based on the expected pattern of consumption of the expected future economic benefits embodied in the intangible asset. The Group performs an impairment assessment on distribution rights intangible when events and circumstances have occurred that may indicate that the carrying amount of the intangibles exceeded its recoverable amount. Determining the recoverable amount of the intangibles is sensitive to significant assumptions, in particular the discount rate, which reflects the markets assessments of the time value of money and the risks specific to the operations. Auditing the distribution rights intangible required significant auditor judgment due to the high degree of subjectivity by the management in determining the discount rates used to estimate future cash flows for impairment assessment purpose. Changes in this assumption could have a significant impact on either the carrying value of distribution rights intangible, the amount of any impairment charge, or both. Assumption could have a significant impact on either the carrying value of distribution rights intangible, the amount of any impairment charge, or both. The Group's disclosures about the distribution rights intangible asset are included in Notes 2.9, 2.10, 3.5 and 12, which give details of the accounting policies and amounts of the recognised distribution rights intangible.	In conjunction with our internal specialists, the procedures we performed to address the key audit matter including: • Understood and evaluated management's impairment assessment process; • Reviewed management's assessment of the existence of impairment indicators. We formed an independent view of the existence of potential impairment indicators considering all the information obtained during the audit. Where an impairment indicator was identified and quantitative assessment was performed, we: • Compared the discount rate used in the assessment to discount rates used for entities with similar risk profiles and market information; and • Assessed the consistency of the underlying cash flows (including budgeted sales) used in the impairment model with supporting evidence such as actual results, legal agreements or budgets approved by management.

Other information included in the Annual Report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 Group’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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

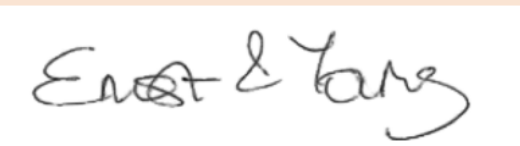
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Keith Pogson.



Certified Public Accountants
Hong Kong
22 April 2024

Consolidated income statement

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Insurance revenue	7	2,756	2,408
Insurance service expenses	9,16	(1,989)	(1,817)
Net expenses from reinsurance contracts held	16	(88)	(146)
Insurance service result		679	445
Interest revenue on			
Financial assets not measured at fair value through profit or loss		1,048	951
Financial assets measured at fair value through profit or loss		111	60
Other investment losses		(791)	(999)
Net impairment loss on financial assets		(9)	(29)
Investment return	8	359	(17)
Net finance income/(expenses) from insurance contracts		(996)	86
Net finance income/(expenses) from reinsurance contracts held		1	(23)
Movement in investment contract liabilities		4	2
Net investment result		(632)	48
Net insurance and investment result	8	47	493
Other revenue	7	64	38
General and other expenses	9	(731)	(689)
Borrowings and other finance costs	10	(174)	(128)
Loss before share of profit/(loss) from associates and joint ventures		(794)	(286)
Share of profit/(loss) from associates and joint ventures	13	(20)	2
Loss before tax		(814)	(284)
Tax benefit/(expense)	11	97	(36)
Net loss		(717)	(320)
Net loss attributable to:			
Shareholders of the Company		(826)	(302)
Perpetual securities		110	83
Non-controlling interests		(1)	(101)

Consolidated statement of comprehensive income

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Net loss	(717)	(320)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Fair value gains/(losses) on debt securities at fair value through other comprehensive income (net of tax of: 31 December 2023: US$63m and 31 December 2022: US$(851m))	447	(4,242)
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment (net of tax of: 31 December 2023: US$182m and 31 December 2022: US$3m)	709	199
Net finance income/(expense) from insurance contracts (net of tax of: 31 December 2023: US$(206m) and 31 December 2022: US$917m)	(1,087)	3,917
Net finance income/(expenses) from reinsurance contracts held	18	(32)
Cash flow hedges (net of tax of: 31 December 2023: US$(4m) and 31 December 2022: US$(1m))	(12)	(8)
Foreign currency translation adjustments	(105)	(187)
Share of other comprehensive loss from associates and joint ventures	(33)	—
	(63)	(353)
Items that will not be reclassified to profit or loss		
Effect of re-measurement of net liability of defined benefit schemes	—	2
Total other comprehensive loss	(63)	(351)
Total comprehensive loss	(780)	(671)
Total comprehensive loss attributable to:		
Shareholders of the Company	(794)	(558)
Perpetual securities	110	83
Non-controlling interests	(96)	(196)

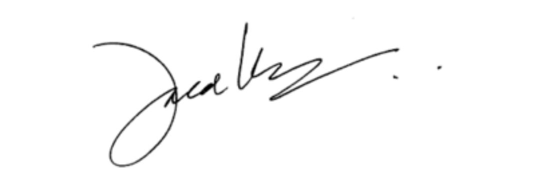
Consolidated statement of financial position

US$m	Notes	As at 31 December 2023	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restaed)
ASSETS				
Intangible assets	12	3,154	3,207	3,348
Investments in associates and joint ventures	13	383	407	342
Property, plant and equipment	14	146	139	159
Investment property	15	599	641	663
Insurance contract assets	16	798	722	741
Reinsurance contract assets	16	2,876	725	1,020
Financial investments	17,19			
At fair value through other comprehensive income debt securities		29,029	30,815	36,243
At fair value through profit or loss				
Debt securities		1,970	1,810	755
Equity securities		675	381	1,055
Interests in investment funds		8,667	7,576	7,435
Derivative financial instruments	18	218	319	120
Loans and deposits		996	1,530	896
		41,555	42,431	46,504
Deferred tax assets	11	321	238	1
Current tax recoverable		18	32	20
Other assets	20	816	574	597
Cash and cash equivalents	21	2,008	1,474	2,652
		52,674	50,590	56,047
Assets classified as held-for-sale	5	—	—	107
Total assets		52,674	50,590	56,154

Consolidated statement of financial position (continued)

US$m	Notes	As at 31 December 2023	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
LIABILITIES				
Insurance contract liabilities	16	40,073	37,019	42,061
Reinsurance contract liabilities	16	304	463	456
Investment contract liabilities	22	56	197	272
Borrowings	23	2,531	2,216	2,212
Derivative financial instruments	18	416	134	157
Provisions		42	15	18
Deferred tax liabilities	11	136	269	326
Current tax liabilities		425	385	22
Other liabilities	24	1,059	1,403	1,483
		45,042	42,101	47,007
Liabilities directly associated with assets classified as held-for-sale	5	—	—	67
Total liabilities		45,042	42,101	47,074
EQUITY				
Share capital and share premium	25	9,010	6,411	6,019
Other reserves	25	124	81	98
(Accumulated losses)/retained earnings		(1,956)	(438)	13
Amounts reflected in other comprehensive income		(944)	(637)	(386)
Fair value reserve	25	(2,934)	(2,953)	(33)
Insurance finance reserve	25	2,558	2,620	(187)
Cash flow hedge reserve	25	(32)	(15)	(9)
Defined benefit obligation revaluation reserve		3	3	2
Foreign currency translation reserve	25	(510)	(295)	(162)
Share of other comprehensive income of associates and joint ventures		(29)	3	3
Total equity attributable to Shareholders of the Company		6,234	5,417	5,744
Perpetual securities	25	1,348	1,354	1,607
Non-controlling interests	25	50	1,718	1,729
Total equity		7,632	8,489	9,080
Total liabilities and equity		52,674	50,590	56,154

Approved and authorised for issue by the board of directors on 22 April 2024.



Director

Director

Consolidated statement of changes in equity

US$m	Notes	Attributable to Shareholders of the Company												
		Share Capital and share premium	Other reserves	Accumulated losses	Amounts reflected in other comprehensive income	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures	Perpetual securities	Non-controlling interests	Total equity
Balance at 1 January 2023, as previously reported		6,411	81	(1,036)	(3,493)	(3,168)	—	(15)	3	(315)	2	1,354	389	3,706
Adjustment on initial application of IFRS 17, net of tax		—	—	672	2,784	143	2,620	—	—	20	1	—	1,329	4,785
Adjustment on initial application of IFRS 9, net of tax		—	—	(74)	72	72	—	—	—	—	—	—	—	(2)
Restated balance at 1 January 2023		6,411	81	(438)	(637)	(2,953)	2,620	(15)	3	(295)	3	1,354	1,718	8,489
Net gain/(loss)		—	—	(826)	—	—	—	—	—	—	—	110	(1)	(717)
Other comprehensive income items that may be reclassified subsequently to profit or loss														
Fair value gains on debt securities at fair value through other comprehensive income		—	—	—	262	262	—	—	—	—	—	—	185	447
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	692	692	—	—	—	—	—	—	17	709
Net finance expenses from insurance contracts		—	—	—	(842)	—	(842)	—	—	—	—	—	(245)	(1,087)
Net finance income from reinsurance contracts		—	—	—	6	—	6	—	—	—	—	—	12	18
Cash flow hedges		—	—	—	(12)	—	—	(12)	—	—	—	—	—	(12)
Foreign currency translation adjustments		—	—	—	(40)	—	—	—	—	(40)	—	—	(65)	(105)
Share of other comprehensive income/(loss) of associates and joint ventures		—	—	—	(34)	—	—	—	—	—	(34)	—	1	(33)
Total comprehensive income/(loss) for the year		—	—	(826)	32	954	(836)	(12)	—	(40)	(34)	110	(96)	(780)
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	—	—	—	20	20
Exchange of Share Capital of FL and FGL		2,599	23	(566)	(335)	(933)	774	(5)	—	(173)	2	—	(1,721)	—
Issuance of shares by subsidiaries	25	—	(18)	—	2	8	(7)	—	—	1	—	—	16	—
Distribution paid	25	—	—	—	—	—	—	—	—	—	—	(110)	—	(110)
Share-based compensation	29	—	17	—	—	—	—	—	—	—	—	—	2	19
Transaction with non-controlling interests	25	—	7	(114)	(3)	(8)	7	—	—	(2)	—	—	112	2
Transfer to legal reserve		—	13	(13)	—	—	—	—	—	—	—	—	—	—
Others		—	1	1	(3)	(2)	—	—	—	(1)	—	(6)	(1)	(8)
Balance as at 31 December 2023		9,010	124	(1,956)	(944)	(2,934)	2,558	(32)	3	(510)	(29)	1,348	50	7,632

Consolidated statement of changes in equity (continued)

		Attributable to Shareholders of the Company												
US$m	Notes	Share Capital and share premium	Other reserves	Retained earnings/ (accumulated losses)	Amounts reflected in other comprehensive income	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures	Perpetual securities	Non-controlling interests	Total equity
Balance at 1 January 2022, as previously reported		6,019	98	(283)	(187)	(21)	—	(9)	2	(162)	3	1,607	1,693	8,947
Adjustment on initial application of IFRS 17, net of tax		—	—	285	(187)	—	(187)	—	—	—	—	—	36	134
Adjustment on initial application of IFRS 9, net of tax		—	—	11	(12)	(12)	—	—	—	—	—	—	—	(1)
Restated balance at 1 January 2022		6,019	98	13	(386)	(33)	(187)	(9)	2	(162)	3	1,607	1,729	9,080
Net gain/(loss)		—	—	(302)	—	—	—	—	—	—	—	83	(101)	(320)
Other comprehensive income items that may be reclassified subsequently to profit or loss														
Fair value losses on debt securities at fair value through other comprehensive income		—	—	—	(3,081)	(3,081)	—	—	—	—	—	—	(1,161)	(4,242)
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	144	144	—	—	—	—	—	—	55	199
Net finance income from insurance contracts		—	—	—	2,846	—	2,846	—	—	—	—	—	1,071	3,917
Net finance expenses from reinsurance contracts held		—	—	—	(23)	—	(23)	—	—	—	—	—	(9)	(32)
Cash flow hedges		—	—	—	(6)	—	—	(6)	—	—	—	—	(2)	(8)
Foreign currency translation adjustments		—	—	—	(137)	—	—	—	—	(137)	—	—	(50)	(187)
Other comprehensive income items that will not be reclassified subsequently to profit or loss														
Effect of remeasurement of net liability of defined benefit schemes		—	—	—	1	—	—	—	1	—	—	—	1	2
Total comprehensive income/(loss) for the year		—	—	(302)	(256)	(2,937)	2,823	(6)	1	(137)	—	83	(196)	(671)
Issuance of shares	25	400	—	—	—	—	—	—	—	—	—	—	—	400
Issuance of shares by subsidiaries		—	(38)	6	4	17	(16)	—	—	3	—	—	28	—
Redemption of perpetual securities	25	—	—	(2)	—	—	—	—	—	—	—	(248)	—	(250)
Distribution paid	25	—	—	—	—	—	—	—	—	—	—	(87)	—	(87)
Share-based compensation	29	—	19	—	—	—	—	—	—	—	—	—	7	26
Transactions with non-controlling interests	25	—	—	(151)	—	—	—	—	—	—	—	—	151	—
Disposal of subsidiary		—	—	—	(2)	(1)	—	—	—	(1)	—	—	(1)	(3)
Transfer to legal reserve		—	3	(3)	—	—	—	—	—	—	—	—	—	—
Others		(8)	(1)	1	3	1	—	—	—	2	—	(1)	—	(6)
Restated balance at 31 December 2022		6,411	81	(438)	(637)	(2,953)	2,620	(15)	3	(295)	3	1,354	1,718	8,489

Consolidated statement of cash flows

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022
			(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(814)	(284)
Adjustments for:			
Financial investments		1,264	(1,077)
Insurance and reinsurance contract balances		(756)	(1,017)
Investment contract liabilities		(141)	(75)
Other non-cash operating items, including the effect of exchange rate changes on certain operating items		(298)	737
Operating cash items:			
Dividend received		232	189
Interest received		1,250	1,185
Interest paid		(15)	(10)
Income tax paid		(93)	(39)
Net cash provided by/(used in) operating activities		629	(391)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	5	19	—
Acquisition of interest in an associate	13	(51)	(54)
Dividend and distribution from associates and a joint venture	13	2	7
Payments for intangible assets		(62)	(483)
Payments for investment properties		—	(64)
Payments for property, plant and equipment		(10)	(11)
Proceeds from disposal of a subsidiary, net of cash disposed		—	38
Proceeds from disposals of intangible assets		4	13
Proceeds from disposals of property, plant and equipment		1	1
Net cash used in investing activities		(97)	(553)

Consolidated statement of cash flows (continued)

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022
			(Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of ordinary shares	25.1	—	400
Transaction costs on issuance of ordinary shares		—	(31)
Transaction costs on novation of perpetual securities		(5)	—
Repayment of bank borrowings	23	—	(50)
Proceeds from bank borrowings	23	—	50
Restricted cash		12	(3)
Proceeds from issuance of a medium term note		325	—
Distributions paid on perpetual securities	25.3	(110)	(87)
Redemption of perpetual securities	25.3	—	(250)
Transaction with non-controlling interests	25.5	1	—
Principal portion of lease payments		(44)	(42)
Finance costs paid on lease liabilities		(5)	(4)
Finance costs paid on borrowings		(144)	(96)
Finance costs paid on distribution agreement payable		(3)	(74)
Payment for listing related expenses		(2)	(3)
Net cash provided by/(used in) financing activities		25	(190)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		557	(1,134)
Cash and cash equivalents at beginning of the year		1,474	2,654
Effect of exchange rate changes on cash and cash equivalents		(23)	(46)
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,008	1,474
Included in cash and cash equivalents per the consolidated statement of financial position	21	2,008	1,474

Notes to the consolidated financial statements and material accounting policies

1. Corporate information

1.1 General information

FWD Group Holdings Limited 富衛集團有限公司 (the "Company"), is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 18 March 2013. The address of the Company registered office is Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is a holding company. The Company and its subsidiaries (collectively, "FWD Group" or the "Group") are principally engaged in the provision of products and services focusing on life insurance, general insurance, and investment services (the "Insurance Business").

As at 31 December 2023 and 2022, the immediate and ultimate holding company of the Company was PCGI Holdings Limited. PCGI Holdings Limited is wholly owned by Mr. Li Tzar Kai, Richard, the ultimate controlling shareholder of the Group (the "Ultimate Controlling Shareholder").

1.2 Reorganisation of the Group

The Group underwent the following reorganisation steps ("Reorganisation") during the financial periods presented:

1. On 20 August 2021, the name of the Company was changed from PCGI Intermediate Holdings Limited to FWD Group Holdings Limited.
2. On 20 August 2021, the Company effected a share split of all of the Company's issued and outstanding ordinary shares on a 1-for-100 basis ("Share Split"), pursuant to which the par value of each ordinary share was adjusted from US$1 to US$0.01. On the same date, PCGI Holdings Limited surrendered 1,514,065,560 ordinary shares of US$0.01 each for nil consideration pursuant to a form of surrender letter ("Share Surrender"). Accordingly, the par value of the ordinary shares surrendered at an amount of US$15m was transferred from share capital to capital redemption reserve. The Share Split and Share Surrender effectively resulted in a 1-for-30 split of the Company's issued ordinary shares.
3. On 14, 15 and 20 December 2021, and 14 and 27 January 2022, the Company allotted and issued in aggregate 259,170,649 ordinary shares to certain investors for consideration of US$1,625m.
4. On 10 January 2022, the Company adopted the dual foreign name of "FWD Group Holdings Limited 富衛集團有限公司".
5. On 19 December 2022, the Company allotted and issued 31,897,926 ordinary shares to PCGI Holdings Limited at a consideration of US$200m ("December 2022 Pre-IPO Investment"). Following the December 2022 Pre-IPO Investment, PCGI Holdings Limited holds approximately 77.7% shareholding in the Company. Refer to Note 25 for further details.

1. Corporate information (continued)

1.2 Reorganisation of the Group (continued)

6. On 31 July 2023, the Company issued in aggregate 34,756,740 management shares (“Management Shares”), 120,099,900 series P conversion shares (“Series P Conversion Shares”) and 196,083,810 Series A, B-2 and B-3 conversion shares (“Series A, B-2 and B-3 Conversion Shares”) to the non-controlling interest holders of FL and FGL, and the non-controlling interest holders of FL and FGL sold and the Company purchased their holdings of ordinary shares, preference shares and convertible preference shares (as applicable) in FWD Limited (“FL”) and FWD Group Limited (“FGL”), respectively (the “Exchange of Share Capital of FL and FGL”). These Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares will be mandatorily converted into ordinary shares of the Company upon completion of an initial public offering of the Company.

   Immediately after the completion of the Exchange of Share Capital of FL and FGL, FL and FGL have become wholly-owned subsidiaries of the Company.

The following reorganisation steps are expected to be completed conditional on and upon an initial public offering of the Company taking place:

Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares will be mandatorily converted into ordinary shares of the Company through the consolidation, redesignation and reclassification of the Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares by operation of the laws of the Cayman Islands (the "Conversion of Shares"). Immediately after the Conversion of Shares, the Company will only have ordinary shares in issue.

When these conditional reorganisation steps are completed they are expected to be accounted for in accordance with the Company’s accounting policy noted in Note 2.2(3).

2. Material accounting policies

2.1 Basis of preparation

The accounting policies listed below are in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board, and Interpretations developed by the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared, on a going concern basis, under the historical cost convention, except for investment property, the re-measurement of financial assets measured at fair value through other comprehensive income (“FVOCI”), certain financial assets and liabilities measured or designated at fair value through profit or loss (“FVTPL”) and derivative financial instruments, all of which are carried at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell further explained in Note 5.

The accounting policies adopted are consistent throughout the year ended 31 December 2023, except as described as follows.

(a) Mandatory for the year ended 31 December 2023

The following relevant new standards have been adopted for the first time for the years presented:

i. IFRS 17, Insurance Contracts

a. Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts held and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Group’s estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (“CSM”).

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

Insurance finance income and expenses, disaggregated between profit or loss and OCI for insurance contracts, are presented separately from insurance revenue and insurance service expenses.

The Group applies the Premium Allocation Approach (“PAA”) to simplify the measurement of contracts in the group business and non-life products with a coverage period of one year or less, except for groups of contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Group’s previous accounting treatment.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

i. IFRS 17, Insurance Contracts (continued)

a. Recognition, measurement and presentation of insurance contracts (continued)

Under IFRS 17, insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts held other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Group accounts for insurance and reinsurance contracts held under IFRS 17, see Note 2.3.

b. Transition

Full retrospective approach

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. The Group has applied the full retrospective approach on transition to all contracts issued on or after 1 January 2021. Under the full retrospective approach, at 1 January 2022 the Group:

- identified, recognised and measured each group of insurance and reinsurance contracts held as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as 'value of business acquired'), policy loans classified as financial investments, insurance receivables and payables. Under IFRS 17, they are included in the measurement of the insurance contracts;
- recognised any resulting net difference in equity. The carrying amount of goodwill from previous business combinations were not adjusted.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

i. IFRS 17, Insurance Contracts (continued)

b. Transition (continued)

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the consolidated financial statements at 1 January 2022 are presented in the statement of changes in equity.

The Group applied the modified retrospective approach or the fair value approach in IFRS 17 to identify, recognise and measure certain groups of contracts at 1 January 2022 when it was impracticable to apply the full retrospective approach.

The Group considered the full retrospective approach impracticable under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
  - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
  - information about historical cash flows and discount rates required for determining the estimates of cash flows and risk adjustment for non-financial risk on initial recognition and subsequent changes on a retrospective basis;
  - information required to allocate fixed and variable overheads to groups of contracts, because the Group's previous accounting policies did not require such information; and
  - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.
- The full retrospective approach required assumptions about what Group management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
  - expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts;
  - assumptions about the risk adjustment for non-financial risk, because the Group had not been subject to any accounting or regulatory framework that required an explicit margin for non-financial risk.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

i. IFRS 17, Insurance Contracts (continued)

b. Transition (continued)

Modified retrospective approach

The application of the full retrospective approach on transition for certain portfolios was determined to be impracticable for the Group, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible. Therefore, the Group has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach.

Fair value approach

The Group has applied the fair value approach on transition for all other groups of contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The Group has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Group has applied the requirements of IFRS 13 Fair Value Measurement.

The Group used the income approach to fair value the insurance contracts at the transition date.

Irrespective of the transition approach used, the following items have not been applied retrospectively.

- The consequential amendments to IFRS 3 Business Combinations introduced by IFRS 17 require the Group to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement was not applied to business combinations before 1 January 2023, for which the Group classified contracts acquired as insurance contracts based on the conditions at contract inception.

To indicate the effect of applying the modified retrospective approach or the fair value approach on the CSM, insurance revenue and insurance finance income or expenses, the Group has provided additional disclosures in Notes 8 and 16.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

i. IFRS 17, Insurance Contracts (continued)

b. Transition (continued)

Assets for insurance acquisition cash flows

The Group also applied the modified retrospective approach to identify, recognise and measure certain assets for insurance acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:

- data had not been collected with sufficient granularity;
- information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of contracts was not available; or
- original assumptions about the manner in which the Group would have expected insurance acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

ii. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting, which replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). For impairment, IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For financial liabilities, IFRS 9 has not had a significant effect on the Group. Refer to Note 2.4 for the Group's new accounting policies adopted in accordance with IFRS 9.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The comparative financial statements have been restated. The Group has elected to adopt the classification overlay and apply ECL model to financial instruments that had been derecognised before 1 January 2023.
- The Group has elected, as an accounting policy choice under IFRS 9, to continue to apply the hedge accounting requirements of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed before 1 January 2023:
  - The determination of the business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL;
  - If a financial asset had low credit risk at 1 January 2023, then the Group determined that the credit risk on the asset had not increased significantly since initial recognition.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Classification and measurement

The following table shows a reconciliation between the carrying amounts of the Group's financial assets under IAS 39 to the balances reported under IFRS 9 as at the date of initial application, 1 January 2023. The measurement categories of the Group's financial liabilities did not change upon adoption of IFRS 9.

	IAS 39 measurement				IFRS 9 measurement	
US$m	Category	Amount	Re-classification	Re-measurement - ECL	Category	Amount
Financial investments						
Debt securities[1]	FVTPL (designated)	225			N/A	
			131		Debt securities FVTPL (mandatory)	131
			94		Debt securities FVOCI	94
	AFS	32,493			N/A	
			30,721		Debt securities FVOCI	30,721
			1,575		Debt securities FVTPL (mandatory)	1,575
			197		Investment funds[3] FVTPL (mandatory)	197
Equity securities[2]	FVTPL (designated)	7,864			N/A	
			381		Equity securities FVTPL (mandatory)	381
			7,379		Investment funds[3] FVTPL (mandatory)	7,379
			104		Debt securities[4] FVTPL (mandatory)	104
Derivative financial instruments, net	FVTPL (held for trading)	185	185		FVTPL (mandatory)	185
Loans and deposits, excluding policy loans	L&R	1,532	1,532	(2)	Amortised cost	1,530
Total financial assets		42,299	42,299	(2)		42,297

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

The following table shows a reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 1 January 2022.

	IAS 39 measurement			Re-measurement -	IFRS 9 measurement	
US$m	Category	Amount	Re-classification	ECL	Category	Amount
Financial investments						
Debt securities[1]	FVTPL (designated)	79			N/A	
			3		Debt securities FVTPL (mandatory)	3
			76		Debt securities FVOCI	76
	AFS	37,156			N/A	
			36,167		Debt securities FVOCI	36,167
			752		Debt securities FVTPL (mandatory)	752
			237		Investment funds[3] FVTPL (mandatory)	237
Equity securities[2]	FVTPL (designated)	8,253			N/A	
			1,055		Equity securities FVTPL (mandatory)	1,055
			7,198		Investment funds[3] FVTPL (mandatory)	7,198
Derivative financial instruments, net	FVTPL (held for trading)	(37)	(37)		FVTPL (mandatory)	(37)
Loans and deposits, excluding policy loans	L&R	897	897	(1)	Amortised cost	896
Total financial assets		46,348	46,348	(1)		46,347

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

L&R: Loans and receivables

AFS: Available for sale

Notes:

1 Certain debt securities previously classified as AFS under IAS 39 were classified as FVTPL because their cash flows are not solely payments of principal and interest on the principal outstanding. Debt securities that were classified as FVOCI under IFRS 9 because their contractual cash flows demonstrate solely payments of principal and interest on the principal outstanding. The Group reviewed its business model over these debt securities and concluded that the return of investment shall be achieved by both collecting contractual cash flows and sale of these investments. The Group designated certain debt securities in policyholder and shareholder investments as at FVTPL under IAS 39. Upon initial application of IFRS 9, the Group revoked its previous designation and classified these debt securities based on their contractual cash flows characteristics and business model assessment.

2 Equity securities are mandatorily measured at FVTPL under IFRS 9. As such, these investments are no longer required to be designated at FVTPL.

3 Under IAS 39, certain investment funds were designated as at FVTPL because the Group managed them and evaluated their performance on a fair value basis. The Group also designated some investment funds as AFS. Under IFRS 9, these investments are mandatorily measured at FVTPL because they represent either redeemable units of the funds or units of funds with a limited life and their contractual cash flows are not solely payments of principal and interest on the principal outstanding.

4 This includes certain reclassification from equity securities at FVTPL to debt securities at FVTPL in accordance with IFRS 9 requirements as well as to conform presentation for comparison purpose.

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.4.1.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Impairment of financial assets

The following tables reconcile the closing impairment allowance under IAS 39 with the opening loss allowance under IFRS 9.

US$m	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Debt securities at FVOCI under IFRS 9				
From available-for-sale under IAS 39	(14)	9	(45)	(50)
Loans and deposits at amortised cost under IFRS 9				
From loans and receivables under IAS 39, excluding policy loans	(1)	—	(2)	(3)
Total	(15)	9	(47)	(53)

US$m	31 December 2021 IAS 39	Reclassification	Remeasurement	1 January 2022 IFRS 9
Debt securities at FVOCI under IFRS 9				
From available-for-sale under IAS 39	(14)	9	(19)	(24)
Loans and deposits at amortised cost under IFRS 9				
From loans and receivables under IAS 39, excluding policy loans	—	—	(1)	(1)
Total	(14)	9	(20)	(25)

Refer to Note 27 for further details of the loss allowance under IFRS 9.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Impact of transition to IFRS 9 on reserves and accumulated losses

The impact of transition to IFRS 9 on the Group's reserves and accumulated losses as at 1 January 2023 is as follows:

US$m	Accumulated losses	Fair value reserve
Closing balance under IAS 39 as at 31 December 2022	(1,036)	(3,168)
Reclassify investments from AFS to FVTPL	(58)	58
Recognition of IFRS 9 ECL for debt securities at FVOCI and loans and deposits at amortised cost	(35)	33
Deferred tax in relation to IFRS 9 application	19	(19)
Other deferred tax impact[1]	—	143
Adjustment on initial application of IFRS 17, net of tax	672	—
Opening balance under IFRS 9, as at 1 January 2023	(438)	(2,953)

The impact of transition to IFRS 9 on the Group's reserves and retained earnings/accumulated losses as at 1 January 2022 is as follows:

US$m	Retained earnings/ (accumulated losses)	Fair value reserve
Closing balance under IAS 39 as at 31 December 2021	(283)	(21)
Reclassify investments from AFS to FVTPL	26	(26)
Recognition of IFRS 9 ECL for debt securities at FVOCI and loans and deposits at amortised cost	(14)	13
Deferred tax in relation to IFRS 9 application	(1)	1
Adjustment on initial application of IFRS 17, net of tax	285	—
Opening balance under IFRS 9, as at 1 January 2022	13	(33)

Note:
1. In the consolidated financial statements prepared under IAS 39 and IFRS 4, there are unrecognised deferred tax assets in relation to the fair value losses on available for sale financial assets as it was not considered probable that taxable profit will be available against which these deductible temporary difference can be utilised. In the consolidated financial statements prepared under IFRS 9 and IFRS 17, there are additional deferred tax liabilities recognised as a result of increase in taxable temporary differences arisen from restated insurance contract balances, and deferred tax assets for the deductible temporary differences in relation to the fair value losses on FVOCI debts instruments were recognised as sufficient taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary difference.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

iii. Amendments to IAS 28: Long-term interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28 Investments in Associates and Joint Ventures. The Group applied these amendments concurrently with the application of IFRS 9, and there was no significant impact to its consolidated financial statements.

iv. Other amendments

- Amendments to IAS 1 and IFRS 2 Practice Statement 2, Disclosure of Accounting Policies (2023)
- Amendments to IAS 8, Definition of Accounting Estimates (2023)
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023)
- Amendments to IAS 12, International Tax Reform - Pillar Two Model Rules (2023)

The above amendments to the standards did not have a significant impact to the Group's consolidated financial statements.

(b) Issued but not yet effective and have not been early adopted for the year ended 31 December 2023

The following relevant new standards and amendments to standards have been issued but are not effective for the year ended 31 December 2023 and have not been early adopted:

- Amendments to IAS 1, Non-Current Liabilities with Covenants (2024)
- Amendments to IFRS 16, Leases on Sale and Leaseback (2024)
- Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements (2024)
- Amendments to IAS 21, Lack of Exchangeability (2025)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (Deferred)

The Group is assessing the impact of these amendments.

2. Material accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the years ended 31 December 2023 and 2022. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directly by means of contractual arrangement. The Group has determined that the investment funds that the Group has interest are structured entities.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date at which the Group no longer has control. Intercompany transactions are eliminated.

The Group utilises the acquisition method of accounting to account for the acquisition of subsidiaries, unless the acquisition forms part of the Group reorganisation of entities under common control. Under this method, the cost of an acquisition is measured as the fair value of the considerations transferred, considerations payable, shares issued or liabilities assumed at the date of acquisition. For each acquisition of subsidiary, the Group elects whether to measure the non-controlling interests in the entity at fair value ("fair value approach") or at the proportionate share of the entity’s identifiable net assets ("proportionate share approach"). The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (Note 2.9). The Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the subsidiary. Any surplus of the acquirer's interest in subsidiary's net assets over the cost of acquisition is credited to the consolidated income statement. Acquisition-related costs are expensed as incurred.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The consolidated financial statements of the Group include the assets, liabilities and results of entities now comprising the Group, using accounts drawn up to the reporting date.

2. Material accounting policies (continued)

2.2 Basis of consolidation (continued)

(2) Investment funds

Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. In conducting the assessment, the Group considers substantive contractual rights as well as de facto control. De facto control of an entity may arise from circumstances where the Group does not have more than 50% of the voting power but it has the practical ability to direct the relevant activities of the entity. If the Group has power to remove or control over the party having the ability to direct the relevant activities of the fund based on the facts and circumstances and that the Group has exposure to variable returns of the investment funds, they are consolidated. Variable returns include both rights to the profits or distributions as well as the obligation to absorb losses of the investees.

(3) Non-controlling interests

Non-controlling interests are presented within equity except when they arise through the minority's interest in puttable liabilities such as the unit holders' interest in consolidated investment funds, when they are recognised as a liability, reflecting the net assets of the consolidated entity. Acquisitions and disposals of non-controlling interests, except when they arise through the minority's interest in puttable liabilities, are treated as transactions between equity holders. As a result, any difference between the amount by which the carrying amounts of the non-controlling interests are adjusted and the amount of the fair value of consideration received is recognised in the respective components of the equity attributable to the shareholders of the Company.

Perpetual securities issued by subsidiaries and classified as equity instruments are non-controlling interests of the Group, if they are held by investors other than the parent. Profit or loss and each component of OCI are attributable to the parent and other equity holders of the non-controlling interests after adjusting for any cumulative distributions on the perpetual securities, whether or not such distributions have been declared.

(4) Investments in associates and joint ventures

Associates are entities over which the Group has significant influence, but which it does not have control or joint control. Generally, it is presumed that the Group has significant influence if it has between 20 per cent and 50 per cent of voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under this method, the cost of the investment in an associate or joint venture, together with the Group's share of that entity's post-acquisition changes to equity, is included as an asset in the consolidated statement of financial position. Cost includes goodwill arising on acquisition. The Group's share of the post-acquisition profits or losses and other comprehensive income is recognised in the consolidated income statement and consolidated statement of comprehensive income, respectively. In addition, when there is a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

2. Material accounting policies (continued)

2.2 Basis of consolidation (continued)

(4) Investments in associates and joint ventures (continued)

Gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Losses are also eliminated, unless the transaction provides evidence of an impairment of an asset transferred between entities.

When an investment in an associate is a venture capital organisation, a mutual fund, unit trust or similar entity, including unit-linked insurance funds (i.e. an investment entity) and the investment entity associate applies fair value measurement to its subsidiaries, the Group retains the fair value measurement applied by the investment entity associate to its interests in subsidiaries when applying the equity method.

2.3 Insurance and Investment contracts

Consistent accounting policies for the measurement and recognition of insurance and investment contracts have been adopted throughout the Group.

(1) Product classification

The Group classifies its contracts written including reinsurance issued or reinsurance contracts held as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. The Group applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts. The Group refers to such contracts as participating business.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Group to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. For investment contracts that do not contain DPF, IFRS 9 Financial Instrument, and, if the contract includes an investment management element, IFRS 15, Revenue from contracts with customers, are applied. Once a contract has been classified as an insurance contract reclassification is not subsequently performed unless the terms of the agreements are later amended.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

Certain insurance and investment contracts with DPF supplement the amount of guaranteed benefits due to policyholders. These contracts are distinct from other insurance and investment contracts as the Group has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders.

Customers may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the entity, fund or other entity that issues the contract.

In some jurisdictions, participating business is written in a participant fund which is distinct from the other assets of the Group. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation. The extent of such policyholder participation may change over time. The current policy participation in declared dividends for locations with participating funds is set out below:

Country	Current policyholder participation
Malaysia	90 %
Vietnam	70%/75%
Singapore	90 %

In some jurisdiction participating business is not written in a distinct fund and the Group refers to this as other participating business.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts measured under the variable fee approach ("VFA") are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts held are classified as contracts without direct participation features. Some of these contracts are measured under the premium allocation approach ("PAA").

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

The Group's products may be divided into the following main categories:

		Basis of accounting for	
Policy type	**Description of benefits payable**	**Insurance contract liabilities**	**Investment contract**
Traditional participating life assurance with DPF	Participating funds Participating products include protection and savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing and bonus declarations is at the discretion of the insurer. Local regulators generally prescribed a minimum proportion of policyholder participation in declared dividend.	Insurance contracts liabilities make provision for the present value of guaranteed benefits, non-guaranteed participation and future administrative expenses that are directly attributable to the contract less estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable, as contracts with DPF are accounted for as insurance contracts under IFRS 17.
	Other participating business Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience.	Insurance contract liabilities make provision for the present value of guaranteed benefits, non-guaranteed participation and future administrative expenses that are directly attributable to the contract less estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable, as contracts with DPF are accounted for as insurance contracts under IFRS 17.
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Insurance contract liabilities reflect the present value of future policy benefits to be paid, the future administration expenses that are directly related to the contract and the mutual financial benefits to be paid from the common fund, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable
Non-participating life assurance, annuities and other protection products	Benefits payable are not at the discretion of the insurer	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Investment contract liabilities without DPF are measured at amortised cost
Universal life	Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable as such contracts generally contain significant insurance risk
Unit-linked	These may be primarily savings products or may combine savings with an element of protection	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value)

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF

(1) Separating components from insurance and reinsurance contracts issued

At inception, the Group separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Group separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

(2) Aggregation and recognition of insurance and reinsurance contracts issued

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(3) Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts. The Group expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the Group expects to recover those cash flows.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated.

The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

When the Group acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

At each reporting date, the Group revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(3) Insurance acquisition cash flows (continued)

<u>Recoverability assessment</u>

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group:

a. recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and

b. if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Group reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

(4) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Group, which may include both insurance and financial risks.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(5) Measurement – Contracts not measured under the PAA

Initial measurement

On initial recognition, the Group measures a group of insurance contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the Contractual Service Margin, "CSM". The fulfilment cash flows of a group of insurance contracts do not reflect the Group's non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under (3)) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(5) Measurement – Contracts not measured under the PAA (continued)

Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

The CSM of each group of contracts is calculated at each reporting date as follows.

Insurance contracts without direct participation features

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(5) Measurement – Contracts not measured under the PAA (continued)

Subsequent measurement (continued)

Insurance contracts without direct participation features (continued)

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year;
- differences between any loan to a policyholder expected to become repayable in the year and the actual amount that becomes repayable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

Direct participation contracts measured under VFA

Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of direct participating contracts, the Group adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group then adjusts any CSM for changes in the amount of the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(5) Measurement – Contracts not measured under the PAA (continued)

Subsequent measurement (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - the Group has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows not varying based on the return on underlying items that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items – e.g. the effect of financial guarantees.

(6) Measurement – Contracts measured under the PAA

The Group generally uses the PAA to simplify the measurement of groups of contracts in the following circumstances:

- when the coverage period of each contract in the group is one year or less; or
- the Group reasonably expects that the resulting measurement of the liabilities for remaining coverage ("LRC") would not differ materially from the result of applying the accounting policies of contracts not measured under the PAA.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(6) Measurement – Contracts measured under the PAA (continued)

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows for life insurance contracts). For non-life insurance contracts, the Group has chosen to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

The Group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

(7) Derecognition and contract modification

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(7) Derecognition and contract modification (continued)

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

(8) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The Group disaggregates amounts recognised in the statement of profit or loss and OCI into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses exclude any investment components.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(8) Presentation (continued)

Insurance revenue – Contracts not measured under the PAA

The Group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, such as experience adjustments for premium receipts for current or past services

In addition, the Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group recognises the allocated amount, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

Services provided by insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. In addition, insurance contracts without direct participation features may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount;
- the investment component or withdrawal amount is expected to include an investment return; and
- the Group expects to perform investment activities to generate that investment return.

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(8) Presentation (continued)

Insurance revenue – Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates the expected premium receipts to each period by the passage of time

Loss components

For contracts not measured under the PAA, the Group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows, excluding investment component, plus the risk adjustment for non-financial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognised in the year).

Changes in fulfilment cash flows relating to future services and changes in the amount of the Group's share of the fair value of the underlying items for direct participating contracts are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses: For some contracts, incurred claims also include premiums waived on detection of critical illness.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, other than non-life contracts, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

2. Material accounting policies (continued)

2.3 Insurance and investment contracts (continued)

2.3.2 Reinsurance contracts held

To the extent that reinsurance contracts held principally transfer financial risk (as opposed to insurance risk) they are accounted for directly through the consolidated statement of financial position and are not included in reinsurance assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

For reinsurance contracts held that transferred significant insurance risk, they are accounted for as follows.

(1) Aggregation and recognition of reinsurance contracts held

Groups of reinsurance contracts held are established such that each group comprises a single contract. Some reinsurance contracts held provide cover for underlying contracts that are included in different groups. However, the Group concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Group's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts held is recognised on the following date:

- Reinsurance contracts held initiated by the Group that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised.
- Other reinsurance contracts held initiated by the Group: The beginning of the coverage period of the group of reinsurance contracts held. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date. This applies to the Group's excess of loss and stop loss reinsurance contracts held.
- Reinsurance contracts held acquired: The date of acquisition.

(2) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(3) Measurement – Contracts not measured under the PAA

To measure a group of reinsurance contracts held, the Group applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date. The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Group recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(3) Measurement – Contracts not measured under the PAA (continued)

Reinsurance of onerous underlying insurance contracts

The Group adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts held.

For reinsurance contracts held acquired in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- the amount of the loss component that relates to the underlying contracts at the date of acquisition; and
- the percentage of claims on the underlying contracts that the Group expects at the date of acquisition to recover from the reinsurance contracts held.

For reinsurance contracts acquired in a business combination, the adjustment to the CSM reduces goodwill or increases a gain on a bargain purchase.

If the reinsurance contract held covers only some of the insurance contracts included in an onerous group of contracts, then the Group uses a systematic and rational method to determine the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

A loss-recovery component is created or adjusted for the group of reinsurance contracts held to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

(4) Measurement – Contracts measured under the PAA

The Group applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts held measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(5) Derecognition and contract modification

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

(6) Presentation

Portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios of contracts.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts held in the insurance service result.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts held. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts held covering onerous underlying contracts, the Group establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts held relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts held.

2. Material accounting policies (continued)

2.3 Insurance and Investment contracts (continued)

2.3.3 Investment contracts without DPF

Investment contracts without DPF which do not contain sufficient insurance risk are not considered as insurance contracts and are accounted for as a financial liability.

Revenue from these contracts consists of various charges (policy fees, handling fees, management fees and surrender charges) made against the contract for the cost of insurance, expenses and early surrender. First year charges are amortised over the life of the contract as the services are provided.

(1) Investment contract fee revenue

Customers are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's account balance. The fees are recognised as revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

Origination and other "upfront" fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment and pension contracts. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are amortised and recognised as the services are provided.

(2) Investment contract liabilities

Deposits collected and benefit payments under investment contracts without DPF are not accounted for through the consolidated income statement, except for the investment income and fees attributed to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The majority of the Group's contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value) and an unearned revenue liability and sales inducement liability where applicable. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue, and accounted for as described under "Investment contract fee revenue" above.

2. Material accounting policies (continued)

2.4 Financial Instruments

2.4.1 Classification and measurement of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(1) Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

(2) Financial asset is measured at fair value through other comprehensive income

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

Financial asset is measured at FVOCI are initially recognized at fair value plus attributable transaction costs. The difference between the initial recognition amount and par value is amortized. Interest income from FVOCI debt securities is recognized in investment income in the consolidated income statement using the effective interest method. FVOCI debt securities are subsequently measured at fair value. Changes in the fair value, except for relevant foreign exchange gains and losses and impairment losses, are recognized in other comprehensive income and accumulated in a separate fair value reserve within equity. Foreign currency translation differences on these debt securities are calculated as if they were carried at amortized cost and are recognized in the consolidated income statement as investment experience. Impairment losses are recognized in the consolidated income statement.

On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

2. Material accounting policies (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(3) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Dividend income from equity securities or investment funds at fair value through profit or loss is recognised in investment income in the consolidated income statement, generally when the security becomes ex-dividend. Interest income is recognised on an accrued basis. For all financial assets at fair value through profit or loss, changes in fair value are recognised in other investment gains/(losses).

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

(4) Business model assessment

The Group assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

2. Material accounting policies (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(4) Business model assessment (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

For a majority of debt investments, the objective of the Group's business model is to fund insurance contract liabilities. The Group undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to ensure that contractual cash flows from the financial assets are sufficient to settle insurance contract liabilities. The Group determines that both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the business model's objective.

Loans and deposits are held in separate portfolios for long-term yield. These assets may be sold, but such sales are not expected to be more than infrequent. The Group considers that these assets are held within a business model whose objective is to hold assets to collect the contractual cash flows.

(5) Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

2. Material accounting policies (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(5) Assessment of whether contractual cash flows are SPPI (continued)

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

Some prepayment features permit the debtor to prepay the debt instrument at an amount calculated as the remaining contractual cash flows discounted at the current market benchmark interest rate plus a fixed spread. The Group has determined that these prepayment features are consistent with the SPPI criterion. Because the Group would be compensated only for the change in the market benchmark interest rate and for lost interest margin, the prepayment penalty would not include any non-SPPI risks and may be seen as reasonable compensation.

(6) Realised gains and losses on financial assets

Realised gains and losses on FVOCI debt securities are determined as the difference between the sale proceeds and amortised costs and the cumulative gains and losses are reclassified to profit or loss from other comprehensive income.

Cumulative gains and losses recognised in other comprehensive income on FVOCI equity securities are not reclassified to profit or loss but transferred to retained earnings on disposal of an investment.

Purchases and sales of financial instruments are recognized on the trade date, which is the date at which the Group commits to purchase or sell the assets.

2. Material accounting policies (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(7) Financial liabilities

The Group classifies its financial liabilities, into one of the following categories:

- financial liabilities at FVTPL, and within this category as:
  - held-for-trading;
  - derivative hedging instruments; or
  - designated as at FVTPL; and
- financial liabilities at amortised cost.

The Group has designated investment contract liabilities as at FVTPL on initial recognition if the related assets are measured at FVTPL and the designation eliminates a measurement inconsistency.

All investment contract liabilities have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset-specific performance risk and not credit risk, and the liabilities are fully collateralised. The Group has determined that any residual credit risk is insignificant and has not had any impact on the fair value of the liabilities.

(8) Derecognition and offset

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Group is exposed to changes in the fair value of the asset.

Financial liabilities are generally derecognised when their contractual obligations expire or are discharged or cancelled. If the terms of a financial instrument are modified, then the Group evaluates whether the cash flows of the modified financial instrument are substantially different. If the cash flows are substantially different, in which case, a new financial instrument based on the modified terms is recognised at fair value. If a financial instrument measured at amortised cost is modified but not substantially, then it is not derecognised.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Material accounting policies (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(9) Loans and deposits

Loans and deposits are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans and receivables is recognised in investment income in the consolidated income statement using the effective interest method.

(10) Term deposits

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in Note 17 Financial Investments. Deposits are stated at amortised cost using the effective interest method.

(11) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities at acquisition of three months or less, which are held for cash management purposes. Cash and cash equivalents also include cash received as collateral for derivative transactions, and repo and reverse repo transactions. Cash and cash equivalents are measured at amortised cost using the effective interest method.

Bank deposits which are restricted to use are included in “restricted cash” within "other assets" in the consolidated statement of financial position. Restricted cash are excluded from cash and cash equivalents.

2.4.2 Fair values of non-derivative financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Group has access. The fair values of financial instruments traded in active markets (such as financial instruments at fair value through profit or loss and at fair value through other comprehensive income) are based on quoted market prices at the date of the consolidated statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions at each reporting date. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the consolidated statement of financial position.

Financial instruments carried at fair value are measured using a fair value hierarchy described in Note 19.

2. Material accounting policies (continued)

2.4 Financial Instruments (continued)

2.4.3 Impairment of financial assets

(1) General

The Group recognises loss allowances for expected credit loss (ECL) on financial assets measured at amortised cost and debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to 12-month ECL, except for Stage 2 and Stage 3 assets where a lifetime ECL is recognised.

ECL is assessed in three stages:

Stage 1: if the financial asset is not credit-impaired upon origination and the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial asset is not credit-impaired upon origination but the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL. Lifetime ECL results from all possible default events over the expected life of the financial instrument; and

Stage 3: if the financial asset is credit-impaired, with one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, the loss allowance is also measured at an amount equal to the lifetime ECL.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

For debt securities at low credit risk at the reporting date, it is assumed that the credit risk has not increased significantly since initial recognition, and hence, the loss allowance is measured at an amount up to 12-month ECL.

(2) Measurement of ECL

ECL is calculated as a probability-weighted forward-looking estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

(3) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost, debt investments at FVOCI and lease receivables are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to mitigating actions. The criteria of “default” are consistent with those of “credit-impaired”.

2. Material accounting policies (continued)

2.4 Financial Instruments (continued)

2.4.3 Impairment of financial assets (continued)

(3) Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Group on terms that the Group would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

(4) Presentation of loss allowances in the statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- debt investments measured at FVOCI: the loss allowance does not reduce the carrying amount of the financial assets (which are measured at fair value) but gives rise to an equal and opposite gain in OCI.

ECL is recognised as "Net impairment loss on financial assets" in the consolidated income statement.

(5) Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Although the Group expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities and company activities, that may result in recovery of written off amounts.

2. Material accounting policies (continued)

2.4 Financial Instruments (continued)

2.4.4 Derivative financial instruments

Derivative financial instruments primarily include foreign exchange contracts, interest rate swaps and bond forwards that derive their value mainly from underlying foreign exchange rates, interest rates and bond prices. All derivatives are initially recognised in the consolidated statement of financial position at their fair value, which represents their cost excluding transaction costs which are expensed. They are subsequently remeasured at their fair value, with movements in this value recognised in profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

(1) Derivative instruments for economic hedges

Whilst the Group enters into derivative transactions to provide economic hedges under the Group's risk management framework, it adopts hedge accounting to these transactions only in limited circumstances. This is either because the transactions would not meet the specific IFRS rules to be eligible for hedge accounting or the documentation requirements to meet hedge accounting criteria would be unduly onerous. Where hedge accounting does not apply, these transactions are treated as held for trading and fair value movements are recognised immediately in other investment gains/(losses).

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

(2) Derivative instruments for hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

(i) Fair value hedge

Where a derivative financial instrument is designated as a hedge of the fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), changes in the fair value of the derivative are recorded in the consolidated income statement, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the Group revokes the designation of the hedge relationship, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statement over the residual period to maturity.

2. Material accounting policies (continued)

2.4 Financial Instruments (continued)

2.4.4 Derivative financial instruments (continued)

(2) Derivative instruments for hedge accounting (continued)

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated separately in the hedging reserve under equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated cumulative gain or loss is removed from equity and recognised in the consolidated income statement in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statement (such as when the interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the consolidated income statement in the same period or periods during which the hedged forecast transaction affects the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, or the Group revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the consolidated income statement.

(3) Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. When the host contract is a financial asset in the scope of IFRS 9, the hybrid financial instrument as a whole is assessed for classification and the embedded derivative is not separated from the host contract.

A derivative embedded in a host insurance or reinsurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract.

For other contracts, where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with IFRS 9.

2. Material accounting policies (continued)

2.5 Segment reporting

An operating segment is a component of the Group that engages in business activity from which it earns revenues and incurs expenses and, for which, discrete financial information is available, and whose operating results are regularly reviewed by the Group's chief operating decision-maker for the purposes of allocating resources to, and assessing the performance of, the Group's various geographical locations.

2.6 Foreign currency translation

(1) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are presented in the United States dollars ("US dollar" or "US$"), which is the functional currency of the Company, unless otherwise stated.

(2) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency, are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Groups of insurance and reinsurance contracts that generate cash flows in a foreign currency, including the CSM, are treated as monetary items.

Translation differences on financial assets measured at fair value through profit or loss are included in investment return. For monetary financial assets measured at fair value through other comprehensive income, exchange differences on the amortised cost are recognised in profit or loss and other exchange differences in the carrying amount are recognised in other comprehensive income.

Exchange differences relate to groups of insurance and reinsurance contracts to the extent which changes in the carrying amount of the groups of contracts that are recognised profit or loss, are recognised in profit or loss. Exchange differences relate to groups of insurance and reinsurance contracts to the extent which changes in the carrying amount of the groups of contracts that are recognised in other comprehensive income, are recognised in other comprehensive income.

(3) Group companies

Income statement and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the period as this approximates to the exchange rates prevailing at the transaction date. Their statement of financial position are translated at year or period end exchange rates. Exchange differences arising from the translation of the net investment in foreign operations, are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve and are recognised in the consolidated income statement as part of the gain or loss on sale.

2. Material accounting policies (continued)

2.7 Property, plant and equipment and depreciation

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Right-of-use assets in relation to other leased property, plant and equipment are carried at cost less accumulated depreciation. The right-of-use asset in relation to a lease is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Depreciation is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, generally:

Leasehold improvements	Over the lease terms
Furniture and fixtures and others	3 - 5 years
Computer equipment	3 - 5 years

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits will flow to the Group. Repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Residual values and useful lives are reviewed and adjusted, if applicable, at each reporting date. An asset is written down to its recoverable amount if the carrying value is greater than the estimated recoverable amount.

Any gain and loss arising on disposal of property, plant and equipment is measured as the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

2.8. Investment property

Property held for long-term rental or capital appreciation, or both that is not occupied by the Group is classified as investment property. Investment property, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the consolidated income statement.

If an investment property becomes held for own use, it is reclassified as property, plant and equipment. Where a property is partly used as an investment property and partly for the use by the Group, these elements are recorded separately within investment property and property, plant and equipment, respectively, where the component used as investment property would be capable of separate sale or lease.

2. Material accounting policies (continued)

2.9 Goodwill and other intangible assets

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill arising on the Group's investment in subsidiaries is shown as a separate asset and is carried at cost less any accumulated impairment losses, whilst that on associates and joint ventures is included within the carrying value of those investments. All acquisition-related costs are expensed as incurred.

(2) Distribution rights

Distribution rights represent contractual relationships for exclusive access to distribution networks, and are amortised over their estimated useful lives.

Costs associated with acquiring rights to access distribution networks are amortised on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the intangible asset. These amortisation charges are subsequently allocated to groups of insurance contracts if they are directly attributable to insurance acquisition or other fulfilment activities.

(3) Other intangible assets

Other intangible assets consist primarily of computer software, and are amortised over their estimated useful lives.

Purchased computer software licenses are capitalised on the basis of the costs incurred to purchase and bring to use the specific software. Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Costs of purchasing computer software licenses and incurred in the internal production of computer software are amortised using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 15 years. Useful lives of computer software licenses are determined based on various factors, including but not limited to the expected usage of the software, typical life cycles, types of obsolescence and period of license (if applicable). The amortisation charge for the period is included in the consolidated income statement under "General expenses".

2. Material accounting policies (continued)

2.10 Impairment of non-financial assets

Property, plant and equipment, and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying values of goodwill and intangible assets with indefinite useful lives are reviewed at least annually or when circumstances or events indicate that there may be uncertainty over this value.

For the purposes of assessing impairment, assets are allocated to each of the Group's cash-generating units, or group of cash-generating units, the lowest level for which there are separately identifiable cash flows.

An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of the asset less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group assesses at the end of each reporting period whether there is any objective evidence that its investments in associates and joint ventures are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the associates and joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or a joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

2.11 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale. Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

2. Material accounting policies (continued)

2.12 Collateral

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of derivative transactions and reinsurance arrangements, in order to reduce the credit risk of these transactions. The amount and type of collateral depends on an assessment of the credit risk of the counterparty. Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the consolidated statement of financial position with a corresponding liability for the repayment. Non- cash collateral received is not recognised on the consolidated statement of financial position unless the Group sells these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability. To further minimise credit risk, the financial condition of counterparties is monitored on a regular basis.

Collateral pledged in the form of cash which is legally segregated from the Group is derecognised from the consolidated statement of financial position and a corresponding receivable established for its return. Non-cash collateral pledged is not derecognised (except in the event of default) and therefore continues to be recognised in the consolidated statement of financial position within the appropriate financial instrument classification.

2.13 Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. All borrowing costs are expensed as they are incurred, except for borrowing costs directly attributable to the development of investment properties and other qualifying assets, which are capitalised as part of the cost of the asset.

2.14 Income taxes

Income tax comprises current and deferred tax. The current tax expense is based on the taxable profits for the period, including any adjustments in respect of prior years. Tax is allocated to profit or loss before taxation and amounts charged or credited to equity as appropriate.

Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except as described below.

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities and revaluation of certain financial assets and liabilities including derivative contracts. The rates enacted or substantively enacted at the date of the consolidated statement of financial position are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In countries where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is evidence that future profits will be available.

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill or from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and which affects neither accounting nor taxable profit or loss at the time of the transaction.

2. Material accounting policies (continued)

2.14 Income taxes (continued)

Deferred tax related to fair value remeasurement of investments measured at fair value through other comprehensive income and other amounts taken directly to equity, is recognised initially within the applicable component of equity. It is subsequently recognised in the consolidated income statement, together with the gain or loss arising on the underlying item.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules income taxes.

In addition to paying tax on shareholders' profits, certain of the Group's life insurance businesses pay tax on policyholders' investment returns (policyholder tax) at policyholder tax rates. Policyholder tax is accounted for as an income tax and is included in the total tax expense and disclosed separately.

2.15 Revenue

(1) Insurance revenue

The Group recognises insurance revenue as it provides services under groups of insurance contracts (see 2.3.1 (8)).

(2) Investment return

Investment income consists of dividends, interest and rents receivable for the reporting period. Investment experience comprises realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Dividend income is recognised on the date the shares become quoted ex-dividend. Rental income on investment property is recognised on an accrual basis. Investment return consists of investment income and investment experience.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the period end and the carrying value at the previous year end or purchase price if purchased during the period, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the period.

(3) Other fee and commission income

Other fee and commission income consist primarily of fund management fees, income from any incidental non-insurance activities, distribution fees from mutual funds and commissions on reinsurance ceded.

Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. In case of variable consideration contracts, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty is subsequently resolved.

(4) Other revenue

Other revenue largely consists of ceding commissions from reinsurance arrangements as well as administrative fees and asset management fees.

2. Material accounting policies (continued)

2.16 Employee benefits

(1) Annual leave

The Group provides annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of a reporting period is permitted to be carried forward and utilised by the respective employees in the following year. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(2) Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates).

For defined benefit plans, the costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the consolidated statement of financial position.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in “Employee benefits expenses” in the consolidated income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in consolidated income statement when the plan amendment or curtailment occurs.

For defined contribution retirement benefits schemes, the Group pays contributions to independently administered funds. Once the contributions have been paid, the Group, as employer, does not have any further payment obligations. The Group’s contributions are charged to the consolidated income statement in the reporting period to which they relate and are included in "Employee benefits expenses". When an employee leaves the scheme prior to his/her interest in the Group's employer contributions becoming fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group's obligations under defined benefits plans and defined contribution plans are included in "Provisions" of the consolidated statement of financial position.

(3) Long service payments

Certain employees of the Group are eligible for long service payments in the event of the termination of their employment according to certain local Employment Ordinances. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in those Employment Ordinances.

2. Material accounting policies (continued)

2.16 Employee benefits (continued)

(4) Share-based compensation

The Group launched a share-based compensation plan, under which the Group awards restricted shares units ("RSU") and/ or share options of the Group to certain key employees as part of compensation for services provided in achieving shareholder value targets. This share-based compensation plan is known as the FWD Share Option and RSU Plan.

The Group's share-based compensation plan is equity-settled plan. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the award of RSU and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the RSU and/or share options awarded on respective grant date. Non-market vesting conditions are included in assumptions about the number of RSU and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of RSU and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Group estimates the fair value of the awards using appraisal value method (Embedded Value plus a multiple of Value of New Business) and market valuation approach, where applicable, for the RSU and Black-Scholes model for the share options.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

(5) Termination benefits

Termination benefits are payable and recognised at the earlier of: (a) when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2. Material accounting policies (continued)

2.17 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract held, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. Provisions comprise of provisions in respect of regulatory matters, litigation, reorganisation and restructuring.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingencies are disclosed if material and if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

2.18 Lease

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Assets subject to such leases are included in investment property. Rentals from such leases are credited to the consolidated income statement on a straight-line basis over the period of the relevant lease.

Group as a lessee

The Group leases various premises, car parks, equipment and other small items as a lessee. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. Right-of-use assets are presented as a component of property, plant and equipment while lease liabilities are presented as a component of other liabilities (see Notes 14 and 24). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in Notes 9 and 10.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2. Material accounting policies (continued)

2.18 Lease (continued)

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the respective business unit (as the lessee) within the Group. Furthermore, a maturity analysis of the Group's lease liabilities is disclosed in Note 27.

Right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive for the lessee to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) by the lessee. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer hardware and small items of furniture and fixtures that are individually, when new, below US$5,000.

2.19 Share capital

Ordinary shares, preference shares and convertible preference shares are classified in equity when there is no contractual obligation to transfer cash or other assets or to deliver a variable number of the Group's own equity instruments to the holders.

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

Dividends are recognised when they have been approved by shareholders.

2.20 Presentation of the consolidated statement of financial position

The Group's insurance and investment contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Group's products. Accordingly, the Group presents the assets and liabilities in its statement of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Group regards its intangible assets, investments in associates and joint ventures, property, plant and equipment, investment property and deferred acquisition and origination costs as non-current assets as these are held for the longer-term use of the Group.

2. Material accounting policies (continued)

2.21 Fiduciary activities

Assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, are excluded from these consolidated financial statements where the Group does not have contractual rights to the assets and acts in a fiduciary capacity such as nominee, trustee or agent.

2.22 Consolidated statement of cash flow

The consolidated statement of cash flow presents movements in cash and cash equivalents and bank overdrafts as shown in the consolidated statement of financial position.

Purchases and sales of financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims. Purchases and sales of investment property are included within cash flows from investing activities.

2.23 Related parties

Transactions with related parties are recorded at amounts mutually agreed and transacted between the parties to the arrangement.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly. Key judgments, estimates and assumptions are described below.

3.1 Level of aggregation and recognition of group of insurance contracts

For contracts issued to which the Group does not apply the premium allocation approach, the judgements exercised in determining whether contracts are onerous on initial recognition for those have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if the occurred, would result in the contracts becoming onerous; and
- using information about profitability estimation for the relevant group of products.

The accounting policy on level of aggregation and recognition of group of insurance contracts is described in Note 2.3.

3.2 Insurance contracts not measured under the premium allocation approach

(1) Measurement

The asset or liability for groups of insurance contracts is measured as the total of fulfilment cash flows and CSM.

The fulfilment cash flows of insurance contracts (including investment contracts with DPF) represents the present value of estimated future cash outflows, less the present value of estimated future cash inflows and adjusted for a provision for the risk adjustment for non-financial risk. The assumptions used and the techniques for estimating fulfilment cash flows and risk adjustment for non-financial risk are based on actual experience by each geographical market and policy form. The Group exercises significant judgement in making appropriate assumptions and techniques.

CSM represents the unearned profits that the Group will recognise as it provides services under the insurance contracts in a group. The amounts of CSM recognised in profit or loss are determined by identifying the coverage units in the group, allocating the CSM at the end of period equally to each coverage unit provided in the current period and expected to be provided in the future. The number of coverage units in a group is the quantity of the services provided by the contracts in the group, determined by considering for each contract the quantity of the services provided under a contract and its expected coverage period. The Group exercises judgements in determining the quantity of the services provided under a contract which will affect the amounts recognised in the consolidated financial statements as insurance revenue from insurance contracts issued.

The judgements exercised in the valuation of insurance contracts (including investment contracts with DPF) affect the amounts recognised in the consolidated financial statements as assets or liabilities of insurance contracts and investment contracts with DPF. Further details of the related accounting policies in respect of insurance contracts are provided in Note 2.3.

3. Significant accounting judgments, estimates and assumptions (continued)

3.2 Insurance contracts not measured under the premium allocation approach (continued)

(2) Determination of coverage unit

The CSM of a group of contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, its expected coverage period and time value of money.

The quantity of services provided by insurance contracts could include insurance coverage, investment-return service and investment-related service, as applicable. In assessing the services provided by insurance contracts, the terms and benefit features of the contracts are considered.

For contracts providing predominately insurance coverage, the quantity of services is determined for the contract as a whole based on the expected maximum benefits less investment component. For contracts providing multiple services, the quantity of services is determined based on the benefits provided to policyholder for each service with the relative weighting considered in the calculation through the use of factors. Relevant elements are considered in determining the quantity of service including among others, benefit payments and premiums. The Group applies judgement in these determinations.

Expected coverage period is derived based on the likelihood of an insured event occurring to the extent they affect the expected duration of contracts in the group. Determining the expected coverage period is judgemental since it involves making an expectation of when claims and lapse will occur.

3.3 Fair value of financial assets

The Group determines the fair values of financial assets traded in active markets using quoted bid prices as of each reporting date. The fair values of financial assets that are not traded in active markets are typically determined using a variety of other valuation techniques, such as prices observed in recent transactions and values obtained from current bid prices of comparable investments. More judgement is used in measuring the fair value of financial assets for which market observable prices are not available or are available only infrequently.

The degree of judgement used in measuring the fair value of financial assets generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

3. Significant accounting judgments, estimates and assumptions (continued)

3.3 Fair value of financial assets (continued)

Changes in the fair value of financial assets held by the Group's participating funds affect not only the value of financial assets, but are also reflected in corresponding movements in insurance and investment contract liabilities. This is due to an insurance liability being recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders if all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based on current local regulations. Both of the foregoing changes are reflected in the consolidated income statement.

Changes in the fair value of financial assets held to back the Group's unit-linked contracts result in a corresponding change in insurance and investment contract liabilities. Both of the foregoing changes are also reflected in the consolidated income statement.

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in Notes 19 and 27.

3.4 Fair value of investment property

The Group uses independent professional valuers to determine the fair value of investment property on the basis of the highest and best use of the investment property that is physically possible, legally permissible and financially feasible. In most cases, current use of the investment property is considered to be the highest and best use for determining the fair value. The discounted cash flow approach is used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the investment property.

Further details of the fair value of investment property are provided in Notes 15 and 19.

3.5 Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions. Further details of the impairment of goodwill and other intangible assets during the period are provided in Note 12.

3. Significant accounting judgments, estimates and assumptions (continued)

3.6 Share based compensation

The Group launched a share-based compensation plan, under which the Group offers RSU and/or share options of the Group to certain key employees.

(1) RSUs

The Group utilises an appraisal value method (Embedded Value ("EV") plus a multiple of Value of New Business ("VNB")) and market valuation approach, where applicable, to estimate the fair value of the RSUs, taking into account the terms and conditions upon which the awards were granted. The Group determines appraisal value on the following basis:

- For life insurance businesses, the appraisal value equals EV plus a multiplier of VNB for the calendar year at the end of each performance period. The multiplier was agreed with the shareholders for the purpose of assessing the performance conditions.
- For non-life businesses, the appraisal value is calculated as the net asset value plus a multiplier of the net profits for the calendar year at the end of each performance period.
- For non-operating entities, the appraisal value is equal to the net asset value for the calendar year at the end of each performance period.

In assessing the achievement of performance conditions, the Group takes into account all monthly cash flow items during the performance period and the appraisal value and business and strategic performance determined in accordance with the guidelines approved by the Compensation Committee.

The judgments exercised in the determination of appraisal value and the assessment of achievement of performance conditions affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 29.

Under the market valuation approach, the Group estimates the fair value of the RSUs by applying valuation multiples based on market data of comparable listed companies.

Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 29.

(2) Share Options

The Group estimates the fair value of share options using the Black-Scholes model taking into account the terms and conditions upon which the awards were granted. The Group determines the fair value of share options by using the following input:

- Dividend yield
- Expected share price volatility
- Risk-free interest rate
- Expected life of the share options
- Appraisal value per share, using the same valuation methodology as is used in the RSU plan

3. Significant accounting judgments, estimates and assumptions (continued)

3.6 Share based compensation (continued)

(2) Share Options (continued)

The assessment of achievement of performance conditions of share options is the same as described above for RSUs.

The judgments exercised in the determination of share-option fair value and the assessment of achievement of performance condition affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 29.

3.7 Income taxes

Significant management judgment on the future tax treatment of certain transactions is required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account developments in tax laws. Tax laws evolve over time, and in some cases taxation positions are uncertain because the tax laws are subject to varied interpretation. When this is the case, management seeks to adopt a supportable and prudent tax treatment after consultation with professional tax advisers. However, as judicial and non-judicial interpretations develop, these taxation positions may change in the future.

3.8 Valuation of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits with future tax planning strategies. Further details are contained in Note 11 to the consolidated financial statements.

3. Significant accounting judgments, estimates and assumptions (continued)

3.9 Impairment of financial assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at FVOCI. The measurement of ECL uses probability weighted forward-looking models with significant assumptions about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk since initial recognition;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the methodology for incorporating forward-looking information into the measurement of ECL.

When determining whether the credit risk (i.e. risk of default) on a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's experience, credit assessment performed by internal and external experts and forward-looking information. The Group determines a significant increase in credit risk based on various criteria for different categories of assets, including rating notch downgrade, days past due, expert judgement and other qualitative factors.

The Group has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade", with credit rating equivalent to be Baa3 or above. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, unless there are other indications that there is no significant increase in credit risk.

Details are further disclosed in Note 27.

4. Exchange rates

The Group's principal operations during the reporting years were located within the Asia-Pacific region. The results and cash flows of these operations have been translated into US Dollars at the following average rates:

	US dollar exchange rate	
	Year ended 31 December 2023	Year ended 31 December 2022
Hong Kong	7.83	7.83
Japan	140.45	131.31
Thailand	34.80	35.04

Assets and liabilities have been translated into US Dollars at the following year end rates:

	US dollar exchange rate	
	As at 31 December 2023	As at 31 December 2022
Hong Kong	7.81	7.80
Japan	141.38	132.14
Thailand	34.24	34.53

Exchange rates are expressed in units of local currency per US$1.

5. Changes in group composition

This Note provides details of the major acquisition and disposal of subsidiaries that the Group has made and held for sale for the years ended 31 December 2023 and 2022.

5.1 Acquisition

FWD BSN Holdings Sdn. Bhd. (Malaysia) (formerly known as “Gibraltar BSN Holdings Sdn Bhd”)

On 3 April 2023, FWD Management Holdings Limited (“FMH”), a wholly owned subsidiary of the Company, with local investors, acquired 70% of share capital in FWD BSN Holdings Sdn. Bhd. (Malaysia), a company established under the laws of Malaysia, which is the holding company of FWD Insurance Berhad (Malaysia) (formerly known as “Gibraltar BSN Life Berhad”), a life insurance company in Malaysia (“GBSN Acquisition”) from the Prudential Insurance Company of America (the “Seller”). Total consideration of the GBSN Acquisition was US$20m.

The initial accounting for the acquisition is incomplete for the valuation of assets and liabilities acquired, and related income taxes. Accordingly, these may be adjusted subsequently with a corresponding adjustment to goodwill.

Provisional negative goodwill arising on the GBSN Acquisition of US$26m is recognised in “other revenue” in the Group’s consolidated income statement. The amount of this provisional negative goodwill attributable to FMH is US$5m. The transaction resulted in a bargain purchase gain as the provisional fair value of the assets and liabilities acquired exceeds the sum of the consideration transferred at the date of acquisition.

The Group incurred US$2m of acquisition-related costs which were recognised as "other expenses" in the Group's consolidated income statement.

5. Changes in group composition (continued)

5.1 Acquisition (continued)

FWD BSN Holdings Sdn. Bhd. (Malaysia) (formerly known as "Gibraltar BSN Holdings Sdn Bhd") (Continued)

Details of the provisional fair value of the assets and liabilities acquired and the provisional negative goodwill arising from the acquisition are set out as follows:

US$m	Notes		Provisional fair values as at the date of acquisition
			(Unaudited)
Intangible assets	12		2
Property, plant and equipment	14		4
Investment property	15		1
Reinsurance contract assets	16		3
Financial investments	17, 19		
At fair value through other comprehensive income debt securities			283
At fair value through profit or loss			
Equity securities			127
			410
Other assets	20		11
Cash and cash equivalents	21		39
Insurance contract liabilities	16		(385)
Deferred tax liabilities	11		(6)
Other liabilities	24		(13)
Net identifiable assets acquired			66
Non-controlling interest measured with proportionate share approach			(20)
Provisional negative goodwill arising on acquisition attributable to non-controlling interests		(21)	
Provisional negative goodwill arising on acquisition attributable to FMH		(5)	
Provisional negative goodwill arising on acquisition			(26)
Total considerations from non-controlling interests		16	
Total considerations from FMH		4	
Total considerations			20
Less:			
Cash and cash equivalents held in acquired subsidiaries			(39)
Net change in cash and cash equivalents			(19)

Concurrently, the Group received US$27m from the Seller for development of certain IT infrastructures and enhancement of operational efficiency. Accordingly, the net cash consideration received was US$7m.

5. Changes in group composition (continued)

5.2 Disposal group classified as held for sale

FWD Assurance VietNam Company Limited

On 18 June 2021, the Group entered into a framework agreement, pursuant to which the Group agreed to sell 100% of the share capital of FWD Assurance VietNam Company Limited to third parties, subject to the terms set out in the agreement and execution of a Share Purchase Agreement. On 13 October 2021, the Share Purchase Agreement was executed, and the disposal was subject to regulatory approvals.

The required regulatory approvals were obtained and the sale was completed on 21 March 2022 for a total consideration of US$40m. The gain on disposal of US$2m is recognised in the Group's consolidated income statement.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

US$m	As at 21 March 2022
Cash consideration	40
Cash and cash equivalents disposed of	(2)
Net cash inflows in respect of the disposal	38

6. Segment information

The Group's operating segments represent those of the Company, FL, FGL and their subsidiaries, associates and joint ventures for all years presented (collectively referred to as the "Operating Group"). The operating segments, based on the reports received by the Operating Group's Executive Committee, are each of the geographical markets in which the Operating Group operates.

Each of the reportable segments, other than the "Corporate and Others" segment, writes life insurance business, providing life insurance, accident and health insurance and savings plans to customers in its local market, and distributes related investment and other financial service products. Certain businesses also write general insurance business ("Non-core business"). The reportable segments are Hong Kong (including Macau), Thailand (including Cambodia), Japan, Emerging Markets and Corporate and Others. Emerging Markets includes the Operating Group’s insurance operations in Indonesia, Malaysia, the Philippines, Singapore and Vietnam. The activities of the Corporate and Others segment consist of the Operating Group's corporate functions, shared services and eliminations of intragroup transactions.

The acquired subsidiaries and their respective operations in 2023 are FWD BSN Holdings Sdn. Bhd. (Malaysia) and its subsidiary which is included in Emerging Markets.

As each reportable segment other than the Corporate and Others segment focuses on serving the life insurance needs of its local market, there are limited transactions between reportable segments. The key performance indicators reported in respect of each segment are:

- Total weighted premium income attributable to equity holders of FL and FGL [1] ("TWPI") (Note 6.4);
- Investment return (Note 6.1)
- Operating expenses (Note 6.1);
- Adjusted operating profit before tax attributable to equity holders of FL and FGL (Note 6.2);
- Adjusted operating profit after tax attributable to equity holders of FL and FGL (Note 6.2); and
- Expense ratio, measured as operating expenses attributable to equity holders of FL and FGL divided by TWPI (Note 6.1);

1 Immediately after the Exchange of Share Capital of FL and FGL on 31 Jul 2023, FL and FGL have become wholly-owned subsidiaries of the Company and all the equity issued by FL and FGL are held by the Company. For details, please refer to Note 1.2 and Note 25.5.

The segment information has been prepared by (i) combining the carrying amounts of consolidated assets, liabilities, equities, income and expenses of the Operating Group and (ii) eliminating the inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Operating Group. A reconciliation of adjusted operating profit after tax to profit/(loss) after tax has been included in Notes 6.2 and 6.3.

The shareholders’ allocated segment equity represents the segment assets less segment liabilities in respect of each reportable segment less perpetual securities, fair value reserve, insurance finance reserve and non-controlling interests of FL and FGL.

In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Corporate and Others segment and capital inflows consist of capital injections into reportable segments by the Corporate and Others segment. Emerging Markets' capital inflows also include capital allocation for corporate functions. For the Operating Group, net capital in/(out) flows reflect the amount received from shareholders by way of capital contributions.

6. Segment information (continued)

6.1 Segment results

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Year ended 31 December 2023						
TWPI[2]	1,708	2,390	1,579	739	—	6,416
Insurance revenue	998	644	619	327	—	2,588
Insurance service expenses	(723)	(471)	(440)	(282)	—	(1,916)
Net expenses from reinsurance contracts	(12)	(5)	(69)	(2)	—	(88)
Insurance service result	263	168	110	43	—	584
Investment return	938	440	175	153	18	1,724
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(912)	(351)	(37)	(116)	—	(1,416)
Net insurance and investment result	289	257	248	80	18	892
Other revenue	8	1	3	21	(2)	31
General and other expenses	(39)	(64)	(45)	(69)	(172)	(389)
Borrowings and other finance costs	(17)	—	(3)	(7)	—	(27)
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	241	194	203	25	(156)	507
Share of profit/(loss) from associates and joint ventures	1	—	—	9	(5)	5
Segmental adjusted operating profit/(loss) before tax[1]	**242**	**194**	**203**	**34**	**(161)**	**512**
Tax on segmental adjusted operating profit/(loss) before tax	(32)	(43)	(39)	(17)	(9)	(140)
Segmental adjusted operating profit/(loss) after tax[1]	**210**	**151**	**164**	**17**	**(170)**	**372**
Implementation costs for IFRS 9 and 17 and Group-wide supervision						(65)
Adjusted operating profit before tax[1]						**447**
Adjusted operating profit after tax[1]						**307**
Key operating ratio						
Expense ratio[2]	13.7 %	9.2 %	10.9 %	31.2 %	— %	16.0 %
Adjusted operating profit/(loss) before tax includes:						
Operating expenses	(234)	(220)	(172)	(242)	(171)	(1,039)

Notes:
1. Excludes results of the Non-core business, comprising of US$17m operating loss before tax.
2. Represents the amount attributable to the equity holders of FL and FGL.

6. Segment information (continued)

6.1 Segment results (continued)

Segment information below represents the financial position of the Group:

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted Financial Position
31 December 2023						
Total assets	20,599	18,150	8,690	4,481	754	52,674
Total liabilities	(17,439)	(15,060)	(7,370)	(2,603)	(2,570)	(45,042)
Total equity	3,160	3,090	1,320	1,878	(1,816)	7,632
Shareholders' allocated equity	3,323	3,767	850	1,830	(3,161)	6,609
Net capital in/(out) flows	(204)	(71)	(73)	228	120	—
Total assets include:						
Investment in associates and a joint venture	6	—	—	378	(1)	383

Segment information is reconciled to the adjusted net profit of the Operating Group after tax, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Operating Group Total	
Year ended 31 December 2023					
Insurance service result	584	—	95	679	Insurance service result
Investment return	1,724	(1,364)	(1)	359	Investment return
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(1,416)	426	(1)	(991)	Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits
Net insurance and investment result	892	(938)	93	47	**Net insurance and investment result**
Other revenue	31	—	33	64	Other revenue
General and other expenses	(389)	—	(342)	(731)	General and other expenses
Borrowings and other finance costs	(27)	—	(147)	(174)	Borrowings and other finance costs
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	507	(938)	(363)	(794)	**Profit/(loss) before share of profit from associates and joint ventures**
Share of profit from associates and joint ventures	5	—	(25)	(20)	Share of profit from associates and joint ventures
Segmental adjusted operating profit before tax	512				
Implementation costs for IFRS 9 and 17 and Group-wide supervision	(65)	—	65	—	
Adjusted operating profit/(loss) before tax	**447**	**(938)**	**(323)**	**(814)**	**Adjusted profit/(loss) before tax of the Operating Group**
				97	Tax expense
				(717)	**Adjusted net profit/(loss) of the Operating Group after tax**

6. Segment information (continued)

6.1 Segment results (continued)

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Year ended 31 December 2022 (Restated)						
TWP[1,2]	1,664	2,166	1,757	708	—	6,295
Insurance revenue	840	572	682	282	—	2,376
Insurance service expenses	(637)	(398)	(424)	(237)	—	(1,696)
Net expenses from reinsurance contracts	(50)	(7)	(89)	1	—	(145)
Insurance service result	153	167	169	46	—	535
Investment return	658	305	172	(57)	(4)	1,074
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(630)	(227)	(53)	82	—	(828)
Net insurance and investment result	181	245	288	71	(4)	781
Other revenue	11	1	3	21	(1)	35
General and other expenses	(65)	(78)	(53)	(102)	(116)	(414)
Borrowings and other finance costs	(9)	(3)	(2)	(5)	—	(19)
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	118	165	236	(15)	(121)	383
Share of loss from associates and joint ventures	—	—	—	18	(8)	10
Segmental adjusted operating profit/(loss) before tax[1]	**118**	**165**	**236**	**3**	**(129)**	**393**
Tax on segmental adjusted operating profit/(loss) before tax	(9)	(38)	(40)	(7)	—	(94)
Segmental adjusted operating profit/(loss) after tax[1]	**109**	**127**	**196**	**(4)**	**(129)**	**299**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(79)
Adjusted operating profit before tax[1]						**314**
Adjusted operating profit after tax[1]						**220**
Key operating ratio						
Expense ratio[2]	13.3 %	9.5 %	9.9 %	31.1 %	— %	14.9 %
Adjusted operating profit/(loss) before tax includes:						
Operating expenses	(221)	(206)	(174)	(220)	(116)	(937)

Notes:
1 Excludes results of the Non-core business, comprising of US$(2)m operating loss before tax.
2 Represents the amount attributable to the equity holders of FL and FGL.

6. Segment information (continued)

6.1 Segment results (continued)

Segment information below represents the financial position of the Group:

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted Financial Position
31 December 2022 (Restated)						
Total assets	19,912	17,260	8,839	3,555	1,024	50,590
Total liabilities	(16,794)	(13,854)	(7,290)	(1,791)	(2,372)	(42,101)
Total equity	3,118	3,406	1,549	1,764	(1,348)	8,489
Shareholders' allocated equity	3,473	3,884	1,168	1,773	(2,702)	7,596
Net capital in flows	1	11	—	252	136	400
Total assets include:						
Investment in associates and a joint venture	8	—	—	364	35	407

Segment information is reconciled to adjusted net loss of the Operating Group after tax, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Operating Group Total	
Year ended 31 December 2022 (Restated)					
Insurance service result	535	—	(90)	445	Insurance service result
Investment return	1,074	(1,090)	(1)	(17)	Investment return
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(828)	893	—	65	Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits
Net insurance and investment result	781	(197)	(91)	493	**Net insurance and investment result**
Other revenue	35	—	3	38	Other revenue
General and other expenses	(414)	—	(275)	(689)	General and other expenses
Borrowings and other finance costs	(19)	—	(109)	(128)	Borrowings and other finance costs
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	383	(197)	(472)	(286)	**Profit/(loss) before share of profit from associates and joint ventures**
Share of profit/(loss) from associates and joint ventures	10	—	(8)	2	Share of profit/(loss) from associates and joint ventures
Segmental adjusted operating profit before tax	393				
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(79)	—	79	—	
Adjusted operating profit/(loss) before tax	**314**	**(197)**	**(401)**	**(284)**	**Adjusted profit/(loss) before tax of the Operating Group**
				(36)	Tax expense
				(320)	**Adjusted net loss of the Operating Group after tax**

6. Segment information (continued)

6.2 Adjusted operating profit

The long-term nature of the Group's operations means that, for management's decision-making and internal performance management purposes, the Group evaluates its results and its operating segments using a financial performance measure referred to as "adjusted operating profit". Adjusted operating profit is provided to assist in the comparison of business trends in different reporting periods on a consistent basis and to enhance overall understanding of financial performance.

Adjusted operating profit includes among others the expected long-term investment returns for investments in equities, interests in investment funds and investment property based on the assumptions applied by the Group in the calculations of Embedded Value. The Group defines adjusted operating profit as net loss of the Group adjusted to exclude the following items:

Market related

- Short-term fluctuations in investment return related to equities, interests in investment funds and investment property;
- Loss component on onerous contracts measured under VFA, relating to market movements; and
- Any other items which, in the Directors' view, should be disclosed separately to enable a full understanding of the Group's financial performance.

Non-market related

- Finance costs related to borrowings and long-term payables;
- M&A, business set up and restructuring related costs;
- IPO related costs including incentive costs;
- Any other items which, in the Directors' view, should be disclosed separately to enable a full understanding of the Group's financial performance.

The Group considers that the presentation of adjusted operating profit enhances the understanding and comparability of its performance and that of its operating segments on an ongoing basis. The Group considers that trends can be more clearly identified without the significant impact of the one-off costs of integration activities and the costs of servicing debt used to finance acquisition activities and the fluctuating effects of other non-operating items which are largely dependent on market factors.

6. Segment information (continued)

6.2 Adjusted operating profit (continued)

Adjusted net profit/(loss) of the Group after tax is reconciled to the adjusted operating profit/(loss) after tax as follows:

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Adjusted net profit/(loss) of the Operating Group after tax		(717)	(320)
Tax on adjusted operating profit before tax		140	94
Tax impact from non-operating items		(237)	(58)
Adjusted profit/(loss) of the Operating Group before tax	6.1	**(814)**	**(284)**
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Market related:			
Short-term fluctuations in investment return related to equities, interests in investment funds and investment property		198	187
Loss component on onerous contracts		39	99
Other non-operating investment return		740	10
		977	**296**
Non-market related:			
Finance costs related to borrowings and long-term payables		147	109
M&A, business set up and restructuring related costs		71	88
IPO related costs including incentive costs		63	73
Other non-operating items		3	32
		284	**302**
Adjusted operating profit before tax		**447**	**314**
Tax adjusted on operating profit before tax		(140)	(94)
Adjusted operating profit after tax		**307**	**220**
Segmental adjusted operating profit before tax		**512**	**393**
Tax on segmental adjusted operating profit before tax		(140)	(94)
Segmental adjusted operating profit after tax		**372**	**299**
Adjusted operating profit before tax attributable to:			
Equity holders of FL and FGL		452	314
Non-controlling interests		(5)	—
Adjusted operating profit after tax attributable to:			
Equity holders of FL and FGL		313	220
Non-controlling interests		(6)	—

6. Segment information (continued)

6.3 Adjusted results and financial position

The adjusted results and financial positions are the net profit/(loss) of the Operating Group for the year ended 31 December 2023 and 2022, and the total assets, liabilities and equity of the Operating Group as at 31 December 2023 and 2022 excluding the results and certain balances attributable to the Exchange of Share Capital of FL and FGL.

Adjusted net profit/(loss) of the Operating Group

The Exchange of Share Capital of FL and FGL had no impact on the net profit/(loss) of the Operating Group as at 31 December 2023 and 2022.

US$m	Year ended 31 December 2023	Year ended 31 December 2022
		(Restated)
Net profit/(loss) of the Group and adjusted net profit/(loss) of the Operating Group	(717)	(320)
Attributable to:		
Shareholders of the Company	(843)	(403)
Perpetual securities	110	83
Non-controlling interests	16	—

Finance costs presented in the segmental information can be reconciled to the consolidated income statement as follows:

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022
			(Restated)
Finance costs included in adjusted operating profit	6.1	27	19
Finance costs related to borrowings and long-term payables	6.2	147	109
Total		174	128

6. Segment information (continued)

6.3 Adjusted results and financial position (continued)

Adjusted total assets and total liabilities of the Operating Group

The Exchange of Share Capital of FL and FGL had no impact on the total assets and the total liabilities of the Operating Group as at 31 December 2023 and 2022.

Adjusted total equity of the Operating Group

US$m	As at 31 December 2023	As at 31 December 2022
		(Restated)
Total equity of the Group attributable to:		
Shareholders of the Company	6,234	5,417
Perpetual securities	1,348	1,354
Non-controlling interests	50	1,718
Total equity of the Group	7,632	8,489
Add: Share capital and share premium	—	1,717
Less: Non-controlling interests	—	(1,717)
Adjusted total equity of the Operating Group attributable to:		
Shareholders of the Company	6,234	7,134
Perpetual securities	1,348	1,354
Non-controlling interests	50	1
Adjusted total equity of the Operating Group	7,632	8,489

US$m	As at 31 December 2023	As at 31 December 2022
		(Restated)
Adjusted total equity of the Operating Group attributable to Shareholders of the Company	6,234	7,134
Contractual service margin (net of tax)[1]	4,092	4,404
Comprehensive equity[2]	10,326	11,538

Notes:

1 After allowing for reinsurance and taxes.

2 Comprehensive equity is defined as Adjusted total equity of the Operating Group attributable to Shareholders of the Company plus Contractual service margin (net of tax).

6. Segment information (continued)

6.4. Total Weighted Premium Income

For management decision-making and internal performance management purposes, the Group measures business volumes during the period using a performance measure referred to as TWPI. TWPI is presented based on the Group's effective ownership interest in the Insurance Business.

TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with the Group's accounting policies. TWPI represents the amount attributable to the equity holders of FL and FGL.

Management considers that TWPI provides an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The amounts shown are not intended to be indicative of premiums and fee income recorded in the consolidated income statement.

US$m	Year ended 31 December 2023	Year ended 31 December 2022
TWPI by geography		
Hong Kong	1,708	1,664
Thailand	2,390	2,166
Japan	1,579	1,757
Emerging Markets	739	708
Total	6,416	6,295
First year premiums by geography		
Hong Kong	388	167
Thailand	569	434
Japan	124	157
Emerging Markets	245	291
Total	1,326	1,049
Single premiums by geography		
Hong Kong	1,214	1,404
Thailand	215	245
Japan	—	—
Emerging Markets	377	267
Total	1,806	1,916
Renewal premiums by geography		
Hong Kong	1,199	1,356
Thailand	1,799	1,708
Japan	1,455	1,600
Emerging Markets	456	390
Total	4,909	5,054

7. Insurance revenue and other revenue

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage:		
CSM recognised for services provided	784	675
Change in risk adjustment for non-financial risk for risk expired	64	56
Expected incurred claims and other insurance service expenses	1,013	976
Recovery of insurance acquisition cash flows	722	545
	2,583	2,252
Contracts measured under the PAA	173	156
Total insurance revenue	2,756	2,408

Represented by:		
Contracts measured under the modified retrospective approach	266	102
Contracts measured under the fair value approach	1,077	1,276
Other contracts	1,413	1,030
	2,756	2,408

Other revenue

Other revenue largely consists of asset management fee and administrative fee income.

8. Net investment result

Analysis of investment result in profit or loss and other comprehensive income:

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022
			(Restated)
Investment return:			
Interest revenue	B	1,159	1,011
Other investment losses	C	(791)	(999)
Net impairment loss on financial assets		(9)	(29)
Amounts recognised in OCI		1,382	(4,902)
Total investment return		1,741	(4,919)
Net finance income/(expenses) from insurance contracts:			
Changes in fair value of underlying items of direct participating contracts		(1,224)	3,108
Interest accreted		(353)	(205)
Effect of changes in interest rates and other financial assumptions		(719)	2,037
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		—	(7)
Net foreign exchange gain/(loss)		7	(13)
Total net finance income/(expenses) from insurance contracts	A	(2,289)	4,920
Net finance income/(expenses) from reinsurance contracts held:			
Interest accreted		(9)	3
Effect of changes in interest rates and other financial assumptions		13	(26)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		18	(2)
Others		(3)	(30)
Total net finance (expenses)/income from reinsurance contracts held	A	19	(55)
Movement in investment contract liabilities		4	2
Net investment result		(525)	(52)
Represented by:			
Amounts recognised in profit or loss		(632)	48
Amounts recognised in OCI		107	(100)
		(525)	(52)

8. Net investment result (continued)

A. Insurance finance income and expenses

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Net finance income/(expenses) from insurance contracts		
Recognised in profit or loss	(996)	86
Recognised in OCI	(1,293)	4,834
	(2,289)	4,920
Net finance income/(expenses) from reinsurance contracts		
Recognised in profit or loss	1	(23)
Recognised in OCI	18	(32)
	19	(55)

B. Interest revenue

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Interest revenue calculated using the effective interest method		
Debt securities measured at FVOCI	958	892
Financial investments measured at amortised cost	90	59
	1,048	951
Other interest revenue		
Financial investments measured at FVTPL	111	60
	1,159	1,011

8. Net investment result (continued)

C. Other investment gains/(losses)

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Financial investments mandatorily measured at FVTPL:		
Net fair value gains/(losses) on		
Debt securities	6	(99)
Derivatives	(493)	(327)
Equity securities	(89)	(161)
Interests in investment funds	43	(928)
Dividend income	234	189
Net foreign exchange gain	83	76
	(216)	(1,250)
Net losses on derecognition of debt investments measured at FVOCI	(882)	(174)
Net foreign exchange gain on instruments not measured at FVTPL	280	394
Lease income from investment property	25	25
Net fair value movement of investment property	(2)	(3)
Other investment income	4	9
	(575)	251
Total	(791)	(999)

D. Investment return in OCI related to insurance and reinsurance contracts measured under the modified retrospective or fair value transition approach

On transition to IFRS 17, for certain groups of insurance and reinsurance contracts, the Group determined the cumulative insurance finance income and expenses recognised in OCI at 1 January 2022 using the modified retrospective approach or the fair value approach. The movement in the fair value reserve for the debt investments measured at FVOCI related to those groups of contracts was as follows.

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Fair value reserve			
Balance at 1 January		(2,447)	(92)
Change in fair value, net of fair value change transferred to income on disposal and impairment		471	(2,931)
Related income tax		(78)	561
Sharing to non-controlling interests		7	15
Exchange of Share Capital of FL and FGL	1.2	(814)	—
Balance at 31 December		(2,861)	(2,447)

9. Expenses

US$m	Year ended 31 December 2023	Year ended 31 December 2022
		(Restated)
Claims and benefits	867	861
Loss on onerous insurance contracts	93	118
Commission and other acquisition expenses	1,498	1,280
Employee benefits expenses	630	605
Depreciation	61	63
Amortisation	44	32
Marketing and advertising	69	51
Professional service fees	193	189
Information technology expenses	173	147
Investment management expenses	59	69
Others[1]	222	128
	3,909	3,543
Amounts attributed to insurance acquisition cash flows	(1,937)	(1,605)
Amortisation of insurance acquisition cash flows	748	568
Total	2,720	2,506
Represented by:		
Insurance service expenses	1,989	1,817
General and other expenses - operating	389	414
General and other expenses - non operating	342	275
	2,720	2,506

Note:
[1] Includes travel and entertainment, bank charges, office related expenses, other general operating expenses and impairment of intangible assets.

Depreciation consists of:

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Leasehold improvements, furniture and fixtures, computer equipment and others	15	18
Right-of-use assets:		
Premises and car park	42	40
Equipment and Others	4	5
Total	61	63

Employee benefits consist of:

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	519	516
Share-based compensation	23	26
Pension costs	27	22
Other employee benefits expenses	61	41
Total	630	605

10. Borrowing and other finance costs

Borrowings and other finance costs may be analysed as follows:

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Borrowings	145	103
Lease liabilities	5	4
Others	24	21
Total	174	128

11. Income tax

(1) Tax benefit/(expense)

Taxes on assessable profits have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates. The total tax benefit/(expense) comprises:

US$m	Year ended 31 December 2023	Year ended 31 December 2022
		(Restated)
Current income tax	(144)	(393)
Deferred income tax	241	357
Total	97	(36)

The table below reflects the principal rates of corporate income tax as at the end of each year. The rates reflect enacted or substantively enacted corporate tax rates throughout the year in each jurisdiction.

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Hong Kong	16.5 %	16.5 %
Thailand	20 %	20 %
Japan	28 %	28 %
Others	12%-25%	12%-25%

11. Income tax (continued)

(1) Tax benefit/(expense) (continued)

The reconciliation of the relationship between income tax benefit/(expense) and profit/(loss) before tax was as follows:

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Income tax reconciliation		
Profit/(loss) before tax	(814)	(284)
Tax benefit/(expense) calculated at domestic tax rates applicable to profits in the respective jurisdictions	209	37
Income not taxable or taxable at concessionary rates	55	22
Expense not deductible for tax purposes	(57)	(36)
Adjustment on deferred tax assets on tax losses and temporary differences	(35)	(25)
Adjustments to tax expenses related to prior years	3	4
Others	(78)	(38)
Total income tax benefit/(expense)	97	(36)

(2) Deferred tax

The movement in net deferred tax liabilities in the year may be analysed as set out below:

US$m	Net deferred tax asset/ (liability) at 1 January	Acquisition of subsidiaries	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Foreign exchange movements	Net deferred tax asset/ (liability) at 31 December
31 December 2023						
Financial instruments	626	(1)	54	(244)	(11)	424
Insurance, reinsurance and investment contracts	(659)	(5)	167	206	28	(263)
Unused tax losses	9	—	10	—	—	19
Others	(7)	—	10	—	2	5
Total	(31)	(6)	241	(38)	19	185

US$m	Net deferred tax asset/ (liability) at 1 January	Acquisition of subsidiaries	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Foreign exchange movements	Net deferred tax asset/ (liability) at 31 December
31 December 2022 (Restated)						
Financial instruments	(292)	—	96	846	(24)	626
Insurance, reinsurance and investment contracts	(50)	—	284	(917)	24	(659)
Unused tax losses	33	—	(24)	—	—	9
Others	(16)	—	1	—	8	(7)
Total	(325)	—	357	(71)	8	(31)

11. Income tax (continued)

(2) Deferred tax (continued)

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised deferred tax assets on unused tax losses of US$851m as at 31 December 2023 (2022: US$801m), as it is not considered probable that sufficient taxable profits will be available against which these tax losses can be further utilised in the foreseeable future. As at 31 December 2023, US$438m (2022: US$415m) of these unused tax losses will expire within the next ten years, and the remainder of US$413m (2022: US$386m) has no expiry date.

In some jurisdictions where the Group operates, earnings remitted by the subsidiaries, associates and joint ventures to the Group are subject to withholding tax. The Group has not provided deferred tax liabilities on certain unremitted earnings of US$122m (2022: US$151m) for the year ended 31 December 2023 of these jurisdictions as the Group does not consider it is probable that this portion of unremitted earnings will be remitted in the foreseeable future.

The Organisation for Economic Co-operation and Development ("OECD") is currently working on a project to address the tax challenges arising from the digitalisation of the economy. The project's second pillar involves the implementation of a global corporate minimum tax rate of 15% applicable to large multinational enterprises. The OECD has released model rules and other documents for this second pillar (the "Pillar Two model rules"). The Group operates in certain jurisdictions which have enacted or substantively enacted their versions of Pillar Two model rules. These rules will be effective in 2024 and 2025. The Group does not expect material exposure to Pillar Two income taxes in these jurisdictions. The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules income taxes. Hong Kong announced its intention to apply the Pillar Two model rules starting from 2025. If enacted on this timeline, the Pillar Two model rules will apply to the entire Group starting from the year ending 31 December 2025. This implementation may have an adverse impact on the Group's tax expenses.

12. Intangible assets

US$m	Goodwill	Distribution rights	Computer software and others	Total
Cost				
At 1 January 2022	1,596	1,731	242	3,569
Additions	—	—	50	50
Disposals	—	(11)	(1)	(12)
Foreign exchange movements	(33)	(68)	(18)	(119)
At 31 December 2022	1,563	1,652	273	3,488
Acquisition of subsidiaries	—	—	2	2
Additions	—	63	57	120
Disposals	—	(2)	—	(2)
Foreign exchange movements	6	(1)	(8)	(3)
At 31 December 2023	1,569	1,712	324	3,605
Accumulated amortisation and impairment				
At 1 January 2022	(36)	(71)	(114)	(221)
Amortisation charge for the year	—	(44)	(32)	(76)
Disposals	—	3	—	3
Foreign exchange movements	2	3	8	13
At 31 December 2022	(34)	(109)	(138)	(281)
Amortisation charge for the year	—	(42)	(44)	(86)
Disposals	—	1	—	1
Impairment	—	(86)	—	(86)
Foreign exchange movements	—	(3)	4	1
At 31 December 2023	(34)	(239)	(178)	(451)
Net book value				
At 31 December 2022	1,529	1,543	135	3,207
At 31 December 2023	1,535	1,473	146	3,154

Goodwill

Goodwill arises in respect of the Group's insurance business and is allocated to each segment as follows:

US$m	As at 31 December 2023	As at 31 December 2022
Hong Kong	915	915
Thailand	470	465
Japan	3	3
Emerging markets[1]	147	146

Note:
1. Includes goodwill of US$137m (2022: US$136m) and US$10m (2022: US$10m) from the operations in Indonesia and Vietnam, respectively, as at 31 December 2023.

12. Intangible assets

Impairment tests for goodwill

Goodwill is tested for impairment by comparing the carrying amount of the cash generating unit ("CGU"), including goodwill, to the recoverable amount of that CGU. If the recoverable amount of the CGU exceeds the carrying amount of the CGU, the goodwill allocated to that CGU shall be regarded as not impaired. The recoverable amount is the value in use of the CGU unless otherwise stated.

The value in use is calculated as an actuarially determined appraisal value, based on (i) the Embedded Value ("EV") with respect to the in-force business together with (ii) the value of future new business.

EV captures the market value of the assets in excess of those backing the policy reserves and other liabilities as well as the value of all in-force policies as at the reporting date attributable to the shareholders of the Company.

The value of future new business is the aggregation of the present value of future expected profits on policies expected to be sold in the future (i.e. value of new business ("VNB")). This is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projects.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The Group projected new sales over the next 15 years to estimate the VNB, using growth rates in the current five-year approved financial budgets which reflect management's best estimate of future profit based on historical experience and operating assumptions such as premium and expenses, and 2% to 5% thereafter. The Group may apply alternative method to estimate the value of future new business if the described method is not appropriate under the circumstances.

The risk discount rates that are used in calculating the value in use of in force business and present value of expected future new business are as follows:

US$m	As at 31 December 2023	As at 31 December 2022
Hong Kong	7.80 %	7.55 %
Thailand	8.75 %	8.75 %
Japan	6.25 %	6.00 %
Indonesia	13.75 %	14.00 %
Vietnam	10.75 %	10.75 %

With regard to the assessment of value in use, management does not believe a reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

Distribution rights

Distribution rights represent exclusive bancassurance and distribution agreements in Thailand, Indonesia, Vietnam and the Philippines.

During the year ended 31 December 2023, Commonwealth Bank of Australia has announced a potential transaction for the sale of its subsidiary, PT Bank Commonwealth ("PTBC"), an existing long-term life insurance distribution partner of the Group, with the expected completion in 2024. Upon the completion of this potential transaction, the Group expects its existing exclusive distribution rights with PTBC will be discontinued. Accordingly the Group recognised an impairment in "General and other expenses" of the consolidated income statement and reported under "Emerging Markets".

13. Investments in associates and joint ventures

US$m	As at 31 December 2023	As at 31 December 2022
		(Restated)
Investments in associates	377	400
Investments in joint ventures	6	7
Total	383	407

The Group's interests in its key associates are as follows:

Entity	Place of incorporation	Principal activity	Type of investments	Type of shares held	Group's interest % As at 31 December 2023	Group's interest % As at 31 December 2022
PT Asuransi BRI Life ("BRI Life")	Indonesia	Life insurance	Associate	Ordinary	39.82 %	35.14 %
CompareAsia Group Capital Limited	Cayman Islands	Operation of online platforms and provision of insurance brokerage and marketing services	Associate	Ordinary	N/A	29.82 %

All associates and joint ventures are unlisted.

On 2 March 2022, the Group acquired an additional interest of 5.28% in BRI Life at a consideration of US$54m, and resulted in a total of 35.14% effective ownership interest in BRI Life. On 2 March 2023, the Group further acquired an additional interest of 4.68% in BRI Life at a consideration of US$51m, and resulted in a total of 39.82% effective ownership interest in BRI Life.

On 14 October 2022 and 23 December 2022, CompareAsia Group Capital Limited ("CompareAsia") completed a series of capital restructuring transactions, as a result of which the Group has a total of 29.82% effective ownership interest in CompareAsia. On 12 October 2023, upon completion of the business combination with a listed special purpose acquisition company ("de-SPAC"), CompareAsia became a wholly owned subsidiary of MoneyHero Limited ("MoneyHero"), the public company after de-SPAC. Immediately after de-SPAC, the Group has no significant influence over CompareAsia but retained interests in MoneyHero, and accordingly, the Group's investment ceased to be an associate and the interests in MoneyHero are accounted for as financial investments at FVTPL. A disposal gain of US$4m was recognised in the consolidated income statement, being the difference between the fair value of financial investment in MoneyHero and the carrying amount of investment in CompareAsia on the disposal date.

Dividend received from One George Street LLP ("OGS"), a joint venture of the Group, and BRI Life during the year ended 31 December 2023 was US$nil (2022: US$5m) and US$nil (2022: US$1m), respectively. In addition, the Group received capital distribution of US$2m (2022: US$1m) from OGS during the year ended 31 December 2023.

13. Investments in associates and joint ventures (continued)

13.1 Summarised financial information of associates and joint ventures

(a) Financial information of BRI Life

Summarised statement of financial position of BRI Life:

US$m	As at 31 December 2023	As at 31 December 2022
		(Restated)
Assets	1,557	1,587
Liabilities	(932)	(967)
Net assets	625	620
The Group's share in net assets – 39.82% (31 December 2022: 35.14%)	249	216
Goodwill	112	123
Group's carrying amount of the investment in BRI Life	361	339

Summarised income statement and other comprehensive income of BRI Life:

US$m	Year ended 31 December 2023	Year ended 31 December 2022
		(Restated)
Revenue	22	52
Expenses	(15)	(22)
Profit for the year	7	30
Other comprehensive income/(loss) for the year	(53)	(3)
Total comprehensive income/(loss) of BRI Life for the year	(46)	27
Group's share of total comprehensive income/(loss) of BRI Life for the year	(18)	10
Group's share of other comprehensive income/(loss) related to foreign currency translation of goodwill	(11)	—
	(29)	10

Reconciliation of the summarised financial information of BRI Life:

US$m	As at 31 December 2023	As at 31 December 2022
		(Restated)
Net assets		
At beginning of the year	620	541
Total comprehensive income/(loss) for the year	(46)	27
Capital injection	51	54
Dividends	—	(2)
At ending of the year	625	620
Interest in BRI Life – 39.82% (31 December 2022: 35.14%)	249	216
Goodwill	112	123
Group's carrying amount of the investment in BRI Life	361	339

13. Investments in associates and joint ventures (continued)

13.1 Summarised financial information of associates and joint ventures

(b) Aggregated financial information of the associates and joint ventures that are not individually material

The following table analyses, in aggregate, the share of profit/(loss) and other comprehensive income of the associates and joint ventures that are not individually material.

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Net profit/(loss)	(23)	(9)
Other comprehensive income/(loss)	(1)	1
Total comprehensive income/(loss)	(24)	(8)

14. Property, plant and equipment

US$m	Property, plant and equipment: Leasehold improvements	Property, plant and equipment: Furniture and fixtures and others	Property, plant and equipment: Computer equipment	Property, plant and equipment: Property held for own use	Right-of-use assets: Premises and car parks	Right-of-use assets: Equipment and others	Total
Cost							
At 1 January 2022	69	10	79	1	190	26	375
Remeasurement of lease liability	—	—	—	—	3	—	3
Additions	3	1	6	—	25	9	44
Disposals	(8)	(1)	(2)	—	(19)	(14)	(44)
Reclassifications	(2)	2	—	—	—	—	—
Foreign exchange movements	(3)	—	(3)	—	(6)	—	(12)
At 31 December 2022	59	12	80	1	193	21	366
Acquisition of subsidiaries	—	—	—	—	4	—	4
Additions	6	1	6	—	57	7	77
Disposals	(5)	(1)	(4)	—	(43)	(8)	(61)
Foreign exchange movements	(1)	—	(1)	—	(4)	—	(6)
At 31 December 2023	59	12	81	1	207	20	380
Accumulated depreciation							
At 1 January 2022	(54)	(7)	(60)	—	(76)	(19)	(216)
Additions	—	—	—	—	2	—	2
Disposals	8	1	2	—	18	13	42
Depreciation charge for the year	(5)	(2)	(11)	—	(40)	(5)	(63)
Reclassifications	1	(1)	—	—	—	—	—
Foreign exchange movements	2	—	3	—	3	—	8
At 31 December 2022	(48)	(9)	(66)	—	(93)	(11)	(227)
Disposals	4	1	4	—	34	8	51
Depreciation charge for the year	(5)	(2)	(8)	—	(42)	(4)	(61)
Foreign exchange movements	—	—	2	—	1	—	3
At 31 December 2023	(49)	(10)	(68)	—	(100)	(7)	(234)
Net book value							
At 31 December 2022	11	3	14	1	100	10	139
At 31 December 2023	10	2	13	1	107	13	146

The Group obtains right to use various office premises, residential units, car parks, office equipment, IT-related and other assets for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 11 years. Right-of-use assets are carried at cost less accumulated depreciation.

15. Investment property

US$m	
Fair value	
At 1 January 2022	663
Additions	64
Fair value losses	(3)
Foreign exchange movements	(83)
At 31 December 2022	641
Acquisition of subsidiaries	1
Fair value losses	(2)
Foreign exchange movements	(41)
At 31 December 2023	599

The Group acquired commercial investment properties, residential property, hotel building and parcels of land in Japan and a commercial investment property and parcel of land in Malaysia.

Investment properties are carried at fair value at the reporting date as determined by independent professional valuers. Details of valuation techniques and process are disclosed in Note 19.

The Group leases out its investment properties under operating lease contracts with terms varying from 1 to 30 years. Rental income generated from investment properties amounted to US$25m for the year ended 31 December 2023 (2022: US$25m). Direct operating expenses, including repair and maintenance, amounted to US$6m for the year ended 31 December 2023 (2022: US$5m).

The future minimum operating lease rental income under non-cancellable operating leases that the Group expects to receive in future periods are disclosed in Note 32.

16. Insurance and reinsurance contract balances

Insurance and reinsurance contracts

Insurance Contracts

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Insurance contract assets		
Insurance contract balances	798	722
Insurance contract liabilities		
Insurance contract balances	(40,073)	(37,019)
Total	(39,275)	(36,297)

Reinsurance Contracts Held

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Reinsurance contract assets	2,876	725
Reinsurance contract liabilities	(304)	(463)
Total	2,572	262

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be recovered/ (settled) more than 12 months after the reporting date.

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Insurance contract assets	2,895	1,748
Insurance contract liabilities	(32,334)	(28,252)
Reinsurance contract assets	2,274	(911)
Reinsurance contract liabilities	(278)	201

At 31 December 2023, the maximum exposure to credit risk from reinsurance contracts is US$2,876m (2022: US$725m). The credit risk arising from insurance contracts is not considered to be significant.

(a) Movement in insurance and reinsurance contract balances

The Group presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and OCI.

A second reconciliation is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

16. Insurance and reinsurance contract balances (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach

Analysis by remaining coverage and incurred claims

US$m	Note	Year ended 31 December 2023			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total
		Excluding loss component	Loss component		
Opening assets		785	(5)	(58)	722
Opening liabilities		(36,186)	(185)	(601)	(36,972)
Net opening balance		(35,401)	(190)	(659)	(36,250)
Changes in the statement of profit or loss and OCI					
Insurance revenue	7				
Contracts under the modified retrospective approach		266	—	—	266
Contracts under the fair value approach		1,077	—	—	1,077
Other contracts		1,240	—	—	1,240
		2,583	—	—	2,583
Insurance service expenses					
Incurred claims and other insurance service expenses		—	49	(982)	(933)
Amortisation of insurance acquisition cash flows		(722)	—	—	(722)
Losses and reversals of losses on onerous contracts		—	(93)	—	(93)
Adjustments to liabilities for incurred claims		—	—	(52)	(52)
		(722)	(44)	(1,034)	(1,800)
Investment components		4,228	—	(4,228)	—
Insurance service result		6,089	(44)	(5,262)	783
Net finance expenses from insurance contracts	8	(2,232)	(15)	(42)	(2,289)
Foreign exchange movement		292	—	29	321
Total changes in the statement of profit or loss and OCI		4,149	(59)	(5,275)	(1,185)
Cash flows					
Premium received		(8,691)	—	—	(8,691)
Claims and other insurance service expenses paid; including investment components		—	—	5,077	5,077
Insurance acquisition cash flows		1,872	—	—	1,872
Total cash flows		(6,819)	—	5,077	(1,742)
Net closing balance		(38,071)	(249)	(857)	(39,177)
Closing assets		838	(25)	(26)	787
Closing liabilities		(38,909)	(224)	(831)	(39,964)
Net closing balance		(38,071)	(249)	(857)	(39,177)

16. Insurance and reinsurance contract balances (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach (continued)

Analysis by remaining coverage and incurred claims (continued)

US$m (Restated)	Note	Year ended 31 December 2022			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total
		Excluding loss component	Loss component		
Opening assets		717	(4)	28	741
Opening liabilities		(41,293)	(69)	(646)	(42,008)
Net opening balance		(40,576)	(73)	(618)	(41,267)
Changes in the statement of profit or loss and OCI					
Insurance revenue	7				
Contracts under the modified retrospective approach		102	—	—	102
Contracts under the fair value approach		1,276	—	—	1,276
Other contracts		874	—	—	874
		2,252	—	—	2,252
Insurance service expenses					
Incurred claims and other insurance service expenses		—	17	(1,008)	(991)
Amortisation of insurance acquisition cash flows		(545)	—	—	(545)
Losses and reversals of losses on onerous contracts		—	(117)	—	(117)
Adjustments to liabilities for incurred claims		—	—	(22)	(22)
Total insurance service expenses		(545)	(100)	(1,030)	(1,675)
Investment components		3,287	—	(3,287)	—
Insurance service result		4,994	(100)	(4,317)	577
Net finance income/ (expenses) from insurance contracts	8	4,910	(3)	13	4,920
Foreign exchange movement		1,579	(14)	140	1,705
Total changes in the statement of profit or loss and OCI		11,483	(117)	(4,164)	7,202
Cash flows					
Premium received		(7,649)	—	—	(7,649)
Claims and other insurance service expenses paid; including investment components		—	—	4,123	4,123
Insurance acquisition cash flows		1,341	—	—	1,341
Total cash flows		(6,308)	—	4,123	(2,185)
Net closing balance		(35,401)	(190)	(659)	(36,250)
Closing assets		785	(5)	(58)	722
Closing liabilities		(36,186)	(185)	(601)	(36,972)
Net closing balance		(35,401)	(190)	(659)	(36,250)

16. Insurance and reinsurance contract balances (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach (continued)

Analysis by measurement component

		Year ended 31 December 2023						
				CSM				
US$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		1,876	(87)	—	(243)	(824)	(1,067)	722
Opening liabilities		(31,133)	(562)	(254)	(3,042)	(1,981)	(5,277)	(36,972)
Net opening balance		(29,257)	(649)	(254)	(3,285)	(2,805)	(6,344)	(36,250)
Changes in the statement of profit or loss and OCI								
Changes that relate to current services								
CSM recognised for services received	7	—	—	152	267	365	784	784
Change in risk adjustment for non-financial risk for risk expired		—	64	—	—	—	—	64
Experience adjustments		80	—	—	—	—	—	80
Changes that relate to future services								
Contracts initially recognised in the year		1,688	(121)	—	—	(1,586)	(1,586)	(19)
Changes in estimates that adjust the CSM		(1,720)	(1)	(93)	816	998	1,721	—
Changes in estimates that result in losses and reversals of losses on onerous contracts		(75)	1	—	—	—	—	(74)
Changes that relate to past services								
Adjustments to liabilities for incurred claims		(52)	—	—	—	—	—	(52)
Insurance service result		(79)	(57)	59	1,083	(223)	919	783
Net finance income/ (expenses) from insurance contracts	8	(2,231)	—	(5)	(17)	(36)	(58)	(2,289)
Effect of movements in exchange rates		69	19	1	159	73	233	321
Total changes in the statement of profit or loss and OCI		(2,241)	(38)	55	1,225	(186)	1,094	(1,185)
Cash flows								
Premium received		(8,691)	—	—	—	—	—	(8,691)
Claims and other insurance service expenses paid; including investment components		5,077	—	—	—	—	—	5,077
Insurance acquisition cash flows		1,872	—	—	—	—	—	1,872
Total cash flows		(1,742)	—	—	—	—	—	(1,742)
Net closing balance		(33,240)	(687)	(199)	(2,060)	(2,991)	(5,250)	(39,177)
Closing assets		1,888	(109)	—	(162)	(830)	(992)	787
Closing liabilities		(35,128)	(578)	(199)	(1,898)	(2,161)	(4,258)	(39,964)
Net closing balance		(33,240)	(687)	(199)	(2,060)	(2,991)	(5,250)	(39,177)

16. Insurance and reinsurance contract balances (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach (continued)

Analysis by measurement component (continued)

US$m (Restated)	Note	Year ended 31 December 2022 Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		1,726	(92)	—	(472)	(421)	(893)	741
Opening liabilities		(36,391)	(609)	(323)	(3,806)	(879)	(5,008)	(42,008)
Net opening balance		(34,665)	(701)	(323)	(4,278)	(1,300)	(5,901)	(41,267)
Changes in the statement of profit or loss and OCI								
Changes that relate to current services								
CSM recognised for services received	7	—	—	35	381	259	675	675
Change in risk adjustment for non-financial risk for risk expired		—	56	—	—	—	—	56
Experience adjustments		(15)	—	—	—	—	—	(15)
Changes that relate to future services								
Contracts initially recognised in the year		1,747	(114)	—	—	(1,656)	(1,656)	(23)
Changes in estimates that adjust the CSM		(355)	67	24	320	(56)	288	—
Changes in estimates that result in losses and reversals of losses on onerous contracts		(94)	—	—	—	—	—	(94)
Changes that relate to past services								
Adjustments to liabilities for incurred claims		(22)	—	—	—	—	—	(22)
Insurance service result		1,261	9	59	701	(1,453)	(693)	577
Net finance income/ (expenses) from insurance contracts	8	4,945	—	(5)	(8)	(12)	(25)	4,920
Effect of movements in exchange rates		1,387	43	15	300	(40)	275	1,705
Total changes in the statement of profit or loss and OCI		7,593	52	69	993	(1,505)	(443)	7,202
Cash flows								
Premium received		(7,649)	—	—	—	—	—	(7,649)
Claims and other insurance service expenses paid; including investment components		4,123	—	—	—	—	—	4,123
Insurance acquisition cash flows		1,341	—	—	—	—	—	1,341
Total cash flows		(2,185)	—	—	—	—	—	(2,185)
Net closing balance		(29,257)	(649)	(254)	(3,285)	(2,805)	(6,344)	(36,250)
Closing assets		1,876	(87)	—	(243)	(824)	(1,067)	722
Closing liabilities		(31,133)	(562)	(254)	(3,042)	(1,981)	(5,277)	(36,972)
Net closing balance		(29,257)	(649)	(254)	(3,285)	(2,805)	(6,344)	(36,250)

16. Insurance and reinsurance contract balances (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (b) Insurance contracts measured under the premium allocation approach

Analysis by remaining coverage and incurred claims

US$m	Note	Year ended 31 December 2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	
Opening assets		—	—	—	—	—
Opening liabilities		(4)	(4)	(38)	(1)	(47)
Net opening balance		(4)	(4)	(38)	(1)	(47)
Changes in the statement of profit or loss and OCI						
Insurance revenue	7					
Other contracts		173	—	—	—	173
Insurance service expenses						
Incurred claims and other insurance service expenses		—	—	(166)	—	(166)
Amortisation of insurance acquisition cash flows		(26)	—	—	—	(26)
Adjustments to liabilities for incurred claims		—	—	4	(1)	3
Total insurance service expenses		(26)	—	(162)	(1)	(189)
Insurance service result		147	—	(162)	(1)	(16)
Foreign exchange movement		2	—	—	—	2
Total changes in the statement of profit or loss and OCI		149	—	(162)	(1)	(14)
Cash flows						
Premium received		(224)	—	—	—	(224)
Claims and other insurance service expenses paid; including investment components		—	—	161	—	161
Insurance acquisition cash flows		26	—	—	—	26
Total cash flows		(198)	—	161	—	(37)
Net closing balance		(53)	(4)	(39)	(2)	(98)
Closing assets		—	—	11	—	11
Closing liabilities		(53)	(4)	(50)	(2)	(109)
Net closing balance		(53)	(4)	(39)	(2)	(98)

16. Insurance and reinsurance contract balances (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (b) Insurance contracts measured under the premium allocation approach (continued)

Analysis by remaining coverage and incurred claims (continued)

		Year ended 31 December 2022				
		Liabilities for remaining coverage		Liabilities for incurred claims		Total
US$m (Restated)	Note	Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	
Opening assets		—	—	—	—	—
Opening liabilities		(27)	(2)	(23)	(1)	(53)
Net opening balance		(27)	(2)	(23)	(1)	(53)
Changes in the statement of profit or loss and OCI						
Insurance revenue	7					
Other contracts		156	—	—	—	156
Insurance service expenses						
Incurred claims and other insurance service expenses		—	—	(119)	—	(119)
Amortisation of insurance acquisition cash flows		(23)	—	—	—	(23)
Losses and reversals of losses on onerous contracts		—	(2)	—	—	(2)
Adjustments to liabilities for incurred claims		—	—	2	—	2
Total insurance service expenses		(23)	(2)	(117)	—	(142)
Insurance service result		133	(2)	(117)	—	14
Foreign exchange movement		(3)	—	4	—	1
Total changes in the statement of profit or loss and OCI		130	(2)	(113)	—	15
Cash flows						
Premium received		(124)	—	—	—	(124)
Claims and other insurance service expenses paid; including investment components		—	—	98	—	98
Insurance acquisition cash flows		17	—	—	—	17
Total cash flows		(107)	—	98	—	(9)
Net closing balance		(4)	(4)	(38)	(1)	(47)
Closing assets		—	—	—	—	—
Closing liabilities		(4)	(4)	(38)	(1)	(47)
Net closing balance		(4)	(4)	(38)	(1)	(47)

16. Insurance and reinsurance contract balances (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach

Analysis by remaining coverage and incurred claims

		Year ended 31 December 2023			
		Assets for remaining coverage			
US$m	Note	Excluding loss-recovery component	Loss- recovery component	Assets for incurred claims	Total
Opening assets		487	3	219	709
Opening liabilities		(536)	2	71	(463)
Net opening balance		(49)	5	290	246
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premium paid		(321)	—	—	(321)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses		—	(3)	223	220
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	6	—	6
Adjustments to assets for incurred claims		—	—	9	9
		—	3	232	235
Investment components and premium refunds		(479)	—	479	—
Net expenses from reinsurance contracts		(800)	3	711	(86)
Net finance income from reinsurance contracts		10	—	9	19
Foreign exchange movement		121	1	(45)	77
Total changes in the statement of profit or loss and OCI		(669)	4	675	10
Cash flows					
Premium paid		2,902	—	—	2,902
Amounts received		—	—	(604)	(604)
Total cash flows		2,902	—	(604)	2,298
Net closing balance		2,184	9	361	2,554
Closing assets		2,510	8	338	2,856
Closing liabilities		(326)	1	23	(302)
Net closing balance		2,184	9	361	2,554

16. Insurance and reinsurance contract balances (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)

Analysis by remaining coverage and incurred claims (continued)

US$m (Restated)	Note	Year ended 31 December 2022 Assets for remaining coverage Excluding loss-recovery component	Loss- recovery component	Assets for incurred claims	Total
Opening assets		933	2	85	1,020
Opening liabilities		(587)	—	116	(471)
Net opening balance		346	2	201	549
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premium paid		(381)	—	—	(381)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses		—	—	233	233
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	3	—	3
Adjustments to assets for incurred claims		—	—	1	1
		—	3	234	237
Investment components and premium refunds		(481)	—	481	—
Net expenses from reinsurance contracts		(862)	3	715	(144)
Effect of changes in non-performance risk of reinsurers		(4)	—	—	(4)
Net finance income from reinsurance contracts		(50)	—	(1)	(51)
Foreign exchange movement		(22)	—	(5)	(27)
Total changes in the statement of profit or loss and OCI		(938)	3	709	(226)
Cash flows					
Premium paid		543	—	—	543
Amounts received		—	—	(620)	(620)
Total cash flows		543	—	(620)	(77)
Net closing balance		(49)	5	290	246
Closing assets		487	3	219	709
Closing liabilities		(536)	2	71	(463)
Net closing balance		(49)	5	290	246

16. Insurance and reinsurance contract balances (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)

Analysis by measurement component

		Year ended 31 December 2023						
				CSM				
US$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		(240)	82	8	464	395	867	709
Opening liabilities		(549)	9	(2)	57	22	77	(463)
Net opening balance		(789)	91	6	521	417	944	246
Changes in the statement of profit or loss and OCI								
Changes that relate to current services								
CSM recognised for services received		—	—	(2)	(33)	(20)	(55)	(55)
Change in risk adjustment for non-financial risk for risk expired		—	(8)	—	—	—	—	(8)
Experience adjustments		(38)	—	—	—	—	—	(38)
Changes that relate to future services								
Contracts initially recognised in the year		187	25	—	—	(210)	(210)	2
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		—	—	—	2	2	4	4
Changes in estimates that adjust the CSM		406	(6)	2	(244)	(158)	(400)	—
Changes that relate to past services								
Adjustments to assets for incurred claims		9	—	—	—	—	—	9
Net expenses from reinsurance contracts		564	11	—	(275)	(386)	(661)	(86)
Net finance income/ (expenses) from reinsurance contracts		14	—	—	3	2	5	19
Foreign Exchange Movement		166	(5)	—	(35)	(49)	(84)	77
Total changes in the statement of profit or loss and OCI		744	6	—	(307)	(433)	(740)	10
Cash flows								
Premium paid		2,902	—	—	—	—	—	2,902
Amounts received		(604)	—	—	—	—	—	(604)
Total cash flows		2,298	—	—	—	—	—	2,298
Net closing balance		2,253	97	6	214	(16)	204	2,554
Closing assets		2,670	87	4	156	(61)	99	2,856
Closing liabilities		(417)	10	2	58	45	105	(302)
Net closing balance		2,253	97	6	214	(16)	204	2,554

16. Insurance and reinsurance contract balances (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)

Analysis by measurement component (continued)

		Year ended 31 December 2022						
				CSM				
US$m (Restated)	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		161	90	1	563	205	769	1,020
Opening liabilities		(606)	19	3	97	16	116	(471)
Net opening balance		(445)	109	4	660	221	885	549
Changes in the statement of profit or loss and OCI								
Changes that relate to current services								
CSM recognised for services received		—	—	(2)	(93)	(48)	(143)	(143)
Change in risk adjustment for non-financial risk for risk expired		—	(6)	—	—	—	—	(6)
Experience adjustments		1	—	—	—	—	—	1
Changes that relate to future services								
Contracts initially recognised in the year		(285)	14	—	—	271	271	—
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		—	—	—	1	2	3	3
Changes in estimates that adjust the CSM		8	(15)	4	21	(18)	7	—
Changes that relate to past services								
Adjustments to assets for incurred claims		2	(1)	—	—	—	—	1
Net expenses from reinsurance contracts		(274)	(8)	2	(71)	207	138	(144)
Effect of changes in non-performance risk of reinsurers		(4)	—	—	—	—	—	(4)
Net finance income/ (expenses) from reinsurance contracts		(56)	—	—	3	2	5	(51)
Foreign Exchange Movement		67	(10)	—	(71)	(13)	(84)	(27)
Total changes in the statement of profit or loss and OCI		(267)	(18)	2	(139)	196	59	(226)
Cash flows								
Premium paid		543	—	—	—	—	—	543
Amounts received		(620)	—	—	—	—	—	(620)
Total cash flows		(77)	—	—	—	—	—	(77)
Net closing balance		(789)	91	6	521	417	944	246
Closing assets		(240)	82	8	464	395	867	709
Closing liabilities		(549)	9	(2)	57	22	77	(463)
Net closing balance		(789)	91	6	521	417	944	246

16. Insurance and reinsurance contract balances (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (b) Reinsurance contract held measured under the premium allocation approach

Analysis by remaining coverage and incurred claims

		Year ended 31 December 2023				
		Assets for remaining coverage		Assets for incurred claims		
US$m	Note	Excluding loss-recovery component	Loss- recovery component	Estimates of PV of FCF	Risk Adjustment	Total
Opening assets		15	—	1	—	16
Opening liabilities		(8)	1	6	1	—
Net opening balance		7	1	7	1	16
Changes in the statement of profit or loss and OCI						
Allocation of reinsurance premium paid		(19)	—	—	—	(19)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses		—	—	19	—	19
Adjustments to assets for incurred claims		—	—	(2)	—	(2)
		—	—	17	—	17
Net expenses from reinsurance contracts		(19)	—	17	—	(2)
Foreign exchange movement		—	—	(1)	—	(1)
Total changes in the statement of profit or loss and OCI		(19)	—	16	—	(3)
Cash flows						
Premium paid		9	—	—	—	9
Amounts received		—	—	(4)	—	(4)
Total cash flows		9	—	(4)	—	5
Net closing balance		(3)	1	19	1	18
Closing assets		(2)	1	20	1	20
Closing liabilities		(1)	—	(1)	—	(2)
Net closing balance		(3)	1	19	1	18

16. Insurance and reinsurance contract balances (continued)

Insurance and reinsurance contracts (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (b) Reinsurance contract held measured under the premium allocation approach (continued)

Analysis by remaining coverage and incurred claims (continued)

		Year ended 31 December 2022				
		Assets for remaining coverage		Assets for incurred claims		
US$m (Restated)	Note	Excluding loss-recovery component	Loss- recovery component	Estimates of PV of FCF	Risk Adjustment	Total
Opening assets		—	—	—	—	—
Opening liabilities		7	—	7	1	15
Net opening balance		7	—	7	1	15
Changes in the statement of profit or loss and OCI						
Allocation of reinsurance premium paid		(14)	—	—	—	(14)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses		—	—	14	—	14
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	1	—	—	1
Adjustments to assets for incurred claims		—	—	(3)	—	(3)
		—	1	11	—	12
Net expenses from reinsurance contracts		(14)	1	11	—	(2)
Foreign exchange movement		—	—	1	—	1
Total changes in the statement of profit or loss and OCI		(14)	1	12	—	(1)
Cash flows						
Premium paid		14	—	—	—	14
Amounts received		—	—	(12)	—	(12)
Total cash flows		14	—	(12)	—	2
Net closing balance		7	1	7	1	16
Closing assets		15	—	1	—	16
Closing liabilities		(8)	1	6	1	—
Net closing balance		7	1	7	1	16

16. Insurance and reinsurance contract balances (continued)

Insurance and reinsurance contracts (continued)

(b) Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts held not measured under the PAA in the year.

(i) Insurance contracts

US$m	Profitable contracts issued	Onerous contracts issued	Profitable contracts acquired	Total
31 December 2023				
Claims and other insurance service expenses payable	(6,953)	(405)	(318)	(7,676)
Insurance acquisition cash flows	(2,136)	(102)	—	(2,238)
Estimates of present value of cash outflows	(9,089)	(507)	(318)	(9,914)
Estimates of present value of cash inflows	10,748	491	363	11,602
Risk adjustment for non-financial risk	(115)	(3)	(3)	(121)
Contractual Service Margin (CSM)	(1,544)	—	(42)	(1,586)
Amount included in insurance contract assets/liabilities for the year	—	(19)	—	(19)
31 December 2022 (Restated)				
Claims and other insurance service expenses payable	(7,026)	(173)	—	(7,199)
Insurance acquisition cash flows	(1,761)	(58)	—	(1,819)
Estimates of present value of cash outflows	(8,787)	(231)	—	(9,018)
Estimates of present value of cash inflows	10,555	210	—	10,765
Risk adjustment for non-financial risk	(112)	(2)	—	(114)
Contractual Service Margin (CSM)	(1,656)	—	—	(1,656)
Amount included in insurance contract assets/liabilities for the year	—	(23)	—	(23)

(ii) Reinsurance contracts held

US$m	Contracts initiated	Contracts acquired	Total
31 December 2023			
Estimates of present value of cash inflows	4,665	—	4,665
Estimates of present value of cash outflows	(4,474)	(4)	(4,478)
Risk adjustment for non-financial risk	24	1	25
Contractual Service Margin (CSM)	(213)	3	(210)
Amount included in reinsurance contract assets/liabilities for the year	2	—	2
31 December 2022 (Restated)			
Estimates of present value of cash inflows	1,141	—	1,141
Estimates of present value of cash outflows	(1,426)	—	(1,426)
Risk adjustment for non-financial risk	14	—	14
Contractual Service Margin (CSM)	271	—	271
Amount included in reinsurance contract assets/liabilities for the year	—	—	—

16. Insurance and reinsurance contract balances (continued)

Insurance and Reinsurance Contracts (continued)

(c) Contractual service margin

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

	As at 31 December 2023			As at 31 December 2022		
US$m	Insurance contracts	Reinsurance contracts held	Total	Insurance contracts	Reinsurance contracts held	Total
				(Restated)	(Restated)	(Restated)
Within one year	579	(32)	547	657	(109)	548
One to five years	1,637	(68)	1,569	1,846	(265)	1,581
Five to ten years	1,189	(35)	1,154	1,389	(184)	1,205
More than ten years	1,845	(69)	1,776	2,452	(386)	2,066
Total	5,250	(204)	5,046	6,344	(944)	5,400

16. Insurance and reinsurance contract balances (continued)

The following table summarises the key variables on which insurance and investment contract cash flows depend.

Type of contract	Material terms and conditions	Nature of benefits and compensation for claims	Factors affecting contract cash flows	Key reportable segments
Traditional participating life assurance with DPF	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends, the timing or amount of which is at the discretion of the insurer taking into account factors such as investment experience.	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations.	Investment performance Expenses Mortality Lapses Morbidity Dividend / bonus rates	All
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations.	Investment performance Expenses Mortality Lapses Morbidity Partial withdrawals Premium holidays	Emerging markets (Malaysia and Indonesia)
Traditional non-participating life	Benefits paid on death, maturity, sickness or disability that are fixed and guaranteed and not at the discretion of the insurer.	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole.	Mortality Morbidity Lapses Expenses	All
Accident and health non-participating	These products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover.	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole.	Mortality Morbidity Lapses Expenses	All
Universal Life	Universal Life contracts combine savings with protection. Account balances are credited with interest at a rate set by the insurer.	Benefits are based on the account balance and death and living benefits.	Investment performance Crediting rates Lapses Partial withdrawals Premium holidays Expenses Mortality Morbidity	Hong Kong, Emerging Markets (Vietnam only)
Unit-linked	Investment-linked contracts combine savings with protection, the cash value of the policy depending on the value of unitised funds.	Benefits are based on the value of the unitised funds and death and living benefits.	Investment performance Lapses Partial withdrawals Premium holidays Expenses Mortality Morbidity	Hong Kong, Thailand, Emerging markets (Malaysia, Indonesia, Singapore, Philippines and Vietnam only)

16. Insurance and reinsurance contract balances (continued)

Methodology and assumptions (continued)

The most significant items to which profit or loss for the period and shareholders' equity are sensitive are market, insurance and lapse risks which are shown in the table below. Indirect exposure indicates that there is a second order impact. For example, whilst the profit or loss for the period attributable to shareholders is not directly affected by investment income earned where the investment risk is borne by policyholders (for example, in respect of unit-linked contracts), there is a second order effect through the investment management fees which the Group earns by managing such investments. The distinction between direct and indirect exposure is not intended to indicate the relative sensitivity to each of these items. Where the direct exposure is shown as being "net neutral", this is because the exposure to market and credit risk is offset by a corresponding movement in insurance contract liabilities.

	Market and credit risk			
	Direct exposure			
Type of contract	Insurance contract liabilities	Risks associated with related investment portfolio	Indirect exposure	Significant insurance and lapse risks
Traditional participating life assurance with DPF	Net neutral except for the insurer's share of participating investment performance Guarantees	Net neutral except for the insurer's share of participating investment performance	Investment performance	Persistency Mortality Morbidity
Takaful	Net neutral except for the insurer's share of participating investment performance Guarantees	Net neutral except for the insurer's share of participating investment performance	Investment performance	Persistency Mortality Morbidity Partial withdrawals Premium holidays
Traditional non-participating life assurance	Investment performance Asset-liability mismatch risk	Asset-liability mismatch risk Credit Risk Investment performance	Not applicable	Mortality Morbidity Persistency
Accident and health non-participating	Loss ratio Asset-liability mismatch risk	Investment performance Credit risk Asset-liability mismatch risk	Not applicable	Morbidity Persistency
Universal Life	Guarantees Asset-liability mismatch risk	Investment performance Credit risk Asset-liability mismatch risk	Spread between earned rate and crediting rate to policyholders	Mortality Persistency Partial withdrawals Premium holidays
Unit-Linked	Net neutral	Net neutral	Performance-related investment management fees	Mortality Persistency Partial withdrawals Premium holidays

The Group is also exposed to foreign currency risk in respect of its operations, and to interest rate risk, credit risk and equity price risk on assets representing net shareholders' equity, and to expense risk to the extent that actual expenses exceed those that can be charged to insurance contract holders on non-participating business. Expense assumptions applied in the Group's actuarial valuation models assume a continuing level of business volumes.

16. Insurance and reinsurance contract balances (continued)

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Group generally determines the risk-free rates using either government bond yields or swap yield curve. The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. Although the ultimate forward rate is subject to revision, it is expected to be stable and would change only on changes to long-term expectations. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by adjusting the return of a reference portfolio to eliminate any factors that are not relevant to the insurance contracts.

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies.

As at 31 December 2023	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.70 %	5.66 %	3.79 %	4.75 %	3.83 %	4.78 %	3.94 %	4.89 %	4.27 %	5.22 %
HKD	4.29 %	5.29 %	3.27 %	4.27 %	3.29 %	4.29 %	3.41 %	4.41 %	3.47 %	4.47 %
THB	2.30 %	2.97 %	2.48 %	3.15 %	2.75 %	3.42 %	3.04 %	3.71 %	3.35 %	4.02 %
JPY	(0.04)%	0.04 %	0.23 %	0.30 %	0.67 %	0.75 %	1.10 %	1.18 %	1.48 %	1.56 %
CNY	2.07 %	2.53 %	2.41 %	2.86 %	2.58 %	3.04 %	2.82 %	3.28 %	3.12 %	3.57 %

As at 31 December 2022	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.64 %	5.67 %	3.94 %	4.97 %	3.81 %	4.84 %	3.91 %	4.94 %	4.18 %	5.21 %
HKD	4.88 %	5.73 %	3.96 %	4.81 %	3.78 %	4.63 %	3.82 %	4.67 %	3.84 %	4.70 %
THB	1.37 %	2.40 %	1.99 %	3.02 %	2.63 %	3.66 %	3.15 %	4.18 %	3.51 %	4.54 %
JPY	0.00%	0.23 %	0.25 %	0.49 %	0.45 %	0.69 %	1.03 %	1.27 %	1.34 %	1.58 %
CNY	2.09 %	2.92 %	2.66 %	3.49 %	2.88 %	3.71 %	3.07 %	3.90 %	3.32 %	4.15 %

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

16. Insurance and reinsurance contract balances (continued)

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from insurance contracts in each segment for each of the geographical markets in which the Group operates, consistent with the way that non-financial risk is managed. Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique.

Applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at 75th percentile (the target confidence level) over the expected present value of the future cash flows.

17. Financial investments

The following tables analyse the Group's financial investments by type and nature. The Group manages its financial investments in two distinct categories: Unit-linked Investments and Policyholder and Shareholder Investments.

Unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Group. The investment risk in respect of Unit-linked Investments is generally wholly borne by the customers and these investments are measured at fair value through profit or loss. Policyholder and Shareholder Investments include all financial investments other than Unit-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the Group.

Policyholder and Shareholder Investments are further categorised as Participating Funds, other participating business with discretionary expected sharing with policyholders and underlying distinct investment portfolios ("Other Participating Business with distinct Portfolios") and Other Policyholder and Shareholder investments. Other Participating Business with distinct Portfolios refers to business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.

The reason for separately analysing financial investments held by Participating Funds and Other Participating Business with distinct Portfolios is that Participating Funds are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends and for Other Participating Business with distinct Portfolios is, as explained above, expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. For participating funds and other participating business with distinct portfolios, the Group measures equity shares and interests in investment funds at fair value through profit or loss, and debt securities at fair value through other comprehensive income except for those being mandatory at at fair value through profit or loss.

Other Policyholder and Shareholder Investments are distinct from Unit-linked Investments, Participating Funds and Other Participating Business with distinct Portfolios as there is not any direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders. The Group measures equity shares and interests in investment funds at fair value through profit or loss in this category and debt securities at fair value through other comprehensive income except for those being mandatory at fair value through profit or loss in this category. The investment risk from investments in this category directly impacts the Group's financial statements. For certain benefits of business written in "Participating Funds and Other Participating Business with distinct Portfolios" funds and Unit-linked funds that are not supported by the underlying segregated assets, the backing assets are generally included in "Other policyholder and shareholder" funds.

In the following tables, "FVTPL" indicates financial investments classified as fair value through profit or loss and "FVOCI" indicates financial investments classified as fair value through other comprehensive income.

17. Financial investments (continued)

17.1. Debt securities

In compiling the tables below, external international issue ratings have been used in accordance with the Group's credit risk assessment framework. Where external international issue ratings are not readily available, external local issue ratings are used by mapping to external international ratings based on an internal rating methodology. Where there is no external international or local issue rating, the external credit rating of the issuer is used and if not available, the debt security is classified as not-rated.

Standard and Poor's and Fitch	Moody's	Internal ratings reported as
AAA	Aaa	AAA
AA+ to AA-	Aa1 to Aa3	AA
A+ to A-	A1 to A3	A
BBB+ to BBB-	Baa1 to Baa3	BBB
BB+ to BB-	Ba1 to Ba3	BB (Below investment grade)
B+ to B-	B1 to B3	B (Below investment grade)
CCC+ and below	Caa1 and below	CCC or Not rated

Debt securities by type comprise the following:

	Policyholder and shareholder investments				
US$m	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2023					
Government bonds					
United States	—	654	—	231	885
Japan	—	—	—	1,909	1,909
Thailand	—	—	—	11,088	11,088
Other	—	756	—	477	1,233
Sub-total	—	1,410	—	13,705	15,115
Government agency bonds[1]					
AAA	3	16	—	1	20
AA	—	538	—	220	758
A	—	193	—	291	484
BBB	—	40	—	629	669
Below investment grade	—	3	—	7	10
CCC or not rated	—	—	—	—	—
Sub-total	3	790	—	1,148	1,941
Corporate bonds					
AAA	—	163	—	16	179
AA	—	462	—	235	697
A	63	2,695	66	2,191	5,015
BBB	205	1,978	276	2,309	4,768
Below investment grade	10	35	19	1,018	1,082
CCC or not rated	51	41	55	33	180
Sub-total	329	5,374	416	5,802	11,921

17. Financial investments (continued)

17.1. Debt securities (continued)

US$m	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2023					
Structured securities[2]					
AAA	3	105	—	16	124
AA	6	188	—	21	215
A	41	198	19	36	294
BBB	46	177	1,093	19	1,335
Below investment grade	3	—	3	—	6
CCC or not rated	—	10	1	1	12
Sub-total	99	678	1,116	93	1,986
Others					
Certificate of deposits	—	17	—	12	29
Others	—	—	7	—	7
Sub-total	—	17	7	12	36
Total[3]	431	8,269	1,539	20,760	30,999

Notes:
1. Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.
2. Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
3. As at 31 December 2023, debt securities of US$3,658m, US$501m, US$20m and US$6m are restricted due to local regulatory requirements in Thailand, Macau, Indonesia and the Philippines, respectively.

17. Financial investments (continued)

17.1. Debt securities (continued)

US$m	Policyholder and shareholder investments: Participating funds and other participating business with distinct portfolios		Policyholder and shareholder investments: Other policyholder and shareholder investments		Total
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2022 (Restated)					
Government bonds					
United States	—	734	—	301	1,035
Japan	—	—	—	2,804	2,804
Thailand	—	—	—	10,455	10,455
Other	—	805	—	312	1,117
Sub-total	—	1,539	—	13,872	15,411
Government agency bonds[1]					
AAA	—	2	—	2	4
AA	—	267	—	193	460
A	—	111	—	363	474
BBB	—	35	—	574	609
CCC or not rated	—	14	—	12	26
Sub-total	—	429	—	1,144	1,573
Corporate bonds					
AAA	—	123	—	25	148
AA	—	431	—	304	735
A	144	2,772	66	2,800	5,782
BBB	134	2,045	235	3,051	5,465
Below investment grade	9	25	19	1,132	1,185
CCC or not rated	90	48	45	121	304
Sub-total	377	5,444	365	7,433	13,619

17. Financial investments (continued)

17.1. Debt securities (continued)

US$m	Policyholder and shareholder investments: Participating funds and other participating business with distinct portfolios – FVTPL (Mandatory)	FVOCI	Other policyholder and shareholder investments – FVTPL (Mandatory)	FVOCI	Total
31 December 2022 (Restated)					
Structured securities[2]					
AAA	8	158	—	25	191
AA	—	76	—	381	457
A	45	99	35	34	213
BBB	36	45	914	43	1,038
Below investment grade	3	—	17	—	20
CCC or not rated	2	27	1	6	36
Sub-total	94	405	967	489	1,955
Others					
Certificate of deposits	—	40	—	20	60
Others	—	—	7	—	7
Sub-total	—	40	7	20	67
Total[3]	471	7,857	1,339	22,958	32,625

Notes:
1. Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.
2. Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
3. As at 31 December 2022, debt securities of US$3,529m, US$431m, US$22m and US$5m are restricted due to local regulatory requirements in Thailand, Macau, Indonesia and the Philippines, respectively.

As at 31 December 2023, debt securities of US$194m (2022: US$419m) are subject to repurchase and forward agreements, whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. The securities related to the repurchase and forward agreements are not derecognised from the consolidated statement of financial position, but are retained within the appropriate financial asset classification. During the term of the repurchase and forward agreements, the counterparty is restricted from selling or pledging the transferred debt securities. Refer to Note 24 for additional information on the associated liabilities.

17. Financial Investments (continued)

17.2 Equity securities

Equity securities at fair value through profit and loss:

US$m	Policyholder and shareholder investments: Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder investments	Sub-total	Unit-linked	Total
31 December 2023					
Equity securities	71	604	675	—	675
31 December 2022					
Equity securities	56	325	381	—	381

Note:
1 As at 31 December 2023, equity securities of US$98m (2022: US$50m) are restricted due to local regulatory requirements in Macau.

17.3 Interests in investment funds

Interests in investment funds at fair value through profit and loss:

US$m	Policyholder and shareholder investments: Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder investments	Sub-total	Unit-linked	Total
31 December 2023					
Interests in investment funds	4,306	1,576	5,882	2,785	8,667
31 December 2022 (Restated)					
Interests in investment funds	3,560	1,608	5,168	2,408	7,576

17.4 Loans and deposits

US$m	As at 31 December 2023	As at 31 December 2022
		(Restated)
Accreting deposits and promissory notes	584	587
Term deposits	406	930
Other financial receivables	9	16
Provision for impairment	(3)	(3)
Total	996	1,530

Accreting deposits and promissory notes are stated at amortised cost. As at 31 December 2023, the accreting deposits and promissory notes bear interest rates ranging from 3.8% to 4.5% (2022: 2.3% to 5.2%) per annum and are repayable upon maturity.

Certain term deposits of US$37m as at 31 December 2023 (2022: US$36m) are restricted due to local regulatory requirements.

18. Derivative financial instruments

The followings summarised the Group's derivative exposure:

		Fair value	
US$m	Notional amount	Assets	Liabilities
31 December 2023			
Foreign exchange contracts			
Forwards	7,956	105	(340)
Cross-currency swaps	591	21	(15)
Total foreign exchange contracts	8,547	126	(355)
Interest rate swaps	508	1	—
Others			
Warrants and options	499	68	—
Bond forward contracts	688	1	(61)
Other equity derivatives	50	22	—
Total	10,292	218	(416)
31 December 2022 (Restated)			
Foreign exchange contracts			
Forwards	7,589	122	(119)
Cross-currency swaps	1,476	86	(13)
Total foreign exchange contracts	9,065	208	(132)
Interest rate swaps	508	—	(2)
Others			
Warrants and options	9	52	—
Bond forward contracts	657	59	—
Total	10,239	319	(134)

18. Derivative financial instruments (continued)

The Group's derivatives are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

Derivatives assets and derivative liabilities are recognised in the consolidated statement of financial position as financial assets at fair value through profit or loss and derivative financial liabilities, respectively. The Group's derivative contracts are established to economic hedge financial exposures. The Group adopts hedge accounting in limited circumstances. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the consolidated statement of financial position as they do not represent the fair value of these transactions. The notional amounts in the previous table reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of derivative transactions.

Foreign exchange contracts

Foreign exchange forward and futures contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange the currency of one country for the currency of another country at agreed prices and settlement dates. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to gains and losses on the foreign exchange contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, implied volatility of the underlying indices and the timing of payments.

Interest rate swaps

Interest rate contracts are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate contracts involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments.

Other derivatives

Forward contracts are contractual obligations to buy or sell a financial instrument on a predetermined future date at a specified price. Credit default swaps represent agreements under which the Group has purchased default protection on certain underlying corporate bonds held in its portfolio. These credit default swaps allow the Group to sell the protected bonds at par value to the counterparty if a default event occurs in exchange for periodic payments made by the Group for the life of the agreement.

As at 31 December 2023 and 2022, the Group has a call option with a 5-year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. Refer to Note 31 for details.

Collateral under derivative transactions

As at 31 December 2023, the Group held cash collateral of US$43m and debt securities collateral with a carrying value of US$10m for assets, and posted cash collateral of US$57m and pledged debt securities with a carrying value of US$311m for liabilities. As at 31 December 2022, the Group held cash collateral of US$132m and debt securities collateral with a carrying value of US$118m for assets, and posted cash collateral of US$1m and debt securities with a carrying value of US$154m for liabilities. The Group did not sell or repledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions. Further information relating to cash collateral is included in Notes 20 and 24.

18. Derivative financial instruments (continued)

Derivatives designated as hedging instruments

During the years ended 31 December 2023 and 2022, the Group designated an interest rate swap as cash flow hedge of variable rate interest payments arising from a bank borrowing. The terms of the interest rate swap have been negotiated to match the terms of the variable rate interest payments. As a result, this hedging relationship is considered highly effective at inception, 31 December 2023 and 2022. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment. As at 31 December 2023, the fair value of the interest rate swap designated as hedging instrument was US$1m (2022: US$(2)m).

The Group has designated certain foreign exchange derivative assets with fair values of US$1m and US$4m, and certain foreign exchange derivative liabilities with fair values of US$9m and US$5m as at 31 December 2023 and 2022, respectively, in cash flow hedges of foreign exchange risk. The Group has also designated certain bond forward derivatives assets with fair values of US$1m and US$nil, and certain bond forward derivative liabilities with fair values of US$14m and US$nil, as at 31 December 2023 and 2022, respectively, in cash flow hedges of bond price risk. These hedging relationships were considered highly effective as at 31 December 2023 and 2022.

19. Fair value measurement

Fair value hierarchy

The fair value is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three “levels” based on the observability of inputs available in the marketplace used to measure their fair values (“Fair Value Hierarchy”) as discussed below:

- Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Group does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded equities and debt securities.
- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include debt securities, equity securities, interests in investment funds and derivative contracts.
- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 mainly include investment properties and private equity fund investments.

19. Fair value measurement (continued)

Fair value hierarchy (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Group considers factors specific to the asset or liability.

19.1 Fair value measurements on a recurring basis

The Group measures investment properties, financial instruments classified at fair value through profit or loss, financial instruments classified at fair value through OCI, derivative assets and liabilities, and investment contract liabilities at fair value on a recurring basis. The following methods and assumptions were used by the Group to estimate the fair value.

Debt securities, equity securities and interests in investment funds

Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates and credit default rates.

The fair values of listed equity securities are based on quoted market prices. The transaction price is used as the best estimate of fair value at inception. The fair values of unlisted private equity funds are based on the reported net assets value ("NAV") in their financial statements, considering various factors including the accounting policies adopted by the investees, the restrictions and barriers preventing the Group from disposing the investments, the Group's ownership percentage over the investee and other relevant factors.

19. Fair value measurement (continued)

19.1 Fair value measurements on a recurring basis (continued)

Derivative financial instruments

The Group values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Group generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

Investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the investment properties at least on an annual basis. Investment properties are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. The current use of the investment property is considered to be its highest and best use; records of recent sales and offerings of similar property are analysed, and comparison made for such factors as size, location, quality and prospective use.

The fair values of the Group's investment properties are determined based on the discounted cash flow approach which may be used by reference to net rental income allowing for reversionary income potential to estimate the fair value. Other inputs that are taken into consideration include value of comparable property and adjustments for factors such as size, location, quality and prospective use. The fair value measurement of the Group's investment properties is classified as Level 3.

Investment contract liabilities without DPF

Investment contracts can be surrendered by the holder at any time. Accordingly, their fair value is not less than the amount payable on demand. The fair values are based on the fair value of the underlying items less any surrender charges.

19. Fair value measurement (continued)

19.1 Fair value measurements on a recurring basis (continued)

A summary of assets and liabilities carried at fair value on a recurring basis according to fair value hierarchy is given below:

US$m	Fair value hierarchy Level 1	Level 2	Level 3	Total
31 December 2023				
Recurring fair value measurements				
Non-financial assets				
Investment property	—	—	599	599
Financial assets				
At fair value through OCI				
Debt securities	1,170	27,786	73	29,029
Government bonds	1,130	13,985	—	15,115
Government agency bonds	35	1,903	—	1,938
Corporate bonds	5	11,098	73	11,176
Structured securities	—	771	—	771
Others	—	29	—	29
At fair value through profit or loss				
Debt securities	—	873	1,097	1,970
Government agency bonds	—	3	—	3
Corporate bonds	—	745	—	745
Structured securities	—	125	1,090	1,215
Others	—	—	7	7
Equity shares	577	—	98	675
Interests in investment funds	2,094	3,258	3,315	8,667
Derivative financial instruments	—	151	67	218
Total assets on a recurring fair value measurement basis	3,841	32,068	5,249	41,158
% of Total	9 %	78 %	13 %	100 %
Financial liabilities				
Investment contract liabilities without DPF	—	—	56	56
Derivative financial instruments	—	416	—	416
Total liabilities on a recurring fair value measurement basis	—	416	56	472
% of Total	— %	88 %	12 %	100 %

19. Fair value measurement (continued)

19.1 Fair value measurements on a recurring basis (continued)

US$m	Fair value hierarchy Level 1	Level 2	Level 3	Total
31 December 2022 (Restated)				
Recurring fair value measurements				
Non-financial assets				
Investment property	—	—	641	641
Financial assets				
At fair value through OCI				
Debt securities	1,895	28,856	64	30,815
Government bonds	1,219	14,192	—	15,411
Government agency bonds	37	1,536	—	1,573
Corporate bonds	639	12,174	64	12,877
Structured securities	—	894	—	894
Others	—	60	—	60
At fair value through profit or loss				
Debt securities	—	902	908	1,810
Corporate bonds	—	742	—	742
Structured securities	—	159	902	1,061
Others	—	1	6	7
Equity securities	302	—	79	381
Interests in investment funds	2,314	2,195	3,067	7,576
Derivative financial instruments	—	268	51	319
Total assets on a recurring fair value measurement basis	4,511	32,221	4,810	41,542
% of Total	11 %	78 %	11 %	100 %
Financial liabilities				
Investment contract liabilities without DPF	—	—	112	112
Derivative financial instruments	—	134	—	134
Total liabilities on a recurring fair value measurement basis	—	134	112	246
% of Total	— %	54 %	46 %	100 %

19. Fair value measurement (continued)

19.1 Fair value measurements on a recurring basis (continued)

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the years ended 31 December 2023 and 2022, there were no movements of financial assets between Level 1 and Level 2.

The Group's Level 2 financial instruments include debt securities, interests in investment funds, and derivative instruments. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from third-party pricing services and brokers are not available, internal valuation techniques and inputs will be used to derive the fair value for the financial instruments.

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended 31 December 2023 and 2022. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2023 and 2022.

Level 3 assets and liabilities

US$m	Investment property	Debt securities	Equity securities	Interests in investment funds	Derivative financial assets/ (liabilities)	Investment contract liabilities without DPF
As at 1 January 2023	641	972	79	3,067	51	(112)
Net movement on investment contract liabilities	—	—	—	—	—	56
Total gains/(losses)						
Reported under investment return in the consolidated income statement	(2)	6	16	20	16	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(41)	(20)	—	(33)	—	—
Purchases	—	217	3	311	—	—
Sales	—	(5)	(1)	(36)	—	—
Settlements	—	—	—	(17)	—	—
Transfer to other assets	—	(2)	—	—	—	—
Acquisition of subsidiaries	1	2	1	—	—	—
Transfer into level 3	—	—	—	3	—	—
As at 31 December 2023	599	1,170	98	3,315	67	(56)
Change in unrealised gains/ (losses) included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	(2)	6	15	20	16	—

19. Fair value measurement (continued)

19.1 Fair value measurements on a recurring basis (continued)

Level 3 assets and liabilities (continued)

US$m	Investment property	Debt securities	Equity securities	Interests in investment funds	Derivative financial assets/ (liabilities)	Investment contract liabilities without DPF
As at 1 January 2022 (Restated)	663	63	133	2,959	37	(151)
Net movement on investment contract liabilities	—	—	—	—	—	39
Total gains/(losses)						
Reported under investment return in the consolidated income statement	(3)	(27)	(54)	(322)	14	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(83)	4	—	(53)	—	—
Purchases	64	932	—	984	—	—
Sales	—	—	—	(470)	—	—
Settlements	—	—	—	(31)	—	—
As at 31 December 2022 (Restated)	641	972	79	3,067	51	(112)
Change in unrealised gains/(losses) included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	(3)	(27)	(54)	(254)	14	—

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in Note 22.

Assets transferred into Level 3 mainly relate to interests in investment funds of which market-observable inputs became unavailable during the period and were not used in determining the fair value.

Level 3 interests in investment funds and debt securities

As at 31 December 2023 and 2022, interests in investment funds classified as level 3 mainly include unlisted investment funds, debt securities classified as level 3 mainly include unlisted asset-backed securities. The Group determines the fair values of these investment funds based on the reported NAV in their audited financial statements and may make adjustments where appropriate taking into consideration various factors including accounting policies adopted by the fund, the restrictions and barriers preventing the Group from disposing of its interests in such fund and the Group's ownership percentage in such fund. For those funds where December year end audited financial statements are not available, the Group performs a roll forward analysis on the latest NAV of the fund based on fund managers' statements available and capital movements up to the December year end. This valuation methodology is in accordance with guidelines of the International Valuation Standards Council. The Group considers that the change in the input to the valuation technique would not have a significant impact on the consolidated financial statements. No quantitative analysis has been presented.

19. Fair value measurement (continued)

19.1 Fair value measurements on a recurring basis (continued)

Level 3 investment property

Under the discounted cash flow approach, both income and expenses over a certain number of years from the date of valuation are itemised and projected annually taking into account the current rental revenue and the expected growth of income and expenses of each of the properties. The net cash flow over the period is discounted at an appropriate rate of return. There were no changes to the valuation techniques during the years ended 31 December 2023 and 2022.

The discount rates are estimated based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value. Occupancy rate is the aggregated leased area as a percentage of total leasable area. The higher the rate, the higher the fair value.

Significant unobservable inputs used in the discounted cash flow approach are disclosed as below.

	As at 31 December 2023	As at 31 December 2022
Monthly market rental income (US$ per sq.m.)	11 - 953	10 - 928
Discount rate per annum	2.4% - 10.0%	2.5% - 10.0%
Occupancy rate	96% - 100%	97% - 100%

This valuation methodology is in accordance with guidelines of the International Valuation Standards Council.

Level 3 investment contract liabilities without DPF

Investment contract liabilities categorised in Level 3 of the fair value hierarchy are measured with reference to the value of the underlying items which are mainly unlisted investment funds.

19.2 Fair value measurements for disclosure purpose

Fair values of financial assets and liabilities for disclosure purpose are determined using the same Fair Value Hierarchy.

Loans and deposits

For loans and deposits that are repriced frequently and have not had any significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans and deposits are estimated by discounting expected future cash flows using interest rate offered for similar instruments to holders with similar credit ratings.

Other assets

The carrying amount of other financial assets is not materially different to their fair value.

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

19. Fair value measurement (continued)

19.2 Fair value measurements for disclosure purpose (continued)

Borrowings

The fair values of borrowings with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted financial liabilities is estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without stated maturity, where the carrying value approximates to fair value.

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2023 and 2022 is given below.

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2023				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	553	—	553
Total assets for which the fair value is disclosed	—	553	—	553
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes	1,550	—	—	1,550
Total liabilities for which the fair value is disclosed	1,550	—	—	1,550

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2022				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	527	—	527
Total assets for which the fair value is disclosed	—	527	—	527
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes	1,169	—	—	1,169
Total liabilities for which the fair value is disclosed	1,169	—	—	1,169

19. Fair value measurement (continued)

19.2 Fair value measurements for disclosure purpose (continued)

The following table sets out the composition and the fair value of underlying items for the Group's insurance contracts with direct participation features as at 31 December 2023 and 2022.

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Financial assets		
Loans and deposits	99	61
At fair value through OCI		
Debt securities	10,899	10,925
Government bonds	1,520	1,637
Government agency bonds	874	510
Corporate bonds	7,768	8,259
Structured securities	718	477
Others	19	42
At fair value through profit or loss		
Debt securities	591	641
Government agency bonds	3	—
Corporate bonds	474	525
Structured securities	114	116
Equity shares	71	58
Interests in investment funds	7,511	6,511
Derivative financial instruments	23	64
Cash and cash equivalents	194	131
Total assets on a recurring fair value measurement basis	19,388	18,391
Financial liabilities		
Derivative financial instruments	42	20
Total liabilities on a recurring fair value measurement basis	42	20

20. Other assets

US$m	As at 31 December 2023	As at 31 December 2022
		(Restated)
Accounts receivable[1]	394	186
Accrued investment income	263	246
Restricted cash	2	14
Deposits	23	25
Prepayments	134	103
Total	816	574

Note:

1. Accounts receivable as at 31 December 2023 includes cash collaterals of US$57m (2022: US$1m) posted for derivative liabilities and US$193m (2022: US$nil) posted for recapture of reinsurance arrangement.

As at 31 December 2023, bank deposits of US$nil (2022: US$12m) were mainly from restrictions for use in accordance with the covenant requirements of bank borrowings. Refer to Note 23 for details of the bank borrowings. As at 31 December 2023, US$2m (2022: US$2m) was restricted for the acquisition for investment in associate.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period.

21. Cash and cash equivalents

US$m	As at 31 December 2023	As at 31 December 2022
Cash	1,188	1,337
Cash equivalents	820	137
Total	2,008	1,474

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits with maturities at acquisition of three months or less.

22. Investment contract liabilities

US$m	As at 31 December 2023	As at 31 December 2022
		(Restated)
At beginning of year	197	272
Benefits paid	(52)	(26)
Investment return from underlying assets	(1)	(13)
Others	(88)	(36)
At end of year	56	197

23. Borrowings

US$m	As at 31 December 2023	As at 31 December 2022
Bank borrowings	992	992
Medium term notes	641	324
Subordinated notes	898	900
Total	2,531	2,216

Interest expense on borrowings is shown in Note 10. Further information relating to interest rates and the maturity profile of borrowings is presented in Note 27.

Outstanding bank borrowings and notes placed to the market as at 31 December 2023:

Issue date	Nominal amount	Interest rate	Tenor
Bank borrowings			
30 December 2021	US$1,000m	Note 1	4 years
Medium term notes			
24 September 2014	US$325m	5.00 %	10 years
6 December 2023	US$325m	7.78 %	10 years
Subordinated notes			
9 July 2019	US$550m	5.75 %	5 years
23 July 2019	US$250m	5.75 %	5 years
30 July 2019	US$100m	5.75 %	5 years

Note

1. The interest rate was USD LIBOR + 1.275% as at 31 December 2022. USD LIBOR ceased on 30 June 2023, the interest rate of bank borrowing was SOFR plus i) a credit adjustment spread and ii) 1.075% as at 31 December 2023.

These medium-term notes and subordinated notes are listed on The Stock Exchange of Hong Kong Limited. The net proceeds from the issuance of the medium-term notes and subordinated notes are used for acquisitions, general corporate purposes and funding requirements of the Group. On 25 August 2023, the medium-term notes and subordinated notes were novated by FL and FGL to the Company. As such, the Company has assumed all the rights and obligations as the issuer of each of the medium-term notes and subordinated notes.

As at 31 December 2023, the Group has access to US$1,000m (2022: US$500m) undrawn committed revolving credit facilities. The credit facilities are unsecured and will be used for general corporate purposes. As at 31 December 2023, US$500m of the undrawn credit facilities is expiring in 2025 and the remaining US$500m is expiring in 2027. As at 31 December 2022, all the undrawn credit facilities are expiring in 2024. On 25 August 2023, FGL transferred its US$1,000m bank borrowing and US$500m committed revolving credit facility to the Company. As such, the Company has assumed all the rights and obligations under the bank borrowing and revolving credit facility. The Group has drawn down US$50m of the committed revolving credit facility on 9 September 2022, and subsequently settled on 14 November 2022.

24. Other liabilities

US$m	As at 31 December 2023	As at 31 December 2022
		(Restated)
Trade and other payables[1]	675	853
Distribution agreement payable	88	41
Lease liabilities	122	113
Obligations under repurchase and forward arrangements	174	396
Total	1,059	1,403

Note:
1. Other payables as at 31 December 2023 includes US$43m (2022: US$132m) relating to the cash collateral held for derivative assets.

All trade and other payables are generally expected to be settled within 12 months after the end of the reporting period. Accordingly, no ageing analysis has been provided.

Distribution agreement payable represents the deferred payments to be paid in accordance with the terms set out in SCB Distribution Agreement and Vietcombank Distribution Agreement.

The total cash outflow for leases for the years ended 31 December 2023 was US$51m (2022: US$49m).

During the years ended 31 December 2023 and 2022, the Group has entered into repurchase and forward agreements whereby certain debt securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. Refer to Note 17.1 for details.

25. Share capital, share premium and reserves

25.1 Share capital and share premium

Ordinary Shares	Number of ordinary shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Ordinary shares of US$0.01 each as at 31 December 2022	2,500,000,000	25	—	25
Ordinary shares of US$0.01 each as at 31 December 2023	2,118,816,290	21	—	21
Issued and fully paid:				
Ordinary shares of US$0.01 each as at 1 January 2022	876,157,963	8	6,011	6,019
Issue of ordinary shares during the year ended 31 December 2022	63,795,852	1	391	392
Ordinary shares of US$0.01 each as at 31 December 2022 and 2023	939,953,815	9	6,402	6,411

Management Shares	Number of shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Management Shares of US$0.01 each as at 31 December 2022	—	—	—	—
Management Shares of US$0.01 each as at 31 December 2023	65,000,000	1	—	1
Issued and fully paid:				
Management Shares of US$0.01 each as at 1 January 2022 and 31 December 2022	—	—	—	—
Issue of Management Shares pursuant to the Exchange of Share Capital of FL and FGL (Note 1.2)	34,756,740	—	160	160
Management Shares of US$0.01 each as at 31 December 2023	34,756,740	—	160	160

Series P Conversion Shares	Number of shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Series P Conversion Shares of US$0.01 each as at 31 December 2022	—	—	—	—
Series P Conversion Shares of US$0.01 each as at 31 December 2023	120,099,900	1	—	1
Issued and fully paid:				
Series P Conversion Shares of US$0.01 each as at 1 January 2022 and 31 December 2022	—	—	—	—
Issue of Series P Conversion Shares pursuant to the Exchange of Share Capital of FL and FGL (Note 1.2)	120,099,900	1	376	377
Series P Conversion Shares of US$0.01 each as at 31 December 2023	120,099,900	1	376	377

25. Share capital, share premium and reserves (continued)

25.1 Share capital and share premium (continued)

Series A, B-2 and B-3 Conversion Shares	Number of shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 31 December 2022	—	—	—	—
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 31 December 2023	196,083,810	2	—	2
Issued and fully paid:				
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 1 January 2022 and 31 December 2022	—	—	—	—
Shares pursuant to the Exchange of Share Capital of FL and FGL (Note 1.2)	196,083,810	2	2,060	2,062
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 31 December 2023	196,083,810	2	2,060	2,062
As at 31 December 2022	939,953,815	9	6,402	6,411
As at 31 December 2023	1,290,894,265	12	8,998	9,010

In January 2022, the Company issued 31,897,926 ordinary shares with a nominal or par value of US$0.01 each to investors at a gross consideration of US$200m and net of transaction costs of US$8m.

On 19 December 2022, the Company issued 31,897,926 ordinary shares with a nominal or par value of US$0.01 each to PCGI Holdings Limited at a consideration of US$200m.

On 31 July 2023, the authorised share capital of the Company is US$25m divided into (i) 2,118,816,290 ordinary shares with a nominal or par value of US$0.01 each, (ii) 65,000,000 Management Shares with a nominal or par value of US$0.01 each, (iii) 120,099,900 Series P Conversion Shares with a nominal or par value of US$0.01 each, (iv) 69,578,760 Series A conversion shares with a nominal or par value of US$0.01 each, (v) 7,588,050 Series B-2 conversion shares with a nominal value or par of US$0.01 each and (vi) 118,917,000 Series B-3 conversion shares with a nominal or par value of US$0.01 each.

Management Shares, Series P Conversion Shares, and Series A, B-2 and B-3 Conversion Shares issued by the Company do not have fixed maturity, participate in discretionary dividends and are non-redeemable. These shares will be mandatorily converted into ordinary shares of the Company upon completion of an initial public offering of the Company, and rank pari passu with all other shares on any payment of dividend or distribution or return of capital, with the exception that on any payment of a dividend or distribution or return of capital (other than on a liquidation event), holders of Series A, B-2 and B-3 Conversion Shares shall have the benefit of an increased entitlement to such dividend or distribution.

The holders of Management Shares and Series P Conversion Shares are entitled to the same voting rights as each ordinary share in the Company, while holders of Series A, B-2 and B-3 Conversion Shares are not entitled to attend or vote at general meetings of the Company.

Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares do not contain any contractual obligations to deliver cash, other financial assets, or a variable number of the Group's own equity instruments which cannot be unconditionally avoided by the Group. Accordingly, they are classified as equity in the Group's consolidated financial statements.

25. Share capital, share premium and reserves (continued)

25.2 Reserves

(a) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial investments measured at FVOCI held at the end of the reporting period.

(b) Insurance finance reserve

The insurance finance reserve comprises the cumulative insurance finance income and expenses recognised in other comprehensive income.

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

(d) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative gain or loss on the hedging instrument from the inception of the cash flow hedge.

(e) Other reserves

Other reserves mainly include capital redemption reserve and share-based compensation reserve.

25. Share capital, share premium and reserves (continued)

25.3 Perpetual securities

FL and FGL issued the following perpetual securities. On 25 August 2023, FL and FGL novated all the perpetual securities to the Company. As such, the Company has assumed all the rights and obligations as the issuer of each of the perpetual securities.

	Nominal amount	Distribution rate	Tenor
24 January 2017[1]	US$250m	6.250 %	Perpetual
15 June 2017	US$500m	Note 2	Perpetual
6 July 2017	US$250m	Note 2	Perpetual
1 February 2018	US$200m	Note 3	Perpetual
13 September 2019	US$600m	6.375 %	Perpetual

Notes:

1. On 24 January 2022, the Group redeemed the US$250m 6.25% perpetual securities. The redemption price is composed of the outstanding principal amount together with distributions accrued to such date. The difference between the carrying amount of the redeemed perpetual securities and the cash paid upon redemption of US$2m was recognised in accumulated losses on the date of redemption.
2. 0% for first 5 years, and reset to 8.045% on 15 June 2022.
3. 5.5% for first 5 years, and reset to 6.675% on 1 February 2023.

Carrying amount of the perpetual securities:

US$m	As at 31 December 2023	As at 31 December 2022
15 June 2017	360	362
6 July 2017	178	179
1 February 2018	202	203
13 September 2019	608	610
	1,348	1,354

The issuers of the perpetual securities may, at its sole option, defer the distributions by giving notice to the holders. In the event of any distribution deferral, the issuers cannot declare or pay any dividend on its ordinary or preference share capital, except if payments are declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, or consultants. The perpetual securities have been treated as equity in the Group's consolidated statement of financial position. The proceeds from the issuance were used for general corporate purposes, potential transactions and/or repayment of the Group's own indebtedness. During the year ended 31 December 2023, the Group paid distributions of US$110m (2022: US$87m).

25. Share Capital, Share Premium And Reserves (continued)

25.4 Non-controlling interests

Non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company.

Equity of the Group attributable to non-controlling interests are presented as below:

US$m	As at 31 December 2023	As at 31 December 2022
		(Restated)
Ordinary shares, preference shares and convertible preference shares of FL and FGL	—	1,717
Ordinary shares of the subsidiaries of FL and FGL	50	1
	50	1,718

The key terms of the preference shares and convertible preference shares are summarised below.

(a) Preference shares

Preference shares issued by FL and FGL do not have fixed maturity, participate in discretionary dividends and are redeemable within the control of the Group. The holders of preference shares are entitled to the same voting rights as each ordinary share in FL and FGL.

The preference shares rank pari passu with all other shares on any payment of dividend or distribution or return of capital (other than on a liquidation event). On a liquidation event, the assets of FL and FGL available for distribution amongst the shareholders shall be applied to pay the preference shareholders pari passu with the holders of the convertible preference shares (in priority to any payment to the holders of any other class of shares in the capital of FL and FGL).

(b) Convertible preference shares

Convertible preference shares issued by FL and FGL do not have fixed maturity, participate in discretionary dividends and are redeemable within the control of the Group. The holders of convertible preference shares are not entitled to attend or vote at general meetings of FL and FGL.

The convertible preference shares rank pari passu with all other shares, with the exception that (i) on any payment of a dividend or distribution or return of capital (other than on a liquidation event), certain holders of the convertible preference shares shall have the benefit of an increased entitlement to such dividend or distribution and (ii) on a liquidation event, the assets of FL and FGL available for distribution amongst the shareholders shall be applied to pay the convertible preference shareholders pari passu with the holders of the preference shares (in priority to any payment to the holders of any other class of shares in the capital of FL and FGL).

The convertible preference shares do not contain any contractual obligations to deliver cash, other financial assets, or a variable number of the Group's own equity instruments which cannot be unconditionally avoided by the Group. Accordingly, the convertible preference shares are classified as equity and presented as non-controlling interests in the Group's consolidated financial statements.

After the Exchange of Share Capital of FL and FGL on 31 Jul 2023, FL and FGL have become wholly-owned subsidiaries of the Company and all the ordinary shares, preference shares and convertible preference shares issued by FL and FGL are held by the Company.

25. Share capital, share premium and reserves (continued)

25.5 Transactions with non-controlling interests

During the year ended 31 December 2023:

i. On 6 January 2023, 13 February 2023, 9 March 2023, 28 March 2023, 12 April 2023, 14 April 2023, 11 May 2023 and 12 July 2023, the Company made capital contributions of US$80m, US$33m, US$101m, US$15m, US$45m, US$13m, US$36m and US$5m to FGL, respectively. No shares were issued by FGL as a result of these transactions.

ii. On 23 February 2023, 9 March 2023 and 10 May 2023, the Company made capital contributions of US$55m, US$13m and US$14m to FL, respectively. No shares were issued by FL as a result of these transactions.

iii. On 27 March 2023, FMH Capricorn Holdings Sdn Bhd ("FMH Capricorn"), a subsidiary of the Group, issued ordinary shares to the Group and other holders for a cash consideration of US$4m and US$16m, respectively. As a result, the Group's ownership interest in FMH Capricorn decreased from 100% to 20% without change in control.

iv. On 31 July 2023, the Group repurchased an aggregate of 283,410 ordinary shares of FL and FGL from a non-controlling interests holder for a consideration of US$15m.

v. On 31 July 2023, the Company acquired the interests of FL and FGL held by the non-controlling interest holders in consideration for 34,756,740 Management Shares, 120,099,900 Series P Conversion Shares and 196,083,810 Series A, B-2 and B-3 Conversion Shares issued by the Company. For details, please refer to Note 1.2.

vi. In November 2023, FWD BSN Holdings Sdn. Bhd., a subsidiary of the Group, issued ordinary shares to the Group and the other shareholder for a cash consideration of US$2m and US$1m, respectively, without a change in shareholding interest.

During the year ended 31 December 2022:

i. On 3 January 2022, 31 October 2022 and 25 November 2022, the Company made capital contributions of US$250m, US$10m and US$8m to FL, respectively. No shares were issued by FL as a result of these transactions.

ii. On 14 March 2022, 12 April 2022, 17 May 2022, 4 July 2022, 11 November 2022 and 1 December 2022, the Company made capital contributions of US$20m, US$40m, US$40m, US$60m, US$80m and US$40m to FGL, respectively. No shares were issued by FGL as a result of these transactions.

26. Group capital structure

Capital management approach

The Group's capital management objectives focus on maintaining a strong capital base to support the development of the business, maximising shareholders' value and satisfying regulatory capital requirements at all times.

The Group's capital management activity considers all capital-related activities of the Group and assists senior management in making capital decisions. The capital management activity includes asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes.

Group-wide Supervision framework

The group supervisor of the Group is the Hong Kong Insurance Authority ("HKIA"). The Group is in compliance with the group capital adequacy requirements as applied to it.

In 2021, the HKIA implemented Group-wide Supervision ("GWS") framework, under which the HKIA has direct regulatory powers over Hong Kong incorporated holding companies of insurance groups that are designated. The Group has been subject to the GWS framework since 14 May 2021 and FWD Group Holdings Limited (the "Company") was identified as the reference company under GWS.

Under the GWS framework, the group capital adequacy requirements are determined in accordance with the Insurance (Group Capital) Rules ("Group Capital Rules").

Local regulatory solvency

The Group's individual subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which the subsidiaries and their parent entity operate and, in relation to subsidiaries, in which they are incorporated. The various regulators monitor our local solvency positions. The Group has been in compliance with the solvency and capital adequacy requirements applied by its regulators at all times.

The primary insurance regulators for the Group's key operating companies are:

Subsidiary	Primary insurance regulator	Solvency regulation
FWD Life Insurance Company (Bermuda) Limited	Insurance Authority ("HKIA")	Hong Kong Insurance Ordinance ("HKIO")
FWD Life Insurance Public Company Limited	Thailand Office of Insurance Commission ("THOIC")	Life Insurance Act of Thailand
FWD Life Insurance Company, Limited	Financial Services Agency ("FSA")	Insurance Business Act

26. Group capital structure (continued)

Local regulatory solvency (continued)

The HKIA (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong. On 30 June 2022, the HKIA approved the early adoption of the Hong Kong risk based capital regime ("HKRBC") for FWD Life Insurance Company (Bermuda) Limited, under which an excess of assets over liabilities of not less than 50 per cent of the required minimum solvency margin should be maintained.

The Life Insurance Act of Thailand (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Thailand. The Life Insurance Act of Thailand requires FWD Life Insurance Public Company Limited to maintain a required minimum solvency margin of 100%.

The Enforcement Ordinance of the Insurance Business Act and Comprehensive Guidelines for Supervision of Insurance Companies sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Japan. The Comprehensive Guidelines for Supervision of Insurance Companies Section II-2-2-2 requires FWD Life Insurance Company, Limited to maintain a required minimum solvency margin ratio of 200%.

Subsidiary dividend restrictions and restricted net assets

The Company's ability to distribute dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. These distributions may be subject to restrictions, specifically related to the need by local insurance regulators for certain subsidiaries to maintain specific capital or solvency levels, and the need to meet other specific local regulations such as those relating to legal capital levels or foreign exchange restrictions.

Payments of dividends to the Company by its insurance subsidiaries are subject to certain restrictions imposed by the relevant regulatory authorities. With respect to the insurance subsidiaries, the payment of any dividend may require formal approval from the relevant insurance regulator in the particular jurisdiction that the subsidiary is domiciled.

Capital and regulatory orders specific to the Group

At 31 December 2023 and 2022, the requirements and restrictions summarised below may be considered material to the Group and remain in effect unless otherwise stated.

Hong Kong Insurance Authority

Undertakings have been given to the HKIA that:

i. FWD Life Insurance Company (Bermuda) Limited will maintain and continue to maintain a solvency ratio target of 150% to 200% at all times and if the solvency ratio falls below the minimum target range, FWD Life Insurance Company (Bermuda) Limited will reinstate it within 90 days or a period of time as agreed with the HKIA; and

ii. Prior written consent from the HKIA will be obtained before declaring or paying dividends to FWD Life Insurance Company (Bermuda) Limited's shareholders.

27. Risk management

Risk management framework

The Group's Risk Management Framework has been established for the identification, evaluation and management of the key risks faced by the organisation within its stated Risk Appetite. The framework includes an established risk governance structure with clear oversight and assignment of responsibility for monitoring and management of financial and non-financial risks.

The Group issues contracts that transfer insurance risks, financial risks or both. The insurance risks and financial risks associated with the Group's operations and the Group's management of these risks are summarised below:

Insurance risks

Life insurance contracts

Insurance risks comprise product design risk, underwriting and expense overrun risk, lapse risk and claims risk.

(a) Product design risk

Product design risk refers to potential defects in the development of a particular insurance product. The Group manages product design risk through its product approval process where products are reviewed against pricing, design and operational risk parameters. New products and product enhancements are reviewed and approved by the Group Chief Actuary.

The Group closely monitors the performance of new products and actively manages the product portfolio to minimise risks in the in-force book and new products. A portion of the Group's life insurance business is participating in nature. In the event of a volatile investment environment and/or unusual claims experience, the Group has the option of adjusting non-guaranteed bonuses and dividends payable to policyholders.

(b) Underwriting and expense overrun risk

Underwriting and expense overrun risk refers to the possibility of product-related income being inadequate to support future obligations arising from an insurance product. The Group manages underwriting risk by adhering to underwriting guidelines. Each operating unit maintains a team of professional underwriters who review and select risks that are consistent with the underwriting strategy of the Group. In certain circumstances where insufficient experience data is available, the Group makes use of reinsurers to obtain underwriting expertise. In pricing insurance products, the Group manages expense overrun risk by allowing for an appropriate level of expenses that reflects a realistic medium-to long-term view of the underlying cost structure. A disciplined expense budgeting and management process is followed to control expenses.

(c) Lapse risk

Lapse risk refers to the possibility that lapse experience diverges from that assumed when products were priced. It includes potential financial loss due to early termination of contracts where the acquisition costs incurred may not be recoverable from future revenue. The Group carries out regular reviews of persistency experience. In addition, many of the Group's products include surrender charges that entitle the Group to additional fees on early termination by the policyholder, thereby reducing exposure to lapse risk.

27. Risk management (continued)

Insurance risks (continued)

Life insurance contracts (continued)

(d) Claims risk

Claims risk refers to the possibility that the frequency or severity of claims arising from insurance contracts exceeds the level assumed when the products were priced. The Group seeks to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data, and considering the impact of these on product design, pricing and reinsurance needs.

Reinsurance solutions are used to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes. Although the Group has reinsurance arrangements in place, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

Non-life insurance contracts

The Group's non-life insurance business is diversified over seven classes of business. The Group has developed a robust underwriting framework to ensure that all risks accepted meet the guidelines and standards.

The Group has developed a reinsurance strategy to ensure that a prudent and appropriate reinsurance program is in place, which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of the Group's reinsurance strategy include protection of shareholders' funds, reduction in volatility of the Group's underwriting result and diversified credit risk. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance strategy, ascertaining suitable allowance for impairment of reinsurance assets.

(a) Case estimates

For non-life insurance contracts, the case estimate for each reported claim is set up based on the best estimate of the ultimate claim settlement amount considering all the information available for the claim. The case estimate is revised from time to time according to the latest information available. When setting case estimates for larger claims, reference is made to the advice of independent consultants such as loss adjusters and solicitors where applicable.

(b) Key assumptions

Generally accepted actuarial methodologies, such as chain-ladder and Bornhuetter-Ferguson methods, are used to project the ultimate claims by class of business. The Group's past experience and claim development patterns are important assumptions for such projections. Other assumptions include average claim costs, claims handling expenses and claims inflation. The projected ultimate claim amount may also be judgmentally adjusted by external factors such as prevailing trends in judicial decisions, the economic environment and relevant government legislation.

27. Risk management (continued)

Concentration risk

The Group actively assesses and manages concentration of insurance risk, either geographical or product concentration risk, of the Group's operations, as below:

i. Concentration of insurance risk arises from a lack of geographical and product diversification within the Group's insurance portfolio, and could result in significant financial losses in the case certain events exhibiting geographical and/or product concentrations occur and give rise to higher levels of claims;

ii. From a geographical standpoint, because the Group operates across multiple markets, its results of operations are not substantially dependent on any one of its individual markets. Such regional footprint provides a natural benefit of geographical diversification of insurance and other risks associated with the Group's operations (e.g., regulatory, competitive and political risks of a localised and single-market nature);

iii. From a product exposure standpoint, despite the Group's primary focus on long-term life insurance, it has a range of product offerings with different extent and nature of risk coverage, e.g., participating, critical illness, unit-linked, term life and medical. This naturally also reduces the Group's exposures to concentrations of mortality or morbidity risk;

iv. Concentrations of risk are managed within each market through the monitoring of product sales and size of the in-force book by product group. As a result of the Group's growing operating history and scale, a substantial amount of experience data has been accumulated which assists in evaluation, pricing and management of insurance risk; and

v. In addition, reinsurance solutions are used to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes, and the Group has developed a reinsurance strategy to ensure that a prudent and appropriate reinsurance program is in place, which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones.

27. Risk management (continued)

Sensitivity analysis

The table below analyses how profit or loss and equity would have increased/(decreased) if changes in key assumptions related to determination of insurance and reinsurance contract balances that were reasonably possible at the reporting date had occurred. This disclosure does not offset movements in the fair value of financial assets backing those liabilities. This analysis presents the sensitivities both gross and net of reinsurance contracts held and assumes that all other assumptions remain constant. The effects on profit or loss and equity are presented gross of the related income tax.

31 December 2023	Profit or loss		CSM		Equity	
US$m	Gross	Net	Gross	Net	Gross	Net
10% increase in mortality	(66)	(46)	(350)	(162)	(58)	(49)
10% decrease in mortality	54	35	370	177	45	37
10% increase in morbidity	(165)	(142)	(1,136)	(930)	(26)	(26)
10% decrease in morbidity	128	106	1,175	968	(13)	(12)
10% increase in expenses	(42)	(42)	(254)	(254)	(31)	(31)
10% decrease in expenses	41	40	253	253	29	29
10% increase in lapse/discontinuance rates	(236)	(220)	(508)	(335)	(265)	(246)
10% decrease in lapse/discontinuance rates	131	113	754	552	154	133

31 December 2022	Profit or loss		CSM		Equity	
US$m	Gross	Net	Gross	Net	Gross	Net
10% increase in mortality	(51)	(34)	(362)	(197)	(39)	(41)
10% decrease in mortality	46	28	341	174	35	36
10% increase in morbidity	(230)	(209)	(1,196)	(986)	(4)	(16)
10% decrease in morbidity	128	106	1,281	1,071	(99)	(88)
10% increase in expenses	(42)	(42)	(241)	(241)	(28)	(28)
10% decrease in expenses	40	40	216	217	26	26
10% increase in lapse/discontinuance rates	(101)	(87)	(682)	(520)	(146)	(131)
10% decrease in lapse/discontinuance rates	121	104	779	588	156	139

Financial risks

The Group is exposed to a range of financial risks, including asset concentration risk, credit risk, market risk, and liquidity risk. The Group applies a consistent risk management philosophy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed.

The following section summarises the Group's key risk exposures and the primary policies and processes used by the Group to manage its exposures to these risks.

27. Risk management (continued)

Asset concentration risk

Concentration risk is managed at the Group level and within each Business Unit. The Group will determine concentration limits and then cascades these to the Business Units. Limits are set for single issuers, groups of related issuers, country of risk and sectors. The Group's investment system maintains a set of rules monitoring such limits. Violations of such rules trigger alerts or pre-trade approvals depending on materiality. The investment team works with external managers to ensure asset exposures stay within the stated limits. Exposures exceeding limits needs to be tabled at the relevant Business Unit's and the Group's Asset and Liability Management Committee or Investment Committee. These committees decide the course of action required to address limit violations should they occur. Limit monitoring takes place at both the Group level and Business Unit level. Asset concentration reports are tabled at the relevant committees. The greatest aggregate concentration of fair value to direct holdings of an individual issuer (excluding all government related fixed income assets) is less than 1 per cent of the total equity and debt investments as at 31 December 2023 and 2022.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Although the primary source of credit risk is from the Group's investment portfolio, credit risk also arises in reinsurance arrangements, derivative transactions, settlement and treasury activities.

The level of credit risk the Group accepts is managed and monitored by the Group Asset and Liability Management Committee, through establishment of an exposure limit for each counterparty or group of counterparties, reporting of credit risk exposures, monitoring compliance with exposure limits, and a regular review of limits due to changes in the financial strength and risk appetite of the Group and/or macro-economic environment.

The Group actively manages its investments to ensure that there is no significant concentration of credit risk to single counterparty or single group of related counterparties. On aggregate basis, the overall credit quality of the investment portfolio has to meet target quality.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the internal rating as at the reporting date with the internal rating as at the date of initial recognition of the exposure. Where external credit ratings are available, internal ratings are assigned consistent with such ratings in accordance with the Group's credit risk assessment framework. Where external credit ratings are not readily available, an internal rating methodology has been adopted.

The Group monitors changes in credit risk by tracking the change in internal rating of the exposure. The Group also monitors relevant information, including price movements of securities, and assess whether such information signifies a change in credit risk.

27. Risk management (continued)

Credit risk (continued)

Expected Credit Loss ("ECL") Methodology

The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted at the effective interest rate to the reporting date.

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of IFRS 9. The "Baseline" scenario represents a most likely outcome and the other two scenarios, referred to as "Upside" scenario and "Downside" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Baseline scenario.

The Baseline scenario is prepared using historical data, economic trend, external forecast from governmental and non-governmental organisations, etc. as benchmarks to ensure the scenario is reasonable and supportable. For the Upside and Downside scenarios, the Group makes reference to the historical and forecast macroeconomic data.

The probability assigned for each scenario reflects the Group's view for the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability is assigned to the Baseline scenario to reflect the most likely outcome and a lower probability is assigned to the Upside and Downside scenarios to reflect the less likely outcomes.

The specific values of the core macro-economic variable used by the Group for evaluating ECL for the years ended 31 December 2023 and 2022 are as follows:

	As at 31 December 2023	As at 31 December 2022
GDP growth (5-year average of year-over-year %)		
Base case scenario	1.53 %	1.00 %
Upside scenario	3.06 %	2.53 %
Downside scenario	(0.01)%	(0.54)%

27. Risk management (continued)

Credit risk (continued)

The following tables set out the credit quality analysis for debt investments measured at FVOCI and at amortised cost. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2023					
Debt securities under FVOCI					
AAA	362	—	—	—	362
AA	3,523	—	—	—	3,523
A	9,143	—	—	—	9,143
BBB	18,133	—	—	—	18,133
Below investment grade	1,094	35	—	—	1,129
CCC or not rated	106	12	9	—	127
Sub-total	32,361	47	9	—	32,417
Loss Allowance	(44)	(3)	(5)	—	(52)
Amortised cost	32,317	44	4	—	32,365
Carrying amount – fair value	28,986	38	5	—	29,029

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2022					
Debt securities under FVOCI					
AAA	1,787	—	—	—	1,787
AA	2,509	—	—	—	2,509
A	11,163	—	—	—	11,163
BBB	18,094	—	—	—	18,094
Below investment grade	1,232	—	—	—	1,232
CCC or not rated	863	—	9	—	872
Sub-total	35,648	—	9	—	35,657
Loss Allowance	(45)	—	(5)	—	(50)
Amortised cost	35,603	—	4	—	35,607
Carrying amount – fair value	30,810	—	5	—	30,815

27. Risk management (continued)

Credit risk (continued)

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2023					
Loans and deposits under amortised cost					
AAA	1	—	—	—	1
AA	51	—	—	—	51
A	90	—	—	—	90
BBB	541	—	—	—	541
Below investment grade	275	—	—	—	275
CCC or not rated	39	—	2	—	41
Sub-total	997	—	2	—	999
Loss Allowance	(2)	—	(1)	—	(3)
Carrying amount	995	—	1	—	996

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2022 (Restated)					
Loans and deposits under amortised cost					
AA	122	—	—	—	122
A	568	—	—	—	568
BBB	555	—	—	—	555
Below investment grade	269	—	—	—	269
CCC or not rated	19	—	—	—	19
Sub-total	1,533	—	—	—	1,533
Loss Allowance	(3)	—	—	—	(3)
Carrying amount	1,530	—	—	—	1,530

27. Risk management (continued)

Credit risk (continued)

The following tables show reconciliation from the opening balance to the closing balance of the loss allowance of the debt securities at FVOCI and loans and deposits measured at amortised cost.

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Debt securities under FVOCI					
As at 1 January 2023	(45)	—	(5)	—	(50)
Transfer to Stage 2	1	(1)	—	—	—
Net remeasurement of loss allowance	—	(2)	—	—	(2)
New financial assets acquired	(7)	—	—	—	(7)
Financial assets derecognised	7	—	—	—	7
As at 31 December 2023	(44)	(3)	(5)	—	(52)

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Debt securities under FVOCI					
As at 1 January 2022	(19)	—	(5)	—	(24)
Net remeasurement of loss allowance	(20)	—	—	—	(20)
New financial assets acquired	(7)	—	—	—	(7)
Financial assets derecognised	2	—	—	—	2
Effects of movements in exchange rates	(1)	—	—	—	(1)
As at 31 December 2022	(45)	—	(5)	—	(50)

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Loans and deposits under amortised cost					
As at 1 January 2023	(3)	—	—	—	(3)
Transfer to Stage 3	1	—	(1)	—	—
As at 31 December 2023	(2)	—	(1)	—	(3)

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Loans and deposits under amortised cost					
As at 1 January 2022	(1)	—	—	—	(1)
Net remeasurement of loss allowance	(1)	—	—	—	(1)
New financial assets acquired	(1)	—	—	—	(1)
As at 31 December 2022	(3)	—	—	—	(3)

27. Risk management (continued)

Credit risk (continued)

The following tables provides an explanation of how significant changes in the gross carrying amounts of financial instruments contributed to changes in the loss allowance.

US$m	Increase/ (decrease) in gross carrying amount	(Increase) / decrease in loss allowance		
		Stage 1	Stage 2	Stage 3
Year ended 31 December 2023				
Debt securities under FVOCI				
Acquisition during the year	7,822	(7)	—	—
Derecognition during the year	(9,847)	7	—	—
Loans and deposits under amortised cost				
Acquisition during the year	493	—	—	—
Derecognition during the year	(1,061)	—	—	—

US$m	Increase/ (decrease) in gross carrying amount	(Increase) / decrease in loss allowance		
		Stage 1	Stage 2	Stage 3
Year ended 31 December 2022				
Debt securities under FVOCI				
Acquisition during the year	7,752	(7)	—	—
Derecognition during the year	(5,978)	2	—	—
Loans and deposits under amortised cost				
Acquisition during the year	903	(1)	—	—
Derecognition during the year	(265)	—	—	—

The contractual amount outstanding on financial assets written off during the year ended 31 December 2023 that are still subject to enforcement activity is US$nil (2022: US$nil).

Interest rate risk

The Group's exposure to interest rate risk predominantly arises from any difference between the duration of the Group's liabilities and assets, predominantly its traditional insurance liabilities. This exposure is heightened in products with inherent interest rate options or guarantees.

The Group seeks to manage interest rate risk by ensuring appropriate product design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of investment assets with the duration of insurance contracts. Given the long duration of policy liabilities and the uncertainty of future cash flows arising from these contracts, it is challenging to acquire assets that will perfectly match the policy liabilities. This results in interest rate risk, which is managed and monitored by the Asset and Liability Management Committee of the Group. The duration of interest-bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities.

27. Risk management (continued)

Interest rate risk (continued)

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2023				
Financial assets				
Debt securities	2,501	28,492	6	30,999
Cash and cash equivalents	2,008	—	—	2,008
Loans and deposits	—	996	—	996
Equity securities	—	—	675	675
Interests in investment funds	—	—	8,667	8,667
Derivative financial instruments	—	—	218	218
Accrued investment income	—	—	263	263
Other assets	—	—	419	419
Total financial assets	4,509	29,488	10,248	44,245
Insurance and reinsurance contract assets				
Insurance contract assets				798
Reinsurance contract assets				2,876
Total insurance and reinsurance contract assets				3,674
Financial liabilities				
Borrowings[1]	496	2,035	—	2,531
Other liabilities	—	387	672	1,059
Derivative financial instruments	—	—	416	416
Total financial liabilities	496	2,422	1,088	4,006
Insurance and reinsurance contract liabilities				
Insurance contract liabilities				40,073
Reinsurance contract liabilities				304
Total insurance and reinsurance contract liabilities				40,377

27. Risk management (continued)

Interest rate risk (continued)

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2022 (Restated)				
Financial assets				
Debt securities	2,228	30,391	6	32,625
Cash and cash equivalents	1,474	—	—	1,474
Loans and deposits	—	1,530	—	1,530
Equity securities	—	—	381	381
Interests in investment funds	—	—	7,576	7,576
Derivative financial instruments	—	—	319	319
Accrued investment income	—	—	246	246
Other assets	12	—	213	225
Total financial assets	3,714	31,921	8,741	44,376
Insurance and reinsurance contract assets				
Insurance contract assets				722
Reinsurance contract assets				725
Total insurance and reinsurance contract assets				1,447
Financial liabilities				
Borrowings[1]	—	2,216	—	2,216
Other liabilities	8	665	730	1,403
Derivative financial instruments	—	—	134	134
Total financial liabilities	8	2,881	864	3,753
Insurance and reinsurance contract liabilities				
Insurance contract liabilities				37,019
Reinsurance contract liabilities				463
Total insurance and reinsurance contract liabilities				37,482

Note:

[1] As at 31 December 2023, borrowings of US$496m (2022: US$992m) bear variable interest rates and are hedged with interest rate swaps. Refer to Note 18 for details.

27. Risk management (continued)

Interest rate risk (continued)

The analysis below illustrates the sensitivity of shareholders' equity to changes in interest rates. The analysis illustrates the impact of changing interest rates in isolation, and does not quantify potential impacts arising from changes in other assumptions.

US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)	Impact on CSM
31 December 2023				
+50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	11	1,332	11	11
Financial instruments	(21)	(1,436)	(21)	—
Total	(10)	(104)	(10)	11
- 50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	(41)	(1,454)	(41)	(46)
Financial instruments	24	1,587	24	—
Total	(17)	133	(17)	(46)
31 December 2022 (Restated)				
+50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	(9)	1,635	(9)	36
Financial instruments	35	(1,526)	35	—
Total	26	109	26	36
- 50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	(3)	(1,800)	(3)	(67)
Financial instruments	(40)	1,689	(40)	—
Total	(43)	(111)	(43)	(67)

Equity price risk

The Group's equity price risk exposure relates to financial assets and liabilities whose values fluctuate as a result of changes in market prices.

The Group manages these risks by setting and monitoring investment limits by asset types and sectors. The Group's principal price risk relates to movement in the fair value of its equity securities and interest in investment funds.

Equity price risk is managed through the selection process of equity funds and portfolio criteria for segregated equity mandates, which includes tracking errors based on benchmarks or specific concentration limits. Lower exposure limits are set for each private equity investment to manage concentration risk with the consideration of liquidity in nature.

27. Risk management (continued)

Equity price risk (continued)

The analysis below illustrates the estimated impact on profits and shareholders' equity arising from a change in a single variable before taking into account the effects of taxation.

US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)	Impact on CSM
31 December 2023				
10 per cent increase in equity prices				
Insurance contracts and reinsurance contracts held	(613)	1	(613)	121
Financial instruments	777	—	777	—
	164	1	164	121
10 per cent decrease in equity prices				
Insurance contracts and reinsurance contracts held	598	(1)	598	(119)
Financial instruments	(777)	—	(777)	—
	(179)	(1)	(179)	(119)
31 December 2022 (Restated)				
10 per cent increase in equity prices				
Insurance contracts and reinsurance contracts held	(542)	—	(542)	61
Financial instruments	695	—	695	—
	153	—	153	61
10 per cent decrease in equity prices				
Insurance contracts and reinsurance contracts held	538	—	538	(56)
Financial instruments	(695)	—	(695)	—
	(157)	—	(157)	(56)

27. Risk management (continued)

Foreign exchange rate risk

The Group's financial assets are predominantly denominated in the same currencies as its insurance liabilities, which serves to mitigate the foreign exchange rate risk. The level of currency risk the Group accepts is managed and monitored by the Group Asset and Liability Management Committee, through regular monitoring of currency positions of financial assets and insurance contracts.

The Group's net foreign currency exposures and the estimated impact of changes in foreign exchange rates are set out in the tables below after taking into account derivative contracts entered into to hedge foreign exchange rate risk. Currencies for which net exposure is not significant are excluded from the analysis below.

Foreign currency transaction risk arising from insurance and reinsurance contracts is managed by holding cash and investing in assets denominated in currencies that match the related liabilities, to the extent that it is deemed by local management to be both practical and appropriate. The Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. Foreign currency transaction risk arising from the underlying items of participating contracts is generally borne by contract holders except to the extent of the Group's share of the performance of the underlying items.

The Group has more United States dollar denominated assets than it has corresponding United States dollar denominated liabilities due to the much deeper pool of investment assets available in United States dollars. As a result, some of the United States dollar-denominated assets are used to back Hong Kong dollar denominated liabilities. This currency mismatch is then hedged, using foreign currency forward contracts, to reduce the currency risk.

In compiling the table below, the impact of a five per cent strengthening of original currency of the relevant operation is stated relative to the functional currency of the Group (US dollar). The impact of a five per cent strengthening of the US dollar is also stated relative to the original currency of the relevant operation. Currency exposure reflects the net notional amount of currency derivative positions as well as net financial instruments and insurance and reinsurance contract balances by currency.

27. Risk management (continued)

Foreign exchange rate risk (continued)

Foreign exchange rate net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2023				
Financial assets	20,599	1,352	15,035	2,561
Financial liabilities	(2,934)	(198)	(178)	(105)
Insurance and reinsurance contract assets	118	109	26	3,134
Insurance and reinsurance contract liabilities	(12,560)	(4,233)	(14,697)	(6,847)
Net notional amounts of currency derivatives	(3,899)	2,319	1,078	1,699
Currency exposure	1,324	(651)	1,264	442
5% strengthening of original currency				
Impact on profit before tax				
Financial instruments	71	178	(4)	1
Insurance contracts and reinsurance contracts held	(37)	(229)	—	—
	34	(51)	(4)	1
Impact on total equity				
Financial instruments	—	173	748	120
Insurance contracts and reinsurance contracts held	—	(206)	(733)	(186)
	—	(33)	15	(66)
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	43	63	81
5% strengthening of US dollar				
Impact on profit before tax				
Financial instruments	71	(168)	4	(1)
Insurance contracts and reinsurance contracts held	(37)	217	—	—
	34	49	4	(1)
Impact on total equity				
Financial instruments	—	(164)	(748)	(120)
Insurance contracts and reinsurance contracts held	—	196	733	186
	—	32	(15)	66
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	(39)	(63)	(81)

27. Risk management (continued)

Foreign exchange rate risk (continued)

Foreign exchange rate net exposure (continued)

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2022 (Restated)				
Financial assets	20,813	1,385	14,387	3,514
Financial liabilities	(2,852)	(204)	(171)	(145)
Insurance and reinsurance contract assets	34	182	13	896
Insurance and reinsurance contract liabilities	(11,571)	(4,203)	(13,625)	(6,788)
Net notional amounts of currency derivatives	(5,076)	2,687	1,209	3,209
Currency exposure	1,348	(153)	1,813	686
5% strengthening of original currency				
Impact on profit before tax				
Financial instruments	62	198	1	1
Insurance contracts and reinsurance contracts held	(28)	(225)	—	—
	34	(27)	1	1
Impact on total equity				
Financial instruments	—	193	719	165
Insurance contracts and reinsurance contracts held	—	(201)	(680)	(294)
	—	(8)	39	(129)
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	43	58	106
5% strengthening of US dollar				
Impact on profit before tax				
Financial instruments	62	(187)	(1)	(1)
Insurance contracts and reinsurance contracts held	(28)	212	—	—
	34	25	(1)	(1)
Impact on total equity				
Financial instruments	—	(183)	(719)	(165)
Insurance contracts and reinsurance contracts held	—	190	680	294
	—	7	(39)	129
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	(39)	(58)	(106)

27. Risk management (continued)

Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet payment obligations when they become due. The Group is exposed to liquidity risk in respect of insurance contracts that permit surrender, withdrawal or other forms of early termination for a cash surrender value specified in the contractual terms and conditions.

To manage liquidity risk the Group has implemented a variety of measures, with an emphasis on flexible insurance product design, so that it can retain the greatest flexibility to adjust contract pricing or crediting rates. The Group also seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of its insurance contracts. The Group performs regular monitoring of its liquidity position through cash flow projections.

The table below summarises financial assets and liabilities of the Group into their relevant maturity groupings based on the remaining period at the end of the reporting year to their contractual maturities or expected repayment dates. Most of the Group's assets are used to support its insurance contract liabilities. Refer to Note 16 for additional information on the Group's insurance contract liabilities, as well as to the Insurance Risks section within this Note.

27. Risk management (continued)

Liquidity risk (continued)

31 December 2023

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	Due after five years	No fixed maturity
Financial and insurance contract assets								
Fair value through OCI debt securities	29,029	764	744	1,767	937	1,238	23,579	—
Fair value through profit or loss debt securities, equity securities and interests in investment funds	11,312	40	13	25	155	6	1,731	9,342
Loans and deposits	996	326	156	92	54	35	333	—
Derivatives financial instruments	218	61	16	18	8	100	15	—
Insurance contract asset (Estimated PV of future cash flow)	1,899	(996)	189	129	121	122	2,334	—
Reinsurance contract asset (Estimated PV of future cash flow)	2,690	416	142	125	111	106	1,790	—
Other assets	682	654	6	7	1	4	10	—
Cash and cash equivalents	2,008	2,008	—	—	—	—	—	—
Total	48,834	3,273	1,266	2,163	1,387	1,611	29,792	9,342
Financial and insurance contract liabilities								
Insurance contract liabilities (Estimated PV of future cash flow)	(35,178)	(2,844)	(2,245)	(2,033)	(1,931)	(1,665)	(24,460)	—
Reinsurance contract liabilities (Estimated PV of future cash flow)	(418)	(140)	(20)	(18)	(16)	(15)	(209)	—
Investment contract liabilities	(56)	—	—	—	—	—	(56)	—
Borrowings	(2,531)	(1,222)	(992)	—	—	—	(317)	—
Derivative financial instruments	(416)	(199)	(77)	(40)	(48)	(42)	(10)	—
Other liabilities	(937)	(911)	(26)	—	—	—	—	—
Lease liabilities	(122)	(54)	(27)	(18)	(16)	(4)	(3)	—
Total	(39,658)	(5,370)	(3,387)	(2,109)	(2,011)	(1,726)	(25,055)	—

27. Risk management (continued)

Liquidity risk (continued)

31 December 2022 (Restated)

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	Due after five years	No fixed maturity
Financial and insurance contract assets								
Fair value through OCI debt securities	30,815	1,016	741	1,511	2,142	1,339	24,066	—
Fair value through profit or loss debt securities, equity securities and interests in investment funds	9,767	114	28	20	31	159	1,458	7,957
Loans and deposits	1,530	846	152	77	45	56	354	—
Derivatives financial instruments	319	170	14	16	24	67	28	—
Insurance contract asset (Estimated PV of future cash flow)	1,876	128	103	92	85	81	1,387	—
Reinsurance contract asset (Estimated PV of future cash flow)	(239)	672	(77)	(96)	(69)	(51)	(618)	—
Other assets	471	442	8	7	1	1	12	—
Cash and cash equivalents	1,474	1,474	—	—	—	—	—	—
Total	46,013	4,862	969	1,627	2,259	1,652	26,687	7,957
Financial and insurance contract liabilities								
Insurance contract liabilities (Estimated PV of future cash flow)	(31,172)	(2,920)	(2,137)	(1,800)	(1,757)	(1,735)	(20,823)	—
Reinsurance contract liabilities (Estimated PV of future cash flow)	(542)	(743)	30	53	24	9	85	—
Investment contract liabilities	(197)	—	—	—	—	—	(197)	—
Borrowings	(2,216)	—	(2,216)	—	—	—	—	—
Derivative financial instruments	(134)	(51)	(26)	(15)	(9)	(10)	(23)	—
Other liabilities	(1,290)	(1,257)	(1)	(24)	(2)	(1)	(5)	—
Lease liabilities	(113)	(49)	(20)	(20)	(12)	(12)	—	—
Total	(35,664)	(5,020)	(4,370)	(1,806)	(1,756)	(1,749)	(20,963)	—

The amounts payable on demand in the insurance contract liabilities represent the policyholders' account values of US$37,720m (2022: US$34,820m).

28. Employee benefit obligations

(a) Defined benefit plans

The Group operates funded and unfunded benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Thailand, Japan, the Philippines and Indonesia. The independent actuaries' valuation of the plans at 31 December 2023 were prepared by external credentialed actuaries. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions. The latest actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 58% for the year ended 31 December 2023 (2022: 59%), covered by the plan assets held by the trustees. The fair value of plan assets was US$21m as at 31 December 2023 (2022: US$20m). The total expenses relating to these plans recognised in the income statement was US$6m for the year ended 31 December 2023 (2022: US$4m).

(b) Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expenses relating to these plans for the year ended 31 December 2023 was US$21m (2022: US$18m). Employees and the employers are required to make monthly contributions equal to a certain percentage of the employee's monthly basic salaries, depending on the jurisdictions and the years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

29. Share-based compensation

During the years ended 31 December 2023 and 2022, the Group operated the Share Option and RSU Plan to reward eligible persons for their services and the achievement of shareholder value targets. These RSUs and share options are in the form of a contingent right to receive ordinary shares or a conditional allocation of ordinary shares. These awards have vesting periods of up to four years and are at nil or nominal cost to the eligible person. Save for in certain circumstances, vesting of awards is conditional upon the eligible person being in active employment at the time of vesting. Vesting of certain other awards is, in addition, subject to certain performance conditions. Award holders do not have any right to dividends or voting rights attaching to the shares prior to delivery of the shares. Each share option has a 10-year exercise period.

Details of outstanding RSUs and share options as at 31 December 2023 under the Group's Share Option and RSU Plan are disclosed below.

(i) RSUs

The following table shows the movement in outstanding RSU under the Group's Share Option and RSU Plan:

Number of shares	Year ended 31 December 2023	Year ended 31 December 2022
Outstanding at beginning of the year	1,991,586	931,328
Awarded	1,232,612	1,784,128
Forfeited	(1,247,142)	(513,666)
Vested	(201,600)	(210,204)
Outstanding at end of the year	1,775,456	1,991,586

Valuation methodology

To calculate the fair value of the awards with performance conditions, the Group utilises an appraisal value methodology (Embedded Value plus a multiple of Value of New Business) and market valuation approach, where applicable, and an assessment of performance conditions, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for the awards is inherently subjective due to the assumptions made.

The total fair value of RSUs granted during the year ended 31 December 2023 was US$69m (2022:US$95m).

Recognised compensation cost

The fair value of the employee services received in exchange for the grant of RSUs is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total expense recognised in the consolidated financial statements related to RSUs granted under the Share Option and RSU Plan by the Group for the year ended 31 December 2023 was US$13m (2022: US$18m).

29. Share-based compensation (continued)

(ii) Share options

The following table shows the movement in outstanding share options under the Group's Share Option and RSU Plan:

Number of share-options	Year ended 31 December 2023	Year ended 31 December 2022
Outstanding at beginning of the year	237,063	410,511
Awarded	24,000	29,958
Forfeited	(6,945)	(42,528)
Vested	(207,555)	(160,878)
Outstanding at end of the year	46,563	237,063

To calculate the fair value of the awards with performance conditions, the Group estimates the fair value of share options using the Black-Scholes model and an assessment of performance conditions, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for share awards is inherently subjective due to the assumptions made.

The total fair value of share options granted for the Group during the year ended 31 December 2023 was US$1m (2022: US$2m).

Recognised compensation cost

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total expense recognised in the consolidated financial statements related to share options granted under the Share Option and RSU Plan by the Group for the year ended 31 December 2023 was US$3m (2022: US$8m).

On 30 January 2022, the Board of Directors approved a new Share Award Plan and a new Employee Share Purchase Plan to attract and retain eligible persons.

During the year ended 31 December 2023, the Board of Directors approved grants of the Company's Management shares to Independent non-executive directors with total fair value of US$7m recognised as expense in consolidated financial statements.

30. Remuneration of Key Management Personnel

Key management personnel of the Group are those that have the authority and responsibility for planning, directing and controlling the activities of the Group. Accordingly, the summary of compensation of key management personnel is as follows.

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Short-term employee benefits	22	26
Share-based payments	9	(1)
Other benefits	9	2
Total	40	27

31. Related party transactions

(a) Compensation of Directors and key management personnel of the Group:

Remuneration of Directors and key management personnel is disclosed in Note 30.

(b) Transactions and balances with related parties:

The Group has transactions with certain related companies and these consolidated financial statements reflect the effect of these transactions which are conducted in accordance with terms mutually agreed between the parties. In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the period.

(i) Related companies charged US$35m (2022: US$35m) for the provision of telecommunication, IT and investment advisory, advertising and consulting services to the Group.

(ii) The Group has underwritten various group insurance contracts with related companies. The total premium received from those contracts for the year ended 31 December 2023 was US$26m (2022: US$22m).

(iii) The Group has entered into reinsurance contract arrangements with related company. The total premiums ceded, claim recoveries received and commission income received for the year ended 31 December 2023 was US$45m (2022: US$41m), US$22m (2022: US$14m) and US$2m (2022: US$1m), respectively.

(iv) The Group has accepted certain liabilities in connection with reinsurance contracts from related companies. The total premium revenue, claims incurred, and commissions paid from this contract for the year ended 31 December 2023 was US$178m (2022: US$200m), US$70m (2022: US$70m) and US$41m (2022: US$46m), respectively.

(v) The Group charged related parties US$1m (2022: US$2m) for administration services.

(vi) The Group had recapture fee payable to related company of US$193m as at 31 December 2023 (2022: US$nil).

(vi) The Group has a call option with a 5 year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. As at 31 December 2023, the fair value of the call option was US$67m (2022: US$51m). The call option will be expired on 8 December 2025.

(vii) The Group held financial investments of US$98m issued or controlled by related parties as at 31 December 2023 (2022: US$90m).

(viii) Related companies invested in the subordinated notes and perpetual securities issued by the Group with aggregate principal amounts of US$144m as at 31 December 2023 (2022: US$175m). The total interest and distributions accrued to these related companies for the year ended 31 December 2023 was US$10m (2022: US$9m). Refer to Notes 23 and 25.3 for further details.

(ix) The Group had amounts due from related companies of US$6m as at 31 December 2023 (2022: US$7m). The amounts due are unsecured, interest-free and repayable on demand.

(x) In addition, the Group had outstanding payable to related companies of US$3m as at 31 December 2023 (2022: US$4m). The payables due are unsecured, interest-free and repayable on demand.

31. Related party transactions (continued)

(c) Transactions and balances with associates and joint ventures:

(i) The Group has entered into broker and non-exclusive distribution agreements with associates, pursuant to which the total commission expenses recognised by the Group for the year ended 31 December 2023 was US$14m (2022: US$13m).

(ii) The Group had an amount due from associates of US$5m as at 31 December 2023 (2022: US$3m). The amounts due are unsecured, interest-free and repayable on demand.

(iii) The Group had a loan to an associate at US$nil as at 31 December 2023 (2022: US$5m) which is interest-bearing and repayable on the maturity date.

(iv) The Group had a loan to a joint venture at US$6m as a 31 December 2023 (2022: US$6m), which is interest-bearing and repayable on maturity date.

32. Commitments and contingencies

Operating lease commitments – Group as a lessor

The Group leased its investment property portfolio consisting of certain commercial buildings and land. These leases have terms of between 1 and 30 years. The Group had total future minimum rental receivable under non-cancellable operating leases falling due as follows:

US$m	As at 31 December 2023	As at 31 December 2022
Within one year	20	19
In the second to fifth years	47	40
Over five years	97	98
Total	164	157

Investment and capital commitments

The Group has investments and capital commitments to invest in its private equity partnerships and other financial investments.

US$m	As at 31 December 2023	As at 31 December 2022
Within one year	223	266
In the second to fifth years	541	676
Over five years	—	12
Total	764	954

Commitments in Malaysia

As of 31 December 2023, the Group had planned to invest a total of US$48m (2022: US$26m) in Malaysia.

Capital commitment for acquisitions and investments

As of 31 December 2023, the Group agreed to make additional payments in aggregate amounts of up to US$93m (2022: US$144m) in relation to acquisitions and investments.

Contingencies

The Group is subject to regulation in each of the geographical markets in which it operates from insurance business, and other regulators and is exposed to the risk of regulatory actions in response to perceived or actual non-compliance with regulations relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. The Group believes that these matters have been adequately provided for in these financial statements.

The Group is exposed to risk exposures including legal proceedings, complaints etc. from its activities including those arising from commercial activities, sales practices, suitability of products, policies and claims. The Group believes that these matters are adequately provided for in these financial statements.

33. Subsidiaries

The principal subsidiary companies which materially contribute to the net income of the Group or hold a material element of its assets and liabilities are:

				As at 31 December 2023		As at 31 December 2022	
Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Limited	Cayman Islands	Investment holding	24,308,874 ordinary shares of US$0.01 each	100 %	— %	72%	28 %
FWD Group Limited	Cayman Islands	Investment holding	24,308,874 ordinary shares of US$0.01 each	100 %	— %	72%	28 %
FWD Group Management Holdings Limited	Hong Kong	Group management	11,779,100 ordinary shares of US$100 each 1 ordinary share of HK$1	100 %	— %	100 %	— %
FWD Management Holdings Limited	Hong Kong	Investment holding	22,931,291 ordinary shares of US$100 each 2 ordinary shares of HK$3,255,523,426 each	100 %	— %	100 %	— %
FWD Life Insurance Company (Bermuda) Limited	Bermuda/ Hong Kong	Life insurance	US$1,829,602,159 divided into 1,829,602,159 ordinary shares of US$1 each	100 %	— %	100 %	— %
FWD Life (Hong Kong) Limited	Hong Kong	Life insurance	HK$590,106,626 divided into 590,106,626 ordinary shares issued at HK$1 each	100 %	— %	100 %	— %
FWD Life Assurance Company (Hong Kong) Limited	Hong Kong	Life insurance	HK$381,625,000 divided into 76,325 ordinary shares issued at HK$5,000 each	100 %	— %	100 %	— %
FWD Life Insurance Company (Macau)	Macau	Life insurance	MOP681,437,500 divided into 6,814,375 ordinary shares of	100 %	— %	100 %	— %
FWD Life Insurance Public Company	Thailand	Life insurance	3,006,360,171 ordinary shares of THB10 each	87 %	13 %	87 %	13 %
FWD Life Insurance Company, Limited	Japan	Life insurance	1,310,000 ordinary shares of JPY28,816.8 each	100 %	— %	100 %	— %
FWD Reinsurance SPC, Ltd.	Cayman Islands	Life reinsurance	50,000 ordinary shares of US$0.01 each	100 %	— %	100 %	— %
FWD Life Insurance Corporation	Philippines	Life insurance	2,300,000,000 ordinary shares of PHP1 each	100 %	— %	100 %	— %
PT FWD Insurance Indonesia	Indonesia	Life insurance	8,116,071 ordinary shares of Rp1,000,000 each	79 %	21 %	79 %	21 %
PT FWD Asset Management	Indonesia	Asset management	164,631 ordinary shares of Rp1,000,000 each	100%	— %	100%	— %
FWD Singapore Pte. Ltd.	Singapore	Life and general insurance	277,683,678 ordinary shares of SGD329,000,004.05 issued share capital	100 %	— %	100 %	— %
FWD Takaful Berhad	Malaysia	Life Insurance	2,000,000 ordinary shares of RM50 each 7,290 preference shares of RM100,000 each	49 %	51 %	49 %	51 %
FWD Insurance Berhad1	Malaysia	Life Insurance	305,000,000 ordinary shares of RM1 each	14 %	86 %	— %	— %
FWD Vietnam Life Insurance Company Limited	Vietnam	Life insurance	Contributed capital of VND19,102,000,000,000	100 %	— %	100 %	— %
FWD Life Insurance (Cambodia) Plc.	Cambodia	Life insurance	1,115,600 Ordinary shares of KHR100,000 each	100 %	— %	100 %	— %

Note:

1. Formerly known as Gibraltar BSN Life Berhad

33. Subsidiaries (continued)

All subsidiaries are unlisted and audited by Ernst & Young.

Except for FWD Limited, FWD Group Limited, FWD Takaful Berhad, FWD Life Insurance Public Company Limited and FWD Insurance Berhad, the subsidiaries are fully consolidated in the consolidated financial statements reflecting the economic interests to the Group.

Subsequent to the Exchange of Share Capital of FL and FGL on 31 July 2023, FWD Limited and FWD Group Limited are fully consolidated in the consolidated financial statements reflecting the economic interests to the Group.

34. Events after the reporting period

On 30 January 2024, the Group entered into arrangements to increase its available for drawing revolving credit facility amount by an additional US$185m, effective from 6 February 2024.

On 1 March 2024, the Group subscribed for additional shares of PT Asuransi BRI Life for a consideration of US$48m, which resulted in its aggregate shareholding increasing to 43.96%.

On 8 March 2024, the Group acquired an additional 21% of the issued ordinary shares of FWD Takaful Berhad, for a total consideration of US$26m. The acquisition is accounted for as a transaction with non-controlling shareholders in the Group's consolidated financial statements.

On 21 March 2024, the Company priced 5-year subordinated notes with principal amount of US$900m at coupon rate of 8.4%. The notes were issued on 5 April 2024.

Independent report on the review of supplementary embedded value information

FWD Group Holdings Limited 富衛集團有限公司 ("FWD Group", "FWD", "the Company", "you" or "your") has prepared, in respect of FWD Group and its subsidiaries, the embedded value ("EV") as at 31 December 2023 and the value of new business ("VNB") for the year ended 31 December 2023 using traditional embedded value ("TEV") methodology. The Company has also prepared additional analyses, including:

– Analysis of EV movement for the year ended 31 December 2023;

– EV equity as at 31 December 2023;

– Free surplus generation for the year ended 31 December 2023;

– Earnings profile as at 31 December 2023; and

– Sensitivity analysis on EV and VNB.

The EV, VNB and additional analyses are collectively referred to as the "EV Results". For comparison purposes, the equivalent EV, EV equity and earnings profile results have also been presented as at 31 December 2022 while the equivalent VNB, analysis of EV movement and free surplus generation have been presented for the year ended 31 December 2022. The EV Results, along with the methodology and assumptions that have been used to prepare the Results, have been summarised by the Company as part of the supplementary embedded value information ("EV Disclosure") in the Annual Report as at, or for the year ended 31 December 2023. This letter ("Opinion Letter") should be read in conjunction with the EV Disclosure.

Scope of Services

Milliman Limited ("Milliman", "we", "us" or "our") has been engaged by FWD Group to independently review and provide an opinion on the EV Results. Our scope of work, prepared in accordance with our engagement letter dated 1 April 2022, involved the following:

- We have reviewed the methodology and derivation of assumptions used to determine the EV Results presented in the EV Disclosure.
- We have reviewed the analysis that has been performed by FWD Group to support the risk discount rates.
- We have reviewed certain elements of the Valuation Models[1] used to determine VIF and VNB.
- We have performed checks on the EV Results by Business Unit and have reviewed the consolidated EV Results for FWD Group.

Note:

1. Valuation Models refer to models developed in Prophet, a proprietary modelling software provided by a third party, FIS, and spreadsheets developed in Microsoft Excel for compilation of results and off-model adjustments.

MILLIMAN OPINION

Based on our review of the methodology and assumptions used by FWD to calculate the EV Results, Milliman concludes that:

- The methodology used to determine the EV Results is consistent in all material respects with the EV Policy.
- The methodology specified in the EV Policy is in all material respects comparable to the TEV methodology commonly adopted by listed insurers incorporated in Asia. There are, however, certain features within the methodology that are specific to FWD given the maturity of some of its Business Units.
- The non-economic assumptions used to calculate the EV Results have been developed using the operating experience of the Business Units, with allowance for expected future trends where applicable, or have been set with reference to industry experience or pricing assumptions where the experience of the Business Units is not statistically credible. The analysis of EV movement performed by the Business Units, however, shows negative persistency variances across 2022 and 2023 for FWD Group. As there have been significant revisions to lapse rates assumed for most Business Units at year-end 2023, the negative persistency variance observed over the years is expected to reduce going forward. However, a continuation of poor persistency could lead to revisions in lapse assumptions and have a material impact on the EV Results. In addition, the EV Results have been determined using long term expense assumptions set on the basis that Business Units will be able to eliminate expense overruns in the short to medium term in line with internal business plans. An increase in expenses or a reduction in sales compared to the assumptions used in the business plan forecasts could lead to an increase in expense assumptions and adversely affect the EV Results.
- The economic assumptions used to develop the EV Results have been determined having regard to the investment policy of each Business Unit, and current and expected future economic conditions, and are broadly consistent with economic assumptions adopted by insurers in Asia that report on a TEV basis. Checks have also been performed at a FWD Group level to validate the consistency of the allowance for risk in the risk discount rate with market consistent valuation approaches[1].
- The EV Results have been prepared in all material respects in accordance with the methodology and assumptions described in the EV Disclosure. This has been validated through the sample model point checks performed for products making up over 90% of VIF (measured by in-force statutory reserves) and 90% of VNB (measured by NB APE) for each Business Unit.

Note:

1. When assessing the market consistent approaches, it is noted that the estimated results vary depending on the calibration of the risk-free yield curve and the approach adopted to determine the cost of non-hedgeable risk.

Reliances and Limitations

In carrying out our work and producing this Opinion Letter we have relied on information supplied by FWD. Reliance was placed on, but not limited to, the accuracy of the information provided to us. We have performed no audits or independent verification of the information furnished to us. FWD Group has confirmed to us that the data and information it has provided to us is accurate and complete.

The actuarial valuation of FWD Group has been developed on a going concern basis and assumes a continuation of the current, economic, political and social environment in the markets in which FWD Group operates. It therefore inherently assumes that the environment will remain stable. The user of this Report should be aware that any political, economic or social instability in these markets would add a degree of uncertainty to the results presented. In particular, the EV Results have been based on long-term unit cost loadings determined in accordance with FWD's business plan forecasts. High inflation rates observed since 2022, due to factors such as the impact of the COVID-19 pandemic and the effects of the Russia-Ukraine war, have led to severe measures being imposed by many central banks, including steep increases in interest rates. More recently, there is an anticipation amongst some observers that interest rates in 2024 may reduce, although the interest rate environment itself is volatile and unpredictable. Any large movements in equity markets or interest rates could have a material impact on the EV Results.

In determining the EV Results of FWD Group, assumptions have been made about future experience, including economic and investment experience, mortality, morbidity, persistency, expenses and taxes. Actual experience may differ from that assumed in the projections used to calculate the EV Results. To the extent actual experience is different from the assumptions, actual results will also differ from the results shown. The sensitivity of results to certain changes in assumptions is provided in the EV Disclosure.

The expense assumptions have been chosen on the basis that each Business Unit would continue to operate on a going concern basis. They do not take into account any future changes to product strategy, sales volumes or other matters that may have a consequential impact on product specific expense loadings. They also do not take into account any strategic FWD Group spending or any matters that could lead to an increase in such spending beyond what has been planned and set aside in the VIF. The assumptions, including the allowance for Group Office expenses, have also been set with reference to Board approved business plans prepared by the Company. We have relied on the business plans provided to us and have not reviewed the assumptions underlying them.

We have not attempted to assess the suitability or quality of the assets held by FWD Group or its reinsurance strategy. We have also not assessed, or made allowance for, any claims against FWD Group other than those made by policyholders under the normal terms of life insurance business. In particular, no account has been taken of liabilities in respect of pension entitlements, stock option plans, service contracts, leases and breaches of regulations.

No investigation has been made into the accuracy of the unit pricing and unit allocation procedures adopted by each Business Unit.

The EV Results have been prepared by FWD using the Company's Valuation Models. Although we have performed extensive checks on the Valuation Models and underlying results, our checks were not exhaustive, and hence may not have uncovered all potential issues.

The EV Results set out in this Report do not include any allowance for withholding or other taxes that may apply to the payment of shareholder dividends on remittances out of the Business Units. We are not tax advisors and have relied on FWD Group's internal assessment that the approach taken with respect to withholding tax is appropriate for EV reporting purposes.

Reserves, cost of capital and tax have been calculated using the prevailing regulatory and tax frameworks applicable at the respective Valuation Dates (i.e. 31 December 2023 or 31 December 2022), and do not take into account any future changes in these frameworks. With the introduction of the group-wide supervision framework by the Hong Kong Insurance Authority effective from 29 March 2021, FWD Group also performs annual internal analyses (the last study was as at 30 September 2023) to validate that the framework will not result in an increase in capital requirements beyond what has been assumed in the EV Results set out in this Report. We have not reviewed these internal analyses. We have also relied on the opinion of the operating entities' Appointed Actuaries and auditors that the reserves and capital requirements held as at the respective Valuation Dates comply with the prevailing regulations.

The EV Results allow for adjustments to dividends, profit sharing and crediting rate assumptions taking into account the investment return assumptions and profit sharing rules defined in regulations and/or internal company governance. We have relied on the Business Units' application of these rules within the Valuation Models and note that the impact on the results if the rules incorporated in the Valuation Models are not followed in actual practice can be material.

The EV Results presented in this Report assume the ability to continue to optimise capital through existing external and internal reinsurance arrangements. Any revisions to these arrangements, due to regulatory change or other factors, may have a material impact on the EV Results.

On behalf of Milliman Limited

Michael Daly

Michael Daly FIA
Principal & Consulting Actuary
22 April 2024

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Supplementary embedded value information

1. Highlights

The embedded value ("EV") is a measure of the value of shareholders' interests in the distributable earnings from assets allocated to the in-force business after allowance for the aggregate risks in that business. The Group uses a traditional, deterministic discounted cash flow methodology to calculate its EV and value of new business ("VNB"). This methodology makes an implicit overall level of allowance for risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and the economic cost of capital, through the use of a risk discount rate. The equity attributable to shareholders of the Company on the embedded value basis ("EV Equity") is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company. More details on the EV results, methodology and assumptions are covered in later sections of this report.

Summary of key metrics[1] (US$ millions)

	As at 31 December 2023	As at 31 December 2022	Change CER	Change AER
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	8,867	9,288	(3.2)%	(4.5)%
Embedded value (EV)	5,682	6,066	(4.2)%	(6.3)%
Adjusted net worth (ANW)	2,856	2,268	27.3 %	25.9 %
Value of in-force business (VIF)	2,826	3,798	(23.4)%	(25.6)%

	Year ended 31 December 2023	Year ended 31 December 2022	Change CER	Change AER
Value of new business (VNB)	991	823	21.9 %	20.4 %
Annualised premium equivalent (APE)	1,646	1,408	18.3 %	17.0 %
PV New Business Premium (PVNBP)	8,663	8,126	8.0 %	6.6 %
New business margin (% of APE)	60.2 %	58.5 %	1.8 pps	1.7 pps
New business margin (% of PVNBP)	11.4 %	10.1 %	1.3 pps	1.3 pps
EV operating profit after operating assumption changes	606	1,027	(42.2)%	(41.0)%

	Year ended 31 December 2023	Year ended 31 December 2022	Change CER	Change AER
Underlying free surplus generation	790	1,753	(56.6)%	(54.9)%
Free surplus to fund new business	(6)	(165)	nm	nm
Net underlying free surplus generation	785	1,589	(52.7)%	(50.6)%
Adjusted underlying free surplus generation	673	668	2.9 %	0.7 %
Adjusted free surplus used to fund new business	114	(43)	nm	nm
Adjusted net underlying free surplus generation	786	625	27.5 %	25.8 %

Note:
1. The results are after adjusting the value of future unallocated Group Office expenses.

2. Embedded Value Results

2.1 Embedded Value by Business Unit

The EV as at 31 December 2023 is presented consistently with the segment information in the IFRS consolidated financial statements.

Summary of EV by Business Unit[1] (US$ millions)

	As at 31 December 2023				
Business Unit	ANW	VIF before CoC	CoC	VIF after CoC	EV
FWD Hong Kong	2,291	1,721	(307)	1,413	3,704
FWD Thailand	1,619	879	(251)	628	2,247
FWD Japan	1,375	1,106	(168)	938	2,312
Emerging Markets	800	512	(107)	405	1,204
Business Unit subtotal	6,084	4,217	(834)	3,384	9,467
Corporate & others	933	—	—	—	933
Value of unallocated Group Office expenses	—	(558)	—	(558)	(558)
Less: Financing	(4,161)	—	—	—	(4,161)
Total EV	2,856	3,659	(834)	2,826	5,682
Goodwill and other intangible assets					3,186
Total EV Equity					8,867

	As at 31 December 2022				
Business Unit	ANW	VIF before CoC	CoC	VIF after CoC	EV
FWD Hong Kong	2,442	1,521	(207)	1,314	3,756
FWD Thailand	1,481	1,050	(228)	822	2,303
FWD Japan	508	1,915	(220)	1,695	2,202
Emerging Markets	579	606	(80)	526	1,105
Business Unit subtotal	5,009	5,091	(735)	4,357	9,366
Corporate & others	1,091	—	—	—	1,091
Value of unallocated Group Office expenses	—	(558)	—	(558)	(558)
Less: Financing	(3,833)	—	—	—	(3,833)
Total EV	2,268	4,533	(735)	3,798	6,066
Goodwill and other intangible assets					3,222
Total EV Equity					9,288

Note:
1. ANW by Business Unit is after net capital flows between Business Units and Group Office as reported in the IFRS consolidated financial statements.

2. Embedded Value Results (continued)

2.2 Reconciliation of ANW from IFRS Equity

Derivation of the consolidated ANW from IFRS equity (US$ millions)

	As at 31 December 2023	As at 31 December 2022[1]
IFRS equity attributable to shareholders	**7,582**	**8,488**
Difference between IFRS and local statutory asset and liability items	(1,283)	(3,130)
Mark-to-market adjustment for property and mortgage loan and other investments, net of amounts attributable to participating funds	1,263	1,416
Elimination of intangible assets	(3,366)	(3,420)
Recognition of deferred tax impacts of the above adjustments	38	269
Recognition of non-controlling interest impacts of the above adjustments	(30)	(1)
Elimination of external perpetual securities	(1,348)	(1,354)
ANW	**2,856**	**2,268**

2.3 Breakdown of ANW

The breakdown of the ANW for the Group between the required capital, as defined in Section 4.5 of this report, and the free surplus, which is the ANW in excess of the required capital, is set out below:

Free surplus and required capital for the Group (US$ millions)

	As at 31 December 2023			As at 31 December 2022		
	Op. Entity	Corp. and others	Total	Op. Entity	Corp. and others	Total
Free Surplus	3,821	933	4,754	3,049	1,091	4,141
Required Capital	2,263	—	2,263	1,960	—	1,960
Less: Financing	—	(4,161)	(4,161)	—	(3,833)	(3,833)
ANW	6,084	(3,228)	2,856	5,009	(2,742)	2,268

2.2 Embedded Value Results (continued)

2.4 Value of New Business

The APE, VNB and new business margin (% of APE) for the Group for the year ended 31 December 2023 is summarised in the table below. The VNB is defined as the present value, at the point of sale, of the projected after-tax statutory profits less the cost of required capital. Results are presented consistently with the segment information in the IFRS consolidated financial statements. The new business margin (% of APE) and new business margin (% of PVNBP) are defined as VNB expressed as a percentage of APE and PVNBP respectively. APE is defined as annualised regular premiums plus 10 per cent of single premiums and PVNBP is defined as the present value of new business premium. Section 4.1 of this report contains a list of the entities included in this report and the mapping of these entities to Business Units for the purpose of this report.

The Group VNB for the year ended 31 December 2023 was US$991 million, an increase of US$168 million, or 21.9 per cent on constant exchange rates ("CER"), from US$823 million for the year ended 31 December 2022. The Group new business margin (% of APE) for the year ended 31 December 2023 was 60.2 per cent compared with 58.5 per cent for the year ended 31 December 2022. The Group new business margin (% of PVNBP) for the year ended 31 December 2023 was 11.4 per cent compared with 10.1 per cent for the year ended 31 December 2022.

Summary of APE, VNB and New Business Margin (% of APE) by Business Unit (US$ millions)

	Year ended 31 December 2023			Year ended 31 December 2022		
	APE	VNB	New Business Margin (% of APE)	APE	VNB	New Business Margin (% of APE)
FWD Hong Kong	512	323	63.0 %	327	216	66.2 %
FWD Thailand	619	335	54.1 %	485	270	55.6 %
FWD Japan	125	136	109.1 %	167	138	83.0 %
Emerging Markets	390	197	50.4 %	429	198	46.2 %
Total	1,646	991	60.2 %	1,408	823	58.5 %

APE and VNB Growth Rate by Business Unit

	Year ended 31 December 2023 - Year ended 31 December 2022			
Business Unit	APE Change in CER	APE Change in AER	VNB Change in CER	VNB Change in AER
FWD Hong Kong	56.8 %	56.8 %	49.3 %	49.3 %
FWD Thailand	26.9 %	27.6 %	23.5 %	24.1 %
FWD Japan	(19.3)%	(25.3)%	5.4 %	(1.8)%
Emerging Markets	(7.7)%	(9.0)%	0.3 %	(0.8)%
Total	18.3 %	17.0 %	21.9 %	20.4 %

2.2 Embedded Value Results (continued)

2.5 Analysis of EV Movement

Analysis of movement in EV (US$ millions)

	Year ended 31 December 2023			Year ended 31 December 2022		
	ANW	VIF	EV	ANW	VIF	EV
Opening EV Equity			9,288			9,065
Removal of goodwill and other intangible assets			(3,222)			(3,334)
Opening EV	2,268	3,798	6,066	2,369	3,362	5,731
Impact of HK RBC early adoption	—	—	—	1,203	(771)	433
Acquisitions & partnerships / Discontinued business	16	19	34	(23)	5	(18)
Expected return on EV	1,124	(509)	615	904	(360)	543
VNB	—	991	991	—	823	823
Operating variance and operating assumption change	(501)	(499)	(1,000)	(290)	(49)	(339)
Operating variance	(292)	(63)	(355)	(268)	(43)	(311)
Operating assumption change	(209)	(436)	(645)	(22)	(6)	(29)
Total EV operating profit	623	(18)	606	613	414	1,027
Economic variance and economic assumption change	31	(242)	(211)	(1,591)	1,045	(545)
Economic variance	28	(142)	(115)	(1,588)	796	(792)
Economic assumption change	3	(100)	(97)	(3)	250	247
Other non-operating variance	416	(626)	(211)	(204)	(54)	(259)
Total EV profit	1,070	(886)	183	22	634	656
Capital movement	—	—	—	400	—	400
Corporate centre expenses	(200)	—	(200)	(118)	(2)	(120)
Financing	(257)	—	(257)	(190)	—	(190)
Foreign exchange movement	(40)	(105)	(145)	(192)	(201)	(393)
Closing EV	2,856	2,826	5,682	2,268	3,798	6,066
Inclusion of goodwill and other intangible assets			3,186			3,222
Closing EV Equity			8,867			9,288

2.2 Embedded Value Results (continued)

2.5 Analysis of EV Movement (continued)

A breakdown of the EV and EV equity movement at 31 December 2023 and 31 December 2022 is presented in the table above.

EV is US$5,682 million at 31 December 2023, a decrease of 4 per cent on CER over the year from US$6,066 million at 31 December 2022. The decrease is primarily due to operating variances and the strengthening of operating assumptions.

EV Equity is US$8,867 million at 31 December 2023, decrease of 3 per cent on CER over the year from US$9,288 million at 31 December 2022, after the inclusion of goodwill and other intangible assets of US$3,186 million.

EV operating profit decreased by 42 per cent on CER to US$606 million (2022: US$1,027 million). Expected return on EV at 31 December 2023 has increased to US$615 million (2022: US$543 million). VNB has increased to US$991 million (2022: US$823 million). Overall operating experience variances and operating assumption changes reduced EV operating profit by US$1,000 million (2022: reduced by US$339 million), mainly due to operating variances and the strengthening of operating assumptions.

The VNB is calculated at the point of sale for business written during the year. The expected return on EV is the expected change in the EV over the year plus the expected return on the VNB from the point of sale to 31 December 2023. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the year and that expected based on the operating assumptions.

The main operating experience variances, net of tax, of US$(355) million (2022: US$(311) million), comprised of:

- Expense and commission variances of US$(132) million (2022: US$(149) million);
- Mortality and morbidity claims variances of US$(20) million (2022: US$(14) million); and
- Persistency and other variances of US$(202) million (2022: US$(147) million) which included persistency variances of US$(211) million (2022: US$(130) million) and other variances of US$9 million (2022: US$(17) million).

The effect of changes in operating assumptions during the year was US$(645) million (2022: US$(29) million).

The EV profit of US$183 million (2022: US$656 million) is the total of EV operating profit, economic variances, the effect of changes in economic assumptions and other non-operating variances.

The effect of economic variances and changes in economic assumptions amounted to US$(211) million (2022: US$(545) million).

Other non-operating variances amounted to US$(211) million (2022: US$(259) million), largely driven by implementation costs for new accounting standards and other mandatory regulatory changes, IPO related costs including incentive costs, industrial recruitment package costs, integration and restructuring related costs, mergers and acquisitions and one-off adjustments such as the impact of payment related to a distribution agreement and methodology and regulatory changes on EV (i.e. the statutory reserving basis for FWD Reinsurance has been updated from an IFRS4 basis to an IFRS17 basis with effect from 1 January 2023).

The EV movement in relation to the Group Corporate Center has amounted to US$(457) million (2022: US$90 million). It includes capital movement, corporate centre expenses and financing.

Foreign exchange movements were US$(145) million (2022: US$(393) million).

2.2 Embedded Value Results (continued)

2.5 Analysis of EV Movement (continued)

EV operating profit (US$ millions)

A breakdown of the EV operating profit, both before and after operating assumption changes and operating variances other than claims/persistency/expense variances ("other operating variances"), is presented below.

	Year ended 31 December 2023	Year ended 31 December 2022
EV operating profit after operating assumption changes and other operating variances	606	1,027
Plus: Adjustment to reverse out operating assumption changes and other operating variances	637	45
EV operating profit before operating assumption changes and other operating variances	1,242	1,072

2.2 Embedded Value Results (continued)

2.6 Free Surplus Generation

Free surplus ("FS") represents the excess of adjusted net worth over required capital. The Group holds FS to enable it to invest in new business, take advantage of inorganic opportunities and absorb the effects of capital market stress.

The underlying free surplus generation ("UFSG") represents the operating surplus generated from FWD Group each year, excluding certain non-recurring items, including the FS to fund new business, economic variance, non-operating variance, acquisitions, partnerships and discontinued business, capital movement and the impact of financing, but includes methodology updates relating to accounting changes classified under opening adjustment shown in the table below.

The net underlying FS generation ("Net UFSG") represents the underlying FS generated from FWD Group allowing for the surplus used to fund new business. The FS generation is before adjustment for borrowing, with financing and financing costs reflecting a positive impact from any financing raised in the period and a negative impact from any financing and interest repaid in the period.

Adjusted UFSG is UFSG excluding one-off opening adjustments, non-economic assumption changes and maintenance expense variance. The one-off opening adjustments, which are non-recurring, primarily include revisions to the reserving methodology for FWD Reinsurance and other adjustments. The revisions to non-economic assumption updates are also considered one-off and excluded in the adjusted UFSG.

Adjusted free surplus used to fund new business is free surplus used to fund new business, excluding acquisition and commission expense variance.

Adjusted Net UFSG is the adjusted UFSG including adjusted free surplus used to fund new business.

2.2 Embedded Value Results (continued)

2.6 Free Surplus Generation (continued)

FWD Group's FS increased by US$286 million in 2023 (from US$308 million as at 31 December 2022 to US$593 million as at 31 December 2023). The change in FS is made up of the following key components:

- Opening adjustment relating to methodology update in 2023 is at US$347 million (2022: US$(4) million), mainly from the changes to FWD Reinsurance's reserving basis from an IFRS4 basis to an IFRS17 basis with effect from 1 January 2023.
- Acquisitions & partnerships / Discontinued business in 2023 is at US$10 million (2022: US$(23) million), primarily from the increase in the stake in BRI Life from 1 March 2023 and the acquisition of FWD IB, offset by the gain arising from the refund of upfront access fees from the termination of the bancassurance partnership with Nam A Commercial Joint Stock Bank in June 2023.
- Positive underlying FS generated from operating entities in 2023 at US$790 million (2022: US$1,753 million);
- Negative impact of FS used to fund new business in 2023 at US$(6) million (2022: US$(165) million);
- Capital movements in 2023 is at US$0 million (2022: US$400 million);
- Financing in 2023 is at US$(257) million (2022: US$(190) million); and
- Investment return variances and other items in 2023 is at US$(252) million (2022: US$(1,810) million).

Breakdown of FWD Group free surplus generation (in US$ millions)

	Year ended 31 December 2023			Year ended 31 December 2022		
	Operating entities	Corp. & others	Total	Operating entities	Corp. & others	Total
Opening free surplus	3,049	(2,742)	308	2,843	(2,501)	342
Acquisitions & partnerships / Discontinued business	64	(54)	10	31	(54)	(23)
Underlying free surplus generation	754	36	790	1,736	17	1,753
Impact of HK RBC early adoption	—	—	—	1,183	—	1,183
Opening adjustment	347	—	347	(4)	—	(4)
Underlying free surplus generation before adjustment	407	36	444	557	17	574
Free surplus used to fund new business	(6)	—	(6)	(165)	—	(165)
Net underlying free surplus generation	748	36	785	1,572	17	1,589
Investment return variances and other items	133	(385)	(252)	(1,606)	(204)	(1,810)
Capital movements	(174)	174	—	210	190	400
Financing	—	(257)	(257)	—	(190)	(190)
Closing free surplus	3,821	(3,228)	593	3,049	(2,742)	308

2.2 Embedded Value Results (continued)

2.6 Free Surplus Generation (continued)

Breakdown of adjusted underlying free surplus generation, adjusted free surplus used to fund new business and adjusted net underlying free surplus generation (US$ millions)

	Year ended 31 December 2023	Year ended 31 December 2022
Underlying free surplus generation	790	1,753
Impact of HK RBC early adoption	—	1,183
Opening adjustments[1]	347	(4)
Non-economic assumption changes (excluding expense revisions)	(297)	(18)
Total One-off variance	50	1,162
Maintenance expense variance	68	(77)
Adjusted underlying free surplus generation	673	668
Free surplus used to fund new business	(6)	(165)
Acquisition and commission expense variance	(119)	(121)
Adjusted free surplus used to fund new business	114	(43)
Adjusted net underlying free surplus generation	786	625

Note:

1. Refers to all opening adjustments including the impact of change in statutory reserving basis for FWD Reinsurance from an IFRS4 basis to an IFRS17 basis with effect from 1 January 2023.

2.7 Earnings Profile

The projected after-tax distributable earnings of the FWD Group on a discounted and undiscounted basis for the in-force business as at 31 December 2023 and as at 31 December 2022 are set out in table below.

The net-of-tax distributable earnings are defined as the distributable profits to shareholders from the assets backing the statutory reserves and the required capital of in-force business as at the respective Valuation Date. On a discounted basis, the total net-of-tax distributable earnings is equal to the sum of the required capital and the VIF after the cost arising from holding the required capital ("CoC") for the Business Units and corporate and other adjustments.

Profile of projected after-tax distributable earnings for the Group's in-force business (US$ millions)

	As at 31 December 2023		As at 31 December 2022	
Expected period of emergence	Undiscounted	Discounted	Undiscounted	Discounted
1 - 5 years	1,806	1,468	2,125	1,733
6 - 10 years	2,465	1,359	2,638	1,493
11 - 15 years	2,107	813	2,263	915
16 - 20 years	1,679	447	1,836	528
21 years and thereafter	25,851	1,001	22,324	1,089
Total	**33,908**	**5,088**	**31,185**	**5,758**

The discounted value of net-of-tax distributable earnings (31 December 2023: US$5,088 million, 31 December 2022: US$5,758 million) plus free surplus (31 December 2023: US$593 million, 31 December 2022: US$308 million) is equal to EV (31 December 2023: US$5,682 million, 31 December 2022: US$6,066 million).

3. Sensitivity Analysis

Sensitivity tests have been performed on the EV as at 31 December 2023 and 31 December 2022 and the VNB for the year ended 31 December 2023 and 31 December 2022 in respect of changes in key assumptions discussed in Section 5 of this report. For each of the following tests, only the specified parameter has been changed with all other assumptions remaining unchanged:

- 1.0 per cent increase in risk discount rate
- 1.0 per cent decrease in risk discount rate
- 0.5 per cent per annum increase in interest rates
- 0.5 per cent per annum decrease in interest rates
- 10 per cent increase in rates of policy discontinuance, premium discontinuance and partial withdrawal (i.e. 110 per cent of the rates under the base case)
- 10 per cent decrease in rates of policy discontinuance, premium discontinuance and partial withdrawal (i.e. 90 per cent of the rates under the base case)
- 10 per cent increase in rates of mortality and morbidity and loss ratios (i.e. 110 per cent of the rates and loss ratios under the base case)
- 10 per cent decrease in rates of mortality and morbidity and loss ratios (i.e. 90 per cent of the rates and loss ratios under the base case)
- 10 per cent increase in acquisition and maintenance expenses (i.e. 110 per cent of the acquisition and maintenance expenses under the base case) with no revisions made for Group Office expense adjustments
- 10 per cent decrease in acquisition and maintenance expenses (i.e. 90 per cent of the acquisition and maintenance expenses under the base case) with no revisions made for Group Office expense adjustments
- 5 per cent appreciation in presentation currency
- 5 per cent depreciation in presentation currency

The sensitivity tests on increase/decrease in interest rates have been applied to the net investment returns (and corresponding adjustments to the market value of assets for debt securities and derivatives, statutory reserving bases, bonus/dividend scales for participating business, crediting rates for universal life business, unit fund growth rates for unit linked business and risk discount rate).

The EV as at 31 December 2023 has been further analysed for the following sensitivities:

- 10 per cent increase in equity prices (i.e. 110 per cent of equity prices (with projected bonus rates on participating business and the value of equity securities and equity funds changed consistently))
- 10 per cent decrease in equity prices (i.e. 90 per cent of equity prices (with projected bonus rates on participating business and the value of equity securities and equity funds changed consistently))

The sensitivity tests on increase/reduction in equity prices have been applied as at the respective Valuation Dates and are not applicable to VNB.

As FWD operates in multiple Asian markets, the Business Unit EV and VNB results for the Group have been converted from the respective local currency to FWD's US dollar presentation currency. To provide sensitivity results to foreign currency movements, a change of +/- 5 per cent to the US dollar exchange rate has been shown.

3. Sensitivity Analysis (continued)

The sensitivity tests have only been performed on the operating entity EV, with no sensitivities carried out on the EV contributed by corporate and other adjustments. For each of the remaining sensitivity analyses, the statutory reserving bases as at 31 December 2023, projected policyholder dividends on participating business, crediting rates for universal life business and unit fund growth rates for unit-linked business were changed to be consistent with the sensitivity analysis assumptions, while all the other assumptions remain unchanged.

The sensitivities chosen do not represent the boundaries of possible outcomes, but instead illustrate how certain alternative assumptions would affect the results.

Sensitivity of Operating Entities' EV (US$ millions)

	As at 31 December 2023		As at 31 December 2022	
Scenario	EV	Ratio	EV	Ratio
Base case	9,467		9,366	
Impact of:				
Increase risk discount rate by 1.0%	(545)	(5.8)%	(606)	(6.5)%
Reduce risk discount rate by 1.0%	690	7.3 %	762	8.1 %
Increase interest rates by 0.5% p.a.	(118)	(1.2)%	(3)	(0.0)%
Reduce interest rates by 0.5% p.a.	119	1.3 %	(28)	(0.3)%
Increase discontinuance and partial withdrawal rates by 10%	(314)	(3.3)%	(297)	(3.2)%
Reduce discontinuance and partial withdrawal rates by 10%	331	3.5 %	345	3.7 %
Increase mortality and morbidity rates and loss ratios by 10%	(686)	(7.2)%	(683)	(7.3)%
Reduce mortality and morbidity rates and loss ratios by 10%	697	7.4 %	698	7.5 %
Increase acquisition and maintenance expenses by 10%	(136)	(1.4)%	(148)	(1.6)%
Reduce acquisition and maintenance expenses by 10%	135	1.4 %	147	1.6 %
Appreciation of presentation currency by 5%	(281)	(3.0)%	(277)	(3.0)%
Depreciation of presentation currency by 5%	281	3.0 %	277	3.0 %
Increase equity prices by 10%	235	2.5 %	210	2.2 %
Reduce equity prices by 10%	(235)	(2.5)%	(212)	(2.3)%

Sensitivity of VNB (US$ millions)

	As at 31 December 2023		As at 31 December 2022	
Scenario	VNB	Ratio	VNB	Ratio
Base case	991		823	
Impact of:				
Increase risk discount rate by 1.0%	(106)	(10.7)%	(97)	(11.7)%
Reduce risk discount rate by 1.0%	138	14.0 %	122	14.8 %
Increase interest rates by 0.5% p.a.	59	6.0 %	59	7.2 %
Reduce interest rates by 0.5% p.a.	(63)	(6.4)%	(78)	(9.4)%
Increase discontinuance and partial withdrawal rates by 10%	(61)	(6.1)%	(52)	(6.3)%
Reduce discontinuance and partial withdrawal rates by 10%	68	6.9 %	58	7.1 %
Increase mortality and morbidity rates and loss ratios by 10%	(126)	(12.7)%	(121)	(14.7)%
Reduce mortality and morbidity rates and loss ratios by 10%	128	13.0 %	123	14.9 %
Increase acquisition and maintenance expenses by 10%	(60)	(6.0)%	(51)	(6.2)%
Reduce acquisition and maintenance expenses by 10%	60	6.0 %	51	6.2 %
Appreciation of presentation currency by 5%	(34)	(3.4)%	(30)	(3.7)%
Depreciation of presentation currency by 5%	34	3.4 %	30	3.7 %

4. Methodology

4.1 Entities Included in This Report

The FWD Group operates through a number of subsidiaries and the two main holding companies are FWD Limited and FWD Group Limited.

FWD Limited as at 31 December 2023 includes the following entities:

- FWD Life Insurance Company (Bermuda) Limited ("FWD Life (Bermuda)");
- FWD Life Insurance Company (Macau) Limited ("FWD Macau");
- FWD Life Assurance Company (Hong Kong) Limited ("FWD Life Assurance (Hong Kong)”);
- FWD Life (Hong Kong) Limited ("FWD Life (Hong Kong)");
- FWD Vietnam Life Insurance Company Limited ("FWD Vietnam");
- FWD Takaful Berhad (“FWD Malaysia”);
- FWD Financial Planning Limited;
- Antede Limited;
- AMG Financial Group Limited (Hong Kong);
- AMG Wealth Management Limited;
- FWD Financial Limited;
- OGS (I) Limited (Cayman Islands);
- OGS (II) Limited (Cayman Islands);
- One George Street LLP (Republic of Singapore);
- Sky Accord Limited (Cayman Islands);
- Future Radiance Limited (Cayman Islands);
- FWD Properties Limited (Hong Kong);
- PT Asuransi BRI Life (“BRI Life”);
- FWD BSN Holdings Sdn. Bhd. (Malaysia); and
- FWD Insurance Berhad (Malaysia) (“FWD IB”)

4. Methodology (continued)

4.1 Entities Included in This Report (continued)

FWD Life (Bermuda), FWD Macau, FWD Life Assurance (Hong Kong), FWD Life (Hong Kong) and FWD IB are the life insurance subsidiaries of FWD Limited, and BRI Life is a life insurance associate of FWD Limited. FWD Limited owns a minority 39.82 per cent[1] stake in BRI Life, a life insurance subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk. FWD Malaysia and FWD Vietnam are the life insurance subsidiaries of FWD Life (Bermuda). These subsidiaries are treated as separate entities, and the value from these entities is reported separately and not included within the results of FWD Life (Bermuda).

As at 31 December 2023, FWD Group Limited includes the following entities:

- FWD Life Insurance Corporation ("FWD Philippines");
- FWD Life Insurance Public Company Limited ("FWD Thailand");
- PT FWD Insurance Indonesia ("FWD Indonesia");
- FWD Singapore Pte. Ltd ("FWD Singapore");
- FWD Life Insurance Company, Limited (FWD Life Japan);
- FWD Reinsurance SPC, Ltd. ("FWD Reinsurance");
- FWD Life Insurance (Cambodia) Plc ("FWD Cambodia");
- FWD Group Services (Thailand) Co., Ltd;
- IPP Financial Advisers Pte. Ltd; and
- PT FWD Asset Management.

FWD Life Japan, FWD Reinsurance, FWD Thailand, FWD Indonesia, FWD Philippines and FWD Cambodia are life insurance subsidiaries of FWD Group Limited. FWD Singapore is a composite insurance subsidiary of FWD Group Limited.

Operating entities in this Report refer to life insurance subsidiaries and associates, and non-life insurance subsidiaries, as well as other subsidiaries, associates and joint ventures[2]. Life insurance subsidiaries and associates refer to life insurance companies, including composite insurers. Non-life insurance subsidiaries refer to entities that are general insurance companies, asset management companies and financial planning/broking firms. All other entities that are held in FWD Limited and FWD Group Limited and not listed above are classified as "non-operating entities" and form part of "corporate and other" adjustments.

Notes:

1. On 2 March 2022 and 1 March 2023, FWD acquired an additional 5.28 per cent and 4.68 per cent stake in BRI Life, increasing its holding to 35.14 per cent and 39.82 per cent respectively. The EV as at 31 December 2023 represents a 39.82 per cent economic interest following the increase in this stake, whereas the EV as at 31 December 2022 represents a 35.14 per cent economic interest. The VNB in respect of new business written from 1 March 2023 to 30 November 2023 represent a 39.82 per cent economic interest following the recent increase in this stake. The VNB in respect of new business written since acquisition to 28 February 2022 represents a 29.86 per cent economic interest, and from 1 March 2022 to 28 February 2023 represents a 35.14 per cent economic interest.

2. Subsidiaries refer to companies in which the operating entity owns a majority stake, while associates refer to companies in which the operating entity owns a minority stake which the Group has significant influence in but does not have control or joint control. Joint ventures are entities whereby the Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

4 Methodology (continued)

4.1 Entities Included in This Report (continued)

The entities for which VIF and VNB results have been determined are referred to as "Business Units" in this Report. Several entities have been grouped as one Business Unit by FWD. The Business Units referred to in this Report are as follows:

- FWD Hong Kong collectively includes the following entities:
  - FWD Life (Bermuda)[3];
  - FWD Macau;
  - FWD Life Assurance (Hong Kong); and
  - FWD Life (Hong Kong).
- FWD Japan collectively includes the following entities:
  - FWD Life Japan; and
  - FWD Reinsurance[4]
- FWD Thailand
- FWD Indonesia
- FWD Malaysia
- FWD IB
- FWD Philippines
- FWD Singapore
- FWD Vietnam
- FWD Cambodia
- BRI Life

Notes:

3 The life insurance subsidiaries of FWD Life (Bermuda) (i.e. FWD Malaysia and FWD Vietnam) are treated as separate entities and have been excluded from the results prepared for FWD Life (Bermuda).

4 The business ceded to FWD Reinsurance is purely from wholly owned FWD Japanese entities. Hence FWD Reinsurance is included as part of FWD Japan.

4. Methodology (continued)

4.1 Entities Included in This Report (continued)

PT FWD Life Indonesia ("FWD Life Indonesia") and SCB Life Assurance Public Company Limited ("SCB Life") were consolidated and merged into FWD Indonesia and FWD Thailand in December 2020 and October 2020, respectively. Where reference in this Report is made to FWD Indonesia and FWD Thailand, the historical results reported prior to the respective mergers include these entities.

The VNB has been presented by region, while the EV and other reporting metrics have been presented at a consolidated group level. The allocation of Business Units to each region is mapped out below:

- Hong Kong: FWD Hong Kong
- Thailand: FWD Thailand and FWD Cambodia
- Japan: FWD Japan
- Emerging Markets: FWD Indonesia, FWD Malaysia, FWD IB, FWD Philippines, FWD Singapore, FWD Vietnam and BRI Life

The EV Results in this Report represent a 99.96 per cent holding in FWD Thailand, a 39.82 per cent holding in BRI Life, a 70 per cent[5] holding in FWD IB and a 100 per cent holding for other entities.

On 3 April 2023, FWD Group, along with local investors, acquired a 70 per cent stake in FWD BSN Holdings Sdn. Bhd (Malaysia) ("FWD BSN Holdco"), a company established under the laws of Malaysia. FWD BSN Holdco is the holding company of FWD IB (formerly known as "Gibraltar BSN Life Berhad"), a life insurance company acquired from Prudential Insurance Company of America.

For FWD IB, the EV has been calculated as at 31 December 2023 and the VNB for the year ended 31 December 2023 is in respect of new business written from the date of acquisition to 31 December 2023. The EV as at 31 December 2023 and the VNB for the year ended 31 December 2023 have been calculated in respect of FWD Group's 14 per cent[6] economic interest in FWD IB.

Notes:

5. Refers to the stake in FWD BSN Holdco acquired by FWD Group and local investors. Refer to note 6 for details of FWD Group's economic interest in FWD IB.
6. FWD Group owns 20 per cent of the 70 per cent stake in FWD BSN Holdco while FWD BSN Holdco owns 100 per cent of FWD IB. FWD Group's economic interest in FWD IB is therefore 14 per cent (i.e. 20 per cent x 70 per cent x 100 per cent).

4. Methodology (continued)

4.2 Embedded Value and Value of New Business

The Group uses a traditional deterministic discounted cash flow methodology to determine its EV and VNB. This methodology makes an implicit overall level of allowance for risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and the economic cost of capital, through the use of a risk discount rate. Typically, the higher the risk discount rate, the greater the allowance for these factors. This is a common methodology currently used by life insurance companies in Asia. Alternative valuation methodologies and approaches continue to emerge and may be considered by FWD.

The business included in the VIF and VNB calculations includes all life business written by the Business Units of the Group, plus other lines of business which may not be classified as life business but have similar characteristics. These include accident and health and group businesses. The projected in-force business included in the VIF also incorporates expected renewals on short-term business with a term of one year or less.

The EV is the sum of the ANW and VIF. The ANW is the statutory net asset value reflecting the excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of the Group, plus mark-to-market adjustments for assets that have not been held on a market value basis, plus the IFRS equity value of other activities, such as general insurance business, less the value of intangible assets. It excludes any amounts not attributable to shareholders of the Company. The market value of investment property that is used to determine the ANW is based on the fair value disclosed in the Group's IFRS consolidated financial statements as at the valuation date. It is the Group's policy to obtain external property valuations annually except in the case of a discrete event occurring in the interim that has a significant impact on the fair value of the properties.

The VIF is the present value of projected after-tax statutory profits emerging in the future from the current in-force business less CoC to support the in-force business. CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in a participating fund, there is no associated cost of capital included in the VIF or VNB.

EV Equity is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company.

The VNB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding required capital in excess of regulatory reserves to support this business. The VNB for the Group is calculated based on assumptions applicable at the point of measurement.

A deduction has been made from the EV for the present value of future after-tax unallocated Group Office expenses, representing the expenses incurred by the Group Office which are not allocated to the Business Units. These unallocated Group Office expenses have been deducted from the VIF.

4. Methodology (continued)

4.3 Definition of New Business

New business includes the sale of new contracts during the period, additional single premium payments on recurrent single premium contracts and increments to existing contracts where these are not variations allowed for in the calculation of the VIF. The VNB also includes the present value of cash flows associated with new policies written during the reporting period but subsequently terminated before the valuation date.

For group renewable business including group yearly renewable term business, new business is composed of new schemes set up during the period plus any premium payable on existing schemes that exceeds the prior year's premiums.

For short-term accident and health business with a term of one year or less, renewals of existing contracts are not considered new business, and the value of expected renewals on this business is included in the VIF.

New business volumes shown in this report are measured using annualised premium equivalent, which is defined as annualised regular premiums plus 10 per cent of single premiums.

4.4 Valuation of Future Statutory Losses

For certain lines of business, projected future statutory profits are negative due to the local statutory reserves being insufficient to meet the value of future policyholder cash flows. Within a traditional embedded value framework, there are a number of acceptable methods for determining the value of a combination of positive and negative statutory profits for different lines of business.

For the purposes of this valuation, a sterling reserve is set up for the future projected statutory losses by discounting them at the earned rate for the relevant Business Unit, with any negative VIF eliminated for each reported segment by reducing the ANW and EV.

4. Methodology (continued)

4.5 Required Capital

Each of the Business Units has a regulatory requirement to hold shareholder capital in addition to the assets backing the insurance liabilities. The Group's assumed levels of local required capital for each Business Unit are set out in the table below:

Business Unit	Required Capital
FWD Hong Kong	100% of regulatory risk-based capital requirement for FWD Hong Kong (excluding FWD Macau) 150% of required minimum solvency margin for FWD Macau
FWD Thailand	140% of regulatory risk-based capital requirement (RBC 2)
FWD Japan	600% of regulatory risk-based capital requirement for FWD Life Japan
FWD Philippines	125% of regulatory risk-based capital requirement
FWD Indonesia and BRI Life	120% of regulatory risk-based capital requirement
FWD Singapore	114% of regulatory risk-based capital requirement (RBC 2) for 2023 EV 125% of regulatory risk-based capital requirement (RBC 2) for 2022 EV
FWD Vietnam	100% of required minimum solvency margin
FWD Malaysia and FWD IB	195% of regulatory risk-based capital requirement for FWD Malaysia 200% of regulatory risk-based capital requirement for FWD IB
FWD Cambodia	120% of required minimum solvency margin

The Hong Kong Insurance Authority introduced a group-wide supervision framework effective from 29 March 2021. FWD Group performed an internal study on 30 September 2023 to validate that the framework will not introduce any additional cost of capital requirements beyond those set out in this Report.

4.6 Foreign Exchange

The EV as at 31 December 2023 and 31 December 2022 has been translated into US dollars using exchange rates as at each valuation date. The VNB results and other components of the EV profit shown in the analysis of movement in EV have been translated using average exchange rates for the period.

Change on actual exchange rate ("AER") is calculated based on the translated figures as described above. CER is based on average exchange rates of relevant periods, other than for balance sheet items where growth as at the end of the current year over the end of the prior year is based on end of period exchange rates.

5. Assumptions

5.1 Introduction

This section summarises the assumptions used by the Group to determine the EV as at 31 December 2023 and the VNB for the year ended 31 December 2023 and highlights certain differences in assumptions between the EV as at 31 December 2022 and the EV as at 31 December 2023.

5.2 Economic Assumptions

Investment returns

The Group has set the assumed long-term future returns for fixed income assets to reflect its view of expected returns having regard to estimates of long-term forward rates from yields available on government bonds and current bond yields. In determining returns on fixed income assets, the Group allows for the risk of default, and this allowance varies by the credit rating of the underlying asset.

Where long-term views of investment return assumptions differ from current market yields on existing fixed income assets such that there would be a significant impact on value, an adjustment was made to make allowance for the current market yields. In these cases, in calculating the VIF, adjustments have been made to the investment return assumptions such that the investment returns on existing fixed income assets were set consistently with the current market yield on these assets for their full remaining term, to be consistent with the valuation of the assets backing the policy liabilities.

The Group has set the equity return and property return assumptions by reference to the return on 10-year government bonds, allowing for an internal assessment of risk premia that vary by asset class and by territory.

For FWD Hong Kong, the non-linked portfolio is divided into a number of distinct product groups, and the returns for each of these product groups have been derived by considering current and future targeted asset allocations and associated investment returns for major asset classes.

For unit-linked business, fund growth assumptions have been determined based on actual asset mix within the funds at the valuation date and expected long-term returns for major asset classes.

Risk discount rates

The risk discount rates can be considered as the sum of the appropriate risk-free interest rates, to reflect the time value of money, and risk margins to make an implicit overall level of allowance for risk.

5. Assumptions (continued)

5.2 Economic Assumptions (continued)

Risk discount rates (continued)

The table below summarises the current market 10-year government bond yields referenced in EV calculations.

	Current market 10-year government bond yields referenced in EV calculations (%)	
Business Unit	As at 31 December 2023	As at 31 December 2022
FWD Hong Kong (USD)	3.88	3.88
FWD Hong Kong (HKD)	3.22	3.65
FWD Thailand	2.70	2.64
FWD Japan	0.62	0.42
FWD Philippines	6.02	6.98
FWD Indonesia and BRI Life	6.48	6.93
FWD Singapore	2.71	3.09
FWD Vietnam	2.39	5.04
FWD Malaysia and FWD IB	3.74	4.02
FWD Cambodia	na[1]	na[1]

The table below summarises the risk discount rates and long-term investment returns assumed in EV calculations. The same risk discount rates were used for all the EV results shown in Section 1 and Section 2 of this report. The present value of unallocated Group Office expenses was calculated using the FWD Hong Kong risk discount rate. The investment returns on existing fixed income assets were set consistently with the market yields on these assets. Note that the VNB results were calculated based on start-of-quarter economic assumptions consistent with the measurement at the point of sale. The investment returns shown are gross of tax and investment expenses.

	Risk discount rates assumed in EV calculations (%)		Long-term investment returns assumed in EV calculations (%)			
			10-year government bonds		Local equities	
Business Unit	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
FWD Hong Kong (USD business)	7.80	7.55	3.00	2.75	8.00	7.90
FWD Hong Kong (HKD business)	7.80	7.55	2.75	2.40	8.00	7.90
FWD Thailand	8.75	8.75	3.20	3.20	8.75	8.95
FWD Japan	6.25	6.00	0.50	0.25	na	na
FWD Philippines	12.75	12.75	5.75	5.75	11.62	11.62
FWD Indonesia and BRI Life	13.75	14.00	7.25	7.50	11.25	11.50
FWD Singapore	7.55	7.15	2.80	2.40	7.00	6.50
FWD Vietnam	10.75	10.75	4.00	4.00	9.30	9.70
FWD Malaysia and FWD IB	9.15	9.00	4.15	4.00	8.79	8.79
FWD Cambodia	12.10	11.85	na[1]	na[1]	na[1]	na[1]

Note:
1. na as the investment return assumption for FWD Cambodia has been set with reference to fixed deposit rates.

5. Assumptions (continued)

5.3 Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays and partial withdrawals.

Assumptions have been developed by each of the Business Units based on recent historical experience, and best estimate expectations of current and expected future experience. Persistency assumptions vary by policy year and product type with different rates for regular and single premium products.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

5.4 Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total recurring expenses between acquisition and maintenance activities, and then to allocate these acquisition and maintenance expenses to various product categories to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities, split by product type, and unit costs expressed as a percentage of premiums, sum assured, fund balance and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Using these expense assumptions results in expense and commission overruns in the short term. These overruns are expected to reduce over time based on business plan forecasts prepared by the Business Units. The long term unit cost loadings have been set to support the general operating expenses in line with approved business plans. Any one-off and non-recurrent expenses have been excluded from the expense loadings. Actual expense and commission variances at 31 December 2022 and 31 December 2023 are shown under Section 2.5.

Group Office expenses

The adjustment for unallocated Group Office expenses has been taken as the present value of the 15-year projected after-tax unallocated Group Office expenses. The unallocated Group Office expenses do not include expenses attributable to the strategic initiatives. The projection of unallocated Group Office expenses is based on an internal business plan and assumes that the unallocated proportion will trend towards the ultimate ratio.

The present value of the projected future Group Office expenses has been deducted from the Group EV.

5. Assumptions (continued)

5.5 Expense Inflation

The expected long-term expense inflation rates used by Business Unit are set out below:

Expense inflation assumptions by Business Unit (%)

Business Unit	As at 31 December 2023	As at 31 December 2022
FWD Hong Kong	2.3	2.3
FWD Thailand	2.0	2.0
FWD Japan	0.0 until 31 December 2024, 0.37 thereafter	0.0
FWD Philippines	3.0	3.0
FWD Indonesia and BRI Life	3.5	3.5
FWD Singapore	3.0	3.0
FWD Vietnam	5.0	5.0
FWD Malaysia and FWD IB	3.0	3.0
FWD Cambodia	5.0	5.0

Unallocated Group Office expenses are assumed to grow at the inflation rate assumed for Hong Kong after 2025 of 2.3 per cent per annum.

5.6 Mortality

Assumptions have been developed by each Business Unit based on recent historical experience, and expectations of current and expected future experience. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of standard industry experience tables.

For some products that are exposed to longevity risk, an allowance has been made for expected improvements in mortality.

5.7 Morbidity

Assumptions have been developed by each Business Unit based on recent historical experience, and expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

5.8 Reinsurance

Reinsurance assumptions have been developed by each Business Unit based on the reinsurance arrangements in force as at the valuation date and the recent historical and expected future experience.

5. Assumptions (continued)

5.9 Policyholder Dividends, Profit Sharing and Interest Crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by each Business Unit in calculating the EV results presented in this report reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each Business Unit's best estimate of future policies, strategies and operations consistent with the investment return assumptions used in the EV results.

Participating fund surpluses have been assumed to be distributed between policyholders and shareholders via future interim or final policyholder dividends according to the dividend policies of each Business Unit.

5.10 Taxation

The projections of distributable earnings underlying the values presented in this report are net of corporate income tax, based on current taxation legislation and corporate income tax rates. The projected amount of tax payable in any year allows, where relevant, for the benefits arising from any tax loss carried forward.

The local corporate income tax rates used by each Business Unit are set out below:

Local corporate income tax rates (%) by Business Unit	As at 31 December 2023	As at 31 December 2022
FWD Hong Kong	16.5	16.5
FWD Thailand	20	20
FWD Japan	28	28
FWD Philippines	2	1.0 to 30 June 2023, 2.0 thereafter[1]
FWD Indonesia and BRI Life	22	22
FWD Singapore	17	17
FWD Vietnam	20	0.0 until 31 December 2026, 20.0 thereafter[2]
FWD Malaysia and FWD IB	24	24
FWD Cambodia	20	20

Notes:
1. FWD Philippines is currently paying the minimum corporate income tax ("MCIT"), and revision was reflected to reduce to 1 per cent effectively from 1 July 2020 to 30 June 2023.
2. FWD Vietnam's tax rate was updated to 0 per cent until 2026 due to tax losses; 20.0 per cent from 2027 onwards.

5. Assumptions (continued)

5.10 Taxation (continued)

The tax assumptions used in the valuation reflect the local corporate income tax rates set out above. Where applicable, tax payable on investment income has been reflected in projected net investment returns.

5.11 Statutory Valuation Bases

The projection of regulatory liabilities at future points in time assumes the continuation of the reserving methodologies used to value policyholder liabilities as at the valuation date.

5.12 Product Charges

Management fees and product charges reflected in the VIF and VNB have been assumed to follow existing scales.

6. Events After The Reporting Period

Details of the significant events after the latest reporting date (i.e. 31 December 2023) are set out in note 34 to the consolidated financial statements.

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Additional Information

ESG Index

As at the date of this Report, our Group is not required to comply with the comply and explain requirements of the Hong Kong Stock Exchange ESG Guide. This Report complies on a voluntary basis with such requirements. The table below sets out a cross reference to where disclosures have been made, sets out further disclosures or explains why the Group does not comply with the requirements of the Hong Kong Stock Exchange ESG Guide as the case may be.

HKEX	Indicator	Cross-reference to report	Supplementary disclosure
A1	Information on the a) policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG, discharges into water and land, and generation of hazardous and non-hazardous waste.	FWD Annual Report 2023: Climate resilience, page 68; 2023 Datasheet page 83.	FWD predominately operates offices and emissions such as nitrogen oxides ("NOx") and sulphur oxides ("SOx") or polluting discharges into water and land are not determined as highly material for our organisation. Under the FWD Group Code of Ethics and Business Conduct, employees are required to ensure their work has a positive impact on the environment and at the minimum, meet local and international environmental regulations.
KPI A1.1	The types of emissions and respective emissions data.		Air emissions such as NOx and SOx are considered immaterial for our organisation.
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	FWD Annual Report 2023: Climate resilience – targets and milestones: transitioning towards a low-carbon economy, page 72; 2023 Datasheet, page 83.	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		As a life insurance provider, we do not consider hazardous waste as material to our operations. The main source of hazardous waste arising from our operations include electronic wastes, such as laptops and other electronic appliances. Our digitalisation and cloud adoption strategy minimises the need for hardware. Electronic wastes generated are disposed of through qualified and licensed third parties.

KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		FWD commonly occupy leased assets and offices, where waste management is controlled by the landlord and data are not readily made available. Waste is not considered material to our operations when compared to our overall environmental impact. We will consider the need to measure non-hazardous waste in the future.
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.		As part of our climate action strategy, we support the global transition towards a low-carbon economy to help achieve net-zero by 2050. We will continue to explore strategies and approaches to align our operations and investment portfolio to net-zero GHG emissions.
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.		FWD recognise the importance of environmentally responsible behaviour within our operations, such as increasing employee awareness and ensuring sufficient resources are provided throughout our office environments to support waste reduction measures. Both hazardous and non-hazardous waste are not considered material when compared to our overall environmental impact. We will continue to monitor and review our practices as well as the need to set a target in the future.
A2	Policies on the efficient use of resources, including energy, water and other raw materials.		We do not use significant amounts of resources within our operations. FWD monitors energy and water use and will consider the need to expand the scope to include additional environmental KPIs in the future. Under the FWD Group Code of Ethics and Business Conduct, employees are required to ensure their work has a positive impact on the environment and at the minimum, meet local and international environmental regulations.
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	FWD Annual Report 2023: 2023 Datasheet, page 83.	

KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	FWD Annual Report 2023: 2023 Datasheet, page 83.	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	FWD Annual Report 2023: Climate resilience, page 72; 2023 Datasheet, page 83.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.		FWD predominantly operates tenanted office-based operations and consumes water from municipal sources. FWD do not use significant amounts of water nor consider this as material to our business. We will continue to monitor and review our practices as well as the need to set a target in the future.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		FWD does not produce finished products and packaging material is not applicable to our business as a life insurance provider.
A3	Policies on minimising the issuer's significant impacts on the environment and natural resources.	FWD Annual Report 2023: Governance and risk management, page 47, Sustainable investment, page 64 and Climate resilience, page 68.	Under the FWD Group Code of Ethics and Business Conduct, employees are required to ensure their work has a positive impact on the environment and at the minimum, meet local and international environmental regulations.
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	FWD Annual Report 2023: Sustainable investment, page 64 and Climate resilience, page 68.	
A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	FWD Annual Report 2023: Governance and risk management, page 47, Sustainable investment, page 64 and Climate resilience, page 68.	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	FWD Annual Report 2023: Sustainable investment, page 64 and Climate resilience, page 68.	

B1	Information on a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	FWD Annual Report 2023: Our People, page 37, Governance and risk management, page 47 and Talent, page 55.	Relevant policies on labour practices include: • FWD Group Code of Ethics and Business Conduct • FWD Group Human Rights Guidelines • FWD Group Non-Discrimination, Anti-Harassment and Anti-Bullying Policy • FWD Group Staff Handbook. There were no confirmed incidents of non-compliance with relevant laws and regulations relating to labour practices that had a significant impact on FWD during the reporting period.
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	FWD Annual Report 2023: Our People, page 37, Talent, page 55; 2023 Datasheet, page 80.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	FWD Annual Report 2023: Our People, page 37, 2023 Datasheet, page 81.	
B2	Information on a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	FWD Annual Report 2023: Governance and risk management, page 47.	Relevant policies on employee health and safety include: • FWD Group Code of Ethics and Business Conduct • FWD Vendor Code of Ethics and Business Conduct • FWD Group Human Rights Guidelines • FWD Group Staff Handbook. There were no confirmed incidents of non-compliance with relevant laws and regulations relating to employee health and safety that had a significant impact on FWD during the reporting period.
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.		There were no work-related fatalities in the years between 2020 – 2023.
KPI B2.2	Lost days due to work injury.		There were no reported lost days due to work injury reported in the reporting period.

KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.		FWD is committed to providing a safe and healthy workplace for our employees. Our FWD Group Code of Ethics and Business Conduct and FWD Group Staff Handbook is applicable to all our employees. We ensure our offices and equipment are maintained in safe, normal working conditions and relevant training are provided to our employees to enhance their safety awareness. All work-related accidents within or outside the office are required to be reported to HR within 24 hours. FWD will continue to review our health and safety approach to establish a safety culture within the organisation.
B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	FWD Annual Report 2023: Our People, page 37 and Talent, page 55.	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		We value our people and develop them at all stages along their careers. Our learning and development framework is designed to cover the needs of our people from onboarding to leadership development programmes. Reporting mechanism for general training is currently under enhancement.
KPI B3.2	The average training hours completed per employee by gender and employee category.		We value our people and develop them at all stages along their careers. Our learning and development framework is designed to cover the needs of our people from onboarding to leadership development programmes. Reporting mechanism for general training is currently under enhancement.
B4	Information on a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	FWD Annual Report 2023: Governance and risk management, page 47.	

KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		We do not tolerate the use of child or forced labour in any of our business operations as well as in our supply chain. Relevant policies on child and forced labour include: • FWD Group Code of Ethics and Business Conduct • FWD Vendor Code of Ethics and Business Conduct There were no confirmed incidents of non-compliance with relevant laws and regulations relating to child or forced labour that had a significant impact on FWD during the reporting period.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.		FWD Compliance, Legal and HR Teams are responsible to investigate any non-compliance reports on the employment of child or forced labour. Appropriate actions, including disciplinary and/or termination of responsible parties will be taken to eliminate such practices. We are also committed to eliminate such practices within our supply chain. The FWD Vendor Code of Ethics and Business Conduct prohibits the use of child and forced labour in the production of its goods and services and sets out the requirements for monitoring and review. The FWD Vendor Code of Ethics and Business Conduct is reviewed periodically to ensure its relevance and effectiveness.
B5	Policies on managing environmental and social risks of the supply chain.	FWD Annual Report 2023: Governance and risk management, page 47.	FWD works with our suppliers to ensure compliance with local and international regulations through the FWD Vendor Code of Ethics and Business Conduct and FWD Group Procurement Policy. Please refer to our FWD Vendor Code of Ethics and Business Conduct for further details.
KPI B5.1	Number of suppliers by geographical region.		In 2022 a centralised system was launched across the markets, which will allow us to report the annual number of suppliers in the future.

KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	FWD Annual Report 2023: Governance and risk management, page 47.	FWD works with our suppliers to ensure compliance with local and international regulations through the FWD Group Code of Ethics and Business Conduct, FWD Vendor Code of Ethics and Business Conduct and FWD Group Procurement Policy. Details on the requirements for vendor engagement, due diligence process as well as periodic assessments of vendors are documented in our FWD Group Procurement Policy.
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		We expect our suppliers to adhere with local and international regulations as well as the societal and environmental expectations as set out in our FWD Vendor Code of Ethics and Business Conduct and FWD Group Procurement Policy. The FWD Vendor Code of Ethics and Business Conduct provides guidance on how we monitor and review our suppliers and it is reviewed periodically to ensure its relevance and effectiveness. Further details on the requirements for vendor engagement, due diligence process as well as periodic assessments of vendors are documented in our FWD Group Procurement Policy.
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.		We expect our suppliers to adhere with local and international regulations as well as the societal and environmental expectations as set out in our FWD Vendor Code of Ethics and Business Conduct and FWD Group Procurement Policy. The FWD Group Procurement Policy provides guidance on how we monitor and review our suppliers and it is reviewed periodically to ensure its relevance and effectiveness. Further details on the requirements for vendor selection and engagement, due diligence process as well as periodic assessment of vendors are documented in our FWD Group Procurement Policy.

B6	Information on a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	FWD Annual Report 2023: Governance and risk management, page 47.	Prior to product launch, all products are checked and approved to ensure compliance with relevant laws and regulations. Our Group Privacy Policy ensures all services, including third-party services are subjected to Privacy Risk Assessment and mitigation measures are in place to ensure compliance with applicable regulations. There were no incidents of material non-compliance or fines/ monetary losses as a result of legal proceedings associated with marketing and communications of insurance product-related information to customers during the reporting period.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		As a life insurance provider, our products are not subject to recalls for safety and health reasons.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	FWD Annual Report 2023: Dealing with complaints, page 51 2023 Datasheet, page 80.	There have been no material substantiated complaints received concerning breaches of customer privacy during the reporting period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	FWD Annual Report 2023: Governance and risk management, page 47.	Please refer to FWD Group Code of Ethics and Business Conduct for more information.
KPI B6.4	Description of quality assurance process and recall procedures.	FWD Annual Report 2023: Governance and risk management, page 47 and Trust, page 50.	Product recall procedures are not applicable to our business as a life insurer.
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	FWD Annual Report 2023: Governance and risk management, page 47 and Trust, page 50.	
B7	Information on a) the policies, and b) compliance with the relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	FWD Annual Report 2023: Governance and risk management, page 47.	All business units are required to comply with the Group Anti-Bribery & Corruption Policy and Standards, Group Anti-Money Laundering and Sanction Policies and Standards that were benchmarked against Financial Action Task Force recommendations and designed to meet local regulations and requirements. In addition, FWD employees are also required to comply with Group Anti-Fraud policies and the Group Code of Ethics and Business Conduct.

KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		During the reporting period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	FWD Annual Report 2023: Governance and risk management, page 47.	Please refer to FWD Group Code of Ethics and Business Conduct for more information. We have whistle-blower policy, channels and procedures in place at www.fwd.com
KPI B7.3	Description of anti-corruption training provided to directors and staff.	FWD Annual Report 2023: Governance and risk management, page 47.	
B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	FWD Annual Report 2023: issues that matter to FWD, page 44, Our ESG value-creation, page 45, Governance and risk management, page 47, Closing the protection gap, page 59, Community Care, page 66.	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	FWD Annual Report 2023: Issues that matter to FWD, page 44, Our ESG value creation, page 45, Governance and risk management, page 47, Closing the protection gap, page 59, Community Care, page 66, 2023 Datasheet, page 83.	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	FWD Annual Report 2023: Community Care, page 66, 2023 Datasheet, page 83.	

Corporate information[1]

GROUP BOARD OF DIRECTORS

Chairman and Independent Non-Executive Director

Professor Ma Si Hang, Frederick

Executive Director and Group Chief Executive Officer

Huynh Thanh Phong

Executive Director

Li Tzar Kai, Richard

Non-Executive Directors

John Dacey

Walter Kielholz

Independent Non-Executive Directors

John Baird

Chung Kit Hung, Martina

Kyoko Hattori

Dirk Sluimers

Sun Po Yuen

Yijia Tiong

Group Audit Committee

Professor Ma Si Hang, Frederick (Chairman)

Walter Kielholz

Dirk Sluimers

Sun Po Yuen

Yijia Tiong

Group Risk Committee

John Dacey (Chairman)

John Baird

Professor Ma Si Hang, Frederick

Dirk Sluimers

Group Compensation Committee

John Baird (Chairman)

John Dacey

Kyoko Hattori

Li Tzar Kai, Richard

Professor Ma Si Hang, Frederick

Yijia Tiong

Group Nomination and Corporate Governance Committee

Professor Ma Si Hang, Frederick (Chairman)

John Baird

Kyoko Hattori

Walter Kielholz

Sun Po Yuen

Yijia Tiong

Registered Office

Vistra (Cayman) Limited

P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands

Headquarter and Principal Place Of Business In Hong Kong

13/F, 14 Taikoo Wan Road, Taikoo Shing, Hong Kong

Website

https://www.fwd.com/

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central,
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
32/F, 4-4A Des Voeux Road Central,
Hong Kong

Auditor

Ernst & Young

Note: 1) As at 31 December 2023.

Glossary

Actual Exchange Rate ("AER")	Actual exchange rates for the relevant periods used for the purpose of calculation of growth.
Adjusted Net Worth ("ANW")	Statutory net asset value, reflecting the excess of assets over policy reserves and other liabilities reported on a local regulatory basis plus/minus mark-to-market adjustments for assets that have not been held on a market value basis minus the value of intangible assets.
Adjusted Net UFSG	Net UFSG excluding one-off opening adjustments (including non-economic assumption change) and expense variances.
AI	Artificial intelligence.
ALMCO	The Group's Asset and Liability Management Committee.
Annualised Premium Equivalent ("APE")	The sum of 10 per cent of single premiums and 100 per cent of annualised first year premiums for all new policies, before reinsurance ceded. Consistent with customary industry practice, a factor of 10 per cent is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. APE provides an indicative volume measure of new policies issued in the relevant period. For takaful business, APE refers to annualised contribution equivalent.
API	Application programming interface.
Bancassurance	The distribution of insurance products through banks or other financial institutions.
Board or Board of Directors	The board of directors of our Company.
bolttech Holdings	bolttech Holdings Limited, a company incorporated under the laws of the Cayman Islands.
Carbon footprint of a company	A measurement of the amount of greenhouse gas produced directly and indirectly by the activities of a company.
Cede	The transfer of all or part of a risk written by an insurer to a reinsurer.
CEO	Chief executive officer.
China, Mainland China or the PRC	The People's Republic of China, excluding, for the purpose of this document only, Hong Kong, Macau and Taiwan, unless otherwise specified; the term "Chinese" has a correlative meaning.
CISO	Chief Information Security Officer.
Claim	An occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage.
COLI	Corporate-owned life insurance.
Commission	A fee paid to a distribution partner by an insurance company for services rendered in connection with the sale or maintenance of an insurance product.

Companies Ordinance	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time.
Company	FWD Group Holdings Limited 富衛集團有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability on 18 March 2013.
Constant Exchange Rate ("CER")	Constant exchange rate used for the calculation of growth and is based on average exchange rates of relevant periods, other than for balance sheet items where growth as at the end of the current year over the end of the prior year is based on end of period exchange rates.
Contract boundary	The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. For details, please refer to note 2.3.1.
Contractual service margin ("CSM")	A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group. For details, please refer to note 2.3.1.
Conversion rate	The percentage of quoted leads that convert into successful sales.
Coverage unit	The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined considering for each contract the quantity of benefits provided and its expected coverage period. Determination of coverage unit is further elaborated in note 2.3.1.
Customer	Anyone who owns or receives value from insurance products and services. Customers are categorised as either individual customers or group scheme customers.
D2C	Direct-to-customer.
DIHC	Designated insurance holding company.
Digital purchase percentage	The percentage of new business application submitted digitally.
Director(s)	The director(s) of our Company.
Embedded Value ("EV")	An actuarial method of measuring the consolidated value of shareholders' interests in the existing business of an insurance company. Represents an estimate of the economic value of its life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to any future new business.
Embedded Value Equity ("EV Equity")	The equity attributable to shareholders on an actuarial basis, reflecting the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders. It is presented on a net-of-financing basis. Financing for this purpose includes debt held by us and comprises borrowings and perpetual securities.

Embedded value operating profit ("EV Operating Profit")	The change in EV over the relevant period, adjusted for movements relating to acquisitions, partnerships and discontinued businesses, economic variance, economic assumption charge, non-operating variance, capital movements, corporate adjustments, financing and foreign exchange movement. It comprises expected returns on EV, VNB, operating variance, and the impact of operating assumption changes. The results have been presented before allowing for operating expense and commission variance as these are considered as short term variances as Business Units are still in their growth phase and have not achieved economies of scale.
Emerging Markets	Refers to our operations in the Philippines, Indonesia, Singapore, Vietnam and Malaysia.
ERM	Enterprise risk management framework.
ESG	Environmental, Social and Governance.
Exclusive bancassurance partnerships or exclusive bancassurance arrangements	Our exclusive bancassurance partnerships in-market generally require bancassurance partners to distribute our products on either an exclusive or preferred basis to their customers across networks and jurisdictions specified under their contracts and subject to applicable laws and regulations. Exclusive bancassurance arrangements commonly include termination rights which may be triggered if specific, pre-defined conditions are met, for example upon material breaches by either party, in the event a party becomes a competitor, upon a change of control or in the event of force majeure; in addition, in limited cases exclusivity also applies to us over the partnership term.
Expected credit losses ("ECL")	The weighted average of credit losses with the respective risks of a default occurring as the weights.
Expense ratio	Operating expenses expressed as a percentage of TWPI for the relevant period.
Fair value through other comprehensive income ("FVOCI")	For financial assets and liabilities measured at fair value through other comprehensive income, some changes in fair value are recognised in other comprehensive income. For details, please refer to note 17.
Fair value through profit or loss ("FVTPL")	For financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result. For details, please refer to note 17.
FGL	FWD Group Limited, an exempted company incorporated under the laws of the Cayman Islands and registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance and a subsidiary of our Company.
Financial investments	Equity and fixed income securities plus receivables and derivative financial instruments classified as assets, excluding cash and cash equivalents.
First year premiums	Premiums received in the first year of a recurring premium policy. As such they provide an indication of the volume of new policies sold.
FL	FWD Limited, an exempted company incorporated under the laws of the Cayman Islands and registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance and a subsidiary of our Company.
Free Surplus	Excess of adjusted net worth, i.e. adjusted statutory net asset value attributable to shareholders, over the required capital.
Fulfilment cash flows	An explicit, unbiased and probability-weighted estimate (i.e. expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the Group fulfils insurance contracts, including a risk adjustment for non-financial risk.

FWD Cambodia	FWD Life Insurance (Cambodia) Plc., a company incorporated under the laws of Cambodia and a subsidiary of our Company.
FWD Financial Services	FWD Financial Services Pte. Ltd., a company incorporated under the laws of Singapore and a subsidiary of our Company.
FWD Group Management	FWD Group Management Holdings Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company.
FWD Life Japan	FWD Life Insurance Company, Limited (formerly known as FWD Fuji Life Insurance Company, Limited), a company incorporated under the laws of Japan and a subsidiary of our Company.
FWD Management Holdings	FWD Management Holdings Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company.
FWD Pension Trust	FWD Pension Trust Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company.
FWD Philippines	FWD Life Insurance Corporation, a company incorporated under the laws of the Philippines and a subsidiary of our Company.
FWD Reinsurance ("FWD Re")	FWD Reinsurance SPC, Ltd., an exempted company incorporated under the laws of the Cayman Islands and a subsidiary of our Company.
FWD or the Group or FWD Group or company	FWD Group Holdings Limited and its subsidiaries.
GHG	Greenhouse gas.
GHG Protocol	Greenhouse Gas Protocol.
GMCR	Group minimum capital requirement.
GPCR	Group prescribed capital requirement.
Group Embedded Value ("Group EV")	The consolidated EV of our Group and is presented on a net-of-financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.
Group LCSM tier 1 cover ratio (MCR basis)	Group LCSM tier 1 cover ratio (MCR basis) is the 'tier 1 Group capital coverage ratio', as as defined in D.S/10.1 of Guideline on Group Supervision (GL32), which is the ratio of our Group available capital to our GMCR.
Group LCSM cover ratio (PCR basis)	Group LCSM cover ratio (PCR basis) is the 'eligible Group capital resources coverage ratio', as defined in D.S/10.1 of Guideline on Group Supervision (GL32), which is the ratio of our Group available capital to our GPCR.
Group Office	FWD Group Financial Services Pte. Ltd, FWD Group Management and Valdimir Pte. Ltd.
GWP	Gross written premiums calculated based on applicable guidelines promulgated by the relevant insurance authorities.
GWS	Group-wide supervision framework introduced by the HKIA, which came into effect on March 29, 2021.
High net worth ("HNW")	Individuals who have investable assets of US$1 million or more.
HKEx	The Stock Exchange of Hong Kong Limited.

HKIA	Hong Kong Insurance Authority, the primary regulator of the insurance industry in Hong Kong.
HK RBC	Hong Kong Risk-Based Capital.
HKT	HKT Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and registered as a non-Hong Kong company in Hong Kong, and having its share stapled units jointly issued with the HKT Trust listed on the Main Board of the Stock Exchange (HKEX: 6823).
Hong Kong	The Hong Kong Special Administrative Region (SAR) of the PRC; in the context of our reportable market segments, Hong Kong includes Macau SAR.
IAIG	Internationally active insurance group.
IEA	International Energy Agency.
IFA	Independent financial adviser.
IFRS	International Financial Reporting Standards.
In-force customers, in-force agents, in-force products or in-force policies	Customers, agents or products with respect to an insurance policy or contract reflected on records that has not expired, matured or otherwise been surrendered or terminated, or such policies or contracts themselves.
Insurance acquisition cash flows	Cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.
Insurance contract services	The following services that the Group provides to a policyholder of an insurance contract: • coverage for an insured event (insurance coverage); • for insurance contracts without direct participation features, the generation of an investment return for the policyholder, if applicable (investment-return service); and • for insurance contracts with direct participation features, the management of underlying items on behalf of the policyholder (investment-related service).
Insurance finance reserve	Insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income.
Insurance revenue	Insurance revenue arising from insurance contracts and exclude any investment components. For details, please refer to note 2.3.1.
Insurance service expenses	Insurance service expenses arising from insurance contracts and exclude any investment components. For details, please refer to note 2.3.1.
Insurance service result	Insurance service result comprises insurance revenue, insurance service expenses and net expenses from reinsurance contracts held.
Investment component	Amount that an insurance contract requires the Group to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Generally, for relevant contracts, surrender value would be determined as an investment component.
Investment experience	Realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss.

IPCC	Intergovernmental Panel on Climate Change.
LCSM	Local capital summation method.
LCSM cover ratios	LCSM cover ratio (MCR basis) is the ratio of our group available capital to our GMCR. LCSM cover ratio (PCR basis) is the ratio of our group available capital to our GPCR.
Leverage ratio	Debt divided by the sum of debt and comprehensive equity, which is adjusted total equity attributable to shareholders of the Company including non-controlling interest, plus net CSM as of the end of the applicable period.
Liability for incurred claims ("LIC")	The Group's obligation to: (a) investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and (b) pay amounts that are not included in (a) and that relate to: (i) insurance contract services that have already been provided; or (ii) any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the liability for remaining coverage.
Liability for remaining coverage ("LRC")	The Group's obligation to: (a) investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred (i.e. the obligation that relates to the unexpired portion of the insurance coverage); and (b) pay amounts under existing insurance contracts that are not included in (a) and that relate to: (i) insurance contract services not yet provided (i.e. the obligations that relate to future provision of insurance contract services); or (ii) any investment components or other amounts that are not related to the provision of insurance contract services and that have not been transferred to the liability for incurred claims.
Loss component	Loss component for onerous contracts. For details, please refer to note 2.3.1.
Macau	The Macau Special Administrative Region of the PRC.
MCV	Mainland Chinese visitor.
MDRT	Million Dollar Round Table, a global professional trade association that recognises significant sales achievements while working to develop professional and ethical sales practices.
Millennials	Defined as those aged under 40.
Morbidity or morbidity rate	Incidence rates and period of disability, varying by such parameters as age, gender and period since disability, used in pricing and computing liabilities for accident and health insurance.
Mortality or mortality rate	Rate of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for life and annuity products, which contain mortality risks.
Mr. Huynh	Mr. Huynh Thanh Phong.
Mr. Li	Mr. Li Tzar Kai, Richard.
na	Not available.

Net investment result	Comprises investment return, net finance income or expenses from insurance contracts and reinsurance contracts held, movement in investment contract liabilities and movement in third-party interests in consolidated investment funds.
Net Zero	Reducing greenhouse gas emissions to as close to zero as possible and then using carbon removal or sequestration technologies to net out the remainder of the emissions.
New business margin	New business margin is defined as value of new business (VNB) expressed as a percentage of new business sales (APE) for the relevant period.
New business sales	New business sales volumes defined as Annual Premium Equivalent (APE) sales.
NGFS	Network for Greening the Financial System.
NIST	National Institute of Standards and Technology.
NPS	Net promoter score.
Net Underlying Free Surplus Generation ("Net UFSG")	Underlying free surplus generation, allowing for the free surplus used to fund new business. It excludes investment return variances and other items such as the impact of acquisitions, new partnerships and discontinued businesses, capital movements and impact of financing.
O2O	Collectively, online-to-online, online-to-offline and offline-to-online.
Offshore	(1) with respect to our Hong Kong business, an offshore policy is any policy where the policyholder does not have or disclose a Hong Kong identity card number and an offshore customer is any customer who does not have or disclose a Hong Kong identity card; and (2) with respect to our Macau business, an offshore policy is any policy where the policyholder is not a resident of Macau and an offshore customer is any customer who is not a resident of Macau.
OHI	Organisational Health Index.
Onshore	(1) with respect to our Hong Kong business, an onshore policy is any policy where the policyholder has a Hong Kong identity card and an onshore customer is any customer who has a Hong Kong identity card, and (2) with respect to our Macau business, any policy where the policyholder is a resident of Macau and an onshore customer is any customer who is a resident of Macau.
Operating Embedded Value ("Operating EV")	Consolidated EV of operating entities.
ORSA	Own Risk and Solvency Assessment.
Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change. It was adopted in 2015 and aims to limit the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.
Participating funds	Distinct portfolios where the policyholders have a contractual right to receive at the discretion of the insurer additional benefits based on factors such as the performance of the pool of assets held within the fund, as a supplement to any guaranteed benefits. The insurer may either have discretion as to the timing of the allocation of those benefits to participating policyholders or as to the timing and the amount of the additional benefits.
Participating products or participating business	Contracts of insurance where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as investment performance, as a supplement to any guaranteed benefits.

PCCW	PCCW Limited, a company incorporated under the laws of the Hong Kong whose shares are listed on the HKEX (HKEX: 0008).
PCG	Pacific Century Group, an Asia-based private investment group ultimately wholly-owned by Mr. Li.
PCGI	PCGI Limited.
PCGI Holdings	PCGI Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands and directly wholly-owned by Mr. Li.
PCGI Intermediate	PCGI Intermediate Limited, an exempted company incorporated under the laws of the Cayman Islands and directly wholly-owned by PCGI Holdings and indirectly wholly owned by Mr. Li.
PCGI Intermediate II Holdings	PCGI Intermediate Holdings (II) Limited, an exempted company incorporated under the laws of the Cayman Islands and directly wholly-owned by PCGI Holdings and indirectly wholly-owned by Mr. Li.
Physical climate risks	Risks related to the physical impacts of climate change, which can be driven by events such as floods and typhoons (acute risks) or longer-term shifts in climate patterns such as sea level rise and changes in rainfall patterns (chronic risks).
PineBridge	PineBridge Investments Limited, an exempted company incorporated under the laws of the Cayman Islands and a member of PCG and which has been appointed by the Group to act as investment manager for the Group's credit fixed income portfolio.
Policyholder and shareholder investments	Investments other than those held to back unit-linked contracts as well as assets from consolidated investment funds.
Portfolio of insurance contracts	Insurance contracts subject to similar risks and managed together.
Premium allocation approach ("PAA")	Simplified measurement of insurance contracts where the coverage period of each contract in the group of contracts is one year or less; or the Group reasonably expects that the resulting measurement of the liabilities for remaining coverage would not differ materially from the result of applying the accounting policies of contracts not measured under PAA.
PRI	Principles for Responsible Investment.
Protection ratio	The protection ratio of each product is calculated by dividing the present value of mortality and morbidity benefits expected to be paid on account of the product by the present value of all customer benefits expected to be paid on account of the product.
Protection VNB	The aggregated protection VNB at product level, which is determined by protection ratio multiplied by VNB.
PVNBP	Present value of new business premiums. It is the present value of projected new business premium discounted at a pre-determined risk discount rate.
RBC or Risk-based capital	A method of measuring the minimum amount of capital appropriate for an insurance entity to support its overall business operations in consideration of its size and risk profile.
Reinsurance	The practice whereby a reinsurer, in consideration of a premium paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued.

Renewal premiums	Premiums receivable in subsequent years of a multi-year insurance policy.
Reorganisation	The restructuring steps undertaken by our Group as set out in the paragraph headed "History, Reorganisation and Corporate Structure – Reorganisation" in the Form A1 Main Board listing application with HKEx filed on 3 April 2023.
Reserves	Liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurers.
Riders	A supplemental plan that can be attached to a base insurance policy, typically with payment of additional premium. Unless otherwise stated, riders include unit-deducting riders for which no premiums are received. The insurance coverage of unit-deducting riders is funded by deduction of units from account balances of underlying unit-linked and universal life contracts.
SAA	Strategic Asset Allocation.
SASB	Sustainability Accounting Standard Board.
SCB	The Siam Commercial Bank Public Company Limited.
SCB Life	SCB Life Assurance Public Company Limited.
SDG	United Nations Sustainable Development Goals.
Segmental adjusted operating profit before tax	Segmental adjusted operating profit before tax, a non-IFRS measure, consists of profit/(loss) from continuing operations after tax adjusted to exclude (i) net loss of the Company and its financing subsidiaries, PCGI Intermediate Limited and PCGI Intermediate Holdings (II) Limited, assuming the Reorganisation was completed as of 1 January 2020 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management, (ii) tax, (iii) short-term fluctuations in investment return related to equities and property investments and other non-operating investment return, (iv) finance costs related to borrowings and long-term payables, (v) amortisation of VOBA, (vi) mergers and acquisitions, business set-up and restructuring-related costs, (vii) IPO-related costs, including incentive costs, (viii) implementation costs for IFRS 9 and 17 and GWS, and (ix) any other non-operating items which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance.
Share Split	The share sub-division effected on 20 August 2021 whereby each of the then-authorised ordinary shares of our company, par value US$1.00 each, was divided into 100 ordinary shares, par value US$0.01 each.
Single premiums	Single premium policies of insurance are those that require only a single lump sum payment from the policyholder.
Solvency	The ability of an insurance company to satisfy its policyholder benefits and claims obligations.
STP	Straight-through processing.
Surrender	The termination of a life insurance policy or annuity contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract.
Swiss Re	Swiss Reinsurance Company Ltd, an intermediate parent company of Swiss Re PICA.
Swiss Re Group	Swiss Re Ltd and its subsidiaries.

Takaful	Insurance that is compliant with Islamic principles.
TCFD	Task Force on Climate-Related Finance Disclosures.
Tied agent	A sales representative who sells the products of one company exclusively.
Total weighted premium income (“TWPI”)	Total weighted premium income consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums; it provides an indication of total premiums and the new business premiums that we have generated in the reporting period and that have the potential to generate profits for the holders of the Company's ordinary shares.
Transition climate risks	Risks related to the transition to a lower-carbon economy, which may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.
US$, U.S. dollars, US dollar(s) or USD	US dollars, the lawful currency of the United States of America.
U.S. or United States	the United States of America, its territories and possessions, any state of the United States and the District of Columbia.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.
UNGC	Global Compact of the United Nations.
Value of Business Acquired (“VOBA”)	VOBA in respect of a portfolio of long-term insurance and investment contracts acquired is recognised as an asset, calculated by discounting all future cash flows expected to be realised from the portfolio. VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The carrying value of VOBA is reviewed at least annually for impairment and any impairment is charged to the consolidated income statement.
Value of New Business (“VNB”)	Present value, measured at point of sale, of future net-of-tax profits on a local statutory basis less the corresponding cost of capital. VNB is calculated quarterly, based on assumptions applicable at the start of each quarter.
Variable fee approach (“VFA”)	The VFA modifies the general measurement model in IFRS 17 to reflect the nature of the income to the insurer is a variable fee.
New business margin	VNB expressed as a percentage of APE for the relevant period.

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