

FWD Group Holdings Limited

Annual Report

**Press
Play**
on 2022



Ready to Press Play





Overview

2

About FWD
2022 highlights
Chairman's statement
Chief Executive Officer's report

Financial and Operating Review

13

Strategy and business model
Our people
Operational highlights – geographical markets
Chief Financial Officer's report
Environmental, social and governance
Risk management

Corporate Governance

106

Group Board of Directors
Group Executive Team
Corporate governance report
Group Board evaluation
Group Compensation Committee
Directors' report

Financial Statements

149

Independent auditor's report
Consolidated income statement
Consolidated statement of comprehensive income
Consolidated statement of financial position
Consolidated statement of changes in equity
Consolidated statement of cash flows
Notes to the consolidated financial statements and significant accounting policies
Independent report on the review of supplementary embedded value information
Supplementary embedded value Information

Additional Information

324

ESG Index
Corporate information
Glossary

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 approximately 8 million policyholders and participating members 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 Asia¹

FWD operates in
10 markets

22
bancassurance
partnerships

9
of which exclusive
with over
4,000
bank branches

8 million
policyholders and
participating members

More than
60%
of new individual policyholders
are millennial

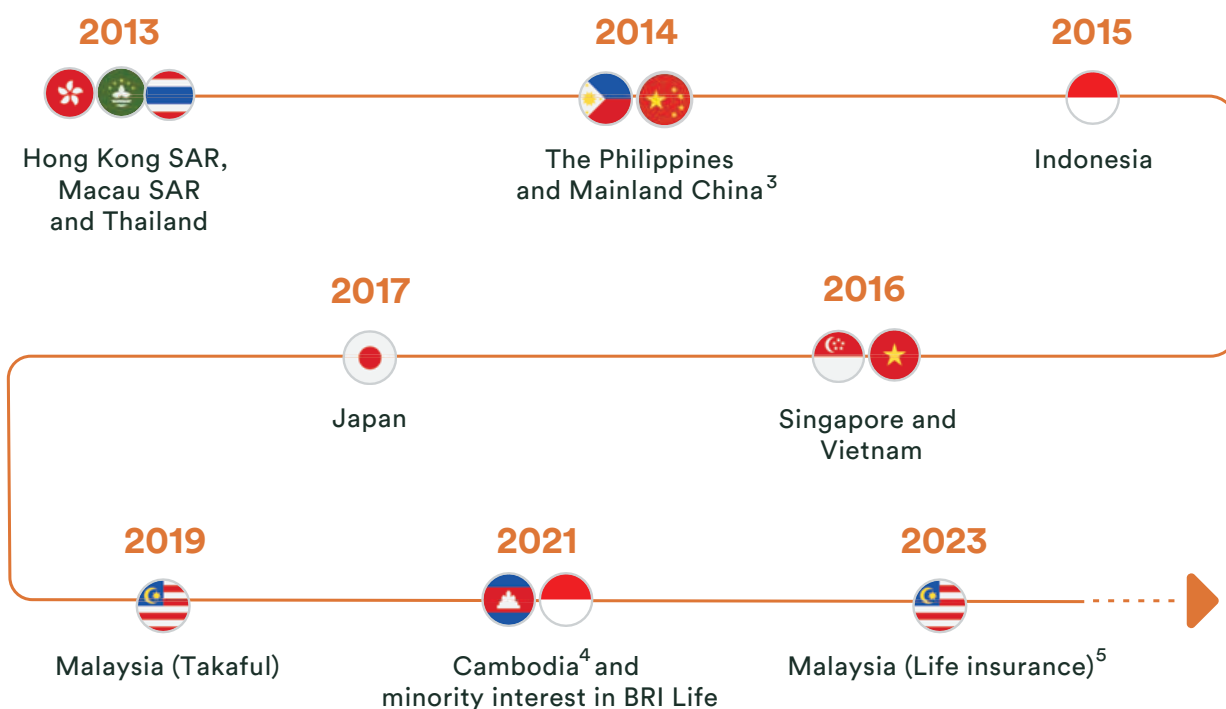
7,017
employees

Top 6
MDRT²

global ranking for
multinational insurers

48,400
contracted
agents

Our history...10 years young in 2023



Notes:

1. Approximate as at 31 December 2022.
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. Representation Office in Shanghai.
4. Launched operations in Cambodia in 2021.
5. FWD Group will enter the Malaysian life insurance market following the signing of an agreement to invest in a majority stake in Gibraltar BSN Life Berhad. The transaction is expected to close in the second quarter of 2023.

Our values



Committed

Succeed together



Innovative

Dare to be different



Proactive

Perform with passion



Open

Do the right thing



Caring

Everyone matters

2022 highlights

Growth & value creation

New business sales^{1,2}

US\$1,408m

(2021: US\$1,446m)

↑ 4%

Value of new business¹

US\$823m

(2021: US\$686m)

↑ 29%

New business margin

58.5%

(2021: 47.4%)

↑ 11.4pps

Embedded value equity¹

US\$9.3bn

(2021: US\$9.1bn)

↑ 9%

Operating return on embedded value

18.2%

(2021: 18.7%)

↓ (1.0)pps

Profitability & scale

Operating profit before tax¹

US\$334m

(2021: US\$205m)

↑ 83%

Total premiums^{1,2}

US\$6.3bn

(2021: US\$6.9bn)

↓ 0%

Expense ratio

14.9%

(2021: 14.4%)

↑ 0.2pps

Protection ratio

50.9%

(2021: 51.7%)

↓ (0.5)pps

Total assets

US\$58.9bn

(2021: US\$63.7bn)

↓ (7)%

Capital

Group wide solvency ratio

288%

(Group LCSM cover ratio – Prescribed Capital Requirement basis)

Leverage ratio

34.6%

(2021: 34.1%)

↑ 0.5pps

Percentage fixed income investment portfolio investment grade

94%

Non-financial metrics

Number of policyholders and participating members³

8.0m

(2021: 7.6m)

↑ 4%

Millennials as a % of new individual policyholders

60%

(2021: 62%)

↓ (2)pps

Digital purchase %

78%

(2021: 66%)

↑ 12pps

Claims paid in 3 days

57%

(2021: 55m)

↑ 2pps

Claims NPS score

48

(2021: 48)

flat

eSubmission⁴

100%

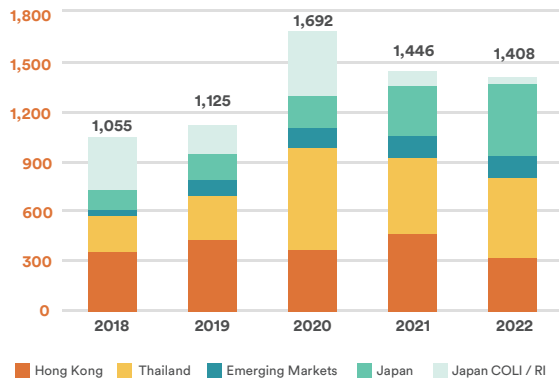
Notes:

- Financial metrics presented growth rate is on a constant exchange rate basis except total assets, solvency ratio and leverage ratio.
- 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.
- Approximate as at 31 December 2022.
- eSubmission relates to electronic submission. 100 per cent eSubmission refers to the Philippines, Indonesia, Vietnam, Singapore and Malaysia.

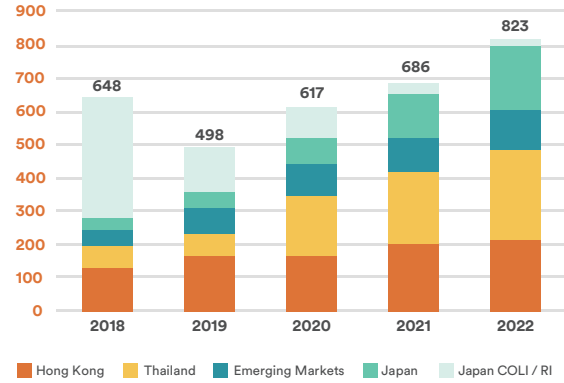
Results at a glance

Figures in US\$m

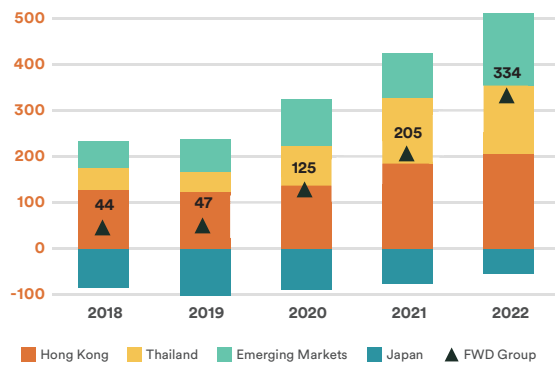
New business sales



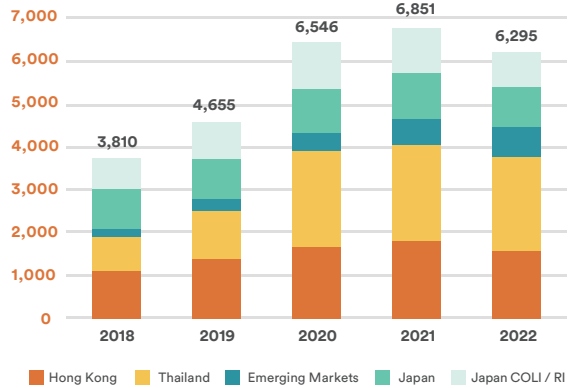
Value of new business



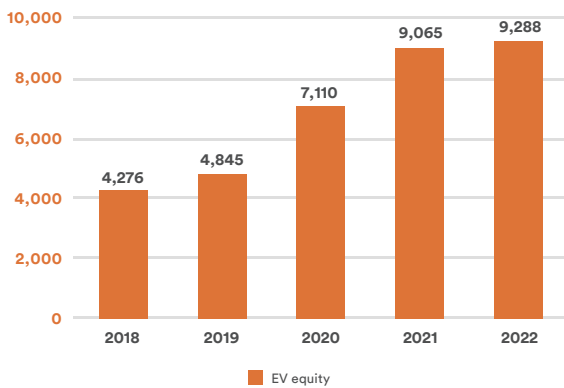
Operating profit before tax



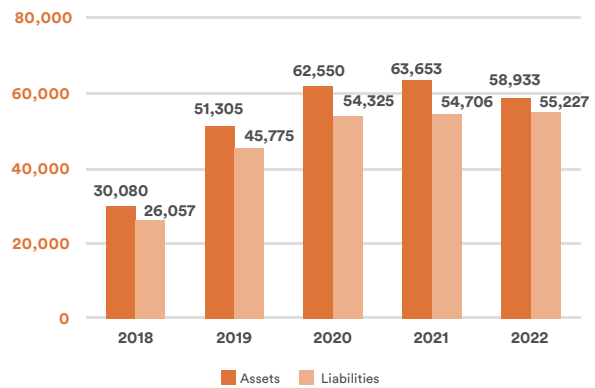
Total premiums



Embedded value equity



Total assets & liabilities



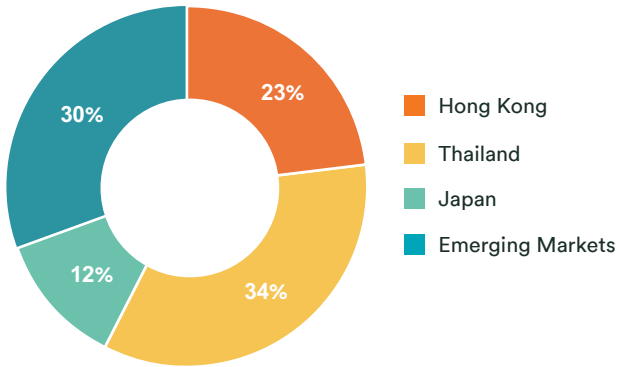
Notes:

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

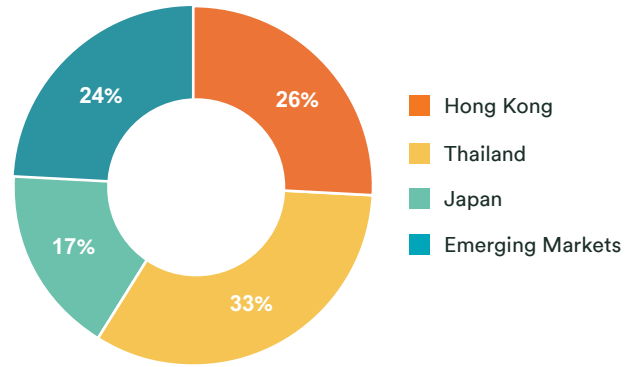
Diversified geographic mix and distribution channels

2022 by market and distribution channel

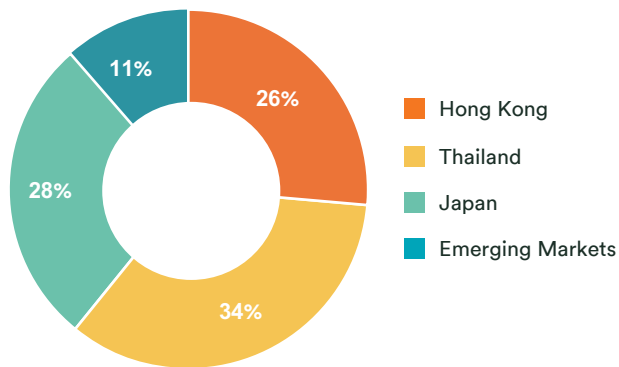
New business sales by segment



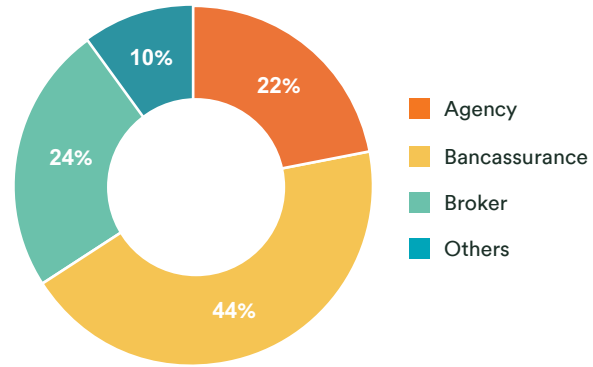
Value of new business by segment



Total premiums by segment



Value of new business by distribution channel



Chairman's statement



Professor Frederick S. Ma

Chairman of the Board, FWD Group

“ We have built a fast-growing insurance company that aims to make protection easy, accessible, and affordable for millions across Asia. ”

Dear Shareholders and Bondholders,

Looking back at 2022, FWD Group continued to show its resilience and its ability to generate strong organic growth, despite the challenges presented by the pandemic and macro-economic volatility. This is in large part thanks to our 7,017 employees who – alongside our agents, distributors and partners – are doing incredible work for our customers and communities.

FWD is focused on making the insurance journey simpler, faster and smoother with a customer-led approach and easy-to-understand products – all supported by digital technology. Our pan-Asian life insurance business was established in 2013 in Hong Kong SAR, Macau SAR and Thailand. Over the last decade, we expanded into new markets – Indonesia, the Philippines, Singapore, Vietnam, Japan, Malaysia and Cambodia. Today, FWD Group spans 10 markets across the region, including some of the fastest-growing insurance markets in the world.

A big part of changing the way people feel about insurance – the company's enduring vision – demands continued progress on FWD's wider community and environmental, social and governance (“ESG”) initiatives. Our first-ever ESG disclosures have been published in this fully-integrated report, following the release of our inaugural ESG strategy in 2021.

During 2022, we continued our Community Care programmes that strive for greater inclusion for people in areas such as financial literacy. This included the introduction of a new initiative, called JA SparktheDream, developed by Junior Achievement together with FWD. The program was successfully piloted with young students in Hong Kong and Singapore. In addition to acquainting students with essential financial literacy skills and concepts, it also encouraged engagement with parents and peers to imagine how they can apply this knowledge for social good. In 2023, we will expand the program to even more of the markets we operate in across Asia.

Regulatory developments

On the regulatory front, the Company also continued to adapt to an evolving environment, with its second year operating under the Hong Kong Insurance Authority's (“HKIA”) Group Wide Supervision (“GWS”) framework, which was first introduced in 2021. Over the last few years, FWD has actively prepared for, and supported, the development of the GWS framework, which aligns Hong Kong's insurance regulatory regime with international standards and practices.

Most recently, in January 2023, FWD Group was also identified as an Internationally Active Insurance Group (“IAIG”), one of only three companies for which the HKIA is the group supervisor. The IAIG identification is aligned with our GWS designation, both of which we welcome as a reflection of our scale, size and importance in the industry.

Strong organic growth

Strong financial results, while navigating a complex operating environment, were again a feature for FWD in 2022. Overall, our results reflect the benefits of the scale we are developing across different markets with strong growth in new business sales of 4 per cent to US\$1,408 million compared with 2021. The value of new business was up 29 per cent to US\$823m and our new business margin improved by 11 percentage points to 58.5 per cent. Operating profitability accelerated to US\$334 million on an adjusted pre-tax basis.

Our corporate strategy aims to maintain this strong momentum. Our focus is primarily on organic growth with our customer-led approach to acquisition, engagement and experience, while boosting operating leverage through continued investment in digitalisation. That said, we will of course selectively consider any value-enhancing expansion opportunities that may arise in the future.

Corporate governance

Effective corporate governance enables FWD Group to achieve its strategic objectives in accordance with its risk philosophy and risk appetite. The FWD Group Board plays a key role to enhance all areas of our Group strategy, including good governance. In 2022, a professional external consultant was engaged to support our first formal Group Board effectiveness review. The overall assessment indicates that the Group Board was generally effective during the review period ending early 2022.

Acknowledgments and appreciation

I would like to take this opportunity to give my utmost thanks to our former Chairman, The Hon. Ronald Arculli GBM, CVO, GBS, OBE, JP, for his outstanding leadership, service and passion. I've had the privilege of working alongside Ron for almost nine years and I'm honoured to succeed him as Chairman. Under Ron's stewardship, and with one of the most dynamic management teams in the industry, we have built a fast-growing insurance company. One that aims to make protection easy, accessible, and affordable for millions of people across Asia.

I would also like to thank Guido Fürer, who resigned from the Group Board in December 2022, for his service as Non-Executive Director on FWD Boards since 2018. I wish Guido the very best for his upcoming retirement from Swiss Re Group, after a long and successful career. Finally, we welcomed Sun Po Yuen to the Group Board as Non-Executive Director in October 2022 and John Dacey as Non-Executive Director in December 2022.

Outlook

Looking ahead, we remain optimistic about the future despite the shared challenges that macroeconomic and geopolitical uncertainty presents to governments, businesses, and communities around the world. We have already brought our vision to approximately 8 million policyholders and participating members. And as FWD Group prepares to mark its 10th anniversary year in 2023, we are more excited than ever about the long-term outlook for the insurance sector in the Asia region.

With best wishes for the year ahead,



Professor Ma Si-Hang, Frederick GBS, JP

Chairman of the Board, **FWD Group**

28 February 2023

Chief Executive Officer's report



Huynh Thanh Phong

Group Chief Executive Officer

“ We continue to execute on FWD Group’s proven strategy to capture Asia’s underserved life insurance market. ”

Dear shareholders and bondholders

Let me begin by acknowledging the extraordinary contribution to FWD Group from our former Chairman, The Hon. Ronald Arculli GBM, CVO, GBS, OBE, JP, who retired from the Group Board in 2022. Ron’s tireless dedication and commitment, alongside the counsel and guidance he provided, was instrumental to the growth of FWD Group and helped shape our strategic direction.

I look forward to working even more closely with Professor Frederick Ma GBS, JP, Chairman of the Board, as we continue to execute our strategy to capture Asia’s underserved life insurance market. Fred has deep and valuable strategic insights across the full breadth and complexity of business environments. In addition to deep knowledge of FWD Group, having served on the Group Board since 2013 as an Independent Non-Executive Director and more recently as Deputy Chairman, Fred brings a wealth of public company experience and a proven public sector track record.

Strategic focus

Our company now touches the lives of approximately 8 million policyholders and participating members across 10 markets in Asia, enabling us to record US\$6.3 billion in total premiums in 2022. As we approach our 10-year anniversary, the purpose of our company is as relevant today as it was when we began the FWD journey in 2013. We started with a vision of changing the way people feel about insurance by putting customers at the centre of everything we do. Since then, we’ve built a company that aims to make insurance easy for 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.

Our strategic pillars span five key areas: simple-to-understand products and propositions; seamless experiences for customers and partners who demand a modern feel; quality distribution working with future-ready distribution partners; leadership in emerging channels, meeting customers where they want to interact; and a flexible organisation, driving disciplined execution. We’ve made continued progress in each of these areas during 2022, which are reflected in our financial results.

2022 financial results

FWD posted strong 2022 financial results despite the continued COVID-19 headwinds, thanks to the trust our customers place in us, the unwavering commitment of 7,017 employees as well as our incredible bancassurance partners, distributors and agents across the region.

Value of new business (“VNB”) was up 29 per cent to US\$823 million and our new business margin improved by 11.4 percentage points to 58.5 per cent. The benefits of increased scale are starting to be realised, with total weighted premium income of US\$6.3 billion. Operating profitability accelerated, increasing 83 per cent to US\$334 million on a pre-tax basis.

One clear trend to emerge from the pandemic is increased customer awareness – and demand – for health and protection products. This is reflected in our protection VNB growth of 28 per cent to US\$419 million. Protection now accounts for 50.9 per cent of our total VNB.

The Company also further strengthened its financial foundations, with our group-wide solvency ratio¹ at 288 per cent at the end of 2022.

Environmental, social & governance (ESG)

2022 is our first year to provide disclosure on the progress being made in our ESG journey. This follows the introduction of our first-ever Group ESG strategy in 2021, which identified six structural trends that we believe are material to the future of both our business and our many stakeholders.

These include: governance and risk management; trust; talent; closing the protection gap; sustainable investment; and climate change resilience. While we know there is far more work to be done in each of these areas, 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.

Outlook

As FWD Group enters its 10th anniversary year in 2023, we’re more excited than ever about the future. We recently announced our entry into the Malaysian life insurance market, with the signing of an agreement to invest in a majority stake in Gibraltar BSN Life Berhad. This means we will be able to create a full-service offering in Malaysia, with both family takaful and life insurance solutions, in a rapidly growing market with huge long-term potential for growth. This development also substantially completes our footprint across key Southeast Asia markets.

Across many parts of Asia, we’re seeing a post-pandemic period emerging that’s full of energy, opportunity and optimism. Of course, there will be challenges to overcome. However, overall, the trends that we see driving the industry in the region over the longer term still hold, despite the global macroeconomic headwinds, notably: growing Asian economies, fast-emerging middle-class populations, continued wealth creation, increased demand for insurance products and services and an acceleration of digital adoption and transactions, particularly in the wake of the pandemic.

We believe we are just scratching the surface of what FWD can deliver by changing the way people feel about insurance. We’re confident that our products, which are tailored to the region’s rising middle classes and tech-savvy people, will continue to play a role in addressing Asia’s significantly underserved life insurance market.

On behalf of FWD, thank you to all of our stakeholders for your continued support as we strive to give our customers and communities the freedom to celebrate living.



Huynh Thanh Phong OBE
Group Chief Executive Officer
28 February 2023

Note:

1. Prescribed Capital Requirement (“PCR”) Basis.

Financial and Operating review



Strategy and business model

Changing the way people feel about insurance

We are a fast-growing Pan-Asian life insurer with a customer-led and digitally-enabled model.

Our vision is changing the way people feel about insurance. We put customers at the heart of everything we do. To maximise customer touch points, we adopted a multi-channel distribution model, to enhance, extend and empower our distribution, effectively serving diverse customer needs and meeting customers wherever, whenever, and however they choose.

By investing in robust technology capabilities, digital infrastructure and data analytics, as well as expanding partnership and referral opportunities, we have been able to quickly capture market opportunities and stay ahead of the industry average in terms of certain key performance indicators in the markets in which we operate. We have built our leadership team and culture to align with this vision.

Our distribution channels include bancassurance, agency, broker and others. To serve sophisticated, affluent and mass affluent customers who value personalised interactions, we have also built a neo-insurance model to effectively reach tech-savvy and young-at-heart customers through our Direct to Customer (“D2C”) eCommerce platform, our bank partners’ digital channels and ecosystem partners’ platforms supported by application programming interface (“API”) integration and O2O¹ referral programmes.

We have grown from three markets at inception to 10 markets today, including Hong Kong, Macau, Thailand, Japan, Vietnam, the Philippines, Indonesia, Singapore, Malaysia and Cambodia. This provides us potential access to some of the fastest growing insurance markets in the world with expanding but underinsured populations.

Note:

1. O2O collectively refers to online-to-online, online-to-offline and offline-to-online.

Our Southeast Asia markets (comprising Thailand, Vietnam, the Philippines, Indonesia, Singapore, Malaysia and Cambodia), contributed over 50 per cent of our value of new business in 2022.



Our key differentiators

Customer-led

Neo-insurance model

Easy-to-understand

Relevant propositions

Our strategy

Our customers come first in everything we do

Our philosophy

Our vision is changing the way people feel about insurance. We are committed to understand and solve pain points in insurance and challenge the traditional business model and tap into this insurance 'white space'. We want to allow our customers to celebrate living without worrying about uncovered exclusions.

We aim to make insurance easy by tackling the pain points in the customer journey. We believe we offer new, simple and relevant product propositions in response to evolving and distinctive customer needs and have designed our products, purchasing experience, claims process, customer engagement and branding with five guiding principles in mind.

Easy to know:



We believe 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 and innovative. 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.

As of 31 December 2022, we had approximately 8 million policyholders and participating members. Our customer-led strategy is focused on developing lifetime partnerships with our customers who include millennials and those who are tech-savvy and young-at-heart. We believe that these customers, especially underserved millennials with significant lifetime value, are drawn to our relevant propositions and elite, tech-savvy distribution force. We are gaining meaningful traction within the millennial segment, which constituted 60 per cent of our organic new individual policyholders in 2022.

Customer-led culture: We empower all our employees to embrace our vision of changing the way people feel about insurance. We champion this through the use of a global Customer Experience Excellence Index survey that informs our employees of our strengths and opportunities. We have also integrated an approach to equipping our teams across our brand with customer journey thinking. We have embraced an outside-in approach to getting customer journeys defined and understood and use this insight to drive future best-in-class experiences that continue to evolve with our customers.

Seamless customer journey: We are committed and have implemented compelling customer-led propositions across the customer journey and provide a seamless customer experience through digital journeys. We apply technology with channel management to deliver the one thing that is sought after by every consumer: To engage and offer superior services in answer to their preference.

Dynamic pan-Asian insurance market offers substantial growth opportunities

We have built a Pan-Asian presence with success driven by our ability to adapt to evolving market trends and customer needs. According to NMG, overall gross written premiums in Asia are forecasted to grow 1.9 times from 2020 to 2030, offering significant market opportunities ahead.

We believe that structural demographic and macroeconomic factors, including middle class expansion, ongoing wealth accumulation, a significant protection gap, which is the estimated additional life insurance premiums needed annually to fully meet mortality and health protection needs, as well as digital acceleration, are key drivers for the growth of the Pan-Asian insurance sector.

We are present in seven of the top ten fastest growing markets in Asia according to NMG, including a strong focus on Southeast Asia, which contributed 57 per cent of our value of new business from this region in 2022.

Structural growth drivers of insurance in Asia remain strong

The Asian insurance market growth opportunity remains very strong, with rising middle class and low insurance penetration rates. According to NMG, the middle class population in Southeast Asia is expected to grow by approximately 158 million in the next nine years. In addition, in Asia, the ratio of life insurance premiums to gross savings is 8.9 per cent compared to 12.1 per cent and 14.9 per cent in North America and Europe respectively, according to NMG.

Large protection gap, customer interests shifting towards protection and health

According to NMG, there is over US\$100 billion health and mortality protection gap, with significantly higher out-of-pocket healthcare costs, representing an opportunity for life insurance growth. As a result of COVID-19, there is an increasing customer awareness and demand for protection, health and critical illness products. This represents an opportunity to grow volumes and diversify the product mix.

Customer experience on making protection more accessible and affordable

Customer expectations are increasingly being shaped by what they experience in other industries and as a result they are demanding much greater levels of digital interaction throughout the customer lifecycle. Our customer-led proposition aims for us to provide a best-in-class customer experience that is easy to love, easy to buy, easy to claim and easy to stay engaged.

Banks accelerating further towards digital

Leading banks in Asia are doubling down on their digital capabilities enabling significant value to be unlocked from the bancassurance channel. This creates opportunities for improving productivity, greater targeting of attractive customer segments, enhanced customer experience and the potential for a true omnichannel experience in what has historically been a very traditional channel.

Digital acceleration

Asian consumers are rapidly embracing new technology across the economy. For example, according to NMG, the smartphone penetration rate in our markets is expected to reach more than 80 per cent in 2025. This enables new opportunities for new business models.

Strategic priorities

We are a customer-led pan-Asia insurance company with a vision of changing the way people feel about insurance. Since inception in 2013, we have created a regional platform, operating in key and fast-growing markets in Southeast Asia.

We are developing differentiated capabilities in distribution, customer servicing and engagement, claims, operations and the insurance value chain built on digital infrastructure and easy to understand products and propositions.

We are integrating with our partner banks' digital platforms, providing agents and brokers with digital tools to communicate and transact with customers. Our investments in digitalisation aim at speeding up claims processing and reducing costs using artificial intelligence ("AI") based claims handling tools. We are developing strong digital experiences in policy purchase and servicing for the customer using digital channels.

Our new business models are being built to interact with customers over direct and partnership platforms through which we distribute simpler, smaller-ticket products to our customer base. By utilising AI, big data and other technologies, we aim to increase efficiency by gaining access to customer insights, allowing us to 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.

Our business transformation activities are aimed at improving cost efficiency and focusing on people.

- 1. Simple to understand products and propositions** 
- 2. Seamless experiences for customers and partners who demand a modern feel** 
- 3. Quality distribution working with future ready distribution partners** 
- 4. Leadership in emerging channels, meeting customers where they want to interact** 
- 5. Flexible organisation driving disciplined execution** 

As a result, we are building a customer-led and digitally driven insurance company, that provides propositions and experiences that are easy to know, easy to buy, easy to claim, easy to engage and easy to love.

1.

Simple to understand products and propositions



Our strategy

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

Our belief is that customers should be able to easily understand the insurance they buy. As such, we strive to simplify our policies and contracts to provide easy-to-understand products. This includes drafting our insurance contracts without complex jargon (so that our customers can easily know the terms of their insurance contracts), and by reducing the number of exclusions in our insurance policies (so that our customers can clearly know what protection they are receiving).

This led us to launch Project Clarity in 2015, which was an initiative to study contracts from traditional insurance companies and global market leaders to understand the key areas of complexity which may hinder our customers from understanding their policy contracts. Based on our findings, we subsequently rewrote our insurance contracts in simple language and avoided complex jargon to make them easier for our customers to understand. As of 31 December 2022, we had introduced more than 210+ simplified contract templates under Project Clarity. The revamped insurance contracts took into account user experience and design principles such as highlighting important information for the customers' awareness, clearly defining important phrases, and utilising diagrams and flow charts to illustrate key concepts such as policy benefits. By doing so, we have not only improved the customer experience and our products' attractiveness but also allowed our call centre and online help teams to respond to customer inquiries with increased speed and accuracy.

In 2016, we launched Project Exclusion, an initiative to reduce long and convoluted exclusions in our insurance policies to offer our customers more protections, increase the transparency of our products and make it easier and faster for customers to settle claims and obtain payments. We focused on removing exclusions that were based on outdated medical data and unsupported judgments. Through the initiative, we are able to better gauge our risk exposure to certain activities, which has helped us improve our underwriting process. For example, since the launch of Project Exclusion, we have removed approximately 80 per cent of exclusions from our policies in Vietnam. We believe that, as a result of simplifying the drafting of our policies and reducing the number of exclusions for certain products, our customers can more easily know the coverage which they have purchased and feel more confident about their ability to make insurance claims.



Easy to buy

We aim to make it easy for potential customers to buy insurance from us and our distributors. We have simplified the purchase journey by introducing paperless sales, enabling purchases via user-friendly mobile applications and streamlined underwriting questions. We have also extended our reach to potential customers with the goal to meet them wherever and whenever they choose.

Since 2019, we have designed an automated underwriting engine based on rule-based logic, to generate between three to six customised health questions in accordance with an individual customer's risk profile, which makes it faster and simpler for potential customers to buy insurance. We have applied our automated underwriting engine in Hong Kong, the Philippines, Indonesia, Singapore and Malaysia and are in the process of rolling out the tool in other markets. In the markets where we have applied our automated underwriting engine, the proportion of policies that were automatically underwritten was 96 per cent in 2022, and the proportion of applicants that were successfully onboarded was 100 per cent respectively in 2022. Traditionally, life and health insurance applications involve certain standard questions, regardless of coverage or the customer's particular circumstances. Through our automated underwriting engine, we have classified our potential customers into three risk levels based on the information provided in their applications. Based on our assessment of the potential customers' risk level, we have reduced the number of health-related questions we ask our potential customers from an average of ten questions to as few as three. With our automated underwriting capabilities, we have been able to immediately accept between 66 and 98 per cent of applications submitted via the engine in 2022. We will continue to invest in our technological capabilities, including expanding our neo-insurance distribution through our D2C eCommerce platform, to create a smoother and more efficient purchase experience for our current and future customers. In 2022, 78 per cent of our submissions across the Group are submitted digitally, 60 per cent of our customer onboarding is completed in two days and 90 per cent of our customers rate us "great" or "good" after successfully completing the onboarding process, highlighting our sustained customer satisfaction.



Easy to claim

Claims are our "moment of truth." We have undertaken a series of initiatives to make it easier and faster for our customers to have their claims approved for payment. Our AI Claims 2.0 application can review claims with the help of AI technologies and can instantly generate a decision to pay customers for low-risk claims. For higher-risk claims that require manual assessment, AI Claims 2.0 application can automatically generate a claim report for an assessor to expedite the assessment process. Testing has shown that AI Claims 2.0 application can improve the assessment time from the traditional model of one to two days to real-time decision making.

Additionally, we have implemented our proprietary AI Fraud Detection solution in Hong Kong to identify fraudulent claims and speed up the claims process, where over half of the claims in 2022 were processed by AI. The AI tool analyses existing operational data to identify common patterns for fraudulent cases and incorporates our expertise in identifying applicable risk factors. We have also expedited processing time for claims upon approval. For example, we have partnered with 7-Eleven in Hong Kong to allow our customers to use a QR code to collect payments for their insurance claims at 7-Eleven stores through a quick and efficient process. In 2022, 57 per cent of our claims are paid within three days of submission and our customers claims NPS was +48.



Easy to engage

We are committed to changing the way people feel about insurance by creating ways for our customers to stay engaged with our insurance ecosystem throughout the insurance journey. To maximise customer touch points and extend our reach, 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. For example, our Fi chatbot addresses questions and provides product information on a 24-hour basis, with Fi having approximately 98 per cent accuracy in identifying user intent. We have also launched other customer engagement applications and platforms, to offer customers various value-added services, promotions and content driven by their preferences.

In 2022, 90 per cent of our customer voice calls are resolved at first point of contact and 85 per cent of our customers rate us “great” or “good” after engaging with us in a non-purchase or claims journey.



Easy to love

As a result of our customer-driven strategy to refine our products, the purchase experience, claim settlement and customer engagement, our brand is recognised for being different and innovative. We are committed to creating solutions to help customers to reduce the protection gap and celebrate living. We have launched multiple new products in various markets, including a Big 3 Critical Illness Insurance product (covering cancer, heart attack and stroke) and an eCancer product with full coverage for any cancer stage in Singapore, FWD SpecialMed in Malaysia and Mind Plus Critical Illness Protection Plan in Hong Kong.

Additionally, we have actively sought ways to make our products affordable and accessible to a wider range of customers. Across our different markets, we have designed our insurance products so that our customers can pick and choose the protection that suits their particular needs.

FWD Vietnam became one of the first insurers in Vietnam to introduce a completely online insurance product, FWD Online Cancer Care, which offers simple and affordable coverage that appeals to its millennial customers.

With an intention of equipping our customers and their families with benefits beyond financial aid, we created the FWD Care recovery plan. FWD Care 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, by providing a dedicated nurse companion and customised support services.

FWD Care has already been introduced in Hong Kong, Thailand, Japan, Vietnam, Indonesia, Singapore and Malaysia. In 2022, FWD Care has achieved over 95 per cent satisfaction rating from customers who have used it. FWD Care has also received industry recognition for its innovativeness, including “Innovation of the year” award by Asia Insurance Industry Awards 2022.

We believe that effective customer engagement will be critical to our ability to retain our customers, identify opportunities to cross-sell and up-sell insurance, and create advocates of our brand.

2.

Seamless experiences for customers and partners who demand a modern feel



Our strategy

FWD is transforming our customers' insurance journey by digitising the core, underpinned by our differentiated goal in creating a seamless, easy and efficient customer experience throughout the entire customer journey. We are digitising our purchase, renewal and claims journeys, and are promoting digital adoption among our customers through strategic initiatives. These journeys are now empowered by AI and analytics to deliver distinctive experiences at each customer touchpoint.

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 2022, we launched 253 AI campaigns across 9 markets, which include cross-sell, up-sell, persistency and freemium-to-premium 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.

Our AI chatbots facilitate customer engagement by answering a variety of customers' inquiries and provide pricing information of our key products on a 24/7 basis. Our AI chatbots are also able to help us manage our call centre volume and provide better service to our customers around the clock. We have rolled out our AI chatbots in Hong Kong, Thailand, Japan, the Philippines, Indonesia, Singapore, and Malaysia.

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.

Technology and digital analytics are at the core of our business. 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.

As of 31 December 2022, 94 per cent of our applications now migrated to the cloud, from 70 per cent at the end of 2021. In addition, we have decommissioned over 90 per cent of applications that we had targeted for retirement. Our operations are empowered by over 74 proprietary data applications which leverage our Data Lake and proprietary AI models. Our operations are secured by strong data governance to ensure privacy protection and security with high data quality. Our information technology budget includes dedicated investments to develop technology and promote our digital vision.

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 2022, we had over 108 active AI models applied across our business, with over 250 use cases.

At the heart of our technologies is our proprietary cloud-based Data Lake, a centralised data repository that collects customer data from multiple sources, which is stored and managed in a centralised cloud-based system. Launched in 2019, our Data Lake covers all of our markets except for Cambodia as of 31 December 2022.

Our Data Lake 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 Lake to identify customers who were about to lapse on their policies with approximately 80 per cent accuracy in 2022, enabling the operations to take timely actions to follow up with such customers.

Additionally, our Data Lake 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.

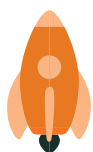
3.

Quality distribution working with future ready distribution partners

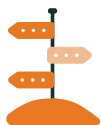


Our strategy

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 neo-insurance 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. 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 neo-insurance.

Agency channel

Our agency force is a key channel for accessing our customers. Our total number of agents increased to approximately 48,400 as of 31 December 2022; with 61 per cent of our agents 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.

We further provide special benefits and training for our FWD Elite agents to incentivise them and assist their further progression to MDRT qualification. We develop our top-performing FWD Elite leaders through participation in the FWD Elite Signature programme at INSEAD, which is an intensive executive programme to develop our selected next-generation agency leaders.

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. Our continued investment in our Elite programme has also contributed to the growth of our FWD Elite agents, who along with our MDRT-registered agents, represent the top performers and leaders of our agency force.

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 2022, we had 22 ongoing bancassurance partnerships, including 9 exclusive bancassurance partnership in Southeast Asia.

Our strategy for our bancassurance channel has been to partner 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.

According to NMG, we believe we have access to our exclusive and non-exclusive bancassurance partners’ customer base of up to 200 million as of 31 December 2022.

Broker/IFA channel

The brokerage and IFA channels consist of insurance distributors that employ a number of brokers or advisers 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 2022, we had over 3,100 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.

We provide competitive compensation to our brokers and IFAs, subject to the applicable regulations which may include non-volume related incentives, such as marketing sponsorship for brand-building, training and compliance-related fees, as well as bonus payments related to service quality.

Other distribution channels

Our neo-insurance channel focuses on our eCommerce initiatives through which we distribute simpler, smaller-ticket products to our customer base. The channel focuses on protection plans, such as life, health and accident products, and provides customers with eCommerce transactional life insurance capabilities that enable them to research, understand, compare, purchase and claim with respect to a wide variety of products in a matter of minutes.

The channel 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. In addition to serving as an important distribution channel, we believe that our neo-insurance channel also increases the traction of our other channels through sales referrals as well as O2O lead generation and sales conversion.

D2C and online engagement have been an emerging and fast-growing trend in the life insurance market. We have developed our D2C capability with the establishment of our API enabled eCommerce platform to deliver digital sales.

This sits at the core of our neo-insurance offerings and allows us to integrate ourselves into our distribution partners' systems. As of 31 December 2022, we had a comprehensive online offering of 63 products on-shelf for our customers. In 2022, our neo-insurance channel expanded its focus by leveraging its strong digital capabilities to strengthen offline distribution channels – agency and other assisted sales channels. The pilot launch was in Hong Kong and Thailand and followed up with cascading expansion to other countries in the later part of the year. In 2022, online-to-offline distribution generated sales amounting to US\$31.4 million of VNB, which is captured within the respective offline channels.

Our eCommerce platform offers lower customer acquisition cost compared to face-to-face channels. For example, iFWD's recorded 88 per cent lower customer acquisition cost in Hong Kong in 2018 compared to traditional channels due to the unit economics and scalability of our eCommerce platform.

Our other distribution channels include our 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 mostly in Hong Kong, Thailand and Japan.

4.

Leadership in emerging channels, meeting customers where they want to interact



Our strategy

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



Digital direct to customer: Our API enabled e-commerce platform, which forms the core, foundational D2C platform that 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.



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.

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 operations excellence

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

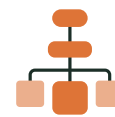
We have empowered many of our bancassurance partners by providing integrated eCommerce enabled offerings. As of 31 December 2022, we collaborated with 8 of our bank partners across our markets for direct sales on their digital platforms, covering over 40 million digitally accessible customers via these integrated bank partners.

By integrating into our bancassurance partners' direct digital channels, we are able to offer our products to their customers through our entirely digital process. Furthermore, 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.

Our ecosystem partnerships form another major source of our neo-insurance channel and collectively provide us access to over 150 million potential customers, according to NMG. By partnering with businesses across the eCommerce, retail and fintech industries, we are able to further penetrate various customer demographics and offer them seamless, integrated and customised lifestyle services. As of 31 December 2022, our partners included Traveloka, HKT Care, Lazada, and True Money. 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 affiliate, bolttech, which is an insurtech platform operator and operates across 30 countries.

5.

Flexible organisation driving disciplined execution



Our strategy

Our strategic aim is to build a flexible organisation by transforming our three largest businesses and delivering on our people and culture strategy.

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 2022.

In 2022, we have refreshed and rolled out our overall Human Resource (“HR”) strategy that is designed to attract, engage 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.

Our people

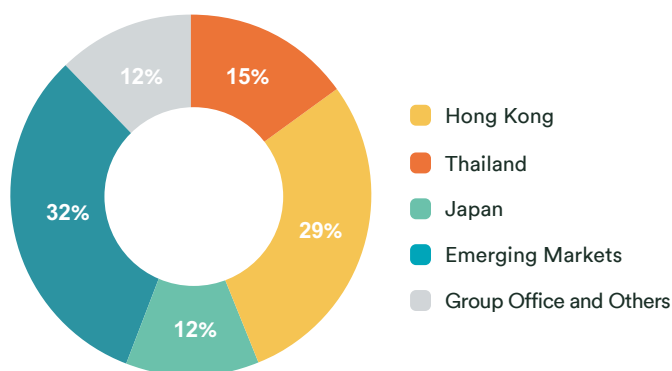
People are the essence of our success story.

We aim to make FWD a better workplace for everyone, everywhere.

Overview

As of 31 December 2022, FWD had a total workforce equivalent to 7,017 employees. Our main locations of employment were Hong Kong, Thailand and Japan with 3,951 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 location¹



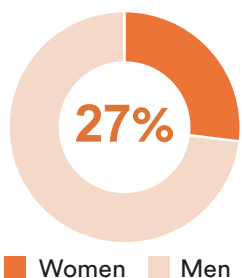
Diversity, equity and inclusion

We're building an inclusive and flexible workplace culture

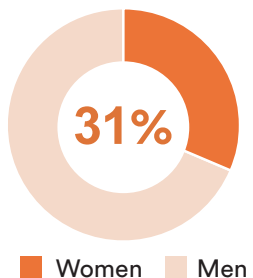
At FWD, we are building a diverse, equitable, inclusive and collaborative culture. This means we promote diverse talents, skills, and backgrounds. By being more inclusive, we can improve employee engagement, attract and retain talented people and are better equipped to reflect our markets – and embrace demographic challenges and opportunities. We realise that our people need to be inclusive and diverse to best serve our diverse customer base from 10 different markets.

Gender mix of Directors and employees

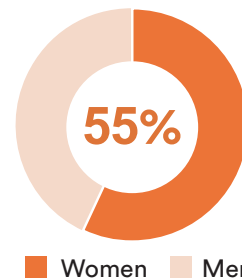
Board of Directors by gender



Senior management² by gender



Total employees by gender



Notes:

- Hong Kong includes Macau and Thailand includes Cambodia.
- Senior management is defined as assistant vice president or above.

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.

Employee development

In every role and in every area of our business, we value our people by rewarding them for their contributions and supporting them to take control of their careers. We develop our people at all stages along their careers to maintain a skilled and capable workforce in our business. Our learning and development framework are designed to cover needs of our people at different stage, from onboarding training, professional development and on-the-job trainings and leadership development programmes. We successfully launched Anytime Learning with the LinkedIn Platform to all 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 who have a passion in digital technology and Asia exposure. This programme offers the candidates with three six-months rotation experiences across a range of different departments and a flexibility for the candidates to spend the rotation in different locations. We believe this programme will help us identify the next-generation digital leaders and further evolve our digital focused strategy.

Employee engagement

We ensure we understand what is important to our employees through constantly seeking their feedback and insights on how we are doing as an employer, and how to make FWD an even better place to work. In 2022, the Annual Employee Survey saw significant improvement in actively engaged employees, which put us in the top 7 per cent of companies in the Global Gallup All Industries benchmark.

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. Throughout 2022, we rolled out our FWD Group Wellbeing Programme – FWD LiveLife. It takes a proactive and preventative approach to employee well being. Looking at the whole person through five lenses – Emotional Health, Physical Health, Purpose and Meaning, Social Connectedness and Financial Wellness. High participation and employee feedback shows that this programme has created high awareness and a positive impression of care for employees.

Talent attraction and retention

Our management approach to attracting and retaining the right people is exemplified by two signature programmes: Futurewise and the Digital Graduate Programme (DGP).

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 is a year-long programme to develop the next tier of FWD talent, focused on increasing collaboration and challenging assumptions about oneself and others. It takes place online and in person—through individual learning, teamwork and coaching, gaming and simulations.

Manager Essentials and Manager Experience programmes targets over 1,500 people managers to help build essential managerial skills to lead our people capabilities into building next generation talent. This programme was launched in the first half of 2022.

Futurewise develops middle managers and covers:

- Growth mindset;
- Communicating with influence and impact;
- Strategic, lateral and holistic thinking;
- Translating strategy into action; and
- Delegating and building capability.

Futurewise University challenges FWD executives to focus on personal growth and develop their business networks. The programme draws on expertise from top business schools to stretch our team members beyond their comfort zones.

We continue to significantly invest in our senior leaders with 125 leaders attending Forum 55 with one week of leadership development on an annual basis.

Digital Graduate Programme (DGP)

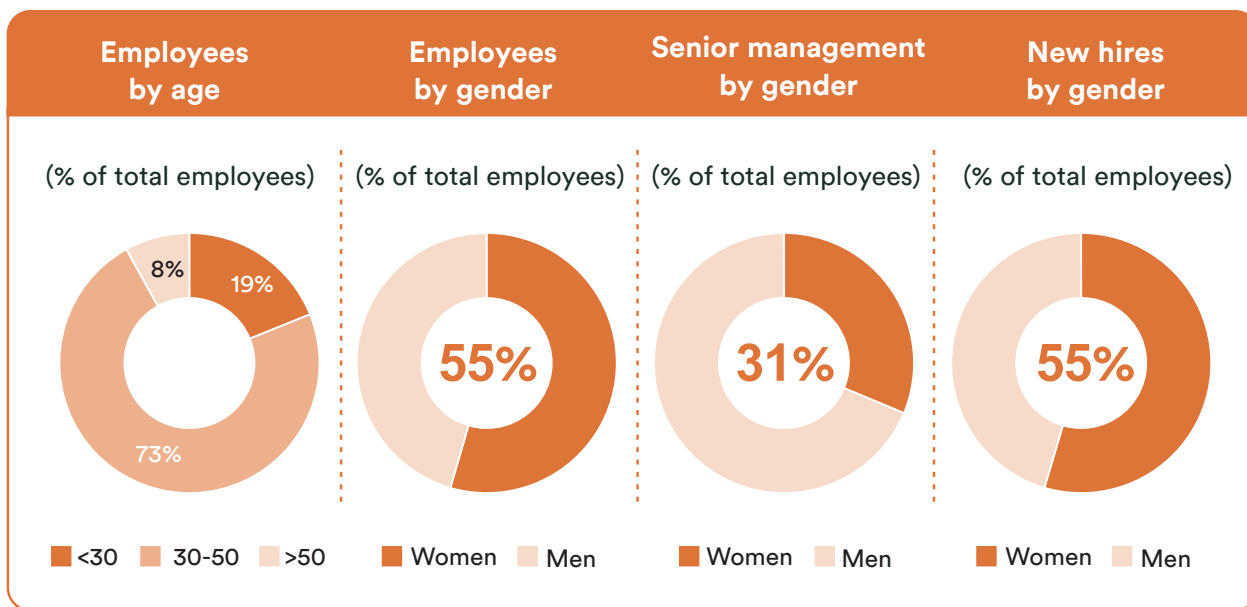
We aim to attract young talent with fresh perspectives. Graduates who bring a start-up mindset, passion for technology and creative approaches to solving problems. We also strive for gender balance. Over 18 months, participants in the DGP learn our business from the ground up. Working with experienced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

We have ambitious plans to extend the DGP to all markets within the next few years. In 2022, we increased the number of Digital Graduates hired by four times. In 2022, a total of 23 DGP graduates and 229 interns were hired across our 10 markets.

Employee turnover

Across the Group, our employee turnover was 15 per cent in 2022 and 14 per cent in 2021. We believe the increase was significantly impacted by the ongoing Covid-19 pandemic, which has been a trend globally.

2022 Group snapshot



Turnover by gender

(% of total employees¹)

8% of total women

7% of total men

Promotions by gender

(% of total employees)

3% of total women

3% of total men

Note:

1. Excludes employees on fixed term contracts and involuntary turnover.

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.

Closely linked to our culture of diversity, equity and inclusion, the goal of FWD Anywhere is to make flexible ways of working – in some form or other – available in every role, for any reason.

We acknowledge that our people need to adopt a flexible work approach to enable our people to unleash their potential while achieving a work-life balance. We keep creating opportunities for our people to spend valued time with their families and to recharge at their own space and interest through programmes such as work from home and flexible working hours and schedules.

In this regard, the social distancing response to COVID-19 across all of our offices accelerated a trend that was already clearly underway. Since the outbreak of COVID-19, we have supported our colleagues with flexible and working from home arrangements. To reduce the risks for staff and customers, we implemented remote claim submission and policy application arrangement. We also implemented temperature screenings and frequent sanitisation in offices, as well as providing advice on how to stay healthy and avoid infection.

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 a 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.

Volunteering

As part of our strategy to promote workplace well-being, we encourage our people to connect with their sense of purpose by donating time to good causes of personal significance for them.

Despite the challenges of COVID-19, we remain strongly committed to our Community Care volunteering programmes. In the early days of the pandemic, we worked quickly to move online, discovering new ways for our employees to contribute their time and skills.

Wellbeing - FWD LiveLife

At FWD, our greatest asset is our people. That’s why we launched #FWDLiveLife, our company-wide well-being initiative to help our colleagues lead healthy and fulfilling lives – both inside and outside of the workplace. FWD LiveLife takes a holistic, proactive and preventative approach to employee wellbeing. In 2022, we organized a range of exciting programs 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.

Several employee activities took place throughout the year including:

- Signature events, workshops and health talks for each pillar;
- #FWDMovesTogether Weekly Sessions;
- FWDLiveLife Ideas Fest;
- Engagement activities such as #FWDGetsTogether Workshop and Step it up challenge;
- FWD LiveLife virtual coffee corner connecting employees to our Country CEOs;
- Launch of FWD LiveLife Wellbeing Influencer Network (FWDLiveLifeWIN); and
- Launch of monthly FWD LiveLife newsletter.

91 per cent of employees who had participated in the 2022 annual FWD LiveLife survey said that FWD LiveLife has helped them feel that FWD cares about their wellbeing, 89 per cent agreed that FWD LiveLife has helped them feel like FWD is a better place to work and 87 per cent believed that FWD LiveLife has helped them become more engaged as an employee of FWD. 82 per cent of respondents rated the programmes 7/10 and above for helpfulness and 85 per cent rated 7/10 and above for satisfaction with the activities. These scores have continuously increased since 2021.

Remuneration policy

The quality and commitment of our employees is a core factor to our success. We design our compensation policy with an aim to reward competitively the outstanding and sustainable performance and attract, retain and motivate the best talents, regardless of their ethnicity, age, gender, disability or any other background. We use short term incentives and long-term incentives to ensure our employee and senior management are aligned with our strategy.

Operational highlights – geographical markets

Hong Kong & Macau

Key highlights

Operating profit before tax¹

US\$208 million

(2021: US\$187 million)

↑ 11%

New business sales

US\$327 million

(2021: US\$474 million)

↓ (31)%

Value of new business

US\$216 million

(2021: US\$205 million)

↑ 6%

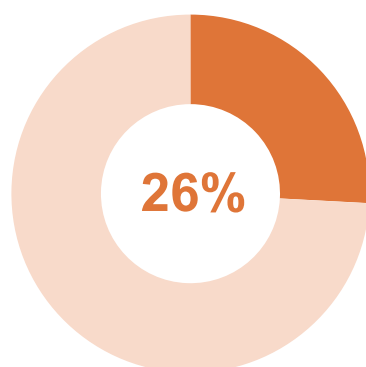
New business margin

66.2%

(2021: 43.2%)

↑ 23.0 pps

Value of new business contribution to Group



Note:

1. Segmental adjusted operating profit before tax.

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 to a significant portion of total industry sales (including FWD), though it has slowed since 2019 due to stricter capital controls in Mainland China, the social unrest in Hong Kong, and travel restrictions due to the COVID-19 pandemic, which continued during 2022. The Hong Kong-Mainland China border reopened on 8 January 2023, allowing travellers (including MCVs) to cross freely without having to undergo quarantine.

We expect that these changes will in turn continue to accelerate the digital transformation of the insurance industry in Hong Kong, which better fits the evolving consumer behaviour, with consumers increasingly seeking digital solutions for their insurance needs, which is core to our strategy.

Furthermore, the regulators have been introducing favourable policies and measures to support the growth of the insurance industry, including tax incentives to stimulate demand and the promotion of remote insurance sales in Hong Kong.

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 we are well-positioned to tap into the accessible customer base upon its implementation, which is a valuable opportunity for our Hong Kong business.

In 2022, we received approval from the Hong Kong Insurance Authority (“HKIA”) to early adopt the Hong Kong Risk-Based Capital (“HK RBC”) regime.

Business highlights

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

Our agency distribution channel has grown significantly in recent years. Our agency force comprised approximately 4,100 agents as of 31 December 2022. Our MDRT-registered agent force ranked the fifth 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. Our focus on agent quality is evidenced by the growing number of MDRT-registered agents, which represented over 15 per cent of the total agency force in Hong Kong and Macau in 2022.

For our bancassurance channel, we cooperate with Bank of Communications, China Construction Bank, E.Sun Commercial Bank, Industrial Commercial Bank of China, CMB Wing Lung Bank-Macau Branch and Nanyang Commercial Bank, Limited 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. Through our bancassurance partners and bank-based brokers, we are able to present diverse and tailored product solutions to a wide group of HNW and mass affluent customers. 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 region in China.

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 in China. We are also aiming to roll out a self-service portal to our brokers for enhancement of the customer experience.

Financial highlights

FWD Hong Kong and Macau overall new business sales reduced by 31 per cent compared to last year, impact of further lockdowns, ongoing border restrictions and lower single premium sales volumes.

Value of new business grew 6 per cent from 2021, driven mainly pick up in growth in offshore business, aided by strongly volumes in Macau where the border closures with the Mainland was relaxed further.

New business margin increased by 23.0 percentage points to 66.2 per cent compared with last year, which was driven by favourable product mix shift as well as margin improvement from re-pricing some of our key savings products.

Adjusted operating profit before tax has increased by 11 per cent to US\$208 million, primarily from higher premium based revenue and improved expense margin.

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 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 neo-insurance channel;
- Product revamps to enhance value creation, such as enhancing core critical illness and medical products with new features and enriching the packaging of savings products;
- 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;
- Positioning our product strategy and risk management for a smooth adaptation to the HK RBC framework and enhance our margins and net free surplus generation; and
- Focusing on restoring our sales volumes to MCVs via our multiple channels following border re-opening on 8 January 2023.

Thailand & Cambodia

Key highlights

Operating profit before tax¹

US\$148 million

(2021: US\$144 million)

↑ 12%

New business sales

US\$485 million

(2021: US\$462 million)

↑ 16%

Value of new business

US\$270 million

(2021: US\$217 million)

↑ 37%

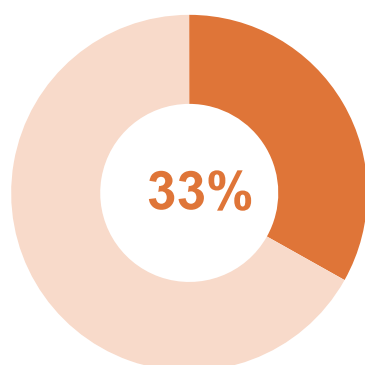
New business margin

55.6%

(2021: 47.0%)

↑ 8.6 pps

Value of new business contribution to Group



Market and strategy overview

We commenced our life insurance business in Thailand in 2013, when we acquired ING's life insurance business, which included an exclusive distribution relationship with TMB Bank Public Company Limited ("TMB").

In 2019, we acquired the life insurance entity of Siam Commercial Bank ("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, we are the second largest life insurance company in Thailand and the largest bancassurer.

We launched our operations in Cambodia in September 2021, leveraging our digital capabilities and back-office in Thailand enabling an efficient capital structure. In 2022, we launched exclusive bancassurance partnership with First Finance Plc and Chip Mong Commercial Bank Plc.

The insurance market in Thailand has faced headwinds in recent years, as a result of social commotion, regulatory changes, and the COVID-19 pandemic, but grew again in 2022.

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.

We operate under a multi-channel distribution model in Thailand, including bancassurance, agency, brokerage and neo-insurance channels. FWD Thailand's key strategy is to continue to deliver on our exclusive partnership with SCB complemented with growing our quality agency and partnerships channels.

Note:

1. Segmental adjusted operating profit before tax.

Business highlights

FWD Thailand's successful digital integration with SCB Life allowed us to target customers and cross-sell insurance products, and 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.

SCB has multiple digital channels with an array of products to serve its customers. Through its SCB EASY app, the number of online transactions facilitated through the app represented 85 per cent of SCB's total transaction volume in 2021. Our products and services are fully integrated into SCB's digital tools, accessible by 78 per cent of its customer base as of 31 December 2021. Our partnership with SCB allows us to offer our new products to a wider group of young and tech-savvy customers.

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 10,600 agents in Thailand as of 31 December 2022. 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 top life insurer in digital sales in Thailand as of 30 September 2022 according to the Thai Life Assurance Association, capturing a 31 per cent market share by digital sales GWP. We have introduced a number of new products and tools, including Thailand's first mobile life insurance applications. We currently 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 at 16 per cent relative to 2021, growing across all our key distribution channels. Value of new business increased 37 per cent relative to 2021, due to our continued focus on protection and higher margin savings products, resulting in our new business margin increasing to 55.6 per cent in 2022 (from 47.0 per cent in 2021).

Adjusted operating profit before tax has increased by 12 per cent to US\$148 million in 2022, mainly from growth of our in-force portfolio.

Strategic focus

Our key strategies for continued growth in Thailand are to:

- Develop digital platforms and customer engagement 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.

Japan

Key highlights

Operating profit before tax¹

US\$158 million

(2021: US\$97 million)

↑ 91%

New business sales

US\$167 million

(2021: US\$209 million)

↓ (6)%

Value of new business

US\$138 million

(2021: US\$131 million)

↑ 26%

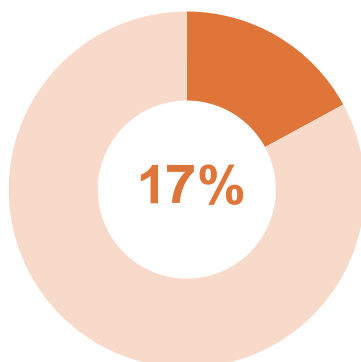
New business margin

83.0%

(2021: 62.6%)

↑ 21.1 pps

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.

From 2017 to early 2018, corporate-owned life insurance (“COLI”) products were a major source of our revenue. However, Japan authorities changed tax regulations which significantly impacted the sales of COLI products in early 2019. In response to this regulatory change, we accelerated our strategic focus from COLI products to individual protection products sold through the independent financial advisor (“IFA”) channel accordingly.

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 41 per cent to US\$121 million from US\$102 million in 2021; aided by the successful launch of our high margin medical product, which accounted for 87 per cent of our value of new business in 2022.

In 2022, our value of new business increased by 26 per cent to US\$138 million from US\$131 million in 2021.

We will continue to drive operational efficiencies through the transformation and digitisation of our operations and continued pivot to the individual protection business.

Our distribution model in Japan is primarily focused on the IFA channel, supplemented by the neo-insurance channel. In Japan, IFAs distribute products via 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.

Note:

1. Segmental adjusted operating profit before tax.

We are regularly refreshing our IFA force to capture the top nationwide IFA partners in the market while reducing the number of IFAs with low productivity. We also distribute our products under a long-term distribution agreement with AIG through its subsidiary, AIG General Insurance Company, Ltd. (formerly known as Fuji Fire & Marine, Ltd).

Our D2C distribution is primarily operated through telemarketing from our call centre in Okinawa, which enables customers to buy our insurance products directly on the phone. To date, a smaller contribution of sales was generated through other neo-insurance channels such as our website.

Business highlights

The COVID-19 pandemic has brought challenges to many insurance providers in Japan, in particular to those who incur high labour costs from their large and nationwide sales forces. We operate with a relatively small sales force in Japan and recently have focused on shifting our sales away from face-to-face methods, particularly in the brokerage and IFA channel as part of our efforts to digitalise our operations.

Instead of deploying our sales force throughout Japan, we support our sales team from our call centre in Okinawa to expand our distribution coverage and increase cross-selling between our channels, especially in distant areas and those with low sales activity. We believe that such initiatives have enhanced our product sales, strengthened our relationships with IFAs and improved customer experience.

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 key 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 waiting time by employing analytics-driven software.

Financial highlights

FWD Japan reported 2022 new business sales of US\$167 million down 6 per cent on 2021. Our new business sales from individual protection business up 23 per cent on 2021 offset by continued slowdown of our sales from COLI products.

Our value of new business was US\$138 million in 2022, up 26 per cent on 2021. Overall VNB margin increased to 83.0 per cent in 2022 (from 62.6 per cent in 2021) due to increased protection mix.

Adjusted operating profit before tax was US\$158 million in 2022, up 91 per cent from US\$97 million on 2021, primarily due to higher investment returns and lower expenses, partially offset by higher claims.

Strategic focus

Our key strategies for continued growth in Japan are to:

- Maintain an agile business model to nimbly 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 and more efficient 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 D2C 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 expanding our non-face-to-face sales and optimising our workforce structure.

Emerging Markets

Key highlights

Operating profit before tax

US\$(50) million

(2021: US\$(73) million)

↑ 28%

New business sales

US\$429 million

(2021: US\$301 million)

↑ 50%

Value of new business

US\$198 million

(2021: US\$133 million)

↑ 57%

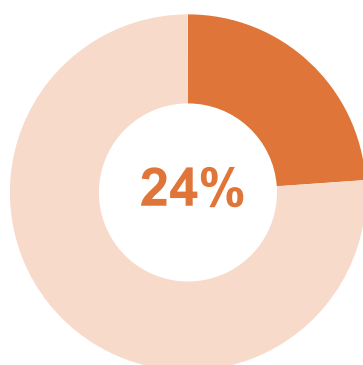
New business margin

46.2%

(2021: 44.2%)

↑ 2.1 pps

Value of new business contribution to Group



Strategy and business highlights

Emerging Markets include the Philippines, Indonesia, Singapore, Vietnam and Malaysia businesses. 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 digitisation, 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 neo-insurance 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 2022, we had over 33,700 agents, 10 bancassurance partners, as well as various brokerage/IFA partners, neo-insurance 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.

Note:

1. Segmental adjusted operating profit before tax.

Vietnam

We commenced our operations in Vietnam in 2016 following our acquisition of Great Eastern Life (Vietnam) Company Limited. We have exclusive bancassurance long term partnerships with Vietcombank (“VCB”), the leading commercial bank in Vietnam and Nam A Commercial Joint Stock Bank.

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 simplified 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, broker/IFA, and neo-insurance channels. We have built a highly productive agency force and are now ranked third in the MDRT 2022 rankings for life insurers in Vietnam based on the number of MDRT-registered agents.

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 iRIS. We are also transforming our bancassurance partnerships with NextGen Banca, under which we utilise data and customer analytics to better serve our customers. Our neo-insurance channel includes our digital distribution via our eCommerce platform. 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.

As of 31 December 2022, we had over 5,400 agents in the Philippines, and continue to develop a trusted and digitally-literate agency force through Elite 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. Under this partnership, we have successfully achieved an increase in Security Bank’s sales productivity as demonstrated by an increase in its bancassurance sales at a CAGR of 18 per cent from the launch of our partnership in 2015 to 2022. 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 AI², 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 is expected to increase our stake in BRI Life to approximately 44 per cent across a three-year period. The first of such additional capital contributions took place in March 2022, where we subscribed for additional shares in BRI Life which resulted in our shareholding increasing to 35.1 per cent. Concurrently with our initial subscription into BRI Life, BRI Life entered into a 15-year distribution partnership with Bank BRI, the largest bank in Indonesia by market capitalisation. As such this collaboration strategically complements our own agency channel and our partnership with PT Bank Commonwealth.

As of 31 December 2022, FWD Indonesia had approximately 5,500 agents. Our bancassurance channel comprises exclusive bancassurance partnerships with PT Bank Commonwealth and non-exclusive bancassurance partnerships with KEB Hana Bank and PT Bank Mestika Dharma Tbk. We also entered into the ecosystem partnership space with Traveloka, Southeast Asia's leading digital travel and lifestyle booking platform. Through this platform, we provide users with convenient access to comprehensive protection, offering customisable health insurance benefits and affordable cancer protection since early stages without requiring any medical check-up.

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 HNWI individuals through the fast-growing IFA channel given Singapore's status as one of the largest offshore wealth management hubs in the world.

FWD Singapore currently distributes our products in Singapore through neo-insurance and IFA channels. Under our neo-insurance channel, we acquire customers on a D2C basis through our website, search engines and affiliate partnerships as well as O2O cross-selling opportunities. For our IFA channel, we have approximately 2,800 IFAs from 18 IFA partners in Singapore as of 31 December 2022, who distribute our new products such as our term insurance plan, the first product launched through the IFA channel, which utilises the straight-through-underwriting system. Our IFAs can also 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. In 2022, 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. 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 4,000 agents who have access to FWD Affiliates, (iii) a neo-insurance channel for online D2C sales, and (iv) other channels that provide takaful protection for government servants.

In February 2023, we entered into an agreement to acquire, with local investors, a 70 per cent effective interest in Gibraltar BSN Life Berhad, a life insurance company in Malaysia. This acquisition will enable our Group to enter into the life insurance market in Malaysia alongside our existing takaful presence, and will allow 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.

We utilise various digital tools to manage and enhance the performance of our distribution channels. We use iRIS to monitor sales through our agents. We allow our agents to use AI² to analyse customer data and provide better services. Our neo-insurance channel mainly comprises our eCommerce platform, which supports STP through our automated underwriting engine.

Emerging Markets financial highlights

Emerging Markets new business sales and value of new business achieved a strong growth of 50 per cent and 57 per cent in 2022, respectively, comparing with previous year. New business margin also increased by 2.1 percentage points to 46.2 per cent compared to 2021.

Operating loss before tax was US\$50 million in 2022, improving from a loss of US\$73 million in 2021; reflecting the loss-making position of the segment as we are in the process of scaling up our operations in the relevant countries and due to the increased costs associated with new business sales resulting from our fast growth. The expense ratio reduced 4.1 percentage points to 31.1 per cent as our markets continued to gain scale.

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;
- Form high-quality distribution channels that primarily comprise elite agency and bancassurance with above-market growth by enhancing automation across all processes, including recruitment, onboarding and training;
- 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.

Chief Financial Officer's report



Jon Nielsen

Group Chief Financial Officer

“ Our strong business fundamentals continue to drive significant growth. ”

”

2022 delivered yet another set of strong results despite the continued challenging environment, especially in Hong Kong. With a continued strong execution of our strategy, FWD has again proven its capabilities to not only drive growth of the business, but also to improve profit and cash flows.

During 2021, we became a designated insurance holding company (“DIHC”) by the Hong Kong Insurance Authority (“HKIA”) under the Group Wide Supervision (“GWS”) regime. FWD Group Holdings Limited was also identified as an Internationally Active Insurance Group (“IAIG”) by its group supervisor, the HKIA, in January 2023.

In 2022, we received approval from the HKIA to early adopt the Hong Kong Risk-based Capital (“HK RBC”) regime, with an effective date of 30 June 2022 for FWD Life Bermuda and 1 July 2022 for FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong).

Summary and key financial highlights

Growth & value creation

In 2022, we continued to build scale across different markets by delivering strong growth in new business. Overall reported new business sales increased by 4 per cent to US\$1,408 million compared with 2021, despite continued headwinds from COVID-19 in some markets during the year, especially Hong Kong.

Value of new business grew by 29 per cent in 2022 to US\$823 million. Overall new business margin increased 11.4 percentage points to 58.5 per cent driven by increased protection mix across the portfolio, re-pricing and impact of higher interest rates.

Embedded value equity increased 9 per cent to US\$9.3 billion as at 31 December 2022, mainly driven by growth in new business, capital raises, the positive impact of RBC in Hong Kong, offset by adverse movements in capital markets and foreign exchange rate. Operating return on embedded value was 18.2 per cent in 2022.

Profitability & scale

Our total weighted premium income was flat on a constant exchange rate basis, totalling US\$6.3 billion at 31 December 2022, with our growth in new business, impacted by the run-off of our COLI business in Japan and lower single premium sales in Hong Kong. Our operating expense ratio has increased by 0.2 percentage points over 2022 to 14.9 per cent as a result, due to reduction in total weighted premium income despite continued cost control.

In line with our Group strategy, we have continued our focus on embedding protection within our product offerings with our protection value of new business up 28 per cent to US\$419 million, with a protection ratio of 50.9 per cent in 2022.

Adjusted operating profit before tax increased by 83 per cent to US\$334 million in 2022, which is primarily attributable to strong results delivered by Hong Kong, Thailand and Japan, partly offset by the (decreasing) loss incurred by Emerging Markets where the Group is investing to further build distribution and servicing capabilities.

Embedded value operating profit grew by 30 per cent to US\$1,072 million, of which US\$823 million was driven by value of new business.

Capital

Our adjusted net underlying free surplus generation was US\$625 million in 2022, due to the strong growth in our value of new business, with reducing new business strain. Free surplus, on a gross of financing basis, decreased slightly to US\$4.1 billion as at 31 December 2022, primarily driven by interest rates and foreign exchange fluctuations (US\$1.8 billion), which are largely offset by HK RBC implementation impact (US\$ 1.2 billion) and capital raises (US\$0.4 billion).

FWD Group's Local Capital Summation Method ("LCSM") cover ratio (on prescribed capital requirement basis) under the new GWS regime was strong at 288 per cent as at 31 December 2022.

Growth & value creation

New business performance

New business sales increased by 4 per cent to US\$1,408 million compared with 2021. Our new business sales increased in all markets except Hong Kong (which was impacted by further lockdowns in early 2022 and continued closure of the border with Mainland China) and Japan (impacted by COLI run-off).

New business sales, value of new business and new business margin by segment

US\$ millions, unless stated	New business sales (APE)				Value of new business				New business margin (% APE)	
	2022	2021	AER %	CER %	2022	2021	AER %	CER %	2022	2021
Hong Kong	327	474	(31)%	(31)%	216	205	6%	6%	66.2%	43.2%
Thailand	485	462	5%	16%	270	217	24%	37%	55.6%	47.0%
Japan	167	209	(20)%	(6)%	138	131	6%	26%	83.0%	62.6%
Emerging Markets	429	301	42%	50%	198	133	49%	57%	46.2%	44.2%
Total	1,408	1,446	(3)%	4%	823	686	20%	29%	58.5%	47.4%

Value of new business increased by 29 per cent to US\$823 million compared with 2021, with strong growth across all of our reporting segments, driven by strong execution of our strategy initiatives.

Our new business margin increased by 11.4 percentage points to 58.5 per cent in 2022, driven mainly by changes in product mix, re-pricing and impact of higher interest rates.

Hong Kong's domestic new business remained resilient in 2022 with onshore value of new business decreasing by 5 per cent, despite further lockdowns in early 2022. Overall value of new business increased by 6 per cent primarily impacted by offshore sales from Mainland Chinese visitors as border with Macau partially reopened during 2022. New business margins increased by 23.0 percentage points to 66.2 per cent, driven by the improvement in channel mix and in onshore business with an increase in protection product sales.

Thailand's value of new business increased by 37 per cent, driven by strong growth in our agency channel and strong margin increase in our bancassurance sales through SCB. We are the largest bancassurance focused life insurance company in Thailand in terms of new business sales and second overall. New business margin increased by 8.6 percentage points to 55.6 per cent, which is evidence of our progress in shifting to higher margin products via bancassurance.

Our Japan business continued to grow strongly in individual business, focusing on protection and medical and strengthening our IFA platform. Our individual focused strategy has shown positive results in 2022 with individual new business sales increasing by 23 per cent in 2022 and value of new business up 41 per cent.

Emerging Markets continued to deliver strong growth in both value of new business (57 per cent) and new business sales (50 per cent) in 2022. Emerging Markets continued to increase protection ratios across the portfolio, with a 2.1 percentage point increase in the new business margin in 2022 to 46.2 per cent.

Present value of new business premiums ("PVNBP") decreased by 5 per cent to US\$8.1 billion in 2022. Our new business margin as a per cent of PVNBP increased by 2.7 percentage point to 10.1 per cent due to improved business mix and re-pricing.

Present value of new business premiums

US\$ millions, unless otherwise stated	2022	2021	CER %/change
Present value new business premiums (PVNBP)	8,126	9,095	(5)%
New business margin (% PVNBP)	10.1%	7.5%	2.7 pps

“ Southeast Asia now makes up more than 55 per cent of value of new business. ”

Embedded value

Embedded value as at 31 December 2022 was US\$6.1 billion, which increased by US\$0.3 billion, up 14 per cent from 31 December 2021. The increase was primarily driven by embedded value operating profit of US\$1.0 billion, US\$0.4 billion from early adoption of HK RBC regime and capital raises of US\$0.4 billion, partially offset by negative non-operating movements - which were mainly driven by the capital market and foreign exchange movements.

The operating variances, as a part of embedded value operating profit, impacted embedded value by US\$(0.3) billion in 2022, primarily driven by expense and persistency variances. Expense variances, though negative, showed an improvement in 2022. Persistency variances were impacted adversely by the COVID-19 pandemic and higher interest rate environment.

Analysis of embedded value

US\$ millions, unless otherwise stated	2022	2021
Opening embedded value	5,731	3,761
Impact of HK RBC early adoption	433	na
Expected return on embedded value	543	502
VNB	823	686
Operating variances	(311)	(309)
Operating assumption changes	(29)	(21)
Embedded value operating profit	1,027	859
Economic variances ¹	(792)	(363)
Economic assumption changes	247	180
Other items	(259)	(176)
Embedded value profit	656	499
Corporate centre expenses	(120)	(122)
Financing	(190)	(188)
Acquisitions and disposals	(18)	(157)
Capital movements	400	2,425
Foreign exchange	(393)	(487)
Closing embedded value	6,066	5,731

Note:

1. HK RBC impact was reflected from second half of 2022, should HK RBC impact be reflected from the beginning of 2022, the economic variance would be further improved as a result of better matching of asset and liabilities valuations.

Embedded value equity as at 31 December 2022 was US\$9.3 billion, which increased by US\$0.2 billion, up 9 per cent from 31 December 2021.

Projected distributable earnings of in-force business

US\$ millions, unless otherwise stated	2022		2021	
	Undiscounted	Discounted	Undiscounted	Discounted
1 - 5 years	2,125	1,733	1,552	1,219
6 - 10 years	2,638	1,493	2,737	1,586
11 - 15 years	2,263	915	2,344	977
16 - 20 years	1,836	528	1,824	548
21 years and thereafter	22,324	1,089	15,128	1,059
Total	31,185	5,758	23,584	5,389

Growth in our distributable earnings reflect the overall growth of our business. In particular, the expected undiscounted and discounted earnings in year 1-5 increased by 37 per cent and 42 per cent respectively is driven by favourable product mix and addition of new business in 2022; impact of RBC adoption in Hong Kong; as well as the increase in assumed future investment returns, reflecting the rise in bond yields.

Embedded value equity summary

US\$ millions, unless otherwise stated	2022	2021	AER %	CER %
Embedded value	6,066	5,731	6%	14%
Goodwill and Intangibles	3,222	3,334	(3)%	0%
Embedded value equity	9,288	9,065	2%	9%

Profitability & scale

Total premiums

Total weighted premium income ("TWPI") was flat in constant exchange rates, totalling US\$6.3 billion in 2022, which was impacted by lower single premium sales in Hong Kong and run-off of COLI business in Japan (following the change in tax regulations in 2019).

Total weighted premium income by segment

US\$ millions, unless otherwise stated	2022	2021	AER%	CER %
Hong Kong	1,664	1,888	(12)%	(12)%
Thailand	2,166	2,249	(4)%	6%
Japan	1,757	2,105	(17)%	(1)%
Emerging Markets	708	609	16%	23%
Total weighted premium income	6,295	6,851	(8)%	0%

Protection ratio

Increasing the protection ratio is a core strategic priority for us, with the protection value of new business growing 28 per cent to US\$419 million in 2022. The protection ratio decreased by 0.5 percentage point to 50.9 per cent in 2022, which was impacted by higher interest rates increasing the savings related proportion of the ratio.

Protection value of new business

US\$ millions, unless otherwise stated	2022	2021	AER %	CER %
Protection value of new business	419	355	18%	28%
Protection ratio	50.9%	51.7%	(0.8)%	(0.5)%

Adjusted operating profit

We achieved a strong improvement in profitability amid challenging global macroeconomic headwinds. Total adjusted IFRS operating profit before tax (“Adjusted OPBT”), excluding one-off implementation cost of IFRS9 and IFRS17, increased by 83 per cent to US\$334 million in 2022, mainly driven by our Hong Kong, Thailand and Japan businesses; with lower losses from our Emerging Markets as they continue to achieve scale.

Adjusted operating profit before tax

US\$ millions, unless otherwise stated	2022	2021	AER %	CER %
Hong Kong	208	187	11%	11%
Thailand	148	144	3%	12%
Japan	158	97	63%	91%
Emerging Market	(50)	(73)	32%	28%
Corporate and Others	(130)	(150)	13%	13%
Adjusted operating profit before tax*	334	205	63%	83%

* excluding one-off implementation cost of IFRS 9 and IFRS 17.

Hong Kong’s adjusted operating profit before tax increased by 11 per cent to US\$208 million, which was mainly from higher premium based revenue and improved expense margin.

Thailand adjusted operating profit before tax increased 12 per cent to US\$148 million in 2022 primarily as a result of continued growth of our in-force portfolio and new business.

Japan delivered an adjusted operating profit before tax of US\$158 million, up 91 per cent on 2021 mainly due to higher investment returns and lower expenses, partially offset by higher claims; despite the business transitioning as we pivot our business model to focus on higher margin individual protection business.

Emerging Markets operating loss before tax reduced to US\$50 million in 2022, mainly reflecting our business continuing to achieve scale in these fast-growing segments.

The operating loss before tax in Corporate and Others segment reduced 13 per cent to US\$130 million, with continued investment in technology and strong overall cost control.

For operating profit, cash flows of our traditional insurance contracts are discounted using the appropriate long-term investment return assumptions that reflect the expected underlying asset mix. In determining the long-term returns on the fixed income assets, an allowance is made for the risk of default which varies by the credit rating of the underlying asset. The Group has set the equity return and property return assumptions by reference to the long-term return on 10-year government bonds, allowing for an internal assessment of risk premia that vary by asset class and by territory.

Expense ratio

Total operating expenses were flat on prior year, totalling US\$937 million in 2022, highlighting our ongoing expense control. Our expense ratio has increased by 0.2 percentage points over 2021, largely as a result of reduction in total weight premium income and our investments in setting up our Cambodia business.

Expense ratio by segment

US\$ millions, unless otherwise stated	2022	2021	CER Change
Hong Kong	13.3%	11.7%	1.6pps
Thailand	9.5%	9.4%	0.1pps
Japan	9.9%	10.6%	(0.7)pps
Emerging Markets	31.1%	34.6%	(4.1)pps
Expense ratio	14.9%	14.4%	0.2pps

Our positive operating leverage was evident in all business units except Hong Kong, which is impacted by reduction in total weighted premium income and Thailand, due investment in establishing our Cambodia business.

Embedded value operating profit

Embedded value (“EV”) operating profit (before operating assumption changes and other operating variances) was US\$1,072 million in 2022 and 77 per cent of EV operating profit was from VNB, which is the key driver of value creation and the remaining reflects in-force profit from unwinding of risk discount rate, offset by operating variances.

Embedded value operating profit analysis

US\$ millions, unless otherwise stated	2022	2021	AER Change	CER Change
Expected return on embedded value	543	502	8%	na
Value of new business	823	686	20%	29%
Operating variances	(311)	(309)	1%	na
– Expense and commission	(149)	(210)	(29)%	na
– Mortality and morbidity	(14)	42	(134)%	na
– Persistency	(130)	(135)	(4)%	na
– Others	(17)	(6)	176%	na
Operating assumption changes	(29)	(21)	37%	na
Embedded value operating profit	1,027	859	20%	29%
Embedded value operating profit (before operating assumption changes and other operating variances)	1,072	885	21%	30%
Operating return on embedded value	18.2%	18.7%	(0.5)pps	(1.0)pps

Embedded value operating profit increased by 30 per cent primarily driven by resilient new business contribution which grew by 29 per cent in 2022.

This was offset by negative operating variances, which were mainly due to persistency variance and expense overruns. Our expense overruns continue to reduce in 2022 as our business continue to achieve scale and integration synergies were extracted. The negative persistency variance is largely due to COVID-19 and higher interest rates.

Capital

Free surplus

Free surplus is the excess of adjusted net worth over required capital including consolidated reserving and capital requirements. The Group holds free surplus to enable it to invest in new business, take advantage of inorganic opportunities, and absorb the effects of capital market stress conditions.

In 2022, free surplus decreased by US\$0.3 billion to US\$4.1 billion which were mainly driven by the capital markets impact and foreign exchange movements.

Free surplus analysis

US\$ millions, unless otherwise stated	2022	2021
Opening free surplus	4,471	4,055
Underlying free surplus generation	1,753	456
of which the impact of HK RBC early adoption	1,183	na
Free surplus used to fund new business	(165)	(508)
Acquisition and disposals	(23)	(197)
Investment return variances and other items	(1,857)	(325)
Capital movements	400	2,425
Financing and finance costs	(439)	(1,433)
Dividends	–	–
Closing free surplus	4,141	4,471

Underlying free surplus generation is an operating metric that measures the expected amount of free surplus generated from in-force business over the period before investment in new business, finance costs, investment return variances and other non-operating items. In 2022, underlying free surplus generation was US\$1,753 million, mainly from Hong Kong, Thailand and Japan (which included a positive impact of US\$1,183 million from HK RBC adoption).

Our adjusted net underlying free surplus generation¹ was US\$625 million in 2022, due to the strong growth in our value of new business, with reducing new business strain (adjusted for HK RBC impact and expense overruns) up from US\$95 million in 2021.

Our debt leverage ratio as at 31 December 2022 is 34.6 per cent, up from 34.1 per cent as at 31 December 2021, mainly impacted by the capital market movements during the period.

Note:

1. See section 2.7 of the supplementary embedded value section for details.

Regulatory capital

The HKIA introduced a GWS framework in 2021, which includes an assessment of the capital adequacy of the Group.

The Group has been subject to the HKIA's GWS framework since 14 May 2021, when FWD Management Holdings was determined to be our designated insurance holding company. In addition, our operating subsidiaries are subject to regulatory solvency and capital requirements in the jurisdictions in which they operate and are incorporated and/or domiciled.

Under the GWS framework, a supervised group's capital adequacy is measured with reference to the Group capital adequacy requirements. With respect to local business operations, capital adequacy and solvency are measured with reference to relevant local regulations.

The Group capital requirements are determined in accordance with the Insurance (Group Capital) Rules. As at 31 December 2022, the group available capital includes US\$2.6 billion of Group Tier 2 capital, of which US\$2.6 billion are financial instruments, which, under transitional arrangements, receive full capital credit update to the tenth anniversary of designation of FWD Management Holdings as the DIHC, with the capital credit reducing at the rate of 20 per cent per annum until the fifteenth anniversary, and US\$16 million local regulatory capital that are classified as Tier 2 under GWS. In addition a further US\$2.4 billion of preference shares and convertible preference shares have transitional arrangements in place for these to be treated as Tier 1 capital before exchanging for ordinary shares.

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 MCR and PCR bases, while the tier 1 cover ratio (MCR basis) is calculated as the ratio of the Group Tier 1 capital to our GMCR.

Our capital adequacy, assuming that all outstanding preference shares and convertible preference shares of FWD Limited ("FL") and FWD Group Limited ("FGL") had been exchanged for ordinary shares on that date, is as follows:

FWD Group LCSM cover ratios

FWD Group	31 December 2022	31 December 2021 ⁵
US\$ millions, unless otherwise stated		
Group available capital	5,406	6,007
of which Tier 1 capital	2,834	3,203
Group minimum capital requirement (GMCR)	868	1,016
Group prescribed capital requirement (GPCR)	1,877	na
Group LCSM free surplus (MCR basis)	4,538	4,991
Group LCSM free surplus (PCR basis)	3,529	na
Group LCSM cover ratio (MCR basis)	623%	592%
Group LCSM tier 1 cover ratio (MCR basis)¹	327%	315%
Group LCSM cover ratio (PCR basis)²	288%	na

Notes:

(1) also defined as the 'tier 1 group capital coverage ratio'; (2) also defined as the 'eligible group capital resources coverage ratio'; and (3) For comparison, the 31 December 2021 figures below have been determined on the basis that our Company was part of our supervised group. As of 31 December 2021, our supervised group comprised FL, FGL and their respective subsidiaries (including FWD Malaysia) and BRI Life. Our Company was not part of the supervised group and hence the financial resources sitting in our Company, but not injected into the supervised group, could not be treated as eligible Group capital resources. On this basis, the Group LCSM cover ratio (MCR basis) at 31 December 2021, without including our Company in our supervised group, was 480 per cent.

LCSM cover ratio (MCR basis) and LCSM tier 1 cover ratio (MCR basis) in 2022 increased from 2021 mainly due to inforce business free surplus generation, HK RBC early adoption for our Hong Kong entities and capital raises, partially offset by capital market and foreign exchange movements.

Group LCSM cover sensitivities

Group LCSM cover ratio (PCR basis) sensitivities arising from changes to the central assumptions from equity price and interest rate movements and applied consistently with those in EV, are shown below. The interest rate sensitivities apply a 50 basis points movement in current bond yields and the corresponding movement on discount rates applied to the calculation of liabilities. The amount of eligible debt capital is equal to the carrying value and is unchanged in the sensitivity calculations.

FWD Group (PCR basis)	2022
Central value	288%
Impact of equity price changes	
10 per cent increase in equity prices	2pps
10 per cent decrease in equity prices	(3)pps
Impact of interest rate changes	
50 basis points increase in interest rates	1pps
50 basis points decrease in interest rates	0pps

International 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 was identified as an IAIG by its group supervisor, the HKIA.

IFRS 17

The IFRS 17 Insurance Contracts standard has replaced the current IFRS 4 Insurance Contracts standard, and has materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures. IFRS 17 provides the general model which is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits, supplemented by the variable fee approach for contracts that provides both insurance coverage and investment related service, and the premium allocation approach that applies to short-duration contracts. Insurance revenue is no longer measured by premium, but recognised by the provision of services to policyholders throughout the term of the insurance contracts.

Additionally, IFRS 17 has introduced a new presentation format for the statement of comprehensive income which requires more extensive disclosures. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with retrospective application and comparative figures required for 2022. We have set up Group-wide project to implement the changes to the accounting policies, IT, finance and actuarial systems of the Group. As part of this project, the Group has been assessing the implications of IFRS 17 and is in the midst of preparing the opening statement of financial position as at 1 January 2022 and the restatement of results for the year ending 31 December 2022. The Group has been monitoring emerging market practice and interpretations of judgemental areas of the standard and there continues to be some uncertainty on the financial impact on transition to IFRS 17. However, based on the Group’s preliminary financial impact analysis, equity in the opening statement of financial position as at 1 January 2022 is estimated to be between US\$8.9-9.0 billion under IFRS 17 as compared to US\$8.9 billion under IFRS 4.

Environmental, social and governance

Our vision is changing the way people feel about insurance. Our first group-wide Environmental, Social and Governance (“ESG”) strategy for 2021-2024 represents the beginning of our journey to understand and prioritise the ESG issues that are most important to our business and those impacted by our decisions. We want to play our part in bringing about a better and more sustainable future.

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

About this section

This section outlines our ESG strategy, priorities and initiatives that matter to us and our stakeholders. It covers the financial year ended 31 December 2022.

It provides information in relation to FWD’s ESG initiatives and performances in all business units over which we have majority operational control in 10 markets across Asia – Hong Kong SAR and Macau SAR, Thailand, Japan, Vietnam, the Philippines, Indonesia, Singapore, Malaysia and Cambodia.

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

Further general information on our operations and ESG strategy can be found on www.fwd.com/

We measure and voluntarily disclose our ESG performance with reference to Global Reporting Initiative (“GRI”), Sustainability Accounting Standards Board (“SASB”), Task Force on Climate-related Financial Disclosures (“TCFD”), and the Stock Exchange of Hong Kong Limited (“HKEX”) Appendix 27.

Selected ESG KPIs have been independently reviewed by our external auditors Ernst and Young (EY). Please refer to page 79 for more information.

ESG strategy and governance

Our Group ESG strategy 2021 - 2024 represents 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. This is key to fulfilling our vision of changing the way people feel about insurance.

ESG governance

Our Nomination & Corporate Governance Committee provides a leadership role in the Group ESG strategy and has oversight of its progress through Group ESG Management Committee updates. The Nomination & Corporate Governance Committee meets at least twice a year.

The Group ESG Management Committee is chaired by our Group CEO and consists of senior managers from across the business. The committee is responsible for setting our ESG ambition and strategy, benchmarking and evaluating our performance, and responding to risks and opportunities. It reports to the FWD Group Board at least twice a year.

Our dedicated group-wide ESG function sits within Group Strategy to ensure close alignment of ESG strategy with our business goals and resource allocation. Our ESG value creation scorecard helps us to monitor the progress and impact of our Group ESG strategy.



Group ESG Committee 2022 membership

ESG Committee Chair —
Group CEO
and Executive Director

Executive ESG Sponsor —
Group Chief Strategy
& Business Officer

Senior level representation from across the business including —

- Group Chief HR Officer
- Group Chief Investment Officer
- Group Chief Operating Officer
- Group Chief Risk Officer
- Group Chief of Staff
- Group Head of Investor Relations
- Managing Director of Emerging Markets & Group Chief Distribution Officer
- Regional CEO, Thailand and Cambodia

Group ESG Lead and Secretary
Head of Group ESG

Issues that matter to FWD

At FWD, we aspire to create a better and more sustainable future. To build our ESG strategy we started with a materiality assessment and it is refreshed on a regular basis.

During this assessment, we reflected on the views of our leadership and employees, customers, shareholders and investors, distribution partners, regulators, peers, industry trends, and leading international ESG frameworks and non-governmental organizations (“NGOs”).

To identify these material ESG topics, our materiality assessment followed a structured process that identified, validated and organised key ‘material’ topics across economic, environmental and social dimensions, which are of value to both internal and external stakeholders.

The materiality assessment took into consideration local and international regulatory expectations, peers and international standards, such as reporting frameworks, ESG ratings providers and the United Nations’ Sustainable Development Goals (“SDGs”). In order to align with and contribute to our business strategy, we gathered a strong understanding of these ESG risks and opportunities through our Group strategy and risk management teams and key functions across the business.

Our materiality assessment identified our key internal and external stakeholders and took into account insights and information from a number of sources, including:

- Conducting benchmarking and gap analysis by the Group ESG function;
- Interviews, roundtable discussions, consultation and surveys with key decisions-makers and committees;
- Discussions with the Group ESG Management Committee and the Group Board;
- Discussions and forums with external stakeholders, such as regulators, NGOs, consultancy companies; and
- Third party data, such as Bloomberg and MSCI.

As a result, our Group ESG strategy focuses on six megatrends that are shaping the future of insurance:

- Accountability for ethical business practices;
- Importance of trust and customer relationships;
- Competition for talent;
- Financial inclusion;
- Investment implications of ESG factors; and
- Climate change.

These provide a useful structure for organising ESG topics that are material to our business.

Our ESG value creation

Our ESG strategy intends to create value in the following six aspects:

1. Governance and risk management

We aim to strengthen our culture of integrity and our robust risk management framework to ensure that we are doing the right things right. We are making our business stronger and more resilient through ensuring robust and transparent decision-making and incorporating material ESG factors into risk management.

2. Trust

We aim to build customers' trust in us and the insurance industry. With 99 per cent of our employees having completed the annual Treating Customers Fairly refresher training in 2022, we offer a seamless customer journey that is designed and evaluated through the eyes of our customers. We deliver the protection that our customers need through simpler and more inclusive products and create ways for customers to stay engaged with us, while ensuring responsible use of their data.

3. Talent

We aim to attract, develop and retain people who will change the insurance industry. We are fostering a vibrant workplace culture through inclusive leadership, promoting diversity of talent and increasing business resilience through flexible working. During the COVID-19 pandemic, in certain markets, all of our employees were working from home. We have adopted a Group Board diversity policy, which aims to enhance the effectiveness of our Board and our corporate governance standards by promoting diversity. As at 31 December 2022, women make up 27 per cent of our Board, and 31 per cent of assistant vice president or above.

4. Closing the protection gap

We are committed to making a real impact on financial inclusion. We focus on younger customers in Asia who have traditionally been underserved by making our products accessible and attractive to them. We are educating people to help increase their financial literacy levels and become their lifetime partner as they go through their life stages.

5. Sustainable investment

We are a signatory to the Principles for Responsible Investment (PRI) and aim to incorporate ESG factors into our investment process to ensure the long-term sustainability of our investments. We also invest in our local communities to support their sustainable developments.

6. Climate change resilience

We support the transition towards a low carbon economy through alignment with the Task Force on Climate-related Financial Disclosures.

Our ESG strategy aligns with seven SDGs, covering areas where we can make the greatest contribution:

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

Strong governance guides decision-making in circumstances requiring ethical judgement. Ethical businesses are trustworthy, open, transparent and proactive in addressing stakeholders' concerns. They are businesses that adopt rigorous frameworks of corporate governance and risk management in order to ensure long-term success and resilience.

Of all the megatrends, this is the highest priority for all stakeholders. That's why FWD's Group ESG strategy has a firm foundation of strong corporate governance and risk management.

Please go to Task force on Climate-related Financial Disclosures on page 74 for more information relating to climate risk management.

Ethics and business conduct

Our Code of Ethics and Business Conduct (the "Code") encompasses five principles that guide decision-making and actions. Regardless of our individual role in the company, whether we are directors, officers, managers, employees or FWD partners such as agents, contingent workers or contractors, we are expected to always do the right things right.

Policy areas	FWD's position	Our policies/guidelines
Guiding principle 1 – Honesty and integrity		
Rejecting bribery and corruption <ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> FWD Group Anti-Bribery & Corruption Policy
Avoiding conflicts of interest <ul style="list-style-type: none"> Personal conflicts of interest Corporate opportunities Disclosing conflicts of interest 	Fulfilling our clients' needs requires our full attention. We must avoid conflicts of interest that could limit our ability to carry out our responsibilities for FWD.	<ul style="list-style-type: none"> FWD Group Conflicts of Interest Policy
Respecting intellectual property <ul style="list-style-type: none"> Gathering information about competitors properly Respecting copyrights 	Respecting intellectual property rights means we only access information and materials that we have a right to use through legal and ethical means.	<ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Group Anti-Money Laundering and Counter-Terrorist Financing and Sanctions Policy FWD Group Corporate Dealing Policy
Competing fairly in the marketplace <ul style="list-style-type: none"> Price fixing Insider dealing 	We do not engage in anti-competitive activities that would harm customers and endanger our long-term success.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> FWD Group Information Security Policy FWD Group Information Technology and Digital Policy FWD Group Information Technology Security Governance 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.	<ul style="list-style-type: none"> FWD Group Customer Complaints Policy FWD Group Treating Customers Fairly Policy FWD Group Social Media Policy FWD Group Anti-Fraud Policy FWD 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.	<ul style="list-style-type: none"> • FWD Group Staff Handbook • FWD Group Non-Discrimination, Anti-Harassment and Anti-Bullying
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.	<ul style="list-style-type: none"> • FWD Group Discipline and Grievance Policy • FWD Group Whistleblower Policy • FWD Group Whistleblower Investigation Procedures

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.	<ul style="list-style-type: none"> • FWD Group Human Rights Guidelines • FWD Group Community Care Guidelines • FWD Group Procurement Policy • Group Board Diversity Policy
Social responsibility → Sustainable investment	We aim to be a positive source for change in the communities in which we do business.	<ul style="list-style-type: none"> • Climate Risk Management Policy • Sustainable Investment Guideline

In 2022, 100 per cent of our employees completed Code of Business Ethics & Conduct annual recertification training.

All employees and vendors receive a copy of the Code upon commencement of their employment or appointment with us. And each year, employees complete an online assessment to update their knowledge of the Code.

The Code as well as our Vendor Code are publicly available at fwd.com.

Reporting ethical concerns

If an employee or business partner fails to comply with our Code, they may be subject to disciplinary action, including dismissal, and may face legal penalties. We have partnered with a leading third-party compliance and ethics provider, so that anyone can report in good faith without fear of retaliation.

Dedicated Speak Up channels are available by phone or online in every country we operate in. We keep all reports confidential and if a whistleblower prefers to remain anonymous, we will respect their choice.

Risk management

Our diligent and proactive approach to risk management ensures that we have controls and other processes in place to safeguard our business and our customers' assets.

Our Enterprise Risk Management ("ERM") Framework and associated policies, including our Code, underpin our strong risk culture. We are guided by our corporate values and our employees operate in accordance with the Code and our risk appetite, thereby safeguarding the longevity of our brand and protecting the interests of our stakeholders.

The risk management cycle starts with identifying and categorising risks – and then agreeing on and implementing mitigation actions. To ensure adequate levels of risk awareness in every area of our business, we monitor key performance indicators and conduct regular reviews of our risk culture.

For more information about our risk management, please go to page 94 of this report.

2. Trust

Customers expect experiences that are personalised and on-demand. The onus is on insurers to create customer advocates by continually earning, and re-earning trust, and removing 'pain points' from every customer interaction. Creating seamless, relevant, real-time engagement, offering a range of distribution channels and platforms to customers, will drive higher retention and ultimately greater customer lifetime value.

FWD has continued to deliver on its customer-led focus, creating more digital options for customers to interact with the brand in an easy, fast and direct manner. This aligns with what we are seeing with market behaviours across the region. Our metrics across the board are showing a positive increase in how these services are perceived by our customers across all the markets.

Asia is undergoing rapid digitalisation. In the insurance industry, as with many other sectors, digital technologies are transforming business models. This is creating new ways to engage with customers to ensure their products and services are valuable, desirable and accessible. But customers also expect responsible use of their data.

For more information about building customer trust please refer to page 19 of our strategy section of this report.

2.1 Customer experience, satisfaction and engagement

By focusing on changing the way people feel about insurance and addressing the key pain points for customers, and improving our customer experience, we have sought to make the insurance journey simpler, faster and smoother. We design our products to be easy to know and easy to buy.

We aim to craft best-in-class experiences for our customers to make it easy to engage with us, and easy to claim, so that customers find it easy to love our brand, innovations and overall customer proposition. In 2022, around US\$4.1 billion were paid to customers in claims and benefits.

Customer experience, satisfaction and engagement are built into our business strategy. For more information, please refer to page 19 of our strategy section and customer experience metrics on page 6.

Dealing with complaints

Complaints from our customers represent opportunities for improvement. We review all cases thoroughly to work out precisely what happened and prevent similar occurrences in the future. Our goal is to reduce the number of customer complaints overall and our complaints ratio has consistently been less than 0.2 per cent each year from 2020 to 2022 inclusive.

2.2 Digital inclusion

Our Group Digital team provides expertise and services to all FWD markets. We continue to expand our investment in research and development and technology headcount to further our leadership and capabilities as a digital-first insurer.

For more information about our proprietary digital system, please refer to page 22.

2.3 Data privacy

The more we know about our customers, the better we can serve them. But in doing so, it is our responsibility to handle personal data with the utmost integrity.

Our Code of Ethics and Business Conduct provides guidance to employees and business partners on protecting confidentiality and data privacy. Our Personal Information Collection Statement, Data Privacy Policy and Standards serve as the basis for protecting the rights of all individuals whose personal data has been collected by FWD.

Our Data Governance Steering Committees in each market ensures strict adherence to global and local privacy laws, including the Hong Kong Personal Data (Privacy) Ordinance and Singapore Personal Data Protection Act. We also conduct training and assessment programmes for appraising our agency and distribution partners on data privacy protection.

Information security

Our management approach to information security is at the heart of everything we do. Risk based, it is driven by our policies, standards and ERM framework, in addition to regulatory requirements and the evolving cyber threats landscape.

FWD's information security management is a critical governance function, led by our Chief Information Security Officer with support from our information security, risk and compliance and audit teams. These teams provide periodic updates to our Compliance and Operational Risk Committee ("CORC"), which is chaired by FWD's Chief Operating Officer. CORC reports to the Group Board Risk Committee on a quarterly basis.

Our group-wide information security system allows FWD to consolidate and optimise information technologies and processes used across the business units, ensuring standardisation, consistency and effectiveness across our markets. This way, all FWD markets can benefit from deep expertise through our shared services, delivering information security excellence at scale.

FWD employees are critical to protecting the information and assets of our customers and our organisation. Continuous information security awareness for staff, including temporary staff, is mandatory to ensure information security compliance. We also perform annual security trainings, phishing simulations, drills and targeted awareness campaigns to ensure that all staff are on top of emerging risks and current threats and ready to respond to potential incidents in a timely and effective manner.

2.4 Treating customers fairly

Conduct risk 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. FWD's culture of putting customers first helps to mitigate this kind of risk.

One of the primary ways to putting customers first is to ensure our products and services are aligned with customers' expectations, and we conduct business in a manner that treats customers fairly throughout the customer journey.

Launched in 2019 and overseen by the board of directors for each FWD operating entity, the FWD Group Treating Customers Fairly Policy has been integrated into the compliance frameworks of all FWD companies. It outlines the role of business units for improving customer experiences and sets standard behaviour guidelines for all employees and distribution partners to ensure fair outcomes for our customers.

Our training module emphasises that conduct risk is everyone's responsibility. In 2022, 99 per cent of employees completed annual Treating Customers Fairly refresher training.

2.5 Responsible selling practices

It is imperative that we sell our products in a manner that is fair, clear and not misleading to our potential or existing customers.

FWD's Group Distribution and Sales Quality Policy ensures our employees and business partners will not be remunerated in any way that could detract from our customers' best interests. For certain insurance products, such as those with long-term contribution commitments, Financial Needs Analysis must be completed in order to understand our customers' needs prior to signing any contract.

This policy is applicable to all operating entities under management control and influence of FWD, specifically including sales employees, agents, financial advisors and telemarketers. Other distribution partners, such as bancassurance, brokers and third-party call centres, should abide by the spirit of this policy, and must comply with regulatory reporting requirements.

Our CORC oversees our practices, key risks indicators and misconduct matters and reports to the Group Board Risk Committee on a quarterly basis.

3. Talent

Attracting, retaining and developing talent is essential for the sustainable growth of our company. We need diverse experience and perspectives that will help change insurance.

3.1 Attracting and developing people who will change insurance

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.

3.2 Diversity, equity and inclusion

At FWD, we are building a diverse, equitable, inclusive and collaborative culture. That is because we need diverse talent, experience 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 create an environment where everyone can do their best work for FWD.

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.
<ul style="list-style-type: none"> • Policies: Non-discrimination, Anti-harassment and Antibullying, and Discipline & Grievance resolution • Inclusive benefits • Channel and mechanism for employee communication and feedback 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Create a level playing field by interrupting conscious and unconscious bias • Inclusive recruitment, performance assessment, promotion and professional development guidelines and practices 	<ul style="list-style-type: none"> • 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:			
<ul style="list-style-type: none"> • Number of employees completed annual Code of Business Ethics & Conduct training • Employee engagement • Cases reported through grievance channels 	<ul style="list-style-type: none"> • Number of women in executive and senior management positions • Specific local priority metrics • Employee voluntary turnover 	<ul style="list-style-type: none"> • Completion of conscious and unconscious bias training • New hires by gender • Key roles filled by internal talent by gender • Promotions by gender 	<ul style="list-style-type: none"> • Employees with mobile, laptop and table devices with agnostic single sign on access • Employee applications that are Cloud First

For more information on DEI, please refer to Page 30 and 2022 Datasheet on page 88.

3.3 Skills and training

In every role and in every area of our business, we value our people by rewarding them for their contributions and supporting them to take control of their careers.

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 2022, 95 per cent of total women employees and 95 per cent of total men 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.

Our Learning Management Framework is an interactive online tool to help employees identify and address their own areas for improvement based on our leadership competency framework. We run lunch and learn sessions throughout the year to help our employees learn key skills, including those related to working remotely and managing stress.

For more information about training and development, please go to Page 31.

3.4 Employee engagement

We understand what's important to our employees because we constantly seek their feedback and insights on how we're doing as an employer, and how to make FWD an even better place to work.

Each year we conduct a Gallup poll to gauge our employees' engagement levels. In 2022, 97 per cent of our employees responded to Gallup survey, up from 96 per cent in 2021. Our grand mean score across FWD significantly increased from 4.22 in 2021 to 4.31 in 2022. In addition, 61 per cent of our employees are 'engaged', which increased from 56 per cent in 2021.

Building on the findings of employee engagement, our Human Resources team coordinates Group office and business unit action plans. During 2022, we implemented a range of employee engagement initiatives in response to ongoing feedback.

For more information about employee engagement, please go to Page 31.

3.5 Organisational Health Index

Sustained performance requires employees to share a common set of goals and priorities. The Organisational Health Index ("OHI") helps to find the disconnects and provides a detailed picture of an organisation's health compared to peers across 37 Management Practices.

Our 2022 OHI survey delivered strong results. We had a response rate of 87 per cent, noted as 'excellent' by McKinsey. Up from 83 per cent in 2021 and higher than the Asian Financial Services benchmark of 71 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 2022 OHI score increased by 3 points compared to 2021, bringing us to 81, now sitting at the upper end of 2nd quartile among the Asian Financial Institutions. Our leaders observed continuing trend from 2021, with improvement in all 9 Outcomes, and quartile improvements in 4 Outcomes.

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

Economic and social inequality creates unequal access to opportunities to thrive for large segments of the populations in our markets. Closing the inequality gap requires consideration of the root causes of such inequality to create change that can positively shift the status quo.

Insurance plays a critical role in advancing financial inclusion. As the Organization for Economic Co-operation and Development (“OECD”) points out, there are two issues at play here. People need access to financial products that meet their needs. It is also essential to increase their awareness and knowledge of these financial services.

4.1 Product accessibility

Product accessibility is all about making sure people can access insurance solutions whenever and wherever they want.

In line with our Group strategy, we have continued our focus on embedding protection within our product offerings, with our protection value of new business up 28 per cent from 2021 to US\$419 million, with a protection ratio of 50.9 per cent in 2022.

Elite, tailored and tech-enabled multi-channel distribution

Our tech-enabled sales force seeks to meet customers’ demands with optimum touch points and services to help close protection gap. We have built a differentiated distribution model by enhancing traditional face-to-face distribution channels with technologies, extending our reach to prospective, underserved customers through our neo-insurance platform, and empowering all channels with relevant propositions, products and skill sets.

For more information on FWD Elite agents please go to page 25.

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 and faster for customers to settle claims and obtain payments.

We focused 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 example, since the launch of Project Exclusion, we have removed approximately 80 per cent of exclusions from our policies in Vietnam. By end of 2022 we have introduced 28 new products with under 5 exclusions across the markets. 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.

Advantage with younger, underserved customers

An essential element of our customer-led strategy is developing lifetime partnerships, particularly with under 40 years old who represent significant lifetime value.

Increasing our appeal to younger customers is an important part of our protection story because while young people are initially most interested in leveraging their savings, their risk profile can and does evolve over time to encompass greater protection for themselves and their loved ones. In 2022, a total of 60 per cent of our new individual policyholders were millennials (customers under 40).

FWD Care

With an intention of equipping our customers and their families with the strongest support when they're at their weakest, we created the FWD Care recovery plan. FWD Care 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, by providing a dedicated nurse companion and customised support services. As soon as an eligible claim is approved, a seasoned and highly skilled recovery nurse reaches out to offer guidance and companionship throughout this uncertain time.

FWD Care has already been introduced in Hong Kong, Thailand, Japan, Vietnam, Indonesia, Singapore, and Malaysia. Through FWD Care, we're going beyond traditional insurance offerings to support our customers after a critical event that could effectively aid their recovery. Most importantly, today, FWD Care has achieved over 90 per cent satisfaction rating from customers who have used it. FWD Care has also received industry recognition for its innovativeness, including "Innovation of the year" award by Asia Insurance Industry Awards 2022.

4.2 Financial education and literacy

An integral part of our Group ESG strategy is improving financial education to increase financial literacy. We believe that increasing the financial literacy of people as early as possible in life will help to build better money management habits and brighter futures.

Better financial education increases the number of active savers. Small, but consistent contributions to emergency savings, can have a large impact on mitigating the negative consequences of unforeseen expenses.

There are even broader benefits of improving financial literacy. By promoting positive financial behaviours and attitudes, we aspire to bolster financial resilience and enhance long-term financial well-being.

By equipping children and young people with financial skills and capabilities, they can be inspired to be agents of change socially and economically for their own lives. We look for ways to empower their employability and entrepreneurial skills, so that young people can live fulfilled lives with better financial stability and protection. We are also harnessing technology to inspire and empower young people, broadening their horizons and getting them on track for a brighter financial future.

In 2022, more than 14,800 individuals were supported by our financial education programmes, and we continued to evolve our experiential-learning financial literacy programme, Fun(d) for Life, in Malaysia. We also formed a new region-wide partnership with Junior Achievement (JA) Asia Pacific which supports primary school students to develop essential financial literacy skills. In collaboration with an international animation production house, we also created educational videos with some of Malaysia's popular cartoon characters, reaching over 11 million views.

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

JA SparktheDream is a holistic programme co-created by FWD and JA in 2021 to develop primary school students' financial literacy at early ages and empower them to live their dreams. This programme equips students with the skillsets to become financially capable individuals, and the mindsets and framework to become socially-minded, positive contributors to their communities by providing them with tools and opportunities to take charge of their financial future. Students develop their financial literacy by combining volunteer-led financial management lessons, an interactive online learning platform, family activities, community engagement and an annual regional student exchange event.

In 2022, our programme began in Hong Kong and Singapore with almost 2,500 primary students, supported by over 100 FWD volunteers. Additionally, about 140 students' ideas were shared in jasparkthedream.org, with more than 57,700 online views. Overall, we are aiming to support around 25,000 students and thousands more of their peers, in seven markets across the region by 2024.

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 2022, over 10,100 individuals were supported and there were more than 261,800 views of online programme activities, training and resources.

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

Insurers are key institutional investors in the global financial system, seeking to manage assets and liabilities with a geographic and long-term view while operating within a heavily regulated environment.

Social and environmental expectations are changing from customers, regulators, investors and even the general public. And brands, boards and executives are being held more accountable for the environmental and social impacts of their decisions.

This is leading to a widespread recognition of the importance of a more sustainable global financial system – a challenge that can only be resolved through global scale partnerships and collaboration.

5.1 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\$43.7 billion are invested to generate predictable and stable income, allowing us to deliver steady returns and claims to customers. As at 31 December 2022, 82.4 per cent of our investment portfolio (excluding unit-linked investments) was composed of fixed income investments, predominantly sovereign and corporate bonds.

We believe embedding ESG into our investment process will help promote sustainable financial performance commensurate with our long term investment horizon. In 2021, we launched our sustainable investment guideline under the oversight of our Group Board, Group ESG Management Committee and Group Investment Committee.

Our sustainable investment guideline focuses on a few key elements:

- We integrate ESG considerations into our investment processes in a robust and systematic way and target at every stage of our investment decision-making – for increased transparency, future risk resilience and market opportunity
- We are active owners of our investments through engagement – these engagements include discussions with companies at Board or senior management level with the objective of increasing awareness of ESG underperformance and changing behaviour. Once potential companies are identified, we engage with these companies via our external portfolio managers. In the case of internally managed assets, we engage directly with the companies in question and/or seek to engage collaboratively with investor organisations.
- 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 phasing out investments in thermal coal by 2030.

In 2022, 90 per cent of our portfolio went through ESG screening¹ and our thermal coal exposure² has also reduced from US\$129 million invested in 2021 down to US\$80 million in 2022.

In 2022, our focus has been on the integration of the sustainable investment guideline into the majority of our investment mandates, as well as further analysis and guidelines on climate-related risks and opportunities.

5.2 Global partnerships

In 2020, we became a signatory to the Principles for Responsible Investment (“PRI”) – the world’s leading proponent of responsible investment. Launched in 2006, the PRI is a voluntary framework that has been endorsed by over 3,000 of the world’s largest institutional investors.

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.

5.3 Community Care

Our Community Care programme is a group-wide approach to community investment that focuses primarily on financial education across the region.

The Group’s Community Care team works with Community Care leads in the business units, to implement programmes and activities locally. The Group ESG Management Committee has oversight for the efficacy and integrity of our community investment 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. Partners should also share our values, including our commitment to diversity, equity and inclusion.

In 2022, we contributed approximately US\$1.7 million to our Community Care programmes to empower people to lead fulfilled lives across Asia. This includes cash, in-kind and time contributions and other management costs for our Community Care activities.

Please visit www.fwd.com for more information.

Notes:

1. Fixed income and listed equities screened through MSCI
2. Listed equity and fixed income in companies with >5 per cent revenue from thermal coal

6. Climate resilience

Climate resilience is the ability to anticipate, prepare for and respond to inherent threats from our changing climate. These threats may be ‘physical’ – such as changing weather patterns, or ‘transitional’ – as the world moves to a lower carbon economy. Measures towards climate resilience will entail a range of policy, legal, technological and market disruptions.

The insurance industry has a crucial role to play in bolstering climate resilience. But to do so, financial markets need clear, comprehensive and high quality information. For those who are dynamic, proactive and well-informed, climate change presents opportunities as well as risks.

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

6.1 Task Force on Climate-related Financial Disclosures

We start our climate reporting referencing the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”).

The TCFD approach is underpinned by scenario analysis and the identification of climate risks and opportunities. By adopting the TCFD approach, we are moving toward best practice in climate disclosures, while preparing our business to prosper in a low carbon future.

Governance

The recommendations of the TCFD guide us on identifying, monitoring and managing climate-related risks and opportunities. Our Group Board has ultimate responsibility for overseeing our climate approach, which is part of our overall ESG governance structure. The Group ESG Management Committee reports to the Board at least twice a year, and is chaired by our Group CEO.

All of our directors and the Group ESG Management Committee members took part in climate risk training in 2021, and in 2022, a directors training was conducted which included aspects of ESG including board responsibility.

To further strengthen our response to climate risk, a Climate Risk Management Policy was developed in 2022 which sets out the framework for key principles for climate risk management and clear roles and responsibilities for climate risk management across the Group. The Group Risk Committee (GRC) has delegated authority from the Group Board to oversee the establishment and operation of an effective ERM Framework across the Group. The GRC mandate includes 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. The GRC reports to the Group Board on such matters at least four times a year.

See page 58 for more information on FWD’s ESG governance and page 94 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

We aligned our strategy to achieving the goals of the 2015 Paris Agreement and take science-based advice into consideration in the development of our strategy and targets.

A clear outcome of our process of discovery and research has enabled us to recognise the need to embrace long-term goals and have an agile strategy that can evolve and adapt to real-time changes.

We have set out an initial short-term plan, including specific targets to be implemented in 2022. In 2023, we intend to develop a near to mid-term roadmap and the Group Board will review updates to our climate strategy to ensure we are taking the best approach and appropriate actions towards decarbonisation and climate resilience.

We continue to monitor external changes at both a micro and macro level, analysing all available data, and keeping our stakeholders updated with key developments and changes, as they happen.

Our climate action strategy focuses on five areas



Healthy environment, healthy people

As a life insurer, we recognise the potential health impacts from a changing environment. Our Climate Action Strategy includes a focus on air pollution as an area of concern in Asia and for our customers and communities.

Long and short-term exposure to air pollution has been associated with increased mortality and morbidity due to heart disease, stroke, lung cancer, and acute and chronic respiratory diseases. There are also considerable health and environment impacts beyond premature deaths, such as medical costs associated with diseases caused by air pollution, lost working days, and lower productivity, among others.

Pollution from heavy emitting sectors, such as utilities, largely contribute to air pollution. As these sectors decarbonise, we expect to see a positive impact on pollution levels, which will also reduce the disease burden of air pollution. With this in mind, we'll continue to research and define the multifaceted benefits of climate action.

6.3 Climate risk management

We are continuing to develop the way we identify, assess and manage climate-related risks through the Climate Risk Management Policy, which sets out key principles for management of climate risk at FWD. The management of climate risk is part of the overall Group's ERM framework. The policy sets out the roles and responsibilities for climate risk management as well as identifies the material risk types and relevant climate risk categories (physical, transitional or liability). Climate risk assessments are conducted at least once a year. The policy also sets out requirements for climate risk indicators and relevant risk limits to detect and respond to current and potential climate-related risks.

Please see more on FWD's risk management approach and process on page 94.

Scenario analysis

This year, to support our climate action strategy, we undertook a company-wide climate screening and climate-related scenario analysis of our investment portfolio.

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.

Our risks and opportunities sit primarily within the transition to a low carbon economy. Our main transition risk 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 have developed a Climate Risk Scenario, and included it as one of our Group Prescribed Scenarios for our Group Own Risk and Solvency Assessment and Business Planning's Stress and Scenario Testing. This scenario is referenced in various climate stress exercises of regulators / organisations (including the Monetary Authority of Singapore Industry-Wide Stress Tests, UN Environmental Programme Financial Initiative and Bank of England) and with adaptation for FWD.

This scenario envisages governmental actions to address high carbon emission levels. All jurisdictions immediately impose a carbon tax for any carbon dioxide emitted. The disorderly transition results in a short-term decline in economic growth across all economies. Through the scenario analysis, we gain understanding of the impact of climate risks on our portfolios, and 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

As part of our climate action strategy, we support the transition towards a low-carbon economy to help achieve net zero by 2050. To achieve this, we will explore strategies and approaches to align our operations and investment portfolio to net zero greenhouse gases (“GHGs”).

The nature of our business and our digital-first and cloud-first infrastructure means our office footprint is relatively small. Nonetheless, we are finding ways to be energy efficient and reduce our environmental impact.

We monitor our own operation 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 2022, electricity accounted for 90 per cent of our reported GHG emissions, and the remaining 10 per cent from mobile fuel. An increase in our emissions in 2022 were due to operations returning to business-as-usual following the pandemic restrictions in the markets we operate in. FWD is currently exploring further ways to manage our own day-to-day emissions including the development of a sustainable operations framework. In 2023, we will conduct a scope 3 emission screening exercise and work towards expanding our reporting to include material scope 3 emissions.

Group snapshot	2022	2021
Scope 1 (MT CO ₂ e)	493	379
Scope 2 (MT CO ₂ e) location based	4,652	4,436
Scope 2 (MT CO ₂ e) market based	4,578	4,295
Total GHG emissions (Scope 1 & 2)	5,145	4,815
Total GHG emissions intensity (MTCO ₂ e/employee)	0.733	0.721

Reduce our own day-to-day emissions

We are working to reduce our day-to-day operational emissions by understanding our office emissions and exploring practical ways to minimise our scope 1 and 2 emissions. In 2022, we achieved 94 per cent cloud adoption, which exceeded our target of over 90 per cent cloud adoption across our markets by 2024. This will help reduce carbon emissions by moving away from on-site data centres. Strategic partnerships are vital to achieve this; two of our key partners, AWS and Microsoft, have committed to using 100 per cent renewable energy by 2025.

Phase out thermal coal by 2030

We want to ensure the long-term sustainability of our investments. In 2021, we developed our sustainable investments guideline. Part of our sustainable investment approach includes working to phase out investments in thermal coal¹ and exit by 2030. This includes no new thermal coal investments. In 2022, we started engaging with investee companies who are dependent on thermal coal power generation to assess whether transition plans are in place and the level of risk.

Reduce financed emissions

As set out in our Group Climate Action Strategy, we are focused on reducing our financed emissions through a sector-based approach in our investment portfolio. To help manage and ensure a sustained reduction in financed emissions, in 2022, we developed an engagement and escalation strategy for heavy emitters steered towards issuers most exposed to climate change risks. The objective is to seek greater transparency and understanding of these issuers' current business models and future plans and level of resilience against climate change risks. Through this engagement and escalation approach, we are prioritizing and managing financed emissions for sectors and issuers who we believe to pose highest long-term financial risk from climate change.

See our Sustainable Investments Chapter on Page 72.

Eliminate commodity-driven deforestation

We will also strive to eliminate commodity driven deforestation from our investments by 2025 and, to help develop guidelines to achieve this, we are participating in the PRI sustainable commodities practitioners' group. We joined the practitioners group at inception in 2021, and aim to encourage sustainable commodity practices in palm oil, soy, beef and timber, with specific actions and timelines guided by the practitioners' group.

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.



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent Limited Assurance Report in relation to FWD Group Management Holdings Limited's Selected Information within the Environmental, Social and Governance section of the Annual Report 2022

To the Management and the Board of Directors of FWD Group Management Holdings Limited

Scope

We have been engaged by FWD Group Management Holdings Limited (the "Company") to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, hereafter referred to as the engagement, to report on selected Environmental, Social and Governance ("ESG") Key Performance Indicators ("KPIs") (the "Subject Matter") as defined within Appendix 1, for the year ended 31 December 2022 contained in the Company's Environmental, Social and Governance section (the "Report") embedded in the Annual Report 2022.

Criteria applied by FWD Group Management Holdings Limited

The Company prepared and presented the Subject Matter in accordance with the basis of preparation as stated within the "Corporate governance assured data", "Diversity, equity and inclusion assured data" and "GHG and energy assured data" section (the "Criteria") of the Report.

FWD Group Management Holdings Limited's responsibilities

The Company's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with the Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a limited assurance conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000), and the terms of reference for this engagement as agreed with the Company on 7 December 2022. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies Hong Kong Standard on Quality Control 1 (HKSQC 1), “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements” which conforms with International Standard on Quality Control 1 (ISQC 1), “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, or 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.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, 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 do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management’s internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Conducting interviews with selected management and personnel to understand the business;
- Conducting interviews with selected personnel to understand the process for collecting, collating and reporting the selected ESG performance indicators;
- Performing analytical review procedures over the selected ESG performance indicators and enquiring with management as to the reasoning behind material year-on-year variances;
- Checking, on a sample basis, that the calculation criteria had been applied with reference to the methodologies outlined in the Criteria;
- Checking, on a sample basis, the arithmetical accuracy of the calculations performed, including assumptions and estimates made, on the selected ESG performance indicators; and
- Testing, on a sample basis, underlying source information to check the accuracy of the data.


We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the year ended 31 December 2022, in order for it to be based on the Criteria.

Restricted Use

This report is intended solely for the information and use of the Company for the purpose of the preparation of the Subject Matter included in the Report, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "Ernst & Young", is positioned above the printed text.

Ernst & Young

Hong Kong

27 February 2023

Appendix 1

The ESG KPIs listed below constitute the Subject Matter within the scope of the assurance procedures and report.

Environmental	Climate
Reporting period: 12 months to 31 December 2022	Absolute GHG emissions
	Scope 1 GHG emissions (MT CO ₂ e)
	Mobile combustion (Owned vehicles)
	Stationary combustion (natural gas)
	Scope 2 GHG emissions (MT CO ₂ e) (market and location base)
	Purchased electricity
	Total Scope 1 + 2 (MT CO ₂ e)
	Intensity GHG emissions (by employee)
	Scope 1 GHG emissions (MT CO ₂ e/employee)
	Scope 2 GHG emissions (MT CO ₂ e/employee)
	Total Scope 1 + 2 (MT CO ₂ e/employee)
	Intensity GHG emissions (by office space)
	Scope 1 Stationary combustion (natural gas) GHG emissions (MT CO ₂ e/m ²)
	Scope 2 GHG emissions (MT CO ₂ e/m ²)
	Energy
	Absolute energy use
	Fuel (L)
	Owned fleet: diesel (L)
	Owned fleet: petrol/gasoline (L)
	Sub-total (L)
	Sub-total (MWh)
	Natural gas (m ³)
	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 (m ³ /employee)	
Natural gas (MWh/employee)	
Purchased electricity (MWh/employee)	
Intensity energy use (by office space)	
Natural gas (m ³ /m ²)	
Purchased electricity (MWh/m ²)	

Social	Diversity, equity and inclusion
Reporting period: 12 months to 31 December 2022	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 %

2022 Datasheet

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

Selected ESG KPIs have been independently reviewed by our external auditors Ernst and Young (EY). The scope of the independent assurance is based on 2022 data, and includes the metrics covered in the following tables subtitled: Corporate governance; Diversity, equity and inclusion; Climate; and Energy.

Firm foundations: Strong corporate governance and risk management

	2022		2021	
	Female	Male	Female	Male
Corporate governance				
Executive directors	0	2	0	2
Non-executive directors	0	3	0	3
Independent non-executive directors	3	3	3	3
Total	3	8	3	8
Independent directors %	55%		55%	
Female directors %	27%		27%	
Business ethics and responsible conduct				
Annual completion % in relation to Code of Ethics and Business Conduct training ¹	100%		99%	

Note:

1. New joiner have 60 days to complete. New joiners in November and December may not have completed by are still within the deadline for training completion.

Corporate governance assured data

Limited independent assurance was conducted on 2022 corporate governance data on a voluntary basis in accordance to International Standard for Assurance Engagement (ISAE) 3000 (Revised). The scope coverage for corporate governance include 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 2022.

Data was collected and consolidated by Group Legal.

Trust: Building customer trust in our company and industry

	2022	2021
Customer experience, customer satisfaction		
Customer claims advocacy (Net Promoter Score)	48	48
First contact resolution (FCR) – voice	90%	88%
Claim paid in three days	57%	55%
Complaints ratio	0.151%	0.096%
Annual completion rate in relation to Treating Customers Fairly training ¹	99%	98%

Note:

1. New joiner have 60 days to complete. New joiners in November and December may not have completed by are still within the deadline for training completion.

Talent: Attracting and developing people who will change insurance

	2022			2021		
	Female	Male	Total	Female	Male	Total
Employees (headcount)						
Type						
Full Time	3,820	3,190	7,010	3,639	3,035	6,674
Part time	6	1	7	8	0	8
Group total	3,826	3,191	7,017	3,647	3,035	6,682
Employment contract						
Permanent	3,404	2,928	6,332	3,247	2,769	6,016
Contract	420	260	680	395	264	659
Temporary	2	3	5	5	2	7
Group total	3,826	3,191	7,017	3,647	3,035	6,682
Region						
Group – Hong Kong, Malaysia, Singapore	304	504	808	250	419	669
China	16	7	23	25	26	51
Hong Kong & Macau	524	527	1,051	515	490	1,005
Japan	392	454	846	389	462	851
Thailand & Cambodia	1,297	757	2,054	1,284	748	2,032
Emerging markets ¹	1,293	942	2,235	1,184	890	2,074

Note:

1. Emerging Markets include the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

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

	Female	2022 Male	Total	Female	2021 Male	Total
Talent attraction and retention						
New hires (% of total employees)						
< 30	4.3%	2.9%	7.2%	4.1%	3.4%	7.5%
30 – 50	7.5%	7.0%	14.4%	7.7%	7.7%	15.4%
> 50	0.3%	0.3%	0.6%	0.3%	0.4%	0.7%
Group total	12.1%	10.1%	22.2%	12.1%	11.5%	23.6%
Voluntary turnover rate¹	8.1%	7.3%	15.4%	7.7%	6.6%	14.4%
Turnover by age (% of total employees)¹						
<30			3.4%			3.2%
30-50			11.2%			10.8%
>50			0.8%			0.4%
Promotions (% of total employee)						
< 30	0.5%	0.5%	1.0%	0.6%	0.6%	1.2%
30 – 50	2.5%	2.5%	5.0%	3.0%	2.5%	5.4%
> 50	0.1%	0.2%	0.3%	0.2%	0.4%	0.6%
Group total	3.1%	3.1%	6.2%	3.8%	3.4%	7.2%
Skills and training²						
Year end reviews						
Employees that completed year end reviews	95.4%	94.6%	95.1%	99.3%	98.6%	99.0%
Employees that have not completed year end reviews	4.6%	5.4%	4.9%	0.7%	1.4%	1.0%
Employee engagement						
Gallup engagement – participation rate			97%			96%
Gallup engagement – grand mean score			4.31			4.22
Gallup engagement – actively engaged employees			61%			56%
FWD Elite agents³						
< 40	796	600	1,396	813	582	1,395
≥ 40	621	335	956	729	342	1,071
Subtotal	1,417	935	2,352	1,542	924	2,466

Notes:

1. Excludes involuntary turnover and fixed term contracts.
2. All permanent employees undergo performance reviews. China, Indonesia, Philippines, Thailand and Vietnam also conduct performance reviews of contract employees.
3. FWD Elite agents are a segment of the agents that has met at least 50% of MDRT requirements.

Talent: Diversity, equity and inclusion

	2022		2021	
	Female	Male	Female	Male
Diversity, equity and inclusion				
Gender profile (%)				
Senior management	31%	69%	33%	67%
Middle management	44%	56%	44%	56%
Junior managers	59%	41%	59%	41%
Officers and clerical	67%	33%	64%	36%
Not categorised ¹	11	17	0	1
Age and gender profile (%)				
< 30	58%	42%	57%	43%
30 – 50	55%	45%	55%	45%
> 50	45%	55%	44%	56%
Group total	55%	45%	55%	45%

Note:

1. Employees that did not have a compensation grade as at 31 December 2022 due to M&A integration.

Diversity, equity and inclusion assured data

Limited independent assurance was conducted on 2022 Diversity, equity and inclusion data as presented above on a voluntary basis in accordance to ISAE 3000 (Revised).

The assurance scope coverage include percentage headcount by gender, compensation grade and age group as at 31 December 2022 across all markets we operate in. 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. Distribution channels, such as agents and bancassurance partners are excluded.

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 HR.

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.

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

	2022	2021
Financial inclusion		
Total policyholders and participating members ¹	8.0 million	7.6 million
% new individual policyholders age < 40	60%	62%
VNB protection ratio	50.9%	51.7%
# individuals supported by financial education & literacy	14,877	6,382
# views of financial education & literacy online activities, workshops and training	11,354.2 k	33.4 k
Digital inclusion (digitalisation)		
Purchase digital submission rate	78%	66%

Note:

1. Approximate as at 31 December 2022.

Sustainable investment: Mobilizing capital for long-term sustainable returns through ESG integration

	2022	2021
Total AUM (billion USD)	43.7	45.3

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

	2022	2021
Community investment		
Time Contributions (hours)	3,429	3,325

Climate resilience: Transitioning towards a low-carbon economy

	2022	2021
Climate		
Absolute GHG emissions		
Scope 1 GHG emissions (MT CO ₂ e)		
Mobile combustion (Owned vehicles)	493	379
Stationary combustion (natural gas)	0.080	0.180
Sub-total	493	379
Scope 2 GHG emissions (MT CO ₂ e)		
Purchased electricity (Location-based)	4,652	4,436
Purchased electricity (Market-based)	4,578	4,295
Group total Scope 1 + 2 (MT CO ₂ e)	5,145	4,815
Intensity GHG emissions (by employee)		
Scope 1 GHG emissions (MT CO ₂ e/employee)	0.070	0.057
Scope 2 GHG emissions (MT CO ₂ e/employee)	0.663	0.664
Group total Scope 1 + 2 (MT CO ₂ e/employee)	0.733	0.721
Intensity GHG emissions (by office space)		
Scope 1 Stationary combustion (natural gas) GHG emissions (MT CO ₂ e/m ²)	0.0004	0.0005
Scope 2 GHG emissions (MT CO ₂ e/m ²)	0.042	0.040

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

	2022	2021
Energy		
Absolute energy use		
Fuel (L)		
Owned fleet: diesel (L)	80,811	63,169
Owned fleet: petrol/gasoline (L)	132,253	100,421
Sub-total (L)	213,064	163,590
Sub-total fuel use (MWh)	1,980	1,521
Natural gas (m³)	207	472
Natural gas (MWh)	2	4
Purchased electricity (MWh)	7,910	7,477
Total energy use (MWh)	9,891	9,003
Intensity energy use (by employee)		
Fuel (L/employee)		
Owned fleet: diesel (L/employee)	12	9
Owned fleet: petrol/gasoline (L/employee)	19	15
Sub-total (L/employee)	30	24
Sub-total (MWh/employee)	0.282	0.228
Natural gas (m ³ /employee)	0.030	0.071
Natural gas (MWh/employee)	0.0003	0.0006
Purchased electricity (MWh/employee)	1.127	1.119
Intensity energy use (by office space)		
Natural gas (m ³ /m ²)	1.122	1.334
Purchased electricity (MWh/m ²)	0.072	0.067
Water		
Absolute water use		
Purchased water (m ³)	6,417	4,361
Intensity water use (by employee)		
Purchased water (m ³ /employee)	0.91	0.65
Intensity water use (by office space)		
Purchased water (m ³ /m ²)	0.20	0.12

GHG and energy assured data

Limited independent assurance was conducted on 2022 GHG and energy related data on a voluntary basis in accordance to ISAE 3000 (Revised).

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 2022.
- 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.
- 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 emission factors the following are used: Companhia de Electricidade de Macau (CEM), CLP Holdings, HK Electric, PT PLN, Singapore’s Energy Market Authority and Thailand’s Ministry of Energy.
- Lower heating values (LHV) were 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 2022, most of December data were estimated in this report as data were unavailable at the time of reporting.
- Where estimation 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 premises for more than 2 months, then intensity ratio by square meter from same month of similar premises in the same region would be used to estimate monthly consumption.
 - 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.
 - Mobile fuel purchase records for December 2022 were unavailable in most markets at the time of reporting, as such the annual monthly average was used to estimate December mobile fuel consumption where data was unavailable.
- Location base GHG emissions are used to calculate the GHG intensity ratio for scope 2.
- All employees intensity ratio include all employees (full time and part time).
- Floor space intensity figures only include the offices that provided natural gas, purchased electricity and purchased water 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.

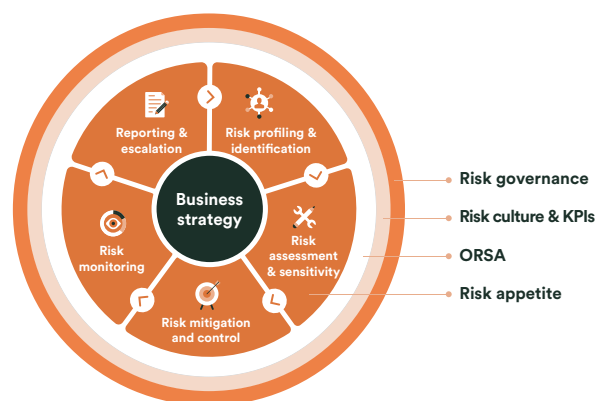
We have developed an enterprise risk management framework, which also incorporates our strategic objectives. This clearly defines our risk appetite – and the reliable practices to support a mindful risk culture at each level of the Group.

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 (“GALMCO”) 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 GALMCO 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.

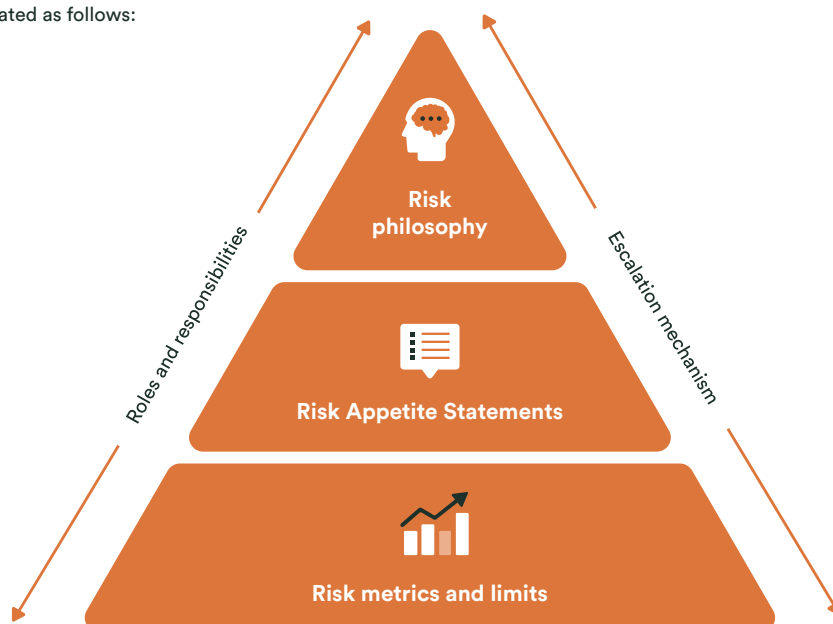
Risk philosophy: FWD Group’s risk philosophy defines the Group’s overall attitude towards risk, with consideration of our vision, corporate strategy and the expectations of key stakeholders. The risk philosophy therefore demonstrates a critical linkage between FWD’s business objectives and its approach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

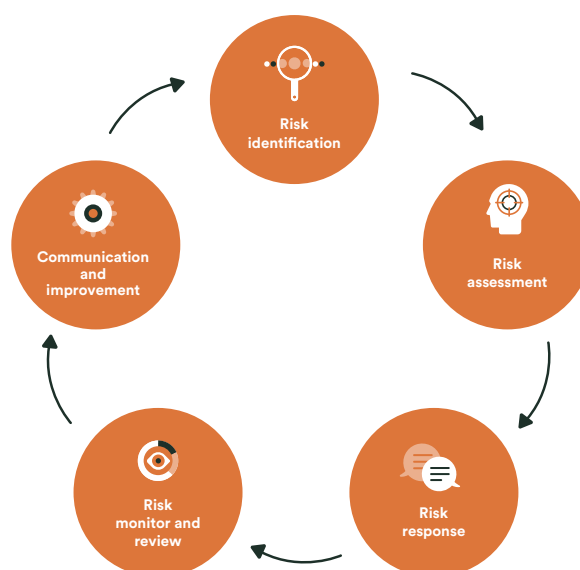
Strategy	FWD aims to achieve its Group's vision and strategic objectives, in particular from adoption of disruptive technologies, increasingly data-driven decision making and testing of distribution channels to strengthen customers' experience and enhance competitive advantage.
Financial	FWD aims to 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.
Business Practices	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 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, managed and residual 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.

Material risk exposures

Insurance risk

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, including VNB and VNB margin, 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.

Investment management and framework

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.

Our Group Board is primarily responsible for the formulation and implementation of our investment policy. Our Group Board has established two management committees, the Group Investment Committee (“GIC”) and the Group Asset and Liability Management Committee (the “GALMCO”), to oversee our investment activities. The GIC and the GALMCO are supported by the Group Risk Committee (“GRC”) established by the Group Board, which provides oversight of our risk management framework.

The GIC reviews, approves and monitors investment management strategies and delegates authority to our business units (“BUs”) to carry out relevant activities in line with our risk appetite. Investment decisions are made by asset managers within the BUs and subject to our defined and approved investment policies and guidelines. The GALMCO has delegated authority from the GRC to oversee the management of insurance risk, market risk, credit risk and asset liability management matters.

Investment, asset and liability management and capital risk

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. The sub-risks of Investment risk that can be quantified in capital are market risk and credit risk.

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.

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.

Asset-liability mismatch risk is the risk of adverse movements in the relative value of assets and liabilities. 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.

Market risk also exists in life insurance products with guarantees or options (guaranteed crediting rates, surrender options, profit sharing, etc.) that cannot be hedged given the assets available in the market and the cost.

Our business units' portfolios mainly comprise of bond holdings, exposing the Group to credit risk. This includes credit spread risk (bond value depreciation due to credit spread widening) and credit default risk (impairment due to bond default). We are also exposed to failure of reinsurers due to the reinsurance arrangements across business units.

Asset concentration risk

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 2022.

Liquidity risk

Liquidity risk is the inability to have enough cash to meet financial obligations (e.g. policyholder benefits and interest/principal payments) when they fall due including under stress. Consequently, to provide liquidity, the invested assets need to be sold at discount which may incur capital loss. To mitigate this risk for FWD Group, adequate liquid assets are held such that the financial obligations can be met when they fall due. At the same time, each business unit uses liquidity coverage ratio to monitor the liquidity needs for the cash outflows to fulfil obligation from policyholders (including claims, voluntary termination, maturity).

Operational risk

The potential loss resulting from inadequate or failure in internal processes, people and systems or from external events is defined as operational risk, including but not limited to IT, Cyber, Outsourcing Risk. Whilst acknowledging the difficulty in completely eliminating exposures from its day-to-day business operations, FWD Group has set a very low appetite for operational risk and does not tolerate any exposure to fraud. To mitigate this risk, a comprehensive internal control framework is implemented with responsibilities assigned across the Group's Three Lines of Defence governance structure.

Reputation risk

The Group is exposed to reputation risk where an event negatively influences the stakeholders' perceptions of the Group and/or its business units. It includes any indirect negative perception from the shareholders, investors or major business partners that could impair its ability to maintain/establish its existing/new relationship or service. As a pan-Asian insurance group, a certain event in a market can have impact on the businesses in other markets. The risk can be caused by systemic or industry-wide factor in which the Group operates, and 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 an event. The Group has no appetite for material reputational damage.

Compliance risk

This is 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 risk

People risk refers to the disruption of business continuity due to sudden wide scale loss of key knowledge and expertise, and delay in hiring critical skills/roles. The Group faces challenges in recruiting and retaining quality staff under keen industry competition. At the same time, FWD's aggressive plans create high demand for experienced staff. The risk is qualitative in nature and cannot be easily reflected in capital. Human Resources of both Group and BUs address the risk through reviewing employee benefits (versus respective market), talent management plans and employee engagement events.

Climate and environmental risk

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 Board and Group ESG Management Committee. A Group-wide screening for climate related scenario analysis has 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. Additionally, there will be opportunities to diversify by investing in new, emerging and high-growth sustainable sectors and industries. Finally, FWD will support investor-led and community-led initiatives to promote natural climate solutions and climate resilience.

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 product design, 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.

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 also considers the inter-relationships and transactions 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.

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 2022, 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 zero-coupon perpetual capital security issued by a non-insurance entity 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 (from 07.07.2022) and Independent Non-Executive Director

Appointed as Director: 23.09.2021 Appointed as Chairman: 07.07.2022

Aged 71, 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 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 a member of Global Advisory Council of the Bank of America, 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. In April 2017, he was appointed as the Council Chairman of The Education University of Hong Kong. In March 2018, he was appointed as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development. In July 2019, he was appointed as a member of International Advisory Council of Investcorp. He also serves as an Independent Non-Executive Director of HKEX listed COSCO Shipping Holdings Co., Ltd. and Guangshen Railway Company 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 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 56, Huynh Thanh Phong (alias 黃清風) has served as an Executive Director since May 2021 and is our Group Chief Executive Officer, having served as Group Chief Executive Officer and Director of our subsidiaries, FGL and FL, since March 2014. He also holds various positions on the boards of certain other companies in our Group. Mr. Huynh leads our regional operations and strategic development and is an insurance professional with more than 30 years of experience in the insurance industry, covering 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 56, 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.

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.



The Honourable Ronald Joseph Arculli (夏佳理) GBM, CVO, GBS, OBE, JP

Chairman (until 07.07.2022) and Non-Executive Director (until 30.12.2022)

Appointed: 26.05.2021 Resigned as Chairman: 07.07.2022

Aged 84, the Honourable Ronald Joseph Arculli (夏佳理), GBM, CVO, GBS, OBE, JP, served as our Non-Executive Director from May 2021 to December 2022 and served as Chairman until July 2022. Mr. Arculli also served as Chairman and Non-Executive Director of our subsidiaries, FGL and FL, from 2013 and until July 2022 and as a Non-Executive Director of FWD Management Holdings from May 2021 and until December 2022.

Mr. Arculli has been a Senior Partner of King & Wood Mallesons in Hong Kong since 2012 and was previously a founding partner of Arculli & Associates. He is also a Non-Executive Director of Sino Hotels (Holdings) Limited, Sino Land Company Limited, Tsim Sha Tsui Properties Limited, and of HK Electric Investments Limited, all of which are listed on the HKEX, and HK Electric Investments Manager Limited.

Mr. Arculli has a long and distinguished record of public service, serving on the Executive Council of the HKSAR Government as a Non-Official Member from November 2005 to June 2012 and later as Convenor of the Non-Official Members from October 2011 to June 2012. He was a member of the Legislative Council of Hong Kong from 1998 to 2000, the former Chairman of Hong Kong Exchanges and Clearing Limited from 2006 to 2012 and of The Hong Kong Jockey Club from 2002 to 2006. He also served as a Vice-Chair of the Trustees of the International Financial Reporting Standards (IFRS) Foundation, the supervisory body of the International Accounting Standards Board, from 2015 to 2017 and as Trustee and Director from 2012 to 2017. He was a Board Member from 2008 to 2012, and Chairman from 2010 to 2012 of The World Federation of Exchanges. In 2000, he succeeded His Royal Highness, the Duke of Edinburgh, as Chairman of The International Award Association, a position he held until November 2007. He has served on many commissions and boards, including the Board of Governors of the London Business School. In November 2005, the City University of Hong Kong conferred on Mr. Arculli an Honorary Degree of Doctor of Social Sciences. In November 2010, the Hong Kong University of Science and Technology conferred on him an Honorary Degree of Doctor of Laws.

Mr. Arculli is a practising solicitor and was admitted as a solicitor in England and Wales as well as Hong Kong in June 1976.



John Dacey

Non-Executive Director

Appointed: 15.12.2022

Aged 62, 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, 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 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 a Master's degree in Public Policy from Harvard University in November 1986.



Guido Fürer

Non-Executive Director

Appointed: 23.09.2021 (Resigned with effect from 15.12.2022)

Aged 59, Guido Fürer has served as our Non-Executive Director from September 2021 to December 2022. He has also served as a Director of our subsidiaries, FGL and FL, from 2018 and until December 2022.

Mr. Fürer is a member of the Group Executive Committee at Swiss Re Ltd, which is listed on SIX Swiss Exchange. As Group Chief Investment Officer and Head of Asset Management, he is responsible for Swiss Re Group's Global Asset Management. Since 2019, he has been Swiss Re Group's Country President Switzerland and Chairman of the Swiss Re Strategic Council. Mr. Fürer served on the board of Directors of Swiss Re America Holding Corporation until November 2021. Mr. Fürer represented Swiss Re Group (a founding member) at the United Nations enabled Net-Zero Asset Owner Alliance and he represents Swiss Re Group at the World Bank's Global Infrastructure Investment Facility and the World Economic Forum's Global Agenda Council. He is engaged in the global dialogue on long-term investing, regularly interacting with policy makers and private sector participants, as well as with institutions such as the Institute of International Finance and OECD, among others. Previously, Mr. Fürer was Head of Swiss Re Group's CIO Office and Chief Investment Officer for the Business Unit Reinsurance. Prior to these roles, he worked for Swiss Re Capital Partners and the New Markets Division.

Prior to joining Swiss Re Group in 1997, he held senior positions at Swiss Bank Corporation/O'Connor & Associates in option trading and at its Capital Market division in Chicago, New York, London and Zurich.

Mr. Fürer graduated with a Master's degree in Economics in July 1987, and a PhD in Financial Risk Management from the University of Zurich in September 1990 and completed an International Executive Programme at INSEAD in April 2000.



Walter Kielholz

Non-Executive Director

Appointed: 23.09.2021

Aged 72, Walter Kielholz has served as our Non-Executive Director since September 2021.

Mr. Kielholz is an Honorary Chairman of Swiss Re Group since 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 was Vice Chairman of Swiss Re Group's board from 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.



Sun Po Yuen (孫寶源)

JP

Non-Executive Director

Appointed: 18.10.2022

Aged 62, SUN Po Yuen (孫寶源), JP, has served as our Non-Executive Director since October 2022. He has also served as a Director of FWD Management Holdings since October 2022.

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 institutional group for Hong Kong and Macau, entrepreneurial group for Hong Kong and southern China and 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 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 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.



The Honourable John Baird

Independent Non-Executive Director

Appointed: 23.09.2021

Aged 53, 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. A 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. Mr. Baird spent three terms as a member of Parliament and four years as Minister of Foreign Affairs. 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, Mr. Baird was selected by the Ministers 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, Canadian Forest Products (Canfor) where he serves as chair and Toronto Stock Exchange listed Osisko Gold Royalties Ltd. 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, the Prince's Trust Canada, the charitable office of His Majesty King Charles III, 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 from Queen's University at Kingston in June 2018.



Chung Kit Hung, Martina (鍾傑鴻)

Independent Non-Executive Director

Appointed: 29.10.2020

Aged 64, 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 and is a director in other companies affiliated with, or in, our Group, including FWD Financial Services and FWD Group Management. 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 48, 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. Prior to that, 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 69, 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, he 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, Hemingway Corporate Finance and Spencer Stuart Executive Search. Additionally, he is an advisor to Bank of America Merrill Lynch, Arrow Global Ltd, Equitix Ltd and Hakluyt & Company. 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, Trustee of the Erasmus University Trust Fund 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, including 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 38, 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 on the boards of various other companies, including as an Executive Director of Media Chinese International Limited, which is dual-listed on HKEX and Bursa Malaysia Securities Berhad, and 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.

Group Executive Team



Huynh Thanh Phong (alias 黃清風)

Group Chief Executive Officer and Executive Director

Aged 56, Huynh Thanh Phong (alias 黃清風) is our company's Group Chief Executive Officer and has served as Group Chief Executive Officer of our subsidiaries, FGL and FL, since March 2014. He is also an Executive Director of our company. A full biography of Mr. Huynh is set out above.



Jon Nielsen

Managing Director and Group Chief Financial Officer

Aged 50, Jon Nielsen has served as our Managing Director and Group Chief Financial Officer of our Group since October 2019. He heads our finance, investment and governance functions, overseeing its financial direction and strategy. He also serves as a Director on the boards of FWD Life Japan and FWD Management Holdings, as well as holding Director positions on the boards of various other companies in our Group. 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 us, Mr. Nielsen was the Group Chief Risk Officer and a member of the Group Executive Committee, overseeing the group's risk and compliance functions for AIA. 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 holds a Master of Professional Accountancy in August 1996 from the University of Nebraska-Lincoln.



Binayak Dutta

Managing Director, Emerging Markets and Group Chief Distribution Officer

Aged 50, Binayak Dutta joined the Group as Group Chief Distribution Officer in November 2016 and has been in his current role since February 2018 as our Managing Director, Emerging Markets and Group Chief Distribution Officer. He oversees our life insurance companies in Emerging Markets as well as the growth and development of our distribution channels across our Group. 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.



Simeon Preston

Managing Director and Group Chief Operating Officer

Aged 52, Simeon Preston has served as our Managing Director and Group Chief Operating Officer since March 2020. He leads our customer, brand and marketing, operations, digital and data, technology, innovation and transformation teams. He also holds Director positions on the boards of companies in our Group. He has over 23 years of experience in growth markets with over 19 years of insurance experience in Asia. Prior to joining us, 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.



Jeremy Porter

Group Chief Risk Officer

Aged 54, Jeremy 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 roles 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).



Lau Chi Kin (柳志堅)

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

Aged 55, Lau Chi Kin (柳志堅) has served as the Managing Director of 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 63, 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, Ultimate Cosmos Limited, Enterprise Innovation Holdings Limited, OGS (II) Limited, OGS (I) Limited and Future Radiance Limited. 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.



Boon-Kee Tan

Group Chief Strategy and Business Officer

Aged 50, Boon-Kee Tan has served as our Group Chief Strategy and Business Officer since April 2019. She has also been a sponsor of the Mergers & Acquisition Committee of the Group. Ms. Tan is responsible for our Group's strategy, mergers and acquisitions and digital commerce business in Asia. She also oversees our Group's environmental, social and governance (ESG) initiatives, harnessing our core business interests to promote sustainability and financial empowerment across the region. She holds director positions on the boards of various companies in our Group. Ms. Tan has a financial services track record spanning more than 20 years. Prior to joining us, she served in various senior management positions in the Asia Pacific offices of Goldman Sachs and Deutsche Bank AG. Ms. Tan graduated with a Bachelor of Accountancy in May 1994 and a Master of Business Administration degree in November 2000, both from Nanyang Technological University in Singapore.



Lee Murphy

Group Chief Human Resources Officer

Aged 58, Lee Murphy has served as our Group Chief Human Resources Officer since July 2020 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. He also serves as a Director on the boards of FWD Life Insurance Company (Bermuda) Limited, FWD Life (Hong Kong) Limited and FWD Life Assurance Company (Hong Kong) Limited. Mr. Murphy has more than 20 years of international experience in the human resources industry – gained from leading diverse teams across Asia Pacific, Europe and the Americas with companies including Google, Microsoft and Nokia. Mr. Murphy has broad experience across a range of industries including transformational, leadership coaching, talent management, inclusion and diversity and organisational development initiatives. Mr. Murphy graduated with a Master's in Business Employment Relations from the University of Technology Sydney in May 1995.



Azim Mithani

Group Chief of Staff

Aged 52, Azim has served as our Group Chief of Staff since April 2020. He leads the Group Product Proposition, Performance Management, Business Management and Corporate Communications teams in addition to supporting the Group CEO on various strategic initiatives. He also holds director positions on the boards of various companies in our Group. Mr. Mithani 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, he 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 CIMA (Chartered Institute of Management Accountants) which he obtained in January 2014. He has also been a Fellow of the Institute and Faculty of Actuaries of the UK since 1995.

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 2022 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 its members 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 Chief Executive Officer), three are Non-Executive Directors and six are Independent Non-Executive Directors (including the Chairman). Biographies of each of our Directors is shown in the Board of Directors and Group Executive Team section.

The Non-Executive Directors are not appointed for a specific term.

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 Nomination and Corporate Governance Committee, Group Compensation Committee and Group Risk 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 apprised 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 ten meetings during 2022.

The Committees of the Group Board were formed on 19 February 2022, however prior to this date many of the functions of the Committees under their current terms of reference were undertaken by the Compensation Committee, Audit Committee and Risk Committees of FWD Limited and FWD Group Limited under their pre-existing terms of reference. For the sake of completeness, we have set out the number of meetings and attendance of committee meetings at those meetings in the table below.

Individual Directors' attendance at meetings throughout 2022 is set out below:

	Group Board	Group Audit Committee	Group Compensation Committee ¹	Group Nomination and Corporate Governance Committee	Group Risk Committee	General Meeting
Number of meetings	10	4	3	3	7	na
Chairman of the Board						
Ma Si-Hang, Frederick	10	4	3 ²	3	3 ²	na
Executive Directors						
Huynh Thanh Phong	9	na	na	na	na	na
Li Tzar Kai, Richard	10	na	0	na	na	na
Non-Executive Directors						
Ronald Joseph Arculli	9 ³	1 ³	na	2 ³	3 ³	na
John Dacey	1 ⁴	na	na	na	1 ⁴	na
Guido Furer	10 ⁵	na	3 ⁵	na	7 ⁵	na
Walter Kielholz	10	4	na	3	na	na
Sun Po Yuen	2 ⁶	2 ⁶	na	1	na	na
Independent Non-Executive Directors						
John Baird ⁷	9	na	na	3	7	na
Chung Kit Hung, Martina ⁸	10	4	3	na	7	na
Kyoko Hattori	9	na	3	3	na	na
Dirk Sluimers ⁹	10	4	na	na	7	na
Yijia Tiong ¹⁰	10	na	2	2	na	na

Notes:

- Please note committee attendance also includes attendance at committee meetings of FWD Limited and FWD Group Limited on 27 January 2022.
- Professor Ma Si-Hang, Frederick was appointed as a member of the Group Risk Committee on 27 July 2022 and the Group Compensation Committee on 15 December 2022. He attended all Risk Committee meetings held following his appointment to the committee. He attended all Compensation Committee meetings in 2022 in his capacity as a member of the FGL/FL Compensation Committee and a member of the Group Compensation Committee.
- Mr. Ronald Joseph Arculli resigned as chairman of the board and members of the Group Audit Committee, Group Nomination and Corporate Governance Committee and Group Risk Committee on 7 July 2022. He also resigned as a Non-Executive Director on 30 December 2022.
- Mr. John Dacey was appointed as a Non-Executive Director on 15 December 2022 and he attended the board meeting on 15 December 2022 as an Observer. He also attended the Group Risk Committee meeting on 14 December 2022 as an Observer.
- Mr. Guido Furer resigned as a Non-Executive Director, chairman of the Group Risk Committee and member of the Group Compensation Committee on 15 December 2022.
- Mr. Sun Po Yuen was appointed as a Non-Executive Director on 18 October 2022 and he attended the board meeting on 25 August 2022 as an Observer. He also attended the Group Audit Committee meeting on 24 August 2022 as an Observer.
- Mr. John Baird was appointed as chairman of the Group Compensation Committee with effect from 18 January 2023.
- Ms. Chung Kit Hung, Martina was appointed as chairman of the Group Risk Committee on 15 December 2022. Subsequently, she resigned as chairman of the Group Risk Committee and Group Compensation Committee and member of the Group Audit Committee with effect from 18 January 2023.
- Mr. Dirk Sluimers was appointed as chairman of the Group Risk Committee with effect from 18 January 2023.
- Ms. Yijia Tiong was appointed as a member of the Group Audit Committee with effect from 18 January 2023.

Group Board effectiveness

The Group Board will conduct an annual evaluation of its performance, including the performance of the Group Board Committees, and conducted its first such evaluation in May 2022.

Board independence

Six members of the Group Board (55 per cent) are Independent Non-Executive Directors and they met the independence guidelines set out in Rule 3.13 of the 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

Professor Ma Si-Hang, Frederick was appointed as the Chairman of the Group Board of the Company and the Group respectively on 7 July 2022, following the resignation of the Honourable Ronald Joseph Arculli as Chairman. 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 Chief Executive Officer of the Company and the Group respectively. He was appointed as an Executive Director since 26 May 2021 and has been our Group Director and Group Chief Executive Officer since 5 March 2014. Key responsibilities of the Chief Executive Officer 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, shareholders.

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

The Group Board Chairman, the Group's Chief Executive Officer and other Directors do not have any financial, business, family or other relevant relationships with each other.

Induction and development

A schedule of training is prepared by the Company Secretary for the Group Board annually. In addition to this all incoming Directors receive a tailored comprehensive induction. During 2022, Directors received training on Continuing Obligations after Listing, Cyber Security and Compliance and IFRS 17.

Topic 1: Continuing Obligations after Listing

Topic 2: Cyber Security and Compliance

Topic 3: IFRS 17

Directors' training by topic		Topic 1	Topic 2	Topic 3
Chairman	Ma Si-Hang, Frederick	√	√	√
Executive Directors	Huynh Thanh Phong	√	√	√
	Li Tzar Kai, Richard	√	√	√
Non-Executive Directors	Ronald Joseph Arculli	√	√	√
	John Dacey ¹	na	na	na
	Guido Fürer	√	√	√
	Walter Kielholz	√	√	√
	Sun Po Yuen ¹	na	na	na
Independent Non-Executive Directors	John Baird	√	√	√
	Chung Kit Hung, Martina	√	√	√
	Kyoko Hattori	√	√	√
	Dirk Sluimers	√	√	√
	Yijia Tiong	√	√	√

Note:

1 The training sessions predate his involvement with the FWD Group.

Company Secretary

Mr. Steven Winegar, General Counsel of our Group, and Mr. Lui, Wing Yat Christopher, Senior Manager of Tricor Services Limited, an external service provider, have been appointed as the Company's joint company secretaries. Mr. Winegar has been designated as the primary contact person at the Company who would work and communicate with Mr. Lui on the Company's corporate governance and secretarial and administrative matters. All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

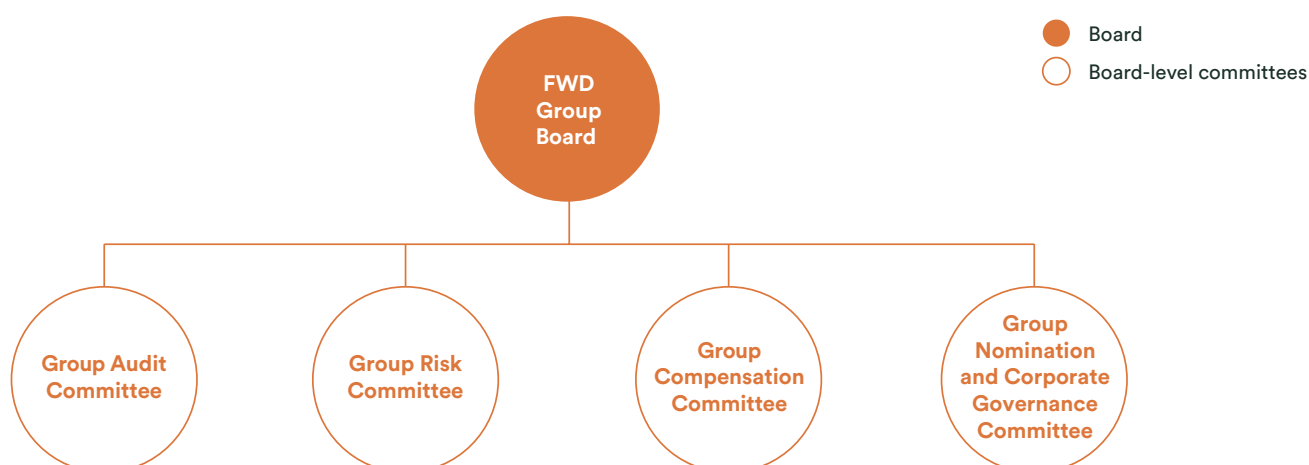
The Group General Counsel is the Company Secretary and is ultimately accountable for the company secretarial function of the Company. The General Counsel reports to the Chief Financial Officer who in turn reports to the Group Chief Executive. Key roles of the Company Secretary include:

- To advise the Group Board and Group CEO on corporate governance matters;
- To ensure good information flow with the Group Board and that policies and procedures in relation to Group Board proceedings are followed;
- To facilitate the induction and professional development of Directors; and
- To capture proper records of Group Board and Group Board committee deliberations.

All Directors have access to the advice and services of the Company Secretary at any time in respect of their duties.

Group Board committees

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



Group Nomination and Corporate Governance Committee

	Chair	Committee members	No. of meetings
Committee membership	Ma Si-Hang, Frederick (Independent Non-Executive Director)	Ronald Joseph Arculli (resigned on 7 July 2022) John Baird (Independent Non-Executive Director) Kyoko Hattori (Independent Non-Executive Director) Walter Kielholz (Non-Executive Director) Sun Po Yuen (appointed with effect from 18 October 2022) Yijia Tiong (Independent Non-Executive Director)	3

Formation of the committee

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

As at 31 December 2022, the Group Nomination and Corporate Governance Committee has six members, four of whom are Independent Non-Executive Directors and two of whom are Non-Executive Directors to Professor Ma Si-Hang, Frederick serves as Chairman 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 shall be the act of the Group Nomination and Corporate Governance Committee.

Committee functions

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;
- 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;
- 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
- Otherwise taking a leadership role in shaping the corporate governance of the Company.

Key activities during the year

- Approving the policy for the nomination of Directors, performed by the Group Nomination and Corporate Governance Committee during the year. This includes the nomination procedures and the process and criteria adopted by the Group Nomination and Corporate Governance Committee to select and recommend candidates for directorship during the year;
- Recommending the Group's policy on Group Board diversity for approval by the Group Board;
- Overseeing the Group Board's first formal effectiveness review, as described in the section "Group Board evaluation";
- Recommending the appointment of Mr. Sun Po Yuen as a Non-Executive Director of the Group and as a member of the Group Audit and Group Nomination and Corporate Governance Committees; and
- Overseeing progress on compliance with the Corporate Governance Code.

Group Compensation Committee

	Chair	Committee members	No. of meetings
Committee membership	Chung Kit Hung, Martina ¹ (Independent Non-Executive Director)	John Dacey (appointed with effect from 15 December 2022) Guido Fürer (resigned on 15 December 2022) Kyoko Hattori (independent Non-Executive Director) Li Tzar Kai, Richard Ma Si-Hang, Frederick (Independent Non-Executive Director) (appointed with effect from 15 December 2022) Yijia Tiong (Independent Non-Executive Director)	3 ²

Committee functions

The Group Compensation Committee was established on 19 February 2022, its members appointed and its Terms of Reference adopted. The Group Compensation Committee has delegated authority from the Group Board to oversee the implementation of appropriate remuneration practices across the Group. Prior to the establishment of the Group Compensation Committee, the functions of the committee were undertaken by the Compensation Committee of FWD Limited and FWD Group Limited.

Notes:

1. Ms. Chung Kit Hung, Martina resigned and Mr. John Baird was appointed as chairman of the Group Compensation Committee with effect from 18 January 2023.
2. Including the meeting of the FWD Limited and FWD Group Limited compensation committees held on 27 January 2022.

The Group Compensation Committee has six members as at 31 December 2022, four of whom are Independent Non-Executive Directors plus one Executive Director and one Non-Executive Director; and Ms. Chung Kit Hung, Martina serves as Chairman of the Committee. Mr. Guido Fürer resigned from the Compensation Committee and replaced with Mr. John Dacey, a Non-Executive Director, with effect from 15 December 2022. A majority of the Group Compensation Committee shall constitute 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 shall be the act of the Group Compensation 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 Audit Committee

	Chair	Committee members	No. of meetings
Committee membership	Ma Si-Hang, Frederick (Independent Non-Executive Director)	Ronald Joseph Arculli (resigned on 7 July 2022) Chung Kit Hung, Martina (Independent Non-Executive Director) ¹ Walter Kielholz Dirk Sluimers (Independent Non-Executive Director) Sun Po Yuen (appointed with effect from 18 October 2022)	4

Committee functions

The Group Audit Committee was established on 19 February 2022, its members appointed and its Terms of Reference adopted.

The Group Audit Committee has five members as at 31 December 2022, three of whom are Independent Non-Executive Directors and two of whom are Non-Executive Directors, Professor Ma Si-Hang, Frederick who has the appropriate financial management expertise serves as Chairman of the Committee. A majority of the Group Audit Committee shall constitute 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 shall be the act of the Group Audit Committee.

Note:

1. Ms. Chung Kit Hung, Martina resigned and Ms. Yijia Tiong was appointed as member of the Group Audit Committee with effect from 18 January 2023.

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 and budgetary, financial 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: approving the annual internal audit charter and three-year audit work plan, and discussing the results of work and reported findings of the Group's internal audit;
- Oversight over whistleblowing arrangements;
- Monitoring adequacy of resources for and effectiveness of the internal audit function;
- Oversight over the Group's 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 in accordance with applicable auditing standards;
- 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 internal and external auditors without the presence of the Group Executive Team on a quarterly basis.

Group Risk Committee

	Chair	Committee members	No. of meetings
Committee membership	Guido Furer (resigned on 15 December 2022) Chung Kit Hung, Martina (Independent Non-Executive Director) (appointed with effect from 15 December 2022) ¹	Ronald Joseph Arculli (resigned on 7 July 2022) John Baird (Independent Non-Executive Director) John Dacey (appointed with effect from 15 December 2022) Ma Si-Hang, Frederick (Independent Non-Executive Director) (appointed with effect from 27 July 2022) Dirk Sluimers (Independent Non-Executive Director) ¹	7

Committee functions

The Group Risk Committee was established on 19 February 2022, its members appointed and its Terms of Reference adopted.

The Group Risk Committee has five members as at 31 December 2022, four of whom are Independent Non-Executive Directors plus one Non-Executive Director, Mr. Guido Furer has served as Chairman of the Committee and following his resignation as a director, his membership has been replaced with Mr. John Dacey, a Non-Executive Director, with effect from 15 December 2022 and Ms. Chung Kit Hung, Martina has been the Chairman of the Committee with effect from 15 December 2022. A majority of the Group Risk Committee shall constitute 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 shall be the act of the Group Risk 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. Prior to the establishment of the Group Risk Committee, the functions of the committee were undertaken by the Risk Committee of FWD Limited and FWD Group Limited.

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;
- 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.

Note:

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

Key activities during the year

- Monitoring the implementation of ERM Framework;
- ORSA development;
- Risk Appetite Framework;
- Economic capital development;
- GWS project;
- SAA (Group and local);
- Risk Management Policies;
- Financial and non-financial risks;
- Group and country risk exposures;
- Major incident resolutions; and
- Key risk monitoring.

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.

It also reviews and approves the terms of engagement and the remuneration of the external auditor, including that for non-audit services. The estimated auditor's remuneration for current and prior years are set out below:

US\$ millions	2022	2021
Audit services	12	9
Non-audit services	2	2
Total	14	11

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 2022 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 150 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. 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 managed and residual 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, it reviews:

- The adequacy of resources in the accounting, internal audit and financial reporting functions, including skills, training activities and budgets;
- 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.

The Group Board also receives a confirmation from management on the effectiveness of risk management and internal control systems for the year ended 31 December 2022.

The effectiveness of risk management and internal controls has historically been reviewed on a going concern basis as required, and will continue be conducted on a regular basis as needed.

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.

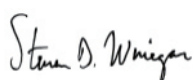
We believe that a Group Board should represent a diversity of perspectives and experiences, which can be achieved through a number of factors, including, but not limited to: professional experience, skills, expertise, knowledge, independence, composition (including gender identity, age, disability, race, 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 2022 females made up 27 per cent of our Group Board until the appointments of Mr. Sun Po Yuen and Mr. John Dacey, which reduced the percentage to 25 per cent, which is an increase from 20 per cent in 2020.

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 will 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 Boards. In 2023, this will include setting timebound goal and a strategy for progressing towards our target for female Directors on our Group Board.

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

On behalf of the Group Board



Steven D. Winegar

Company Secretary

28 February 2023

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. A professional external consultant was engaged in 2022 to support the Group's first formal Group Board effectiveness review.

The evaluation was undertaken through the following activities:

- 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; and
- Review of relevant governance documentation, such as Group Board and committee meeting agendas, minutes, reports and associated processes.

The evaluation criteria used in the Group Board effectiveness review are fully 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 professional external consultant, presented the findings to the Group Nomination and Corporate Governance Committee in April 2022 and to the Group Board during the Group Board meeting on 30 May 2022 for discussion where appropriate action plans for 2022 were agreed by the Group Board to address the areas for enhancement identified.

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 ending in early 2022. The Group Board's relationship with management, its relationship with other stakeholders and strengthening the composition of the Group Board were identified as the main areas of focus to further enhance the overall effectiveness of the Group Board. Actions have been formulated for these areas of focus in order to address these findings.

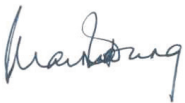
Statement of the Chairman of the Group Compensation Committee

The Group Compensation Committee presents its report for the year ended 31 December 2022.

In 2022, 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.

To ensure FWD's people programmes support our business and talent objectives for enabling future success that is aligned to our strategy, the Group Compensation Committee has undertaken a review of the current remuneration framework for senior executives, resulting in a number of proposed enhancements implemented in 2022.

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.



Ms. Chung Kit Hung, Martina

Chairman, Group Compensation Committee

28 February 2023

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 issuer 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;
- 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 2022:

Area	Summary of work performed by the Group Compensation Committee
Remuneration decisions for senior management	<ul style="list-style-type: none"> • Reviewed and approved the 2022 remuneration packages of the senior management at the start of the year. • Reviewed and approved the 2022 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	<ul style="list-style-type: none"> • Approved the FWD Group Remuneration Policy and the FWD Group Director Remuneration Policy • Reviewed and approved the 2022 short-term incentive plan pay-outs and the vesting of the 2021 Long term incentive plan for senior management, and all other plan participants. • Reviewed and approved the performance measures and targets for the 2022 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 2022 to 2024 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 30-40 per cent of the incentive indicators in the year ended 31 December 2022. 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 2022 and will continue to apply in 2023.

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.

2022 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 period ended 31 December 2022.

Performance measures and awards

For 2022, 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 2022. 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 2022 is US\$9.4 million.

Additional incentive as a form of short-term incentive

To enable us to accelerate the delivery of our group strategy across all strategic pillars, a special incentive was provided to reward the extra efforts required to achieve stretched targets and tighter deadlines. The specifically chosen metrics within the special incentive are core to each of the strategic pillars and cover critical areas relating to: protection and propositions, customers journeys transformation, quality distribution, neo-insurance and cloud adoption.

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.

2022 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 period ended 31 December 2022.

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 2022, 216,716 RSUs and 243,766 PSUs were granted in respect of FL and FGL under the 2022 long-term incentive plan. The number of RSUs and Options outstanding were 995,793 and 144,789 respectively.

Information on the accounting policy for share awards granted is provided in Note 31 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 2022.

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 35 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. In addition, we are required to obtain the HKIA's prior written consent before declaring or paying dividends on our ordinary shares.

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.

Charitable donations

Charitable donations made by the Group during the year amounted to US\$0.6 million (2021: US\$2.1 million).

Share capital

Details of the movements in share capital of the Company during the year are set out in Note 27 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 27 to the financial statement.

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

Ronald Joseph Arculli (until 30 December 2022)

John Dacey (with effect from 15 December 2022)

Guido Furer (until 15 December 2022)

Walter Kielholz

Sun Po Yuen (with effect from 18 October 2022)

Independent Non-Executive Directors

John Baird

Chung Kit Hung, Martina

Kyoko Hattori

Dirk Sluimers

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 2022.

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.

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.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at are set out in Note 25 to the financial statements.

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 12 and 13 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 30 to the financial statements.

Auditors

The financial statements for the year ended 31 December 2022 have been audited by Ernst & Young.

By order of the FWD Group Board



Professor Ma Si-Hang, Frederick GBS, JP

Independent Non-Executive Chairman

28 February 2023

Financial Statements





Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent auditor's report

To the members 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 (formerly known as FWD Group Holdings Limited) (the “Company”) and its subsidiaries (the “Group”) set out on pages 153 to 294, which comprise the consolidated statement of financial position as at 31 December 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 a summary of significant accounting policies.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year 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.

Other information included in the Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor’s report thereon.

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

Other information included in the Annual Report (Continued)

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 directors 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 the 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.

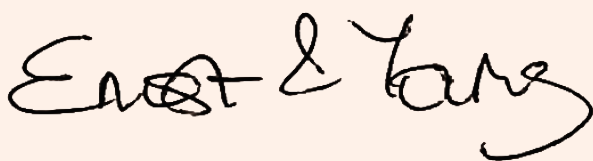
Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.



Certified Public Accountants

Hong Kong

27 February 2023

Consolidated income statement

US\$m	Notes	Year ended 31 December 2022	Year ended 31 December 2021
REVENUE			
Premiums and fee income		8,878	10,426
Premiums ceded to reinsurers		(1,012)	(1,124)
Net premiums and fee income		7,866	9,302
Investment return	7	138	2,137
Other operating revenue	7	246	258
Total revenue		8,250	11,697
EXPENSES			
Insurance and investment contract benefits		6,942	9,396
Insurance and investment contract benefits ceded		(489)	(731)
Net insurance and investment contract benefits		6,453	8,665
Commission and commission related expenses		1,020	1,121
General expenses		1,214	1,243
Finance costs		128	184
Other expenses		138	167
Total expenses	8	8,953	11,380
Profit/(loss) before share of profit/(loss) from associates and joint ventures		(703)	317
Share of profit/(loss) from associates and joint ventures	11	(1)	9
Profit/(loss) before tax from continuing operations		(704)	326
Tax expense from continuing operations	9	(36)	(126)
Profit/(loss) from continuing operations after tax		(740)	200
Profit from discontinued operations, net of tax	5	–	49
Net profit/(loss)		(740)	249
Profit/(loss) from continuing operations after tax attributable to:			
Shareholders of the Company		(607)	99
Perpetual securities		83	65
Non-controlling interests		(216)	36
Net profit/(loss) attributable to:			
Shareholders of the Company		(607)	135
Perpetual securities		83	65
Non-controlling interests		(216)	49

Consolidated statement of comprehensive income

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Net profit/(loss)	(740)	249
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Fair value losses on available for sale financial assets (net of tax of: 31 December 2022 US\$(680m) and 31 December 2021 US\$(303m))	(4,439)	(1,321)
Fair value (gains)/losses on available for sale financial assets transferred to income (net of tax of: 31 December 2022 US\$17m and 31 December 2021 US\$(20m))	82	(90)
Cash flow hedges	(8)	4
Foreign currency translation adjustments	(213)	(470)
Share of other comprehensive loss from associates and joint ventures	(2)	(5)
Subtotal	(4,580)	(1,882)
Items that will not be reclassified subsequently to profit or loss:		
Effect of re-measurement of net liability of defined benefit schemes (net of tax of: 31 December 2022 US\$nil and 31 December 2021 US\$nil)	2	2
Total other comprehensive loss	(4,578)	(1,880)
Total comprehensive loss	(5,318)	(1,631)
Total comprehensive loss attributable to:		
Shareholders of the Company	(3,931)	(1,230)
Perpetual securities	83	65
Non-controlling interests	(1,470)	(466)

Consolidated statement of financial position

US\$m	Notes	As at 31 December 2022	As at 31 December 2021
ASSETS			
Intangible assets	10	3,207	3,348
Investments in associates and joint ventures	11	393	332
Property, plant and equipment	12	139	159
Investment property	13	641	663
Reinsurance assets	14	3,235	3,404
Deferred acquisition costs	15	4,997	4,742
Financial investments	16, 18		
Loans and deposits		2,327	1,688
Available for sale debt securities		32,493	37,156
At fair value through profit or loss			
Debt securities		225	79
Equity securities		7,864	8,253
Derivative financial instruments	17	319	120
		43,228	47,296
Deferred tax assets	9	743	9
Current tax recoverable		19	20
Other assets	19	857	921
Cash and cash equivalents	20	1,474	2,652
Assets classified as held-for-sale	5	–	107
Total assets		58,933	63,653

US\$m	Notes	As at 31 December 2022	As at 31 December 2021
LIABILITIES			
Insurance contract liabilities	21	48,715	47,981
Investment contract liabilities	22	174	217
Deferred ceding commission	24	1,106	1,052
Borrowings	25	2,216	2,212
Derivative financial instruments	17	134	157
Provisions		15	18
Deferred tax liabilities	9	71	341
Current tax liabilities		369	22
Other liabilities	26	2,427	2,639
Liabilities directly associated with assets classified as held-for-sale	5	–	67
Total liabilities		55,227	54,706
EQUITY			
Share capital and share premium	27	6,411	6,019
Other reserves	27	81	98
Accumulated losses		(1,036)	(283)
Amounts reflected in other comprehensive income		(3,493)	(187)
Fair value reserve	27	(3,168)	(21)
Cash flow hedge reserve	27	(15)	(9)
Defined benefit obligation revaluation reserve		3	2
Foreign currency translation reserve	27	(315)	(162)
Share of other comprehensive income of associates and joint ventures		2	3
Total equity attributable to Shareholders of the Company		1,963	5,647
Perpetual securities	27	1,354	1,607
Non-controlling interests	27	389	1,693
Total equity		3,706	8,947
Total liabilities and equity		58,933	63,653

Approved and authorised for issue by the board of directors on 27 February 2023.



Director



Director

Consolidated statement of changes in equity

US\$m	Attributable to Shareholders of the Company												
	Notes	Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Other comprehensive income					Perpetual securities	Non-controlling interests	Total equity
						Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures				
Balance as at 1 January 2022		6,019	98	(283)	(21)	(9)	2	(162)	3	1,607	1,693	8,947	
Net profit/(loss)		–	–	(607)	–	–	–	–	–	83	(216)	(740)	
Fair value losses on available for sale financial assets		–	–	–	(3,223)	–	–	–	–	–	(1,216)	(4,439)	
Fair value losses on available for sale financial assets transferred to income on disposal		–	–	–	59	–	–	–	–	–	23	82	
Foreign currency translation adjustments		–	–	–	–	–	–	(154)	–	–	(59)	(213)	
Cash flow hedges		–	–	–	–	(6)	–	–	–	–	(2)	(8)	
Share of other comprehensive loss from associates and joint ventures		–	–	–	–	–	–	–	(2)	–	–	(2)	
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	1	–	–	–	1	2	
Total comprehensive income/(loss) for the period		–	–	(607)	(3,164)	(6)	1	(154)	(2)	83	(1,469)	(5,318)	
Issuance of shares		400	–	–	–	–	–	–	–	–	–	400	
Issuance of shares by subsidiaries		–	(38)	9	18	–	–	2	–	–	9	–	
Redemption of perpetual securities	27	–	–	(2)	–	–	–	–	–	(248)	–	(250)	
Distribution paid	27	–	–	–	–	–	–	–	–	(87)	–	(87)	
Share-based compensation	31	–	19	–	–	–	–	–	–	–	7	26	
Transactions with non-controlling interests	27	–	–	(150)	–	–	–	–	–	–	150	–	
Disposal of subsidiary	5	–	–	–	(1)	–	–	(1)	–	–	(1)	(3)	
Transfer to legal reserve		–	3	(3)	–	–	–	–	–	–	–	–	
Others		(8)	(1)	–	–	–	–	–	1	(1)	–	(9)	
Balance as at 31 December 2022		6,411	81	(1,036)	(3,168)	(15)	3	(315)	2	1,354	389	3,706	

US\$m	Notes	Attributable to Shareholders of the Company										Total equity	
		Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Other comprehensive income					Perpetual securities		Non-controlling interests
						Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures				
Balance as at 1 January 2021		4,045	65	(390)	1,004	(11)	–	178	7	1,607	1,720	8,225	
Net profit		–	–	135	–	–	–	–	–	65	49	249	
Fair value losses on available for sale financial assets		–	–	–	(960)	–	–	–	–	–	(361)	(1,321)	
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	(65)	–	–	–	–	–	(25)	(90)	
Foreign currency translation adjustments		–	–	–	–	–	–	(341)	–	–	(129)	(470)	
Cash flow hedges		–	–	–	–	3	–	–	–	–	1	4	
Share of other comprehensive loss from associates and a joint venture		–	–	–	–	–	–	–	(4)	–	(1)	(5)	
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	2	–	–	–	–	2	
Total comprehensive income/(loss) for the period		–	–	135	(1,025)	3	2	(341)	(4)	65	(466)	(1,631)	
Issuance of shares	27	2,025	–	–	–	–	–	–	–	–	–	2,025	
Share Surrender	27	(15)	15	–	–	–	–	–	–	–	–	–	
Issuance of shares by subsidiaries	27	–	(10)	2	–	–	–	–	–	–	8	–	
Distribution paid	27	–	–	–	–	–	–	–	–	(65)	–	(65)	
Share-based compensation	31	–	23	–	–	–	–	–	–	–	9	32	
Acquisition of non-controlling interests	27	–	3	(207)	4	(4)	–	–	–	–	204	–	
Transactions with non-controlling interests	27	–	(3)	188	(5)	4	–	–	–	–	216	400	
Transfer to legal reserve		–	5	(5)	–	–	–	–	–	–	–	–	
Others		(36)	–	(6)	1	(1)	–	1	–	–	2	(39)	
Balance as at 31 December 2021		6,019	98	(283)	(21)	(9)	2	(162)	3	1,607	1,693	8,947	

Consolidated statement of cash flows

US\$m	Notes	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		(704)	326
From discontinued operations	5	–	50
Adjustments for:			
Financial investments		(1,029)	(4,548)
Insurance and investment contract liabilities, and deferred acquisition and origination costs		659	2,517
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(642)	(608)
Operating cash items:			
Dividend received		189	295
Interest received		1,185	1,149
Interest paid		(10)	(1)
Income tax paid		(39)	(48)
Net cash used in operating activities		(391)	(868)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of interest in an associate	11	(54)	(273)
Dividend and distribution from joint ventures		7	246
Payments for intangible assets		(483)	(187)
Payments for investment properties		(64)	(117)
Payments for property, plant and equipment		(11)	(17)
Proceeds from disposal of a subsidiary, net of cash disposed		38	9
Proceeds from disposal of a business		–	10
Proceeds from disposals of intangible assets		13	233
Proceeds from disposals of property, plant and equipment		1	2
Net cash used in investing activities		(553)	(94)

US\$m	Notes	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of ordinary shares		400	2,025
Transaction costs on issuance of ordinary shares		(31)	(4)
Repayment of bank borrowings	25	50	(2,250)
Proceeds from bank borrowings	25	(50)	1,000
Restricted cash		(3)	39
Distributions paid on perpetual securities	29.3	(87)	(65)
Redemption of perpetual securities	29.3	(250)	–
Transaction with non-controlling interests	27.5	–	400
Principal portion of lease payments		(42)	(54)
Finance costs paid on lease liabilities		(4)	(5)
Finance costs paid on borrowings		(96)	(127)
Finance costs paid on distribution agreement payable		(74)	(8)
Payment for listing related expenses		(3)	(3)
Net cash provided by/(used in) financing activities		(190)	948
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		2,654	2,740
Effect of exchange rate changes on cash and cash equivalents		(46)	(72)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,474	2,654
Included in cash and cash equivalents per the consolidated statement of financial position	20	1,474	2,652
Included in the assets classified as held-for-sale		–	2

Notes to the consolidated financial statements and significant accounting policies

1. Corporate Information

1.1 General information

FWD Group Holdings Limited 富衛集團有限公司 (formerly known as FWD Group Holdings Limited) (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 2022 and 2021, 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 History and reorganisation of the Group

1.2.1 Historical holding structure

The historical holding structure of the Group prior to the completion of the reorganisation was as follows:

- The Company was and continues to be the immediate holding company of FWD Group Limited (“FGL”).
- PCGI Limited was the immediate holding company of FWD Limited (“FL”), an exempted company with limited liability incorporated under the laws of the Cayman Islands. As at 1 January 2020, PCGI Limited was wholly owned by Mr. Li Tzar Kai, Richard.
- PCGI Limited and the Company were the immediate holding companies of PCGI Intermediate Limited and PCGI Intermediate Holdings (II) Limited (collectively, the “Financing Entities”), respectively.

1. Corporate Information (Continued)

1.2 History and reorganisation of the Group (Continued)

1.2.2. Reorganisation of the Group

The Group underwent the following reorganisation steps (“Reorganisation”):

1. On 17 December 2020, the Company and PCGI Limited carried out a merger under the laws of the Cayman Islands (the “Merger”), pursuant to which:
 - i. The Company assumed all the assets, liabilities and business of PCGI Limited, and PCGI Limited ceased to exist according to the laws of the Cayman Islands; and
 - ii. The Company issued 18,486,640 ordinary shares to Mr. Li Tzar Kai, Richard on a one-to-one basis of his holding of ordinary shares of PCGI Limited.

Following the Merger, the share capital and share premium of the Company increased by US\$18m and US\$1,831m, respectively. The Company became the immediate investment holding company of FL, FGL and the Financing Entities.

2. On 23 December 2020, Mr. Li Tzar Kai, Richard transferred his holding of 18,486,640 ordinary shares of the Company to PCGI Holdings Limited in exchange for 18,486,640 ordinary shares of PCGI Holdings Limited. Following such transfer, the Company became the wholly owned subsidiary of PCGI Holdings Limited.
3. On 23 December 2020, the Company transferred its shareholding in the Financing Entities and novated the bank borrowings and guaranteed notes of US\$1,296m and a related party balance of US\$420m to PCGI Holdings Limited by way of capitalisation (the “Transfer and Novation of Borrowings and Related Parties Balances”). Refer to Notes 25, 27 and 33 for further details. PCGI Holdings Limited replaced the Company (itself and as successor of PCGI Limited) as the guarantor of certain notes issued by the Financing Entities. After the completion of the Transfer and Novation of Borrowings and Related Parties Balances, US\$1,716m was capitalised as share premium.
4. On 20 August 2021, the name of the Company was changed from PCGI Intermediate Holdings Limited to FWD Group Holdings Limited.
5. 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.

1. Corporate Information (Continued)

1.2 History and reorganisation of the Group (Continued)

1.2.2 Reorganisation of the Group (Continued)

6. 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.
7. On 10 January 2022, the Company adopted the dual foreign name of “FWD Group Holdings Limited 富衛集團有限公司”.
8. On 19 December 2022, the Company allotted and issued 31,897,926 ordinary shares to PCGI Holdings Limited (“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 27 for further details.

The following reorganisation steps are expected to be completed conditional on and upon an initial public offering of the Company taking place:

1. The Company will issue ordinary shares to the non-controlling interest holders (including Swiss Re Principal Investments Company Asia Pte. Ltd, individual shareholders, directors and senior management) of FL and FGL in exchange for their holdings of ordinary shares, preference shares and convertible preference shares (as applicable) in FL and FGL (the “Exchange of Share Capital of FL and FGL”). Immediately after the completion of the Exchange of Share Capital of FL and FGL, FL and FGL will become wholly-owned subsidiaries of the Company.
2. FL and FGL will cancel the ordinary shares, preference shares and convertible preference shares acquired by the Company from the non-controlling interest holders.

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. Significant 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 available-for-sale financial assets, certain financial assets and liabilities designated at fair value through profit or loss 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 years ended 31 December 2022 and 2021, except as described as follows:

(a) Mandatory for the year ended 31 December 2022

The following amendments have been adopted by the Group from 1 January 2022 and have no material impact to the Group:

- Amendments to IAS 16, Property, Plant and Equipment: Proceeds before intended use
- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 3, Reference to the Conceptual Framework
- Annual Improvements to IFRS Standards 2018 – 2020

(b) Temporary exemption from adoption for the year ended 31 December 2022

The following relevant new standards and requirements have been issued but are not effective for the financial year ended 31 December 2022 and have not been early adopted:

i. IFRS 9 Financial Instruments

IFRS 9 Financial Instrument, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss or in other comprehensive income and those measured at amortised cost. The determination is made at initial recognition depending on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit loss model will replace the incurred loss impairment model in IAS 39.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity’s risk management strategies. The IASB made further changes to two areas of IFRS 9. Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (“FVOCI”) if the cash flow represents solely payments of principal and interest (“SPPI”). Non-substantial modifications or exchange of financial liabilities that do not result in derecognition will be required to be recognised in profit or loss.

2. Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(b) Temporary exemption from adoption for the year ended 31 December 2022 (Continued)

i. IFRS 9 Financial Instruments (Continued)

The standard is mandatorily effective for financial periods beginning on or after 1 January 2019. Amendments to IFRS 4 Insurance Contracts allow a temporary exemption option for companies whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 until the earlier of the effective date of IFRS 17 and financial reporting periods beginning on or after 1 January 2023. The Group has elected to apply the temporary exemption option to defer the effective date of IFRS 9 in order to implement the changes in parallel with IFRS 17 Insurance Contracts.

The Group will adopt IFRS 9 in parallel with IFRS 17 from 1 January 2023, the Group will apply the full retrospective approach to restate comparative information. Based on the Group's preliminary financial impact analysis:

- The majority of the debt investments that are currently classified as available-for-sale will satisfy the conditions for classification as Fair value through Other Comprehensive Income ("FVOCI"). The Group's equity investments that are currently Fair value through profit or loss ("FVTPL") will continue to be FVTPL under IFRS 9.
- The Group expects an insignificant increase in the loss allowance in relation to debt investments measured at FVOCI and loans and deposits at amortised cost.
- The Group will continue to apply IAS 39 hedge accounting requirements.

The Group expects the overall impact of adoption of IFRS 9 is not material. A further update on the financial impact will be provided in the 2023 interim financial report.

The following disclosures are provided in accordance with the requirements of amendments to IFRS 4 when temporary exemption option is applied.

The Group's financial assets as at 31 December 2022 are separated into the following two groups:

- financial assets with contractual terms that give rise to cash flows that meet SPPI criteria in accordance with IFRS 9 and are not held for trading or managed on a fair value basis, which consist of debt securities, loans and receivables and cash and cash equivalents; and
- financial assets other than those specified in (i), which consist of debt securities, equity securities and derivative financial instruments.

2. Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(b) Temporary exemption from adoption for the year ended 31 December 2022 (Continued)

i. IFRS 9 Financial Instruments (Continued)

The following table shows the fair value and changes in fair value of these two groups of financial assets.

US\$m	Fair value as at 31 December 2022			Change in fair value for the year ended 31 December 2022		
	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total
Debt securities	30,812	1,906	32,718	(4,767)	(101)	(4,868)
Other financial assets (Note 1 and 2)	3,011	8,183	11,194	3	(1,336)	(1,333)
Total	33,823	10,089	43,912	(4,764)	(1,437)	(6,201)

US\$m	Fair value as at 31 December 2021			Change in fair value for the year ended 31 December 2021		
	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total
Debt securities	36,243	992	37,235	(708)	(5)	(713)
Other financial assets (Note 1 and 2)	3,588	8,372	11,960	41	695	736
Total	39,831	9,364	49,195	(667)	690	23

Notes:

- Balance of other financial assets qualifying as SPPI includes loans and deposits and cash and cash equivalents. Policy loans included in loans and deposits amounting to US\$795m and US\$793m as at 31 December 2022 and 2021, respectively, are not included above since they will be accounted for under IFRS 17 where its adoption is in parallel with IFRS 9.
- Balance of other financial assets not qualifying as SPPI mainly represents equity securities and derivative financial instruments.

2. Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(b) Temporary exemption from adoption for the year ended 31 December 2022 (Continued)

i. IFRS 9 Financial Instruments (Continued)

The financial assets presented above that met SPPI criteria and not held for trading or managed on fair value basis are primarily debt securities. Additional information on the credit quality analysis of these debt securities is provided in Note 16.

Financial assets are considered to have low credit risk if:

- the financial instruments have a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As at 31 December 2022 and 2021, the fair value of financial assets that do not have low credit risk was US\$1,189m and US\$1,099m, respectively.

ii. 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 will apply these amendments concurrently with the application of IFRS 9, and expects no significant impact to its consolidated financial statements.

2. Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

- (c) Issued but not yet effective and have not been early adopted for the reporting periods presented

The following relevant new standards and amendments to standards have been issued but are not yet effective and have not been early adopted for the reporting periods presented:

i. IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts, and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's consolidated financial statements.

Under IFRS 17, insurance contracts are measured by the general model which is based on a discounted cash flow model with an explicit risk adjustment, and a contractual service margin that defers unearned profits. The deferred profit is recognised gradually over time when insurance contract services are provided to policyholders. The general model is supplemented by the variable fee approach for contracts that meet certain requirements and provide insurance coverage together with substantial investment-related service, and the premium allocation approach that applies to short-duration contracts. The Group expects to use all three measurement model approaches given the variety of insurance products sold and the number of jurisdictions in which the Group operates in.

The insurance contracts are presented in the statement of financial position as the sum of the discounted future cash flows, the risk adjustment and the contractual service margin. The asset for deferred acquisition costs and other insurance related receivables will no longer be separately presented as they will be included in the insurance contract liabilities measurement under IFRS 17.

Insurance revenue will no longer be measured by premium, but recognised by the provision of services to policyholders throughout the term of the insurance contracts. Additionally, IFRS 17 introduces a new presentation format for the statement of comprehensive income with a disaggregation between insurance service result and insurance finance income and expenses. Reinsurance outward results are also required to be shown separate to inward business. There will be extensive disclosures to reconcile the movements in insurance contract assets and liabilities with the income and expenses in the statement of comprehensive income.

The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023, with retrospective application and restatement of comparative figures required. If full retrospective application to a group of contracts is impracticable, IFRS 17 requires using either the modified retrospective approach that allows certain specific modifications, or the fair value approach. The Group expects to make use of all three transition approaches given the varying length of history of the in-force business.

IFRS 17 requires significant changes to the accounting policies for insurance contract liabilities and enhancements to the IT, finance and actuarial systems of the Group, and a group-wide project is in progress to implement the new standard.

2. Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(c) Issued but not yet effective and have not been early adopted for the reporting periods presented (Continued)

i. IFRS 17 Insurance Contracts (Continued)

The Group has been assessing the implications of IFRS 17 and is in the midst of preparing the opening statement of financial position as at 1 January 2022 and the restatement of results for the year ending 31 December 2022 under IFRS 17. The Group has been monitoring emerging market practice and interpretations of judgemental areas of the standard and there continues to be some uncertainty on the financial impact on transition to IFRS 17. However, based on the Group's preliminary financial impact analysis, total equity in the opening statement of financial position as at 1 January 2022 is estimated to be between US\$8.9 billion to US\$9.0 billion.

Further, IFRS 17 provides flexibility in allowing the effects of changes in discount rates and other financial variables to be either presented in profit or loss or disaggregated between profit or loss and other comprehensive income and hence accounting mismatches could be reduced. As such, IFRS 17 is expected to result in reduced volatility in reported net profit and total equity as a result of improved alignment in the financial market related impacts of assets and liabilities. Lower volatility in profit or loss would be expected for insurance contracts being classified under the variable fee approach. Under this approach, the effects of changes in discount rates and other financial variables (such as fair value movements in equities) are adjusted to the contractual service margin and amortised over future periods rather than recognised immediately in profit or loss.

In particular, the Hong Kong operating segment will be expected to have lower volatility in net profit as a result of a substantial proportion of the insurance contracts being classified under the variable fee approach. Further, all operating segments will have lower volatility in total equity as a result of discounted cash flows reflecting current estimates of discount rates as opposed to using locked-in discount rates under IFRS 4. A further update on the financial impact will be provided in the 2023 interim financial report.

ii. Other new amendments to standards that have been issued but are not yet effective and have not been early adopted

- 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 1, Non-Current Liabilities with Covenants (2024)
- Amendment to IFRS 16, Leases on sale and leaseback (2024)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (Deferred)

The Group has assessed the impact of these new amendments and they are not expected to have a material impact on the financial position or results of operations of the Group.

2. Significant Accounting Policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 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. Significant 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. Significant 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, except for a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction.

(1) Product classification

The Group classifies its contracts written 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.

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, IAS 39 Financial Instrument: Measurement and Recognition, and, if the contract includes an investment management element, IFRS 15, Revenue from contracts with customers, are applied. IFRS 4 permits the continued use of previously applied accounting policies for insurance contracts and investment with DPF, and this basis has been adopted by the Group in accounting for such contracts. Once a contract has been classified as an insurance or investment contract reclassification is not subsequently performed unless the terms of the agreements are later amended.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

(1) Product classification (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.

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 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%

In some jurisdiction participating business is not written in a distinct fund and the Group refers to this as other participating business.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

(1) Product classification (Continued)

The Group's products may be divided into the following main categories:

Policy type	Description of benefits payable	Basis of accounting for	
		Insurance contract liabilities	Investment contract liabilities
Traditional participating life assurance with DPF	<u>Participating funds</u>	Insurance contracts liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders. For participating products with definite sharing mechanism, insurance contract liabilities make provision for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. Undistributed participating policy earnings account ("UPPEA") is set up retrospectively for undistributed dividends or bonuses. In addition, deferred profit liabilities for limited payment contracts are recognised.	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
	<u>Other participating business</u>	Insurance contract liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
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.	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 related to the contract, less the present value of estimated future net premiums to be collected from policyholders. In addition, deferred profit liabilities for limited payment contracts are 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 accumulation value, representing premiums received and investment returns credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded	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 accumulation value, representing premiums received and investment returns credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value)

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

(1) Product classification (Continued)

The basis of accounting for life insurance and investment contracts is further discussed below.

2.3.1 Life Insurance contracts and investment contracts with DPF

(1) Premiums

For single premium business, premiums are recognised as revenue on the date when the policy becomes effective. Regular premiums from life insurance contracts, including participating policies, universal life, unit-linked contracts and annuity policies with life contingencies, are recognised as revenue when due from the policyholder. Benefits and expenses are provided in respect of such revenue so as to recognise profits over the estimated life of the policies. For limited payment contracts, premiums are recognised in profit or loss when due, with any excess profit deferred and recognised in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from contracts with investment features but with insufficient insurance risk, such as certain unit-linked contracts, are accumulated as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration, and surrenders during the period.

Life insurance contract policyholders are charged fees for policy administration services, investment management services and surrenders. The fee income is recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, these are deferred and recognised in profit or loss as the service is provided over the term of the contract. Initial and other upfront fees are also deferred and recognised over the estimated life of the contracts to which they relate. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

(2) Unearned revenue liability

Unearned revenue liability represents upfront fees and other non-level charges that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for accumulation value is established.

(3) Deferred profit liability

Deferred profit liability arising from traditional insurance contracts represent excess profits that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for future policy benefits is established.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (Continued)

(4) Deferred acquisition costs (“DAC”)

The costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with, and are primarily related to, the production of new business or renewal of existing business, are deferred as an asset. DAC are assessed for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy. DAC are assessed for recoverability at least annually thereafter in the liability adequacy test together with the provision for life insurance liabilities and Value of Business Acquired (“VOBA”). Future investment income is also taken into account in assessing recoverability. To the extent that acquisition costs are not considered to be recoverable at inception or thereafter, these costs are expensed in the consolidated income statement.

DAC for traditional life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing (see below).

DAC for universal life and unit-linked contracts is amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realised over the life of the contract. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrenders, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly. The interest rate used to compute the present value of revised estimates of expected gross profits is locked-in at policy inception. Deviations of actual results from estimated experience are reflected in earnings.

In a limited number of cases where the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction, acquisition costs deemed recoverable are included as a component of insurance contract liabilities, and are therefore deferred and amortised over the life of the corresponding policies.

(5) Deferred sales inducements

Deferred sales inducements, consisting of day one bonuses, persistency bonuses and enhanced crediting rates are deferred and amortised using the same methodology and assumptions used to amortise deferred acquisition costs when:

- the sales inducements are recognised as part of insurance contract liabilities;
- they are explicitly identified in the contract on inception;
- they are incremental to amounts credited on similar contracts without sales inducements; and
- they are higher than the expected ongoing credit rates for periods after the inducement.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (Continued)

(6) Unbundling

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

- the deposit component (including any embedded surrender option) can be measured separately (i.e. without taking into account the insurance component); and
- the Group's accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

(7) Bifurcation

To the extent that certain of the Group's insurance contracts include embedded derivatives that are not clearly and closely related to the host contract, these are bifurcated from the insurance contracts and accounted for as derivatives.

(8) Benefits and claims

Life insurance contract benefits reflect the cost of all maturities, surrenders, withdrawals and claims arising during the period, reinsurance recoveries, as well as policyholder dividends accrued in anticipation of dividend declarations.

Accident and health claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for reinsurance recoveries, and any adjustments to claims outstanding from previous years. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims and policyholder bonuses. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

(9) Life insurance contract liabilities (including liabilities in respect of investment contracts with DPF)

Insurance contract liabilities represent the estimated future policyholder benefit liability for life insurance policies. Future policy benefits for life insurance policies are calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (Continued)

(9) Life insurance contract liabilities (including liabilities in respect of investment contracts with DPF) (Continued)

For investment linked contracts, contract liabilities are 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 and an unearned revenue liability and sales inducement liability where applicable.

Settlement options are accounted for as an integral component of the underlying insurance or investment contract unless they provide annuitisation benefits, in which case an additional liability is established to the extent that the present value of expected annuitisation payments at the expected annuitisation date exceeds the expected account balance at that date. Where settlement options have been issued with guaranteed rate less than market interest rates, the insurance or investment contract liability does not reflect any provision for subsequent declines in market interest rate unless deficiency is identified through liability adequacy testing.

The Group accounts for insurance contract liabilities for participating business written in participating funds by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders assuming all performance were to be declared as a dividend based upon the Group's rules on profit distribution. The Group accounts for other participating business by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders.

(10) Liability adequacy testing

The adequacy of liabilities is assessed by portfolio of contracts, in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

For life insurance contracts, insurance contract liabilities reduced by deferred acquisition costs and value of business acquired on purchased insurance contracts, are compared to the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the unamortised balances of deferred acquisition costs and value of business acquired on purchased insurance contracts are written down to the extent of the deficiency. If, after writing down the unamortised balances for the specific portfolio of contracts to zero, a deficiency still exists, the net liability is increased by the amount of the remaining deficiency.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

2.3.2 Investment contracts without DPF

Investment contracts do not contain sufficient insurance risk to be 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) Deferred origination costs

The costs of acquiring investment contracts with investment management services, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. Deferred origination costs are tested for recoverability at each reporting date.

The cost of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortised cost of the related investment contract liabilities.

(3) 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.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

2.3.2 Investment contracts without DPF (Continued)

(3) Investment contract liabilities (Continued)

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.

Non unit-linked investment contract liabilities are carried at amortised cost, being the fair value of consideration received at the date of initial recognition, less the net effect of principal payments such as transaction costs and front-end fees, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity value, and less any write-down for surrender payments. The effective interest rate equates the discounted cash payments to the initial amount. At each reporting date, the unearned revenue liability is determined as the value of the future best estimate cash flows discounted at the effective interest rate. Any adjustment is immediately recognised as income or expense in the consolidated income statement.

The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

(4) Deferred fee income liability

Deferred fee income liability represents upfront fees and other non-level charges that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for accumulation value is established.

2.3.3 Insurance and investment contracts

(1) Reinsurance

The Group cedes insurance risk in the normal course of business, with retentions varying by line of business. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The cost of reinsurance is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for such policies.

Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated income statement and consolidated statement of financial position.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

2.3.3 Insurance and investment contracts (Continued)

(1) Reinsurance (Continued)

Reinsurance assets consist of amounts recoverable from reinsurers and ceded insurance and investment contract liabilities. Ceded insurance and investment contract liabilities are estimated in a manner consistent with the reinsured insurance contract liabilities or benefits paid and in accordance with the relevant reinsurance contract.

To the extent that reinsurance contracts 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.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment loss in the consolidated income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer can be reliably measured.

The upfront premium rebate received on reinsurance contracts is a reinsurance liability. This liability is initially recognised as a reduction in deferred acquisition and origination costs up to the carrying value of associated deferred acquisition or associated value of business acquired, if any, with any excess being recognised in other liabilities. This reinsurance liability is released, in line with the release of the underlying insurance contracts. Change in this reinsurance liability during the period is recognised as insurance and investment contract benefits ceded.

Ceding commissions in relation to the reinsurance contracts are deferred and amortised similarly to deferred acquisition costs, and are recognised in “Deferred ceding commissions”.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(2) Value of business acquired (“VOBA”)

VOBA in respect of a portfolio of long-term insurance and investment contracts, through the acquisition of a subsidiary, is recognised as an asset. It represents the difference between the fair value of insurance liabilities and the carrying value. VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

2.3.3 Insurance and investment contracts (Continued)

- (3) Insurance contracts (including investment contracts with DPF) liabilities measured with reference to statutory requirement

In a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction. The insurance contract liabilities of those countries are predominately measured at the net present value of future receipts from and payments to policyholders. The discount rate applied reflects the current market rate. The excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of service provided to the policyholder. The movement in insurance contract liabilities recognised in the profit or loss reflects the planned release of this margin.

- (4) Other assessments and levies

The Group is potentially subject to various periodic insurance-related assessments or guarantee fund levies. Related provisions are established where there is a present obligation (legal or constructive) as a result of a past event. Such amounts are not included in insurance contract liabilities but are included under “Provisions” in the consolidated statement of financial position.

2.3.4 General Insurance contracts

- (1) Premiums

General insurance premiums written are recognised at policy inception and earned on a pro rata basis over the term of the policy related coverage.

- (2) Deferred acquisition costs

For general insurance, DAC is amortised on a straight line basis over the life of the contracts and derecognised when the related contracts are settled or disposed of.

- (3) Benefits and claims

General insurance claims incurred include all claim losses occurring during the period, whether reported or not, including the related handling costs and other recoveries and any adjustments to claims outstanding from previous years.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

2.3.4 General Insurance contracts (Continued)

(4) General insurance contract liabilities

These liabilities include the provisions for outstanding claims, unearned premiums and unexpired risks. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs, reduced by the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is determined at the end of the reporting period using case estimates, supplemented by a range of standard actuarial claim projection techniques based on empirical data on current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The proportion of written premiums attributable to subsequent periods is deferred as unearned premium, which includes premiums received for risks that have not yet expired. The change in the provision for unearned premium is taken to profit or loss such that revenue is recognised over the period of risk. The methods used are as follows:

Marine cargo business	25% method
Non-marine cargo business	365 days method

2.3.5 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is the present value of estimated future cash flows discounted at the original effective interest rate. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated income statement.

Insurance receivables are derecognised when the de-recognition criteria for financial assets, as described in “Derecognition and offset of financial assets” below, have been met.

2. Significant Accounting Policies (Continued)

2.3 Insurance and Investment contracts (Continued)

2.3.6 Reinsurance contracts issued

Reinsurance contracts are defined as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as a reinsurance contract, it remains a reinsurance contract for the rest of its life time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2.3.7 Life reinsurance contracts

(1) Premiums

Premiums are recognised as income when risk coverage is provided to ceding companies.

(2) Deferred Acquisition Costs

The costs of acquiring new reinsurance contracts, including commissions and distribution costs, underwriting and other expenses which vary with, and are primarily related to, the production of new business or renewal of existing business, are deferred as an asset and amortised on the straight-line basis over the terms of life reinsurance policies.

(3) Life reinsurance contract liabilities

Reinsurance contract liabilities represent the estimated future benefit liability for the life reinsurance policies. Future benefits are calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid to cedants, less the present value of estimated future net premiums to be collected from cedants.

(4) Liability adequacy test

The liability adequacy test compares the carrying value of reinsurance contract liabilities less deferred acquisition costs with the fair value of the liabilities from the reinsurance portfolio recognised. If there is a deficiency, the unamortised balances of deferred acquisition costs are written down to the extent of the deficiency. If, after writing down the unamortised balances of deferred acquisition costs to zero, a deficiency still exists, the liability is increased by the amount of the remaining deficiency.

2. Significant Accounting Policies (Continued)

2.4 Financial Instruments

2.4.1 Classification and designation of financial instruments

(1) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss comprise two categories:

- financial assets or liabilities designated at fair value through profit or loss upon initial recognition; and
- financial assets or liabilities classified as held for trading.

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement inconsistency or if the related assets and liabilities are actively managed on a fair value basis, including:

- financial assets held to back unit-linked contracts and participating funds;
- other financial assets managed on a fair value basis, consisting of the Group's equity portfolio; and
- compound instruments containing embedded derivatives, where the embedded derivative would otherwise require bifurcation.

Financial assets and liabilities classified as held for trading include financial assets acquired principally for the purpose of selling them in the near future and those that form part of a portfolio of financial assets in which there is evidence of short-term profit taking, as well as derivative assets and liabilities.

Dividend income from equity instruments designated 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 designated at fair value through profit or loss, changes in fair value are recognised in investment experience.

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

(2) Available for sale financial assets

Financial assets, other than those at fair value through profit or loss, and loans and receivables, are classified as available for sale.

The available for sale category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consists of the Group's debt securities (other than those backing unit-linked contracts) which are neither classified as held for trading nor designated at fair value through profit or loss.

2. Significant Accounting Policies (Continued)

2.4 Financial Instruments (Continued)

2.4.1 Classification and designation of financial instruments (Continued)

(2) Available for sale financial assets (Continued)

Available for sale financial assets are initially recognised at fair value plus attributable transaction costs. The difference between the initial recognition amount and par value is amortised. Interest income from available for sale debt securities is recognised in investment income in the consolidated income statement using the effective interest method. Available for sale 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 recognised 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 amortised cost and are recognised in the consolidated income statement as investment experience. Impairment losses are recognised in the consolidated income statement.

(3) Realised gains and losses on financial assets

Realised gains and losses on available for sale debt securities are determined as the difference between the sale proceeds and amortised costs.

Purchases and sales of financial instruments are recognised on the trade date, which is the date at which the Group commits to purchase or sell the assets.

(4) Derecognition and offset of financial assets

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 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.

(5) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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.

2. Significant Accounting Policies (Continued)

2.4 Financial Instruments (Continued)

2.4.1 Classification and designation of financial instruments (Continued)

(6) 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 16 Financial Investments. Deposits are stated at amortised cost using the effective interest method.

(7) 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, as well as cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products. 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 available for sale securities) 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 18.

2. Significant Accounting Policies (Continued)

2.4 Financial Instruments (Continued)

2.4.3 Impairment of financial assets

(1) General

Financial assets are assessed for impairment on a regular basis. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group determines that objective evidence of impairment does not exist for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

(2) Available for sale financial instruments

When a decline in the fair value of an available for sale asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss already recognised directly in other comprehensive income is recognised in current period profit or loss.

If the fair value of a debt security classified as available for sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Where, following the recognition of an impairment loss in respect of an available for sale debt security, the asset suffers further falls in value, such further falls are recognised as an impairment only in the case when objective evidence exists of a further impairment event to which the losses can be attributed.

(3) Loans and receivables

For loans and receivables, impairment is considered to have taken place if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount is decreased through a charge to profit or loss. The carrying amount of mortgage loans or receivables is reduced through the use of an allowance account, and the amount of any change in the allowance is recognised as an impairment loss in profit or loss.

2. Significant 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, giving rise to a day one loss. 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 investment experience.

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.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are classified as current portions and non-current portions only if a reliable allocation can be made.

(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.

2. Significant Accounting Policies (Continued)

2.4 Financial Instruments (Continued)

2.4.4 Derivative financial instruments (Continued)

(2) Derivative instruments for hedge accounting (Continued)

(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 within “Finance costs”, 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.

(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.

2. Significant 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 (Continued)

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. 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 IAS 39.

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 statement 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 statement are presented in the United States dollars ("US dollar" or "US\$"), which is the functional currency of the Company, unless otherwise stated.

2. Significant Accounting Policies (Continued)

2.6 Foreign currency translation (Continued)

(2) Transactions and balances

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 statements 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.

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.

Translation differences on financial assets designated at fair value through profit or loss are included in investment experience. For monetary financial assets classified as available for sale, translation differences are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement. Foreign exchange movements on non-monetary equities that are accounted for as available for sale are included in the fair value reserve.

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. Significant Accounting Policies (Continued)

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.

2.9 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 remaining contractual lives. The remaining contractual lives of the distribution rights are determined as the actual contractual periods of the corresponding agreements, which were between 15 to 20 years at their inception.

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 recorded and amortised as DAC.

(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;

2. Significant Accounting Policies (Continued)

2.9 Goodwill and other intangible assets (Continued)

(3) Other intangible assets (Continued)

- 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”.

2.10 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. Significant Accounting Policies (Continued)

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.

2.12 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 statement, except as described below.

2. Significant Accounting Policies (Continued)

2.14 Income taxes (Continued)

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities, revaluation of certain financial assets and liabilities including derivative contracts, value of business acquired and deferred acquisition costs. 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.

Deferred tax related to fair value remeasurement of available for sale investments 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.

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.

2.15 Revenue

(1) 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.

2. Significant Accounting Policies (Continued)

2.15 Revenue (Continued)

(2) 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.

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.

2. Significant Accounting Policies (Continued)

2.16 Employee benefits (Continued)

(2) Post-retirement benefit obligations (Continued)

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.

(4) Share-based compensation

The Group operated a share-based compensation plan, under which the Group awards restricted shares units ("RSUs") and/or share options of the Group to eligible persons 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 RSUs 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 RSUs and/or share options awarded on respective grant date. Non-market vesting conditions are included in assumptions about the number of RSUs and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of RSUs 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 RSUs and Black-Scholes model for the share options.

2. Significant Accounting Policies (Continued)

2.16 Employee benefits (Continued)

(4) Share-based compensation (Continued)

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.

2.17 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.

2. Significant Accounting Policies (Continued)

2.18 Lease (Continued)

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 12 and 26). 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 Note 8.

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.

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 29.

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.

2. Significant Accounting Policies (Continued)

2.18 Lease (Continued)

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. Expenses relating to short-term leases are disclosed in Note 8.

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.

2.21 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 statement where the Group does not have contractual rights to the assets and acts in a fiduciary capacity such as nominee, trustee or agent.

2. Significant Accounting Policies (Continued)

2.22 Consolidated statement of cash flow

The consolidated statement of cash flow present 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.

2.24 Earnings/loss per share

Basic earnings/loss per share is calculated by dividing net profit/loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period as adjusted for the effect of capitalisation issue or bonus issue. For the calculation of diluted earnings/loss per share, net profit/loss attributable to ordinary shareholders of the Company for basic earnings/loss per share is adjusted by the effect of dilutive securities issued by subsidiaries, to assume conversion of all dilutive potential ordinary shares. Dilutive effects of share-based awards issued by subsidiaries are adjusted under treasury stock method. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease basic earnings per share or increase basic loss per share.

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 Product classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Group exercises significant judgement to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Group to pay significant additional benefits to its customers. In the event the Group has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract.

The judgements exercised in determining the level of insurance risk in product classification affect the amounts recognised in the consolidated financial statements as insurance and investment contract liabilities and deferred acquisition and origination costs. The accounting policy on product classification is described in Note 2.3.

3. Significant Accounting Judgments, Estimates And Assumptions (Continued)

3.2 Life insurance contracts (including liabilities in respect of investments contracts with DPF)

The Group calculates the insurance contract liabilities for traditional life insurance using a net level premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses best estimate assumptions at inception adjusted for a provision for the risk of adverse deviation for mortality, morbidity, expected investment yields, policyholder dividends (for other participating business), surrenders and expenses set at the policy inception date. These assumptions remain locked in thereafter, unless a deficiency arises on liability adequacy testing. Interest rate assumptions can vary by geographical market, year of issuance and product. Mortality, surrender and expense assumptions are based on actual experience by each geographical market, modified to allow for variations in policy form. The Group exercises significant judgement in making appropriate assumptions.

For contracts with an explicit account balance, such as universal life and unit-linked contracts, insurance contract liabilities represent the accumulation value, which represents premiums received and investment returns credited to the policy less deductions for mortality and morbidity costs and expense charges. Significant judgement is exercised in making appropriate estimates of gross profits which are based on historical and anticipated future experiences, these estimates are regularly reviewed by the Group.

In a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction. The insurance contract liabilities of those countries are predominately measured at the net present value of future receipts from and payments to policyholders. The discount rate applied reflects the current market rate. Significant judgment is exercised in making appropriate assumptions of the cash flows.

The judgments exercised in the valuation of insurance contract liabilities affect the amounts recognised in the consolidated financial statements as insurance contract benefits and insurance contract liabilities. Further details of the related accounting policies, key risks and variables, and the sensitivities of assumptions to the key variables in respect of insurance contract liabilities are provided in Notes 2.3, 21 and 23.

3.3 General insurance contract liabilities

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period. It can take a significant period of time before the ultimate claims cost can be established with certainty and, for some types of policies, IBNR claims form the majority of the claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims is the use of past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

3. Significant Accounting Judgments, Estimates And Assumptions (Continued)

3.3 General insurance contract liabilities (Continued)

Similar judgments are made in assessing the adequacy of the unearned premium provision, whereby assessments are made of the expected future claim costs arising from the unexpired portion of contracts in force at the end of the reporting period.

Further details of the related accounting policy, key risk and variables, and the sensitivities of assumptions to the key variables in respect of general insurance contract liabilities are provided in Notes 2.3, 21 and 23.

3.4 Deferred acquisition costs

The judgments exercised in the deferral and amortisation of acquisition costs affect amounts recognised in the consolidated financial statements as deferred acquisition costs and insurance contract benefits.

As described in Note 2.3, deferred acquisition costs for traditional life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are applied consistently throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing.

As described in Note 2.3, deferred acquisition costs for universal life and unit-linked contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits to be realised over the life of the contract. Significant judgment is exercised in making appropriate estimates of gross profits. The expensing of acquisition costs is accelerated following adverse investment performance. Likewise, in periods of favourable investment performance, previously expensed acquisition costs are reversed (but not in excess of the amount initially deferred).

Additional details of deferred acquisition costs are provided in Notes 2.3 and 15.

3.5 Liability adequacy testing

The Group evaluates the adequacy of its insurance and investment contract liabilities at least annually. Significant judgment is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed on a portfolio of contracts in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

The judgments exercised in liability adequacy testing affect amounts recognised in the consolidated financial statements such as commission and other acquisition expenses, deferred acquisition costs, insurance contract benefits and investment contract liabilities.

3.6 Value of business acquired

The judgments exercised in the valuation and amortisation of the fair value of insurance contracts of the acquired company in business combinations that affect amounts recognised in the consolidated financial statements as value of business acquired.

3. Significant Accounting Judgments, Estimates And Assumptions (Continued)

3.6 Value of business acquired (Continued)

As described in Note 2.3, value of business acquired is an asset that reflects the present value of estimated net cash flows before tax embedded in the insurance contracts of an acquired company which existed at the time of business combination. It represents the difference between the fair value of insurance liabilities and the carrying value. In all cases, the VOBA is amortised over the estimated life of contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

Additional details of value of business acquired are provided in Notes 2.3 and 15.

3.7 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.

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 18 and 29.

3. Significant Accounting Judgments, Estimates And Assumptions (Continued)

3.8 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 13 and 18.

3.9 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 10.

3.10 Share based compensation

The Group launched a share-based compensation plan, under which the Group offers RSUs and/or share options of the Group to certain key employees.

(1) RSUs

The Group estimates the fair value of the RSUs using appraisal value method (Embedded Value plus a multiple of Value of New Business) and market valuation approach, where applicable.

Under the appraisal value method (Embedded Value (“EV”) plus a multiple of Value of New Business (“VNB”), the Group estimates 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, the appraisal value and business and strategic performance determined in accordance with the guidelines approved by the Compensation Committee.

3. Significant Accounting Judgments, Estimates And Assumptions (Continued)

3.10 Share based compensation (Continued)

(1) RSU (Continued)

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.

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 31.

(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

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 31.

3.11 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. Significant Accounting Judgments, Estimates And Assumptions (Continued)

3.12 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 9 to the consolidated financial statements.

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 2022	Year ended 31 December 2021
Hong Kong	7.83	7.77
Japan	131.31	109.80
Thailand	35.04	31.98

Assets and liabilities have been translated into US Dollars at the following year end rates:

	US dollar exchange rate	
	As at 31 December 2022	As at 31 December 2021
Hong Kong	7.80	7.80
Japan	132.14	115.15
Thailand	34.53	33.26

Exchange rates are expressed in units of local currency per US\$1.

5. Changes In Group Composition

This Note provides details of the major changes in group composition.

5.1 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.

The major classes of assets and liabilities are as follows:

US\$m	As at 21 March 2022	As at 31 December 2021
Assets		
Deferred acquisition costs	2	2
Loans and deposits	79	75
Available for sale financial assets	22	23
Other assets	4	5
Cash and cash equivalents	2	2
Total Assets	109	107
Liabilities		
Insurance contract liabilities	(65)	(63)
Deferred tax liabilities	(1)	(2)
Other liabilities	(2)	(2)
Total Liabilities	(68)	(67)
Net assets	41	40
Amounts included in accumulated other comprehensive income:		
Fair value reserve	(2)	(2)
Foreign currency translation reserve	(1)	(1)

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 preceding the Merger, 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.

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 ("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);

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 loss from continuing operations 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 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 2022						
TWPI²	1,664	2,166	1,757	708	–	6,295
Premiums and fee income	3,000	2,404	2,434	1,004	–	8,842
Premiums ceded to reinsurers	(166)	(40)	(740)	(42)	–	(988)
Other operating revenue	56	10	148	21	(1)	234
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	2,890	2,374	1,842	983	(1)	8,088
Investment return	540	355	169	(83)	(4)	977
Total revenue¹	3,430	2,729	2,011	900	(5)	9,065
Net insurance and investment contract benefits	2,546	2,138	1,378	682	–	6,744
Commission and commission related expenses	416	215	283	51	–	965
Operating expenses	221	206	174	220	116	937
Finance costs and other expenses	39	22	18	11	–	90
Total expenses¹	3,222	2,581	1,853	964	116	8,736
Share of profit from associates and joint ventures	–	–	–	14	(9)	5
Segmental adjusted operating profit/(loss) before tax	208	148	158	(50)	(130)	334
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(79)
Adjusted operating profit before tax						255
Key operating ratios:						
Expense ratio ²	13.3%	9.5%	9.9%	31.1%	–	14.9%
Adjusted operating profit/(loss) before tax includes:						
Finance costs	(9)	(3)	(2)	(5)	–	(19)
Depreciation and amortisation	(31)	(42)	(18)	(30)	(18)	(139)

Notes:

1. Excludes results of the Non-core business, comprising of US\$24m total revenue and US\$28m total expenses.
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 adjusted financial position of the Operating Group and is reconciled to the consolidated statement of financial position in Note 6.3.

US\$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted Financial Position
31 December 2022						
Total assets	22,996	18,903	11,445	4,560	1,029	58,933
Total liabilities	21,787	16,220	11,809	3,039	2,372	55,227
Total equity	1,209	2,683	(364)	1,521	(1,343)	3,706
Shareholders' allocated equity	3,480	3,809	610	1,536	(2,696)	6,739
Net capital inflows ¹	1	11	–	252	136	400
Total assets include:						
Intangible assets	924	1,512	65	669	37	3,207
Investment in associates and joint ventures	8	–	–	345	40	393

Note:

1. Net capital inflows for Emerging Markets include the consideration of US\$54m for the acquisition of additional interest in BRI. Further details are provided in Note 11.

6. Segment Information (Continued)

6.1 Segment results (Continued)

Segment information is reconciled to the Adjusted net loss from continuing operations of the Operating Group after tax disclosed in Note 6.3, as shown below:

US\$m	Segment information	Short-term fluctuations in investment return related to equities and property investments	Other non-operating items	Operating Group Total	
Year ended 31 December 2022					
Net premiums, fee income and other operating revenue	8,088	–	24	8,112	Net premiums, fee income and other operating revenue
Investment return	977	(835)	(4)	138	Investment return
Total revenue	9,065	(835)	20	8,250	Total revenue
Net insurance and investment contract benefits	6,744	(295)	4	6,453	Net insurance and investment contract benefits
Finance costs and other expenses	1,992	52	456	2,500	Finance costs and other expenses
Total expenses	8,736	(243)	460	8,953	Total expenses
Share of profit/(loss) from associates and joint ventures	5	–	(6)	(1)	Share of profit/(loss) from associates and joint ventures
Segmental adjusted operating profit before tax	334				
Implementation costs for IFRS 9 and 17 and Group-wide supervision	(79)	–	79	–	
Adjusted operating profit before tax	255	(592)	(367)	(704)	Adjusted loss before tax from
				(36)	Tax expense from continuing operations
				(740)	Adjusted net loss from continuing operations 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 2021						
TWPI²	1,888	2,249	2,105	609	–	6,851
Premiums and fee income	3,989	2,553	2,874	990	–	10,406
Premiums ceded to reinsurers	(191)	(38)	(840)	(40)	–	(1,109)
Other operating revenue	67	13	148	23	(3)	248
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,865	2,528	2,182	973	(3)	9,545
Investment return	633	486	105	74	(22)	1,276
Total revenue¹	4,498	3,014	2,287	1,047	(25)	10,821
Net insurance and investment contract benefits	3,542	2,412	1,650	859	–	8,463
Commission and commission related expenses	521	225	293	29	–	1,068
Operating expenses	221	211	224	221	118	995
Finance costs and other expenses	27	22	23	4	–	76
Total expenses¹	4,311	2,870	2,190	1,113	118	10,602
Share of loss from associates and a joint venture	–	–	–	(7)	(7)	(14)
Segmental adjusted operating profit/(loss) before tax	187	144	97	(73)	(150)	205
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(29)
Adjusted operating profit before tax						176

Key operating ratios:

Expense ratio ²	11.7%	9.4%	10.6%	34.6%	–	14.4%
----------------------------	-------	------	-------	-------	---	-------

Adjusted operating profit/(loss) before tax includes:

Finance costs	2	1	3	4	–	10
Depreciation and amortisation	33	40	24	29	14	140

Notes:

1. Excludes results of the Non-core business, comprising of US\$16m total revenue and US\$20m total expenses.
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 adjusted financial position of the Operating Group and is reconciled to the consolidated statement of financial position in Note 6.3.

US\$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted Financial Position
31 December 2021						
Total assets	24,638	20,066	13,083	4,309	1,557	63,653
Total liabilities	20,564	16,553	12,425	2,805	2,359	54,706
Total equity	4,074	3,513	658	1,504	(802)	8,947
Shareholders' allocated equity	3,752	3,916	612	1,496	(2,409)	7,367
Net capital in/(out) flows ¹	(59)	10	(49)	448	2,075	2,425
Total assets include:						
Intangible assets	923	1,604	73	727	21	3,348
Investment in associates and a joint venture	8	–	–	287	37	332

Notes:

1. Net capital inflows for Emerging Markets include the consideration of US\$273m for the BRI acquisition. Further details are provided in Note 11.

6. Segment Information (Continued)

6.1 Segment results (Continued)

Segment information is reconciled to the Adjusted net profit from continuing operations of the Operating Group after tax disclosed in Note 6.3, 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 2021					
Net premiums, fee income and other operating revenue	9,545	–	15	9,560	Net premiums, fee income and other operating revenue
Investment return	1,276	837	24	2,137	Investment return
Total revenue	10,821	837	39	11,697	Total revenue
Net insurance and investment contract benefits	8,463	267	(65)	8,665	Net insurance and investment contract benefits
Finance costs and other expenses	2,139	51	525	2,715	Finance costs and other expenses
Total expenses	10,602	318	460	11,380	Total expenses
Share of profit/(loss) from associates and a joint venture	(14)	23	–	9	Share of profit/(loss) from associates and a joint venture
Segmental adjusted operating profit before tax	205				
Implementation costs for IFRS 9 and 17 and Group-wide supervision	(29)	–	29	–	
Adjusted operating profit before tax	176	542	(392)	326	Adjusted profit before tax from continuing operations of the Operating Group
				(126)	Tax expense from continuing operations
				200	Adjusted net profit from continuing operations 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 and real estate based on the assumptions applied by the Group in the calculations of Embedded Value. The Group defines adjusted operating profit as loss of the Group from continuing operations after tax adjusted to exclude the following items:

- Short-term fluctuations in investment return related to equities and property investments;
- Finance costs related to borrowings and long-term payables;
- Amortisation of Value of Business Acquired (VOBA);
- M&A, business set up and restructuring related costs;
- IPO related costs including incentive costs; and
- 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 amortisation of VOBA, 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 from continuing operations after tax is reconciled to the adjusted operating profit/(loss) after tax as follows:

US\$m	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Adjusted net profit/(loss) of the Operating Group from continuing operations after tax	6.3	(740)	200
Tax on adjusted operating profit before tax		51	52
Tax impact from non-operating items		(15)	74
Adjusted profit/(loss) of the Operating Group before tax from continuing operations		(704)	326
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Market related:			
Short-term fluctuations in investment return related to equities and property investments		586	(503)
Other non-operating investment return		6	(39)
Non-market related:			
Finance costs related to borrowings and long-term payables		109	174
Amortisation of value of business acquired		66	100
M&A, business set up and restructuring related costs		90	104
IPO related costs including incentive costs		72	73
Other non-operating items		30	(59)
Adjusted operating profit before tax	6.1	255	176
Tax on adjusted operating profit before tax		(51)	(52)
Adjusted operating profit after tax		204	124
Segmental adjusted operating profit before tax	6.1	334	205
Tax on segmental adjusted operating profit before tax		(51)	(52)
Segmental adjusted operating profit after tax		283	153
Adjusted operating profit before tax attributable to:			
Equity holders of FL and FGL		255	177
Non-controlling interests		–	(1)
Adjusted operating profit after tax attributable to:			
Equity holders of FL and FGL		204	125
Non-controlling interests		–	(1)

6. Segment Information (Continued)

6.3 Adjusted results and financial position

The adjusted results and financial positions are the profit/(loss) from continuing operations after tax and net profit/(loss) of the Operating Group for the years ended 31 December 2022 and 2021, and the total assets, liabilities and equity of the Operating Group as at 31 December 2022 and 2021 excluding the results and certain balances attributable to the Transfer and Novation of Borrowings and Related Parties Balances and Exchange of Share Capital of FL and FGL, and the results and certain balances of the Company and the Financing Entities. Refer to Note 1.2 for further details on the History and Reorganisation of the Group.

Adjusted net profit/(loss) of the Operating Group from continuing operations after tax

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Profit/(loss) of the Group from continuing operations after tax	(740)	200
Adjusted net profit/(loss) of the Operating Group from continuing operations after tax	(740)	200
Attributable to:		
Shareholders of the Company	(823)	139
Perpetual securities	83	65
Non-controlling interests	–	(4)

Adjusted net profit/(loss) of the Operating Group

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Net profit/(loss) of the Group	(740)	249
Adjusted net profit/(loss) of the Operating Group	(740)	249
Attributable to:		
Shareholders of the Company	(823)	188
Perpetual securities	83	65
Non-controlling interests	–	(4)

Finance costs presented in the segmental information can be reconciled to the consolidated income statement as follows:

US\$m	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Finance costs, principally related to leases, included in adjusted operating profit	6.1	19	10
Finance costs related to borrowings and long-term payables	6.2	109	174
Total		128	184

Note:

- The Company is included in the Operating Group during the years ended 31 December 2022 and 2021.

6. Segment Information (Continued)

6.3 Adjusted results and financial position (Continued)

Adjusted total assets of the Operating Group

US\$m	As at 31 December 2022	As at 31 December 2021
Total assets of the Group	58,933	63,653
Adjusted total assets of the Operating Group	58,933	63,653

Adjusted total liabilities of the Operating Group

US\$m	As at 31 December 2022	As at 31 December 2021
Total liabilities of the Group	55,227	54,706
Adjusted total liabilities of the Operating Group	55,227	54,706

Adjusted total equity of the Operating Group

US\$m	As at 31 December 2022	As at 31 December 2021
Total equity of the Group attributable to:		
Shareholders of the Company	1,963	5,647
Perpetual securities	1,354	1,607
Non-controlling interests	389	1,693
Total equity of the Group	3,706	8,947
Add: Share capital and share premium	388	1,692
Less: Non-controlling interests	(388)	(1,692)
Adjusted total equity of the Operating Group attributable to:		
Shareholders of the Company	2,351	7,339
Perpetual securities	1,354	1,607
Non-controlling interests	1	1
Adjusted total equity of the Operating Group	3,706	8,947

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 2022	Year ended 31 December 2021
TWPI by geography		
Hong Kong	1,664	1,888
Thailand	2,166	2,249
Japan	1,757	2,105
Emerging Markets	708	609
Total	6,295	6,851
First year premiums by geography		
Hong Kong	167	251
Thailand	434	421
Japan	157	231
Emerging Markets	291	200
Total	1,049	1,103
Single premiums by geography		
Hong Kong	1,404	2,248
Thailand	245	331
Japan	–	–
Emerging Markets	267	349
Total	1,916	2,928
Renewal premiums by geography		
Hong Kong	1,356	1,412
Thailand	1,708	1,795
Japan	1,600	1,874
Emerging Markets	390	374
Total	5,054	5,455

6. Segment Information (Continued)

6.4 Total Weighted Premium Income (Continued)

TWPI is reconciled to Premiums and fee income in the consolidated income statement as shown below:

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
TWPI	6,295	6,851
90% of Single premium	1,725	2,635
Premium not included in TWPI ¹	713	820
Gross written premium	8,733	10,306
Fee Income and change in unearned premium	145	120
Premiums and fee income	8,878	10,426

Note:

1. Mainly comprises certain premium from reinsurance contracts, non-core business and amounts attributable to non-controlling interests.

7. Revenue

Investment return

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Interest income	1,049	938
Dividend income	189	296
Rental income ¹	25	28
Investment income	1,263	1,262
Available for Sale		
Net realised gains/(losses) from debt securities	(181)	123
Impairment of available-for-sale financial assets	–	(4)
Net gains/(losses) of available-for-sale financial assets reflected in the consolidated income statement	(181)	119
At fair value through profit or loss		
Net losses of debt securities	(3)	(2)
Net gains/(losses) of equity securities	(1,069)	861
Net fair value movement on derivatives	(327)	(486)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	(1,399)	373
Net fair value movement of investment property	(3)	(5)
Net foreign exchange gains	454	385
Other net realised gains	4	3
Investment experience	(1,125)	875
Investment return	138	2,137

Note:

1. Represents rental income from operating lease contracts of the Group's investment property portfolio. Further details are included in Note 13.

Foreign currency movements resulted in the following gains recognised in the consolidated income statement (other than gains and losses arising on items measured at fair value through profit or loss):

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Foreign exchange gains	376	374

Other operating revenue

Other operating revenue largely consists of ceding commissions from reinsurance arrangements as well as administrative fees and asset management fees.

8. Expenses

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Insurance contract benefits	4,122	3,677
Change in insurance contract liabilities	2,811	5,708
Investment contract benefits	9	11
Insurance and investment contract benefits	6,942	9,396
Insurance and investment contract benefits ceded	(489)	(731)
Insurance and investment contract benefits, net of reinsurance ceded	6,453	8,665
Commission and other acquisition expenses incurred	1,641	1,648
Deferral and amortisation of acquisition expenses	(621)	(527)
Commission and other acquisition expenses	1,020	1,121
Employee benefits expenses	605	584
Depreciation	63	75
Amortisation	32	31
Other general expenses ¹	514	553
General expenses	1,214	1,243
Investment management expenses	72	66
Amortisation of value of business acquired	66	99
Others	–	2
Other expenses	138	167
Finance costs	128	184
Total	8,953	11,380

Note:

1. Includes marketing and advertising, professional service fees, information technology expenses, travel and entertainment, bank charges, office related expenses and other general operating expenses.

8. Expenses (Continued)

General expenses may be analysed as follows:

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Operating expenses	937	995
Non-operating expenses	277	248
Total general expenses¹	1,214	1,243

Note:

1. Includes (i) M&A, business set up and restructuring related costs, (ii) implementation costs for IFRS 9 and 17 and Group-wide supervision and (iii) IPO related costs including incentive costs. Refer to Note 6 for further details.

Depreciation consists of:

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Leasehold improvements, furniture and fixtures, computer equipment and others	18	25
Right-of-use assets		
– Premises and car park	40	46
– Equipment and Others	5	4
Total	63	75

Finance costs may be analysed as follows:

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Borrowings	103	124
Lease liabilities	4	5
Others	21	55
Total	128	184

Employee benefits consist of:

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Wages and salaries	516	490
Share-based compensation	26	34
Pension costs	22	20
Other employee benefits expenses	41	40
Total	605	584

9. Income Tax

(1) Tax expense from continuing operations

Taxes on assessable profits have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Current income tax	(384)	(39)
Deferred income tax on temporary differences	348	(87)
Total	(36)	(126)

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.

	Year ended 31 December 2022	Year ended 31 December 2021
Hong Kong	16.5%	16.5%
Thailand	20%	20%
Japan	28%	28%
Others	12%-25%	12%-25%

In 2021, a change in the corporate income tax rate has been enacted in the Philippines. The corporate income tax rate changed from 30 per cent to 25 per cent effective from 1 July 2020.

9. Income Tax (Continued)

(1) Tax expense from continuing operations (Continued)

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Income tax reconciliation		
(Loss)/profit before tax from continuing operations	(704)	326
Tax benefit/(expense) calculated at domestic tax rates applicable to profits in the respective jurisdictions	132	(54)
Increase in tax benefit/reduction in tax expense from:		
Income not subject to tax	18	48
Credit in respect of a previously unrecognised tax loss or temporary difference from a prior period	24	30
Amount over provided in prior years	3	–
Others	9	–
	54	78
Decrease in tax benefit/increase in tax expense from:		
Disallowed expenses	(90)	(96)
Unrecognised deferred tax assets	(132)	(42)
Amount under provided in prior years	–	(8)
Others	–	(4)
	(222)	(150)
Total income tax expense	(36)	(126)

(2) Deferred tax

The movement in net deferred tax assets/(liabilities) in the year may be analysed as set out below:

US\$m	Net deferred tax asset/ (liability) at 1 January	Credited/ (charged) to income statement	Credited/(charged) to other comprehensive income			Net deferred tax asset/ (liability) at 31 December
			Fair value reserve ¹	Foreign exchange	Others	
31 December 2022						
Revaluation of financial instruments	(284)	40	663	(8)	2	413
Deferred acquisition costs	(452)	(58)	–	16	–	(494)
Insurance and investment contract liabilities	337	548	–	(11)	–	874
Value of business acquired	(123)	11	–	3	–	(109)
Intangible assets	(8)	(9)	–	–	–	(17)
Losses available for offset against future taxable income	33	(29)	–	–	–	4
Others	165	(155)	–	(9)	–	1
Total	(332)	348	663	(9)	2	672

9. Income Tax (Continued)

(2) Deferred tax (Continued)

US\$m	Net deferred tax asset/(liability) at 1 January	Reclassified to liabilities directly associated with assets classified as held-for-sale	Credited/(charged) to income statement	Credited/(charged) to other comprehensive income			Net deferred tax asset/(liability) at 31 December
				Fair value reserve ¹	Foreign exchange	Others	
31 December 2021							
Revaluation of financial instruments	(631)	2	(6)	323	28	–	(284)
Deferred acquisition costs	(371)	–	(99)	–	18	–	(452)
Insurance and investment contract liabilities	234	–	133	–	(30)	–	337
Value of business acquired	(164)	–	35	–	6	–	(123)
Intangible assets	2	–	(9)	–	(1)	–	(8)
Losses available for offset against future taxable income	138	–	(104)	–	(1)	–	33
Others	219	–	(37)	–	(17)	–	165
Total	(573)	2	(87)	323	3	–	(332)

Note:

1. Of the fair value reserve deferred tax credit, US\$(680m) for the year ended 31 December 2022 (2021: US\$(303m)), relates to fair value gains and losses on available for sale financial assets, and US\$17m for the year ended 31 December 2022 (2021: US\$(20m)), relates to fair value gains and losses on available for sale financial assets transferred to income on disposal and impairment.

2022 and 2021 deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised tax losses of US\$713m as at 31 December 2022 (2021: US\$645m), 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.

The Group has not provided deferred tax liabilities in respect of unremitted earnings of operations in jurisdictions from which a withholding tax charge would be incurred upon distribution as the Group does not consider it probable that this portion of accumulated earnings will be remitted in the foreseeable future.

The Group has unused income tax losses carried forward in Hong Kong, mainland China, Cambodia, Indonesia, Japan, the Philippines, Singapore, Malaysia, Macau, Thailand and Vietnam. The tax losses incurred in a tax year can be carried forward indefinitely (Hong Kong and Singapore), for three years (the Philippines and Macau), for five years (mainland China, Cambodia, Indonesia, Thailand and Vietnam) and for ten years (Japan and Malaysia).

10. Intangible Assets

US\$m	Goodwill	Distribution rights	Computer software and others	Total
Cost				
At 1 January 2021	1,652	1,827	229	3,708
Additions	–	27	49	76
Disposals	–	–	(17)	(17)
Foreign exchange movements	(56)	(123)	(19)	(198)
At 31 December 2021	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
Accumulated amortisation and impairment				
At 1 January 2021	(37)	(41)	(99)	(177)
Amortisation charge for the year	–	(33)	(31)	(64)
Disposals	–	–	8	8
Foreign exchange movements	1	3	8	12
At 31 December 2021	(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)
Net book value				
At 31 December 2021	1,560	1,660	128	3,348
At 31 December 2022	1,529	1,543	135	3,207

10. Intangible Assets (Continued)

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 2022	As at 31 December 2021
Hong Kong	915	915
Thailand	465	483
Japan	3	4
Emerging markets ¹	146	158

Note:

1. Includes goodwill of US\$136m (2021: US\$148m) and US\$10m (2021: US\$10m) from the operations in Indonesia and Vietnam as at 31 December 2022.

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 risk discount rates that are used in the value in use of in-force business and present value of expected future new business ranges from 6% to 14% as at 31 December 2022 (2021: 6% to 14%). 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 3% 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.

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.

10. Intangible Assets (Continued)

Distribution rights

Distribution rights represent exclusive bancassurance and distribution agreements in Thailand, Indonesia, Vietnam and the Philippines.

11. Investments In Associates And Joint Ventures

US\$m	As at 31 December 2022	As at 31 December 2021
Group		
Investments in associates	386	324
Investments in joint ventures	7	8
Total	393	332

The Group's interest in its key associates and joint ventures are as follows:

Entity	Place of incorporation	Principal activity	Type of investments	Type of shares held	Group's interest %	
					As at 31 December 2022	As at 31 December 2021
PT Asuransi BRI Life ("BRI Life")	Indonesia	Life insurance	Associate	Ordinary	35.14%	29.86%
CompareAsia Group Capital Limited	Cayman Islands	Operation of online platforms and provision of insurance brokerage and marketing services	Associate	Ordinary	29.82%	25.42%
One George Street LLP ("OGS")	Singapore	Investment in real estate properties in Singapore	Joint venture	Ordinary	50.00%	50.00%

All associates and joint ventures are unlisted.

On 2 March 2021, the Group has completed its initial investment in a minority stake of 29.86% in BRI Life, the life insurance subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk ("BRI") at a consideration of US\$273m. Concurrently, BRI Life has entered into a 15-year life insurance distribution agreement with BRI. The Group utilises the acquisition method of accounting as in acquisition of subsidiaries to determine the Group's share of the net fair value of assets and liabilities for its initial investment in BRI Life. On 2 March 2022, the Group acquired an additional interest of 5.28% in BRI Life at a consideration of US\$54m. As a result, the Group has a total of 35.14% effective ownership interest in BRI Life.

On 9 December 2021, OGS completed a transaction to dispose its investment property (the "Property") to a third party. Immediately after the disposal, management determined the recoverable amount of investment in OGS to be the carrying amount of the net assets. Accordingly, the investment amount in OGS is adjusted by US\$39m.

On 14 October 2022 and 23 December 2022, CompareAsia Group Capital Limited 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 Group Capital Limited.

11. Investments In Associates And Joint Ventures (Continued)

Summarised financial information of associates and joint ventures

(a) Financial information of OGS

Summarised statement of financial position of OGS:

US\$m	As at 31 December 2022	As at 31 December 2021
Assets	15	40
Liabilities	(1)	(24)
Equity	14	16
The Group's share in equity – 50%	7	8
Goodwill	–	39
Investment in OGS	7	47
Adjustment to the investment in OGS	–	(39)
Carrying amount in the consolidated statement of financial position	7	8

Summarised income statement and other comprehensive income of OGS:

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Revenue	–	143
Expenses	–	(18)
Profit for the year	–	125
Other comprehensive loss for the year	–	(16)
Total comprehensive income for the year	–	109
Group's share of total comprehensive income for the year – 50%	–	55
Adjustment to the investment in OGS	–	(39)
Group's share of total comprehensive income for the year	–	16

Dividend received from OGS during the year ended 31 December 2022 was US\$5m (2021: US\$8m). In addition, the Group received capital distribution of US\$1m (2021: US\$238m) from OGS during the year ended 31 December 2022.

11. Investments In Associates And Joint Ventures (Continued)

Summarised financial information of associates and joint ventures (Continued)

(b) Financial information of BRI Life

Summarised statement of financial position of BRI Life:

US\$m	As at 31 December 2022	As at 31 December 2021
Assets	1,764	1,473
Liabilities	(1,190)	(965)
Net assets	574	508
The Group's share in net assets – 35.14% (31 December 2021: 29.86%)	202	152
Goodwill	123	115
Group's carrying amount of the investment in BRI Life	325	267

Summarised income statement and other comprehensive income of BRI Life:

US\$m	Year ended 31 December 2022	From 2 March to 31 December 2021
Revenue	643	367
Expenses	(621)	(395)
Profit/(loss) for the period/year	22	(28)
Other comprehensive income/(loss) for the period/year	(9)	9
Total comprehensive income/(loss) for the period/year	13	(19)
Group's share of total comprehensive income/(loss) for the period/year	5	(6)

11. Investments In Associates And Joint Ventures (Continued)

Summarised financial information of associates and joint ventures (Continued)

(b) Financial information of BRI Life (Continued)

Reconciliation of the summarised financial information of BRI Life:

US\$m	As at 31 December 2022	As at 31 December 2021
Net assets		
At beginning of the year	508	527
Total comprehensive (loss)/income for the year	13	(19)
Capital injection	54	–
Foreign exchange movements	1	–
Dividends	(2)	–
At end of the year	574	508
Interest in BRI Life – 35.14% (31 December 2021: 29.86%)	202	152
Goodwill	123	115
Group's carrying amount of the investment in BRI Life	325	267

(c) Aggregated financial information of the associates that are not individually material

The following table analyses, in aggregate, the share of profit and other comprehensive income of the associates that are not individually material.

US\$m	Year ended 31 December 2022	Year ended 31 December 2021
Net loss	(9)	(6)
Other comprehensive income	1	–
Total comprehensive loss	(8)	(6)

12. Property, Plant And Equipment

US\$m	Property, plant and equipment				Right-of-use assets		Total
	Leasehold improvements	Furniture and fixtures and others	Computer equipment	Property held for own use	Premises and car parks	Equipment and others	
Cost							
At 1 January 2021	70	13	77	11	197	25	393
Remeasurement of lease liability	–	–	–	–	(7)	(1)	(8)
Additions	6	2	12	–	54	3	77
Disposals	(4)	(2)	(6)	–	(45)	(1)	(58)
Reclassifications	–	(2)	–	(10)	–	–	(12)
Foreign exchange movements	(3)	(1)	(4)	–	(9)	–	(17)
At 31 December 2021	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
Accumulated depreciation							
At 1 January 2021	(49)	(8)	(53)	–	(73)	(16)	(199)
Disposals	2	1	4	–	40	1	48
Depreciation charge for the year	(9)	(2)	(14)	–	(46)	(4)	(75)
Reclassifications	–	2	–	–	–	–	2
Foreign exchange movements	2	–	3	–	3	–	8
At 31 December 2021	(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)
Net book value							
At 31 December 2021	15	3	19	1	114	7	159
At 31 December 2022	11	3	14	1	100	10	139

12. Property, Plant And Equipment (Continued)

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.

13. Investment Property

US\$m

Fair value

At 1 January 2021	609
Additions	117
Fair value gains/(losses)	(5)
Reclassification	10
Foreign exchange movements	(68)
At 31 December 2021	663
Additions	64
Fair value gains/(losses)	(3)
Foreign exchange movements	(83)
At 31 December 2022	641

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 18.

The Group leases out its investment properties under operating lease contracts with terms varying from 1 to 20 years. Rental income generated from investment properties amounted to US\$25m for the year ended 31 December 2022 (2021: US\$28m). Direct operating expenses, including repair and maintenance, amounted to US\$5m for the year ended 31 December 2022 (2021: US\$8m).

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 34.

14. Reinsurance Assets

US\$m	As at 31 December 2022	As at 31 December 2021
Amounts recoverable from reinsurers	346	343
Ceded insurance and investment contract liabilities	2,889	3,061
Total¹	3,235	3,404

Note:

1. Includes US\$649m at 31 December 2022 (2021: US\$685m), expected to be recovered within 12 months after the end of the reporting period.

15. Deferred Acquisition Costs

US\$m	As at 31 December 2022	As at 31 December 2021
Carrying amount		
Deferred acquisition costs on insurance contracts	4,345	4,010
Value of business acquired	652	732
Total	4,997	4,742

	As at 31 December 2022	As at 31 December 2021
Movements in the year		
At beginning of year	4,742	4,591
Deferral and amortisation of acquisition costs	464	333
Acquisition of subsidiaries	–	–
Disposal of business	–	–
Foreign exchange movements	(303)	(275)
Other movements	94	93
At end of year	4,997	4,742

Deferred acquisition costs are expected to be recoverable over the mean term of the Group's insurance and investment contracts, and liability adequacy testing is performed at least annually to confirm their recoverability. Accordingly, the annual amortisation charge, which varies with investment performance for certain products, approximates to the amount which is expected to be realised within 12 months of the end of the reporting period.

16. 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.

The investment risk in respect of Unit-linked Investments is generally wholly borne by the customers, and does not directly affect the profit for the period before tax. Furthermore, unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Group. Although profit for the period before tax is not affected by Unit-linked Investments, the investment return from such financial investments is included in the Group's profit for the period before tax, as the Group has elected the fair value option for all Unit-linked Investments with corresponding changes in insurance and investment contract liabilities for unit-linked contracts. 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 it 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. The Group has elected the fair value option for debt and equity securities of Participating Funds. The Group's accounting policy is to record an insurance liability for the proportion of net assets of the Participating Funds that would be allocated to policyholders assuming all performance would be declared as a dividend based upon local regulations as at the date of the statement of financial position. As a result, the Group's net profit before tax for the period is impacted by the proportion of investment return that would be allocated to shareholders as described above. For Other Participating Business with distinct Portfolios, the Group either have discretion as to the timing or amount of additional benefits to the policyholders. The Group has elected the fair value option for equity securities and the available for sale classification of the majority of debt securities. The investment risk from Other Participating Business with distinct Portfolios directly impacts the Group's financial statements, but it is expected that a proportion of investment return may be allocated to policyholders through policyholder dividends.

16. Financial Investments (Continued)

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 or it is not 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. The Group has elected to apply the fair value option for equity securities in this category and the available for sale classification in respect of the majority of debt securities in this category. The investment risk from investments in this category directly impacts the Group's financial statements. Although a proportion of investment return may be allocated to policyholders through policyholder dividends, the Group's accounting policy for insurance and certain investment contract liabilities utilises a net level premium methodology that includes best estimates as at the date of issue for non-guaranteed participation. To the extent investment return from these investments either is not allocated to participating contracts or varies from the best estimates, it will impact the Group's profit before tax.

In the following tables, "FVTPL" indicates financial investments classified at fair value through profit or loss and "AFS" indicates financial investments classified as available-for-sale.

16.1 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
B+ to B-	B1 to B3	B
CCC and below	Caa1 and below	Not rated

16. Financial Investments (Continued)

16.1. Debt securities (Continued)

Debt securities by type comprise the following:

US\$m	Policyholder and shareholder investments				Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
	FVTPL	AFS	FVTPL	AFS	
31 December 2022					
Government bonds					
United States	–	740	–	295	1,035
Japan	–	–	–	2,803	2,803
Thailand	–	–	–	10,477	10,477
Other	–	783	45	352	1,180
Sub-total	–	1,523	45	13,927	15,495
Government agency bonds¹					
AAA	–	2	–	2	4
AA	–	274	–	188	462
A	–	106	–	434	540
BBB	–	35	–	546	581
Below investment grade	–	–	–	22	22
Sub-total	–	417	–	1,192	1,609

16. Financial Investments (Continued)

16.1. Debt securities (Continued)

US\$m	Policyholder and shareholder investments				Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
	FVTPL	AFS	FVTPL	AFS	
31 December 2022					
Corporate bonds					
AAA	–	124	–	24	148
AA	–	437	–	303	740
A	118	2,774	55	2,760	5,707
BBB	–	2,195	–	3,291	5,486
Below investment grade	–	39	–	1,183	1,222
Not rated	–	28	–	112	140
Sub-total	118	5,597	55	7,673	13,443
Structured securities²					
AAA	–	186	–	6	192
AA	–	89	–	369	458
A	–	174	–	38	212
BBB	–	104	–	882	986
Below investment grade	–	6	–	15	21
Not rated	–	31	–	6	37
Sub-total	–	590	–	1,316	1,906
Others					
Redeemable investment funds	–	–	–	197	197
Certificate of deposits	–	43	–	18	61
Others	–	–	7	–	7
Sub-total	–	43	7	215	265
Total⁵	118	8,170	107	24,323	32,718

Notes:

- Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.
- Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
- 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.

16. Financial Investments (Continued)

16.1. Debt securities (Continued)

US\$m	Policyholder and shareholder investments				Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
	FVTPL	AFS	FVTPL	AFS	
31 December 2021					
Government bonds					
United States	–	1,004	–	567	1,571
Japan	–	–	–	3,692	3,692
Thailand	–	–	–	11,218	11,218
Other	–	882	38	414	1,334
Sub-total	–	1,886	38	15,891	17,815
Government agency bonds¹					
AAA	–	3	–	3	6
AA	–	305	–	150	455
A	–	151	–	662	813
BBB	–	39	–	668	707
Below investment grade	–	–	–	24	24
Not rated	–	–	–	–	–
Sub-total	–	498	–	1,507	2,005

16. Financial Investments (Continued)

16.1. Debt securities (Continued)

US\$m	Policyholder and shareholder investments				Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
	FVTPL	AFS	FVTPL	AFS	
31 December 2021					
Corporate bonds					
AAA	–	118	–	7	125
AA	–	529	–	112	641
A	–	4,561	38	1,988	6,587
BBB	–	4,146	–	2,360	6,506
Below investment grade	–	94	–	1,335	1,429
Not rated	–	141	–	156	297
Sub-total	–	9,589	38	5,958	15,585
Structured securities²					
AAA	–	317	–	2	319
AA	–	90	–	835	925
A	–	105	–	23	128
BBB	–	66	–	24	90
Below investment grade	–	21	–	16	37
Sub-total	–	599	–	900	1,499
Others					
Redeemable investment funds	–	–	–	237	237
Certificate of deposits	–	64	–	27	91
Others	–	–	3	–	3
Sub-total	–	64	3	264	331
Total³	–	12,636	79	24,520	37,235

Notes:

- Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.
- Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
- As at 31 December 2021, debt securities of US\$3,656m and US\$299m are restricted due to local regulatory requirements in Thailand and Macau, respectively.

16. Financial Investments (Continued)

16.1. Debt securities (Continued)

As at 31 December 2022, AFS debt securities of US\$419m (2021: US\$197m) 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 Group is restricted from selling or pledging the transferred debt securities. Refer to Note 26 for additional information on the associated liabilities.

Debt securities classified at fair value through profit or loss are all designated at fair value through profit or loss.

16.2 Equity securities

Equity securities measured at fair value through profit and loss comprise the following:

US\$m	Policyholder and shareholder		Sub-total	Unit-linked	Total
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder			
31 December 2022					
Equity shares	1,468	394	1,862	–	1,862
Interests in investment funds	2,766	837	3,603	2,399	6,002
Total¹	4,234	1,231	5,465	2,399	7,864

Note:

- As at 31 December 2022, equity securities of US\$50m are restricted due to local regulatory requirements in Macau.

US\$m	Policyholder and shareholder		Sub-total	Unit-linked	Total
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder			
31 December 2021					
Equity shares	1,587	938	2,525	–	2,525
Interests in investment funds	2,494	693	3,187	2,541	5,728
Total¹	4,081	1,631	5,712	2,541	8,253

Note:

- As at 31 December 2021, equity securities of US\$12m are restricted due to local regulatory requirements in Macau.

16. Financial Investments (Continued)

16.3 Debt and equity securities

US\$m	As at 31 December 2022	As at 31 December 2021
Debt securities		
Listed	15,400	18,479
Unlisted	17,318	18,756
Total	32,718	37,235
Equity securities		
Policyholder and shareholder		
Listed	2,222	2,596
Unlisted	3,243	3,116
Unit-linked		
Listed	327	376
Unlisted	2,072	2,165
Total	7,864	8,253

16.4 Loans and deposits

The Group

US\$m	As at 31 December 2022	As at 31 December 2021
Policy loans	795	793
Secured loans	9	10
Accreting deposits and promissory notes	587	676
Term deposits	929	202
Other financial receivables	10	9
Provision for impairment	(3)	(2)
At end of year	2,327	1,688

Policy loans are stated at amortised cost, interest-bearing at market interest rates and repayable at the discretion of the policyholders as long as the interest plus the principal of the loans do not exceed the cash value. As at 31 December 2022, the policy loans bear interest rates ranging from 2.3% to 10.0% (2021: 2.3% to 10.0%) per annum.

Accreting deposits and promissory notes are stated at amortised cost. As at 31 December 2022, the accreting deposits and promissory notes bear interest rates ranging from 2.3% to 5.2% (2021: 2.3% to 5.2%) per annum and are repayable upon maturity.

Certain term deposits of US\$36m as at 31 December 2022 (2021: US\$17m), are restricted due to local regulatory requirements.

17. Derivative Financial Instruments

The following table summarises the Group's derivative exposure:

US\$m	Notional amount	Fair value	
		Assets	Liabilities
31 December 2022			
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)
31 December 2021			
Foreign exchange contracts			
Forwards	9,113	44	(99)
Cross-currency swaps	1,108	8	(50)
Total foreign exchange contracts	10,221	52	(149)
Interest rate swaps	9	1	–
Others			
Warrants and options	9	42	–
Bond forward contracts	473	25	(8)
Total	10,712	120	(157)

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.

17. Derivative Financial Instruments (Continued)

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 2022 and 2021, 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 33 for details.

Collateral under derivative transactions

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. As at 31 December 2021, the Group held cash collateral of US\$26m and debt securities collateral with a carrying value of US\$59m for assets and posted cash collateral of US\$23m and debt securities with a carrying value of US\$19m 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 19 and 26.

17. Derivative Financial Instruments (Continued)

Derivatives designated as hedging instruments

During the years ended 31 December 2022 and 2021, the Group designated interest rate swaps as cash flow hedges of variable rate interest payments arising from bank borrowings. The terms of the interest rate swaps have been negotiated to match the terms of the variable rate interest payments. As a result, these hedging relationships are considered highly effective at inception, 31 December 2022 and 2021. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment. As at 31 December 2022, the fair value of the interest rate swaps liabilities designated as hedging instruments was US\$2m (2021: US\$1m).

The Group has designated certain foreign exchange derivative assets with fair value of US\$4m and US\$nil, and certain foreign exchange derivative liabilities with fair values of US\$5m and US\$22m as at 31 December 2022 and 2021, respectively, in cash flow hedges of foreign exchange risk. The Group has also designated certain bond forward derivative assets with fair values of US\$nil and US\$3m, and certain bond forward derivative liabilities with fair values of US\$nil and US\$8m, as at 31 December 2022 and 2021, respectively, in cash flow hedges of bond price risk. These hedging relationships were considered highly effective as at 31 December 2022 and 2021.

18. 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, 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.

18. 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.

18.1 Fair value measurements on a recurring basis

The Group measures investment properties, financial instruments classified at fair value through profit or loss, available for sale securities portfolios, 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 and equity securities

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 audited 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.

18. Fair Value Measurement (Continued)

18.1 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

For investment contract liabilities without DPF, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts where the investment risk is borne by the policyholder, the fair value generally approximates to the fair value of the underlying assets.

Investment contracts with DPF enable the contract holder to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating business and are measured according to the Group practice for insurance contract liabilities. These are not measured at fair value as there is currently not an agreed definition of fair value for investment and insurance contracts with DPF under IFRS. In the absence of any agreed methodology, it is not possible to provide a range of estimates within which fair value is likely to fall.

18. Fair Value Measurement (Continued)

18.1 Fair value hierarchy for fair value measurement 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			Total
	Level 1	Level 2	Level 3	
31 December 2022				
Recurring fair value measurements				
Non-financial assets				
Investment property	–	–	641	641
Financial assets				
Available for sale				
Debt securities	2,045	29,532	916	32,493
Government bonds	1,254	14,196	–	15,450
Government agency bonds	–	1,609	–	1,609
Corporate bonds	692	12,514	64	13,270
Structured securities	–	1,054	852	1,906
Others	99	159	–	258
At fair value through profit or loss				
Debt securities	1	218	6	225
Government bonds	–	45	–	45
Corporate bonds	–	173	–	173
Others	1	–	6	7
Equity securities	2,518	2,199	3,147	7,864
Derivative financial instruments	–	268	51	319
Total assets on a recurring fair value measurement basis	4,564	32,217	4,761	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%

18. Fair Value Measurement (Continued)

18.1 Fair value hierarchy for fair value measurement on a recurring basis (Continued)

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
31 December 2021				
Recurring fair value measurements				
Non-financial assets				
Investment property	–	–	663	663
Financial assets				
Available for sale				
Debt securities	2,613	34,483	60	37,156
Government bonds	1,778	15,999	–	17,777
Government agency bonds	–	2,005	–	2,005
Corporate bonds	713	14,774	60	15,547
Structured securities	–	1,499	–	1,499
Others	122	206	–	328
At fair value through profit or loss				
Debt securities	–	76	3	79
Government bonds	–	38	–	38
Corporate bonds	–	38	–	38
Others	–	–	3	3
Equity securities	2,971	2,191	3,091	8,253
Derivative financial instruments	3	80	37	120
Financial assets measured at fair value and held by discontinued operations	–	105	–	105
Total assets on a recurring fair value measurement basis	5,587	36,935	3,854	46,376
% of Total	12%	80%	8%	100%
Financial liabilities				
Investment contract liabilities without DPF	–	–	151	151
Derivative financial instruments	–	157	–	157
Financial liabilities measured at fair value and held by discontinued operations	–	67	–	67
Total liabilities on a recurring fair value measurement basis	–	224	151	375
% of Total	–	60%	40%	100%

18. Fair Value Measurement (Continued)

18.1 Fair value hierarchy for fair value measurement 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 2022 and 2021, there were no movements of financial assets between Level 1 and Level 2.

The Group's Level 2 financial instruments include debt securities, equity securities, 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 2022 and 2021. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2022 and 2021.

Level 3 assets and liabilities

US\$m	Investment property	Debt securities	Equity securities	Derivative financial assets/(liabilities)	Investment contract liabilities without DPF
As at 1 January 2022	663	63	3,091	37	(151)
Net movement on investment contract liabilities	–	–	–	–	39
Total gains/(losses)					
Reported under investment return in the consolidated income statement	(3)	(21)	(422)	14	–
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(83)	(5)	–	–	–
Transfer to other assets	–	–	(5)	–	–
Purchases	64	885	984	–	–
Sales	–	–	(470)	–	–
Settlements	–	–	(31)	–	–
As at 31 December 2022	641	922	3,147	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 and other expenses	(3)	–	(354)	–	–

18. Fair Value Measurement (Continued)

18.1 Fair value hierarchy for fair value measurement on a recurring basis (Continued)

Level 3 assets and liabilities (Continued)

US\$m	Investment property	Debt securities	Equity securities	Derivative financial assets/(liabilities)	Investment contract liabilities without DPF
As at 1 January 2021	609	43	1,806	–	(179)
Net movement on investment contract liabilities	–	–	–	–	28
Total gains/(losses)					
Reported under investment return in the consolidated income statement	(5)	–	547	37	–
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(68)	1	–	–	–
Purchases	117	25	847	–	–
Sales	–	(1)	(70)	–	–
Settlements	–	–	(16)	–	–
Impairment	–	(4)	–	–	–
Reclassifications	10	–	–	–	–
Transfer into level 3	–	4	–	–	–
Transfer out of level 3	–	(5)	(23)	–	–
As at 31 December 2021	663	63	3,091	37	(151)
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 and other expenses	(5)	–	539	37	–

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 out of Level 3 mainly relate to equity securities of which market-observable inputs became available during the period and were used in determining the fair value.

Level 3 equity and debt securities

As at 31 December 2022 and 2021, equity securities classified as level 3 mainly include unlisted private equity funds. As at 31 December 2022, debt securities classified as level 3 mainly include unlisted asset-backed securities. The Group determines the fair value of its holding in each such investment based on the reported NAV as set out in the underlying fund's annual 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, and engages an external specialist to subsequently review the roll forward analysis. 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.

18. Fair Value Measurement (Continued)

18.1 Fair value hierarchy for fair value measurement 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 2022 and 2021.

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 2022	As at 31 December 2021
Monthly market rental income (US\$ per sq.m.)	10 – 928	60 – 960
Discount rate per annum	2.5% – 10.0%	2.50% – 5.50%
Occupancy rate	97% – 100%	97% – 100%

This valuation methodology is in accordance with guidelines of the International Valuation Standards Council.

Level 3 investment contract liabilities

For investment contract liabilities, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The discount rate used is 5.09% for the year ended 31 December 2022 (2021: 4.68%). The higher the interest rates, the lower the fair value.

18. Fair Value Measurement (Continued)

18.2 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 are estimated by discounting expected future cash flows using interest rate offered for similar loans to borrowers with similar credit ratings. The fair values of fixed rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued.

Loans with similar characteristics are aggregated for purposes of the calculations. The carrying value of loans and receivables approximate to their fair values, except for accreting deposits.

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

Reinsurance receivables

The carrying amount of amounts receivable from reinsurers is not considered materially different to their fair value.

Other assets

The carrying amount of other financial assets is not materially different to their fair value.

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.

18. Fair Value Measurement (Continued)

18.2 Fair value measurements for disclosure purpose (Continued)

Other liabilities (Continued)

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 2022 and 2021 is given below.

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
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

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
31 December 2021				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	–	669	–	669
Total assets for which the fair value is disclosed	–	669	–	669
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term/subordinated notes	1,265	–	–	1,265
Total liabilities for which the fair value is disclosed	1,265	–	–	1,265

19. Other Assets

US\$m	As at 31 December 2022	As at 31 December 2021
Insurance receivables due from insurance and investment contract holders	377	416
Accounts receivable	70	129
Accrued investment income	262	234
Restricted cash	14	11
Deposits	25	27
Prepayments	105	98
Others	4	6
Total	857	921

Accounts receivable as at 31 December 2022 also includes US\$1m (2021: US\$23m), relating to the cash collateral posted for derivative liabilities.

As at 31 December 2022, bank deposits of US\$12m (2021: US\$9m) were mainly from restrictions for use in accordance with the covenant requirements of bank borrowings. Refer to Note 25 for details of the bank borrowings. As at 31 December 2022, US\$2m (2021: US\$2m) was restricted for the IPPFA acquisition. Refer to Note 11 for further details.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period. An ageing analysis of insurance receivables has not been provided as all amounts are expected to be recovered within less than one year.

20. Cash And Cash Equivalents

US\$m	As at 31 December 2022	As at 31 December 2021
Cash	1,392	1,376
Cash equivalents	82	1,276
Total	1,474	2,652

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits with maturities at acquisition of three months or less.

21. Insurance Contract Liabilities

The movements of insurance contract liabilities are shown as follows:

US\$m	As at 31 December 2022	As at 31 December 2021
At beginning of year	47,981	45,181
Valuation premiums and deposits	7,889	9,165
Life insurance contracts ¹		
New business	2,605	3,404
In-force business	5,281	5,762
General insurance contracts ²		
New business	13	11
In-force business	(10)	(12)
Expected investment return	612	1,149
Liabilities released for policy termination, or other policy benefits paid and related expenses	(5,360)	(4,647)
Life insurance contracts		
New business	(274)	(237)
In-force business	(5,088)	(4,407)
General insurance contracts		
New business	1	(1)
In-force business	1	(2)
Interest accrued and change in unit price	(166)	272
Impact of changes in assumptions	(17)	(15)
Acquisition of subsidiaries	–	–
Foreign exchange movements	(2,159)	(2,983)
Disposal of business	–	–
Other movements	(65)	(141)
At end of year	48,715	47,981

Note:

1. Represents the portion of premiums received from life insurance contracts that are set aside to pay future insurance benefits.
2. Represents the change in unearned premiums for general insurance contracts.

21. Insurance Contract Liabilities (Continued)

Insurance contract liabilities comprise of following:

US\$m	As at 31 December 2022	As at 31 December 2021
Deferred profit	3,505	2,711
Unearned revenue	761	672
Policyholders' share of participating surplus	257	754
Liabilities for future policyholder benefits	44,192	43,844
Total	48,715	47,981

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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Mortality • Morbidity • Lapses • Expenses 	All

21. Insurance Contract Liabilities (Continued)

Type of contract	Material terms and conditions	Nature of benefits and compensation for claims	Factors affecting contract cash flows	Key reportable segments
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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Investment performance • Lapses • Partial withdrawals • Premium holidays • Expenses • Mortality • Morbidity 	Hong Kong, Thailand, Emerging markets (Malaysia, Indonesia, Singapore, Vietnam and Philippines)

Methodology and assumptions

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	<ul style="list-style-type: none"> • Net neutral except for the insurer's share of participating investment performance • Guarantees 	<ul style="list-style-type: none"> • Net neutral except for the insurer's share of participating investment performance 	<ul style="list-style-type: none"> • Investment performance 	<ul style="list-style-type: none"> • Persistency • Mortality • Morbidity
Takaful	<ul style="list-style-type: none"> • Net neutral except for the insurer's share of participating investment performance • Guarantees 	<ul style="list-style-type: none"> • Net neutral except for the insurer's share of participating investment performance 	<ul style="list-style-type: none"> • Investment performance 	<ul style="list-style-type: none"> • Persistency • Mortality • Morbidity • Partial withdrawals • Premium holidays

21. Insurance Contract Liabilities (Continued)

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 non-participating life assurance	<ul style="list-style-type: none"> Investment performance Asset-liability mismatch risk 	<ul style="list-style-type: none"> Asset-liability mismatch risk Credit Risk Investment performance 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Mortality Morbidity Persistence
Accident and health non-participating	<ul style="list-style-type: none"> Loss ratio Asset-liability mismatch risk 	<ul style="list-style-type: none"> Investment performance Credit risk Asset-liability mismatch risk 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Morbidity Persistence
Universal Life	<ul style="list-style-type: none"> Guarantees Asset-liability mismatch risk 	<ul style="list-style-type: none"> Investment performance Credit risk Asset-liability mismatch risk 	<ul style="list-style-type: none"> Spread between earned rate and crediting rate to policyholders 	<ul style="list-style-type: none"> Mortality Persistence Partial withdrawals Premium holidays
Unit-Linked	<ul style="list-style-type: none"> Net neutral 	<ul style="list-style-type: none"> Net neutral 	<ul style="list-style-type: none"> Performance-related investment management fees 	<ul style="list-style-type: none"> Mortality Persistence 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.

Valuation interest rates

As at 31 December 2022 and 2021, the range of applicable valuation interest rates for traditional insurance contracts, which vary by operating segment, year of issuance and products, within the first 20 years are as follows:

	As at 31 December 2022	As at 31 December 2021
Hong Kong	-0.12% – 7.07%	-0.12% – 7.07%
Thailand	1.75% – 4.79%	1.75% – 4.79%
Japan	-1.47% – 2.24%	-1.47% – 1.41%
Singapore	2.15% – 3.60%	2.15% – 3.00%
Malaysia	3.26% – 4.31%	1.88% – 4.03%
Indonesia	1.80% – 7.62%	1.80% – 7.62%
Philippines	2.70% – 4.87%	2.70% – 4.52%
Vietnam	2.15% – 6.50%	2.17% – 6.50%

22. Investment Contract Liabilities

US\$m	As at 31 December 2022	As at 31 December 2021
At beginning of year	217	300
Premium received	3	3
Surrenders and withdrawals	(36)	(82)
Interest accrual and change in unit price	(10)	(3)
Others	–	(1)
At end of year	174	217

23. Effect Of Changes In Assumptions And Estimates

The table below sets out the sensitivities of the assumptions in respect of insurance and investment contracts to key variables. This disclosure only allows for the impact on liabilities and related assets, such as reinsurance, and deferred acquisition costs and does not allow for offsetting movements in the fair value of financial assets backing those liabilities.

US\$m	As at 31 December 2022	As at 31 December 2021
(Increase)/decrease in insurance contract liabilities, increase/(decrease) in equity and profit before tax		
0.5% increase in investment return	9	3
0.5% decrease in investment return	(4)	(5)
10% increase in expenses	(79)	(79)
10% increase in mortality	(27)	(27)
10% increase in morbidity	(40)	(39)
10% increase in lapse/discontinuance rates	(168)	(144)

Future policy benefits for traditional life insurance policies (including investment contracts with DPF) are calculated using a net premium valuation method with reference to best estimate assumptions set at policy inception date unless a deficiency arises on liability adequacy testing. There is no impact of the above assumptions sensitivities on the carrying amount of traditional life insurance liabilities as the sensitivities presented would have not triggered a liability adequacy adjustment. During the years presented there was no effect of changes in assumptions and estimates on the Group's traditional life products.

For interest sensitive insurance contracts, such as universal life products and unit-linked contracts, assumptions are made at each reporting date including mortality, persistency, expenses, future investment earnings and future crediting rates.

The impact of changes in assumptions on the valuation of insurance and investment contracts was US\$17m increase in profit for the year ended 31 December 2022 (2021: US\$17m).

24. Deferred Ceding Commission

US\$m	As at 31 December 2022	As at 31 December 2021
At beginning of year	1,052	990
Commission income deferred during the year	307	325
Amortisation during the year	(147)	(177)
Foreign exchange difference	(106)	(86)
At end of year	1,106	1,052

The annual amortisation charge, which varies for certain products, approximates to the amount which is expected to be realised within 12 months of the end of the reporting period.

25. Borrowings

US\$m	As at 31 December 2022	As at 31 December 2021
Bank borrowings	992	988
Medium term notes	324	324
Subordinated notes	900	900
Total	2,216	2,212

Interest expense on borrowings is shown in Note 8. Further information relating to interest rates and the maturity profile of borrowings is presented in Note 29.

Outstanding bank borrowings and notes placed to the market as at 31 December 2022:

Issue date	Nominal amount	Interest rate	Tenor
<u>Bank borrowings</u>			
30 December 2021	US\$1,000m	LIBOR + 1.275%	3 years
<u>Medium term notes</u>			
24 September 2014	US\$325m	5.00%	10 years
<u>Subordinated notes</u>			
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

25. Borrowings (Continued)

During the years ended 31 December 2022 and 2021, the Group has issued the following borrowings and settled or transferred to PCGI Holdings Limited:

Issue date	Nominal amount	Interest rate	
<u>Bank borrowings</u>			
31 July 2018 ²	US\$275m	LIBOR + 2%	Settled
4 February 2019 ³	US\$175m	LIBOR + 2%	Settled
6 March 2020 ¹	US\$800m	LIBOR + 1.5%	Transferred
23 October 2020	US\$440m	Base rate + 0.4%	Settled
13 September 2019 ⁴	US\$1,800m	LIBOR + 1.5%	Settled
<u>Guaranteed notes</u>			
28 October 2019 ¹	US\$250m	4.75%	Transferred
22 November 2019 ¹	US\$250m	5.50%	Transferred

Notes:

1. The bank borrowing and guaranteed notes were transferred to PCGI Holdings Limited at total carrying value of US\$1,296m as part of the Reorganisation disclosed in Note 1.2.2.
2. On 26 July 2021, the Group settled a US\$275m bank borrowing on its scheduled maturity date.
3. On 10 August 2021, the Group voluntarily settled a US\$175m bank borrowing before its scheduled maturity date.
4. On 30 December 2021, the Group voluntarily settled a US\$1,800m bank borrowing before its scheduled maturity date.

These medium-term notes, subordinated notes and guaranteed notes are listed on The Stock Exchange of Hong Kong Limited. The net proceeds from the issuance of the medium-term notes, subordinated notes, guaranteed notes and the bank credit facilities are used for acquisitions, general corporate purposes and funding requirements of the Group.

As at 31 December 2022, the Group has access to a US\$500m (2021: US\$500m) undrawn committed revolving credit facility. The credit facility is unsecured and with a term of three years expiring in 2024. The credit facilities will be used for general corporate purposes. The Group has drawn down US\$50m of the committed revolving credit facility on 9 September 2022, and subsequently settled on 14 November 2022.

26. Other Liabilities

US\$m	As at 31 December 2022	As at 31 December 2021
Trade and other payables ¹	1,556	1,406
Reinsurance-related payables	321	358
Distribution agreement payable	41	556
Lease liabilities	113	128
Obligations under repurchase and forward arrangements	396	191
Total	2,427	2,639

Note:

1. Other payables as at 31 December 2022 include US\$132m (2021: US\$26m), relating to the cash collateral held for derivative assets.

All trade and other payables and reinsurance-related payables are generally expected to be settled within 12 months after the end of the reporting period. Accordingly, no ageing analysis has been provided.

The total cash outflow for leases for the years ended 31 December 2022 was US\$49m (2021: US\$64m).

During the years ended 31 December 2022 and 2021, 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 16.1 for details.

27. Share Capital, Share Premium And Reserves

27.1 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\$1 each as at 1 January 2021	25,000,000	25	–	25
Share Split	2,475,000,000	–	–	–
Ordinary shares of US\$0.01 each as at 31 December 2021 and 2022	2,500,000,000	25	–	25
Issued and fully paid:				
Ordinary shares of US\$1 each as at 1 January 2021	19,486,650	19	4,026	4,045
Issue of ordinary shares	229,415,581	4	1,985	1,989
Share Split	2,141,321,292	–	–	–
Share Surrender	(1,514,065,560)	(15)	–	(15)
Ordinary shares of US\$0.01 each as at 31 December 2021	876,157,963	8	6,011	6,019
Issue of ordinary shares	63,795,852	1	391	392
Ordinary shares of US\$0.01 each as at 31 December 2022	939,953,815	9	6,402	6,411

On 13 May 2021, the Company issued 2,142,858 ordinary shares with par value of US\$1 each to PCGI Holdings Limited at a consideration of US\$600m.

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.

In December 2021, the Company issued 227,272,723 ordinary shares with par value of US\$0.01 each to PCGI Holdings Limited and other investors at a gross consideration of US\$1,425m and net of transaction costs of US\$36m.

In January 2022, the Company issued 31,897,926 ordinary shares with 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 par value of US\$0.01 each to PCGI Holdings Limited at a consideration of US\$200m.

27. Share Capital, Share Premium And Reserves (Continued)

27.2 Reserves

(a) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale securities held at the end of the reporting period.

(b) 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.

(c) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative gain or loss on the hedging instruments from the inception of the cash flow hedges.

(d) Other reserves

Other reserves mainly include capital redemption reserve and share-based compensation reserve.

27.3 Perpetual securities

FL and FGL issued the following perpetual securities:

Issue date	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	5.500%	Perpetual
13 September 2019	US\$600m	6.375%	Perpetual

Notes:

- 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.
- 0% for first 5 years, and reset to 8.045% on 15 June 2022.

Carrying amount of the perpetual securities:

US\$m	As at 31 December 2022	As at 31 December 2021
24 January 2017	—	255
15 June 2017	362	360
6 July 2017	179	179
1 February 2018	203	203
13 September 2019	610	610
	1,354	1,607

27. Share Capital, Share Premium And Reserves (Continued)

27.3 Perpetual securities (Continued)

FL and FGL may, at its sole option, defer the distributions by giving notice to the holders. In the event of any distribution deferral, FL and FGL 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. FL and FGL use the proceeds from the issuance for general corporate purposes, potential transactions and/or repayment of the Group's own indebtedness.

During the year ended 31 December 2022, the Group paid distributions of US\$87m (2021: US\$65m).

27.4 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 2022	As at 31 December 2021
Ordinary shares, preference shares and convertible preference shares of FL and FGL	388	1,692
Ordinary shares of the subsidiaries of FL and FGL	1	1
	389	1,693

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).

27. Share Capital, Share Premium And Reserves (Continued)

27.4 Non-controlling interests (Continued)

(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.

27.5 Transactions with non-controlling interests

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.

During the year ended 31 December 2021:

- i. On 20 April 2021, the Company transferred an aggregate of 2,439,934 convertible preference shares issued by FL and FGL to an existing convertible preference shareholder for a total consideration of approximately US\$400m.
- ii. On 14 May 2021, FL and FGL issued an aggregate of 9,392,856 ordinary shares with a par value of US\$0.01 for an aggregate consideration of US\$1,315m to the Company.
- iii. On 21 December 2021, the Company made a capital contribution of US\$250m to FGL. No shares were issued by FGL as a result of the transaction.

28. 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 participation in decisions concerning 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 the new 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, when FWD Management Holdings Limited, a subsidiary of the Group, was determined to be our designated insurance holding company ("DIHC").

Under the GWS framework, the group capital adequacy requirements are determined in accordance with the Insurance (Group Capital) Rules ("Group Capital Rules"), as applied to the Group under transitional arrangements that have been agreed with the HKIA.

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.

28. Group Capital Structure (Continued)

Local Regulatory Solvency (Continued)

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

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 ("HK RBC") 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. Prior to the HK RBC adoption, the excess of assets over liabilities should not be less than 100% of the required minimum solvency margin under the Insurance Ordinance, Chapter 41F of the Laws of Hong Kong.

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%.

28. Group Capital Structure (Continued)

Local Regulatory Solvency (Continued)

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 2022 and 2021, 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 shareholders.

29. 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.

29. Risk Management (Continued)

Insurance risks (Continued)

Life insurance contracts (Continued)

(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.

(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 various classes of business. The Group has developed a robust underwriting framework to ensure that all risks accepted meet the guidelines and standards of the Group.

The Group's non-life insurance business is primarily derived from Singapore. The Group's non-life business in Hong Kong was disposed during 2020. 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.

29. Risk Management (Continued)

Insurance risks (Continued)

Non-life insurance contracts (Continued)

(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.

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, sectors and currencies. 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 or 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 ultimate 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 2022 and 2021.

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

29. Risk Management (Continued)

Concentration risk (Continued)

- 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.

For the years ended 31 December 2022 and 2021, there are no significant insurance concentration risks.

Financial risks

The Group is exposed to a range of financial risks, including 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.

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 the Group's investment portfolio, credit risk also arises in reinsurance, settlement and treasury activities.

The level of credit risk the Group accepts is managed and monitored by the 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 macro-economic environment.

The Group actively manages its investments to ensure that there is no significant concentration of credit risk.

Interest rate risk

The Group's exposure to interest rate risk predominantly arises from any difference between the tenor of the Group's liabilities and assets, or any difference between the return on investments and the return required to meet the Group's commitments, 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 not possible 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.

29. Risk Management (Continued)

Financial risks (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 2022				
Financial assets				
Debt securities	2,009	30,505	204	32,718
Cash and cash equivalents	556	–	918	1,474
Loans and deposits	100	2,223	4	2,327
Equity securities	–	–	7,864	7,864
Derivative financial instruments	–	–	319	319
Reinsurance receivables	–	–	346	346
Accrued investment income	–	–	262	262
Other assets	13	–	477	490
Total financial assets	2,678	32,728	10,394	45,800
Financial liabilities				
Borrowings ¹	–	2,216	–	2,216
Other liabilities	23	652	1,752	2,427
Derivative financial instruments	–	–	134	134
Total financial liabilities	23	2,868	1,886	4,777

Note:

1. Borrowings of US\$992m bear variable interest rates and are hedged with interest rate swaps. Refer to Note 17 for details.

29. Risk Management (Continued)

Financial risks (Continued)

Interest rate risk (Continued)

US\$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2021				
Financial assets				
Debt securities	2,191	34,804	240	37,235
Cash and cash equivalents	2,295	–	357	2,652
Loans and deposits	87	1,597	4	1,688
Equity securities	–	–	8,253	8,253
Derivative financial instruments	–	–	120	120
Reinsurance receivables	–	–	343	343
Accrued investment income	–	1	233	234
Other assets	24	7	558	589
Assets of disposal group classified as held-for-sale	1	99	5	105
Total financial assets	4,598	36,508	10,113	51,219
Financial liabilities				
Borrowings ¹	–	2,212	–	2,212
Other liabilities	2	897	1,740	2,639
Derivative financial instruments	–	–	157	157
Liabilities directly associated with the assets of disposal group classified as held-for-sale	–	–	2	2
Total financial liabilities	2	3,109	1,899	5,010

Note:

1. Borrowings of US\$988m bear variable interest rates and are hedged with interest rate swaps. Refer to Note 17 for details.

29. Risk Management (Continued)

Financial risks (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. The Group's accounting policies lock in interest rate assumptions for traditional insurance contracts at policy inception and incorporate a provision for adverse deviation. As a result, the level of interest rate movement illustrated in this sensitivity analysis does not result in loss recognition and so there is no corresponding effect on insurance liabilities.

US\$m	31 December 2022			31 December 2021		
	Impact on			Impact on		
	Profit before tax	Other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)	Profit before tax	Other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)
Interest rate risk						
+50 basis points shift in yield curves	8	(1,603)	8	20	(1,863)	20
-50 basis points shift in yield curves	(8)	1,592	(8)	(20)	2,061	(20)

Effect of interbank offered rate (IBOR) reform

The Group currently holds financial instruments which reference the US Dollar London Interbank Offered Rate (USD LIBOR), Euro Interbank Offered Rate (EURIBOR) and Japanese Yen London Interbank Offered Rate (JPY LIBOR) and are yet to transition to alternative benchmark interest rates. The Group's main IBOR exposure as at 31 December 2022 was indexed to USD LIBOR, the alternative rate of which is the Secured Overnight Financing Rate (SOFR).

The Group monitors the exposure to instruments subject to such reform. For financial investments, the Group is planning to gradually scale down the exposures prior to the cessation of USD LIBOR. For borrowings, as at 31 December 2022, the Group has a USD LIBOR indexed bank borrowing with a principal amount of US\$1,000m, and designated interest rate swaps as cash flow hedges of USD LIBOR indexed interest payments arising from the bank borrowing. Both the bank borrowing and interest rate swaps include transitional provisions to replace USD LIBOR. The Group also had certain reinsurance treaties reference to LIBOR, the majority of which have transitioned to alternative benchmark rates, and hence, the impact of the remaining treaties arising from such reform is immaterial to the Group.

Risks arising from instruments that are subject to such transition are not considered significant. Such reform has no impact on the Group's risk management strategy and procedures, systems, processes and valuation models.

29. Risk Management (Continued)

Financial risks (Continued)

Effect of interbank offered rate (IBOR) reform (Continued)

The following table shows the carrying value of financial instruments held by the Group as at 31 December 2022 reference USD LIBOR, which have yet to transition to SOFR:

US\$m	As at 31 December 2022
Financial investments	
Debt securities	380
Financial liabilities	
Borrowings	992

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 equity market prices, principally investment securities not held for the account of investment-linked policyholders.

The Group manages these risks by setting and monitoring investment limits in each country and sector. The Group's principal equity price risk relates to movement in the fair value of its equity securities.

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. Equity exposures are considered for each private equity investment to avoid concentration risk.

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	31 December 2022			31 December 2021		
	Impact on			Impact on		
	Profit before tax	Other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)	Profit before tax	Other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)
Equity price risk						
10 per cent increase in equity prices	301	–	301	323	–	323
10 per cent decrease in equity prices	(301)	–	(301)	(323)	–	(323)

29. Risk Management (Continued)

Financial risks (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 Asset and Liability Management Committee of the Group or business unit, 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.

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 forward currency contracts, to reduce the currency risk.

In compiling the table below, the impact of a five percent 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 percent 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 equity by currency.

Foreign exchange rate net exposure

US\$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2022				
Equity analysed by original currency	7,191	(4,163)	1,395	(3,974)
Net notional amounts of currency derivatives	(5,076)	2,687	1,209	3,209
Currency exposure	2,115	(1,476)	2,604	(765)
5% strengthening of original currency				
Impact on profit before tax	11	175	5	–
Impact on other comprehensive income	14	(249)	125	(38)
Impact on total equity	25	(74)	130	(38)
5% strengthening of the US dollar				
Impact on profit before tax	11	(165)	(5)	–
Impact on other comprehensive income	14	239	(125)	38
Impact on total equity	25	74	(130)	38

29. Risk Management (Continued)

Financial risks (Continued)

Foreign exchange rate net exposure (Continued)

US\$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2021				
Equity analysed by original currency	10,017	(4,513)	2,601	(3,389)
Net notional amounts of currency derivatives	(7,047)	4,102	837	4,406
Currency exposure	2,970	(411)	3,438	1,017
5% strengthening of original currency				
Impact on profit before tax	(10)	268	3	1
Impact on other comprehensive income	(3)	(289)	169	50
Impact on total equity	(13)	(21)	172	51
5% strengthening of the US dollar				
Impact on profit before tax	(10)	(265)	(3)	(1)
Impact on other comprehensive income	(3)	286	(169)	(50)
Impact on total equity	(13)	21	(172)	(51)

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.

29. Risk Management (Continued)

Financial risks (Continued)

Liquidity risk (Continued)

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, which are not shown in the table below. Refer to Note 21 for additional information on the Group's insurance contract liabilities, as well as to the Insurance Risks section within this Note.

31 December 2022

US\$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial assets						
Available-for-sale debt securities	32,493	1,017	762	5,052	25,465	197
Fair value through profit or loss	8,089	5	7	152	61	7,864
Loans and deposits	2,327	988	257	343	696	43
Derivatives financial instruments	319	169	14	106	30	–
Reinsurance receivables	346	346	–	–	–	–
Other assets	752	723	11	13	4	1
Cash and cash equivalents	1,474	1,474	–	–	–	–
Total	45,800	4,722	1,051	5,666	26,256	8,105
Financial and insurance liabilities						
Insurance and investment liabilities (net of DAC and reinsurance)	41,655	2,495	282	897	37,981	–
Borrowings	2,216	–	2,216	–	–	–
Derivative financial instruments	134	51	26	34	23	–
Other liabilities	2,314	1,970	5	27	300	12
Lease liabilities	113	49	21	43	–	–
Total	46,432	4,565	2,550	1,001	38,304	12

29. Risk Management (Continued)

Financial risks (Continued)

Liquidity risk (Continued)

31 December 2021

US\$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial assets						
Available-for-sale debt securities	37,156	1,266	1,029	5,252	29,372	237
Fair value through profit or loss	8,332	1	5	17	56	8,253
Loans and deposits	1,688	312	190	334	824	28
Derivatives financial instruments	120	46	9	59	6	–
Reinsurance receivables	343	343	–	–	–	–
Other assets	823	669	16	11	125	2
Cash and cash equivalents	2,652	2,652	–	–	–	–
Assets of disposal group classified as held for sale	105	105	–	–	–	–
Total	51,219	5,394	1,249	5,673	30,383	8,520
Financial and insurance liabilities						
Insurance and investment liabilities						
(net of DAC and reinsurance)	41,127	2,531	216	940	37,440	–
Borrowings	2,212	–	–	2,212	–	–
Derivative financial instruments	157	68	13	46	30	–
Other liabilities	2,511	2,094	30	27	352	8
Lease liabilities	128	29	31	35	33	–
Liabilities directly associated with the assets of disposal group classified as held for sale	65	65	–	–	–	–
Total	46,200	4,787	290	3,260	37,855	8

Transactions within the Group

Intra-group transactions are overseen by the relevant Group Office functions to ensure adherence with the relevant Group policies. The Group risk function oversees the processes to identify and assess material systematic intra-group transaction risks, and ensure risks assumed are within the Group's risk management framework. During the years ended 31 December 2022 and 2021, material intra-group transactions related to reinsurance, intra-group dividends, loans, recharges, funding and bonds.

30. 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 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 59% as at 31 December 2022 (2021: 60%), covered by the plan assets held by the trustees. The fair value of plan assets was US\$20m as at 31 December 2022 (2021: US\$22m). The total expenses relating to these plans recognised in the income statement was US\$4m for the year ended 31 December 2022 (2021: US\$3m).

(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 2022 was US\$18m (2021: US\$17m). Employees and the employer 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.

31. Share-Based Compensation

During the years ended 31 December 2022 and 2021, 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.

On 30 January 2022, the Group adopted a new FWD Share Award Plan, under which the Group may award RSUs, performance share units ("PSUs") and/or share options of the Company to eligible persons as part of compensation for services provided in driving the performance and growth of the Group's business. Concurrently, a new FWD Employee Share Purchase Plan ("ESPP") was conditionally adopted by the Group. Under the ESPP, eligible persons who purchase shares of the Company will be matched with RSUs as part of such eligible persons' compensation for services provided in driving the performance and growth of the Group's business.

31. Share-Based Compensation (Continued)

(i) RSUs

The following table shows the movement in outstanding RSUs under the Group's Share Option and RSU Plan:

Number of shares	Year ended 31 December 2022	Year ended 31 December 2021
Outstanding at beginning of year	931,328	923,256
Awarded	1,784,128	333,724
Forfeited	(513,666)	(173,009)
Vested	(210,204)	(152,643)
Outstanding at end of year	1,991,586	931,328

Valuation methodology

To calculate the fair value of the awards with performance conditions, the Group utilises an appraisal value method (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 2022 was US\$95m (2021: US\$52m).

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 statement related to RSUs granted under the Share Option and RSU Plan by the Group for the year ended 31 December 2022 was US\$18m (2021: US\$24m).

31. 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 2022	Year ended 31 December 2021
Outstanding at beginning of year	410,511	590,251
Awarded	29,958	–
Forfeited	(42,528)	(55,884)
Vested	(160,878)	(123,856)
Outstanding at end of year	237,063	410,511

Valuation methodology

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 Group determines the fair value of share options by the following input:

	Year ended 31 December 2022	Year ended 31 December 2021
Risk-free interest rate	0.13%	na
Volatility	30.00%	na
Dividend yield	0.00%	na
Exercise price (US\$ per share)	0.01	na
Expected life of share options (in years)	0.50	na
Weighted average share price (US\$ per share)	106.89	na
– FWD Group Limited	55.20	na
– FWD Limited	51.69	na

The expected volatility reflects the assumption that historical volatility patterns continue, which may not be the actual outcome.

Share price per share is determined by appraisal value per share, using the same valuation methodology as is used in RSUs.

The total fair value of share options granted for the Group during the year ended 31 December 2022 was US\$2m. No share options were granted during the year ended 31 December 2021.

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 statement related to share options granted under the Share Option and RSU Plan by the Group for the years ended 31 December 2022 was US\$8m (2021: US\$10m).

32. 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 2022	Year ended 31 December 2021
Short-term employee benefits	26	19
Share-based payments	(1)	14
Other long-term benefits	2	3
Total	27	36

33. Related Party Transactions

(a) Compensation of key management personnel of the Group:

Remuneration of key management personnel is disclosed in Note 32.

(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. Other than those disclosed in Notes 1.2 and 27.1, the Group had the following related party transactions during the period.

- (i) Related companies charged US\$35m (2021: US\$39m) 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 revenue from those contracts for the years ended 31 December 2022 was US\$22m (2021: US\$2m).
- (iii) The total premiums ceded, claim recoveries received, commission income received and surplus distribution received for year ended 31 December 2022 was US\$41m (2021: US\$40m), US\$14m (2021: US\$22m), US\$1m (2021: US\$1m) and US\$nil (2021: US\$1m), respectively.

33. Related Party Transactions (Continued)

(b) Transactions and balances with related parties: (Continued)

- (iv) The Group has accepted certain liabilities in connection with a reinsurance contract from related companies. The total premium revenue, claims incurred and commissions paid from this contract for year ended 31 December 2022 was US\$200m (2021: US\$238m), US\$70m (2021: US\$75m) and US\$46m (2021: US\$56m), respectively.
- (v) The Group charged related parties US\$2m (2021: US\$2m) for administration services related to the GI Disposal Group during the year ended 31 December 2022.
- (vi) Related companies charged US\$nil (2021: US\$2m) for the rental and provision of management fee services for the years ended 31 December 2022.
- (vii) During the year ended 31 December 2021, the Group sold two subsidiaries of the GI Disposal Group to a related party for a total consideration of US\$32m which included US\$14m for settlement of the Group's loans to the GI Disposal Group. The Group received US\$30m from the related party as a reimbursement and settlement of expenses incurred for the GI Disposal Group in 2019 and 2018 and US\$14m to settle the receivable for payments made on behalf of the GI Disposal Group in 2020. The Group also 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 2022, the fair value of the call option was US\$51m (2021: US\$37m). Refer to Note 17 for details.
- (viii) The Group held financial investments of US\$90m controlled by related parties as at 31 December 2022 (2021: US\$119m). The investment income earned on bonds issued by related parties was US\$nil for the year ended 31 December 2022 (2021: US\$nil).
- (ix) Related companies invested in the guaranteed notes and perpetual securities issued by the Group with aggregate principal amounts of US\$175m as at 31 December 2022 (2021: US\$146m). The total interest and distributions paid to related companies for the years ended 31 December 2022 was US\$9m (2021: US\$9m). Refer to Notes 25 and 27.3 for further details.
- (x) On 16 April 2021, the Group acquired an investment property in Malaysia with a cost of US\$17m from a related party. Refer to Note 13 for further details.
- (xi) The Group had amounts due from related companies of US\$7m as at 31 December 2022 (2021: US\$4m). The amounts due are unsecured, interest-free and repayable on demand.
- (xii) In addition, the Group had outstanding payables to related companies of US\$4m as at 31 December 2022 (2021: US\$5m). The payables are unsecured, interest-free and payable on demand.
- (xiii) The Company had outstanding payable to subsidiaries of US\$29m as at 31 December 2022 (2021: US\$13m). The payable is unsecured, interest-free and payable on demand.

33. 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 2022 were US\$13m (2021: US\$13m).
- (ii) The Group had an amount due from an associate and joint ventures of US\$3m as at 31 December 2022 (2021: US\$6m). The amounts due are unsecured, interest-free and repayable on demand.
- (iii) The Group had a loan to an associate at US\$5m as at 31 December 2022 (2021: US\$5m) which is interest-bearing and repayable on the maturity date. On 29 April 2022, the loan to the associate with a carrying amount of US\$6m was converted into fixed rate unsecured convertible notes (the “Convertible Notes”), and concurrently, the Group subscribed for additional Convertible Notes issued by the associate, resulting in an aggregate principal amount of US\$13m. Subsequently during the year, the Convertible Notes were converted into shares of the associate and the Group subscribed a loan note issued by the associate for US\$5m. The loan note is interest-bearing and repayable on the maturity date.
- (iv) The Group had a loan to a joint venture at US\$6m as at 31 December 2022 (2021: US\$3m), which is interest-bearing and repayable on maturity date.

34. Commitments And Contingencies

Operating lease commitments – Group as a lessor

As of 31 December 2022 and 2021, the Group leased its investment property portfolio consisting of certain commercial buildings and land. These leases have terms of between 1 and 20 years. The Group had total future minimum rental receivable under non-cancellable operating leases falling due as follows:

US\$m	As at 31 December 2022	As at 31 December 2021
Within one year	19	24
In the second to fifth years	40	48
Over five years	98	97
Total	157	169

Investment and capital commitments

As of 31 December 2022 and 2021, the Group has investments and capital commitments to invest in its private equity partnerships and other financial investments.

US\$m	As at 31 December 2022	As at 31 December 2021
Within one year	266	299
In the second to fifth years	676	867
Over five years	12	–
Total	954	1,166

34. Commitments And Contingencies (Continued)

Commitments in Malaysia

As of 31 December 2022, the Group had planned to invest a total of US\$26m (31 December 2021: US\$98m) in Malaysia until 2024.

Capital commitment for acquisitions and investments

As of 31 December 2022, the Group agreed to make additional payments in aggregate amounts of up to US\$144m (31 December 2021 : US\$209m) 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.

35. 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:

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 31 December 2022		As at 31 December 2021	
				Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Limited	Cayman Islands	Investment holding	24,305,860 ordinary shares of US\$0.01 each 8,202,225 preference shares of US\$0.01 each 9,587,168 convertible preference shares of US\$0.01 each	72%	28%	73%	27%
FWD Group Limited	Cayman Islands	Investment holding	24,305,860 ordinary shares of US\$0.01 each 8,202,225 preference shares of US\$0.01 each 9,587,168 convertible preference shares of US\$0.01 each	72%	28%	73%	27%
FWD Group Management Holdings Limited	Hong Kong	Provision of regional support and consultancy services	8,621,500 ordinary shares of US\$100 each 1 ordinary share of HK\$1 each	100%	–	100%	–

35. Subsidiaries (Continued)

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 31 December 2022		As at 31 December 2021	
				Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Management Holdings Limited	Hong Kong	Investment holding	22,149,641 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	1,784,142,740 ordinary shares of US\$1 each	100%	–	100%	–
FWD Life (Hong Kong) Limited	Hong Kong	Life insurance	590,106,626 ordinary shares of HK\$1 each	100%	–	100%	–
FWD Life Assurance Company (Hong Kong) Limited	Hong Kong	Life insurance	76,325 ordinary shares of HK\$5,000 each	100%	–	100%	–
FWD Life Insurance Company (Macau) Limited	Macau	Life insurance	6,814,375 ordinary shares of MOP100 each	100%	–	100%	–
FWD Life Insurance Public Company Limited	Thailand	Life insurance	3,006,360,171 ordinary shares of THB10 each	87%	13%	87%	13%
FWD Life Insurance Company, Limited ¹	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	123,631 ordinary shares of Rp1,000,000 each	100%	–	100%	–
FWD Singapore Pte. Ltd.	Singapore	Life and general insurance	235,183,678 ordinary shares of SGD286,500,004 issued share capital	100%	–	100%	–
FWD Takaful Berhad	Malaysia	Life Insurance	2,000,000 ordinary shares of RM50 each 5,170 preference shares of RM100,000 each	49%	51%	49%	51%

35. Subsidiaries (Continued)

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 31 December 2022		As at 31 December 2021	
				Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Vietnam Life Insurance Company Limited	Vietnam	Life insurance	Contributed capital of VND18,546,000,000,000	100%	–	100%	–
FWD Assurance VietNam Company Limited ²	Vietnam	Life insurance	Contributed capital of VND600,000,000,000	–	–	100%	–
FWD Life Insurance (Cambodia) Plc. ³	Cambodia	Life insurance	875,600 ordinary shares of KHR100,000 each	100%	–	100%	–

Notes:

1. Formerly known as FWD Fuji Life Insurance Company, Limited
2. Formerly known as Vietcombank-Cardif Life Insurance Limited Company, FWD Assurance VietNam Company Limited was disposed on 21 March 2022. Refer to note 5.1 for further details.
3. Formerly known as Bangkok Life Assurance (Cambodia) Public Limited Company

All subsidiaries are unlisted. All subsidiaries are audited by Ernst and Young, except for FWD Assurance VietNam Company Limited.

Except for FWD Limited, FWD Group Limited, FWD Takaful Berhad and FWD Life Insurance Public Company Limited, the subsidiaries are fully consolidated in the consolidated financial statements reflecting the economic interests to the Group.

36. Events After Reporting Year

On 1 February 2023, the distribution rate for the perpetual securities issued on 1 February 2018 was reset from 5.5% to 6.675%.

On 9 February 2023, the Group entered into an agreement to acquire shares of Gibraltar BSN Holdings Sdn Bhd (“GBSN Holdings”), a company established under the laws of Malaysia, which is the holding company of Gibraltar BSN Life Berhad (“GBSN Life”), a life insurance company in Malaysia (“GBSN Acquisition”). Subject to the conditions to completion being satisfied, the GBSN Acquisition is expected to be completed in 2023. Upon completion of the GBSN Acquisition, the Group will consolidate GBSN Holdings and GBSN Life.

On 24 February 2023, the Group agreed with the lenders of the US\$1,000m outstanding bank borrowings and US\$500m committed revolving credit facility to extend their tenor by one year to 30 December 2025.

The Group is expected to subscribe for additional shares of BRI Life at a consideration of US\$49m in March 2023, which is expected to result in its aggregate shareholding increasing to 39.82%.

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 2022 and the value of new business (“VNB”) for the year ended 31 December 2022 using traditional embedded value (“TEV”) methodology. The Company has also prepared additional analyses, including:

- Analysis of EV movement for year ended 31 December 2022;
- EV equity as at 31 December 2022;
- Free surplus generation for year ended 31 December 2022;
- Earnings Profile as at 31 December 2022; 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 Results have also been presented as at, or for the year ended, 31 December 2021. 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 2022. 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 Models¹ 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 calculate the EV Results is comparable in all material respects to the TEV methodology commonly adopted by listed insurers incorporated in Asia.
- 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 2021, although it is noted that the negative persistency variances have reduced in 2022 from the 2021 level. A continuation of adverse persistency experience could have a material impact on the EV Results as presented in the EV Disclosure.
- 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. More specifically, the VNB and new business margins as presented are before expense and commission overruns, with the actual expense and commission variance, reflecting the excess of actual expenses incurred over the long term unit cost loadings, presented separately in Section 2.5 of the EV Disclosure.
- 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 an alternative market consistent approach.
- 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 VNB (measured by NB APE) for each Business Unit.

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. Any change in the general operating environment would add a high degree of uncertainty to the EV Results presented. There is continuing uncertainty regarding the impact of COVID-19 and geopolitical factors on the economic, legal, and regulatory environment, and the level and nature of business activity. More specifically, high inflation rates observed in 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. An impending recession in 2023, predicted by some economists, could have a material impact on the EV Results.

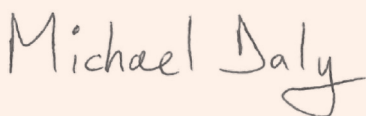
In determining the EV Results of FWD Group, assumptions have been made about future experience, including economic and investment experience, mortality, morbidity, persistency, expenses and taxes. Actual experience may differ from that assumed in the projections used to calculate the EV Results. To the 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 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 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. The EV Results could be materially different if the rules incorporated in the Valuation Models are not followed in practice.

The EV Results set out in the EV Disclosure 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 have relied on FWD Group's internal assessment and the opinion of its independent tax advisors 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 2022 or 31 December 2021), 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 2022) 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 the EV Disclosure. 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.

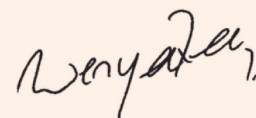
On behalf of Milliman Limited



Michael Daly FIA

Principal and Consulting Actuary

27 February 2023



Wen Yee Lee FIAA

Principal and Consulting Actuary

27 February 2023

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.

1. Highlights (Continued)

Summary of key metrics¹ (US\$ millions)

	As at 31 December 2022	As at 31 December 2021	Change CER	Change AER
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	9,288	9,065	8.6%	2.5%
Embedded value (EV)	6,066	5,731	13.9%	5.8%
Adjusted net worth (ANW)	2,268	2,369	4.1%	(4.3)%
Value of in-force business (VIF)	3,798	3,362	20.7%	13.0%

Note:

1. The results are after adjusting the value of future unallocated Group Office expenses.

	Year ended 31 December 2022	Year ended 31 December 2021	Change CER	Change AER
Value of new business (VNB)	823	686	28.9%	20.0%
Annualised premium equivalent (APE)	1,408	1,446	3.7%	(2.7)%
PV New Business Premium (PVNBPP)	8,126	9,095	(5.4)%	(10.7)%
New business margin (% of APE)	58.5%	47.4%	11.4 pps	11.0 pps
New business margin (% of PVNBPP)	10.1%	7.5%	2.7 pps	2.6 pps
EV operating profit after operating assumption changes and other operating variances	1,027	859	28.9%	19.6%
Operating return on EV	18.2%	18.7%	(1.0) pps	(0.5) pps

	Year ended 31 December 2022	Year ended 31 December 2021	Change CER	Change AER
Underlying free surplus generation	1,753	456	313.4%	284.5%
Net underlying free surplus generation	1,589	(52)	n/m	n/m
Adjusted net underlying free surplus generation	625	95	937.4%	558.3%

2. Embedded Value Results

2.1 Embedded Value by Business Unit

The EV as at 31 December 2022 is presented consistently with the segment information in the IFRS consolidated financial statements.

Summary of EV by Business Unit¹ (US\$ millions)

Business Unit	As at 31 December 2022				EV
	ANW	VIF before CoC	CoC	VIF after CoC	
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	2,268	4,533	(735)	3,798	6,066

Business Unit	As at 31 December 2021				EV
	ANW	VIF before CoC	CoC	VIF after CoC	
FWD Hong Kong	2,027	1,770	(374)	1,396	3,423
FWD Thailand	1,454	1,117	(253)	864	2,319
FWD Japan	825	1,607	(333)	1,274	2,099
Emerging Markets	564	435	(51)	384	948
Business Unit subtotal	4,870	4,930	(1,011)	3,918	8,789
Corporate & others	1,629	–	–	–	1,629
Value of unallocated Group					
Office expenses	–	(557)	–	(557)	(557)
Less: Financing	(4,130)	–	–	–	(4,130)
Total	2,369	4,373	(1,011)	3,362	5,731

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 2022	As at 31 December 2021
IFRS equity attributable to shareholders after PCGI adjustment	3,705	8,946
Elimination of IFRS deferred acquisition and origination costs assets	(5,048)	(4,771)
Difference between IFRS and local statutory asset and liability items	8,070	3,070
Difference between net IFRS and local statutory asset and liability items	3,023	(1,701)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	713	93
Elimination of intangible assets	(3,420)	(3,549)
Recognition of deferred tax impacts of the above adjustments	(399)	187
Recognition of non-controlling interest impacts of the above adjustments	(1)	(1)
Elimination of external perpetual securities	(1,354)	(1,607)
ANW	2,268	2,369

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 2022			As at 31 December 2021		
	Op. Entity	Corp. and others	Total	Op. Entity	Corp. and others	Total
Free Surplus	3,049	1,091	4,141	2,843	1,629	4,471
Required Capital	1,960	–	1,960	2,028	–	2,028
Less: Financing	–	(3,833)	(3,833)	–	(4,130)	(4,130)
ANW	5,009	(2,742)	2,268	4,870	(2,501)	2,369

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 2022 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 2022 was US\$823 million, an increase of US\$137 million, or 29 per cent on constant exchange rates ("CER"), from US\$686 million for the year ended 31 December 2021. The Group new business margin (% of APE) for the year ended 31 December 2022 was 58.5 per cent compared with 47.4 per cent for the year ended 31 December 2021. The Group new business margin (% of PVNBP) for the year ended 31 December 2022 was 10.1 per cent compared with 7.5 per cent for the year ended 31 December 2021.

Summary of APE, VNB and New Business Margin (% of APE) by Business Unit (US\$ millions)

	Year ended 31 December 2022			Year ended 31 December 2021		
	APE	VNB	New Business Margin (% of APE)	APE	VNB	New Business Margin (% of APE)
FWD Hong Kong	327	216	66.2%	474	205	43.2%
FWD Thailand	485	270	55.6%	462	217	47.0%
FWD Japan	167	138	83.0%	209	131	62.6%
Emerging Markets	429	198	46.2%	301	133	44.2%
Total	1,408	823	58.5%	1,446	686	47.4%

APE and VNB Growth Rate by Business Unit

Business Unit	Year ended 31 December 2022 – Year ended 31 December 2021			
	APE Change in CER	APE Change in AER	VNB Change in CER	VNB Change in AER
FWD Hong Kong	(31.0)%	(31.0)%	5.7%	5.7%
FWD Thailand	15.5%	5.0%	36.8%	24.3%
FWD Japan	(5.9)%	(20.4)%	25.9%	5.6%
Emerging Markets	49.5%	42.3%	56.5%	48.9%
Total	3.7%	(2.7)%	28.9%	20.0%

2. Embedded Value Results (Continued)

2.5 Analysis of EV Movement

Analysis of movement in EV (US\$ millions)

	Year ended 31 December 2022			Year ended 31 December 2021		
	ANW	VIF	EV	ANW	VIF	EV
Opening EV	2,369	3,362	5,731	458	3,303	3,761
Impact of HK RBC early adoption	1,203	(771)	433	–	–	–
Acquisitions & partnerships/Discontinued business	(23)	5	(18)	(179)	22	(157)
Expected return on EV	904	(360)	543	345	157	502
VNB	–	823	823	–	686	686
Operating variance and operating assumption change	(290)	(49)	(339)	(198)	(131)	(329)
Operating variance – claims/persistence/expense	(250)	(44)	(294)	(218)	(85)	(303)
Operating variance – others	(18)	2	(17)	(8)	2	(6)
Operating assumption change	(22)	(6)	(29)	28	(48)	(21)
Total EV operating profit	613	414	1,027	147	712	859
Economic variance and economic assumption change	(1,591)	1,045	(545)	290	(474)	(183)
Economic variance	(1,588)	796	(792)	250	(613)	(363)
Economic assumption change	(3)	250	247	41	139	180
Other non-operating variance	(204)	(54)	(259)	(227)	51	(176)
Total EV profit	22	634	656	210	289	499
Capital movement	400	–	400	2,425	–	2,425
Corporate centre expenses	(118)	(2)	(120)	(119)	(3)	(122)
Financing	(190)	–	(190)	(188)	–	(188)
Foreign exchange movement	(192)	(201)	(393)	(237)	(250)	(487)
Closing EV	2,268	3,798	6,066	2,369	3,362	5,731

2. Embedded Value Results (Continued)

2.5 Analysis of EV Movement (Continued)

A breakdown of the EV movement at 31 December 2022 and 31 December 2021 is presented in the table above.

EV is US\$6,066 million at 31 December 2022, an increase of 14 per cent on CER over the year from US\$5,731 million at 31 December 2021. The increase is primarily driven by US\$1,027 million from EV operating profit, US\$433 million from the early adoption of HK RBC and US\$400 million from capital injections, partially offset by negative non-operating movements mainly driven by the capital market and foreign exchange movements.

EV operating profit grew by 29 per cent on CER to US\$1,027 million (2021: US\$859 million). Expected return on EV at 31 December 2022 has increased to US\$543 million (2021: US\$502 million). VNB has increased to US\$823 million (2021: US\$686 million). Overall operating experience variances and operating assumption changes reduced EV operating profit by US\$339 million (2021: reduced by US\$329 million).

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 2022. 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\$(311) million (2021: US\$(309) million), comprised of:

- Expense and commission variances of US\$(149) million (2021: US\$(210) million);
- Mortality and morbidity claims variances of US\$(14) million (2021: US\$42 million); and
- Persistency and other variances of US\$(147) million (2021: US\$(141) million) which included persistency variances of US\$(130) million (2021: US\$(135) million) and other variances of US\$(17) million (2021: US\$(6) million).

The effect of changes in operating assumptions during the year was US\$(29) million (2021: US\$(21) million).

The EV profit of US\$656 million (2021: US\$499 million) is the total of the impact of HK RBC early adoption, 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\$(545) million (2021: US\$(183) million), mainly contributed by the negative impact of underperformance of equity markets and rise in interest rates.

Other non-operating variances amounted to US\$(259) million (2021: US\$(176) 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, and mergers and acquisitions.

The EV movement in relation to the Group Corporate Center has decreased to US\$90 million (2021: US\$2,115 million). It includes capital movement, corporate centre expenses and financing.

Foreign exchange movements were US\$(393) million (2021: US\$(487) million).

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 2022	Year ended 31 December 2021
EV operating profit after operating assumption changes and other operating variances	1,027	859
Plus: Adjustment to reverse out operating assumption changes and other operating variances	45	27
EV operating profit before operating assumption changes and other operating variances	1,072	885

Operating ROEV (US\$ millions)

Operating return on EV (operating ROEV) is defined as the ratio of EV operating profit to the average of opening and closing EV for the relevant period. The results have been presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes. Operating ROEV was 18.2 per cent for the year ended 31 December 2022 (2021: 18.7 per cent).

	Year ended 31 December 2022	Year ended 31 December 2021	Change CER	Change AER
Opening EV	5,731	3,761	75.7%	52.4%
Closing EV	6,066	5,731	13.9%	5.8%
EV operating profit before operating assumption changes and other operating variances	1,072	885	30.3%	21.1%
Operating return on EV	18.2%	18.7%	(1.0) pps	(0.5) pps

2. Embedded Value Results (Continued)

2.6 EV Equity

The EV Equity is US\$9,288 million at 31 December 2022, an increase of 9 per cent on CER from US\$9,065 million as at 31 December 2021.

Derivation of EV Equity from EV (US\$ millions)

	2022	2021	Change CER	Change AER
Group EV	6,066	5,731	13.9%	5.8%
Add: Goodwill and other intangible assets	3,222	3,334	(0.2)%	(3.4)%
Group EV equity	9,288	9,065	8.6%	2.5%

2.7 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 the impact of the early adoption of HK RBC and 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 Net UFSG is Net UFSG excluding the impact of the early adoption of HK RBC, one-off opening adjustments, non-economic assumption changes and expense variance. The one-off opening adjustments, which are non-recurring, primarily include revisions to the reserving methodology for Hong Kong and other adjustments. The revisions to non-economic assumption updates are also considered one-off and excluded in the adjusted net UFSG.

2. Embedded Value Results (Continued)

2.7 Free Surplus Generation (Continued)

FWD Group's FS decreased by US\$34 million in 2022 (from US\$342 million as at 31 December 2021 to US\$308 million as at 31 December 2022). The change in FS is made up of the following key components:

- Acquisitions & partnerships/Discontinued business in 2022 is at US\$(23) million (2021: US\$(197) million);
- Positive underlying FS generated from operating entities in 2022 at US\$1,753 million (2021: US\$456 million), largely from the impact of HK RBC early adoption;
- Negative impact of FS used to fund new business in 2022 at US\$(165) million (2021: US\$(508) million);
- Capital movements in 2022 is at US\$400 million (2021: US\$2,425 million);
- Financing in 2022 is at US\$(190)million (2021: US\$(188) million); and
- Investment return variances and other items in 2022 is at US\$(1,810) million (2021: US\$(359) million), mainly contributed by the effects of rise in interest rates.

Breakdown of FWD Group free surplus generation (in US\$ millions)

	Year ended 31 December 2022			Year ended 31 December 2021		
	Operating entities	Corp. & others	Total	Operating entities	Corp. & others	Total
Opening free surplus	2,843	(2,501)	342	2,879	(4,164)	(1,286)
Acquisitions & partnerships/ Discontinued business	31	(54)	(23)	76	(273)	(197)
Underlying free surplus generation	1,736	17	1,753	456	–	456
Impact of HK RBC early adoption	1,183	–	1,183	–	–	–
Opening adjustment	(4)	–	(4)	75	–	75
Underlying free surplus generation before adjustment	557	17	574	381	–	381
Free surplus used to fund new business	(165)	–	(165)	(508)	–	(508)
Net underlying free surplus generation	1,572	17	1,589	(52)	–	(52)
Investment return variances and other items	(1,606)	(204)	(1,810)	(136)	(223)	(359)
Capital movements	210	190	400	77	2,348	2,425
Financing	–	(190)	(190)	–	(188)	(188)
Closing free surplus	3,049	(2,742)	308	2,843	(2,501)	342

2. Embedded Value Results (Continued)

2.7 Free Surplus Generation (Continued)

Breakdown of expense variance and one-off items in the net underlying free surplus generation and adjusted net free surplus generation (in US\$ millions)

	Year ended 31 December 2022	Year ended 31 December 2021
Impact of HK RBC early adoption	1,183	–
Opening adjustments	(4)	75
Changes to Hong Kong reserving methodology	–	88
Other opening adjustments	(4)	(13)
Non-economic assumption changes (excluding expense revisions)	(18)	(7)
Total One-off variance	1,162	68
Expense variance	(198)	(216)
Net underlying free surplus generation	1,589	(52)
Adjusted net underlying free surplus generation	625	95

2.8 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 2022 and as at 31 December 2021 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 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)

Expected period of emergence	As at 31 December 2022		As at 31 December 2021	
	Undiscounted	Discounted	Undiscounted	Discounted
1 – 5 years	2,125	1,733	1,552	1,219
6 – 10 years	2,638	1,493	2,737	1,586
11 – 15 years	2,263	915	2,344	977
16 – 20 years	1,836	528	1,824	548
21 years and thereafter	22,324	1,089	15,128	1,059
Total	31,185	5,758	23,584	5,389

The discounted value of net-of-tax distributable earnings (2022: US\$5,758 million, 2021: US\$5,389 million) plus free surplus (2022: US\$308 million, 2021: US\$342 million) is equal to EV (2022: US\$6,066 million, 2021: US\$5,731 million).

3. Sensitivity Analysis

Sensitivity tests have been performed on the EV as at 31 December 2022 and 31 December 2021 and the VNB for the year ended 31 December 2022 and 31 December 2021 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 net investment returns (and corresponding adjustments to the market value of assets for debt securities and derivatives, valuation interest rates, bonus/dividend scales for participating business, crediting rates for universal life business, unit fund growth rates for unit-linked business and risk discount rate)
- 0.5 per cent per annum decrease in net investment returns (and corresponding adjustments to the market value of assets for debt securities and derivatives, valuation interest rates, bonus/dividend scales for participating business, crediting rates for universal life business, unit fund growth rates for unit-linked business and risk discount rate)
- 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 EV as at 31 December 2022 has been further analysed for the following sensitivities:

- 10 per cent increase in equity prices (i.e. 110 per cent of equity prices)
- 10 per cent reduction in equity prices (i.e. 90 per cent of equity prices)

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 2022, 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)

Scenario	As at 31 December 2022		As at 31 December 2021	
	EV	Ratio	EV	Ratio
Base case	9,366		8,789	
Impact of:				
Increase risk discount rate by 1.0%	(606)	(6.5)%	(602)	(6.9)%
Reduce risk discount rate by 1.0%	762	8.1%	746	8.5%
Increase net investment returns and risk discount rates by 0.5% p.a.	(3)	0.0%	178	2.0%
Reduce net investment returns and risk discount rates by 0.5% p.a.	(28)	(0.3)%	(265)	(3.0)%
Increase discontinuance and partial withdrawal rates by 10%	(297)	(3.2)%	(168)	(1.9)%
Reduce discontinuance and partial withdrawal rates by 10%	345	3.7%	204	2.3%
Increase mortality and morbidity rates and loss ratios by 10%	(683)	(7.3)%	(523)	(6.0)%
Reduce mortality and morbidity rates and loss ratios by 10%	698	7.5%	534	6.1%
Increase acquisition and maintenance expenses by 10%	(148)	(1.6)%	(146)	(1.7)%
Reduce acquisition and maintenance expenses by 10%	147	1.6%	145	1.7%
Appreciation of presentation currency by 5%	(277)	(3.0)%	(285)	(3.2)%
Depreciation of presentation currency by 5%	277	3.0%	288	3.3%
Increase equity prices by 10%	210	2.2%	283	3.2%
Reduce equity prices by 10%	(212)	(2.3)%	(286)	(3.3)%

3. Sensitivity Analysis (Continued)

Sensitivity of VNB (US\$ millions)

Scenario	As at 31 December 2022		As at 31 December 2021	
	VNB	Ratio	VNB	Ratio
Base case	823		686	
Impact of:				
Increase risk discount rate by 1.0%	(97)	(11.7)%	(124)	(18.1)%
Reduce risk discount rate by 1.0%	122	14.8%	156	22.7%
Increase net investment returns and risk discount rates by 0.5% p.a.	59	7.2%	100	14.6%
Reduce net investment returns and risk discount rates by 0.5% p.a.	(78)	(9.4)%	(113)	(16.5)%
Increase discontinuance and partial withdrawal rates by 10%	(52)	(6.3)%	(48)	(7.1)%
Reduce discontinuance and partial withdrawal rates by 10%	58	7.1%	55	8.0%
Increase mortality and morbidity rates and loss ratios by 10%	(121)	(14.7)%	(86)	(12.5)%
Reduce mortality and morbidity rates and loss ratios by 10%	123	14.9%	85	12.5%
Increase acquisition and maintenance expenses by 10%	(51)	(6.2)%	(50)	(7.2)%
Reduce acquisition and maintenance expenses by 10%	51	6.2%	49	7.2%
Appreciation of presentation currency by 5%	(30)	(3.7)%	(23)	(3.4)%
Depreciation of presentation currency by 5%	30	3.7%	23	3.4%

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 2022 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 Assurance VietNam Company Limited (“FWD VCLI”);
- 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);

4. Methodology (Continued)

4.1 Entities Included in This Report (Continued)

- One George Street LLP (Republic of Singapore);
- Sky Accord Limited (Cayman Islands);
- Future Radiance Limited (Cayman Islands);
- FWD Properties Limited (Hong Kong); and
- PT Asuransi BRI Life (“BRI Life”).

FWD Life (Bermuda), FWD Macau, FWD Life Assurance (Hong Kong), FWD Life (Hong Kong) and BRI Life are the life insurance subsidiaries of FWD Limited. FWD Limited owns a minority 35.14%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 2022, 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 non-life insurance subsidiaries, as well as subsidiaries and associates of these entities². Life insurance subsidiaries 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 subsidiaries 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. All other subsidiaries 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, FWD acquired an additional 5.28% stake in BRI Life, increasing its holding to 35.14%. The 2022 EV represents a 35.14% economic interest following the increase in this stake, whereas the 2021 EV represents a 29.86% economic interest. The VNB in respect of new business written since acquisition to 28 February 2022 represents a 29.86% economic interest, and from 1 March 2022 to 30 November 2022 represents a 35.14% 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.

4. Methodology (Continued)

4.1 Entities Included in This Report (Continued)

The entities for which value of in-force (“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 Reinsurance⁴
- FWD Thailand
- FWD Indonesia
- FWD Malaysia
- FWD Philippines
- FWD Singapore
- FWD Vietnam
- FWD Cambodia
- BRI Life

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.

For BRI Life, the 2021 EV has been calculated as at 30 November 2021 and the 2021 VNB is in respect of new business sales from acquisition to 30 November 2021. FWD’s acquisition of a minority stake in BRI Life was completed on 2 March 2021.

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)

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 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 35.14 per cent holding in BRI Life and a 100.0 per cent holding for other entities. For FWD Malaysia, there was also a revision to approach used to determine VNB from the second quarter of 2021 where the 3Q2021 VNB and 4Q2021 VNB also represent a 100 per cent economic interest aligned with the YE2021 EV while prior VNB results represent a 49.0 per cent economic interest.

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 the cost arising from holding the required capital (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.

4. Methodology (Continued)

4.2 Embedded Value and Value of New Business (Continued)

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.

4.3 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 (APE), 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 2022 EV and second half of 2022 VNB 150% of required minimum solvency margin for all other results
FWD Thailand	120% and 140% of regulatory risk-based capital requirement for 2021 and 2022 onwards respectively
FWD Japan	For 2022 EV and second half of 2022 VNB, 600% of regulatory risk-based capital requirement for FWD Life Japan 200% of regulatory risk-based capital requirement for FWD Reinsurance For all other results, 600% of regulatory risk-based capital requirement for FWD Life Japan 400% of regulatory risk-based capital requirement for FWD Reinsurance
FWD Philippines	125% of regulatory risk based capital requirement
FWD Indonesia and BRI Life	120% of regulatory risk based capital requirement
FWD Singapore	125% of regulatory risk based capital requirement for 2022 EV 135% of regulatory risk based capital requirement for all other results
FWD Vietnam	100% of required minimum solvency margin
FWD Malaysia	195% of regulatory risk based capital requirement
FWD Cambodia	100% 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 2022 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 2022 and 31 December 2021 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 AER is calculated based on the translated figures as described above. Constant exchange rate (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 2022 and the VNB for the year ended 31 December 2022 and highlights certain differences in assumptions between the EV as at 31 December 2021 and the EV as at 31 December 2022.

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.

5. Assumptions (Continued)

5.2 Economic Assumptions (Continued)

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.

The table below summarises the current market 10-year government bond yields referenced in EV calculations.

Business Unit	Current market 10-year government bond yields referenced in EV calculations (%)	
	2022	2021
FWD Hong Kong (USD)	3.88	1.52
FWD Hong Kong (HKD)	3.65	1.51
FWD Thailand	2.64	1.90
FWD Japan	0.42	0.07
FWD Philippines	6.98	4.72
FWD Indonesia and BRI Life	6.93	6.37
FWD Singapore	3.09	1.67
FWD Vietnam	5.04	2.10
FWD Malaysia	4.02	3.59
FWD Cambodia	na	na

Note:

1. na as the investment return assumption for FWD Cambodia has been set with reference to fixed deposit rates.

5. Assumptions (Continued)

5.2 Economic Assumptions (Continued)

Risk discount rates (Continued)

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.

Business Unit	Risk discount rates assumed in EV calculations (%)		Long-term investment returns assumed in EV calculations (%)			
	2022	2021	10-year government bonds		Local equities	
			2022	2021	2022	2021
FWD Hong Kong (USD business)	7.55	7.20	2.75	2.40	7.90	7.40
FWD Hong Kong (HKD business)	7.55	7.20	2.40	1.90	7.90	7.40
FWD Thailand	8.75	8.30	3.20	2.75	8.95	8.50
FWD Japan	6.00	6.00	0.25	0.25	na	na
FWD Philippines	12.75	12.50	5.75	5.25	11.62	8.80
FWD Indonesia and BRI Life	14.00	14.00	7.50	7.50	11.50	11.50
FWD Singapore	7.15	7.00	2.40	2.25	6.50	na
FWD Vietnam	10.75	10.75	4.00	4.00	9.70	9.70
FWD Malaysia	9.00	9.00	4.00	4.00	8.79	8.79
FWD Cambodia	11.85	11.50	na ¹	na ¹	na	na

Note:

1. na as the investment return assumption for FWD Cambodia has been set with reference to fixed deposit rates.

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. Assumptions (Continued)

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 2021 and 31 December 2022 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	2022	2021
FWD Hong Kong	2.3	2.3
FWD Thailand	2.0	2.0
FWD Japan	0.0	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	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 2022	As at 31 December 2021
FWD Hong Kong	16.5	16.5
FWD Thailand	20	20
FWD Japan	28	28
FWD Philippines	1.0 until 30 June 2023, 2.0 thereafter ¹	1.0 until 30 June 2023, 2.0 thereafter ¹
FWD Indonesia and BRI Life	22	22
FWD Singapore	17	17
FWD Vietnam	0 until 31 December 2026, 20.0 thereafter ²	0 until 31 December 2026, 20.0 thereafter ²
FWD Malaysia	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.

Given the uncertainty around the timing of dividend distributions, no allowance has been made to the EV Results to reflect any withholding or remittance taxes that may be applicable on any future dividend distributions from the Business Units to FWD Group. FWD Group has performed certain projections on the withholding tax position of the relevant Business Units and concluded the impact to the EV Results as at 31 December 2022 would be immaterial (approximately 1 per cent of the operating entity EV). The analysis has been reviewed and endorsed by FWD Group's independent tax advisors.

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 2022) are set out in note 36 to the consolidated financial statements.

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 2022: Climate resilience, page 74.; 2022 Datasheet page 91	As a life insurance provider, FWD predominately operates offices, emissions such as NOx and SOx or polluting discharges into water and land are immaterial to the nature of our business. FWD Group Code of Ethics and Business Conduct requires that employees 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 to FWD as a life insurance provider.
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 2022: Climate resilience – targets and milestones: transitioning towards a low-carbon economy, page 77; 2022 Datasheet, page 91	
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, FWD do not produce significant hazardous materials, hence production of hazardous waste is not considered material to our operations. The main source of hazardous waste is from electronic waste, such as laptops and other electronic appliances, FWD manages this through digitalisation and cloud adoption, minimising the need for hardware. Items such as laptops are also 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 is controlled and managed by the landlord, data are not readily made available. Waste produced is not considered material when compared to 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 transition towards a low-carbon economy to help achieve net zero by 2050. To achieve this, we will explore strategies and approaches to align our operations and investment portfolio to net zero greenhouse gases (“GHGs”).
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 workforce, as such we ensure sufficient recycling facilities are provided throughout all our office environments. Waste (hazardous or non-hazardous) produced is not considered material when compared to overall environmental impact and as such no target has been set.
A2 Policies on the efficient use of resources, including energy, water and other raw materials.	FWD operates offices that do not use significant amounts of resources. FWD monitor energy and water use and will consider the need for more measures in the future. FWD Group Code of Ethics and Business Conduct requires that employees 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 2022: 2022 Datasheet, page 91
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	FWD Annual Report 2022: 2022 Datasheet, page 91
KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	FWD Annual Report 2022: Climate resilience, page77; 2022 Datasheet, page 91

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.		As a life insurance provider, FWD predominantly operates tenanted office-based operations and do not use significant amounts of water. FWD do not consider this as material and therefore have not set target.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		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 2022: Governance and risk management, page 61, Sustainable investment, page 72 and Climate resilience, page 74	FWD Group Code of Ethics and Business Conduct requires that employees 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 2022: Sustainable investment, page 72 and Climate resilience, page 74	
A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	FWD Annual Report 2022: Governance and risk management, page 61, Sustainable investment, page 72 and Climate resilience, page 74	
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 2022: Sustainable investment, page 72 and Climate resilience, page 74	
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 2022: Our People, page 30, Governance and risk management, page 61 and Talent, page 66	Relevant policies and procedures are clearly stated in our FWD Group Code of Ethics and Business Conduct, FWD Group Human Rights Guidelines and FWD Group Staff Handbook. In 2022, there were no substantiated incidents of discrimination were reported through our grievance channels. Nor were there were any known cases of non-monetary sanctions or fines relating to non-compliance with employment laws and regulations.
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	FWD Annual Report 2022: Our People, page 30, Talent, page 66; 2022 Datasheet, page 86	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	FWD Annual Report 2022: Our People, page 30, 2022 Datasheet 2022, page 87	

<p>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</p>	<p>FWD Annual Report 2022: Governance and risk management, page 61</p>	<p>Relevant policies and procedures are clearly stated in the FWD Group Code of Ethics and Business Conduct, FWD Vendor Code of Ethics and Business Conduct, FWD Group Human Rights Guidelines and FWD Group Staff Handbook.</p> <p>There were no known cases of non-monetary sanctions or fines relating to non-compliance with laws and regulations relating to labour and health and safety.</p>
<p>KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p>		<p>Given the nature of our business, employees and other workers are not typically exposed to high-risk activities resulting in physical harm. No known work-related fatalities cases were reported in the years of 2019 – 2022.</p>
<p>KPI B2.2 Lost days due to work injury.</p>		<p>Given the nature of our business, employees and other workers are not typically exposed to high-risk activities resulting in physical harm and lost days due to work injury. No reported lost days due to work injury reported in 2022.</p>
<p>KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.</p>		<p>Relevant policies and procedures are clearly stated in the FWD Group Code of Ethics and Business Conduct and FWD Group Staff Handbook.</p> <p>FWD ensures to maintain the premises, including the means of access and exit, in a safe condition for normal working by all reasonable measures. Any accidents in or outside of office premises during course of employment are required to be reported with 24hrs to HR. FWD continue to review all measures, which are necessary to protect the health and safety of all employees, giving guidance to line managers on practical implementation of laws and OHS guidelines, as well as matters relating to the company premises.</p>
<p>B3 Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	<p>FWD Annual Report 2022: Our People, page 30 and Talent, page 66</p>	

<p>KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).</p>	<p>We value our people and develop them at all stages along their careers. Our learning and development framework are designed to cover the needs of our people from onboarding to leadership development programmes.</p>
<p>KPI B3.2 The average training hours completed per employee by gender and employee category.</p>	<p>Reporting mechanism for general training is currently under enhancement</p> <p>We value our people and develop them at all stages along their careers. Our learning and development framework are designed to cover the needs of our people from onboarding to leadership development programmes.</p>
<p>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.</p>	<p>FWD Annual Report 2022: Governance and risk management, page 61</p>
<p>KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.</p>	<p>Child and forced labour are addressed in the FWD Group Code of Ethics and Business Conduct, FWD Vendor Code of Ethics and Business Conduct which are publicly available and FWD Group Staff Handbook.</p> <p>There were no known cases of non-monetary sanctions or fines relating to non-compliance with laws and regulations relating to child and forced labour.</p>

KPI B4.2 Description of steps taken to eliminate such practices when discovered.

We have no known cases relating to child and forced labour. If a case was substantiated we would investigate with Compliance, Legal and HR both on fact finding and actions to be taken to eliminate such practices. This could but not limited to disciplinary and/or termination to those parties responsible for such practices.

Our 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 it relevance and effectiveness.

B5 Policies on managing environmental and social risks of the supply chain. FWD Annual Report 2022: Governance and risk management, page 61

We expect our suppliers to abide by 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.

<p>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.</p>	<p>FWD Annual Report 2022: Governance and risk management, page 61</p>	<p>We expect our suppliers to abide by 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.</p>
<p>KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.</p>		<p>We expect our suppliers to abide by local and international regulations through the FWD Vendor Code of Ethics and Business Conduct and FWD Group Procurement Policy.</p> <p>Our FWD Vendor Code of Ethics and Business Conduct sets out our expectation of FWD's societal and environmental requirements for our suppliers as well as our monitoring and review process. The FWD Vendor Code of Ethics and Business Conduct is reviewed periodically to ensure it relevance and effectiveness.</p>
<p>KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.</p>		<p>We expect our suppliers to abide by local and international regulations through the FWD Vendor Code of Ethics and Business Conduct which sets out socially and environmentally responsible principles. Our FWD Group Procurement Policy set out the selection process for preferred vendors that adhere to the principles laid out in the FWD Vendor Code of Ethics and Business Conduct</p> <p>Our FWD Group Procurement Policy set out the requirements for vendor engagement, due diligence process as well as periodic assessments of vendors.</p>

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 2022: Governance and risk management, page 61	All products are checked and approved to ensure compliance prior launch. Our Privacy Policy ensures all services, including 3rd party services are subject to Privacy Risk Assessment and mitigation to ensure compliance with applicable regulations. No known 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 year.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		This topic is considered immaterial to our business as a life insurance provider since our products are not subject to recall procedures.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	FWD Annual Report 2022: Dealing with complaints, page 64; 2022 Datasheet, page 85	No substantiated complaints received concerning breaches of customer privacy during 2022
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	FWD Annual Report 2022: Governance and risk management, page 61	Please refer to FWD Group Code of Ethics and Business Conduct
KPI B6.4	Description of quality assurance process and recall procedures.	FWD Annual Report 2022: Governance and risk management, page 61 and Trust, page 63	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 2022: Governance and risk management, page 61 and Trust, page 63	
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 2022: Governance and risk management, page 61	All BUs are required to comply with the Group Anti-Bribery & Corruption Policy and Standards designed to be compliant with International Standards as well as any local regulations, and Group Anti-Money Laundering and Sanction Policies and Standards benchmarked against FATF, as well as local requirements. BUs and all employees are also required to comply with Group Fraud policies and the Group Code of Ethics and Business Conduct. There were no known concluded legal cases regarding corrupt practices or its employees during the reporting period.

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 2022: Governance and risk management, page 61	Please refer to FWD Group Code of Ethics and Business Conduct We have whistle-blower policy, channels and procedures in place at fwd.com.
KPI B7.3 Description of anti-corruption training provided to directors and staff.	FWD Annual Report 2022: Governance and risk management, page 61	
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 2022: issues that matter to FWD, page 59, Our ESG value-creation, page 60, Governance and risk management, page 61, Closing the protection gap, page 69, Community Care, page 73	
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	FWD Annual Report 2022: issues that matter to FWD, page 59, Our ESG value-creation, page 60, Governance and risk management, page 61, Close the protection gap, page 69, Community Care, page 73, 2022 Datasheet, page 89 and 90	
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	FWD Annual Report 2022: Community Care, page 73, 2022 Datasheet, page 90	

Corporate Information

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
Sun Po Yuen

Independent Non-Executive Directors

John Baird
Chung Kit Hung, Martina
Kyoko Hattori
Dirk Sluimers
Yijia Tiong

Group Audit Committee

Professor Ma Si-Hang, Frederick
(Chairman)
Chung Kit Hung, Martina
Walter Kielholz
Dirk Sluimers
Sun Po Yuen

Group Nomination and Corporate Governance Committee

Professor Ma Si-Hang, Frederick
(Chairman)
John Baird
Kyoko Hattori
Walter Kielholz
Sun Po Yuen
Yijia Tiong

Group Compensation Committee

Chung Kit Hung, Martina
(Chairman)
John Dacey
Kyoko Hattori
Li Tzar Kai, Richard
Professor Ma Si-Hang, Frederick
Yijia Tiong

Group Risk Committee

Chung Kit Hung, Martina
(Chairman)
John Baird
John Dacey
Professor Ma Si-Hang,
Frederick
Dirk Sluimers

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/>

Joint Company Secretaries

Lui Wing Yat
Christopher
Steven Winegar

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

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 overruns.
Annualized Premium Equivalent (“APE”)	The sum of 10 per cent of single premiums and 100 per cent of annualized 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 annualized contribution equivalent.
API	Application Programming Interface.
Bancassurance	The distribution of insurance products through banks or other financial institutions.
CAGR	Compound annual growth rate.
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.
Cede	The transfer of all or part of a risk written by an insurer to a reinsurer.
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.
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.

Conversion rate	The percentage of quoted leads that convert into successful sales.
Customer	Anyone who owns or receives value from insurance products and services. Customers are categorized 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.
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.
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.
Expense ratio	Operating expenses expressed as a percentage of TWPI for the relevant period.
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.
Free surplus	Excess of adjusted net worth, i.e. adjusted statutory net asset value attributable to shareholders, over the required capital.
FWD or the Group or FWD Group or company	FWD Group Holdings Limited and its subsidiaries.
GMCR	Group minimum capital requirement.
GPCR	Group prescribed capital requirement.
GHG	Greenhouse gases.
GRI	Global reporting initiative.
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 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.
HK RBC	Hong Kong Risk-Based Capital.
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	International active reinsurance group.
IFA(s)	Independent financial adviser(s).
IFRS	International Financial Reporting Standards.
INED	Independent Non-Executive Director.

In-force customers, in-force agents, in-force products or inforce 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.
Investment experience	Realized gains and losses, impairments and unrealized gains and losses on investments held at fair value through profit or loss.
Latest Practicable Date	18 February 2022, being the latest practicable date for the purpose of ascertaining certain information prior to the annual report publication.
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 the debt and equity at the end of the relevant period.
Lifetime value	Policyholder lifetime value is calculated by discounting the aggregate VNB of a policyholder's purchase over his or her life to today's value.
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.
Millennial	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.
Net premiums	Life insurance premiums net of reinsurance premiums ceded to reinsurers.
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 at Annual Premium Equivalent (APE) sales.
NGOs	Non-governmental organization.
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.
na	Not available.

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.
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.
Operating Return on Embedded Value (“Operating ROEV”)	the ratio of EV operating profit to the average of opening and closing EV net of financing for the relevant period. The results have been presented before allowing for operating variances other than claims/persistence/expense variances and operating assumption changes.
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.
Persistence	The proportion of insurance policies remaining in force from month to month, as measured by the number of policies.
PRC	People’s Republic of China.
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.
PVNB	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.
Reserves	Liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurers.
Retrocession	The reinsuring of reinsurance.
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.
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 and PCGI Intermediate II Holdings (the “Financing Entities”), 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 (“M&A”), business set-up and restructuring-related costs, (vii) IPO-related costs, including incentive costs, (viii) implementation costs for IFRS 9 and 17 and Groupwide Supervision, and (ix) any other non-operating items which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance.
SFO	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).
Share Split	The share sub-division effected on August 20, 2021 whereby each of the then-authorized ordinary shares of our company, par value US\$1.00 each, was divided into 100 ordinary shares, par value US\$0.01 each. Following such share sub-division, PCGI Holdings Limited owned 2,162,950,800 ordinary shares in our company and surrendered for no consideration 1,514,065,560 ordinary shares to our company for cancellation, following which PCGI Holdings Limited owns 648,885,240 ordinary shares in our company.

Single premiums	Single premium policies of insurance are those that require only a single lump sum payment from the policyholder.
SME	Small and medium enterprise.
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.
Takaful	Insurance that is compliant with Islamic principles.
TCFD	Task Force on Climate-related Financial Disclosures.
Tied agent	A sales representative who sells the products of one company exclusively.
TMB	TMB Bank Public Company Limited
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 Shareholders.
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.
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.
VHIS	Voluntary Health Insurance Scheme of Hong Kong.
VNB margin	VNB expressed as a percentage of APE for the relevant period.



**For more information and to
view our online report visit:
www.fwd.com/en/about/**

