

China Life Insurance (Singapore) Pte. Ltd.

# **PUBLIC DISCLOSURE**

**For the Financial Year Ended 31 December 2021**

## Company Profile

We are a licensed insurer which is regulated by the Monetary Authority of Singapore. Established in 2015, we are part of China Life Insurance (Group) Company ("China Life") which is the largest financial insurance corporation in China and a Fortune Global 500 company, ranked 32 in 2021, for 19 consecutive years. It is an influential global brand with a brand value of over RMB 436.672 billion\*.

Our parent company, China Life Insurance (Overseas) Company Limited ("China Life (Overseas)") is a wholly-owned subsidiary of China Life. It has grown to become one of the largest financial institutions in Hong Kong with the total assets value of HKD 454.6 billion and total premium income of HKD 59.7 billion in 2021. Its financial rating by Moody's was "A1" (insurance financial strength rating in December 2021) and by Standard & Poor's was "A" (long-term local currency issuer credit rating and insurer financial strength rating in December 2021). China Life (Overseas) has extended its footprint in Southeast Asia region in recent years, and established subsidiaries in Singapore and Indonesia in 2015 and 2018 respectively.

We are a socially responsible company who believe in giving back to society through our corporate social responsibility activities to make a positive impact on the community and our customers. This resonates with the Belt and Road Initiative to increasingly engage our socio-business influence here.

\*Source: "Top 500 Most Valuable Chinese Brands" 2021 by World Brand Lab

## Business Strategy

We are committed to developing a suite of innovative products to meet our customers' protection, savings, retirement and legacy planning needs; to help them to plan ahead, be financially protected and to make a difference in their lives as their trusted life insurance partner.

We are also committed to building up an efficient distribution network by strengthening our relationship with key business partners and expanding our distribution networks.

Since establishment, we have continuously reformed and innovated, continuously self-improved and provided excellent service to our customers. In recent years, we have emphasised the importance of technology as the basis and injected new impetus into its development in the process of exploring and transforming our new business model. To achieve the goal of excellent customer service experience, we are committed to create greater value for customers by continuing to promote digitalisation, provide featured products and sales channels, and expanding our branding.

We also seek to build a talent pipeline which aligns with China Life Group's resource planning strategies to attract a global talent pool comprising young talents from

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established institutions (local and overseas) and also having experienced professionals to help us grow our capabilities as the company gears into higher growth and gears up for internationalisation.

## **Our Products and Distribution Overview**

We adopt a customer-centric approach in our product design and strive to meet our customers' evolving needs at different life stages.

To-date, we have 25 products on the shelf that cater mainly to the mass market segment.

In 2021, our mass market products consist of Term Life plans, Whole Life plans, Critical Illness plan, Personal Accident plan, Hospital Cash plan, Endowment plan and Annuity plan. These products were designed to meet customers' wide range of protection needs, wealth accumulation needs and retirement funding needs at different life stages. Some of these plans also allow customers to participate in the performance of our participating fund in the form of non-guaranteed bonuses.

More information on our products is available at <https://www.chinalife.com.sg/en>.

We will continue to develop innovative and relevant solutions to meet our customers' evolving protection and financial needs.

As at 31 December 2021, we have a team of 33 financial advisory representatives, and 24 distribution partners - 2 banks, 14 financial advisory firms and 8 international brokers to distribute our products to their customers.

## **Corporate Governance**

As a licensed direct life insurer regulated under the Insurance Act, we are required to comply with applicable rules and regulations, including corporate governance, set out by the relevant authorities.

Good corporate governance is important to us as it safeguards our stakeholders' and policyholders' interests. Our Board of Directors ("Board") is responsible for the overall good governance and achieves this through the various governance committees and the senior management team.

As at 31 December 2021, we have 6 directors on our Board, including 2 who are independent non-executive directors. The Board plays a critical role in ensuring the success of our operations. The Board is responsible for:

- providing entrepreneurial leadership;
- setting our culture and values;
- overseeing investment management;
- reviewing the nominations for appointment of directors and key executives;
- recommending the remuneration framework;
- ensuring the adequacy of our risk management, external audit and internal audit functions;
- overseeing the establishment and operation of an independent risk management system; and
- reviewing the senior management team's performance.

The senior management team is responsible for the day-to-day operation of the business and is accountable for the business performance of the company to the Board. Information on our senior management team is available at <https://www.chinalife.com.sg/en/our-management-team>

## **Enterprise Risk Management**

Our Enterprise Risk Management Framework ("Framework") is aligned with our corporate strategy. It is a structured and consistent manner to managing risks to achieve business objectives, and ultimately create value for our stakeholders.

Our Framework encompasses three major components:

1. Risk Governance
2. Risk Management Approach
3. Risk Management Process

## **Risk Governance**

Governance refers to the actions and processes by which authority is exercised, and decisions are made and implemented. Risk governance is the application of governance over the identification, assessment, mitigation, and monitoring and reporting of risks.

The Board is overall accountable for risk management and reviews the Framework to ensure that it is sound to safeguard the interests of all our stakeholders. It delegates risk management responsibilities to the senior management team, who will also identify emerging risks in the ever-evolving business environment, and leads our company to achieving its corporate objectives. Committees and workgroups are also established to manage specific risks that are associated with our business operations.

## Risk Management Approach

We place great importance in cultivating a 'risk astute' culture so that risks are properly identified and managed within our risk appetite. We adopt the Three Lines of Defence Model in our approach.



## Risk Management Process

We have established a sound risk management process which consists of the following stages: risk identification, assessment, mitigation, and monitoring and reporting.

### Our Key Risks

We consider the following risks to be material as they can potentially affect how we conduct our business and create value:

- credit risk;
- market risk;
- liquidity risk;
- insurance risk;
- operational risk;
- reputational risk; and
- strategic risk.

Through our risk management process, the business units identify, address and report foreseeable and relevant risks to the Risk Management Committee ("RMC").

The RMC is a senior management level committee that is formed to manage risks that are associated with the day to day operations of our company. RMC meetings are conducted quarterly to ensure regular and proper deliberation and communication of risks.

The RMC reviews and evaluates the materiality of these risks and their corresponding mitigating measures, and subsequently provides updates to the Board.

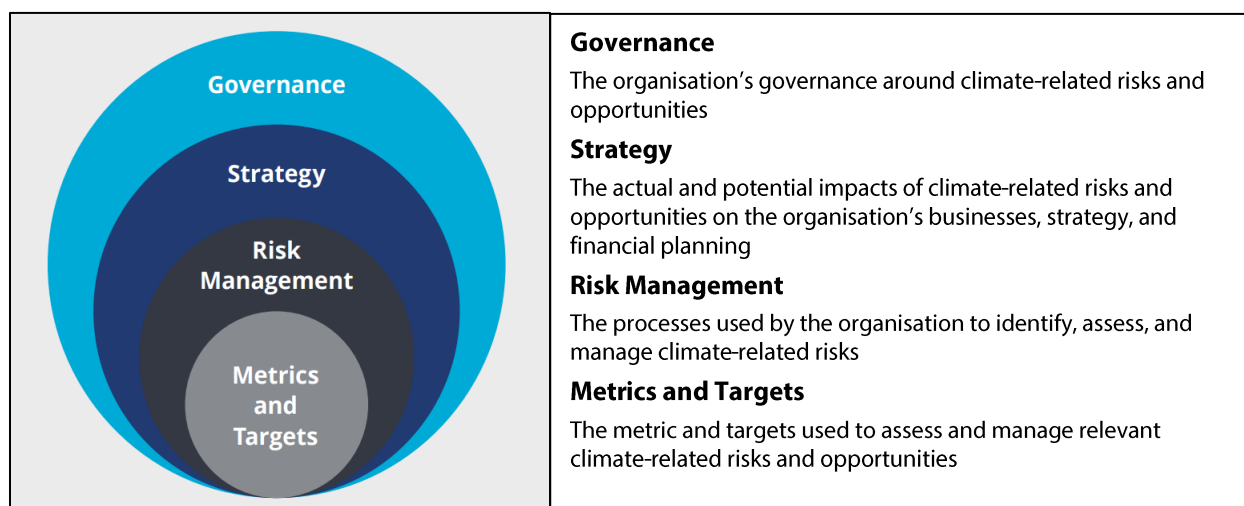
In addition, we also undertake an annual Own Risk and Solvency Assessment ("ORSA"). Through the ORSA, we assess the adequacy and effectiveness of our Framework, and also our current and projected future solvency positions.

## Environmental Risk Disclosure

Our environmental risk disclosure is based on the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures ("TCFD").

The TCFD is a framework developed by FSB for more standardised and effective climate-related disclosures, providing more informed business decisions (e.g. investment), enabling stakeholders to understand the Company's exposures to climate-related risks.

We commit to provide detailed and transparent information based on the disclosure recommendations by TCFD that are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. These thematic areas are intended to interlink and inform each other.



## Governance

### Disclosure of the company's governance around climate-related risks and opportunities

We strive to contribute to society and make a positive impact on the community we operate in. We believe the ability to mitigate climate-related risk is essential for the implementation of long term and value-adding solutions to our customers in order to fulfil their financial needs.

Climate-related risk is still relatively new to us. However, the awareness of climate-related risk needs to be integrated into our day to day business and decision making such as capital allocation, and business strategy and forecasting.

Please refer to the section on Enterprise Risk Management for more information on our risk governance.

## **Strategy**

### **Disclosure of the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning**

Based on the definition of the TCFD framework, climate-related risks can be categorised into two major categories:

- Risks related to the transition to a lower-carbon economy, i.e. transition risk. Transition risk may be further broken down into policy and legal risks, technology risk, market risk and reputational risk
- Risks related to the physical impacts of climate change, i.e. physical risk. Physical risk may be further broken down into acute risk and chronic risk

From the Environmental Risk Management Consultation Papers in mid-2020 and the subsequent Guidelines in late 2020, we identify the need to be aware of, build capabilities in the areas of climate-related and environmental risk management; and to incorporate recommendations from the TCFD in the relevant business decisions.

As a life insurer, we do not anticipate material climate-related risk in the short term due to our business nature. The impact of physical risks may only materialise over a much longer term as climate change disrupts economic activities globally, and affects economic growth and spending power of customers. The impact of transition to a low-carbon economy, coupled with costs to fund this transition, can be significant as we invest in new technology, and adopt more sustainable business models. Most importantly, both physical and transition risks can also affect our investment portfolio due to impaired or stranded assets over the long term.

Table 1 details the type of physical and transition risks that we potentially face.

Description of Potential Climate-Related Risks					
Physical Risks		Transition Risks			
Acute	Chronic	Policy and Legal	Technology	Market	Reputation
Event-driven including increased severity of extreme weather events such as cyclones, hurricanes, or floods	Longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level risk or chronic heat waves	Introduction of new climate policies or increase in compliance cost	Increase in cost to transition to a low-carbon economy through technological improvements or innovations	Shift in customer demand, preference or spending power	Negative perception from customers tied to changing customer or community perceptions due to contribution to or detraction from the transition to a lower-carbon economy

Table 1

We subsequently assess the financial impacts of these risks on both our assets and liabilities for different time horizons as shown in Table 2. We believe that the impacts are generally low but any stranded assets may impact our long term investments.



Time Horizon of Climate Change		Physical Risks		Transition Risks			
		Acute	Chronic	Policy and Legal	Technology	Market	Reputation
Short Term Potential Financial Impact (2020-2030)	Assets	<b>Low</b> We do not expect to own fixed assets that may have direct exposure to acute or chronic physical risks. Our investment portfolio will be diversified based on our investment strategy and mandate which will consider climate-related risks		<b>Low</b> Financial institutions may not be incentivised from investing in carbon-intensive sectors, and we may require additional resources for investment research, asset selection and allocation in order to maintain the required investment returns. Market risk and reputation risk should not be relevant since the requirements affect the entire financial industry. The transition speed of how we transform our business model, adopt technology and strategy to reduce our carbon footprint and exposure will be a determining factor in managing transition risks			
	Liabilities	<b>Low</b> Despite frequency of extreme weather events may increase, impact on mortality is expected to remain low due to risk diversification		<b>Low</b> Potential but gradual increase in compliance cost to obtain climate-related data, as well as potential transition cost due to adaptation of new technology to transition to a low-carbon economy		<b>Low</b> Demand for insurance products is not expected to be impacted; we continue to underwrite risks based on the protection needs and risk profile of each customer	<b>Low</b> We do not expect to have direct reputational impact due to climate-related risk events
Long Term Potential Financial Impact (2020-2050)	Assets	<b>Medium</b> We do not expect to own physical assets that may have direct exposure to physical risks. However, our investment portfolio may be exposed to risk of stranded assets which is both a physical and transition risk. On the physical risk side, our investment portfolio may have exposures to assets that are stranded if they are damaged or destroyed by extreme weather events; on the transition risk side, we may be exposed to assets that have become economically not viable if further climate policies and regulations are introduced abruptly in order to mitigate climate change					
	Liabilities	<b>Low</b> Global economy may decline and affect consumer spending power; adverse climate change may cause more illnesses due to global warming. However, this may also result in more people getting themselves insured		<b>Low</b> Potential but gradual increase in compliance cost to obtain climate-related data, as well as potential transition cost due to adaptation of new technology to transition to a low-carbon economy		<b>Low</b> Demand for insurance products is not expected to be materially impacted; we continue to underwrite risks based on the protection needs and risk profile of each customer	<b>Low</b> We do not expect to have direct reputational impact due to climate-related risk events

Table 2

We further identify climate related opportunities and their potential financial impacts as shown in Table 3.

Type	Climate-related Opportunities	Potential Financial Impacts
Products	<ol style="list-style-type: none"> <li>1. Development of new insurance products that provide protection against weather or climate related diseases</li> <li>2. Development of 'greener' investment portfolio (Participating Fund) to meet demand</li> </ol>	<ol style="list-style-type: none"> <li>1. Increase in demand due to gradual manifestation of adverse health impact brought by climate changes</li> <li>2. Shift in customer preference and expectation for greener and more sustainable investments</li> </ol>
Reputation/brand name	Support for initiatives towards a lower-carbon economy and to create a positive impact on the community the Company operates in	Positive impact to brand name and reputation, and directly increases competitiveness
Portfolio Resilience	Access to new financial instruments (e.g. green bonds)	<ol style="list-style-type: none"> <li>1. Increased diversification</li> <li>2. Long term and more sustainable investment returns</li> </ol>

Table 3

## **Risk Management**

### **Disclosure of the identification, assessment, and management of climate-related risks**

We define climate-related risks as an operational risk which is one of our key risks. We have instituted a Risk Management Framework ("Framework") such that these risks can be managed in a structured and consistent manner.

Please refer to the section on Enterprise Risk Management for more information on how we manage our risks.

## **Metrics and Targets**

### **Disclosure of metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material**

We seek to develop the relevant metrics and targets when managing climate-related risks and opportunities.

We look forward to foster responsible behaviour and is committed to be a socially responsible company. We has started exploring ways to improve energy efficiency in our daily operations such as moving towards digitalisation, and has plan to engage a third party to audit our greenhouse gas (GHG) emissions for future disclosure.

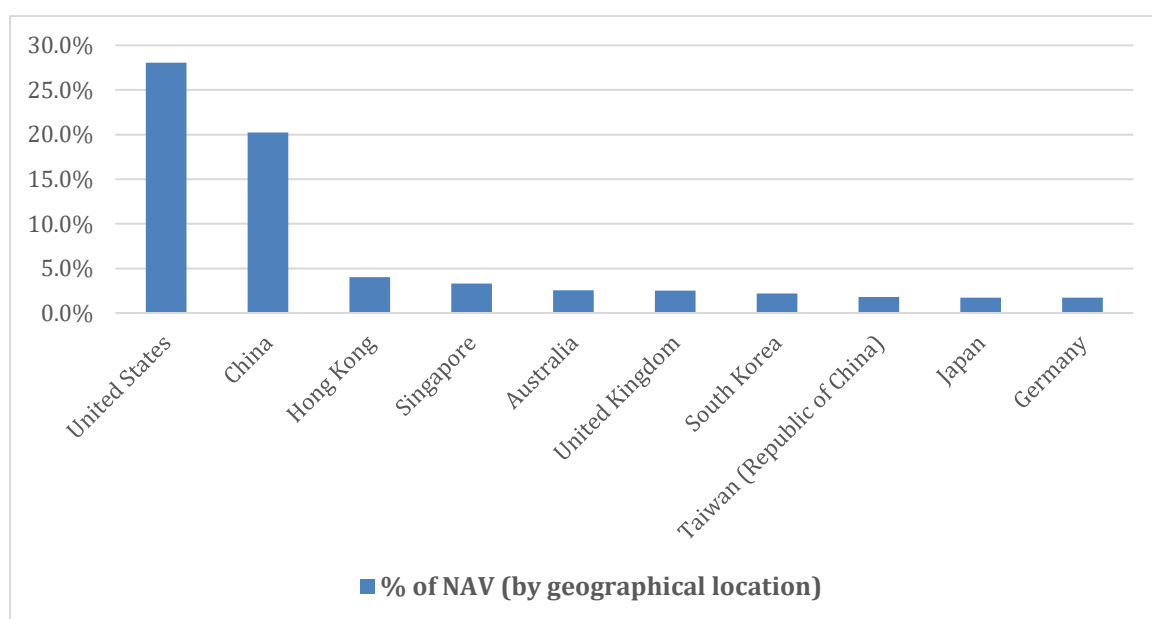
We strive to align with Singapore's Climate Action Plan to reduce carbon emissions, and also believe that considering, and reducing carbon footprint in our investment portfolios is the foremost approach to build resilience against future climate-related risk that may exist within them. Our fund managers are signatories of the Principles for Responsible Investment (PRI), and are

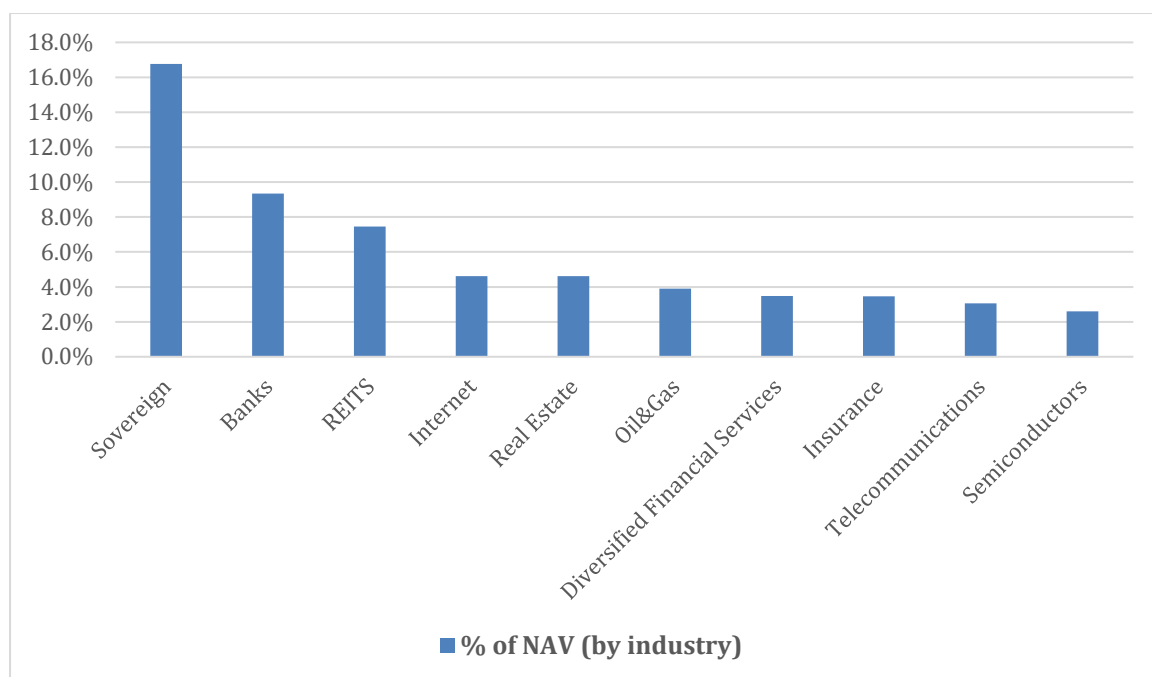
committed to incorporate environmental, social and corporate governance (ESG) issues into their investment practices. They will assist us to incorporate ESG issues in our investment decision-making, and disclosure processes.

We have since worked closely with our fund managers to determine and obtain the following metrics for disclosure. The following graphs show the top 10 components of our portfolios (both participating and non-participating funds) by issuer geographical location and industry type.

We will continue to engage the relevant parties to enhance our disclosure capability, monitor and assess the exposure of climate-related risks on our investment portfolios, and will take the necessary actions to mitigate these risks to safeguard our stakeholders.

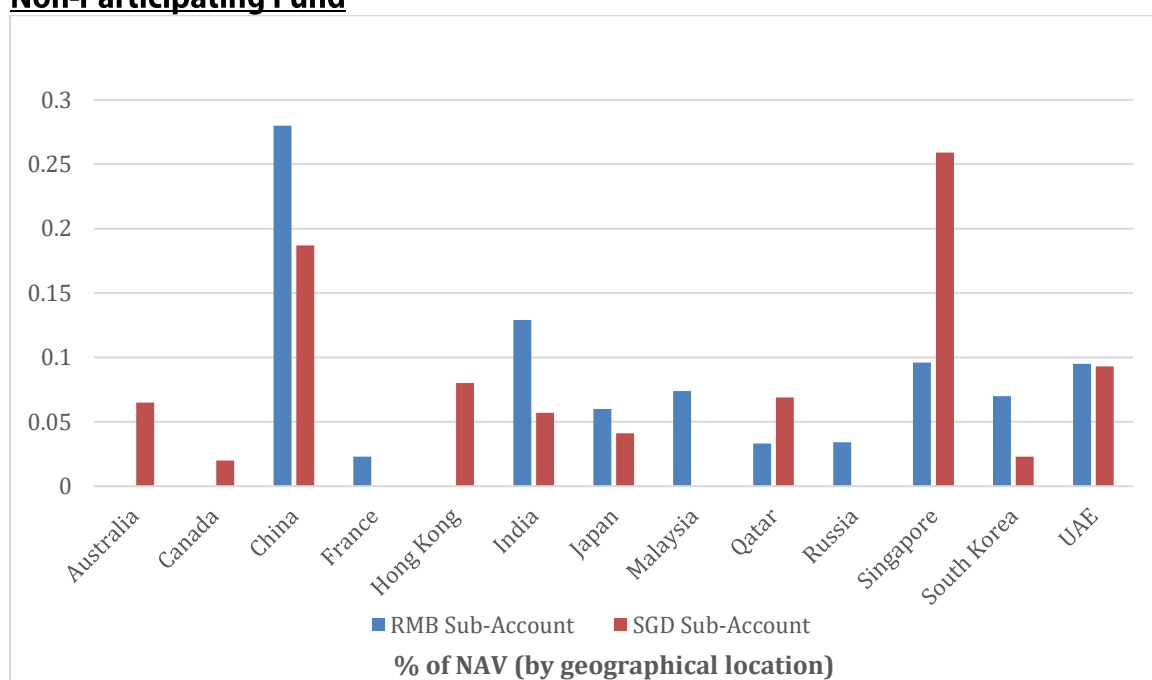
### **Participating Fund**



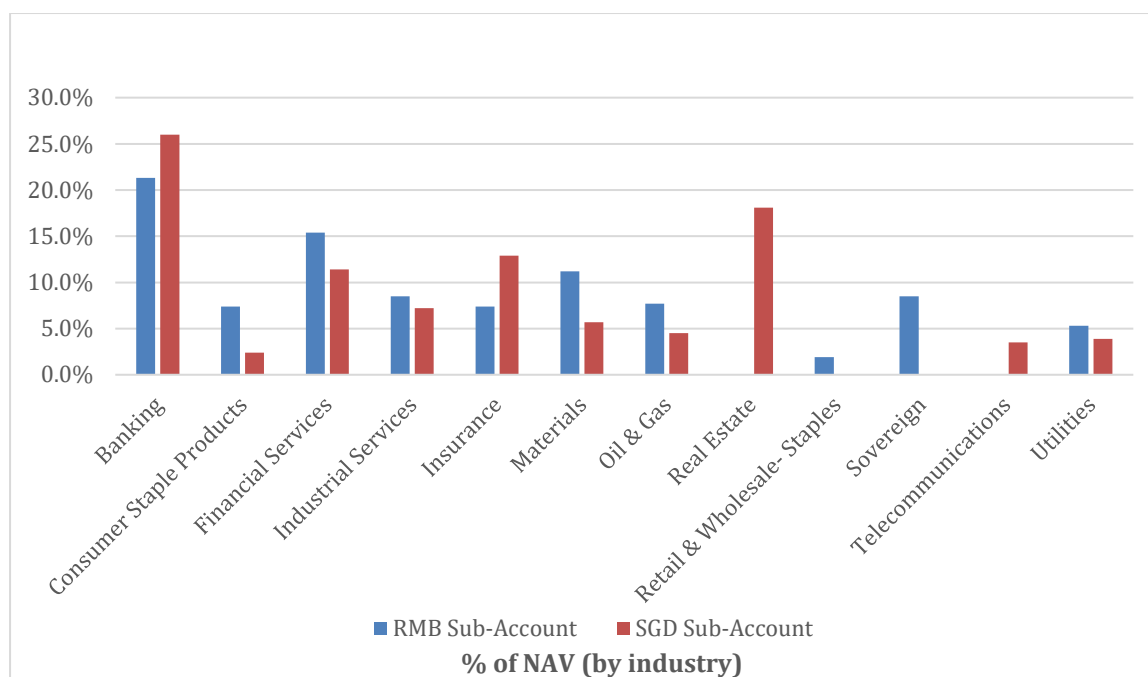


Our portfolio carbon footprint (Scope 1 and 2) was 63 tonnes CO<sub>2</sub>e per million (USD) enterprise value, and its weighted average carbon intensity (Scope 1 and 2) was 142 tonnes CO<sub>2</sub>e per million (USD) sales<sup>1</sup>.

### Non-Participating Fund



<sup>1</sup> Based on normalised data (excluding derivatives and missing data) provided by external fund manager which covers 75% of the portfolio as of 31 December 2021.



## Asset-liability Management

We have an asset-liability management ("ALM") process which takes in due consideration of our company's risk tolerance level and other related constraints, when we formulate, implement, monitor and revise strategies to adequately manage our assets and liabilities to achieve our financial and business objectives.

We evaluate our assets and liabilities according to the rules that are set out under the Insurance (Valuation and Capital) Regulations 2004 with Amendments Notes in 2018 and 2020.

Detailed information on the maturity profile of our financial assets and liabilities is available in our annual financial statements.

## Insurance Risk Exposures

Insurance risk relates to the inherent risks associated with the underwriting activities of life business. Such risks include pricing, reserving, underwriting and reinsurance risks. We have established appropriate guidelines and framework combined with authority limits as part of risk mitigation activities embedded in the business operations.

The principal risk that we face under our insurance contracts is that the actual claims and benefits payment exceed the carrying amount of the insurance liabilities. Our assumptions used in determining the insurance liabilities are based on a combination of industry experiences, external market indices and benchmarks that reflect current observable market prices and trends. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions will be further evaluated on a

periodic basis in order to ensure realistic and reasonable valuations. Details on key assumptions and sensitivity tests for insurance risk were performed to assess the impact to insurance liabilities which can be found in our annual financial statements.

Concentration of risk may arise where a particular event or a series of events impacts heavily upon our insurance contract liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. We are exposed to geographical concentrations of risks as most of our contracts originate in Singapore.

## **Determination of Technical Provisions**

Determination of technical provisions, including future cash flow assumptions, choice of discount rates and methodology, will affect the insurance liabilities at the end of the reporting period. Material judgement is required in determining the insurance liabilities and in the choice of assumptions.

Quantitative and qualitative information about the rationale and methodology on which we determine our technical provisions is available in our annual financial statements.

## **Capital Adequacy**

Our source of funding is from our holding company.

Our objectives when managing capital are to:

- comply with the insurance capital requirements stipulated by MAS;
- safeguard our ability to continue as a going concern so that we can continue to protect policyholders; and
- support our growth and expansion plans.

Under the Insurance (Valuation and Capital) Regulations 2004 and MAS Notice 133 Valuation and Capital Framework for Insurers, licensed insurers are required to meet:

- the minimum fund solvency ratio of 100% of total risk requirement for each adjusted fund; and
- the capital adequacy ratio ("CAR") of at least 100% subject to Financial Resource must not be lower than a minimum amount of SGD5,000,000.

MAS may prescribe different fund solvency requirements or capital adequacy requirements for different classes of insurance business and for different types of insurers. We monitor our capital level regularly to assess whether the prescribed MAS' requirements have been met. We also report to MAS our CAR and fund solvency position quarterly and annually.

As at 31 December 2021, we had met the fund solvency requirements for our adjusted funds and

the CAR prescribed by MAS. Our CAR is set out in our annual insurance returns which is available on MAS website.

## **Pricing Adequacy**

We have a product development and pricing policy which sets out our internal approval process for new products as well as our review process for existing products. The policy is in line with the requirements set out under MAS Notice 302 on Product Development and Pricing.

## **Investment Objectives**

Our investment objectives are to protect our company's assets and to achieve investment returns to meet our stakeholders' expectations without taking on excessive risks.

## **Investment Policies and Processes**

Our policies and processes are developed with reference to the prevailing MAS regulations and guidelines.

Our management-level Investment Committee exercises oversight on our investment portfolio, including monitoring investment performance and regularly reviewing our investment policy to ensure that it remains appropriate and relevant.

Our Board-approved investment policy establishes our overall investment framework, which prescribes the roles and responsibilities of the respective stakeholders, guiding principles, minimum standards of investing, monitoring and reporting requirements, investment approval authority and authority delegation limits.

We have also put in place a credit policy and an investment limits policy that govern the management of credit and concentration risks. These are intended to prevent excessive investment exposure to any particular geographical area, market, industry sector, counterparty, currency or credit rating.

Our standard operating procedures ensure that our investment activities are conducted in a manner that is consistent and compliant with our approved policies. Our standard operating procedures also cover the selection, approval, execution and monitoring processes of our investments; as well as the selection and appointment of our external fund managers.

## **Our Investments**

Quantitative and qualitative information on our investment portfolio, how we determine the fair value of our investments and the level of sensitivity to market variables associated with our investments is set out in our annual financial statements.

## Financial Performance

Our annual financial statements have been prepared in accordance with Singapore Financial Reporting Standards.

Quantitative and qualitative information on our financial performance, including our source of earnings, claims statistics and returns on investment assets, are set out in our annual insurance returns and annual financial statements. This information is available on the [Monetary Authority of Singapore](#) and the [Accounting and Corporate Regulatory Authority](#) websites respectively.