中国人寿保险(新加坡)有限公司
China Life Insurance (Singapore) Pte. Ltd.

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PUBLIC DISCLOSURE

For the Financial Year Ended 31 December 2022

中国人寿保险(新加坡)有限公司
China Life Insurance (Singapore) Pte. Ltd.

1 Raffles Place #46-00 One Raffles Place Tower 1 Singapore 048616 Tel: 6727 4820 Website: www.chinalife.com.sg
Company Registration Number: 201433645N

Company Profile

China Life Insurance (Singapore) Pte. Ltd. (“the Company”) is a licensed insurer which is regulated by the Monetary Authority of Singapore. Established in 2015, we are wholly owned by China Life Insurance (Overseas) Company Limited ("China Life (Overseas)"), and we are also a part of China Life Insurance (Group) Company ("China Life"), which is the largest financial insurance corporation in China. China Life is a Fortune Global 500 company, ranked 40 in 2022 for 20 consecutive years. It is an influential global brand with a brand value of over RMB 452.539 billion*.

Our parent company, 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 463.1 billion (December 2022) and a total premium income of HKD 49.2 billion in 2022. Its financial rating by Moody's was "A1" (Insurance Financial Strength Rating in October 2022) and by Standard & Poor's was "A" (long-term local currency issuer credit rating and insurer financial strength rating in December 2022). 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.

As a socially responsible company, we are committed to offer value-added financial solutions to customers to fulfil their risk protection, retirement, wealth management, and legacy planning needs. We believe in giving back to society through our corporate social responsibility activities to make a positive impact on the community and our customers. Moody's has assigned Insurance Financial Strength Ratings (IFSR) of A3 to our company in November 2022. The outlook is stable.

*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. Our goal is to help them plan ahead, be financially protected and to make a difference in their lives as their trusted life insurance partner.

Additionally, we are dedicated to building an efficient distribution network by strengthening our relationships with key business partners and expanding our distribution networks.

Since our establishment, we have continuously reformed, innovated, and strived for self-improvement, all while delivering excellent service to our customers. In recent years, we have placed great emphasis on the importance of technology as the foundation and catalyst for our development. This has led us to explore and transform our business model, injecting new momentum into our growth. In our pursuit of an excellent customer service experience, we remain committed to creating greater value for customers. To achieve this, we are actively promoting digitalization, offering distinctive products and sales channels, and expanding our brand presence.

We are also focused on building a talent pipeline that aligns with China Life's resource planning strategies. Our aim is to attract a diverse pool of global talent, including young talents from established local and overseas institutions, as well as experienced professionals. This approach will enable us to enhance our capabilities as we gear up for higher growth and 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 29 products on the shelf that cater mainly to the mass market segment.

In 2022, our mass market products consist of Term Life plans, Whole Life plans, Critical Illness plans, Personal Accident plans, Hospital Cash plan, Endowment plans 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/

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

As at 31 December 2022, we have a team of 33 financial advisory representatives, and 25 distribution partners - 2 banks, 15 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 obligated to comply with applicable rules and regulations, including corporate governance guidelines set forth by the relevant authorities.

Good corporate governance is important to us as it serves to protect the interests of our stakeholders and policyholders. Our Board of Directors ("Board") bears the responsibility for ensuring sound governance practices, which is facilitated through various governance committees and our Senior Management Team ("SMT").

As of 31 December, 2022, the Board comprises six Directors, including three Independent Directors and one Non-Executive Director.

Directors

As of the date of this statement, our Directors are as follow:

Director	**Other Directorships and Principal Commitments/Appointments**
Liu Yuejin Chairman	1. Director; Principal-in-Charge, China Life Insurance (Overseas) Company Limited
Lin Xiangyang Executive Director	1. Chief Executive, China Life Insurance (Singapore) Pte. Ltd.
Shan Gang Non-Executive Director	1. Deputy General Manager of Actuarial Department, China Life Insurance (Overseas) Company Limited
Tan Teck Koon Independent Director	1. Advisory Board Member, SMU Academy 2. Board Member, Intellectual Office of Singapore 3. Chairman, IPI Pte Ltd 4. Chairman, SEEDS Capital Pte Ltd 5. Board Member, Committee for Private Education, SkillsFuture Singapore 6. Shareholder, Champquest Sdn Bhd（Malaysia）
Gu Qingyang Independent Director	1. Non-Executive Director, PCI-Suntek Technology Co., Ltd.
Leong Mun Wai Independent Director	1. Non-Executive Director, Star to Sun Pte Ltd 2. Director, Timbre Capital Pte Ltd 3. Director, Seacastle Asset Management Pte Ltd 4. Non-Constituency Member of Parliament, Progress Singapore Party

Meetings and Directors' Attendance

The Board convenes regularly throughout the year to review the business performance and key activities of the Company, as presented by SMT. It also deliberates on significant business proposals put forth by SMT. All Board members actively participate in discussions, and decisions are made objectively in the best interests of the Company. The Board collaborates with SMT to achieve the Company's stated goals, while maintaining SMT's accountability to the Board. As necessary, the Board and SMT meet annually to review and update the Company's strategies. In 2022, the Board and its Committee held a total of 2 meetings, which were attended by all 6 directors.

The contributions of the Directors extend beyond their attendance at meetings. They engage with other Directors and SMT outside of formal meetings to oversee the affairs of the Company.

The Company's Constitution permits meetings of the Board and Board Committee to be conducted via telephone or video conference. If a Director is unable to attend the meeting physically, they will receive all the relevant papers and materials for discussion. Directors are provided with complete, adequate, and timely information related to agenda items before each meeting.

Access to Information

The relevant materials and information will be circulated to the Directors at least 1 week prior to a Board meeting, allowing them to understand the background details and facts, especially for matters that require their approval. The relevant subject matter experts shall be present at the Board meeting to provide clarification and recommendation in order for the Directors to discharge their duties effectively. In addition, the Directors are free to seek independent professional advice as necessary.

Process for Appointment of New Directors

The Chairman and Non-Independent Directors are selected by China Life (Overseas). The Board members are selected for their character, judgment, business experience and acumen. Where the Director has multiple board representations, the Board will evaluate whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Company. The appointment of any Director is subject to approval by the Board.

In appointing Directors, the Board considers the range of skills and experience required in the light of:

- the geographical spread and diversity of the Company's businesses;
- the strategic direction and progress of the Company;
- the current composition of the Board; and
- the need for independence.

The Board and Board Committee are of an appropriate size, and consist of Directors who collectively possess a balanced and diverse mix of skills, knowledge, and experience. This composition is designed to prevent groupthink and encourage constructive debate.

New Directors undergo an induction and training session that encompasses comprehensive briefings on the operations of key businesses within the Company. This enables them to familiarize themselves with the various aspects of the Company's operations.

Board Responsibility

The responsibilities of the Board include, but not limited to the following:

- 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 performance of the SMT.

The SMT 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 SMT is available at
https://www.chinalife.com.sg/about-us#OurManagementTeam

Disclosure on Remuneration

After careful consideration, we have decided not to disclose the remuneration of our Directors and SMT. Given the disparities in remuneration in the sector and the competitive pressures that such disclosures may cause, the Company is of the view that such disclosures are not in the best commercial interests of the Company.

Whistle Blowing

Employees are encouraged to speak up and report any concerns that may be in violation of regulations or the Company's policies. The relevant details are provided in our Code of Ethics and Business Conduct. External parties may contact us through our Customer Care Centre.

Related Party Transactions

We did not have any material related party transactions in 2022.

Enterprise Risk Management and Internal Controls

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

Our Framework encompasses three major components:

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

Our Board is responsible to ensure that our SMT maintains a sound system of risk management and internal controls to safeguard the interests of the Company and its shareholders. This expectation is embedded in the 'Risk Governance' component of our Framework.

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 figure below shows the risk governance structure of the Company.

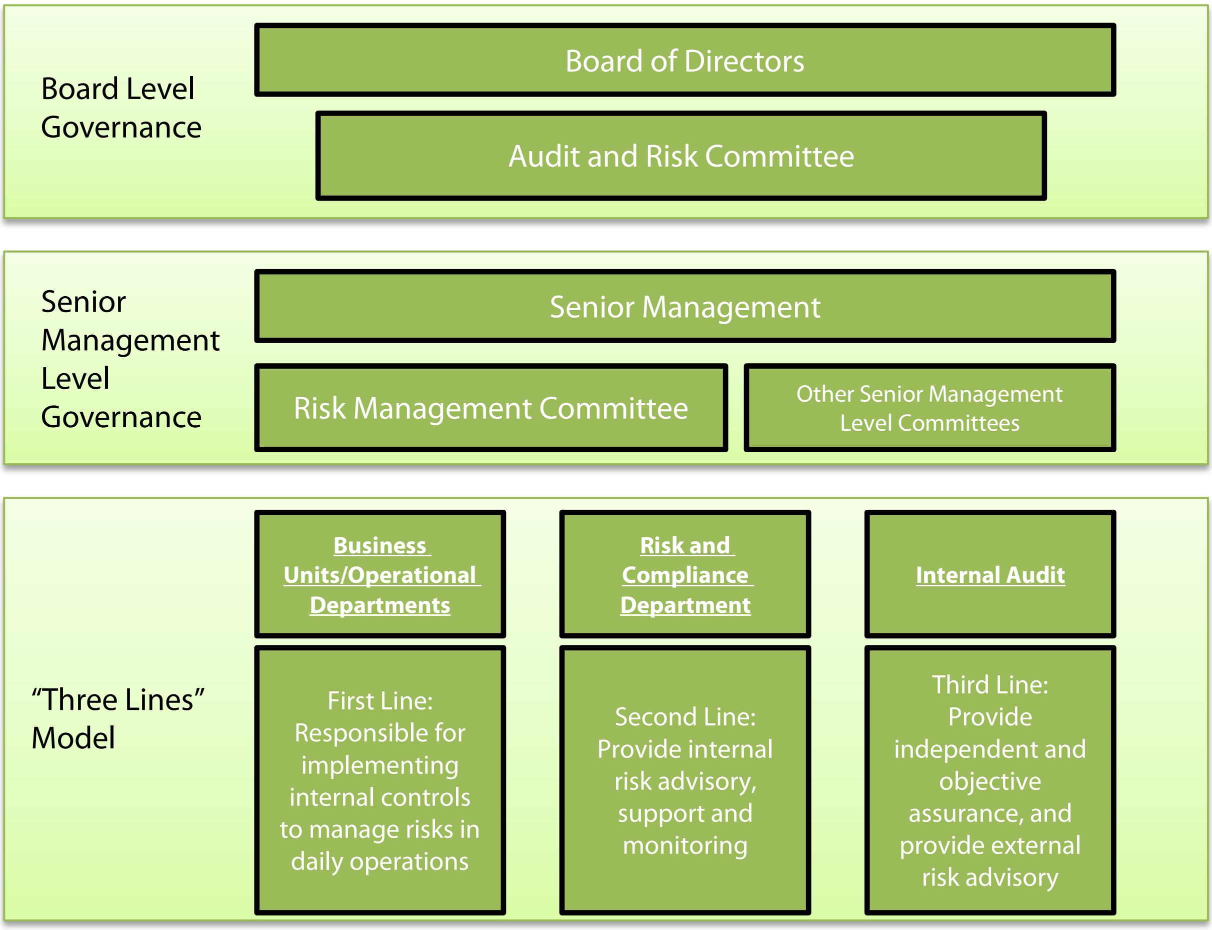


Figure 1 Risk Governance Structure

The Audit and Risk Committee ("ARC") which consists 4 of our board members, plays a critical role in reviewing and ensuring the performance of the Framework and internal controls. The members of the ARC are Independent Directors Mr. Leong Mun Wai, Dr. Gu Qingyang, Mr. Tan Teck Koon, and Non-Executive Director Mr. Shan Gang.

The ARC performs the duties of reviewing the adequacy of the Company's risk management framework, ensuring that the Company operates within the parameters of its risk tolerance. They will also review the adequacy, effectiveness and independence of our external and internal audit. The members of the ARC may attend the meeting in person or through video conference. We had conducted 3 ARC meetings in 2022. Other than the standard meeting agenda, special items for deliberation included internal and external audit reports of the Company, our revised risk management policies and 2022 audit plan.

Our SMT provides oversight of risk management activities on the operational level and further delegates risk management responsibilities to other specialised Committees. The Risk Management Committee ("RMC") is formed to manage and report risks associated with the daily operations of the Company on a consolidated basis. The members of the RMC include key representatives from all the departments, and are supported by the relevant subject matter experts. RMC meetings are conducted quarterly to ensure timely and proper communication of risks.

Responsibilities of the RMC include, but not limited to:

1. Overseeing Insurance, Credit, Liquidity, Operational (including Legal & Regulatory), Market, Reputational and Strategic risks
2. Evaluating, monitoring, reporting and controlling risks escalated
3. Determining/devising risk mitigating measures (as appropriate) to manage and/or control risks
4. Making decisions on risk acceptance, transfer or avoidance of risks that cannot be mitigated
5. Deliberating emerging risks

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" Model in our approach which also forms the foundation of our Risk Governance structure mentioned above.

The First Line refers to business units that are primarily responsible for implementing effective internal controls to manage risks that may arise from business activities. They are most familiar with their respective work processes and deliverables. As such, business units undertake the responsibility of mapping out key operational processes and corresponding risks for their own department in the annual risk identification and assessment exercise. Business units are also to highlight control inadequacies that can result in risk events.

The Second Line refers to our Risk and Compliance department that independently and objectively assesses the risk-taking activities of the First Line. It also maintains the Framework, relevant policies and processes, and facilitates the risk management process. In addition, it provides advice, training and support to the business units on risk-related matters, serves as a coordinating body to manage risks that overlap and span across business functions, and also monitors material risks to ensure that visibility is maintained over these risks.

Our Internal Audit serves at the Third Line. As an independent party, it provides assurance to SMT and the Board on the effectiveness of the Framework, including the risk management performance of the First and Second Lines.

Risk Management Process

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

In order to facilitate identification and assessment of our risks, we conduct an enterprise-wide risk identification and assessment exercise, and a Risk and Control Self-Assessment ("RCSA") at least once a year. The enterprise-wide risk identification and assessment exercise allows us to understand our existing risk profile, and also to anticipate any emerging risks that we may face as we pursue our business objectives. The results of this exercise provides a useful perspective of how our residual risk levels relate to our risk appetite and tolerance framework.

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
- strategic risk

The RCSA which we conduct is more process-focused. We assess, review and document our key operational processes, risks and controls in order to maintain a sound internal control environment. Details including process flowcharts, potential risks, controls, and residual risk levels are updated and documented in our Internal Control Implementation Manual at least annually, providing a useful guide for both existing and new employees to better understand our key operational processes.

In the occurrence of an unacceptable residual risk level, the responsible department shall reassess and provide mitigating measures within the stipulated deadline, as necessary. Mitigation progress will be monitored, and reported periodically.

Building on our risk management process, we also conduct an annual Own Risk and Solvency Assessment (ORSA) to assess the adequacy of our Framework, and current and projected future solvency positions.

Based on audit conducted on our business activities by our internal and external auditors, and after review by our SMT and Board, our SMT and Board are of the view that our risk profile is manageable and our capital adequacy remains healthy.

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

The organisation's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Risk Management

The processes used by the organisation to identify, assess, and manage climate-related risks

Metrics and Targets

The metric and targets used to assess and manage relevant climate-related risks and opportunities

<u>Governance</u>

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 but we are aware that it can translate to other risk forms (e.g. market risk, liquidity risk and credit risk) which may potentially impact our operations. Therefore, the awareness of climate-related risk needs to be integrated into our day to day business, and when we make decisions on capital allocation, and business strategy and forecasting.

While our Board is overall accountable for climate-related risk management, the board-level ARC is delegated with the responsibilities to manage climate-related risk, including but not limited to approving the Framework that includes management of climate-related risk. We had also commenced climate-related stress tests in our annual ORSA exercise since 2021, and had tabled the results for deliberation by the Board.

On the other hand, our SMT ensures that the Framework, including the relevant policies are adequately developed and implemented, and metrics are in place to monitor climate-related risk exposures as necessary. Our SMT has also allocated adequate resources with appropriate expertise to monitor and manage climate-related risk, and will update material risk issues to our Board as necessary.

Our management-level Investment Committee provides the necessary oversight to ensure that we are not overly exposed to assets which can potentially be impaired or stranded over the long term due to adverse impact of climate-related risk. This is aligned with how we manage our concentration risk by not investing excessively in any geographical area, market, industry sector or counterparty.

Please also refer to the section on "Enterprise Risk Management and Internal Controls" for more information on our risk governance.

<u>Strategy</u>

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

We identify the need to be aware of, to 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 gradual 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 and practices. Unless there is a sudden change in legal or regulatory environment to expedite climate-related risk mitigation effort, we do not expect this transition to be abrupt in the short term future.

Table 1 details the type of physical and transition risks that we have identified and may 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 Potential Physical and Transition Risks

We subsequently assess the financial impacts of these risks on both our assets and liabilities for different time horizons as shown in Table 2.

As an asset owner, we recognise the potential for physical and transition risks to affect our assets (i.e. investment portfolio), resulting in impaired or stranded assets over the long term. Otherwise, we believe that the impacts to us in other aspects are generally low.

<table>
<tr><th rowspan="2">Time Horizon of Climate Change</th><th rowspan="2"></th><th colspan="2">Physical Risks</th><th colspan="4">Transition Risks</th></tr>
<tr><th>Acute</th><th>Chronic</th><th>Policy and Legal</th><th>Technology</th><th>Market</th><th>Reputation</th></tr>
<tr><td rowspan="2">Short Term Potential Financial Impact (2020-2030)</td><td>Assets</td><td colspan="2">Low
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</td><td colspan="4">Low
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</td></tr>
<tr><td>Liabilities</td><td colspan="2">Low
Despite frequency of extreme weather events may increase, impact on mortality is expected to remain low due to risk diversification</td><td colspan="2">Low
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</td><td>Low
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</td><td>Low
We do not expect to have direct reputational impact due to climate-related risk events</td></tr>
<tr><td rowspan="2">Long Term Potential Financial Impact (2020-2050)</td><td>Assets</td><td colspan="6">Medium
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</td></tr>
<tr><td>Liabilities</td><td colspan="2">Low</td><td colspan="2">Low</td><td>Low</td><td>Low</td></tr>
</table>

		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	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	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	We do not expect to have direct reputational impact due to climate-related risk events

Table 2 Overview of Risk Impacts on Assets and Liabilities

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

Type	Climate-related Opportunities	Potential Financial Impacts
Products	1. Development of new insurance products that provide protection against weather or climate related diseases 2. Development of 'greener' investment portfolio (Participating Fund) to meet demand	1. Increase in demand due to gradual manifestation of adverse health impact brought by climate change 2. Shift in customer preference and expectation for greener and more sustainable investments
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, earning loyalty and trust from stakeholders and customers, directly increases competitiveness
Portfolio Resilience	Access to new financial instruments (e.g. green bonds)	1. Increased diversification 2. Long term and more sustainable investment returns
Operational Efficiency	Development of greener and more efficient processes to reduce carbon footprint	Potential reduction in operating cost leading to sustainable financial success

Table 3 Potential Opportunities and Financial Impacts

<u>Risk Management</u>

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 such that these risks can be managed in a structured and consistent manner.

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

<u>Metrics and Targets</u>

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

We look forward to foster responsible behaviour and are committed to be a socially responsible company. We strive to align with the strategies of Singapore's Climate Action Plan to reduce carbon emissions by improving our energy efficiency, and to also contribute to the collective action when responding to climate change as a nation.

We are exploring ways to improve energy efficiency in our daily operations such as moving towards digitalisation, and gradually phasing out cheque issuance. As of March 2023, we have 62 employees (excluding our agency force). We may engage a third party to audit our own greenhouse gas (GHG) emissions as our operations and workforce expand significantly in the future.

We consider reducing carbon footprint in our investment portfolios as 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 continue to assist us to incorporate ESG issues in our investment decision-making and disclosure processes.

We will continue to engage the relevant parties to assist us in enhancing our disclosure capabilities, primarily in our investment activities.

We have since worked closely with our fund managers to determine and obtain metrics for disclosure. For our participating fund, current metrics that we have include the geographical locations of our investments, the types of industry we invest in, the carbon intensity (Scope 1 and 2), and carbon footprint (Scope 1 and 2) of the portfolio.

The following graphs show the top 10 components of our participating portfolio by issuer geographical location and industry type.

<u>Participating Fund</u>

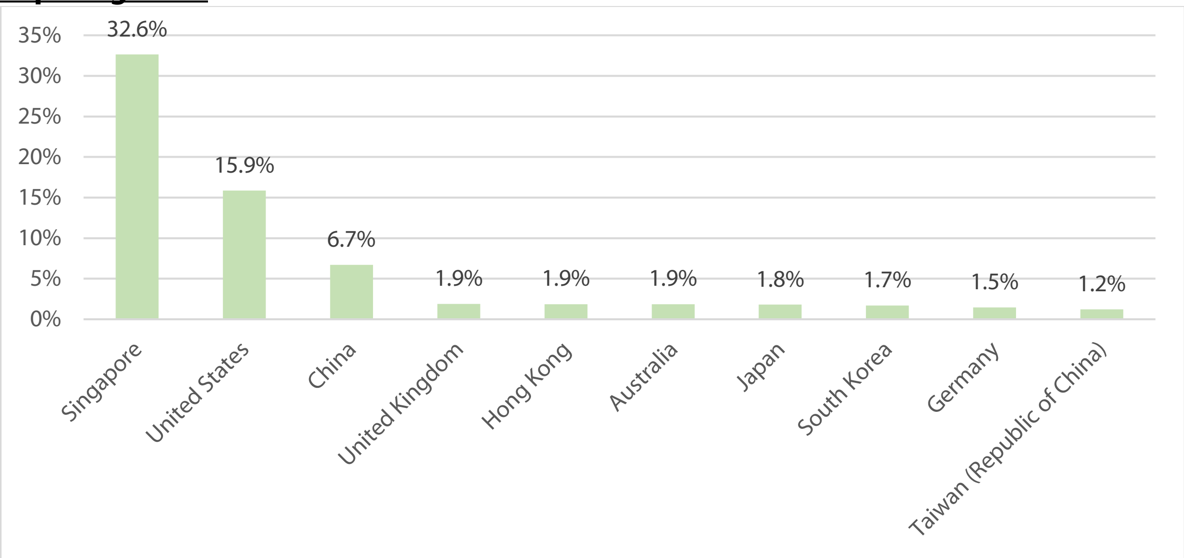


Figure 2 Percentage of NAV by geographical location

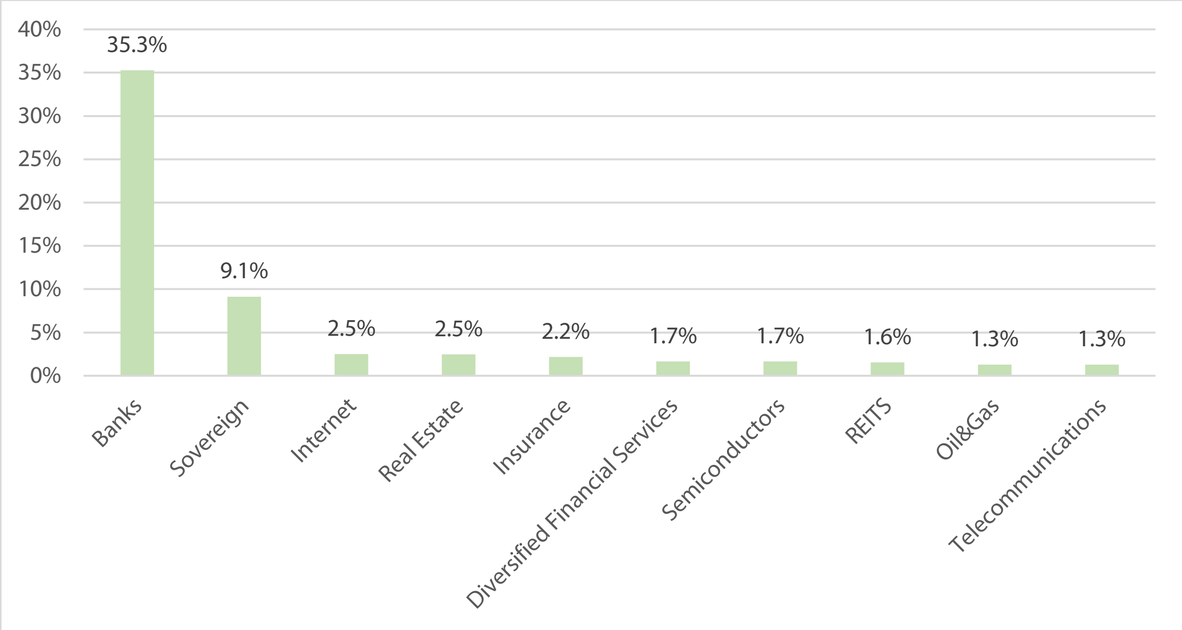
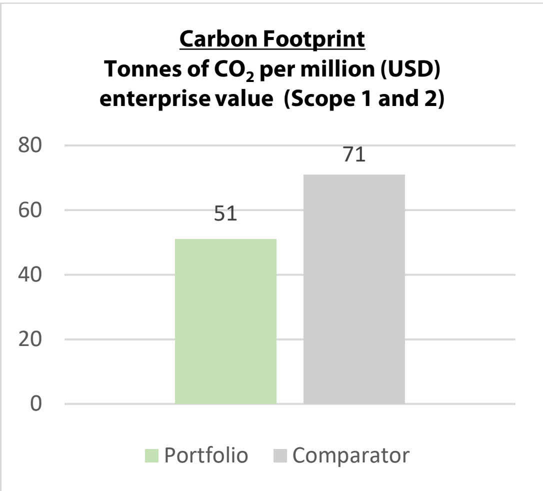
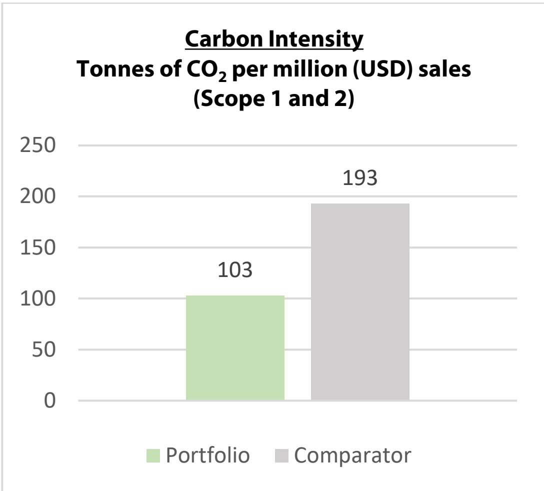


Figure 3 Percentage of NAV by industry[1]

As of 31 December 2022, our portfolio carbon footprint (Scope 1 and 2) was 51 tonnes CO_2e per million (USD) enterprise value, and its carbon intensity (Scope 1 and 2) was 103 tonnes CO_2e per million (USD) sales[2]. Both of our carbon footprint and carbon intensity were below the benchmark Comparator[3].





Non-Participating Fund

We have also obtained similar metrics for our non-participating fund below.

[1] Based on Bloomberg BBGRP (Level 2) Classification

[2] Data is normalised after excluding derivatives and missing data

[3] Comparator data consists of weighted average of MSCI, FTSE and Bloomberg indices with matched weights with Participating Fund

The following graphs show the components of our non-participating portfolio by issuer geographical location and industry type. They are further segregated by sub-account.

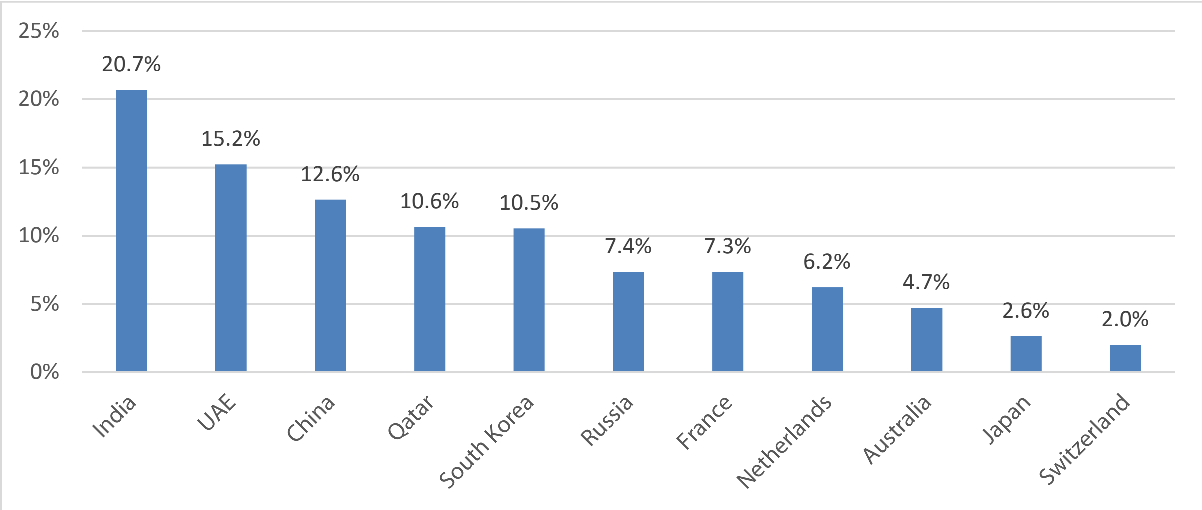


Figure 4 Percentage of NAV by geographical location (RMB denominated sub-account)

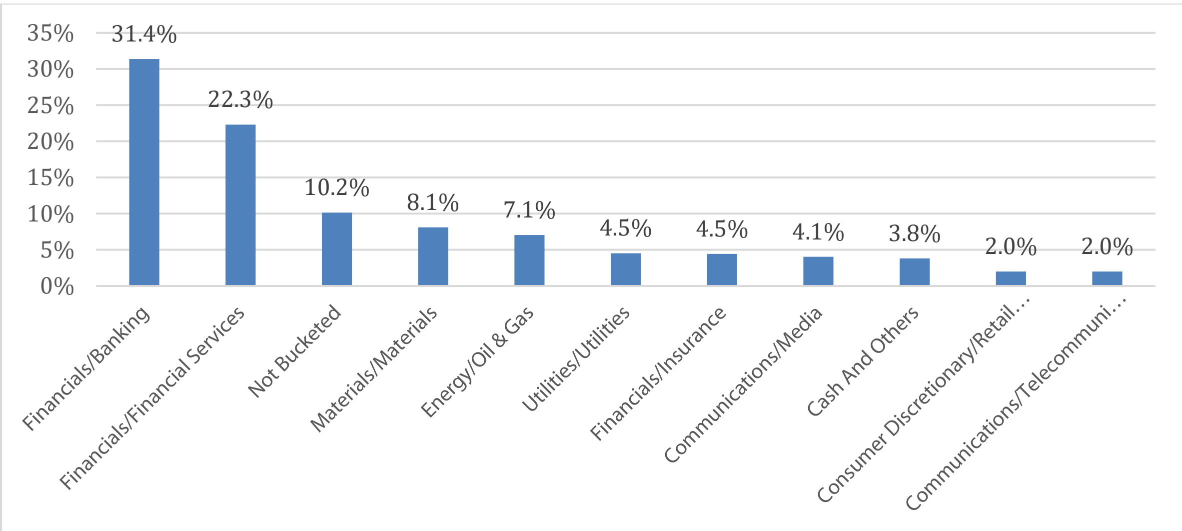


Figure 5 Percentage of NAV by industry[4] (RMB denominated sub-account)

[4] Based on Bloomberg Industry Classification Level 2

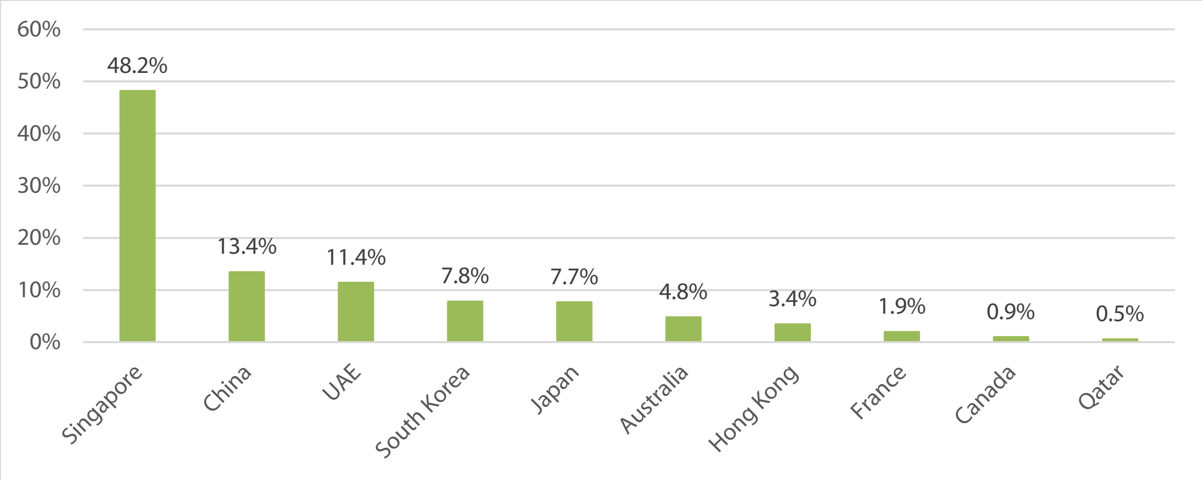


Figure 6 Percentage of NAV by geographical location (SGD denominated sub-account)

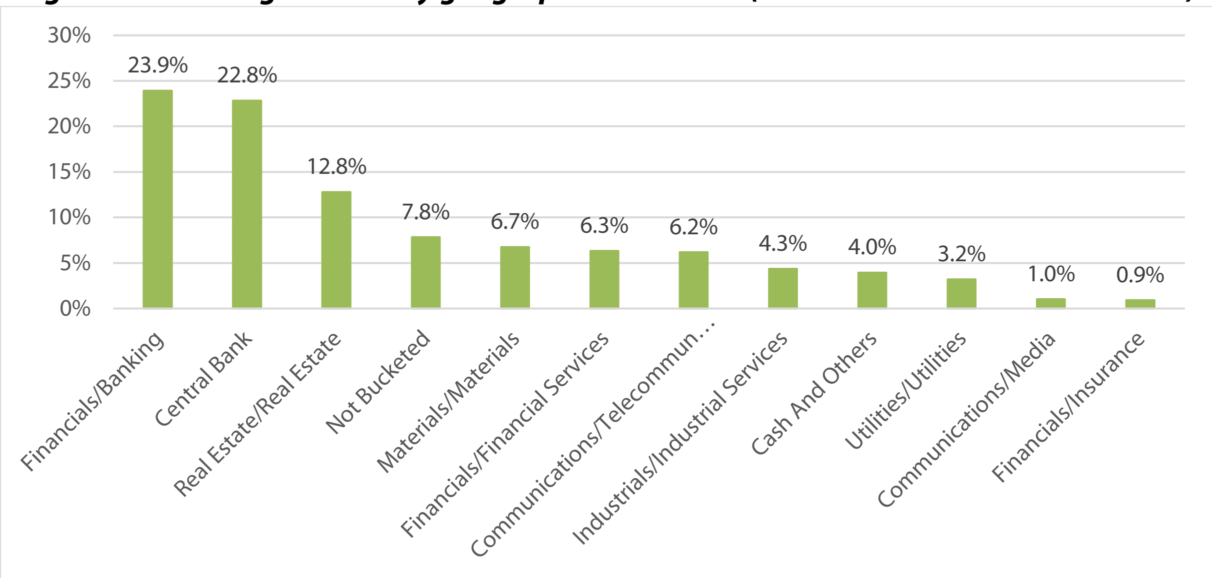


Figure 7 Percentage of NAV by industry[5] (SGD denominated sub-account)

<u>Surplus Fund</u>

The graph below shows the geographical locations and industries that we are invested in.

[5] Based on Bloomberg Industry Classification Level 2

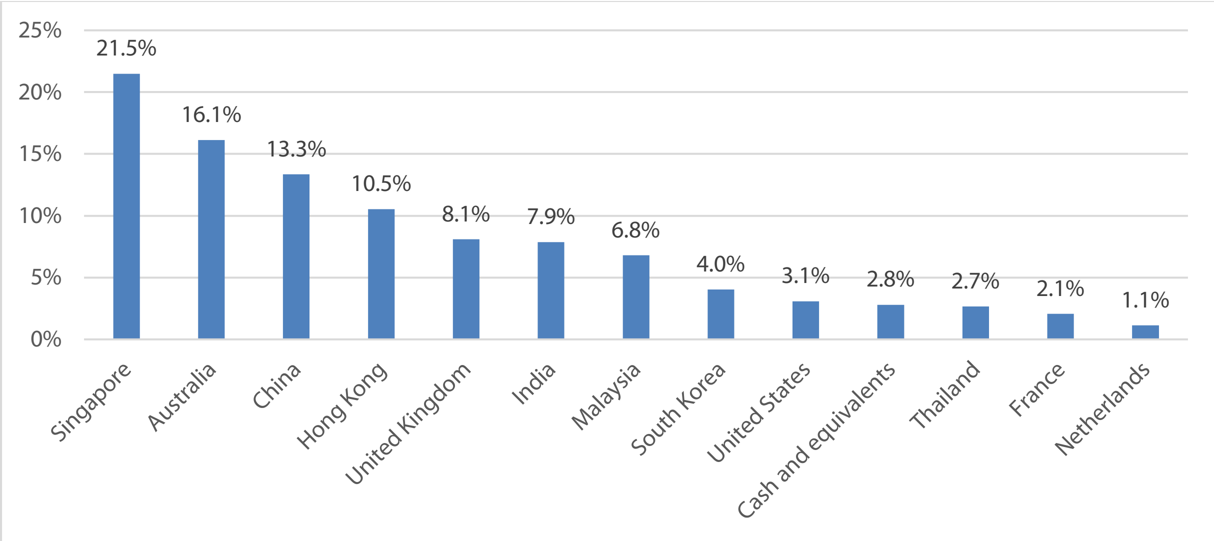


Figure 8 Percentage of NAV by geographical location

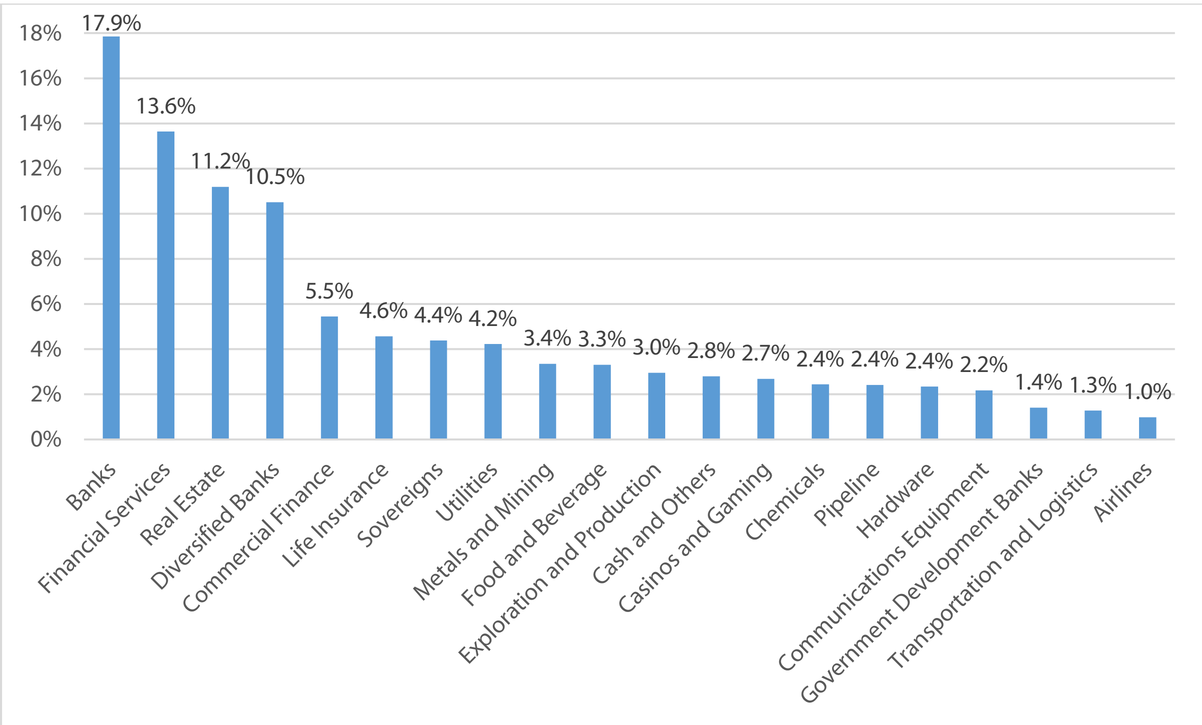


Figure 9 Percentage of NAV by industry[6] (total portfolio)

Industries with possible higher carbon assets include Utilities, Metals and Mining, Exploration and Production, Pipeline, Transportation and Logistics, and Airlines which amount to roughly 15% of our portfolio.

[6] Based on Bloomberg Industry Classification Level 2

Asset-liability Management

We have an asset-liability management ("ALM") process which takes in due consideration of the 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, Insurance (Valuation and Capital) (Amendment) Regulations 2020 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 2022, 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.

Financial Instruments and Other Investments

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.

Sensitivity

The methodology used to determine the level of sensitivity to market variables associated with our investments is set out in our annual financial statements.

Our Investments

Details of information on returns on investment assets and components of such returns are available in our annual financial statements.

Investment Risks

We conduct continuous monitoring of investment risks of our investment portfolios, including currency risk, market risk, credit risk, and concentration risk.

As of the end of 2022, most of our assets were in bonds, with a small portion in equities. The vast majority (more than 90%) of our bonds were investment grade. Our equities exposure was mainly in diversified mutual funds with low concentration risk.

We closely monitor credit risks of bonds and there were no defaults in 2022.

We have developed the Investment Impairment Policy, which sets out the objectives, criteria and steps that we use to carry out investment impairment. This will help identify assets that might have seen a further decline in market value.

Our Investment Limits Policy stipulates the control of concentration risks such as country, industry, currency, etc. All indicators were within the threshold as of the end of 2022.

All external fund managers are required to abide by investment guidelines. The guidelines set the amount of risk that different investment mandates are allowed to have.

We also use derivatives to hedge various risk exposures.

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, returns on investment assets and liquidity risk management strategies, are set out in our annual insurance returns and annual financial statements.

In addition, our Directors have expressed their opinion that the financial statements prepared give a true and fair view of the financial position (as of 31 December 2022) of our Company. All the information is available on the Monetary Authority of Singapore and the Accounting and Corporate Regulatory Authority websites.